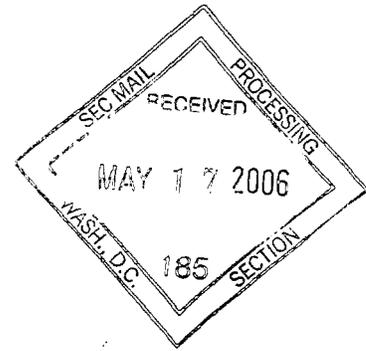


UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

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



RE.
5-1-06

For the month of May 2006

Commission File Number 1-14522

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)

PROCESSED
MAY 24 2006
THOMSON
FINANCIAL

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)

Date: May 16, 2006

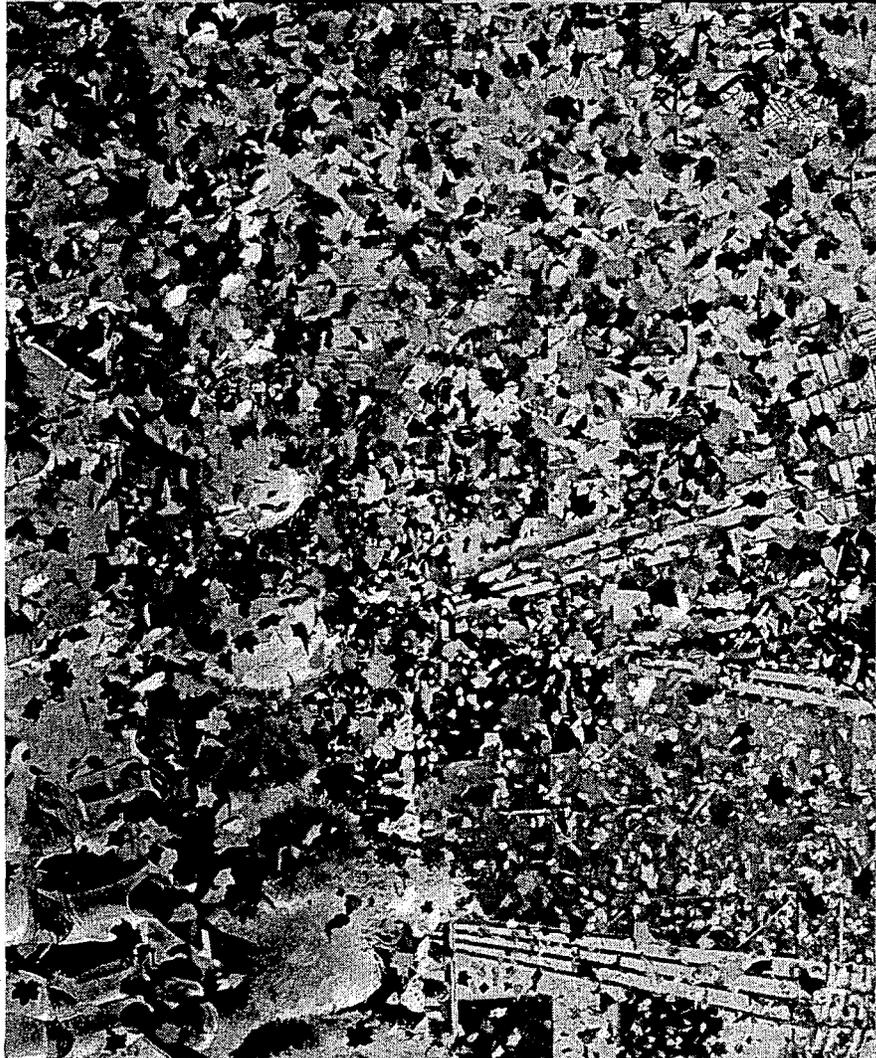
By: _____
Name: Alexander V. Izosimov
Title: Chief Executive Officer and
General Director

Attached is a copy of the 2005 Annual Report of Open Joint Stock Company "Vimpel-Communications" (the "Company"). The Company posted the attached 2005 Annual Report on its website on May 16, 2006 and intends to distribute it to the Company's shareholders on approximately June 12, 2006.

VimpelCom Annual Report

Годовой отчет ВымпелКом

2005

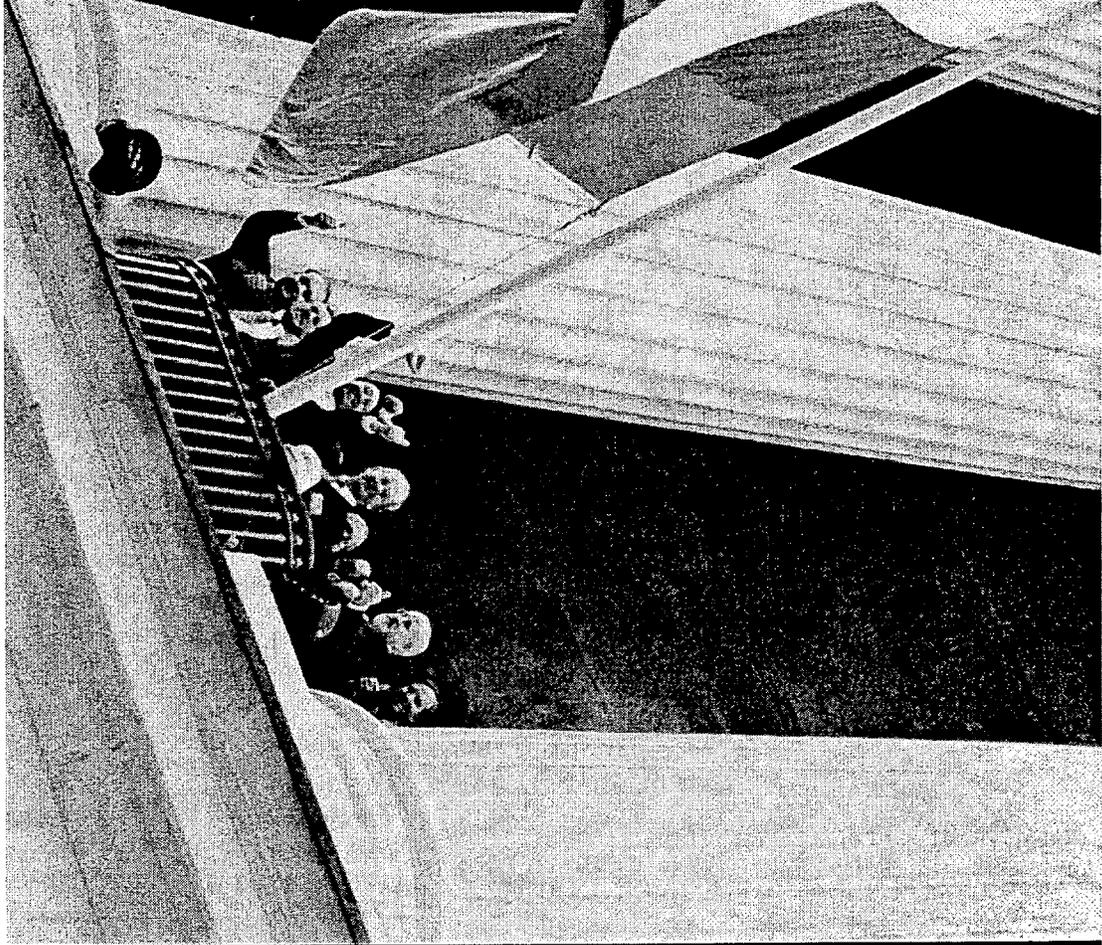


2005
VimpelCom
Annual Report
Годовой отчет
ВымпелКом
Celebrating
our 10th year on NYSE



Contents Содержание

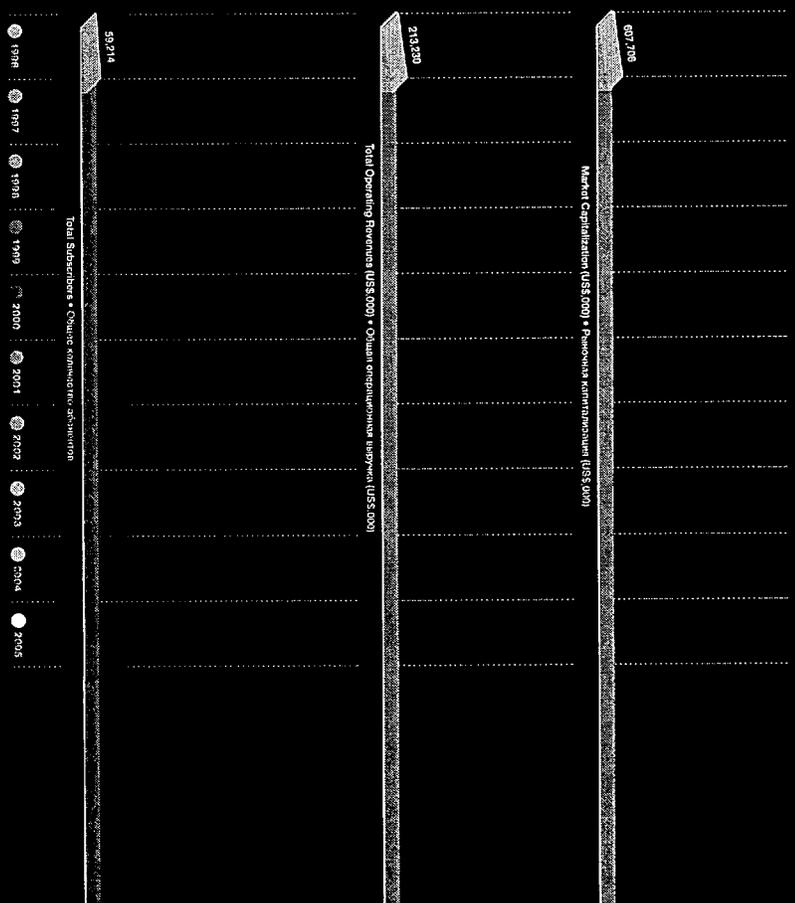
4	Company Profile
9	Информация о компании
8	Financial Highlights
9	Ключевые финансовые показатели
13	Letter to Shareholders
14	Письмо акционерам
19	Growing Confidence and Strength: the Russian Economy
19	Растущее доверие и укрепление российской экономики
22	New Growth Opportunity: the CIS
22	Новые возможности роста в СНГ
23	Executing Business Strategy: Poised for Continued Performance
23	Выполнение бизнес-стратегии: компания готова к дальнейшему росту
27	Pioneering Presence on the World Stage: 10th Year on the NY
27	Пионерская деятельность на международной арене: 10 лет в Нью-Йорке
30	Board of Directors
30	Состав директоров
34	Management Team
34	Состав руководства
38	The Legacy of VimpelCom Founders: Pioneering Spirit
38	Наследие основателей VimpelCom: дух пионерства
42	Corporate Information
42	Корпоративная информация
43	Financial Information
43	Финансовая информация



1996

The Russian flag flying on Wall Street, with VimpelCom and New York Stock Exchange executives celebrating the first listing of a Russian company (November 15, 1996).

Российский флаг на Уолл-стрит. Руководители Вимпелкома и Нью-Йоркской фондовой биржи празднуют приход на биржу первой российской компании (15 ноября 1996 г.).



Company Profile

VimpelCom is a leading international provider of wireless telecommunications services in the Commonwealth of Independent States (CIS) including Russia and Kazakhstan, with newly acquired operations in Ukraine (November 2005), Tajikistan (December 2005) and Uzbekistan (January 2006). The VimpelCom Group's license portfolio currently covers approximately 232 million people. Geographically it covers 18 regions in Russia (representing 94% of Russia's population), as well as the entire territories of Kazakhstan, Ukraine, Tajikistan and Uzbekistan. At the end of 2005 VimpelCom served approximately 45.4 million subscribers, including 43.1 million in Russia and 2.1 million in Kazakhstan.

In 1996, VimpelCom became the first Russian company to list its shares on the New York Stock Exchange ("NYSE"). VimpelCom's ADS are listed on the NYSE under the symbol "VIP".

Consumers throughout Russia and the CIS are familiar with VimpelCom's "Beeline" brand, which is one of the most recognized brand names in Russia. In 2005, Interbrand Group/BusinessWeek ranked Beeline as the #1 Russian brand.

Since its founding in 1992, VimpelCom has been a pioneer in wireless telecommunications in Russia. The Company was the first wireless operator to access the mass market with its innovative "phone in a box" offering. From the outset, VimpelCom has been at the forefront of cutting edge technology and was the first Russian company to introduce commercial EDGE (Enhanced Data Rates for Global Evolution) providing data speeds of up to 200 kbit/sec, GPRS (General Packet Radio Services) and SMS (Multimedia Messaging Services) technologies.

Информация о Компании

ВимпелКом — ведущий международный поставщик услуг беспроводной связи в Содружестве Независимых Государств (СНГ), включая Россию, Казахстан, Украину (ноябрь 2005), Таджикистан (декабрь 2005) и Узбекистан (январь 2006). Портфель лицензий Группы ВимпелКом на сегодняшний день покрывает приблизительно 232 миллиона человек. Географически она охватывает 18 регионов России (представляющих 94% населения России), а также все территории Казахстана, Украины, Таджикистана и Узбекистана. В конце 2005 года ВимпелКом обслуживал приблизительно 45,4 миллиона абонентов, включая 43,1 миллиона в России и 2,1 миллиона в Казахстане.

В 1996 году ВимпелКом стал первой российской компанией, разместившей свои акции на Нью-Йоркской фондовой бирже (NYSE). ADS ВимпелКом торгуются на NYSE под тикером "VIP".

Потребители по всей России и СНГ знакомы с брендом ВимпелКом "Билайн", который является одним из наиболее узнаваемых брендов в России. В 2005 году Interbrand Group/BusinessWeek назвал Билайн лучшим российским брендом.

С момента своего основания ВимпелКом является пионером в сфере беспроводной связи в России. Компания была первой беспроводной оператором, доступным для массового рынка, с ее инновационным предложением "телефон в коробке". С самого начала ВимпелКом была на переднем крае технологий и первой российской компанией, предложившей коммерциализацию технологий EDGE (Enhanced Data Rates for Global Evolution) с максимальной скоростью передачи данных до 200 кбит/сек, GPRS (General Packet Radio Services) и SMS (Multimedia Messaging Services) технологий.

VimpelCom continues to maintain its leading position in providing roaming services. For its traveling customers and foreign visitors in 2005, VimpelCom had live roaming agreements with 508 GSM operators in 188 countries and supported GPRS roaming in 87 countries. VimpelCom was one of the first operators in the world to introduce on-line prepaid roaming and the Company currently provides this service to its subscribers in 48 countries, including most European countries, as well as other countries frequently visited by Russian tourists and businessmen, such as Kazakhstan, Israel, Turkey, Egypt and Thailand.

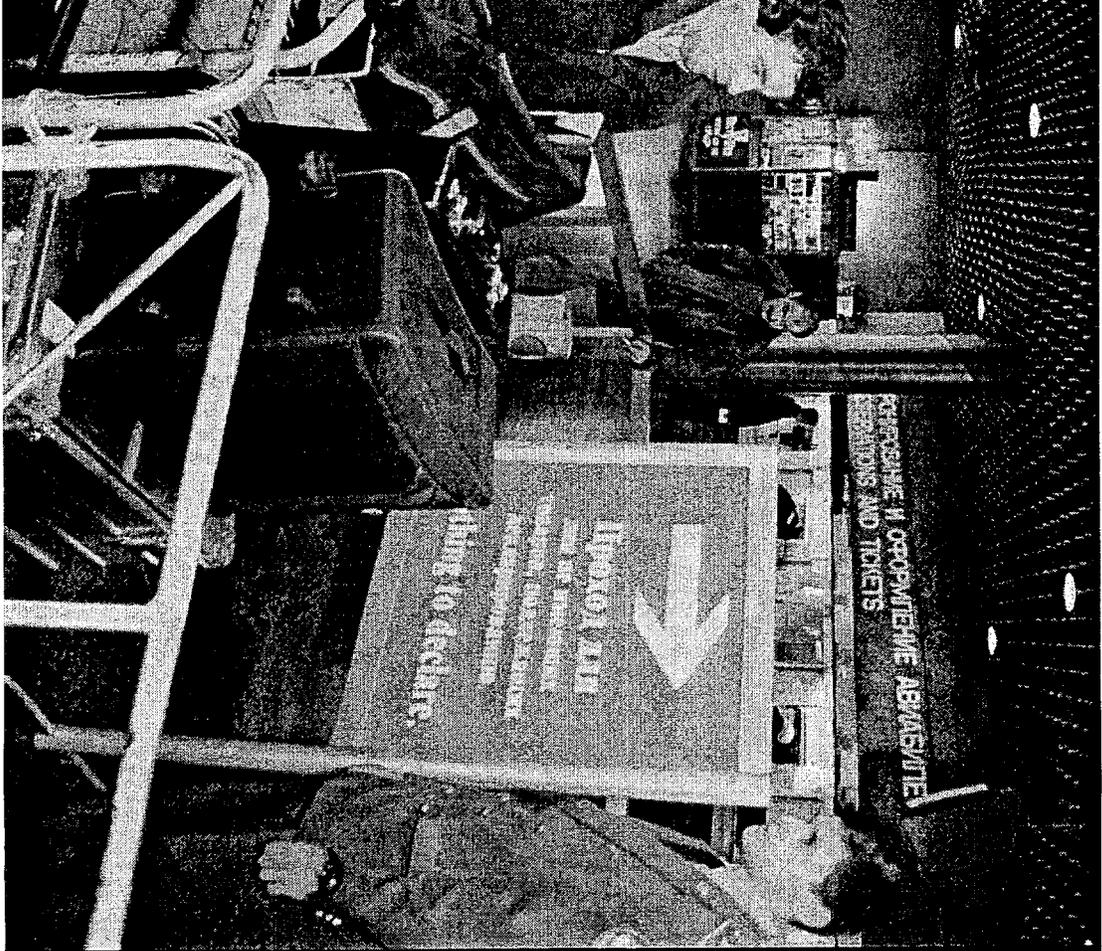
Since its listing on the NYSE, VimpelCom has been a leader in transparency and corporate governance in Russia. The Company takes great pride in being recognized as such by numerous independent institutions and organizations.

For more information on VimpelCom and a description of its corporate governance standards, please visit our website at: www.vimpelcom.com.

ВимпелКом продолжает сохранять свое ведущее положение в предоставлении услуг роуминга. Для своих путешествующих клиентов и иностранных гостей в 2005 году ВимпелКом заключил действующие соглашения с 508 операторами GSM в 188 странах и поддерживал GPRS роуминг в 87 странах. ВимпелКом был одним из первых операторов в мире, предложивших услугу онлайн-предоплаченного роуминга, и компания на сегодняшний день предоставляет эту услугу своим абонентам в 48 странах, включая большинство европейских стран, а также другие страны, которые часто посещают российские туристы и бизнесмены, такие как Казахстан, Израиль, Турция, Египет и Таиланд.

С момента своего размещения на NYSE ВимпелКом является лидером в области прозрачности и корпоративного управления в России. Компания с гордостью признана таковой многочисленными независимыми институтами и организациями.

Для получения дополнительной информации о ВимпелКоме и о стандартах корпоративного управления посетите наш сайт на английском языке по адресу: www.vimpelcom.com.



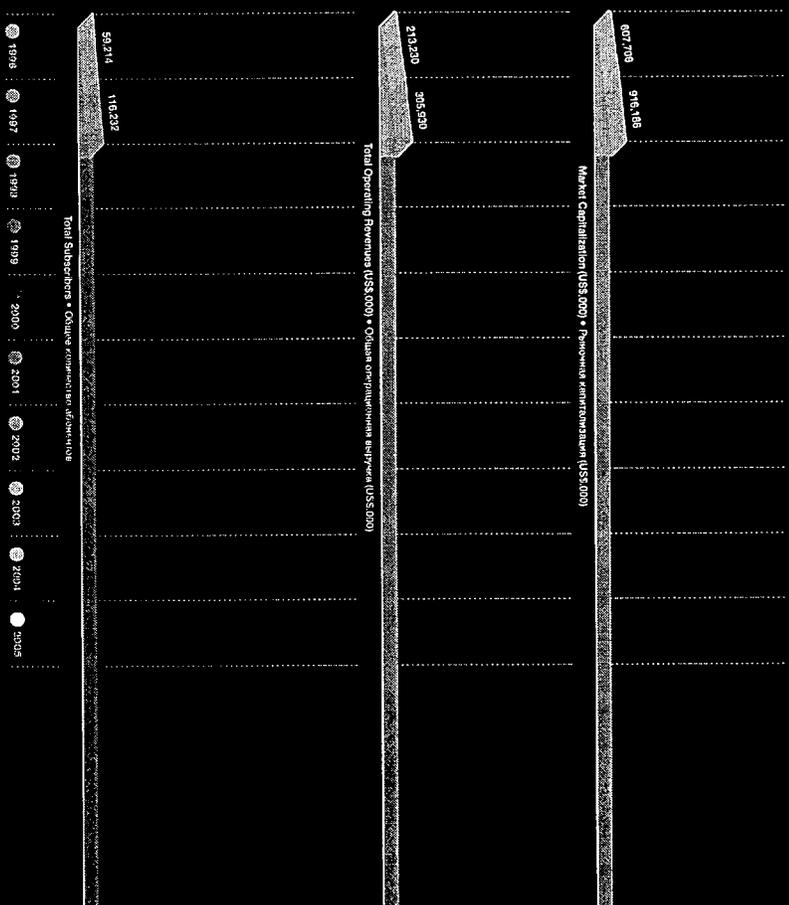
1997

Sheremetyevo Airport makes a "revolutionary" change by adding a fast-track "green corridor" to reduce waiting time at customs.

Photo: Sheremetyevo 2 - the "green corridor" (November 27, 1997)

«Революционная» перемена в аэропорту «Шереметьево-2»: открыт «зеленый коридор», значительно ускоряющий прохождение таможенного досмотра.

Издание: «Шереметьево-2» - «зеленый коридор» (27 ноября 1997 г.)



Total Subscribers * Общая численность подписчиков

1996 1997 1998 1999 2000 2001 2002 2003 2004 2005

Financial Highlights

(in US dollars unless stated otherwise)

	2005	2004	2003
Operating Results			
Total operating revenues	\$ 3,211,518	\$ 2,413,007	\$ 1,929,852
Operating income	978,032	674,166	441,307
% total operating revenues	30.5%	28.0%	23.0%
Net income	812,331	552,336	228,809
% total operating revenues	25.3%	23.0%	11.9%
Net income per common share	\$ 12.05	\$ 8.59	\$ 5.98
Net income per ADS equivalent (1)	\$ 3.01	\$ 2.13	\$ 1.50
Capital Resources & Financial Position			
Cash, cash equivalents and short-term investments	\$ 363,646	\$ 305,857	\$ 157,611
Working capital (deficit)	(457,827)	(127,003)	(167,405)
Property and equipment net	3,211,512	2,314,405	1,536,758
Intangible assets, net (net goodwill)	1,500,799	1,338,305	1,653,186
Total assets	6,300,216	4,786,567	2,281,446
Total debt including current portion	1,998,166	1,561,138	606,997
Total liabilities including minority interest	3,966,487	2,873,108	1,939,797
Total shareholders' equity	\$ 2,740,549	\$ 2,157,133	\$ 987,651

	2005	2004	2003
End of period subscribers			
Russia	43,096,700	25,724,600	11,436,300
Kazakhstan	2,050,300	858,700	n/a
Ukraine	256,800	n/a	n/a
Tajikistan	245,900	n/a	n/a
Total subscribers	45,430,300	26,583,300	11,436,300
Employers (2)	13,900	10,900	7,600
Market share (3)			
Russia	34%	25%	31%
Kazakhstan	37%	n/a	n/a
Ukraine	1%	n/a	n/a
Tajikistan	10%	n/a	n/a

1. On February 27, 2006, we changed the price of our ADSs traded on the New York Stock Exchange from being ADSs for three common shares to five ADSs for one common share.
 2. Based on the number of subscribers and employers including employees in Kazakhstan, Ukraine and Tajikistan.
 3. Source: Company's website and independent sources.

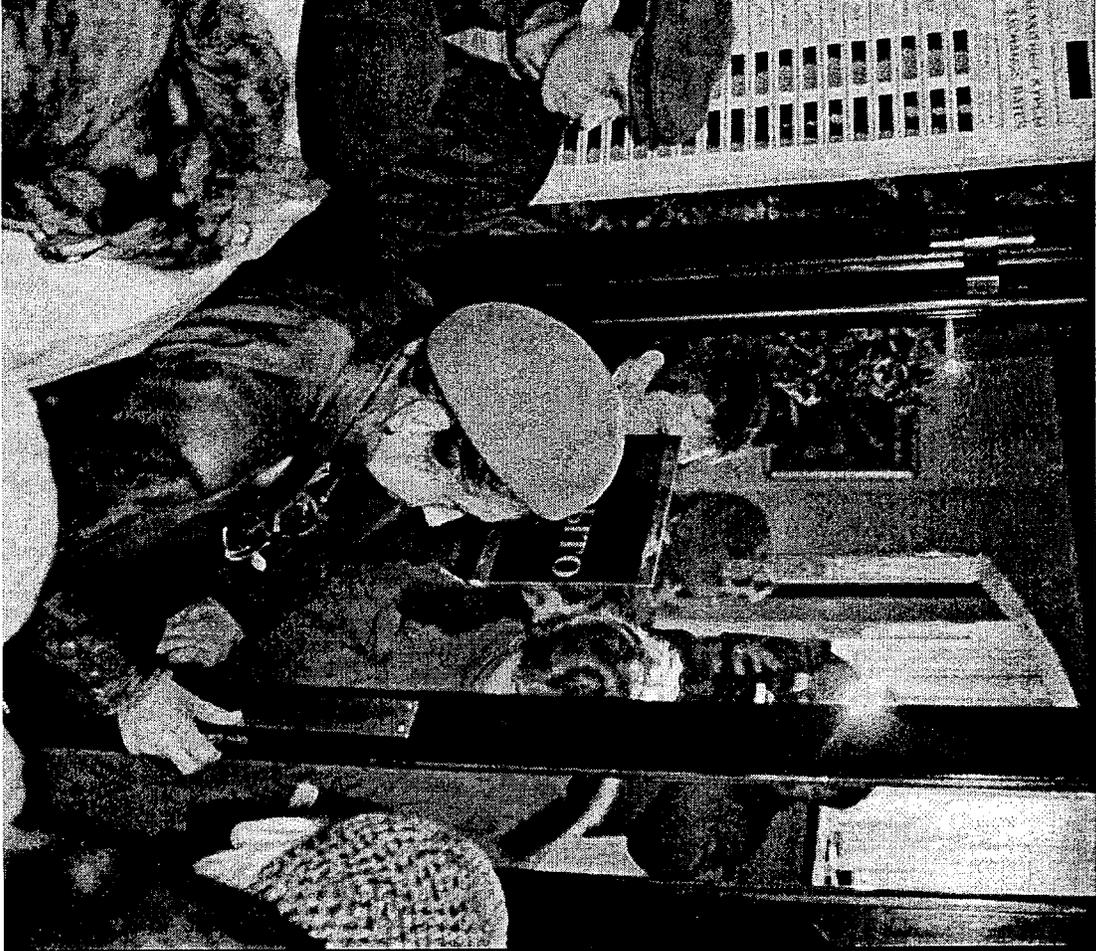
Основные финансовые показатели

(в долларах США, если не указано иное)

	2005	2004	2003
МАК (США)			
Объем операционных доходов	\$ 3 211 518	\$ 2 413 007	\$ 1 929 852
Операционная прибыль	978 032	674 166	441 307
% с общей операционной прибылью	30,5%	28,0%	23,0%
Чистая прибыль	812 331	552 336	228 809
% с общей операционной прибылью	29,4%	16,6%	12,2%
Чистая прибыль на обыкновенную акцию	\$ 12,05	\$ 8,59	\$ 5,98
Чистая прибыль на эквивалент АДС (1)	\$ 3,01	\$ 2,13	\$ 1,50
Финансовое положение			
Денежные средства, их эквиваленты и краткосрочные финансовые вложения	\$ 363 646	\$ 305 857	\$ 157 611
Оборотные средства (дефицит)	(457 827)	(127 003)	(167 405)
Основные средства, нетто	3 211 512	2 314 405	1 536 758
Нематериальные активы, нетто (вкл. goodwill)	1 500 799	1 338 305	1 653 186
Общая сумма активов	6 300 616	4 786 567	2 281 446
Общая задолженность, включая заемность в текущий период	1 998 166	1 561 138	606 997
Общая сумма обязательств, включая долю неаффилированных инвесторов	3 966 487	2 873 108	1 939 797
Собственный капитал	\$ 2 740 549	\$ 2 157 133	\$ 987 651
Субscribers			
Количество абонентов в конце года			
Россия	43 096 700	25 724 600	11 436 300
Казахстан	2 050 300	858 700	n/a
Украина	256 800	n/a	n/a
Таджикистан	245 900	n/a	n/a
Итого абонентов	45 430 300	26 583 300	11 436 300
Количество работодателей (2)	13 900	10 900	7 600
Доля рынка (3)			
Россия	34%	25%	31%
Казахстан	37%	n/a	n/a
Украина	1%	n/a	n/a
Таджикистан	10%	n/a	n/a

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Количество работодателей (2)	13 900	10 900	7 600
Доля рынка (3)			
Россия	34%	25%	31%
Казахстан	37%	n/a	n/a
Украина	1%	n/a	n/a
Таджикистан	10%	n/a	n/a

1. В феврале 2006 года Компания изменила цену своего АДС, торгуемого на Нью-Йоркской фондовой бирже с трех до пяти обыкновенных акций на одну АДС, исходя из соотношения 1:5.
 2. Основано на количестве абонентов и работодателей, включая работников в Казахстане, Украине и Таджикистане.
 3. Источник: данные с сайта www.kaztel.kz и независимые источники.

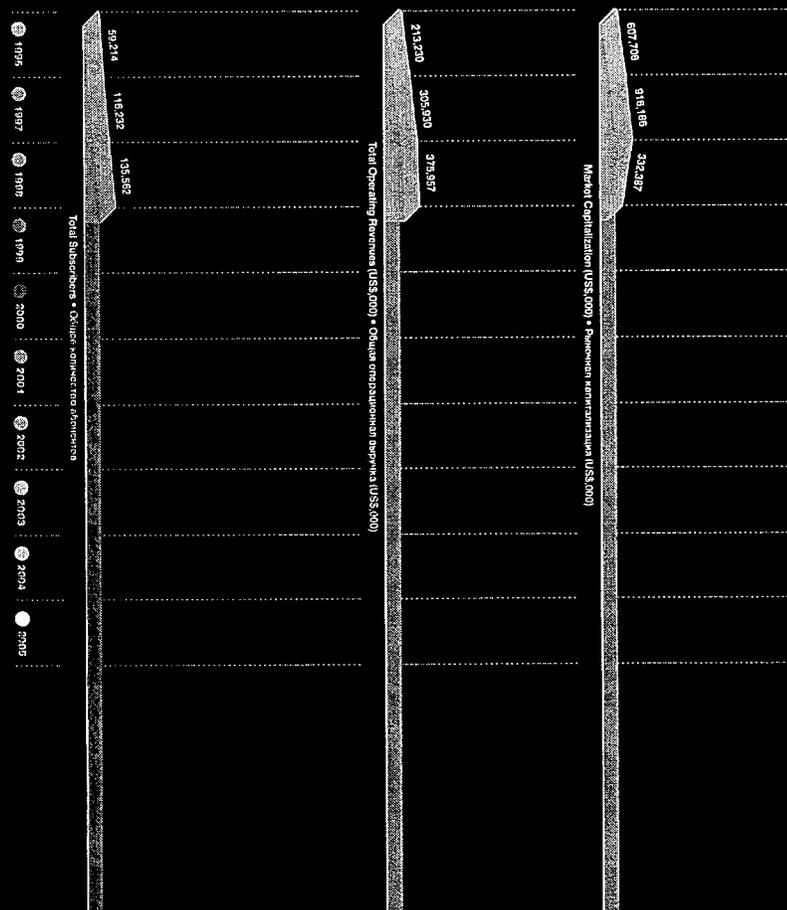


1998

The financial crisis of August 1998 took most people completely by surprise.

Primo, Customers of Incombank transferring their savings to Sberbank (Moscow, October 10, 1998)

Финансовый кризис, произошедший в августе, ошеломил для большинства населения России. Кобылкинских, Н.С. Попова. «Вестник «Известия» передают свои впечатления в Омске» (Москва, 10 октября 1998 г.)





Letter to Shareholders

Dear Shareholders:

2005 was another year of great achievements for VimpelCom. VimpelCom ended 2005 with revenue exceeding \$3 billion, approximately 45.4 million customers, 13.9 thousand employees and a market capitalization of approximately \$9 billion. The Company successfully continued to develop its established operations in Russia and Kazakhstan and entered new markets in the CIS, Ukraine and Kazakhstan in December 2005 and, at the beginning of 2006, Uzbekistan. VimpelCom has become a major Russian-based international company operating in five countries and is poised for continued rapid growth as it develops its footprint throughout the CIS.

2005 Financial Highlights

From a financial perspective, we'd like to highlight the following accomplishments in 2005:

- VimpelCom reported total operating revenues of \$3,211.1 million, a 52.0% increase from 2004.
- Value added services (VAS) generated approximately \$156.0 million, a 65.1% increase from 2004. We note it as a positive development that our VAS revenues were growing faster than total operating revenues.
- Operating income before depreciation and amortization (OIBDA)* was approximately \$1,571.3 million, a 53.0% increase from 2004.
- OIBDA margin reached 48.2%, compared to 46.0% reported for 2004.
- VimpelCom generated approximately \$65.1 million, a 75.6% increase from 2004, in free cash flow.
- Net income reached approximately \$1,298.2 million in operating cash flows, a 61.2% increase from 2004.
- As of December 31, 2005, VimpelCom's balance sheet was strong, with the debt-to-equity ratio at 0.7.

We note with satisfaction that our OIBDA, net income and net cash from operating activities grew faster in 2005 than our total operating revenues. We believe this to be the result of our continuing focus on strict cost control and our effective utilization of economies of scale.

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

Письмо к акционерам

Уважаемые акционеры:

2005 год стал еще одним годом больших достижений для нашей компании. Мы завершили 2005 год с выручкой, превышающей 3 миллиарда долларов, 13,9 тысячи сотрудников и капитализацией в 9 миллиардов долларов. Компания успешно продолжила развитие своих существующих операций в России и Казахстане и вошла на новые рынки в Узбекистане и в начале декабря 2005 года в Казань. VimpelCom стал ведущим международным предприятием, работающим в пяти странах и готовым к дальнейшему быстрому развитию по всей территории СНГ.

Основные финансовые показатели 2005 года

С финансовой точки зрения мы хотели бы выделить следующие достижения 2005 года:

- VimpelCom отчитался о совокупных доходах в размере 3,211,1 миллиона долларов, что на 52,0% превышает показатели 2004 года.
- Доходы от предоставления услуг добавленной стоимости (УАС) выросли на 65,1% по сравнению с 2004 годом. Мы отмечаем это как положительное развитие, поскольку доходы от УАС росли быстрее, чем общие доходы от предоставления услуг.
- Операционная прибыль до амортизации и износа (ОИВД)* составила 1,571,3 миллиона долларов, что на 53,0% превышает показатели 2004 года.
- ОИВД-маржа достигла 48,2%, по сравнению с 46,0% в 2004 году.
- VimpelCom генерировал 65,1 миллиона долларов в свободном денежном потоке, что на 75,6% превышает показатели 2004 года.
- Чистый доход составил 1,298,2 миллиона долларов в операционном денежном потоке, что на 61,2% превышает показатели 2004 года.
- На 31 декабря 2005 года баланс VimpelCom был сильным, с соотношением долга к капиталу в 0,7.

Мы отмечаем с удовлетворением, что ОИВД, чистый доход и чистый денежный поток операционной деятельности росли быстрее, чем общие операционные доходы. Мы считаем, что это является результатом нашего постоянного внимания к жесткому контролю затрат и эффективному использованию эффекта масштаба.

* Сопоставление ОИВД VimpelCom и ОИВД-маржи с наиболее сопоставимыми показателями по U.S. GAAP финансовым показателям представлено в разделе "Выбранные консолидированные финансовые данные".

Our Strategy

currently operates in Russia, three countries of Central Asia – Tajikistan and Uzbekistan – and Ukraine. Vimpelcom's success in these countries, Russia, with its almost 90% SIM card penetration, can be considered a mature market except for a number of less developed regions. Tajikistan and Uzbekistan are at an early phase of development of mobile communications with only 3-4% penetration rates. In 2005, we started to gradually shift our strategy in Russia to focus on subscriber growth to revenue growth by focusing on increasing loyalty and stimulation greater usage of voice and non-voice services. We launched a re-branding program which made our "Beeline" brand more vivid and attractive to our customers. The success of these programs can be seen by the fact that according to independent research our market share increased in 2005 by approximately 2 percentage points while our SIM card market share virtually remained flat.

In Russia, our strategy in the other countries of the CIS where we currently operate is to focus on subscriber growth. We believe we are well positioned to maximize subscriber growth in these countries by utilizing our expertise in the CIS market over the past five years, when we have successfully completed several phases of mobile market development.

Forward in Key Markets

represents a special case among all the countries of the CIS. Due to its population, economy and growth potential, Ukraine currently represents approximately half of the CIS telecommunication market. Russia, Ukraine is therefore a very attractive market for us and we believe that similarities in the language, culture, history and economic

Україна є особливим випадком серед усіх країн Східної Європи, з огляду на її велику кількість населення, економіку та потенціал зростання. Україна сьогодні представляє приблизно половину ринку телекомунікацій в країнах Східної Європи. Україна, Росія є дуже привабливим ринком для нас, і ми вважаємо, що подібності в мові, культурі, історії та економічних

Reasons for our success in Ukraine

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conditions between Russia and Ukraine should contribute to Vimpelcom's success in this market.

Vimpelcom entered the Ukrainian market through its acquisition of CSC Ukrainian Radio Systems ("URS"), a start-up GSM operator. Management believes that the acquisition of URS was an important strategic development that allowed the company to create a foothold in a significant market.

Discussions around Vimpelcom's entry into Ukraine strained relations between Telcel and Alfa Group, our two largest shareholders. This conflict resulted in litigation by Telcel against Vimpelcom and has, at times, had a negative impact on the ability of our Board of Directors to reach consensus on important matters. We hope that both sides will be able to settle their differences in the near future and will work constructively for the interests of all Vimpelcom shareholders.

Investing in Our Development

In 2005, Vimpelcom made capital investments in network development, infrastructure and support systems in the amount of approximately \$1,635.3 million. In addition, we spent approximately \$324.5 million in acquisitions. To help finance these activities and, partially, to refinance debt during 2005 Vimpelcom placed bonds in the international markets totaling \$300 million. The company has also signed several credit agreements with banks, including two syndicated loans in the amount of \$675 million. At the same time, approximately 80% of the financing of organic growth was covered by Vimpelcom's own operating cash and our company maintains a strong balance sheet with the debt to equity ratio at 0.7 and debt to EBITDA ratio at 1.3 at the end of 2005.

Delivering Returns to Shareholders

Vimpelcom's ADS price increased in 2005 by approximately 27%, from \$34.8 at the end of 2004 to \$44.2 at the end of 2005.

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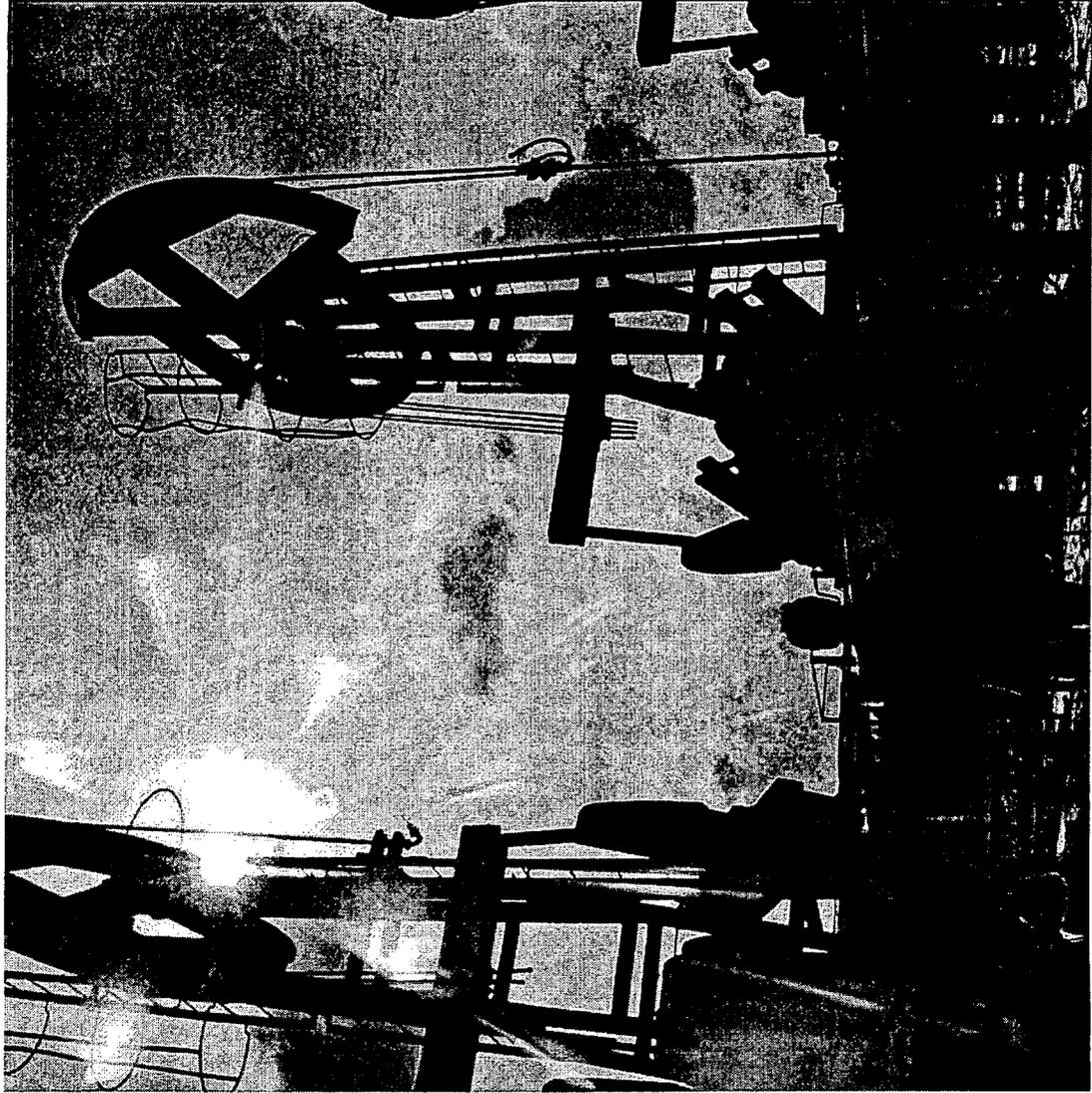
Investing in Our Development

В 2005 році компанія зробила капітальні інвестиції в мережу, інфраструктуру та системи підтримки на суму приблизно 1,635,3 мільйонів доларів. Крім того, ми витратили приблизно 324,5 мільйонів доларів на придбання. Щоб допомогти фінансувати ці діяльності та, частково, рефінансувати борг протягом 2005 року, компанія випустила облігації на міжнародних ринках загальною сумою 300 мільйонів доларів. Компанія також підписала кілька кредитних угод, включаючи дві синдиковані позики на суму 675 мільйонів доларів. В той же час приблизно 80% фінансування органічного зростання було покрито власними операційними грошима, і компанія зберігає сильний баланс ліквідності з відношенням боргу до капіталу на рівні 0,7 та відношення боргу до EBITDA на рівні 1,3 на кінець 2005 року.

Delivering Returns to Shareholders

Ціна акцій Vimpelcom зросла в 2005 році приблизно на 27%, з \$34,8 на кінець 2004 року до \$44,2 на кінець 2005 року.

Україна є особливим випадком серед усіх країн Східної Європи, з огляду на її велику кількість населення, економіку та потенціал зростання. Україна сьогодні представляє приблизно половину ринку телекомунікацій в країнах Східної Європи. Україна, Росія є дуже привабливим ринком для нас, і ми вважаємо, що подібності в мові, культурі, історії та економічних



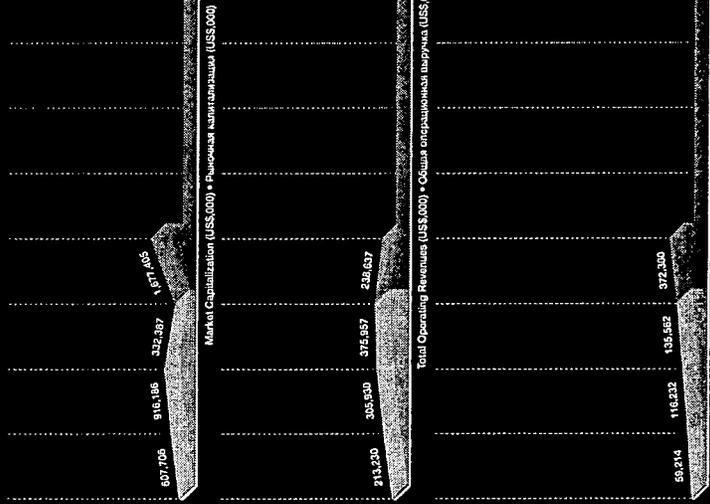
1999

Russia is producing 304.8 million tons of oil and becoming a major oil supplier to the world.

Photo: Kichinshovs oil deposit (Yamalo-Nenets region, June 9, 1999)

В России добыто 304,8 млн. тонн нефти: страна становится одним из крупнейших мировых производителей нефти.

Из снимка: месторождение нефти Кичиншова (Ямало-Ненецкий округ, июнь 1999 г.)



Total Subscribers • Общее количество абонентов

- 1988
- 1989
- 1990
- 1991
- 1992
- 1993
- 1994
- 2000
- 2001
- 2002
- 2003
- 2004
- 2005
- 2006
- 2007
- 2008

United Leadership

as in years past, Vimpelcom and its senior managers were honored as being among the best in Russia in various nominations by respected and independent international and Russian institutions. We are particularly proud of being named the "Best Telecoms Company in the World" by Global Finance Magazine and Best Investor Relations (IR Magazine) by Global Finance Business Week and Best Investor Relations (IR Magazine).

pleased to report that management successfully fulfilled its plans for 2005. While our plans for 2006 are even more ambitious, we believe that our Company is well positioned to achieve the goals we have set for the coming year, which will further strengthen our position as a premier Russian and international wireless communications company.


Alexander Isoltsov
Chief Executive Officer

В 2005 году крупнейший российский оператор сотовой связи Vimpelcom успешно выполнил свои планы на 2005 год. Хотя наши планы на 2006 год еще более амбициозны, мы считаем, что наша компания хорошо подготовлена к достижению целей, которые мы поставили перед собой на предстоящий год, что позволит нам укрепить свое положение в качестве ведущей российской и международной компании в сфере беспроводной связи.

Мы рады сообщить, что руководство компании успешно выполнило свои планы на 2005 год. Хотя наши планы на 2006 год еще более амбициозны, мы считаем, что наша компания хорошо подготовлена к достижению целей, которые мы поставили перед собой на предстоящий год, что позволит нам укрепить свое положение в качестве ведущей российской и международной компании в сфере беспроводной связи.


Alexander Isoltsov
Chief Executive Officer


Alexander Isoltsov
Chief Executive Officer

**Growing Confidence and Strength:
the Russian Economy**

In 2005, approximately 95% of Vimpelcom's operating revenue came from Russia. We believe that Russia will remain the largest revenue generator for Vimpelcom for the foreseeable future. As such, the continued growth of the Russian economy is important for the wellbeing of our Company. We expect that in the long term, the combination of a well educated populace and Russia's vast natural resources will strengthen Russia's economic status. In the short-to-medium term, Russia's economic growth will come predominantly from its position as one of the world's leading energy suppliers.

Growing demand for oil and gas coupled with instability in the Middle East and other oil producing regions continued the sharp increase in oil prices in 2005. As a major supplier of oil and gas, the Russian economy benefited greatly from this growth. During 2005, the reserves of the Central Bank of Russia grew by approximately 46%, reaching \$182 billion, while the external trade balance was \$120 billion compared to \$87 billion reported in 2004. GDP grew by 6.4% and real wages (after obligatory payments and inflation adjustment) rose by approximately 10% in 2005. Russia's growing financial strength resulted in an upgrade of its credit rating by Moody's (from Ba3/Stable to Ba2/Stable) and Standard & Poor's (from B1+/Stable to B1B/Stable) to solid investment grade.

At the same time, there are sizeable groups of the population, particularly employees of state-owned enterprises and pensioners who did not benefit enough from the economic growth of the past six years. In response to this problem, President Putin announced four national projects covering health, education, housing and agriculture. The projects are designed to reduce poverty and improve the living standards of millions of Russians. The projects are scheduled to be implemented in the next couple of years and if successful in their goals, should help further the advancement of the consumer society in Russia. Vimpelcom believes this should benefit consumer-oriented industries, including mobile communications.

**Растущая уверенность и мощь:
экономика России**

В 2005 году приблизительно 95% операционного дохода оператора Vimpelcom приходило из России. Мы считаем, что Россия останется самым крупным источником дохода для нашей компании в обозримом будущем. Поэтому дальнейший рост экономики России важен для благополучия нашей компании. Мы ожидаем, что в долгосрочной перспективе сочетание хорошо образованного населения и огромных природных ресурсов России усилит ее экономический статус. В краткосрочной и среднесрочной перспективе экономический рост России будет происходить преимущественно за счет ее позиции в качестве одного из ведущих мировых поставщиков энергии.

Растущий спрос на нефть и газ в сочетании с нестабильностью в Ближнем Востоке и других регионах, производящих нефть, продолжил острый рост цен на нефть в 2005 году. Поскольку Россия является одним из крупнейших поставщиков нефти и газа, ее экономика получила значительную выгоду от этого роста. В течение 2005 года резервы Центрального банка России выросли примерно на 46%, достигнув \$182 млрд, в то время как торговый баланс составил \$120 млрд по сравнению с \$87 млрд в 2004 году. ВВП вырос на 6,4%, а реальные заработные платы (после обязательных платежей и с поправкой на инфляцию) выросли примерно на 10% в 2005 году. Улучшение финансового положения России привело к повышению рейтинга кредитоспособности Moody's (с Baa3/Стабильно до Baa2/Стабильно) и Standard & Poor's (с B1+/Стабильно до B1B/Стабильно) до уровня надежных инвестиций.

В то же время существуют значительные группы населения, в частности работники государственных предприятий и пенсионеры, которые не получили достаточной выгоды от экономического роста за последние шесть лет. В ответ на эту проблему президент Путин объявил четыре национальных проекта, касающихся здравоохранения, образования, жилищного строительства и сельского хозяйства. Эти проекты предназначены для снижения уровня бедности и улучшения уровня жизни миллионов россиян. Проекты запланированы на ближайшие несколько лет, и если они будут успешными в достижении своих целей, должны помочь дальнейшему развитию потребительского общества в России. Vimpelcom считает, что это должно принести пользу отраслям, ориентированным на потребителей, включая мобильную связь.



2000

Vladimir Putin wins the March 26 presidential elections.
 Photo: Counting votes at one of the polling stations
 (Vokzalatrabug, March 27, 2000)

26 марта прошился выборы Президента Российской Федерации, на которых победил В. В. Путин.
 Из снимков: Подсчет голосов в одном из избирательных участков
 (Вокзальтрабуг 27 марта 2000 г.)

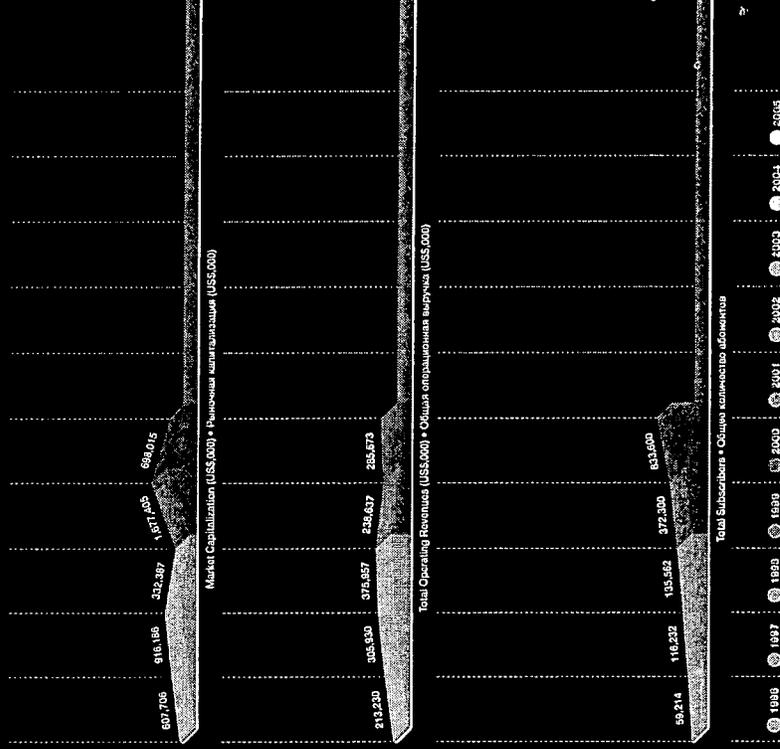


Табл. Subscribers • Общее количество абонентов

New Growth Opportunity: the CIS

Возможности нового роста: СНГ

has close economic, cultural and historical ties to the other states of the CIS. Hence it is natural for Russian companies, and in particular for the telecom sector, to see the CIS as an area for expansion, as they can more easily adapt to local conditions. Given our background, we are confident that the similarities with the Russian market will result in our profitable expansion throughout the region.

certain cultural and historical similarities, the countries of the CIS are unique in the size of their territory, population and in the amount of natural resources they possess. Their economies also differ from each other in terms of the level of industrialization, productivity, education of the workforce and, consequently, in terms of GDP per capita and disposable income.

The CIS countries have a sufficient base from which they may develop a stable economic growth and improvements in the standard of living. Growth in GDP in these countries in recent years was in the range 5-10%. Growth in mobile communications was much higher, reflecting the fact that mobile phone usage has become more widely accepted in these countries. The countries of the CIS also have varying levels of fixed-line/SIM card penetration rates – Tajikistan and Uzbekistan's penetration rates range between 3% and 4%, the penetration rates in Kazakhstan, Armenia and Azerbaijan are approximately 20%, Kazakhstan's and Armenia's penetration rates are around 40%, Ukraine's penetration rate is 45% and Russia now has close to 90% penetration.

Company currently has operations in five countries of the CIS – Russia, Ukraine, Tajikistan, Ukraine and Uzbekistan – and we are looking for other opportunities in other CIS countries. As the economies of the CIS continue to develop, we believe that there is great potential for growth in the region through a combination of subscriber growth and increased usage of fixed-line communications.

Важно отметить тесные экономические, культурные и исторические связи России с другими государствами СНГ. Поэтому естественно для российских компаний, и в частности для телекоммуникационной отрасли, видеть в СНГ область для расширения, так как они могут более легко адаптироваться к местным условиям. Учитывая наш опыт, мы уверены, что сходства с российским рынком позволят нам успешно развиваться по всей территории региона.

Некоторые культурные и исторические сходства, страны СНГ уникальны по размеру территории, численности населения и количеству природных ресурсов, которыми они обладают. Их экономика также отличается друг от друга в зависимости от уровня индустриализации, производительности, уровня образования рабочей силы и, следовательно, в зависимости от ВВП на душу населения и располагаемого дохода.

Страны СНГ имеют достаточную базу, с которой можно обеспечить устойчивый экономический рост и улучшение стандарта жизни. Темпы роста ВВП в этих странах за последние годы составили 5-10%. Темпы роста в телекоммуникациях были значительно выше, что свидетельствует о том, что использование мобильных телефонов стало более распространенным в этих странах. Страны СНГ также имеют различные уровни проникновения фиксированной телефонии и карт SIM – Таджикистан и Узбекистан имеют показатели проникновения в диапазоне 3-4%, показатели проникновения в Казахстане, Армении и Азербайджане составляют около 20%, в Казахстане и Армении – около 40%, в Украине – около 45%, а в России сейчас достигают 90%.

Компания в настоящее время осуществляет деятельность в пяти странах СНГ – России, Украине, Таджикистане, Украине и Узбекистане – и мы ищем другие возможности в других странах СНГ. Поскольку экономика стран СНГ продолжает развиваться, мы считаем, что существует огромный потенциал для роста в этом регионе благодаря сочетанию роста числа абонентов и увеличения использования услуг фиксированной связи.

Executing Business Strategy: Poised for Continued Performance

Реализация стратегии: Поиски успеха на будущее

Vimpelcom has successfully adjusted its strategy to the changing conditions in the Russian market. During 2005, SIM card penetration in Russia grew from 51.2% to 86.6%. The market in Russia is approaching saturation and, as such, has become a mature market in a majority of the regions where we operate. In light of this, the Company made appropriate changes in executing its strategy in Russia. First, we changed our focus from subscriber growth to subscriber loyalty and retention; second, we shifted from an emphasis on SIM card market share to revenue market share; and finally, we decided to concentrate less on "subscribers" and instead focus more on "active subscribers," whom we define as those who made a chargeable transaction in the past three months.

These changes in focus had the desired effect: the Company increased revenue market share in Russia (by 2 percentage points according to independent research) and improved profitability both on the OIBDA and net income levels.

In terms of geographical expansion, Vimpelcom has been very successful in the countries of the CIS. In addition to Kazakhstan, where Vimpelcom began operating in September 2004, Vimpelcom now operates in Ukraine, Tajikistan and Uzbekistan. The total population of our licensed territories in the CIS outside of Russia increased more than sixfold in just one year and is now approximately 96 million, compared to approximately 15 million at the end of 2004.

In Russia, Vimpelcom operates in 78 out of 89 regions. However, the Company still does not have a regional license for the Far East super-region, which contains 15 regions. During the past two years, we have acquired two telecommunications companies in the Far East, including a company in Sakhalin in July 2005. Due to these acquisitions, we now operate in 4 of the 15 regions in the Far East super-region. In 2006, Vimpelcom will continue to work with the regulator to receive an operating license and increase our presence in the Far East super-region.

The quality of wireless services continues to be increasingly important in the telecommunications industry particularly in well penetrated markets where non-voice services are becoming significant. One of the major factors behind our success in 2005 has been a growing awareness among our

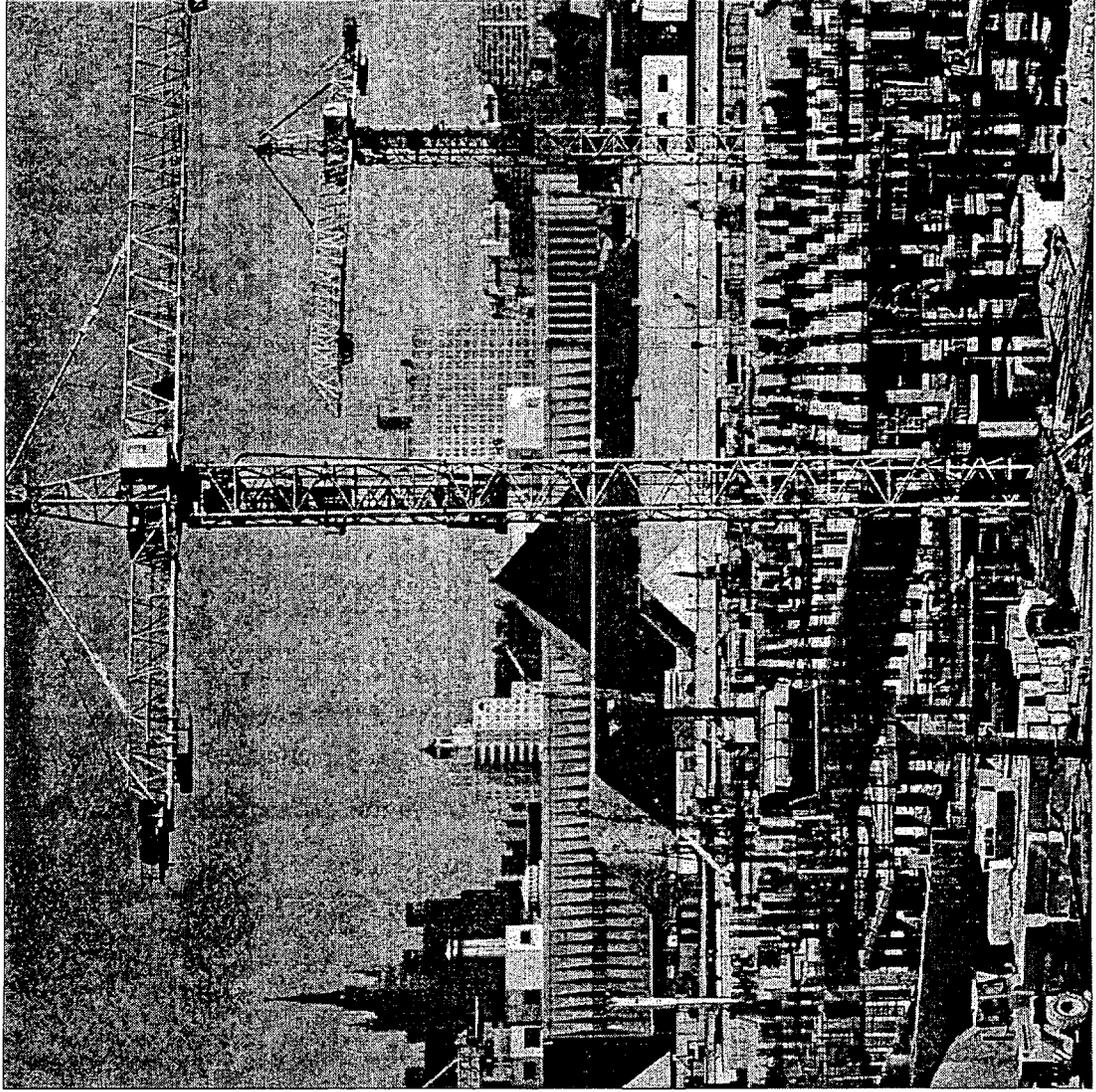
клиентов повышенного качества услуг связи. В последние годы этот рынок достиг стадии зрелости, и, следовательно, в большинстве регионов, где мы работаем, рынок стал зрелым. В свете этого компания изменила стратегию в России. Во-первых, мы сместили фокус с роста числа абонентов на лояльность и удержание абонентов; во-вторых, мы перешли от акцента на долю рынка карт SIM к доле рынка доходов; и, наконец, мы решили уделять меньше внимания "абонентам" и больше – "активным абонентам", которых мы определяем как тех, кто совершил платимую транзакцию в последние три месяца.

Эти изменения в стратегии привели к желаемому результату: компания увеличила долю рынка доходов в России (на 2 процентных пункта по данным независимых исследований) и улучшила прибыльность как по OIBDA, так и по чистой прибыли.

В отношении географического расширения, компания была очень успешна в странах СНГ. Кроме Казахстана, где компания начала работу в сентябре 2004 года, она теперь работает в Украине, Таджикистане и Узбекистане. Общее население наших лицензированных территорий в СНГ за пределами России выросло более чем в шесть раз за один год и достигло почти 96 миллионов человек, по сравнению с 15 миллионами в конце 2004 года.

В России компания работает в 78 из 89 регионов. Однако, компания пока не имеет региональной лицензии на Дальнем Востоке, который включает в себя 15 регионов. За последние два года мы приобрели две телекоммуникационные компании на Дальнем Востоке, включая компанию на Сахалине в июле 2005 года. Благодаря этим приобретениям, мы теперь работаем в 4 из 15 регионов Дальнего Востока. В 2006 году компания будет продолжать работать с регулятором, чтобы получить лицензию и увеличить свое присутствие на Дальнем Востоке.

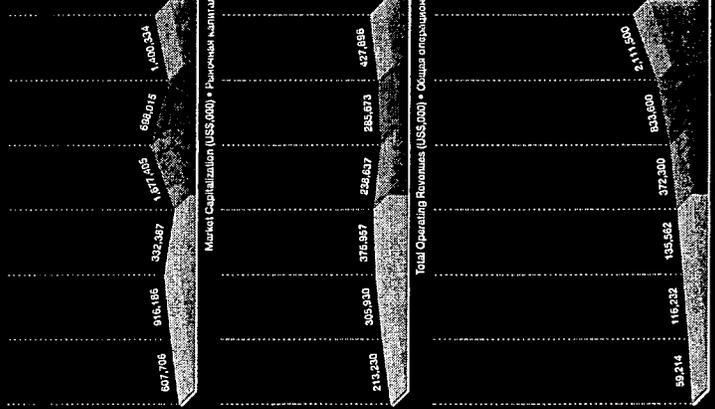
Качество услуг связи продолжает становиться все более важным фактором в телекоммуникационной отрасли, особенно в хорошо развитых рынках, где услуги, отличные от голосовой связи, становятся все более значимыми. Одним из основных факторов нашего успеха в 2005 году была растущая осведомленность наших



2001

Construction in Moscow is booming as the Russian economy continues strengthening.
 Photo: the foundation of Moscow International Business Center "Moscow City" (August 17, 2001)

Росту объема строительства в Москве как расцвет и кризиса в российской экономике.
 Издание: фондация "Московская международная деловая зона" (Август 17, 2001 г.)



Market Capitalization (US\$ 000) * Рыночная капитализация (US\$ 000)

Total Operating Revenues (US\$ 000) * Общая операционная выручка (US\$ 000)

Total Subscribers * Общее количество абонентов

- 1999
- 2000
- 2001
- 2002
- 2003
- 2004
- 2005

Pioneering Presence on the World Stage: 10th Year on the NYSE

WimpelCom began its 10th year as a NYSE listed company on November 15, 2005. This year, we will celebrate the 10th anniversary of our IPO in New York, which played a crucial role in the development of the Company. In November 1996, WimpelCom made history by becoming the first Russian company to be listed on the NYSE since the times of Imperial Russia in 1903. Listing on the NYSE has provided WimpelCom with access to international capital markets and allowed us to raise billions of US dollars for the development of cellular communications in Russia. WimpelCom's capitalization grew from slightly over \$500 million as of the date of our IPO to close to \$10 billion in 2006. We are proud that WimpelCom shareholders have benefited from our tremendous growth.

Just as important as the financial success of our listing on the NYSE and the big returns enjoyed by our shareholders is our pioneering role in setting world class standards for Russian companies in terms of transparency, corporate governance and protection of investor rights. WimpelCom's success helped change the mindset of the Russian business community and the way it is perceived internationally. Our listing in 1996 helped blaze a path for the dozens of Russian companies that are now listed on International and Russian stock exchanges and fulfilling their obligations as good global corporate citizens.

WimpelCom's success in setting world class standards for Russian companies in terms of transparency, corporate governance and protection of investor rights is a testament to the leadership of our Chairman, Mr. Vladimir Lisitskiy, and our CEO, Mr. Alexander Kuznetsov. Their vision and leadership have been instrumental in the success of our listing on the NYSE and in the development of our company. We are proud of their leadership and the success of our listing on the NYSE.

of the high quality of our services. This includes the high quality of our networks, as well as the high quality of our billing, customer service and customer relationship management systems, products that we present to the market and our convenient payment systems. In all of these areas we pride ourselves on having made significant achievements in 2005 and we will continue to bring the best in our industry to our customers. In 2005, our wireless network in Russia was voted the best quality network in an independent survey our system is one of the most advanced billing systems and it is being used regularly to meet new requirements; our customer service has consistently been the best in the telecom sector and it is being upgraded with our loyalty and retention programs.

WimpelCom is also an industry leader in new product launches. Our emphasis is on research and development focused on making our products more user-friendly so that our subscribers can quickly adapt to and use our new services. One of the most impressive innovations in 2005 was the introduction of "Mobile Mail" - a new e-mail system. It is implemented on a variety of smartphones and is compatible with the major e-mail systems. Lotus Notes and MS Exchange, which allows this service to be utilized by a large group of our customers.

WimpelCom is always associated with brand. That is why the best position of WimpelCom's superior quality is the dominant position of "WimpelCom" brand. In 2005, we underwent a re-branding in order to use the attractiveness of our brand and make it more vivid and memorable. The new style of the brand was positively accepted by the market and we have received a number of awards associated with our new branding, including "Brand of the Year" (ETTC Brand Prix) and PR project of the year (PRIMA-PIRA GOLDEN WORLD AWARDS). Our efforts to strengthen our brand and our reputation are the most valuable brand in Russia - valuing the brand at more than \$10 billion.

Первопроходцы на международном арене: 10-я годовщина выхода на Нью-Йоркскую фондовую биржу

15 ноября 2005 года исполнилось десятилетие с момента выхода WimpelCom на Нью-Йоркскую фондовую биржу. В этот день мы отметили десятилетие с момента выезда нашей компании на Нью-Йоркскую фондовую биржу. Это событие сыграло ключевую роль в развитии компании. В ноябре 1996 года WimpelCom сделала историю, став первой российской компанией, вышедшей на Нью-Йоркскую фондовую биржу. Это событие предоставило WimpelCom доступ к международным рынкам капитала и позволило нам привлечь миллиарды долларов США для развития сотовых коммуникаций в России. WimpelCom's капитализация выросла с чуть более \$500 миллионов на дату нашего IPO до почти \$10 миллиардов в 2006 году. Мы гордимся тем, что наши акционеры получили значительные выгоды от нашего роста. Кроме того, успех нашей листинга на NYSE сыграл важную роль в формировании стандартов для российских компаний в отношении прозрачности, корпоративного управления и защиты прав инвесторов.

Наш успех в формировании стандартов для российских компаний в отношении прозрачности, корпоративного управления и защиты прав инвесторов является свидетельством лидерства нашего председателя совета директоров, г-на Владимира Лисицкого, и нашего CEO, г-на Александра Кузнецова. Их видение и лидерство были ключевыми факторами успеха нашей листинга на NYSE и в развитии нашей компании. Мы гордимся их лидерством и успехом нашей листинга на NYSE.

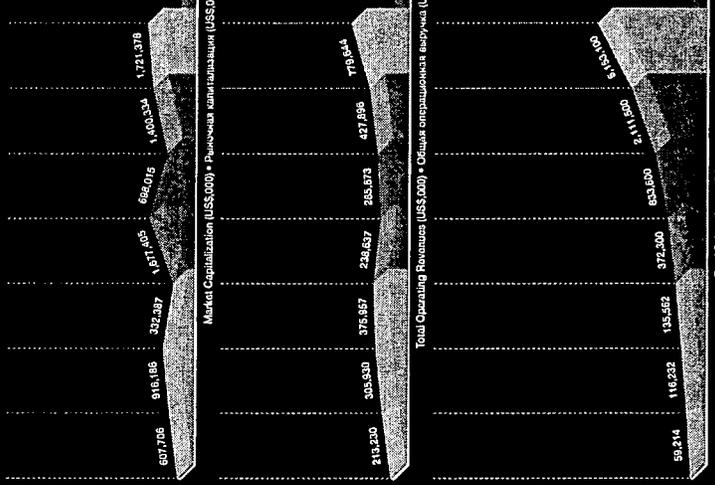


2002

Russia receives full G8 membership, marking the world's acknowledgment of Russia's role in the global economy and its successful economic transformation.

Photo: the bilateral meeting during the summit between the Russian and the US Presidents (Kazanakh, Canada, June 27, 2002)

На мировых саммите «большая восьмерка» предоставляется России статус полноценного члена, признавая ее растущую роль в мировой экономике и отмечая успехи в проведении экономических реформ.
 На встрече в рамках президентского саммита Россия и США (Канада, 27 июня 2002 г.)



Total Subscribers * Общее количество абонентов

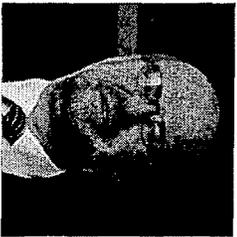
- 1988
- 1989
- 1990
- 1991
- 1992
- 1993
- 1994
- 1995
- 1996
- 1997
- 1998
- 1999
- 2000
- 2001
- 2002
- 2003
- 2004
- 2005



Chairman
of the Board of Directors
Executive Officer, OJSC JSC
Kazakhmys



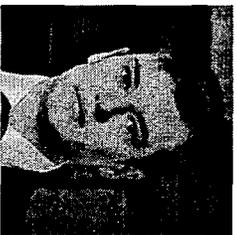
Michael N. Friedman
Chairman of the Board, JSC
Kazakhmys
Executive Director, JSC
Kazakhmys



Alex Johnson
Senior Executive Vice President, Director
of Operations, JSC
Kazakhmys

Board of Directors

СОВЕТ ДИРЕКТОРОВ



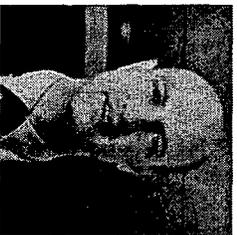
Pavel V. Kallikov
Managing Director, Aliso
Chairman of the Board, JSC
Kazakhmys



Zs. Lander
Chief Executive Officer, Director, USA
Member of the Board, JSC
Kazakhmys



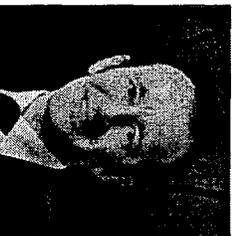
Boris Popov
Senior Vice President and
Member of the Board, JSC
Kazakhmys



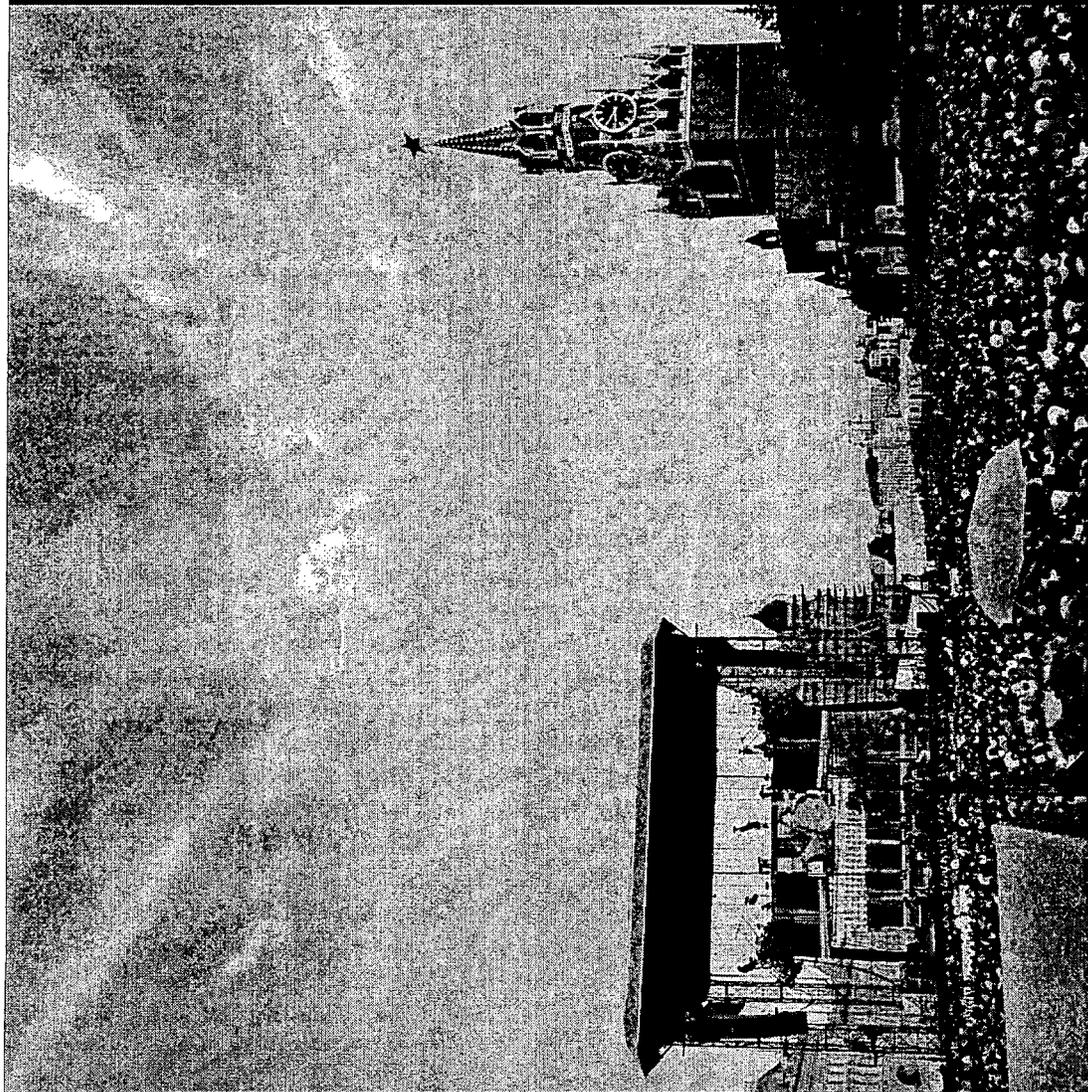
Alexey K. Lashchuk
Chief Executive Officer, Aliso
Executive Director, JSC
Kazakhmys



Maxim Yankov
Vice President, JSC
Kazakhmys



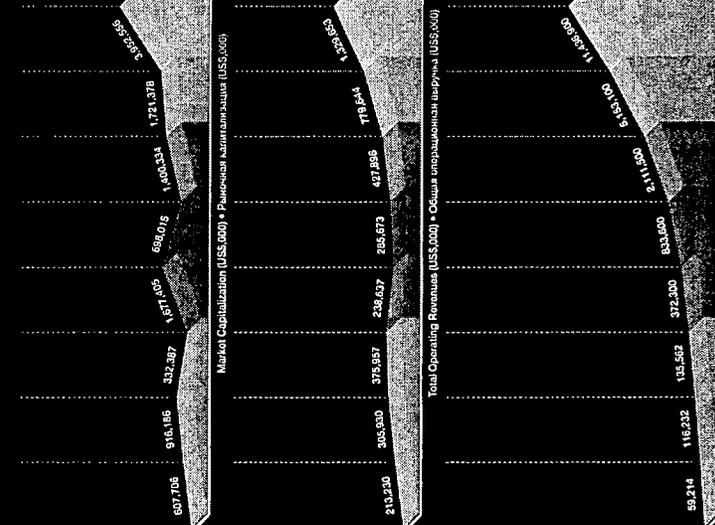
Fredrik Larsson
Senior Vice President, Director
of Operations, JSC
Kazakhmys



2003

Paul McCartney, a legendary member of the Beatles, performing for the first time in Moscow's Red Square.
 Поэтом: По некоторым данным, концерт собрал более 100 тысяч зрителей (Moscow May 29, 2003)

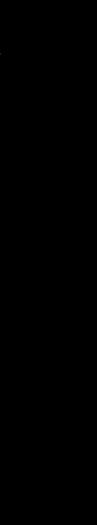
Paul McCartney, a legendary member of the Beatles, performing for the first time in Moscow's Red Square.
 Поэтом: По некоторым данным, концерт собрал более 100 тысяч зрителей (Moscow May 29, 2003)



Market Capitalization (US\$ 000) • Рыночная капитализация (US\$ 000)

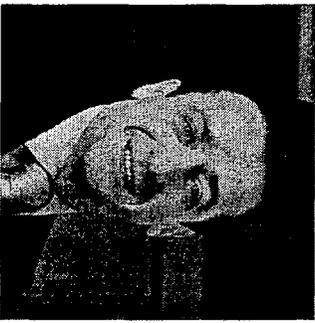
Total Operating Revenue (US\$ 000) • Общая операционная выручка (US\$ 000)

Total Subscribers • Общее количество абонентов



Management Team

Старший менеджмент



Alexander V. Izraelov
Executive Vice President,
Acquiring Business
Development
Department of Bank 1819



Sergei M. Andreyev
Executive Vice President,
Operations
Chief Technical Officer
Chief Marketing Officer
Chief Information Officer
Chief Financial Officer
and Chief of the Internal Control Unit
Department of Operations and Risk



Elena A. Shalva
Executive Vice President,
Chief Internal Officer,
Marketing
Department of Bank 1819
Department of Operations and Risk



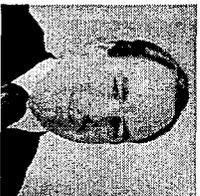
Mikhail K. Pyndabukhov
Executive Vice President -
General Director, Region
General Director, Region
Department of Operations and Risk



Jeff C. Chiles
Executive Vice President -
Operations
Left the company in January 2006
Region Director
Head of International Strategic Planning,
Head of International Marketing, IBC
Department of Operations and Risk, 1998-1999



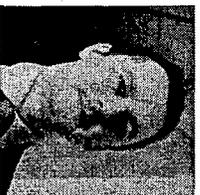
Keni Keldray
Vice President, Chief Marketing Officer
Head of Sales
Department of Operations and Risk



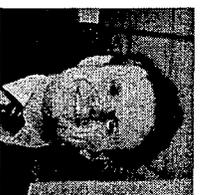
Mattias A. Bertman
Vice President, Chief Strategy Officer
Marketing Director, Operations
Department of Operations and Risk



Maria V. Moshkova
Vice President, Organizational Development
and Human Resources
Regional Relationship Development
Department of Operations and Risk



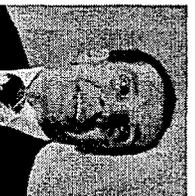
Vladimir A. Filipov
Vice President, Chief Information Officer
Business Architecture, Information
Systems, IT and IT Management
Department of Operations and Risk



Vladimir V. Ryboshkov
Vice President, Corporate Development
Business Development, Finance
and Marketing, Information Systems
Department of Operations and Risk



Valery V. Ivanov
Vice President, Lending
and Regulatory Affairs
Executive Director, Operations
Department of Operations and Risk



Valery Z. Goshin
Vice President, International
and Investor Relations
Regional Director, Finance
Department of Operations and Risk



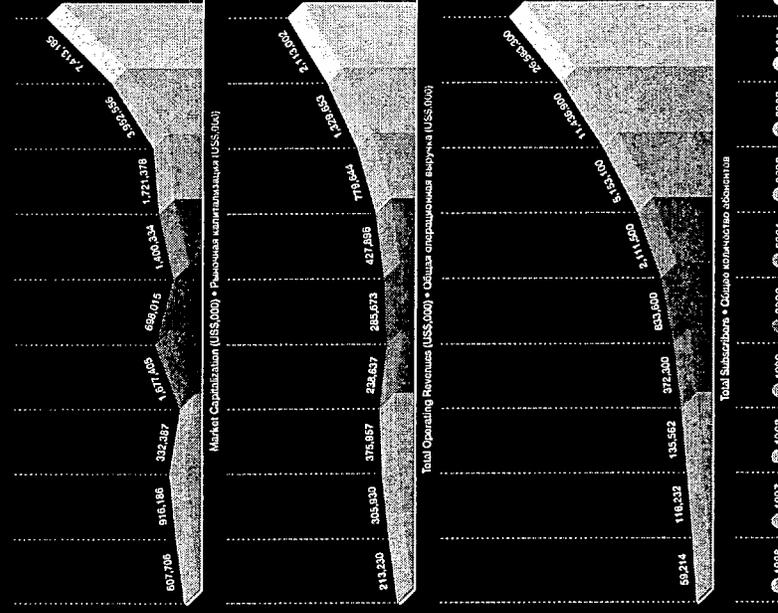
2004

Social and economic reforms give Russian youth greater confidence about their future.

Photo: High School students at their graduation night. (Moscow, June 26, 2004)

Экономические и социальные преобразования позволяют российской молодежи все более уверенно смотреть в будущее.

На снимке: Выпускной вечер школьников (Москва, 26 июня 2004 г.)



Total Subscribers * Число клиентов абонентов

- 2004
- 2003
- 2002
- 2001
- 2000
- 1999
- 1998
- 1997
- 1996
- 1995
- 1994
- 1993
- 1992
- 1991
- 1990
- 1989
- 1988
- 1987



The Legacy of VimpelCom Founders' Pioneering Spirit

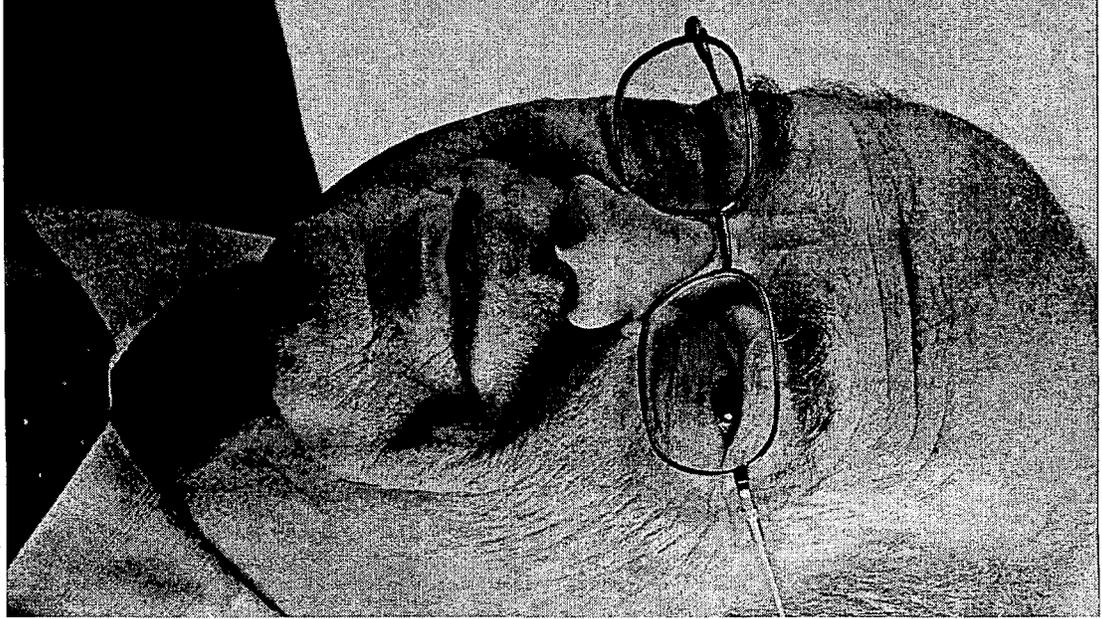
VimpelCom's founder and Honorary President Dr. Juriy I. Zimin and Co-founder and Chairman Emeritus Angey K. Pasha II have inspired the Company's transparency, strong corporate governance, quality innovation and a pioneering spirit – values and characteristics that have made VimpelCom unique in Russia 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 Pasha 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 now trading in the Forbes 2000 Global Index.

Today, as VimpelCom celebrates its 10th anniversary as a NYSE listed company, looking back at its extraordinary achievements, one cannot but express deep gratitude and respect to its courageous and visionary founders. They set the principles established the rules and defined the direction that their successors could take on, and carry on, with full dedication and enthusiasm.

Наследие ВымпелКом: новаторский дух предпринимателей

Учредитель и Почетный Президент ВымпелКом А. Р. Д. И. Зимин и Соучредитель и Председатель Правления Олег Ангелович Паша II заложили фундамент успешной и прозрачной деятельности, как предпринимательской культуры, так и корпоративной этики, благодаря которым ВымпелКом сегодня является лидером в отрасли в России и одним из самых быстрорастущих компаний в мире. Они возглавили ВымпелКом с момента его основания в 1992 году и привели его к историческому достижению: 1996 году, когда ВымпелКом стал первой российской компанией, представившей в качестве листинга свои акции на бирже Нью-Йоркской фондовой биржи. Др. Зимин и г-н Паша заложили фундамент, который позволил ВымпелКому стать одной из самых быстрорастущих телекоммуникационных компаний в мире, а также одной из самых быстрорастущих компаний в мире, торгующих на Нью-Йоркской фондовой бирже, и второй по величине телекоммуникационной компанией в России, СНГ, Центральной, Восточной Европе, а также одной из самых быстрорастущих телекоммуникационных компаний в мире, включенной в список Forbes 2000.

Сегодня, когда ВымпелКом отмечает 10-летнюю годовщину листинга на Нью-Йоркской фондовой бирже, оглянувшись на свои выдающиеся достижения, невозможно не выразить глубокую признательность и уважение его основателям и предпринимателям. Они заложили принципы, определили правила и определили направление развития компании, которые будут с гордостью восприняты и продолжены их преемниками.





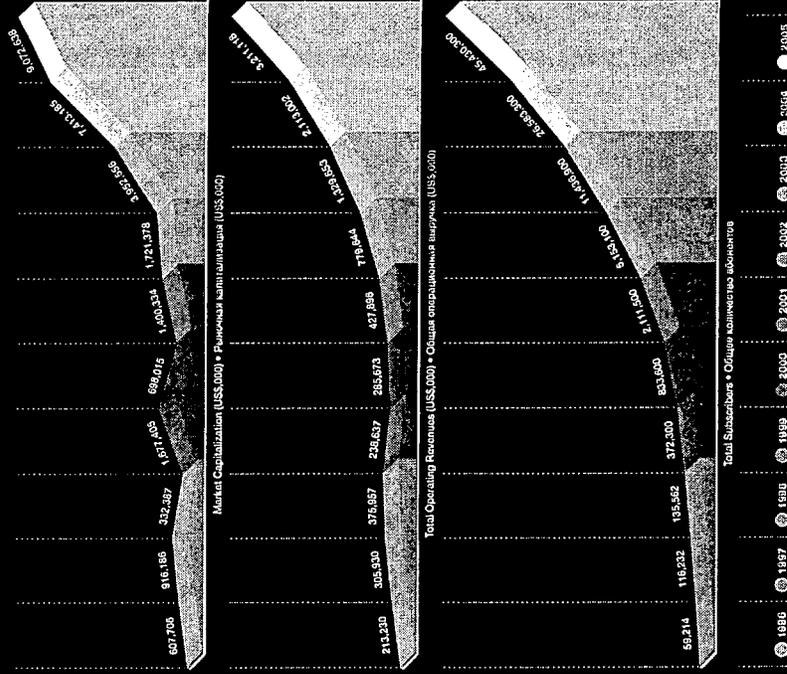
2005

VimpelCom introduces a new brand capturing the hearts and imagination of millions of people. The "Beeline" brand was ranked by Interbrand Group/Business Week as the top brand in Russia. Values at more than \$5 billion.

Photo: Marketing campaign in the streets of Moscow (April 4, 2005)

ВымпелКом привел к взрывному росту продаж, которая захватила сердца и воображение миллионов людей. Interbrand Group/Business Week признал «ВымпелКом» брендом номер один в России, оценив его стоимость в более \$5 миллиардов.

На картинке: Рекламная кампания на улицах Москвы (апрель 4, 2005 г.)



Corporate Information

at Advisers
in Camp, Starnes, Hoover & Pelt, LLP

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et & Young (CIS) Limited

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Bank of New York

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Bank Eurasia

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Information contained herein is qualified in its entirety by
reference to the prospectus and report on form 20-F which will
be filed with the SEC and is subject to change without notice
pursuant to Section 19(d) of the United States Securities
Exchange Act of 1934, as amended.

Корпоративная информация

Юридическая
консультация
Camp, Starnes, Hoover & Pelt, LLP

Независимый аудитор
Ernst & Young (CIS) Limited

Почтовый банк
Bank of New York

ИД № 68370R109

Тюдиан Банк
Банк Евразия

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E: VIF (ADS)

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apple.com

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разделом 19(d) Закона о ценных бумагах Соединенных
Штатов 1934 года.

Financial Information

Contents

Selected Consolidated Financial Data	44
Selected Operating Data	47
Management's Discussion and Analysis of Financial Condition and Results of Operations	48
Report of Independent Registered Public Accounting Firm	74
Consolidated Balance Sheets	75
Consolidated Statements of Income	76
Consolidated Statements of Shareholders' Equity and Accumulated Other Comprehensive Income	77
Consolidated Statements of Cash Flows	79
Notes to Consolidated Financial Statements	81

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разделом 19(d) Закона о ценных бумагах Соединенных
Штатов 1934 года.

Reconciliation of OIBDA to Operating Income

(in thousands of U.S. dollars)

	2009		2008		2007		2006	
	Year ended December 31		Year ended December 31		Year ended December 31		Year ended December 31	
Operating income	\$ 978,032	\$ 1,026,371	\$ 1,026,371	\$ 1,026,371	\$ 1,026,371	\$ 1,026,371	\$ 1,026,371	\$ 1,026,371
Depreciation	(481,152)	(481,152)	(481,152)	(481,152)	(481,152)	(481,152)	(481,152)	(481,152)
Amortization	(482,128)	(482,128)	(482,128)	(482,128)	(482,128)	(482,128)	(482,128)	(482,128)
Impairment for long lived assets	-	-	-	-	-	-	-	-
Other non-recurring income	\$ 978,032	\$ 978,032	\$ 978,032	\$ 978,032	\$ 978,032	\$ 978,032	\$ 978,032	\$ 978,032

Reconciliation of OIBDA Margin to Operating Income as Percentage of Net Operating Revenues

	2009		2008		2007		2006	
	Year ended December 31		Year ended December 31		Year ended December 31		Year ended December 31	
Operating income as percentage of net operating revenues	48.9%	48.6%	48.6%	48.6%	48.6%	48.6%	48.6%	48.6%
Depreciation as percentage of net operating revenues	(14.0)%	(13.4)%	(13.4)%	(13.4)%	(13.4)%	(13.4)%	(13.4)%	(13.4)%
Amortization as percentage of net operating revenues	(14.4)%	(13.0)%	(13.0)%	(13.0)%	(13.0)%	(13.0)%	(13.0)%	(13.0)%
Impairment as percentage of net operating revenues	-	(0.3)%	(0.3)%	(0.3)%	(0.3)%	(0.3)%	(0.3)%	(0.3)%
Operating income as percentage of net operating revenues	30.5%	31.9%	31.9%	31.9%	31.9%	31.9%	31.9%	31.9%

Consolidated Balance Sheet Data

	2009		2008		2007		2006	
	As of December 31		As of December 31		As of December 31		As of December 31	
	(in thousands of U.S. dollars)		(in thousands of U.S. dollars)		(in thousands of U.S. dollars)		(in thousands of U.S. dollars)	
Cash equivalents and short-term investments	\$ 363,646	\$ 305,857	\$ 363,646	\$ 305,857	\$ 363,646	\$ 305,857	\$ 363,646	\$ 305,857
Property and equipment, net	(497,977)	(497,977)	(497,977)	(497,977)	(497,977)	(497,977)	(497,977)	(497,977)
Goodwill and other intangible assets, net	2,314,405	2,314,405	2,314,405	2,314,405	2,314,405	2,314,405	2,314,405	2,314,405
Other non-current assets	1,500,799	1,500,799	1,500,799	1,500,799	1,500,799	1,500,799	1,500,799	1,500,799
Accounts payable and accrued liabilities	(6,307,036)	(6,307,036)	(6,307,036)	(6,307,036)	(6,307,036)	(6,307,036)	(6,307,036)	(6,307,036)
Other non-current liabilities	(1,098,166)	(1,098,166)	(1,098,166)	(1,098,166)	(1,098,166)	(1,098,166)	(1,098,166)	(1,098,166)
Shareholders' equity	\$ 2,740,549	\$ 2,152,133	\$ 2,740,549	\$ 2,152,133	\$ 2,740,549	\$ 2,152,133	\$ 2,740,549	\$ 2,152,133

Notes: (1) See April 24, 2007 US\$290.0 million loan from J.P. Morgan AG (franked by the issuance of loan participation notes by J.P. Morgan AG) as of December 31, 2006, 2007, 2008 and 2009. (2) See July 14, 2006 US\$150.0 million loan from J.P. Morgan AG (franked by the issuance of loan participation notes by J.P. Morgan AG) as of December 31, 2006, 2007, 2008 and 2009. (3) See October 22, 2004 US\$300.0 million loan from UBS (Luzern) AG (franked by the issuance of loan participation notes by UBS (Luzern) AG) as of December 31, 2006, 2007, 2008 and 2009. (4) See February 28, 2005 US\$150.0 million loan from UBS (Luzern) AG (franked by the issuance of loan participation notes by UBS (Luzern) AG) as of December 31, 2005, 2006, 2007, 2008 and 2009. (5) See February 28, 2005 US\$150.0 million loan from UBS (Luzern) AG (franked by the issuance of loan participation notes by UBS (Luzern) AG) as of December 31, 2005, 2006, 2007, 2008 and 2009. (6) See February 28, 2005 US\$150.0 million loan from UBS (Luzern) AG (franked by the issuance of loan participation notes by UBS (Luzern) AG) as of December 31, 2005, 2006, 2007, 2008 and 2009. (7) See February 28, 2005 US\$150.0 million loan from UBS (Luzern) AG (franked by the issuance of loan participation notes by UBS (Luzern) AG) as of December 31, 2005, 2006, 2007, 2008 and 2009. (8) See February 28, 2005 US\$150.0 million loan from UBS (Luzern) AG (franked by the issuance of loan participation notes by UBS (Luzern) AG) as of December 31, 2005, 2006, 2007, 2008 and 2009. (9) See February 28, 2005 US\$150.0 million loan from UBS (Luzern) AG (franked by the issuance of loan participation notes by UBS (Luzern) AG) as of December 31, 2005, 2006, 2007, 2008 and 2009. (10) See February 28, 2005 US\$150.0 million loan from UBS (Luzern) AG (franked by the issuance of loan participation notes by UBS (Luzern) AG) as of December 31, 2005, 2006, 2007, 2008 and 2009.

The following selected operating data for and as of the years ended December 31, 2009, 2008, 2007, 2006 and 2005 have been derived from internal company sources and from independent sources that we believe to be reliable. The selected operating data set forth below should be read in conjunction with our consolidated financial statements and their related notes and the section of this document entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	2009		2008		2007		2006		2005	
	As of December 31		As of December 31		As of December 31		As of December 31		As of December 31	
Selected industry operating data:										
Estimated population (1)	145,166,700	145,166,700	145,166,700	145,166,700	145,166,700	145,166,700	145,166,700	145,166,700	145,166,700	145,166,700
Russia	14,952,700	14,952,700	14,952,700	14,952,700	14,952,700	14,952,700	14,952,700	14,952,700	14,952,700	14,952,700
Uzbekistan	44,442,000	44,442,000	44,442,000	44,442,000	44,442,000	44,442,000	44,442,000	44,442,000	44,442,000	44,442,000
Tajikistan	6,700,000	6,700,000	6,700,000	6,700,000	6,700,000	6,700,000	6,700,000	6,700,000	6,700,000	6,700,000
Estimated subscribers:										
Russia (2)	125,760,000	125,760,000	125,760,000	125,760,000	125,760,000	125,760,000	125,760,000	125,760,000	125,760,000	125,760,000
Uzbekistan (3)	5,500,300	5,500,300	5,500,300	5,500,300	5,500,300	5,500,300	5,500,300	5,500,300	5,500,300	5,500,300
Tajikistan (4)	30,205,100	30,205,100	30,205,100	30,205,100	30,205,100	30,205,100	30,205,100	30,205,100	30,205,100	30,205,100
Penetration rate (5):										
Russia	86.6%	86.6%	86.6%	86.6%	86.6%	86.6%	86.6%	86.6%	86.6%	86.6%
Uzbekistan	36.9%	36.9%	36.9%	36.9%	36.9%	36.9%	36.9%	36.9%	36.9%	36.9%
Tajikistan	62.3%	62.3%	62.3%	62.3%	62.3%	62.3%	62.3%	62.3%	62.3%	62.3%
Uzbekistan	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
Selected company operating data (5):										
End of period subscribers:										
Russia	43,096,700	43,096,700	43,096,700	43,096,700	43,096,700	43,096,700	43,096,700	43,096,700	43,096,700	43,096,700
Uzbekistan	2,050,300	2,050,300	2,050,300	2,050,300	2,050,300	2,050,300	2,050,300	2,050,300	2,050,300	2,050,300
Uzbekistan	256,800	256,800	256,800	256,800	256,800	256,800	256,800	256,800	256,800	256,800
Tajikistan	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500
Total subscribers	45,430,300	45,430,300	45,430,300	45,430,300	45,430,300	45,430,300	45,430,300	45,430,300	45,430,300	45,430,300
Percentage of "active" subscribers (6)	83.6%	83.6%	83.6%	83.6%	83.6%	83.6%	83.6%	83.6%	83.6%	83.6%
Market share (7)										
Russia	34.3%	34.3%	34.3%	34.3%	34.3%	34.3%	34.3%	34.3%	34.3%	34.3%
Uzbekistan	31.8%	31.8%	31.8%	31.8%	31.8%	31.8%	31.8%	31.8%	31.8%	31.8%
Tajikistan	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%
Monthly average minutes of use per user ("MOU") (8)										
Russia MOU	101.4	101.4	101.4	101.4	101.4	101.4	101.4	101.4	101.4	101.4
Uzbekistan MOU	97.9	97.9	97.9	97.9	97.9	97.9	97.9	97.9	97.9	97.9
Tajikistan MOU	69.3	69.3	69.3	69.3	69.3	69.3	69.3	69.3	69.3	69.3
Monthly average revenue per subscriber ("ARPU") (9)										
Russia ARPU	\$ 7.5	\$ 7.5	\$ 7.5	\$ 7.5	\$ 7.5	\$ 7.5	\$ 7.5	\$ 7.5	\$ 7.5	\$ 7.5
Uzbekistan ARPU	\$ 13.6	\$ 13.6	\$ 13.6	\$ 13.6	\$ 13.6	\$ 13.6	\$ 13.6	\$ 13.6	\$ 13.6	\$ 13.6
Tajikistan ARPU	\$ 15.7	\$ 15.7	\$ 15.7	\$ 15.7	\$ 15.7	\$ 15.7	\$ 15.7	\$ 15.7	\$ 15.7	\$ 15.7
Uzbekistan ARPU	\$ 4.1	\$ 4.1	\$ 4.1	\$ 4.1	\$ 4.1	\$ 4.1	\$ 4.1	\$ 4.1	\$ 4.1	\$ 4.1
Churn rate (for the period ended) (10)										
Russia churn rate	30.4%	30.4%	30.4%	30.4%	30.4%	30.4%	30.4%	30.4%	30.4%	30.4%
Uzbekistan churn rate	30.3%	30.3%	30.3%	30.3%	30.3%	30.3%	30.3%	30.3%	30.3%	30.3%
Tajikistan churn rate	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Number of Russian GSM base stations:										
D-AMPS	459	459	459	459	459	459	459	459	459	459
GSM	15,659	15,659	15,659	15,659	15,659	15,659	15,659	15,659	15,659	15,659

Continued on the next page

Table 1: Revenue by Region

Region	2005	2004	2003
Russia	43,094,700	53,724,500	114,535,500
Kazakhstan	2,092,200	659,000	-
Ukraine	239,600	-	-
Other	45,430,200	35,632,600	114,535,500
Total	91,866,700	90,016,100	229,071,000

As of December 31, 2005, we had approximately 43.1 million subscribers in Russia, according to independent estimates, represented a 34.3% share of Russian cellular market. Most of our subscriber growth in Russia in 2005 came from the acquisition of approximately 3.8 million subscribers from approximately 18.2 million subscribers in Russia as of December 31, 2004, to approximately 22.0 million subscribers in Russia as of December 31, 2005, an increase of approximately 24.0%.

We announced the introduction of an "active subscriber" definition as of December 31, 2005. The definition of "active subscriber" is broader than our previous definition of "active subscriber" and includes subscribers who have not been billed by the company's billing system. This definition is broader than the definition used by the company's billing system and represents the number of subscribers who are active on our network.

On November 10, 2005, we acquired the entire issued share capital of URS. According to our estimates as of December 31, 2005, our subscriber base in Ukraine was 256,200, representing a market share of approximately 9.7%. Industry analyst estimates that the total number of subscribers in Ukraine as of December 31, 2005 was approximately 2,600,000, which represents a penetration rate of approximately 92.3%. Given the current level of penetration, we believe that the mobile telecommunication market in Ukraine will expand rapidly in the next few years.

Both before and after our acquisition of URS, Timor and the Telecom Finance Theor filed lawsuits in Russia that, among other things, challenge the validity of the September 2005 EGM approving the acquisition and the adequacy of corporate approval for the URS acquisition and seek the unwinding of the URS acquisition. We believe that the September 2005 EGM was properly convened and that the acquisition of URS was properly consummated in accordance with the September 2005 EGM approval, applicable law and our charter. However, the provisions of Russian law and our charter applicable to the consummation of the September 2005 EGM, the effectiveness of the decision of the September 2005 EGM and our implementation of that decision are subject to possible different interpretations and a Russian court could disagree with our interpretation. Therefore, there can be no assurance that we will prevail at any stage of the litigation relating to these lawsuits or that other claims by Timor or other third parties regarding our acquisition, operation and/or funding of URS, challenges to our ownership interest in URS or other matters will not be made. It is also possible that third parties will seek monetary damages from us or challenge our ownership interest in URS in connection with their claims against the parties that sold URS to our company. There can also be no assurance that any such litigation will not result in the unwinding of the URS acquisition, despite us of our ownership interest in URS or result in us paying monetary damages and that, in such event, our company will be able to recover the purchase price that it paid to the sellers, any portion of the funds that our company invested in URS during the period prior to the unwinding of the URS acquisition or any other monetary losses that our company will have incurred in connection with our ownership of URS.

Uzbekistan: We acquired a 60.0% interest in Telecom on December 29, 2005. According to our estimates, at the time of its acquisition, Telecom served approximately 26,500 subscribers representing approximately 9.6% of the market share in Uzbekistan. We estimate that the total number of subscribers in Uzbekistan as of December 31, 2005 was approximately 275,000, which represented a penetration rate of approximately 4.1%.

Uzbekistan: On January 16, 2006 and February 9, 2006, we acquired 100.0% ownership interest in Buztel and Uzell, respectively, both of whom hold GSM-900 and 1800 licenses for the entire territory of Uzbekistan. At the time of its acquisition, Uzell had approximately 354,000 subscribers, representing according to our estimates, a 11.0% market share in Uzbekistan. The results of Buztel and Uzell and their

respective consolidated subsidiaries will be included in our consolidated financial statements beginning with the fiscal quarter ended March 31, 2006.

Certain Performance Indicators

The following discussion analyzes certain operating data such as average monthly service revenues per subscriber of ARPU, minutes of use per subscriber of MOU and churn rate that is not included in our financial statements. We provide this operating data because it is regularly reviewed by management and because management believes it is useful in evaluating our performance. MOU is defined in period as the minutes of use for each of our products and services, and that period is the average of the minutes of use for each of our products and services. The following operating information may be uniformly defined by our competitors and, accordingly, may not be comparable with similarly titled measures and disclosures by other companies.

Table 2: ARPU by Region

Region	2005	2004	2003
Russia ARPU	\$ 7.4	\$ 10.3	\$ 13.6
Kazakhstan ARPU	10.5	15.7	-
Ukraine ARPU	4.1	-	-
Total ARPU	\$ 7.5	\$ 10.1	\$ 13.6

ARPU is a non-IFRS GAAP financial measure calculated for each month in the relevant period by dividing our service revenue during that month, including roaming revenue, but excluding revenue from connection fees, sales of handsets and accessories and other non-service revenue, by the average number of our subscribers during the month. This figure includes both prepaid and contract customers. See "Additional Reconciliations of Non-IFRS GAAP Financial Measures (Unaudited)" for more information regarding our use of ARPU as a non-IFRS GAAP financial measure.

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

Table 3: MOU by Region

Region	2005	2004	2003
Russia MOU	103.6	98.0	97.9
Kazakhstan MOU	51.3	69.3	-
Ukraine MOU	34.6	-	-
Total MOU	101.4	95.5	97.9

The increase in our total MOU during the year ended December 31, 2005 as compared to the year ended December 31, 2004 was primarily attributable to an increase in MOU in Russia in 2005 due to national marketing campaigns aimed at increasing local traffic, which offered discounts and free minutes of usage to our subscribers. The decline in our total MOU during the year ended December 31, 2004 as compared to the year ended December 31, 2003 was primarily attributable to a decrease in MOU in the regions of Russia in 2004 due to an increase in the number of new subscribers who are first time users. First time users typically use their cellular telephones less than more established subscribers.

Churn rate

We define our churn rate as the total number of subscribers disconnected from our network within a given period expressed as a percentage of subscribers in our network at the beginning and end of that period. Contract subscribers are disconnected if they have not paid their bills for two months and prepaid subscribers are disconnected six months after their services have been blocked. We typically block a prepaid subscriber's services in two cases: (1) their balance drops to US\$0 or below, or (2) an account shows no chargeable activity for six months.

Migration of subscribers from our D-AMRS network to our GSM network, as well as migration between prepaid and contract forms of payment, is technically recorded as churn, which contributed to our churn rate even though we do not lose those subscribers.

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

Table 4: Churn Rate by Region

Region	2005	2004	2003
Russia churn rate	30.4%	29.3%	39.3%
Kazakhstan churn rate	30.3%	19.0%	-
Total churn rate	30.4%	29.5%	39.3%

We believe that the slight increase in our churn rate in 2005 compared to 2004 is due to general market conditions. We believe that the significant decrease in our churn rate in 2004 compared to 2003 reflects the effects of an increasing proportion of our customer base coming from the regions of Russia and the CIS, which traditionally have lower churn rates than the Moscow license area, and our customer loyalty and retention marketing efforts over the past two years, including the rebranding of our "redline" brand name. We believe that the increase in our churn rate in Kazakhstan in 2005 compared to 2004 is the result of our major competitor in Kazakhstan, GSM Kazakhstan LLP, significantly decreasing the price of their tariff plans in the first half of 2005 and isolated problems with our dealer network in the beginning of 2005. We expect our churn rate in both Russia and Kazakhstan to remain stable during 2006.

Mergers and Recently Completed Acquisitions

On November 26, 2004, we completed the merger of Vinpelocon-Region into Vinpelocon.

On May 31, 2005, we completed the merger of EB Impuls into Vinpelocon.

On June 22, 2005, our shareholders approved the mergers of our licensed subsidiaries East Star Telecom, West-Kapad Telecom, Sitovoy Company, Oremol, Brezhe-Samara and Dufitecom, which we refer to in this document as the merging companies, into Vinpelocon. At the joint extraordinary general shareholders meeting held on April 24, 2005, the shareholders of each of the merging companies approved amendments to their charters to which Vinpelocon-Region was a participating shareholder. On April 28, 2005, StarPavel, Vostok-Zapad Telecom, Sitovoy Company, Oremol and Dufitecom were merged into Vinpelocon.

On July 13, 2005, we acquired approximately 84.4% of the outstanding shares of STK, which holds GSM-1800 and D-AMPS licenses for the territory of Sakhalin, for a total cash purchase price of approximately US\$51.2 million. As a result of this acquisition, we secured entry to the mobile telephony market of Sakhalin, one of the regions within the Far East super-region where we do not have a super-region license to conduct cellular operations. We subsequently increased our stake in STK to 89.6%.

On November 10, 2005, we acquired a 100.0% interest in URS, a Ukrainian cellular operator, from Zarino Trading Limited, a British Virgin Islands limited liability company, and the following Cyprus limited liability companies: Grovopoint Trading Limited, Denitron Enterprises Limited, Cabart, Traders & Investors Limited and Agatek Investments Limited for a total cash purchase price of US\$271.2 million plus the assumption of approximately US\$23.5 million in debt. URS has a GSM-900 license that covers the entire territory of Ukraine and a GSM-1800 license that covers 23 of Ukraine's 27 administrative regions (excluding the City of Kyiv, the Kyiv Region, the Dnipropetrovsk Region and the Odessa Region). Our acquisition of URS is currently being challenged by Telcel.

On November 10, 2005, URS entered into an agreement with Ericsson, a leading telecommunications equipment supplier, pursuant to which Ericsson agreed to purchase URS's existing equipment for approximately US\$52.6 million in cash. In exchange, URS agreed to purchase US\$200.0 million in equipment and services from Ericsson within three years. At the same time, our Company agreed with Ericsson that it will preserve the existing market share of Ericsson GSM equipment

that it uses in agreed upon markets until such time as our Company and our consolidated subsidiaries purchase a total of US\$500.0 million in equipment and services from Ericsson at agreed upon pricing terms. The US\$200.0 million of equipment to be purchased by URS from Ericsson will count toward the US\$500.0 million in purchases under our Company's agreement with Ericsson.

On December 29, 2005, we acquired a 60.0% interest in Tacom, a cellular operator in Tajikistan, for a purchase price of US\$11.1 million. A deferred payment of US\$10.9 million will be payable one year from the date of purchase under certain specified circumstances. Tacom holds national GSM-900/1800, UMTS, CDMA 450 and AMPS licenses. In connection with our acquisition of Tacom, we entered into a shareholders agreement with the remaining shareholders of Tacom that grants us an option to acquire up to the entire remaining interest held by the shareholders under certain circumstances for a price specified in a prescribed formula.

On January 16, 2006, we acquired 100.0% of Buztel, which holds national GSM-900 and 1800 licenses that cover the entire territory of Uzbekistan, for a purchase price of US\$160.0 million plus the assumption of approximately US\$2.4 million in debt.

On February 9, 2006, we acquired 100.0% of Umitel, which holds national GSM-900 and 1800 licenses for Uzbekistan, for a purchase price of US\$200.0 million plus the assumption of approximately US\$17.7 million in debt.

Sale of Minority Interest in Kar-Tel

In accordance with our previously disclosed plans to involve a partner with local knowledge in Kazakhstan, February 21, 2005, we entered into a share purchase agreement to sell a minority interest of 60.0% of the shares of Kar-Tel, a joint venture company, to Crowell-Corrie Company, beneficially owned and controlled by an officer and member of the board of directors of AT&T Intellectual Property. Crowell paid US\$435.0 million in two initial deposits and in July 2005, Crowell paid the remaining US\$435.0 million to our Company. We completed the sale of the minority interest on August 22, 2005. In addition, we entered into a shareholders agreement with Crowell that, among other things, grants us a call option to re-acquire 25.0% minus one share of Limotelex at any time and an additional call option to re-acquire the remaining 25.0% share in Limotelex in the event of a dividend at a shareholders meeting, in each case at a price based upon a prescribed formula.

Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the current year's presentation. Unamortized debt issue costs were included in other assets. Software was presented separately from other non-current assets. The cost of content revenue relating to value added services was reclassified from services costs to service revenues and connection fees to present content revenue net of related costs. Costs of SIM cards sold were reclassified from cost of handsets and accessories sold to service costs and from sales of handsets and accessories to service revenues. Please see Note 7 to our audited consolidated financial statements included elsewhere in this document.

Revenues

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

Service revenues

Our service revenues include (1) revenues from air-line charges from contract and prepaid subscribers, monthly contract fees, interconnect fees from other mobile and fixed line operators, roaming charges and charges for value added services such as messaging, mobile internet, "infotainment," caller number identification, voice mail and call waiting and (2) connection fees, which are one time charges for the allocation of a telephone number.

In the past, connection fees were a notable component of our service revenues. However, in response to competitive factors, we have reduced or eliminated most connection fees in Russia. We expect that connection fees will not be a significant source of revenues going forward. Service revenues and connection fees constituted approximately 98.9%, 98.0% and 95.5% of our total operating revenues, without giving effect to revenue-based taxes, for the years ended December 31, 2005, 2004 and 2003, respectively. We believe that service revenues will continue to increase in 2006 primarily as a result of continued growth in our subscriber base.

During 2005, we generated US\$373.8 million from interconnect revenues, or 1.2% of total operating revenues. Over the next several years, we expect our interconnect revenues to increase as a percentage of our total operating revenues.

During 2005, roaming revenues generated by our subscribers increased 7.6% to US\$114.1 million compared to US\$106.0 million during 2004, and our roaming revenues received from other wireless service operators for providing roaming services to their subscribers increased 12.6% to US\$115.2 million compared to US\$102.3 million during 2004. These increases were primarily due to improved and expanded network coverage and an increase in the number of our roaming partners. Our service revenues excluding roaming revenues grew at a faster rate than our roaming revenues. As a result, roaming revenues as a percentage of our total operating revenues decreased from 3.7% during 2004 to 2.1% during 2005. Over the next several years, we expect our roaming revenues from wireless users to stabilize as a percentage of our total operating revenues.

During 2005, we generated US\$456.0 million of revenues, or 14.2% of our consolidated total operating revenues from value added services. This represented a 65.1% increase over revenues of US\$276.2 million during 2004. We currently provide traditional value added services, such as voice mail, call forwarding, call waiting, conference calling, call barring, caller-ID, automatic calling and interactive dialing. We also provide a variety of messaging value added services, such as outgoing SMS and MMS, as well as content delivery, games and other "infotainment" services. Our revenues from value added services in Kazakhstan were US\$8.0 million, or 0.2% of our consolidated total operating revenues, in 2004, and US\$2.9 million, or 0.1% of our consolidated total operating revenues, in 2005. Over the next several years, we expect that revenues from value added services will increase as a percentage of our total operating revenues in each of our operating segments.

Sales of handsets and accessories: We sell wireless handsets and accessories to our subscribers for use on our networks. Sales of handsets and accessories constituted approximately 0.9%, 1.8% and 4.2% of our total operating revenues, during the years ended December 31, 2005, 2004 and 2003, respectively. Over the next several years, we expect revenues from sales of handsets and accessories to remain stable in absolute terms but to continue to decrease as a percentage of our total operating revenues.

Expenses

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

Service Costs

Service costs include interconnection and traffic costs, channel rental, telephone line rental costs, roaming expenses and charges for connection lines for emergencies. Our service margin percentage during 2005, when compared to 84.2% during 2004, and 84.0% during 2003. Service margin is an aggregate service revenues and connection fees less service costs, expressed as a percentage of aggregate service revenues and connection fees.

Costs of Handsets and Accessories

Our costs of handsets and accessories sold represent the amount that we pay to manufacturers for resale to our subscribers and accessories from third parties for this equipment. We purchase handsets and accessories from third party manufacturers for the sale of handsets and accessories of US\$2.2 million during US\$8.1 million during 2004, and US\$19.3 million during 2003. The decrease in handsets and accessories during 2005 and 2004 was primarily the result of a decrease in the price of handsets and an increase in dealer sales (as opposed to direct sales from our Company). Profits from the sale of handsets and accessories calculated as the difference between the revenues generated from the sale of the handset and accessories sold.

Operating Expenses

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

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

- dealer commissions;
- salaries and outpouring costs, including related social contributions for Russian law;
- marketing and advertising expenses;
- other miscellaneous expenses, such as insurance, operating leases, etc. and accounting, audit and legal fees;
- repair and maintenance expenses;
- rent, including lease payments for base station sites; and
- utilities.

Marketing and sales related expenses comprise a large portion of our selling and administrative expenses and consist primarily of dealer commissions and outpouring costs and advertising expenses. Acquisition cost per unit sold (ACPU) is a non-U.S. GAAP financial measure calculated as dealers' cost of advertising expenses and handset subsidies, if any, for the relevant period, divided by the number of new subscribers referred to our networks during the period. -- Additional Reconciliation of Non-U.S. GAAP Financial Measures (Upon more information regarding our use of SAC as a non-U.S. GAAP financial

Russia

	2005	2004	2003	% change 2005/2004	% change 2004/2003
Total operating revenues excluding intragroup transactions	\$ 3,033.0	\$ 2,067.9	\$ 1,329.7	46.7%	55.5%
Depreciation and amortization	535.4	329.5	196.8	62.5%	67.4%
Operating income	972.7	672.1	416.4	44.7%	67.4%
Income before income taxes and minority interest	847.1	582.9	358.3	45.3%	62.7%
Income tax expense	226.6	154.1	105.9	47.2%	45.5%
Net income	\$ 620.5	\$ 428.8	\$ 252.1	44.7%	70.1%

Kazakhstan

	Year ended December 31, 2005	Year ended December 31, 2004
Total operating revenues excluding intragroup transactions	\$ 176.2	45.1%
Depreciation and amortization	55.1	15.7%
Operating income	9.6	2.1%
Income before income taxes and minority interest	(2.1)	2.7%
Income tax expense	(4.4)	0.9%
Net income	\$ 2.3	1.8%

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

Operating Revenues
Our total operating revenues increased by 52.0% to US\$3,211.1 million during 2005 from US\$2,113.0 million during 2004. Total operating revenues from our operations in Russia, excluding intragroup transactions, increased by 46.7% to US\$3,033.0 million during 2005 from US\$2,067.9 million during 2004. Total operating revenues from our operations in Kazakhstan, excluding intragroup transactions, increased by 290.7% to US\$176.2 million during 2005 from US\$45.1 million during 2004. Due to first time consolidation of KAR-Tel for a full fiscal year, total operating revenues from our operations in Russia constituted 94.5% of our total operating revenues during 2005 compared to 97.9% in 2004. We increased our operating revenues in 2005 primarily by increasing our subscriber base by an increase in our revenues from value-added services and an increase in our roaming revenues. The increase in our subscriber base came predominantly from the regions of Russia and Kazakhstan, which increased 85.2% and 138.7%, respectively, during this period. The increase in our roaming revenues was primarily due to improved and expanded roaming coverage and a greater number of roaming subscribers, and the increase from value added services was primarily due to increased consumption of value added services during 2005 compared to 2004. The acquisitions by our Company of UGS and Tacom in late 2005 had an insignificant effect on our total operating revenues. However, in the future, we

due to increased gross sales, a US\$14.3 million increase in technical support and maintenance expenses due to our continued regional roll-out and a US\$26.6 million increase in dealer commissions for sales of scratch cards and payments due to began making payments to the "universal services fund." In 2005, we made total payments to the fund in the amount of approximately US\$22.8 million. Approximately US\$154.5 million of the increase is due to other general and administrative expenses related to our regional and CIS expansion, including US\$3.2 million of general and administrative expenses of the companies we acquired in 2005. At the same time, our SAC decreased from US\$13.9 per subscriber during 2004 to US\$13.1 per subscriber during 2005, primarily due to a decrease in the average dealer commission per new subscriber as well as the amount spent on advertising per new subscriber and because a growing percentage of our new subscribers were located in the regions of Russia and Kazakhstan, where SAC is lower than in the Moscow license area. See "Non-U.S. GAAP Financial Measures" 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, in 2005, we derived significant benefits from our brand name, which we believe is one of the most recognized brand names in Russia. As a percentage of total operating revenues, our selling, general and administrative expenses also declined during 2005 to 3.8% as compared to 34.1% during 2004.

Depreciation and amortization expense. Our depreciation and amortization expense was US\$593.3 million in 2005, a 71.9% increase compared to the US\$343.2 million reported in 2004. The overall increase in depreciation and amortization expense was due to an increase in capital expenditures in Russia and Kazakhstan and amortization of revaluated telecommunications licenses and other intangible assets due to the merger of Vinipol-Qin-Region into Vinipol-Qin. In addition, UGS, which we acquired in November 2005, had depreciation and amortization expense of US\$2.8 million in 2005.

Provision for doubtful accounts. Our provision for doubtful accounts increased by 41.5% to US\$1.6 million during 2005 from US\$8.2 million during 2004 in line with the growth in our subscriber base. As a percentage of net operating revenues, provision for doubtful accounts in 2005 was the same as in 2004, at 0.4%.

Operating Income

Primarily as a result of the foregoing, our operating income increased by 45.1% in 2005, from US\$674.2 million during 2004 to US\$978.0 million during 2005. In 2005, our operating income in Russia grew by 44.7% to US\$972.7 million compared to US\$672.1 million in 2004, which was primarily attributable to the growth of our subscriber base in Russia, particularly in the regions, and management's efforts to decrease costs. Our operating income in Kazakhstan grew by 357.1% to US\$9.6 million compared to US\$2.1 million in 2004, due to first time consolidation of KAR-Tel for a full fiscal year. We believe that the increase in our operating income in 2005 was primarily attributable to the growth of our subscriber base, combined with our ability to keep costs in line with our growth, which resulted in an increase in our operational revenues during 2004 and 2005. Throughout 2006 and 2007, we anticipate that our operating income will continue to increase in proportion to the increase in our operating revenues as we continue to increase our subscriber base, particularly in the regions of Russia and the CIS.

Other Income and Expenses

Interest expense. Our interest expense increased 72.0% to US\$147.4 million during 2005, compared to US\$85.7 million during 2004. The increase in our interest

expense during this period was primarily attributable to an increase in the amount of our debt during 2004 and 2005.

Foreign currency exchange gain/loss. We recorded a US\$7.0 million foreign currency exchange gain during 2005 as compared to a US\$3.6 million loss during 2004. The devaluation of the U.S. dollar during 2005, relative to the Euro during 2005 resulted in a significant foreign exchange loss due to a corresponding revaluation of our Euro denominated liabilities from suppliers of telecommunications equipment. In order to reduce our foreign currency exposure, in August 2002 we entered into a series of forward agreements to acquire approximately 299.9 million at a fixed dollar exchange rate. Throughout 2003, 2004 and 2005, we continued to acquire forward agreements. As of December 31, 2005, substantially Euro denominated liabilities that were not covered by these forward agreements were covered by our cash holdings, denominated in Euros, in the amount of €1.7 million.

Income tax expense. During 2005, we recorded a US\$221.9 million in expense, compared to an income tax expense of US\$155.0 million recorded in 2004. This income tax expense consisted of current and deferred income taxes, as well as due to differences between the basis of computing income taxes arose due to differences between the basis of computing income taxes under Russian tax principles and U.S. GAAP. In 2005, our income tax expense resulted of the increase in our taxable income. Our effective income tax rate was 26.4% during 2005 was slightly lower than our effective income tax rate of 26.7% during 2004.

Net income and net income per share. In 2005, our net income was US\$619.5 million, compared to US\$351.0 million during 2004. In 2005, we reported diluted net income of US\$116.6 million, compared to US\$116.6 million during 2004. In 2005, we reported diluted net income of US\$58.49 per common share (US\$27.12 per ADS) compared to US\$11.50 per common share (US\$2.09 per ADS) during 2004. In 2005, before eliminating the impact of our share repurchase program, our net income was US\$620.3 million, compared to US\$428.8 million during 2004. Net income in Kazakhstan in 2005, before eliminating intangible amortization, was US\$2.3 million, compared to US\$1.8 million during the last four months of 2004.

The table below provides selected information about net income of comparable segments for the year ended December 31, 2005 compared to the year ended December 31, 2004 (in million of U.S. dollars):

	2005	2004
Russia*	\$ 620.3	2.3
Kazakhstan (1)	(4.1)	-
Ukraine*	-	-
Tajikistan	-	-
Intersegment transactions and minority interest	(1.4)	-
Total Net Income	\$ 615.1	\$ 615.1

* Net income, including intersegment transactions

(1) Includes net income in Kazakhstan for only the last four months of 2004.

The increase in our total net income in 2005 was primarily attributable to continued growth of our subscriber base in Russia and Kazakhstan.

Increased December 31, 2004 Compared with Year Ended December 31, 2003

Revenue from operations increased by 58.9% to US\$2,113.0 million during 2004 from US\$1,339.7 million during 2003. Revenue growth in 2004 was primarily due to the overall increase in the number of our subscribers in the regions of Russia and Kazakhstan, where we acquired K&R-TEL in 2004, an increase in our revenue from ad sales (as opposed to sales directly from our company), as a percentage of operating revenues, revenue from sales of handsets and accessories increased by 1.3% during 2004, 4% during 2003, as our service expenses and operational fees increased at a faster rate than our revenues from sales of handsets and accessories.

Depreciation and amortization expense during 2004 increased by 63.1% to US\$230.7 million from US\$141.6 million during 2003. The increase in depreciation and amortization expense was primarily due to our January 2004 change in the estimated useful life of our telecommunication equipment from 5.5 years to 4 years and paid due to an increase in capital expenditures in the regions of Russia and Kazakhstan in 2004. Had depreciation and amortization expense of US\$151.7 million.

We recorded an impairment charge of approximately US\$74 million in 2004, relating to an internal review of business segments assets. This charge represents the excess of the carrying amount of assets over their estimated fair value.

Provision for doubtful accounts. Our provision for doubtful accounts decreased by 10.9% to US\$8.2 million during 2004, from US\$9.2 million during 2003. As a percentage of net operating revenues, provision for doubtful accounts decreased from 0.7% during 2003 to 0.4% during 2004. The decrease was primarily due to an increase in the number of prepaid subscribers, improved risk management practices and improved cash collection procedures.

Operating income. Primarily as a result of the foregoing, our operating income was US\$564.2 million during 2004, compared to US\$416.4 million during 2003. In 2004, operating income in Russia grew by 61.4% to US\$562.1 million compared to US\$416.4 million in 2003, which was primarily attributable to the growth of our subscriber base and management's efforts to contain costs. Our operating income in Kazakhstan was US\$12.1 million in 2004. In previous years, operating losses were primarily attributable to expenses connected with the greenfield development of our regional networks and the low number of subscribers during the initial stage of development of our business in the regions. The primarily greenfield development of our regional networks required us to have 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 2003 and 2002 resulted in a significant increase in our capital expenditures and, consequently, depreciation and amortization expenses, as well as our selling, general and administrative expenses. Their full commercial usage of our telecommunication networks in the regions began in 2003. The number of subscribers grew substantially, which resulted in a sharp increase in our operational revenues during 2003 and 2004.

Our cost of handsets and accessories sold increased by 15.9% to US\$306.6 million during 2004, from US\$265.4 million during 2003. Our cost of handsets and accessories sold as a percentage of total operating revenue declined to 1.4% during 2004 compared to 2.7% during 2003.

Our selling, general and administrative expenses increased by 54.0% to US\$370.3 million during 2004, from US\$240.7 million during 2003. The increase in selling and marketing expenses of US\$89.3 million was primarily due to an increase in aggregate subscriber acquisition costs due to our increased focus on subscriber acquisition in technical support and maintenance expenses due to an extended regional roll-out, and a US\$43.9 million

Other Income and Expenses

Interest expense. Our interest expense increased 25.7% to US\$85.7 million during 2004, compared to US\$68.2 million during 2003. The increase in our interest expense during this period was primarily attributable to an increase in the overall amount of our debt during 2004.

Foreign currency exchange gain/loss. We recorded a US\$31.5 million foreign currency exchange gain during 2004, as compared to a US\$11.3 million foreign currency exchange loss during 2003. The devaluation of the U.S. dollar against the Euro during 2002 resulted in a significant foreign exchange loss during 2002 from a corresponding revaluation of our Euro-denominated liabilities to our suppliers of telecommunication equipment. In order to reduce our Euro-U.S. dollar currency exposure in August 2002, we entered into a series of currency forward agreements to acquire approximately 628.9 million at a fixed Euro to U.S. dollar exchange rate. Throughout 2003 and 2004, we continued to enter into currency forward agreements. As of December 31, 2004, substantially all of our Euro-denominated liabilities that were not covered by these forward agreements were of 62.4 million. Our foreign exchange gain during 2004 was primarily due to the difficulties between rates on transactions of forward agreements (forward rate) and liabilities (spot rate).

Income tax expense. During 2004, we recorded a US\$155.0 million income tax expense, compared to an income tax expense of US\$105.5 million recorded during 2003. 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 2004, our income tax expense grew as a result of the increase in our taxable income. Our effective income tax rate of 75.5% during 2004 was lower than our effective income tax rate of 28.6% in 2003.

Net income and net income per share. In 2004, our net income was US\$359.4 million, or US\$8.50 per common share (US\$2.13 per ADS), compared to a net income of US\$278.6 million, or US\$5.98 per common share (US\$1.50 per ADS) during 2003. In 2004, we reported diluted net income of US\$8.49 per common share (US\$2.12 per ADS), compared to diluted net income of US\$5.67 per common share (US\$1.42 per ADS) during 2003. Net income for Russia in 2004 amounted to US\$428.8 million, compared to US\$252.1 million during 2003. Net income for Kazakhstan in 2004 amounted to US\$11.8.

The table below provides selected information about net income of our two reportable segments for the year ended December 31, 2004, compared to the year ended December 31, 2003 (in million of U.S. dollars):

	Year Ended December 31,	
	2004	2003
Russia	\$428.8	\$252.1
Kazakhstan (1)	1.8	-
Total Net Income	\$430.6	\$252.1

(1) Includes net income in Kazakhstan for only the last four months of 2004.

Liquidity and Capital Resources

Consolidated Cash Flow Summary

	Year Ended December 31,	
	2004	2003
Net cash flow provided by operating activities	\$ 1,298.2	\$ 805.4
Net cash flow (used in) provided by financing activities	359.6	(36.1)
Net cash flow used in investing activities	(1,590.9)	(954.0)
Effects of exchange rate changes on cash and cash equivalents	(9.2)	5.5
Net cash flow	\$ 577.8	\$ 148.2

During the year ended December 31, 2005, 2004, and 2003, we generated positive cash flow from our operating activities and negative cash flows from investing activities. Cash flow from financing activities was positive during the years ended December 31, 2005, and 2004, and negative during the year ended December 31, 2003. The positive cash flow from financing activities during the year ended December 31, 2005 was primarily the result of our receipt of proceeds from a loan to our Company by URS (Luxembourg) S.A. in connection with the sale of an aggregate of US\$300.0 million 8.0% loan participation notes issued by, but without recourse to, URS (Luxembourg) S.A. in February 2005, as well as the receipt of proceeds from a syndicated loan in the aggregate amount of US\$425.0 million. The positive cash flow from financing activities during the year ended December 31, 2004 was primarily a result of our receipt of proceeds from loans to our Company by URS (Luxembourg) S.A. in connection with the sale of an aggregate of US\$450.0 million 10.0% loan participation notes issued by, but without recourse to, URS (Luxembourg) S.A. in June and July 2004, and the sale of US\$300.0 million 8.375% loan participation notes issued by, but without recourse to, URS (Luxembourg) S.A. in October 2004, which were offset in part by repayments made under our existing debt obligations. The negative cash flow from financing activities during 2003 was primarily the result of our repayment of the current portion of our interest bearing liabilities, including equipment financing obligations to Alcatel and Ericsson in the amount of US\$344.2 million. In the foreseeable future, our further expansion will require significant investment activity, including the acquisition of equipment and possibly the acquisition of other companies. Additionally, as of December 31, 2005, approximately US\$271.5 million of our contractual obligations were scheduled to mature prior to December 31, 2006. We expect our near term investment activity and contractual obligations payments to generate cash outflows, and we expect to meet these needs from internal and external sources.

As our subscriber base grows, we expect positive cash flows from operations will continue to provide us with internal sources of funds. The availability of external financing is difficult to predict because it depends on many factors, including the success of our operations, contractual restrictions, availability of Export Credit Agency or ECA, 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. Historically, a large portion of our external financing needs was satisfied by vendor financing and banking 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

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International and Russian capital markets and ECA backed credits for our financing needs. Our current business plan contemplates that we will need to raise approximately US\$700.0 million in additional debt financing in the Russian and/or international capital markets and/or in bank financing to meet our projected capital expenditures, scheduled debt repayment and possible acquisitions through 2006. The actual amount of debt financing that we will need to raise will be influenced by the actual pace of subscriber growth over the period, network construction, our acquisition plans and our ability to continue revenue growth and stabilize ARPUs. In addition, we are currently actively pursuing opportunities for expansion in Russia and the CIS. We cannot, however, give any assurance of the exact amount that we will invest in acquiring such wireless operators or that we will be able to complete any such acquisitions successfully. If we make any further significant acquisitions beyond what is currently contemplated by our business plan, we will need to increase the amount of additional debt financing over this period above the amount currently projected.

As of December 31, 2005, our cash and cash equivalents balance was US\$353.6 million (primarily held in U.S. dollars, Russian rubles and Euros), compared to US\$305.9 million as of December 31, 2004. As of December 31, 2005, we had negative working capital of US\$457.9 million, compared to negative working capital of US\$172.9 million as of December 31, 2004. Working capital is defined as current assets less current liabilities. The decrease in our working capital as of December 31, 2005 was primarily due to the recognition of our bonds payable and bank loans as current liabilities because of their further repayment in 2006 and increases in our accounts payable and customer advances. As of December 31, 2005, customer advances grew to US\$528.0 compared to US\$424.1 million as of

December 31, 2004. We expect customer advances to continue to grow in line with the growth of our operations. The growth in accounts payable and accrued liabilities during 2005 was primarily due to an increase in the volume of our operations. We believe that our working capital is sufficient to meet our present requirements.

Operating activities

During 2005, net cash provided by operating activities was US\$1,998.2 million, a 61.2% increase over US\$805.4 million of net cash provided by operating activities during 2004, which, in turn was an increase from net cash provided by operating activities during 2003 of US\$531.9 million. The improvement in net cash from operating activities during 2005 as compared to 2004 and 2003 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 these periods. In 2005, there were no significant changes in the terms of payments to our suppliers and our policies in respect of customer advances and accounts as compared to 2004 and 2003.

Financing activities

The following table provides a summary of certain of our material outstanding indebtedness of our Company and our subsidiaries as of December 31, 2005. For additional information on this debt, please refer to the discussion below as well as to the notes to our consolidated financial statements contained elsewhere in this document. For information regarding changes in certain of our outstanding indebtedness subsequent to December 31, 2005, see "2005 and 2006 Financing—2005" below.

Issuer	Type of debt	Outstanding debt (in millions)	Interest rate	Maturity date	Guarantee	Security
VimpelCom	Loans from UBS (Luxembourg) S.A. (funded by the issuance of loan participation notes by UBS (Luxembourg) S.A.)	\$ 450.0	10.0%	June 16, 2009	None	None
VimpelCom	Syndicated loan arranged by Citibank, N.A. and Standard Bank London Limited	\$ 425.0	LIBOR plus 2.5%	February 28, 2008	None	None
VimpelCom	Loan from UBS (Luxembourg) S.A. (funded by the issuance of loan participation notes by UBS (Luxembourg) S.A.)	\$ 300.0	8.375%	October 22, 2011	None	None
VimpelCom	Loan from UBS (Luxembourg) S.A. (funded by the issuance of loan participation notes by UBS (Luxembourg) S.A.)	\$ 300.0	8.0%	February 11, 2010	None	None
VimpelCom	Loan from Sherbank	\$ 129.8	8.5%	April 14, 2009	None	Common stock of certain subsidiaries and equipment
VimpelCom Finance	Ruble denominated bonds	\$ 104.2 (1,000.0 Russian rubles)	9.9%	May 16, 2006	VimpelCom	None

Outstanding debt

Issuer	Type of debt	Outstanding debt (in millions)	Interest rate	Maturity date	Guarantee	Security
VimpelCom	Loan from Svenska	\$ 54.8	LIBOR plus 0.325%	May 20, 2011	EKN (Swedish Export Credits Guarantee Board)	None
VimpelCom	Loan from Sherbank	\$ 52.5	8.5%	August 27, 2007	None	Equipment
Kar-TeI	Loan from Citibank Kazakhstan	\$ 34.4	7.0%	January 17, 2006	VimpelCom	None
VimpelCom	Loan from Bayerische Hypothek und Vereinsbank and Norda Bank	\$ 27.9	LIBOR plus 0.35%	May 6, 2010	Euler Hermes Kreditversicherungs AG	None
Kar-TeI	Loan arranged by Citibank International PIC N.A.	\$ 26.9	LIBOR plus 0.35%	January 24, 2010 and July 24, 2010	VimpelCom for up to US\$30.0 million and EDCD	None
VimpelCom	Loan from Bayerische Hypothek und Vereinsbank and Norda Bank	\$ 24.0	LIBOR plus 0.35%	May 18, 2010	Euler Hermes Kreditversicherungs AG	None
Vostok-Zapad Telecom	Loan from Bayerische Hypothek und Vereinsbank and Norda Bank	\$ 20.1	LIBOR plus 0.35%	October 18, 2010	Euler Hermes Kreditversicherungs AG and VimpelCom	None
URS	Equipment financing obligations to Hasegawa Mining and Concentration Complex	\$ 16.7 (US\$ (Brazilian Revo))	0.0%	May 3, 2006	None	None
Kar-TeI	Base loan agreement with Bank TuranKum	\$ 14.1 (\$7.6 and €5.5)	Various rates	Various dates from September 2008 through December 2009	None	None
Kar-TeI	Equipment financing obligations to Alcatel	\$ 12.7	EURIBOR	Various dates through 2007	None	Title to equipment retained
VimpelCom	Syndicated loan arranged by Citibank, N.A. and Sumitomo Mitsui Banking Corp., Europe Limited	\$ 0.0 (1)	LIBOR plus 1.5% (A) and 1.65% (B)	November 18, 2008	None	None
Kar-TeI	Loan from European Bank of Reconstruction and Development	\$ 0.0 (2)	LIBOR plus 3.5% (B) and 3.9% (A)	December 18, 2003 (B) and December 18, 2010 (A)	VimpelCom for up to \$20.0 million	None
VimpelCom	Loan from Svenska	\$ 0.0 (3)	LIBOR plus 0.325%	November 30, 2012	EKN (Swedish Export Credits Guarantee Board)	None

(1) The aggregate principal amount available under this facility is US\$120.0 million. As of December 31, 2005, no amounts had been drawn under the facility. As of April 30, 2006, down US\$100.0 million under facility A and US\$20.0 million under facility B.
 (2) The aggregate principal amount available under this facility is US\$100.0 million. As of December 31, 2005, no amounts had been drawn under this facility. As of April 30, 2006, down the entire US\$100.0 million.
 (3) The aggregate principal amount available under this facility is US\$99.7 million. As of December 31, 2005 we had not drawn down any amount under this loan and as of April 30, 2006, down this amount in full.

equipment, pledge was released and various terms of the amended and restated loan agreement were modified to conform it to the loan agreement signed by VimpelCom and Svyetla on November 3, 2005, as described below. As of December 31, 2005, US\$4.8 million was outstanding under this loan.

On June 30, 2005, we entered into two non-revolving credit agreements with Bayerische Hypothek und Treuhandbank AG and Nordia Bank AB (publ) with a total credit limit of US\$59.0 million. In accordance with amendments signed on October 20, 2005, the aggregate amount of the loans decreased to US\$56.5 million. The credit lines both bear interest at the rate of six-month LIBOR plus 0.35%, which is payable semi-annually. Each of the tranches under the credit line are repayable in ten equal semi-annual installments over a five-year period. These loans also contain various restrictive covenants, which include a financial covenant requiring that our Company's ratio of senior debt to adjusted OIBDA on a consolidated basis not exceed 4.5. We commenced repaying this loan in November 2005. The credit lines are backed by guarantees from Euler Hermes Kreditversicherungs AG, the German export credit insurer. In addition to interest payments, we paid Euler Hermes Kreditversicherungs AG a guarantee fee in the amount of 5.15% of the total commitment under these loans. As of December 31, 2005, we had drawn down US\$17.7 million under these credit agreements.

On June 30, 2005, our subsidiary Vostok Zased Telecom entered into a non-revolving credit agreement with Bayerische Hypothek und Treuhandbank AG and Nordia Bank AB (publ) with a total credit limit of US\$22.5 million. In accordance with amendments signed on October 20, 2005, the aggregate amount of the loans decreased to US\$21.5 million. The credit line bears interest at the rate of six-month LIBOR plus 0.35%, which is payable semi-annually. The credit line is repayable in ten equal semi-annual installments over a five-year period. This loan also contains various restrictive covenants, which include a financial covenant requiring that our Company's ratio of senior debt to adjusted OIBDA on a consolidated basis not exceed 4.5. We commenced repaying this loan on November 16, 2005. The credit line is secured by guarantees from Euler Hermes Kreditversicherungs AG and VimpelCom. In addition to interest payments, we paid Euler Hermes Kreditversicherungs AG a guarantee fee in the amount of 5.15% of the total commitment under this loan. As of December 31, 2005, we had drawn down US\$12.2 million under the credit agreement.

On September 6, 2005, our subsidiary KarTel entered into a US\$30.0 million facility agreement with Citibank International, LLC arranged by Citibank, N.A., for the purpose of financing the supply and installation of equipment by Motorola Limited and financing the premium paid to the British Export Credits Guarantee Department, or ECGD. The loan bears interest at the rate of LIBOR plus 0.25% and is repayable in equal semi-annual installments through January 24, 2010 in relation to the loan for the first supply contract and July 24, 2010 in relation to the loan for the second supply contract. The loan is guaranteed by VimpelCom and by the ECGD, to whom we paid a guarantee fee in the amount of US\$1.2 million. KarTel is permitted to prepay after September 5, 2006, any amounts outstanding under the loan. As of December 31, 2005, we had drawn down US\$26.9 million under this facility.

On November 3, 2005, we entered into a non-revolving credit agreement with Svyetla Handelsbanken AB with a credit limit of US\$199.7 million. The credit line bears interest at the rate of six-month LIBOR plus 0.325%, which is payable semi-annually. The credit line is repayable in fourteen equal semi-annual installments over a seven-year period. The end of the delivery period for the purchased

equipment is April 30, 2006. The latest date for repayment in full is November 30, 2012. The credit line is secured by a guarantee from the ECR. In addition to interest payments, we paid ECR a guarantee fee in the amount of 7.68% of the total commitment under this loan. VimpelCom is permitted to prepay at interest payment dates any amounts outstanding under this loan. This loan contains various restrictive covenants, which include a change of control restriction and financial covenants requiring that our Company's ratio of net debt to OIBDA on a consolidated basis not exceed 3.0. As of December 31, 2005, we had not drawn down any amount under this loan and as of April 30, 2006, we had drawn down this amount in full.

Investing activities

We purchase equipment, telephone line capacity, frequency allocations, buildings and other assets as a part of the ongoing development of our wireless networks. In 2005, our total payments for purchases of equipment, intangible assets and other non-current assets were approximately US\$1515.1 million (compared to US\$1086.3 million during 2004 and 2003, respectively). In 2005, our total payments in respect of acquisitions (net of cash holdings of acquired companies) were approximately US\$306.0 million (compared to US\$451.0 million and US\$42.5 million during 2004 and 2003, respectively).

Our acquisitions during 2003, 2004 and 2005 are described below.

In January and September 2003, VimpelCom-Region acquired 93.0% and 10.0%, respectively, of the outstanding shares of StarTel650, the largest mobile telecommunications service provider in the Stavropol region. VimpelCom-Region acquired 49.0% of these shares from Telcel. VimpelCom-Region paid an aggregate purchase price of approximately US\$431 million for StarTel650. In addition, we agreed to extend a credit line to StarTel650 in the amount of approximately US\$2.2 million in order for StarTel650 to repay a bank loan previously guaranteed by Telcel. Subsequent to the merger of VimpelCom-Region into VimpelCom on November 26, 2004, StarTel650 became a wholly owned subsidiary of VimpelCom. We are currently in the process of merging StarTel650 into VimpelCom.

In June 2004, we acquired approximately 93.5% of the outstanding shares of Dnatelecom for a purchase price of approximately US\$74.1 million. In addition, Dnatelecom had short-term debt of approximately US\$8.0 million at the time of acquisition. Dnatelecom holds cellular licenses for a portion of the Far East super-region. Three of the 15 regions within the Far East super-region (Khabarovsk Krai, Amur Region and Kamchatka Region) covering a population of approximately 2.7 million people. Dnatelecom's subscriber base as of December 31, 2005 was approximately 1.0 million. In 2005, we acquired the remaining 6.5% of the outstanding shares of Dnatelecom in a series of transactions, resulting in Dnatelecom becoming a wholly owned subsidiary of VimpelCom. We are currently in the process of merging Dnatelecom into VimpelCom.

On July 13, 2004, we acquired the remaining 49.0% of common stock of Beeline-Samara that we did not own for approximately US\$12.9 million, resulting in Beeline-Samara becoming a wholly owned subsidiary of VimpelCom. Beeline-Samara has D-AMPS and GSM-1800 licenses for the Samara region, which covers approximately 3.3 million people. At the time of the acquisition, Beeline-Samara had approximately 103,000 D-AMPS subscribers. We are currently in the process of merging Beeline-Samara into VimpelCom.

On September 3, 2004, we acquired KarTel through the purchase of 100.0% of the issued and outstanding shares of KarTel's parent company, Linnotea, for a purchase price of US\$350.0 million, plus US\$2.0 million of gross acquisition costs. In addition, KarTel had debt of approximately US\$75.0 million, which we assumed at the time of acquisition. KarTel holds a national GSM-900 license for Kazakhstan and at the time of the acquisition served approximately 600,000 subscribers, representing, according to our estimates, a 31.0% market share in Kazakhstan.

In July 2005, we acquired 84.0% of the issued and outstanding shares of STP for a purchase price of US\$15.7 million. At the same time, we also acquired 60.0% of Limited Liability Company Joint Venture "Sakhalin Telecom Limited" or Sakhalin Telecom, a fixed line alternative operator, for a purchase price of US\$5.0 million. We subsequently sold Sakhalin Telecom in September 2005 for approximately US\$5.0 million. At the time we acquired Sakhalin Telecom, it owned 5.2% of STP, which we subsequently purchased for US\$1.2 million, increasing our share in STP to 89.6%. STP holds GSM-1800 and D-AMPS licenses for the territory of Sakhalin, one of the regions within the Far East super-region where we do not have a super-region license to conduct cellular operations. At the time of its acquisition, STP had approximately 95,000 subscribers.

On August 22, 2005, we completed the sale of a minority interest of 50.0% in URS to KarTel's parent company, Linnotea, to Citicel for a purchase price of US\$175.0 million.

On September 15, 2005 and December 26, 2005, we acquired the remaining 0.82% and 0.37% stakes in Oreston, respectively, for a total purchase price of US\$30.5 million, which increased our ownership of Oreston to 100.0%.

On November 10, 2005, we acquired 100.0% of URS, a cellular operator in Ukraine, through the acquisition of 100.0% of the issued and outstanding stock of each of its shareholders—Ceyrola Properties Limited, Credit Investment Limited, Wintop Management Limited, Crisdon Holdings Limited and Cellcraft Holding Limited. The total cash purchase price of URS was US\$231.2 million, plus the assumption of approximately US\$23.5 million in debt. URS has a GSM-900 license that covers the entire territory of Ukraine and a GSM-1800 license that covers 23 of Ukraine's 27 administrative regions (excluding the City of Kyiv, the Kyiv Region, the Dnipropetrovsk Region and the Odessa Region). At the time of its acquisition, URS had approximately 240,000 subscribers. Our acquisition of URS is currently being challenged by Telcel.

On December 29, 2005, we acquired a 60.0% interest in Tacom, a cellular operator in Tajikistan, for a purchase price of US\$111.1 million. A deferred payment of 30.0 million will be payable one year from the date of purchase under certain specified circumstances. Tacom holds national GSM-900/1800, UMTS, CDMA 450 and AMPS licenses. At the time of its acquisition, Tacom had approximately 10,000 subscribers. In connection with our acquisition of Tacom, we entered into a shareholders agreement with the remaining shareholders of Tacom that grants us

an option to acquire up to the entire remaining interest held by the shareholders under certain circumstances for a price specified in a prescribed formula.

Wireless service requirements

Wireless service providers require significant amounts of capital to networks and attract subscribers. Our capital expenditures during 2005 were approximately US\$1,625.3 million, the majority of which was invested in network development. In addition, we spent an aggregate of US\$130.7 million of cash acquired on acquisitions during 2005. We believe that our expenditures during 2006 will remain consistent with the amount spent in 2005. We intend to invest in our network development and acquisition of our capital expenditures for 2006 will be influenced by the subscriber growth over the remainder of the period. The capital expenditures stated above do not include any amounts that may be invested in existing wireless operators in various license areas and/or in the purchase of licenses in these areas.

We anticipate that the funds necessary to meet our current capital requirements and those to be incurred in the foreseeable future (including with respect to possible acquisitions) will come from:

- cash currently held by our Company;
- operating cash flows;
- Export Credit Agency guaranteed financing;
- borrowings under bank financings, including credit lines currently in place;
- syndicated loan facilities; and
- debt financings from Russian and international capital markets.

We believe that funds from a number of these sources, coupled with the net proceeds from the sale of URS, will be sufficient to meet our projected capital requirements for the next

Contractual obligations

The following table summarizes the contractual principal maturities of our term debt, including its current portion, and our minimum payments under our capital lease obligations and purchase obligations as of December 31, 2005. We expect to meet our contractual obligations requirements with cash flows from our operations and other arrangements. Subsequent to December 31, 2005, there have been additional changes in certain of our outstanding indebtedness. For information regarding these changes, see "—Financing activities—2005" and "—Financing—2005" above.

Table 10
 Payments due by period
 January 1, 2007 to December 31, 2009
 After January 1, 2010 to December 31, 2011
 After January 1, 2012

Period	2007	2008	2009	2010	2011	2012
Actual obligations (1)	\$ 168.6	\$ 278.5	\$ 466.2	\$ 213.9	\$ -	\$ -
Less:						
from UBS (Luxembourg) S.A. (funded by the issuance of participation notes by UBS (Luxembourg) S.A.)	1050.0	-	450.0	600.0	-	-
from financing (including accrued interest)	71.7	35.8	31.5	4.3	-	-
denominated bonds	104.2	104.2	-	-	-	-
at lease obligations	3.7	2.9	0.8	-	-	-
	\$ 1598.2	\$ 421.4	\$ 944.5	\$ 628.2	\$ -	\$ -

The debt payments could be accelerated upon violation of debt covenants.

Presentation of Financial Results

Management records and prepares our statutory financial statements in accordance with Russian accounting principles and tax legislation and in accordance with U.S. GAAP. Our consolidated financial statements have been prepared in accordance with U.S. GAAP. They differ from our financial statements for statutory purposes in Russia. The principal differences relate to:

- **Income Recognition:** Recognition of interest expense and other operating expenses and depreciation of property and equipment;
- **Foreign Currency Translation:** Recognition of foreign currency translation gains and losses;
- **Line Capacity:** Recognition and amortization of telephone line capacity;
- **Allowances:** Recognition of allowances for uncollectible assets;
- **Leases:** Recognition and accounting for leasehold improvements and accounting for leasehold improvements.

Our consolidated financial statements set forth in this document include the assets and liabilities of our consolidated subsidiaries. All inter-company assets and liabilities have been eliminated. We have used the equity method of accounting for investments in which our company has significant influence. Generally, investments involving stock ownership of at least 20.0% and not more than 50.0%. Taxes computed on income reported for Russian tax purposes. We have the assets and liabilities of our consolidated subsidiaries. All inter-company assets and liabilities have been eliminated. We have used the equity method of accounting for investments in which our company has significant influence. Generally, investments involving stock ownership of at least 20.0% and not more than 50.0%.

accounting principles as an expense in the year paid. In contrast, numerous expenses reported in the financial statements prepared under U.S. GAAP are not tax deductible under Russian legislation. As a consequence, our effective tax charge is different under Russian tax rules and under U.S. GAAP.

Certain Factors Affecting our Financial Position and Results of Operations

Inflation
 The Russian economy has been characterized by high rates of inflation. We set prices for our products in U.S. dollars equivalent to our prices in order to help protect us from the volatility of the Russian ruble. However, inflation affects the purchase price of our raw materials. For the years ended December 31, 2009, 2008, and 2007, Russia's inflation rates were 11.7%, 11.7%, and 12.0%, respectively. For the year ended December 31, 2005, inflation rates in Ukraine and Kazakhstan were 10.3% and 7.5%, respectively.

Foreign Currency Translation
 We report to Russian shareholders and maintain our statutory accounting records in Russian rubles. The consolidated financial statements have been prepared in accordance with U.S. GAAP and are stated in U.S. dollars, which is our functional currency.

On November 25, 2002, the ATRX International Practices Task Force concluded that effective January 1, 2003, Russia would no longer be considered a highly inflationary country. Consequently, our functional currency as of January 1, 2003, is the U.S. dollar. The U.S. dollar is the functional currency of our company and our subsidiaries, except for Sovoyga Company, Orenco, Stavrosk, Dabrovsk, STK, K&B RA, URS and Taron. The U.S. dollar is the functional currency of our company and our subsidiaries, except for those subsidiaries mentioned above, because the majority of our revenues, costs, property and equipment purchased, debt and trade liabilities are either priced, incurred or payable or otherwise measured in U.S. dollars. Accordingly, transactions and balances not already measured in U.S. dollars have been translated into U.S. dollars in accordance with the relevant provisions of Statement of Financial Accounting Standards, or SFAS, No. 52, "Foreign Currency Translation." Under SFAS No. 52, revenues, costs, capital and non-monetary assets and liabilities are translated at historical exchange rates prevailing on the

transaction date. Monetary assets and liabilities are translated at exchange rates prevailing on the balance sheet date. Exchange gains and losses arising from the translation of monetary assets and liabilities that are not denominated in U.S. dollars are credited or charged to operations.

Sovoyga Company, Orenco, Stavrosk, STK and DTR's functional currency is the Russian ruble, because the majority of our revenues, costs, property and equipment purchased, debt and trade liabilities are either priced, incurred or payable or otherwise measured in Russian rubles. Assets and liabilities of these companies are translated into U.S. dollars at exchange rates prevailing on the balance sheet date. Revenues, expenses, gains and losses are translated into U.S. dollars at historical exchange rates prevailing on the transaction date. Translation adjustments resulting from the process of translating the financial statements of these entities into U.S. dollars are reported in other comprehensive income, a separate component of shareholders' equity.

The Russian ruble is not a fully convertible currency outside the territory of the Russian Federation. Within the Russian Federation, official exchange rates are determined daily by the central bank of Russia. Market rates may differ from the official rate but the differences are, generally, within narrow parameters monitored by the central bank of Russia.

On December 31, 2009, 2008, and 2007, the official Russian ruble-U.S. dollar exchange rate was 28.78 rubles per U.S. dollar, 27.75 rubles per U.S. dollar and 29.45 rubles per U.S. dollar, respectively. On December 31, 2009, 2008, and 2007, the official U.S. dollar-Euro exchange rate was US\$1.19 per Euro, US\$1.39 per Euro and US\$1.25 per Euro, respectively.

We have implemented a number of risk management activities to minimize currency risk and exposure. To manage the risk of Russian ruble fluctuations and devaluation, we use forward and calculate monthly bill in U.S. dollar equivalent with applicable US ARA non-convertible payments in their bills in U.S. dollar. The dollar Russian ruble exchange rate on the date that payment is made. Subsequent are also charged 1.0% surcharge to cover the cost of conversion. Russian rubles into U.S. dollars. In addition, we hedge our Euro denominated liabilities with U.S. dollar Euro currency forward agreements and by maintaining some cash balance in Euro.

To the extent permitted by Russian law we keep part of our readily available cash in U.S. dollars and Euros in order to manage against the risk of Russian ruble devaluation. Our foreign currency liabilities are primarily associated with the purchase of equipment, loans denominated in foreign currencies, and existing obligations to our international trading partners. Where applicable law, we are permitted to buy hard currency to settle these contracts. A large portion of our Euro denominated liabilities is hedged by a series of Euro-U.S. dollar forward currency exchange contracts, and we have cash and cash equivalents denominated in Euro in an amount sufficient to cover the remaining liabilities details of which are described above. Where possible, we incur indebtedness denominated in U.S. dollars in order to avoid currency exposure.

Kazakhstan large amount to U.S. dollars or other foreign currency should not be construed as a representation that Kazakhstan large amounts have been, could be, or will be in the future, convertible into U.S. dollars or other foreign currency. At the exchange rate shown of at any other exchange rate. At December 31, 2009 and 2008, the official Kazakhstan large-U.S. dollar exchange rate was 133.77 and 130.10 rubles, respectively, per U.S. dollar.

Ukraine: The national currency of the Ukraine is the Ukrainian hryvnia. Management has determined Ukrainian Hryvnia System's functional currency to be the Ukrainian hryvnia as it reflects the economic substance of the underlying events and circumstances of the company. The Ukrainian hryvnia is not a convertible currency outside Ukraine and, accordingly, any conversion of Ukrainian hryvnia amounts to U.S. dollars or other foreign currency should not be construed as a representation that Ukrainian hryvnia amounts have been, could be, or will be in the future, convertible into U.S. dollars or other foreign currency. At the exchange rate shown, or at any other exchange rate. At December 31, 2009, the official Ukrainian hryvnia - U.S. dollar exchange rate was 9.95 per U.S. dollar.

Tajikistan: The national currency of the Tajikistan is the Tajik somoni. Management has determined Tajik's functional currency to be the Tajik somoni as it reflects the economic substance of the underlying events and circumstances of the company. The Tajik somoni is not a convertible currency outside Tajikistan and, accordingly, any conversion of Tajik somoni amounts to U.S. dollars or other foreign currency should not be construed as a representation that Tajik somoni amounts have been, could be, or will be in the future, convertible into U.S. dollars or other foreign currency. At the exchange rate shown, or at any other exchange rate. At December 31, 2009, the official Tajik somoni-U.S. dollar exchange rate was 3.1993 per U.S. dollar.

Critical Accounting Policies

The preparation of consolidated financial statements in conformity with U.S. GAAP requires estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and other amounts. The following critical accounting policies require significant judgments, assumptions and estimates and should be read in conjunction with our consolidated financial statements included elsewhere in this document.

Revenue Recognition
 We earn service revenues for usage of our cellular system, which include air-time charges from contract and prepaid subscribers, monthly contract fees, roaming charges and charges for value added services. Roaming revenues include revenues from our customers who roam outside their selected home coverage area and revenues from other wireless carriers for roaming by their customers on our network. Value added services include SMS, other number identification, voice mail, call waiting and data transmission. Generally, these features generate additional revenue through monthly subscription fees or increased wireless usage through utilization of the features. Service revenue is generally recognized when the service (including value added services and roaming revenue) are rendered. Revenue on prepaid cards is also recognized in the period in which the equipment is sold. Revenues are stated net of value added tax charged to customers.

Our billing cycle cut-off times require us to estimate the amount of service revenue earned but not yet billed at the end of each accounting period. We

estimate our unbilled service revenue by reviewing the amounts subsequently billed and estimating the amounts relating to the previous accounting period based on the number of days covered by invoices and other relevant factors. Actual service revenues could be greater or lower than the amounts estimated due to the different usage of airtime in different days. We have analyzed the potential differences and believe that historically they have not been material.

In line with SEI Staff Accounting Bulletin No. 104, "Revenue Recognition in Financial Statements," we defer telecommunications connection fees. Deferred revenues are subsequently recognized over the estimated average customer lives under tariff plans, which provide for payment of connection fees and which are periodically reassessed by us, and such reassessment may impact our future operating results.

Property and Equipment

We state our property and equipment at historical cost. We depreciate our telecommunications equipment, including equipment acquired under capital leases, using the straight-line method over its estimated useful life of seven years. We depreciate capitalized leasehold improvement expenses for base station positions using the straight-line method over the estimated useful life of seven years or the lease term, whichever is shorter. We depreciate buildings using the straight-line method over estimated useful lives of twenty years. Office and measuring equipment, vehicles and furniture are depreciated using the straight-line method over estimated useful lives ranging from five to ten years. The actual economic lives may be different than our estimated useful lives, thereby resulting in different carrying value of our property and equipment. Changes in technology or changes in an intended use of property and equipment may cause the estimated useful lives or the value of these assets to change. We perform periodic internal studies to confirm the appropriateness of the estimated useful economic lives of our property and equipment. These studies could result in a change in the depreciable lives of our property and equipment and therefore our depreciation expense in future periods.

In January 2004, we changed the estimated useful life of GSM telecommunications equipment from 5.5 to ten years, due to the Company's continuing evaluation of the value of the technologies combined with the January 2004 announcements of the plans of the Russian Government to initiate the process of awarding licenses for new mobile communications technologies. On January 11, 2005, the new law came into effect in Russia and on February 11, 2005, the Russian Government adopted the related regulations setting forth the types of telecommunications activities and related terms and conditions. Beginning January 1, 2005, we changed the estimated remaining useful life of GSM telecommunications licenses and allocation of frequencies from the initial expiration dates of the GSM licenses in Russia (held by VimpelCom and our subsidiaries), which varied from August 2005 to November 2012, to December 31, 2012. In November 2005, the Minister of Information Technologies and Communications indicated that the government was preparing to hold tenders for 3G licenses in 2006. We cannot currently accurately predict the effect on the estimated useful life of our GSM telecommunications equipment as a result of 3G licenses being awarded or as a result of the introduction of the 3G technology. Furthermore, we cannot assure you that we will be successful in our ability to acquire a 3G license, which may have a material adverse effect on our business and results of operations.

Goodwill and Intangible Assets

We capitalize payments made to third party suppliers to acquire access to and for use of telephone lines. We account for these payments as intangible assets and

they are amortized on a straight-line basis over 10 years. Telecommunication 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. Before January 1, 2002, goodwill was amortized using the straight-line method over the estimated remaining useful life. With the adoption of SFAS No. 142, "Goodwill and Other Intangible Assets," as of January 1, 2002, no amortization was taken on these assets during 2002 and 2003. Our other intangible assets are amortized on a straight-line basis over their estimated useful lives, generally from four to 10 years.

The actual economic lives of intangible assets may be different than our estimated useful lives, thereby resulting in a different carrying value of our intangible assets with finite lives. In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," we continue to evaluate the amortization period for intangible assets with finite lives to determine whether events or circumstances warrant revised amortization periods. These evaluations could result in a change in the amortizable amount of our intangible assets with finite lives and, therefore, our amortization expense in future periods. Historically we have had no material changes in estimated useful lives of our intangible assets.

In accordance with SFAS No. 142, we test goodwill for impairment on an annual basis. Additionally, goodwill is tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of an entity below its carrying value. These events or circumstances would include a significant change in the business climate, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of our business or other factors. Impairment tests require estimation in respect of the identification of reporting units and their fair value. The decision of whether there are any intangible assets requiring impairment testing is subjective. We selected our fair value estimates or assumptions within our discounted cash flow models when determining the fair value of reporting units, may result in different value for our goodwill, and any related impairment charge.

Long-Lived Assets

We account for impairment of long-lived assets, except for goodwill, in accordance with the provisions of SFAS No. 144, "Accounting for the Impairment of Disposal-Long-Lived Assets." SFAS No. 144 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the amount of the assets exceeds the fair value of the assets. Impairment tests require estimates in respect of the grouping of long-lived assets. We test long-lived assets for impairment when there are indicators of impairment, such as: significant decrease in the market prices of long-lived assets, significant adverse change in the extent or manner in which long-lived assets are being used or in their physical condition, significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, including an adverse action or assessment by a regulator, etc. The determination of whether there are impairment indicators requires judgment on our behalf. The use of different assumptions in our estimated future cash flows when determining whether the assets are impaired may result in additional impairment charge.

Allowance for Doubtful Accounts

The allowance estimation process requires management to make assumptions based on historical results, future expectations, the economic and competitive environment, and other relevant factors. Allowances for doubtful accounts receivable are maintained based on historical payment patterns, aging of accounts receivable and actual collection history. We maintain allowances for doubtful accounts for estimated losses from our subscribers' inability to make payments that they owe us. In order to estimate the appropriate level of this allowance, we analyze historical bad debts, current economic trends and changes in our customer payment patterns. If the financial condition of our subscribers were to deteriorate and to impair their ability to make payments to us, additional allowances might be required in future periods. Changes to allowances may be required if the financial condition of our customers improves or deteriorates or if we adjust our credit standards for new customers, thereby resulting in collection patterns that differ from historical experience.

Valuation Allowance for Deferred Tax Assets

We record valuation allowances related to tax effects of deductible temporary differences and loss carry forwards when it is more likely than not that some or all of the deferred tax assets will not be realized in the future. These evaluations are based on expectations of future taxable income and reversals of the various taxable temporary differences. As of December 31, 2005, our deferred tax assets amounted to US\$88.0 million, net of allowance of US\$8.8 million. Changes in our assessment of probability of realization of deferred tax assets may impact our effective income tax rate.

Business Combinations

We allocate purchase prices paid for the acquired businesses based on the fair value of acquired assets, including intangible assets and assumed liabilities. The value of the intangible assets and assumed liabilities is based on various factors, including estimates of the fair value of discounted cash flows. The use of different estimates or assumptions within our discounted cash flow models can determine the fair value of assets and liabilities of the acquired entities, may result in different values for these assets and liabilities, goodwill and future depreciation and amortization expense.

Recent Accounting Pronouncements

In April 2004, FASB issued FASB Staff Position FAS 129-1, "Disclosure Requirements Relating to Contingently Convertible Financial Instruments" ("FSP FAS 129-1"). FSP FAS 129-1 provides guidance on disclosures of contingently convertible financial instruments including those containing contingent conversion requirements that have not been met and are not otherwise required to be included in the calculation of diluted earnings per share. The statement was effective immediately, and applies to all existing and newly created securities. The adoption of this statement did not have a material effect on VimpelCom's results of operations or financial condition.

In November 2004, the EITF issued EITF No. 03-13, "Applying the Conditions in Paragraph 42 of FASB Statement No. 144 in Determining Whether to Report Discontinued Operations." EITF 03-13 assists in the development of a model for evaluating (a) which cash flows are to be considered in determining whether cash flows have been or will be eliminated and (b) what types of continuing involvement constitute significant continuing involvement when determining whether the disposal or sale of a component of a business is to be accounted for as discontinued operations. The adoption of the provisions of EITF No. 03-13 is not expected to have a material effect on VimpelCom's results of operations or its financial position.

On December 16, 2004, FASB issued Statement No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"), which is a revision of SFAS No. 123, "Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation," and amends Statement No. 95, "Statement of Cash Flows." Under SFAS No. 123R, companies must calculate and record the cost of equity instruments issued in options or restricted stock awarded to employees for services received. Income statement pro forma disclosure is no longer permitted. The cost of equity instruments to be measured based on fair value of the instrument at the date they are granted (with certain exceptions) and is required to be provided over the period during which the employees are required to provide services in exchange for the equity instruments. SFAS No. 123R is effective in the first or annual reporting period beginning after June 15, 2005.

SFAS No. 123R provides two alternatives for adoption: (1) a "modified pro forma method" in which compensation cost is recognized for all awards subsequent to the effective date of this statement as well as for the portion of awards outstanding as of the effective date and (2) a "retrospective" method which follows the approach in the "modified pro forma method" but also permits entities to restate prior periods to reflect compensation cost calculated under SFAS No. 123 for prior periods. We have elected to adopt SFAS No. 123R using the modified prospective method.

The adoption of SFAS No. 123R is expected to have an impact on our operations. On March 30, 2005, the SEC released Staff Accounting Bulletin 50, "Share-Based Payment," ("SAB 507"), which expresses views of the SEC regarding the application of SFAS No. 123R. The impact of adopting SFAS No. 123R and SAB 507 has not been accurately estimated at this time, as it will depend on the amount of the awards granted in future periods, however, had we adopted SFAS No. 123R and SAB 507 as of prior periods, the impact would approach the impact of SFAS No. 123R as measured on the disclosure of pro forma net income and earnings per share in Note 2 to the Unaudited Financial Statements.

In addition to its stock option plans, our Company also has phantom stock plans. Please see Note 23 to our consolidated financial statements elsewhere in this document. This plan is currently accounted for as appreciation rights in accordance with SAB Interpretation No. 28, "Accounting for Phantom Stock and Other Variable Stock Option or Award Plans." Accounting for this phantom stock plan will also be impacted by the adoption of SFAS 123R. While the ultimate compensation cost recorded for any phantom stock will be measured as the cash ultimately paid to settle the award, the accounting for the liability awards will change from an intrinsic value accounting to a periodic fair value measurement using a lattice model. We have yet to determine the potential impact of FAS 123R as it relates to its outstanding liability awards.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Non-Monetary Assets." SFAS No. 153 changes the measurement of exchanges of non-monetary assets. The guidance in APB Opinion No. 29, "Accounting for Non-Monetary Transactions" (APB No. 29), is based on the principle that exchanges of non-monetary assets should be measured based on the fair value of the asset exchanged. The guidance in APB No. 29, however, included certain exceptions that principle. SFAS No. 153 amends APB No. 29 to eliminate the non-monetary exchanges of similar productive assets and replace it with an exception for exchanges of non-monetary assets that do not have substance. A nonmonetary exchange is expected to be accounted for as a result of the flows of the entity are expected to change significantly as a result of the

Additional Reconciliations of Non-U.S. GAAP Financial Measures (Unaudited)

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 roaming revenue but excluding revenue from connection fees, sales of handsets and accessories and other non-service revenue, 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 dealer commissions, advertising expenses and handset subsidies for the relevant period divided by the number of new subscribers added in the period.

Reconciliation of ARPU to Service Revenue and Connection Fees (Unaudited, in thousands of U.S. dollars, except for ARPU and subscriber amounts)

	2009	2008	2007	2006	2005
Total ARPU:					
Total service revenues	\$ 3,175,221	\$ 2,070,720	\$ 1,269,927	\$ 718,729	\$ 383,321
Less: Connection fees	876	170	1,279	1,962	2,079
Less: Revenue from rent of fiber optic channels	1,370	1,235	1,239	1,311	2,032
Service revenue used to calculate ARPU	3,172,975	2,068,212	1,267,349	714,936	378,210
Average number of subscribers ('000)	35,393	16,806	11,419	3,395	1,288
Total average revenue per subscriber per month	\$ 7.5	\$ 10.1	\$ 110.6	\$ 18.3	\$ 26.2
Russia ARPU:					
Total service revenues	\$ 2,991,388	\$ 2,025,638	\$ 1,269,927	\$ 718,729	\$ 383,321
Less: Connection fees	876	170	1,279	1,962	2,079
Less: Revenue from rent of fiber optic channels	1,370	1,238	1,299	1,831	2,032
Service revenue used to calculate ARPU	2,995,142	2,023,130	1,267,349	714,936	378,210
Average number of subscribers ('000)	33,958	16,734	11,419	3,395	1,288
Russia average revenue per subscriber per month	\$ 7.4	\$ 10.1	\$ 110.6	\$ 18.3	\$ 26.2
Kazakhstan ARPU:					
Total service revenues	\$ 176,924	\$ 45,082	\$ -	\$ -	\$ -
Less: Connection fees	-	-	-	-	-
Service revenue used to calculate ARPU	176,924	45,082	-	-	-
Average number of subscribers ('000)	14,004	716	-	-	-
Kazakhstan average revenue per subscriber per month	\$ 10.5	\$ 15.7	\$ -	\$ -	\$ -
Ukraine ARPU:					
Total service revenues	\$ 1,952	\$ -	\$ -	\$ -	\$ -
Less: Connection fees	-	-	-	-	-
Service revenue used to calculate ARPU	1,952	-	-	-	-
Average number of subscribers ('000)	239	-	-	-	-
Ukraine average revenue per subscriber per month	\$ 4.1	\$ -	\$ -	\$ -	\$ -

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 that ARPU provides management with useful information concerning usage and acceptance of our services. We believe that SAC assists management in quantifying the incremental costs to acquire a new subscriber. Non-U.S. GAAP financial measures should not be viewed in isolation or as an alternative to other figures reported under U.S. GAAP. Reconciliation of ARPU to service revenue and connection fees and SAC to selling, general and administrative expenses, the most directly comparable U.S. GAAP financial measures is presented below.

**Management Discussion and Analysis of Financial Condition
and Results of Operations**

Reconciliation of SAC to Selling, General and Administrative Expenses (Unaudited, in thousand of U.S. dollars, except for SAC and subscriber amounts)

	2009	2008	2007	2006	2005
Total SAC:					
Revenues from sales of handsets and accessories	\$ 30,478	\$ 38,711	\$ 55,765	\$ 36,447	\$ 55,765
Less: Cost of handsets and accessories sold	28,294	30,583	36,447	36,447	36,447
Selling general and administrative expenses	1,085,807	720,127	462,655	462,655	462,655
Less: General and administrative expenses	702,193	454,070	290,870	290,870	290,870
Sales and marketing expenses, including advertising & marketing expenses	383,614	266,077	176,785	176,785	176,785
Dealers' commission expense	135,248	68,142	50,867	50,867	50,867
Customer acquisition costs	248,366	197,935	125,918	125,918	125,918
New gross subscribers ('000)	363,614	266,077	176,785	176,785	176,785
Total Subscriber Acquisition Cost	29,246	19,204	9,144	9,144	9,144
Russia SAC:	\$ 13.1	\$ 13.9	\$ 19.3	\$ 19.3	\$ 19.3
Revenues from sales of handsets and accessories	\$ 30,478	\$ 38,711	\$ 55,765	\$ 36,447	\$ 55,765
Less: Cost of handsets and accessories sold	28,234	30,583	36,447	36,447	36,447
Selling general and administrative expenses	1,032,040	702,739	462,655	462,655	462,655
Less: General and administrative expenses	668,285	44,078	290,870	290,870	290,870
Sales and marketing expenses, including advertising & marketing expenses	363,755	266,661	176,785	176,785	176,785
Dealers' commission expense	127,292	67,189	50,867	50,867	50,867
Customer acquisition costs	236,463	19,472	125,918	125,918	125,918
New gross subscribers ('000)	363,755	266,661	176,785	176,785	176,785
Russia Subscriber Acquisition Cost	27,591	18,945	9,144	9,144	9,144
Kazakhstan SAC:	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues from sales of handsets and accessories	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Cost of handsets and accessories sold	-	-	-	-	-
Handsets and accessories subsidies	51,322	12,388	-	-	-
Selling general and administrative expenses	31,822	6,972	-	-	-
Less: General and administrative expenses	19,500	5,416	-	-	-
Sales and marketing expenses, including advertising & marketing expenses	7,626	953	-	-	-
Dealers' commission expense	11,874	4,463	-	-	-
Customer acquisition costs	19,500	5,416	-	-	-
New gross subscribers ('000)	1,016	289	-	-	-
Kazakhstan Subscriber Acquisition Cost	\$ 12.1	\$ 20.9	\$ -	\$ -	\$ -
Ukraine SAC:	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues from sales of handsets and accessories	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Cost of handsets and accessories sold	-	-	-	-	-
Selling general and administrative expenses	2,445	-	-	-	-
Less: General and administrative expenses	2,086	-	-	-	-
Sales and marketing expenses, including advertising & marketing expenses	359	-	-	-	-
Dealers' commission expense	310	-	-	-	-
Customer acquisition costs	29	-	-	-	-
New gross subscribers ('000)	359	-	-	-	-
Ukraine Subscriber Acquisition Cost	39	-	-	-	-
Ukraine Subscriber Acquisition Cost	\$ 6.2	\$ -	\$ -	\$ -	\$ -

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Open Joint Stock Company "Vimpel-Communications"

We have audited the accompanying consolidated balance sheets of Open Joint Stock Company "Vimpel-Communications" ("VimpelCom") as of December 31, 2005 and 2004, and the related consolidated statements of Income, Shareholders' equity and accumulated other comprehensive income and cash flows for each of the three years in the period ended December 31, 2005. These consolidated financial statements are the responsibility of VimpelCom's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of VimpelCom's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VimpelCom's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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, 2005 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

April 12, 2006

Erist & Young LLC

Consolidated Balance Sheets

Consolidated Balance Sheets

(In thousands of US dollars, except share amounts)

	2005	December 31, 2004
Assets		
Current assets:		
Trade accounts receivable, net of allowance for doubtful accounts of US\$16,467 in 2005 and US\$12,884 in 2004 (Note 19)	\$ 363,646	\$ 306,857
Inventory	144,197	119,566
Prepaid income taxes (Note 18)	60,864	37,855
Income tax refund receivable (Note 2)	83,968	64,706
Other current assets (Note 7)	7,735	23,315
Total current assets	660,410	552,319
Property and equipment, net (Note 9)	3,211,112	2,314,405
Telecommunications licenses and allocations of frequencies, net of accumulated amortization of US\$175,213 in 2005 and US\$193,071 in 2004 (Note 11)	826,948	752,506
Goodwill (Note 11)	17,495	23,258
Other intangible assets, net (Note 11)	19,445	232,598
Share investments (Note 2)	558,703	224,998
Due from related parties (Note 20)	81	534
Deferred income taxes (Note 18)	1,714	1,714
Other assets (Note 12)	62,846	102,883
Total assets	\$ 5,302,036	\$ 4,780,241
Liabilities and Shareholders' equity		
Current liabilities:		
Accounts payable	\$ 544,981	\$ 345,187
Due to related parties (Note 20)	709	2,280
Due to employees	2,724	7,280
Accrued liabilities	21,474	23,471
Deferred revenue	71,668	50,791
Deferred income taxes (Note 18)	1,301	1,893
Customer advances	644	11,785
Customer deposits	286,970	242,064
Shareholders' equity	2,911	2,851
Bank loans, current portion (Note 11)	104,410	-
Bank loans, current portion (Note 11)	278,537	115,111
Equipment financing obligations, current portion (Note 15)	35,787	71,577
Total current liabilities	1,419,352	925,325
Deferred income taxes (Note 18)	371,008	296,967
Bank loans, less current portion (Note 14)	1,540,043	1,048,113
Capital lease obligations, less current portion	1,240,189	1,240,189
Contingencies and uncertainties (Note 24)	35,872	35,872
Accrued liabilities	10,802	6,837
Minority interest	188,626	2,380
Shareholders' equity (Note 16):		
Convertible voting preferred stock, .005 ruble nominal value per share, 10,000,000 shares authorized; 6,476,600 shares issued and outstanding	-	-
Common stock, .005 ruble nominal value per share, 90,000,000 shares authorized; 51,284,072 shares issued and outstanding (December 31, 2005); 51,025,720 shares outstanding (December 31, 2004); 51,123,760	92	92
Additional paid-in capital	1,370,654	1,364,224
Retained earnings	759,093	759,093
Accumulated other comprehensive income (Note 2)	6,536	25,212
Treasury stock, at cost, 253,702 shares of common stock (December 31, 2004; 151,242)	(24,937)	(1,242)
Total shareholders' equity	2,150,349	2,150,349
Total liabilities and Shareholders' equity	\$ 4,307,036	\$ 4,780,241

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income

	2005	2004	2003
	(In thousands of US dollars, except per share (ADS) amounts)		
Operating revenues:			
Service revenues	\$ 3,175,221	\$ 2,070,720	\$ 1,268,927
Sales of handsets and accessories	39,478	38,711	56,765
Other revenues	5,419	3,571	3,961
Total operating revenues	3,211,118	2,113,002	1,329,653
Operating expenses:			
Service costs	514,124	322,403	203,093
Cost of handsets and accessories	28,294	30,855	36,447
Selling, general and administrative expenses	1,085,807	720,127	467,555
Amortization	453,152	283,129	182,789
Impairment of long-lived assets (Note 10)	142,126	4,727	34,064
Provision for doubtful accounts	11,583	8,166	9,228
Total operating expenses	2,231,086	1,438,938	913,255
Operating income	979,032	674,166	416,397
Other income and expenses:			
Interest income	6,658	5,712	8,378
Other income	18,647	7,412	6,296
Foreign currency exchange gain (loss)	7041	3,863	(1,279)
Interest expense	(142,300)	(68,561)	(84,246)
Other expenses	(24,300)	(18,565)	(4,730)
Total other income and expenses	(137,602)	(88,541)	(86,077)
Income before income taxes, minority interest and cumulative effect of change in accounting principle	840,430	585,625	338,295
Income tax expense (Note 18)	221,901	155,000	106,879
Minority interest in earnings (losses) of subsidiaries			23,280
Income before cumulative effect of change in accounting principle	618,529	430,625	228,796
Income before cumulative effect of change in accounting principle	615,131	350,396	229,136
Cumulative effect of change in accounting principle, net of tax (for the year ended December 31, 2003: US\$120) (Note 2)			(379)
Minority interest in cumulative effect of change in accounting principle			52
Net income	\$ 615,131	\$ 350,396	\$ 228,809
Basic EPS:			
Income before cumulative effect of change in accounting principle	\$ 12.05	\$ 8.50	\$ 5.99
Net income per common share	12.05	8.50	5.98
Weighted average common shares outstanding	51,066	41,224	38,241
Income before cumulative effect of change in accounting principle per ADS equivalent	\$ 3.01	\$ 2.13	\$ 1.50
Net income per ADS equivalent	3.01	2.13	1.50
Diluted EPS (as amended):			
Income before cumulative effect of change in accounting principle	\$ 12.04	\$ 8.49	\$ 5.67
Net income per common share	12.04	8.49	5.67
Weighted average diluted shares (as amended) (Note 2)	51,085	41,272	40,344
Income before cumulative effect of change in accounting principle per ADS equivalent	\$ 3.01	\$ 2.12	\$ 1.42
Net income per ADS equivalent	3.01	2.12	1.42

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Shareholders' Equity and Accumulated Other Comprehensive Income

Years ended December 31, 2005, 2004 and 2003

	Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock
		(In thousands of US dollars, except shares)				
Balances at December 31, 2002	40,332,201	\$ 90	\$ 528,914	\$ 189,888	-	\$ (61,643)
Gain from issuance of subsidiary stock (Note 16)	-	-	4,947	-	-	-
Sale of treasury stock - 69,469 shares	-	-	3,350	-	-	1,379
Conversion of Senior convertible notes - 2,051,174 shares	-	-	32,617	-	-	56,832
Comprehensive income:						
Foreign currency translation adjustment (Note 2)	-	-	-	-	2,466	-
Net income	-	-	-	228,809	-	-
Total accumulated comprehensive income	-	-	-	228,809	2,466	-
Balances at December 31, 2003	40,332,201	90	563,828	418,697	2,466	(3,430)
Sale of treasury stock - 9,397 shares	-	-	1,355	-	-	188
Issuance of common stock to Eco Telecom and Telecor under the Merger Agreement dated October 24, 2002 (Note 5)	10,948,821	2	794,795	-	-	-
Comprehensive income:						
Foreign currency translation adjustment (Note 2)	-	-	-	-	22,766	-
Net income	-	-	-	350,396	-	-
Total accumulated comprehensive income	-	-	-	350,396	22,766	-
Balances at December 31, 2004	51,281,022	\$ 92	\$ 1,365,978	\$ 769,093	\$ 25,232	\$ (3,242)

Continued on the n

Consolidated Statements of Shareholders' Equity and Accumulated Other Comprehensive Income (continued)

ended December 31, 2005, 2004 and 2003

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
	Shares	Amount					
Treasury stock - 33,048 shares	-	\$ -	\$ 4,676	\$ -	\$ -	\$ 639	\$ 5,315
Change of Treasury stock - 135,508 shares	-	-	-	-	-	(8,274)	(8,274)
Other comprehensive income:							
currency translation adjustment	-	-	-	-	(18,678)	-	(18,678)
Other	-	-	-	-	(18,678)	-	(18,678)
Accumulated comprehensive income	-	-	-	615,131	(18,678)	-	596,453
at December 31, 2005	51,281,022	\$ 92	\$ 1,370,654	\$ 1,390,124	\$ 6,516	\$ (20,537)	\$ 2,740,549
at December 31, 2004	51,281,022	\$ 92	\$ 1,370,654	\$ 1,390,124	\$ 6,516	\$ (20,537)	\$ 2,740,549

Accumulated other comprehensive income

Consolidated Statements of Cash Flows

ended December 31, 2005, 2004 and 2003

	Year ended December 31	
	2005	2004
Operating activities	\$ 615,131	\$ 364,196
Net income	451,152	281,129
Adjustments to reconcile net income to net cash provided by operating activities:	163,979	83,067
Depreciation	142,126	64,072
Amortization	-	23,54
Impairment of long-lived assets	4,382	206
Mark-to-market adjustments for short-term investments	(70,411)	(3,563)
Provision for deferred taxes	11,883	8,106
(Gain) loss on foreign currency translation	3,198	80,229
Provision for doubtful accounts	3,170	-
Minority interest in earnings (losses) of subsidiaries	(12,734)	(19,507)
Other adjustments	(22,010)	(18,646)
Change in operating assets and liabilities:	3,921	(24,559)
Trade accounts receivable	(8,428)	(6,943)
Inventory	453	637
Input value added tax	(6,381)	(1,312)
Other current assets	51,950	43,183
Due from related parties	37,805	89,852
Accounts payable	(979)	(671)
Customer advances and deposits	48,211	(44,889)
Deferred revenue	1,298,209	805,507
Taxes payable and accrued liabilities	-	-
Net cash provided by operating activities	1,298,209	805,507
Investing activities	(1,174,470)	(924,133)
Purchases of property and equipment	(164,451)	(184,189)
Purchases of intangible assets	52,578	-
Proceeds from sale of property and equipment	-	(13,889)
Purchase of ShareTrust stock, net of cash received of US\$458	-	(34,010)
Purchase of 511,104, net of cash received of US\$382	-	(48,342)
Purchase of 1,000,000, net of cash received of US\$1,256	-	(8,500)
Purchase of 57, net of cash received US\$835	-	(4,868)
Purchase of 57	-	(238,044)
Sale of 57	-	(11,085)
Purchase of IUS, net of cash acquired US\$5	-	(18,534)
Purchase of income, net of cash acquired US\$135	-	175,000
Purchase of minority interest in consolidated subsidiaries	-	(12,884)
Sale of minority in 447, net of cash received of US\$1,256	(130,421)	(142,864)
Purchase of other assets	(1,390,865)	(1,517,257)
Net cash used in investing activities	(1,174,470)	(924,133)
Financing activities	(924,133)	(596,216)
Purchases of intangible assets	(18,189)	(188,841)
Purchase of 511,104, net of cash received of US\$382	-	(12,531)
Purchase of 1,000,000, net of cash received of US\$1,256	-	(42,459)
Purchase of 57, net of cash received US\$835	-	-
Purchase of 57	-	-
Sale of 57	-	-
Purchase of IUS, net of cash acquired US\$5	-	-
Purchase of income, net of cash acquired US\$135	-	-
Purchase of minority interest in consolidated subsidiaries	-	-
Sale of minority in 447, net of cash received of US\$1,256	-	-
Purchase of other assets	-	-
Net cash used in financing activities	(924,133)	(596,216)
Net cash provided by operating activities	\$ (1,174,470)	\$ (924,133)
Net cash provided by investing activities	\$ (1,390,865)	\$ (1,517,257)
Net cash provided by financing activities	\$ (924,133)	\$ (596,216)

Continued on the next page

International Currency Translation

functional currency of Vimpelcom and its subsidiaries, except for Closed Joint Company "Cellular Company" ("Cellular Company"), Orenskoye Starobitovskoye, DTL, U.S. dollars, U.S. and Tazovsk, is the U.S. dollar, because the majority of their assets, property and equipment purchased, debt and trade liabilities are incurred, incurred, payable or otherwise measured in U.S. dollars. Accordingly, assets and liabilities not already measured in U.S. dollars (primarily Russian and Belarus) have been re-measured into U.S. dollars in accordance with the provisions of US Statement of Financial Accounting Standards ("SFAS") "Foreign Currency Translation".

SFAS No. 52, revenue, costs capital and non-monetary assets and liabilities recorded at historical exchange rates prevailing on the transaction date. Exchange gains and losses arising from re-measurement of monetary assets and liabilities that are not denominated in U.S. dollars are credited to operations.

Company's Orenskoye Starobitovskoye's SFAS and DTL's functional currency is the Russian Ruble. The functional currency of the Kazakhstan temp. US's functional currency is the Russian Rouble and the functional currency is the Tajikistan Rouble. The majority of their revenues, costs, property and equipment purchased, debt and trade liabilities are either priced, incurred, payable or otherwise measured in Russian Rouble, Kazakhstan Temp. Tajikistan Rouble and Tajikistan Rouble. Assets and liabilities of these companies are translated into US dollars at exchange rates prevailing on the balance sheet date. Revenue, expense, assets and liabilities are translated into US dollars at historical exchange rates prevailing on the balance sheet date. Assets and liabilities are translated into US dollars at the historical exchange rates prevailing on the balance sheet date. Revenue, expense, assets and liabilities are translated into US dollars at the historical exchange rates prevailing on the balance sheet date. Revenue, expense, assets and liabilities are translated into US dollars at the historical exchange rates prevailing on the balance sheet date.

It is not a fully convertible currency outside the territory of the Russian Federation, within the Russian Federation, official exchange rates are determined by the Central Bank of Russia ("CBR"). Market rates vary often from the official rates but the differences are generally within narrow parameters monitored by the Russian government. Ukrainian hryvnia, and Tajikistan soumi are not fully convertible currencies outside the territories of Kazakhstan, Ukraine and Tajikistan, respectively. Within the Republic of Kazakhstan, transactions denominated in foreign currencies are recorded using the market exchange rates quoted. By the National Stock Exchange ("NASDAQ"), official exchange rates for Ukrainian hryvnia, Tajikistan soumi, and Tajikistan soumi are determined daily by the National Bank of Ukraine ("NBU"). Within the Republic of Tajikistan, official exchange rates are determined daily by the National Bank of Tajikistan ("NBT").

December 31, 2005 and 2004, the official rate of exchange was 28.78 soumi = 1 US dollar, and 27.75 soumi = 1 US dollar, respectively. As of December 31, 2005 and December 31, 2004, the official US\$ rate of exchange was 133.77 temp. = US\$1 and 133.77 temp. = US\$1, respectively. As of December 31, 2005 the official temp. rate of exchange was 5.05 hryvnia = US\$1, and 5.05 hryvnia = US\$1, respectively. As of December 31, 2005 the official temp. rate of exchange was 3.20 soumi = US\$1. The translation of non-monetary, temp-denominated, temp-denominated and non-monetary-denominated assets and liabilities into US dollars for the purposes of these consolidated financial statements does not indicate that Vimpelcom could realize or settle in US

Items to be Considered Financial Statements

debts, the reported value of these assets and liabilities. Likewise, it does not indicate that Vimpelcom could return or distribute the reported US dollar value of capital to its shareholders.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates.

Cash and Cash Equivalents

Vimpelcom considers all highly liquid investments with a remaining maturity of 90 days or less at the time of purchase to be cash equivalents. Cash equivalents are carried at cost which approximates fair value.

Accounts Receivable and Doubtful Accounts

Accounts receivable are shown at their net realizable value which approximates their fair value. Vimpelcom reviews the valuation of accounts receivable on a monthly basis. The allowance for doubtful accounts is estimated based on historical experience of cash collections and future expectations of conditions that might impact the collectibility of accounts.

Inventory

Inventory consists of telephone handset and accessories for resale and is stated at the lower of cost or market. Cost is computed using the average cost method.

Input Value Added Tax

Value Added Tax ("VAT") related to sales is payable to the tax authorities on an accrual basis based upon invoices issued to customers. VAT incurred on purchases may be offset, subject to certain restrictions (one of which is that the offset could be made only after the payment is made), against VAT related to sales or could be included in cash from the tax authorities under certain circumstances. VAT related to purchases transactions, which will be offset against VAT related to sales within the following year, is recognized on the balance sheet as a gross basis. In the Russian Federation, the VAT rate was 20% for the year ended December 31, 2003. Starting January 1, 2004, the VAT rate decreased to 18%, although this 2% decrease in the VAT rate on January 1, 2004 had no impact on the ability of Vimpelcom to recover VAT expenses relating prior to that date. As of December 31, 2005, the VAT rate in Kazakhstan was 15%, and the VAT rate in Ukraine and Tajikistan was 20%.

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 seven years. Capitalized leasehold improvement expenses for base station positions is depreciated using the straight-line method over the estimated useful life of seven years, or the lease term, whichever is shorter. Buildings are depreciated using the straight-line method over estimated useful lives of twenty years. Office and computing equipment, and vehicles and furniture are depreciated using the straight-line method over estimated useful lives ranging from five to ten years.

Items to be Considered Financial Statements

Repair and maintenance costs are expensed as incurred. Interest costs are capitalized with respect to qualifying construction projects.

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 assets to and for use of telephone lines (telephone line capacity). These payments are accounted for as intangible assets and are amortized on a straight-line basis over ten years. Other intangible assets include a straight-line basis until the initial expiration date of the license are other intangible assets are amortized on a straight-line basis over their estimated useful lives, generally from four to ten years.

Goodwill represents the excess of consideration paid over the fair value of net assets acquired. In past business combinations and is not amortized, but is subject to annual impairment tests. Intangible assets through its acquisition of interests in wireless enterprises. The cost of acquired intangible assets at the date of acquisition is allocated to identifiable assets and the excess of the total purchase price over the amount assigned to identifiable assets is recorded as goodwill.

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets", Vimpelcom continues to evaluate the amortization period for intangible assets with finite lives to determine whether events or circumstances warrant revised amortization periods. In accordance with SFAS No. 142, Vimpelcom tests goodwill for impairment on an annual basis. Additionally, goodwill is tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of an entity below its carrying value. These events or circumstances would include 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 for Internal Use", Vimpelcom capitalizes costs associated with software developed or obtained for internal use when both the preliminary project stage is completed and Vimpelcom management has authorized further funding of the project which it deems probable will be completed and used to perform the function intended. Capitalization of such costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose.

Research and development costs and other computer software maintenance costs related to software development are expensed as incurred. Capitalized software development costs are amortized using the straight-line method over the expected life of the product.

Long-Lived Assets

Vimpelcom accounts for impairment of long-lived assets, except for goodwill, in accordance with the provisions of SFAS No. 14, "Accounting for the Impairment or Disposal of Long Lived Assets". SFAS No. 14 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be

recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

During the second quarter of 2004, certain impairment indicators were present which indicated that the carrying amount of certain assets in the Ukraine and Belarus may not be recoverable. Vimpelcom then determined that an impairment of certain assets had in fact occurred and recorded an impairment charge. In the accompanying consolidated statement of income, (note 10).

Revenue Recognition

Vimpelcom bills service revenue for usage of its cellular system, which includes: airtime charges from contact and prepaid subscribers, monthly contact fees, roaming charges and charges for value added services ("VAS"). Reaming revenues include revenues from Vimpelcom customers who roam outside their selected home coverage area and revenues from other wireless carriers for roaming by their customers on Vimpelcom's network. Value added services include short message ("SMS"), multimedia messages ("MMS"), caller number identification, voice mail, call waiting and data transmission. Generally, these features generate additional revenue through monthly subscription fees or increased wireless usage through utilization of the features. In-entertainment services are provided to subscribers through the Beeline portal via SMS, MMS wireless application protocol ("WAP"), general packet radio service ("GPRS") and other channels. Vimpelcom charges subscribers a fixed monthly fee for the use of the service, which is recognized as revenue in the respective month.

In 2002 Vimpelcom launched the Beeline program -- the "Loyalty Program". With a Beeline card subscribers accumulate bonus points by purchasing goods from participating vendors. Bonus points can only be used to pay for services and have no expiration date. The bonus points are accounted for as customer advances and recognized as revenue when the advances are used.

Service revenue is generally recognized when the services (including value added services and roaming revenue) are rendered. Vimpelcom used prepaid cards as a method of cash collection. Sold prepaid cards are accounted as customer advances for future services. These prepaid cards have expiration dates. When a card expires, unused balances are added to service revenue. Revenue from equipment 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 constitutes a revenue arrangement with multiple deliverables. In accordance with the provisions of EITF No. 00-21, "Revenue Arrangements with Multiple Deliverables", Vimpelcom allocates the arrangement consideration to the separate units of accounting including the wireless services and handset, based on their relative fair values.

In accordance with the provisions of the US SFAS Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition in Financial Statements", Vimpelcom defers telecommunications connection fees. The deferral of revenue is recognized over the estimated average subscriber life, which is generally three years.

Advertising

VimpelCom expenses the cost of advertising as incurred. Advertising expenses for the years ended December 31, 2005, 2004, and 2003 were US\$132,290, US\$66,444 and US\$50,019, respectively.

Rent

VimpelCom leases office space and the land and premises where telecommunications equipment is installed. These were no non-cancellable operating leases for the periods in excess of one year during either 2005 or 2004. Operating lease agreements for premises where telecommunications equipment is installed typically contain automatic year-by-year renewal provisions which stipulate renewal to the extent that neither party indicates otherwise.

Rent expense under all operating leases and rental contracts in 2004, 2004, and 2003 was US\$104,191, US\$60,389, and US\$37,526, 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 Fund

VimpelCom contributes to the state pension fund in the Russian Federation, Kazakhstan, Ukraine and Tajikistan on behalf of its employees. VimpelCom's contributions are expense as incurred. Total contributions for the years ended December 31, 2005, 2004 and 2003 were US\$27,408, US\$17,146 and US\$13,062, respectively.

Business Combinations

VimpelCom accounts for its business acquisitions under the purchase method of accounting. The total cost of acquisitions is allocated to the underlying assets, including identifiable 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 inflows and outflows, discount rates, license and other asset lives and market multiples, among other items.

Concentration of Credit Risk

Trade accounts receivable consist of amounts due from subscribers for anytime usage and amounts due from dealers and subscribers for equipment sales. In certain circumstances, VimpelCom requires deposits as collateral for anytime usage. In addition, VimpelCom has introduced a prepaid service GSM network equipment sales are typically paid in advance of delivery, except for equipment sold to dealers on credit terms. VimpelCom's credit risk arising from its trade accounts receivable from subscribers is mitigated due to the large number of its subscribers, of which approximately 97% subscribed to a prepaid service as of December 31, 2005 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.

VimpelCom holds available cash on the bank accounts opened with financial institutions in the countries of its operations. To manage credit risk associated with such cash holdings, VimpelCom allocates its available cash to a variety of local banks and local affiliates of international banks within the limits set forth by its treasury policy. Management periodically reviews the credit worthiness of the banks in which it deposits cash.

VAT is recoverable from the tax authorities via offset against VAT payable to the tax authorities on VimpelCom's revenue or direct cash receipts from the tax authorities. Management periodically reviews the recoverability of the balance of input value added tax and believes it is fully recoverable within one year.

VimpelCom issues advances to a variety of vendors of property and equipment for its network development. The contractual arrangements with the most significant vendors (Mitsel SEL AG, Ericsson AB and LLC, Technoserve AS, "Technoserve") 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.

Fair 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 approximate their fair value.

The fair value of bank loans, equipment financing obligations, and (rouble denominated bonds) (based on future cash flows discounted at current market rates) were as follows at December 31:

	2005	2004
Rouble denominated bonds	\$ 106,526	\$ 108,284
Stockbank loans to VimpelCom	183,946	108,387
J.P. Morgan AG	265,085	265,085
Technoserve - VimpelCom	2,639	11,929
General DataCom	39	2,302
IBS (Luxembourg) S. A.	1,132,036	772,162
Kazkommertbank	-	35,479
ATF Bank	-	\$ 10,638

The fair value of equipment financing contracts not included in the table above approximates carrying value.

Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income", requires the reporting of comprehensive income in addition to net income. Comprehensive income is a certain inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income but as an adjustment to shareholders' equity.

The following table shows each item of comprehensive income for the years ended December 31:

	2005	2004	2003
Net income	\$ 615,131	\$ 350,396	\$ 228,609
Foreign currency translation adjustment	(18,676)	22,746	2,666
Total comprehensive income	\$ 596,455	\$ 373,142	\$ 231,275

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 account for 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 valuing employee stock options (see Note 23) VimpelCom has elected to account for its stock-based compensation in accordance with the provisions of APB No. 25 and related interpretations and present pro forma disclosures of results of operations as if the fair value method had been adopted.

The following table illustrates the effect on net income and earnings per share if VimpelCom had applied the fair value recognition provisions of SFAS No. 123, to stock based employee compensation.

	2005	2004	2003
Net income as reported	\$ 615,131	\$ 350,396	\$ 228,609
Add: Compensation expense in respect of 2000 Stock Option Plan			
As reported	6,037	5,682	5,381
Pro forma	(1,147)	(1,207)	(1,220)
Decreased under fair value based method for all assets	\$ 620,022	\$ 356,275	\$ 232,569
Pro forma net income			
Earnings per share:			
Basic - as reported	\$ 12.05	\$ 8.50	\$ 5.98
Basic - pro forma	\$ 12.14	\$ 8.61	\$ 6.09
Diluted - as reported	\$ 12.04	\$ 8.49	\$ 5.67
Diluted - pro forma	\$ 12.14	\$ 8.60	\$ 5.77

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Notes to Consolidated Financial Statements

As of January 31, 2005	
Cash and cash equivalents	\$ 658
Other current assets	6,260
Property and equipment, net	29,670
Telecommunications licenses and allocation of frequencies, net	26,780
(4-7 years weighted-average remaining useful life)	
Other intangible assets, net	209
(4-2 years weighted-average remaining useful life)	
Other assets	219
Current liabilities	(15,003)
Long-term liabilities	(2,625)
Deferred income taxes	(4,500)
Fair value of net assets acquired	41,118
Minority's share in net assets	(2,317)
Total investments	\$ 39,801

DTI

In June 2004, VimpelCom acquired 93.52% of the common stock of DTI, a cellular operator in the Far East region, for US\$74,071. The primary reason for the acquisition was obtaining frequencies allocated to DTI under its mobile telecommunications license. The acquisition was recorded under the purchase method of accounting. The fair value of identifiable intangible assets acquired amounted to US\$29,998. The excess of the acquisition cost over the fair market value of the identifiable net assets of DTI amounted to US\$18,673, was recorded as goodwill, was assigned to intangible asset and is subject to annual impairment tests. The results of operations of DTI were included in the accompanying consolidated statement of income from the date of acquisition.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

As of June 30, 2004	
Current assets	\$ 3,463
Property and equipment	22,517
License and allocation of frequencies	38,686
(7.5 years weighted-average remaining useful life)	
Other intangible assets	18,842
(6.0 years weighted-average remaining useful life)	
Goodwill	3,169
Other non-current assets	102,818
Total assets acquired	(13,438)
Current liabilities	(15,209)
Long-term liabilities	(28,267)
Total liabilities assumed	\$ 74,071

Notes to Consolidated Financial Statements

As of September 30, 2004	
Current assets	\$ 11,882
Property and equipment	66,336
License and allocation of frequencies	249,235
(9-5 years weighted-average remaining useful life)	
Other intangible assets	68,701
(9-25 years weighted-average remaining useful life)	
Goodwill	1,798
Other non-current assets	550,658
Total assets acquired	(62,013)
Current liabilities	(116,875)
Long-term liabilities	(198,888)
Total liabilities assumed	\$ 351,970

The allocation of net assets acquired as presented above did not include any amounts related to the ultimate resolution of claims disclosed in Note 24, as VimpelCom did not believe that any such amounts are both probable and estimable within the context of SFAS No. 5.

Sale of Minority Interest in Limnotex

On February 21, 2005, VimpelCom Finance B.V. entered into a share purchase agreement to sell a minority interest of 50.0% minus one share in Limnotex to Crowell Investments Limited ("Crowell"), a Cypriot company beneficially owned and controlled by a beneficial owner and member of the board of directors of AT&T Bank, for a sale price of US\$175,000. In the second quarter of 2005, Crowell paid US\$40,000 in two initial deposits and in July 2005 Crowell paid the remaining US\$135,000. Ownership of 50.0% minus one share in Limnotex passed to Crowell on August 22, 2005. Net assets of Limnotex at the disposal date amounted to US\$159,392, including associated goodwill of US\$14,242. The minority interest share in Limnotex net assets at the date of disposal was of US\$170,337. The sale of a minority interest resulted in a loss of US\$1,339.

In addition, VimpelCom has entered into a shareholders agreement with Crowell that, among other things, grants a call option to VimpelCom to reacquire 25.0% minority share of Limnotex at any time after the closing of the sale and an additional option to reacquire up to the final remaining 25.0% share in case of a deadlock at a shareholders meeting or a deadlock by consent of any representation, whereby the call option is exercisable at the discretion of VimpelCom in the share purchase agreement, in each case at a price based upon a pre-defined formula.

STM

In July 2005 VimpelCom acquired 84.4% of STP, which holds GSM-1800 and DAMPS licenses for the territory of Subhain, and 60% of Limited Liability Company Joint Venture "Subhain Telecom Limited" ("ST"), a fixed line alternative operator. VimpelCom purchased 84.4% of the outstanding shares of STP for a total cash purchase price of approximately US\$51,162 and 60% of ST for a total cash purchase price of approximately US\$5,046. The cost of the acquisitions was US\$864. At the date of acquisition, ST owned 5.2% of STP. In September, 2005 this interest was purchased by VimpelCom for the amount of US\$1,191, which increased VimpelCom's share in STP to 89.6%.

VimpelCom Annual Report 2005

The primary reason for the acquisition was VimpelCom's entry into the telephone market of Subhain, one of the regions within the Far East region, where the Company did not have a major presence. The acquisition was recorded under the purchase method of accounting. The fair value of identifiable net assets of STP amounted to US\$33,631. The excess of the acquisition cost over the fair value of the identifiable net assets of STP amounted to US\$21,536, was recorded as goodwill, was assigned to intangible asset and is subject to annual impairment tests. The results of operations of STM were included in the accompanying consolidated statement of income from the date of acquisition.

The following table summarizes the estimated fair values of the asset and liabilities assumed at the date of acquisition:

As of July	
Current assets	
Property and equipment	
License and allocation of frequencies	
(7.0 years weighted-average remaining useful life)	
Other intangible assets	
(6.0 years weighted-average remaining useful life)	
Goodwill	
Other non-current assets	
Total assets acquired	
Current liabilities	
Long-term liabilities	
Total liabilities assumed	
Total investments	

In September 2005 VimpelCom sold its 60% share in ST to a third party for US\$4,988.

URS

On November 10, 2005, VimpelCom acquired 100% of URS, through the 100% of the issued and outstanding stock of each of Croyota Properties Credit Investments Limited, Winop Management Limited, Orifidon Information and Callport Holdings Limited, for a total cash purchase price of approximately US\$2,128 (Note 20). The cost related to the acquisition was US\$1,409, which was paid before December 31, 2005.

The primary reason for the acquisition was VimpelCom's entry into the telephone market of Ukraine, the second largest mobile market in CIS. The Company does not have a license to conduct cellular operations in Ukraine. The acquisition was recorded under the purchase method of accounting. The fair value of identifiable net assets of URS amounted to US\$156,938. The excess of the acquisition cost over the fair market value of the identifiable net assets amounted to US\$81,999. This amount was recorded as goodwill, was assigned to intangible asset and is subject to annual impairment tests. The results of operations of URS were included in the accompanying consolidated statement of income from the date of acquisition.

Following table summarizes the Company's preliminary estimate of the fair value of the assets acquired and liabilities assumed at the date of acquisition:

	As of September 30, 2008	As of December 31, 2008
Intangible assets		
Property and equipment	12,017	604
Goodwill	6,418	4,011
Identifiable intangible assets	135,698	8,627
Identifiable intangible assets	10,372	13,359
4 years weighted average remaining useful life)	81,999	(962)
non-current assets	44,438	(1,628)
assets acquired	300,000	123,234
Intangible liabilities	(22,230)	
Intangible liabilities assumed	(33,236)	
Intangible liabilities	(6,418)	
Intangible liabilities	5,238,837	

The following unaudited pro forma combined results of operations for Vimpelcom give effect to the DTL, KMR, STN, and US Business combinations as if they had occurred at the beginning of 2006. The pro forma combined results do not include the results of operations of Vimpelcom, but do include the results of operations of the companies that were acquired by Vimpelcom. These pro forma amounts are provided for informational purposes only and do not purport to present the results of operations of Vimpelcom had the transactions assumed therein occurred on or as of the date indicated, nor do they necessarily indicate the results of operations which may be achieved in the future.

	Year ended December 31, 2005	Year ended December 31, 2006
Pro forma total operating revenues	\$ 3,228,787	\$ 2,224,056
Pro forma basic net income per common share	607,604	353,375
Pro forma net income	11,90	8,63
Pro forma diluted net income per common share	\$ 11.89	\$ 8.62

5. Merger between Vimpelcom and Vimpelcom-Region

On August 28, 2003, Vimpelcom's Board of Directors recommended to the shareholders to approve the merger of Vimpelcom and Vimpelcom-Region and the related issuance of 10,948,821 new Vimpelcom common shares in exchange for the 44.69% stake in Vimpelcom-Region that was owned by Ezo Telecom and by Telecom (the "Merger"). The market value of Vimpelcom's 10,948,821 new shares of common stock was calculated in accordance with the relevant provisions of SFAS 141, "Business Combinations", and EITF 99-12, "Determining of the Measurement Date for the Market Price of Acquire Securities Issued in a Purchase Business Combination" and comprised US\$194,797. On October 24, 2003, Vimpelcom and Vimpelcom-Region signed the Merger Agreement. In accordance with the Merger Agreement, Vimpelcom issued an additional 10,948,821 shares to Telecom and Ezo Telecom.

On October 24, 2003, an Extraordinary General Meeting of Vimpelcom Shareholders approved the merger of Vimpelcom and Vimpelcom-Region. In order to accomplish

The merger certain legal steps were necessary based on Russian law that were finalized in November 2006. On November 28, 2006, Vimpelcom-Region merged with and into Vimpelcom, when the formal registration of the transaction took place, ceasing that Vimpelcom-Region ceased its operations as a legal entity through the merger into Vimpelcom. As of the date of the merger, November 28, 2006, Vimpelcom became the legal successor of Vimpelcom-Region.

Before the Merger, Telecom owned 53.09% plus 13 shares and 38.98%, and Ezo Telecom owned 23.09% plus two shares and 11.90% of the Vimpelcom's total voting stock and total common stock, respectively. Following the Merger, Telecom owned 54.58% and 24.57%, and Ezo Telecom owned 21.5% and 8.5% of Vimpelcom's total voting stock and total common stock, respectively.

The acquisition of the 44.69% stake in Vimpelcom-Region by Vimpelcom that Vimpelcom did not previously own was valued at US\$379,255 and recorded under the purchase method. US\$161,159, as a result of the transaction, property and equipment have increased by US\$21,096, licenses and allocation of frequencies - by US\$186,819, other intangible assets - by US\$16,651 and deferred tax liabilities - by US\$116,662. Vimpelcom's shareholders' equity increased by US\$284,397 for the fair market value of the common stock issued. The excess of acquisition cost over the fair market value of 44.69% of net assets acquired amounted to US\$181,196 and was recorded as goodwill. This acquisition provides Vimpelcom with a number of operational efficiency opportunities including: combining certain regional operations with similar Moscow license area operations to reduce costs; technology efficiencies and the elimination of redundant overhead and administrative costs, including various tax expenses. Recognition of the value of these opportunities contributed to a purchase price that exceeded the fair value assigned to the assets and liabilities acquired and resulting in recognition of goodwill. A minority interest liability of US\$250,676 relating to Vimpelcom-Region was eliminated from Vimpelcom's consolidated balance sheet.

Following the Merger, and in accordance with the Federal Law "On Communications", Vimpelcom promptly filed applications with the Federal Surveillance Service for Communications (the "Service"), the Russian regulatory body responsible for the issuance of telecommunications licenses, for the re-issuance of Vimpelcom-Region's licenses to Vimpelcom. In May 2005, Vimpelcom received mobile GSM operating telecommunications licenses for the Central, Siberian, Volga, South and Northwest super-regions of Russia. Simultaneously, Vimpelcom received licenses to provide data transmission, teletraffic and IP telephony. These licenses were previously held by Vimpelcom-Region. The licenses' terms and conditions are set in accordance with the List of License Terms and Conditions for rendering telecommunications services approved by the Russian Government on February 18, 2005. The start-of-service dates and duration of the licenses are unchanged including the expiry dates which are April 28, 2008 for the Central, Siberian, Volga, South super-regions, and September 12, 2012 for the Northwest super-region.

6. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31:

	2008	2009
Bankers	\$ 190,002	1,161,096
US dollars	107,010	136,600
EUR and other currencies	2,028	4,662
RTT	1,060	4,096
Ukrainian hryvnia	1,124	
	\$ 383,646	1,305,857

7. Other Current Assets

Other current assets consisted of the following at December 31:

	2008	2009
Advances to suppliers	\$ 57,658	153,373
Forward agreements (Note 8)	76	889
Service with a useful life shorter than one year	14,537	6,714
Other	5,064	3,079
	\$ 77,835	173,215

8. Forward Agreements

Vimpelcom entered into forward exchange contracts to hedge certain liabilities denominated in foreign currencies. The purpose of Vimpelcom's foreign currency hedging activities is to protect Vimpelcom from risk that the eventual dollar cash outflows from payments in euros to vendors of equipment will be adversely affected by changes in the exchange rates. The net loss of US\$4,081, the net gain US\$3,000, and the net gain US\$15,992 related to the change in the fair value of the derivatives was included in net foreign exchange gain in the accompanying consolidated statements of income for the years ended December 31, 2006, December 31, 2007, and December 31, 2008 respectively.

The major forward agreements were:

Primary reason for the acquisition was Vimpelcom's entry to the mobile communications market of Tajikistan, a developing mobile market in Middle Asia region. The Company does not have a license to conduct cellular operations. The Company of acquired identifiable net assets of Tajcom attributed to Vimpelcom of US\$3,633. The excess of the acquisition cost over the fair market value of the identifiable net assets of Tajcom amounted to US\$4,697. This amount is considered as goodwill, was assigned to the Tajikistan reportable segment and included in the accompanying consolidated statement of income from the date of acquisition.

Following table summarizes the Company's preliminary estimate of the fair value of the assets acquired and liabilities assumed at the date of acquisition:

Forward Agreements with Citibank

On August 26, 2002, KBI entered into a forward agreement with Citibank for the purchase of EUR0 86,912 thousand for US dollars at a rate of 0.9599 EUR/US\$ in several installments during the period from January 2003 to January 2006 to hedge foreign currency risk associated with the liability under equipment financing agreements between KBI and Alcatel. The agreement qualified as a fair value hedge under SFAS No. 133. Accounting for Derivative Instruments and Hedging Activities, as amended. The derivative was recorded at fair value of US\$16.266 as of December 31, 2005 and 2004, respectively, and included in other current assets in the amount of US\$16.266, respectively, and included in other assets in the amount of US\$0 and US\$139, respectively, in the accompanying consolidated balance sheets (Notes 7). The net loss of US\$31.30, and net gain of US\$24.66 and US\$13.543 related to the change in the fair value of the derivative was included in net foreign exchange gain in the accompanying consolidated statements of income for the years ended December 31, 2005, 2004 and 2003, respectively.

Forward Agreements with Standard Bank

In June 2003, VimpelCom-Region entered into a forward agreement with Standard Bank for the purchase of EUR0 2,893 thousand for US dollars at a rate of 1.1461 US\$/EUR0 in several installments during the period from August 2003 to June 2005. EUR0 2,782 thousand for US dollars at a rate of 1.1455 US\$/EUR0 in several installments during the period from August 2003 to September 2005 and EUR0 11,700 thousand for US dollars at a rate of 1.1660 US\$/EUR0 in November 2003 to hedge foreign currency risk associated with the liability under equipment financing agreements between VimpelCom-Region and Alcatel, and between VimpelCom-Region and Technoserve. In June and September 2005, these agreements were settled with a gain of US\$11 and US\$59, respectively.

In November 2003, VimpelCom-Region entered into a forward agreement with Standard Bank for the purchase of EUR0 32,831 thousand for US dollars at a rate of 1.1526 US\$/EUR0 in several installments 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 Alcatel and between VimpelCom-Region and Technoserve. In April 2004, this agreement was settled with a gain of US\$295.

These agreements qualified as a fair value hedge under SFAS No. 133. Accounting for Derivative Instruments and Hedging Activities, as amended.

The derivatives were recorded at fair value of US\$0 and US\$177 as of December 31, 2005 and December 31, 2004, respectively, and included in other current assets in the amount of US\$177 and US\$177, respectively. The net gain of US\$60 and net gain of US\$248, caused by the settlement of the agreements, was included in net other income in the accompanying consolidated statements of income for the years ended December 31, 2005 and 2004, respectively. Net loss of US\$84, and net gain of US\$1,507 related to the change in the fair value of the derivatives was included in net foreign exchange gain in the accompanying consolidated statement of income for the years ended December 31, 2004 and December 31, 2003, respectively.

On June 30, 2004, KBI entered into a forward agreement with Standard Bank for purchase of EUR0 7,339 thousand for US dollars at a rate of 1.2079 US\$/EUR0 in four installments during the period from November 24, 2004 to May 24, 2006, to hedge foreign currency risk associated with the liability under equipment financing agreements between KBI and Alcatel SEL AG. The agreement qualified as a fair value hedge under SFAS No. 133. Accounting for Derivative Instruments and Hedging Activities, as amended. The derivative was recorded at fair value of US\$17 of loss as of December 31, 2005, and included in short-term accrued liabilities in the amount of US\$17 in the accompanying consolidated balance sheet. The net loss of US\$233 related to the change in the fair value of the derivatives was included in net foreign exchange gain in the accompanying consolidated statement of income for the year ended December 31, 2005.

On June 30, 2004, KBI entered into a forward agreement with Standard Bank for purchase of EUR0 7,339 thousand for US dollars at a rate of 1.2089 US\$/EUR0 in four installments during the period from August 25, 2004 to February 24, 2006, to hedge foreign currency risk associated with the liability under equipment financing agreements between KBI and Alcatel SEL AG. The agreement qualified as a fair value hedge under SFAS No. 133. Accounting for Derivative Instruments and Hedging Activities, as amended. The derivative was recorded at fair value of US\$19 of loss as of December 31, 2005, and included in short-term accrued liabilities in the amount of US\$19 in the accompanying consolidated balance sheet. The net gain of US\$91 related to the change in the fair value of the derivatives was included in net foreign exchange gain in the accompanying consolidated statement of income for the year ended December 31, 2005.

9. Property and Equipment

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

	2005	2004
Telecommunications equipment held under capital lease agreements	\$ 16,966	\$ 16,603
Buildings	2,599,016	1,390,956
Office and measuring equipment	94,381	61,051
Vehicles	286,189	150,228
Furniture	15,713	10,643
Other equipment	6,801	6,318
	3,069,395	1,635,449
Accumulated depreciation	(802,049)	(492,961)
Equipment not installed and assets under construction	643,786	1,147,037
	\$ 3,211,112	\$ 2,394,605

VimpelCom capitalized interest in the cost of telecommunications equipment in the amount of US\$4,940, US\$1,396 and US\$1,136 in 2005, 2004 and 2003, respectively. Accumulated depreciation on telecommunications equipment held under capital lease agreements amounted to US\$14,696 and US\$14,609 at December 31, 2005 and 2004, respectively. Depreciation expense in respect of telecommunications equipment held under capital lease amounted to US\$0, US\$1,679 and US\$4,463 for the years ended December 31, 2005, 2004 and 2003, respectively, and was included in depreciation expense in the accompanying consolidated statements of income.

10. Impairment Charges

On July 13, 2004, VimpelCom increased its share of ownership in Bee-Line-Samara to 100% by acquiring the remaining 49% of Bee-Line-Samara common stock, which VimpelCom did not previously own (Note 4). Before the acquisition, VimpelCom conducted a comprehensive internal review of the long-lived assets at Bee-Line-Samara, specifically of its telecommunications AMPS/DAMPS network equipment in the Samara region. This impairment review was based on VimpelCom's expected usage levels of the AMPS/DAMPS network subsequent to 100% acquisition.

VimpelCom has recorded an impairment charge in 2004 of US\$7354, related to the aforementioned impairment review and assigned it to the Russia reportable segment. This charge represents the excess of the carrying amount of assets over their fair value. Fair value of the assets was determined as the present value of estimated future cash flows expected to result from the use of the assets.

11. Telecommunications Licenses and Allocations of Frequencies, Goodwill and Other Intangible Assets

Telecommunications licenses and allocations of frequencies acquired directly by VimpelCom were initially recorded at cost. Telecommunications licenses and allocations of frequencies acquired in business combinations were initially recorded at their fair value as of the acquisition date.

In 2004, VimpelCom generated goodwill in the amounts of US\$152,706, US\$184,196 and US\$16,163 on the acquisitions of shares of Kak Tel, VimpelCom-Region and DTL, respectively (Notes 4 and 5).

In 2005, VimpelCom generated goodwill in the amounts of US\$21,566, US\$1,910, US\$1,699 and US\$3,697 on the acquisitions of shares of STN, DTL, DNS and Tacom, respectively (Note 4).

The total gross carrying value and accumulated amortization of VimpelCom's intangible assets by major intangible asset class was as follows:

	December 31, 2005	December 31, 2004
Telephone line capacity	\$ 186,434	\$ (82,928)
Customer list	33,463	(24,869)
Other intangible assets	\$ 219,003	\$ (122,647)
	\$ 438,900	\$ (127,444)

Amortization expense for all VimpelCom's intangible assets for each of the preceding five years is expected to be as follows:

	2006	2007	2008	2009	2010	Thereafter
	\$ 230,953	\$ 210,030	\$ 191,487	\$ 86,938	\$ 72,337	\$ 238,550

12. Other Assets

Other assets consisted of the following at December 31:

	2005
Software at cost	\$ 694,122
Accumulated depreciation	(155,619)
	\$ 538,503
Prepayments to suppliers for long-lived assets	39,812
Investments	1,871
Unamortized debt issue costs	30,735
Other assets	20,428
	\$ 631,549

Bank Loans

Bank loans consisted of the following as of December 31:

	2005	2004
(Luxemburg) S.A., Mognum AG	\$ 1,030,000	\$ 750,000
Bank	182,100	250,000
Bank Handelsbanken AB	54,744	198,300
Bank Handelsbanken AB	-	64,211
Bank Handelsbanken AB	-	4,000
Bank Handelsbanken AB	-	14,833
Bank Handelsbanken AB	-	35,000
Bank Handelsbanken AB	72,004	-
Bank Handelsbanken AB	425,000	-
Bank Handelsbanken AB	34,994	-
Bank Handelsbanken AB	118	4,456
Bank Handelsbanken AB	1818,560	1,355,310
Bank Handelsbanken AB	(278,537)	(115,111)
Bank Handelsbanken AB	\$ 1,540,043	\$ 1,240,199

On April 26, 2005, the offering of 10.45% Loan Participation Notes issued by, but not recourse to JTR Mognum AG, for the sole purpose of funding a US\$250,000 loan to Vimpefcom was completed. The loan matured on April 26, 2005.

On February 28, 2005, Spensatelly Bank of the Russian Federation ("Spensatelly"), a US dollar denominated credit line of US\$70,000 to Vimpefcom-Region. Vimpefcom-Region had the right to draw down the entire amount before April 1, 2005. Vimpefcom-Region has made drawings under the credit line in the total amount of US\$70,000. The loan will be repaid in twelve installments on a quarterly basis commencing November 27, 2004. The interest rate as at the date of signing was 13% per annum and is subject to change by Spensatelly. As of December 31, 2005, 90% of the amount of US\$70,000 has been drawn. Vimpefcom-Region became a shareholder in Spensatelly on November 26, 2004. Vimpefcom-Region also acted as collateral against the loan from Spensatelly to Vimpefcom-Region. 90% of the amount of US\$70,000 and promissory notes issued by Vimpefcom-Region are secured by certain items of telecommunications equipment with an approximate carrying amount of US\$42,510 and promissory notes issued by Vimpefcom-Region with a nominal amount of US\$6,000 thousand number US\$53,516 at the carrying rate as of December 31, 2005. As of December 31, 2005, the outstanding amount under this credit line comprised US\$52,500.

On January 15, 2005, Nordica Bank Sweden AB provided a US dollar denominated credit line of US\$35,700 to Vimpefcom. The loan was repaid in full on October 17, 2005. Assets pledged as collateral were released.

On February 24, 2005, Svenska Handelsbanken AB provided a seven-year US dollar denominated credit line of US\$69,700 to Vimpefcom-Region. Vimpefcom-Region has the right to draw down the entire amount before November 10, 2004. The loan will be repaid in fourteen equal installments on a semi-annual basis, commencing on November 10, 2005. The loan bears interest at the rate of six-month LIBOR plus 0.25%, which is payable semi-annually. Under the loan agreement, Vimpefcom-Region is subject to certain defined debt covenant restrictions, including several restrictions related to financial condition. Pursuant to the

Notes to Consolidated Financial Statements

major of Vimpefcom-Region into Vimpefcom, which occurred on November 26, 2004. Vimpefcom became an obligor under the indebtedness of Vimpefcom-Region (Note 5). As of December 31, 2005, Vimpefcom has drawn US\$69,700 under the credit line. On February 24, 2005, Vimpefcom-Region and Svenska Handelsbanken AB also signed a pledge agreement under the pledge agreement, certain equipment and related software owned under a Sijung Technology Corporation AB credit agreement. In accordance with the Transaction Agreement dated November 3, 2005, the pledge agreement was terminated. The credit line is also secured by a guarantee from the Swedish Export Credit Guarantee Board "EFC" ("EFC"). In April 2004, Vimpefcom-Region paid EFC US\$664,594, 9.42% of the total amortization amount. This fee was included, net of related accumulated balance sheet. Amortization of debt issuance costs is included in interest expense in the accompanying consolidated financial statements. As of December 31, 2005, the outstanding amount under this credit line comprised US\$45,764.

In April 2004, Spensatelly provided a five-year US dollar denominated secured, non-revolving credit line of US\$130,000 to Vimpefcom. The loan is to be repaid in eight equal installments on a quarterly basis, commencing February 27, 2007. The interest rate as of December 31, 2004 was 8.5% per annum and is subject to change by Spensatelly upon the occurrence of certain events. In May, June, August and October 2005, Vimpefcom-Region and KRI signed a series of bridge agreements with Spensatelly. As of December 31, 2005, assets pledged as collateral against this credit line included certain items of telecommunications equipment with an approximate carrying amount of US\$92,526, and Vimpefcom's shares in certain of its subsidiaries: 100% of shares of RTT Service-Swaz, 100% of shares of Cellular Company, 98.81% of shares of Gremont, 100% of shares of StarVednet and 100% of shares of Eritel. The carrying amount of net assets of RTT Service-Swaz, StarVednet and Eritel was US\$4,843, US\$70,849 and US\$2,604, respectively. In the accompanying consolidated balance sheet as of December 31, 2005, the carrying amount of 100% of net assets of Cellular Company and 98.81% of net assets of Gremont was US\$1,682 and US\$5,426 in the accompanying consolidated balance sheet as of December 31, 2005. Under the loan agreement between Vimpefcom and Spensatelly, Vimpefcom is subject to certain defined debt covenant restrictions, including several restrictions related to financial condition. As of the December 31, 2005, Vimpefcom has drawn US\$129,800 under this credit line.

On June 16, 2004, the offering of 10% Loan Participation Notes (the "Notes") issued by, but without recourse to UBS (Luxembourg) S.A., for the sole purpose of funding a US\$120,000 loan to Vimpefcom was completed. The loan will mature on June 16, 2009. Vimpefcom is to pay cash interest on the loan at the rate of 10% per annum from June 16, 2004, payable semi-annually on June 16 and December 16 of each year. Gross issuance costs amounted to US\$3,175 and were included, net of related accumulated amortization of US\$963, in other assets in the accompanying consolidated balance sheet. Amortization of debt issuance costs is included in interest expense in the accompanying consolidated financial statements.

On July 14, 2004, the offering of 10% Loan Participation Notes (the "Further Notes") issued by, but without recourse to UBS (Luxembourg) S.A., for the sole purpose of funding a US\$200,000 loan to Vimpefcom was completed. The issue price amounted to 100.5% of the Further Notes' face value. Under the Notes, the Further Notes were consolidated and formed a single series with the Notes due on June 15, 2009. The gross issuance costs comprised US\$1,408 and were included, net

Notes to Consolidated Financial Statements

of related accumulated amortization of US\$352. In other assets in the accompanying consolidated balance sheet. Amortization of debt issuance costs is included in interest expense in the accompanying consolidated financial statements.

On August 18, 2004, Redfennbank Austria provided an unsecured, US dollar denominated loan of US\$20,000 to KRI. The loan bears interest at US dollar one-half LIBOR plus 3.15% payable on a monthly basis. The loan was fully repaid on August 18, 2005.

On October 22, 2004, the offering of 8.375% Loan Participation Notes issued by, but without recourse to UBS (Luxembourg) S.A., for the sole purpose of funding a US\$300,000 loan to Vimpefcom was completed. The loan will mature on October 22, 2011. Vimpefcom is to pay cash interest on the loan at the rate of 8.375% per annum from October 22, 2004, payable semi-annually on October 22 and April 22 of each year. The gross issuance costs comprised US\$4,031 and were included, net of related accumulated amortization of US\$4,721, in other assets in the accompanying consolidated balance sheet. Amortization of debt issuance costs is included in interest expense in the accompanying consolidated financial statements.

On February 11, 2005, the offering of 8% Loan Participation Notes issued by, but without recourse to UBS (Luxembourg) S.A., for the sole purpose of funding a US\$300,000 loan to Vimpefcom was completed. The loan will mature on February 11, 2010. Vimpefcom is to pay cash interest on the loan at the rate of 8% per annum from February 11, 2005, payable semi-annually on February 11 and August 11 of each year. As of December 31, 2005, interest in the amount of US\$9,333 was accrued. Gross issuance costs comprised US\$3,706 and were included, net of related accumulated amortization of US\$609, in other assets in the accompanying consolidated balance sheet. Amortization of debt issuance costs is included in interest expense in the accompanying consolidated financial statements.

On February 28, 2005, Vimpefcom signed a US\$425,000 syndicated loan agreement. The transaction was partly underwritten by Citibank, N.A. (Citibank) and Standard Bank London Limited (Standard Bank) who were also acting as mandated lead arrangers for the financing. The facility is a three-year, unsecured loan, with quarterly principal payments beginning one year after the signing date, and bears interest at LIBOR plus 2.5% per annum. Gross issuance costs comprised US\$7,990 and were included, net of related accumulated amortization of US\$1,455, in other assets in the accompanying consolidated balance sheet. As of December 31, 2005, Vimpefcom has borrowed US\$425,000 under this credit facility.

On June 6, 2005, KAR-RI signed a US\$15,000 loan agreement with Citibank Kazakhstan. The purpose of the loan was the refinancing of the US\$35,000 loan from Kazkomeritbank. The loan bears interest at an annual rate of 7%. As of December 31, 2005, KAR-RI had borrowed US\$14,994 under this loan agreement. The loan was extended until November 30, 2005. On November 30, 2005, KAR-RI paid the loan in full and on the same date Citibank Kazakhstan and KAR-RI signed an addendum to the loan agreement under which KAR-RI took two short-term Kazakh tenor loans amounting to US\$19,767 and US\$14,627 (at the exchange rate at December 31, 2005) under the same terms and conditions as the earlier loan agreement. The two short-term loans matured on January 17, 2006.

On January 17, 2006, KAR-RI paid these loans in full and on the same date Citibank Kazakhstan and KAR-RI signed an addendum to the loan agreement, under which

KAR-RI took two short-term Kazakh tenor loans amounting to US\$19,767 and US\$14,627 (at the exchange rate at December 31, 2005) under the same terms and conditions. The two short-term loans matured on January 17, 2006. On February 7, 2006, KAR-RI paid these loans in full.

On June 6, 2005, KAR-RI fully repaid the US dollar denominated credit facility from Open Joint Stock Company Kazkomeritbank ("Kazkomeritbank"). The credit facility was opened before KAR-RI was acquired by Vimpefcom Finance B.V. (Note 4). Assets pledged as collateral were released. Vimpefcom Finance B.V.'s guarantee of KAR-RI's payment obligations under the loan from Kazkomeritbank was terminated.

On June 30, 2005, Vimpefcom signed two unsecured loan agreements in an aggregate amount of US\$150,000 with Bayerische Hypothek und Wertsachen AG and Bank AB. In accordance with amendments signed on October 20, 2005, the aggregate amount of the loans decreased to US\$150,000. The loans have identical terms and bear interest at LIBOR plus 0.35% per annum. The first loan is to be repaid in ten equal installments on a semi-annual basis commencing November 7, 2006, and the second loan is to be repaid in ten equal installments on a semi-annual basis commencing November 18, 2005. As of December 31, 2005, disbursements under these loan agreements have been made in the amount of US\$150,000. As of December 31, 2005, the debt under these loan agreements was US\$150,000.

On June 30, 2005, Vestia Zeped Telecom, a subsidiary of Vimpefcom, signed a US\$22,525 loan agreement with Bayerische Hypothek und Wertsachen AG and Bank AB. In accordance with amendments signed on October 20, 2005, the aggregate amount of the loan decreased to US\$23,542. The loan bears interest at LIBOR plus 0.35% per annum. The first tranche borrowed under this loan agreement is to be repaid in ten equal installments on a semi-annual basis commencing November 16, 2005, and the second tranche is to be repaid in ten installments on a semi-annual basis commencing April 18, 2005. As of December 31, 2005, disbursements under this loan agreement have been made in the amount of US\$21,236. Repayment of this loan is guaranteed by Vimpefcom. As of December 31, 2005, the debt under this loan agreement was US\$150,000.

On November 3, 2005, Vimpefcom signed a US\$99,705 loan agreement with Svenska Handelsbanken AB. The loan bears interest at LIBOR plus 0.25% per annum. Each tranche borrowed under this loan is to be repaid in fourteen equal installments on a semi-annual basis commencing not later than May 30, 2006. The facility is available for drawing until and including April 30, 2006. As of December 31, 2005, Vimpefcom had not borrowed under this credit facility.

On November 18, 2005, Vimpefcom signed a US\$250,000 syndicated loan agreement. The transaction was arranged by Citibank, N.A. (Citibank) and Sunlomb Offshore Banking Corporation Europe Limited (SMBCE), who were also acting as book-runners for the financing. The facility is a three-year, unsecured syndicated loan, consisting of a US\$147 million revolving loan (Facility A) and a US\$103 million amortizing term loan (Facility B). The facility initially bears interest at a rate of LIBOR plus 1.5% p.a. for Facility A and LIBOR plus 1.65% p.a. for Facility B. The interest rate adjusts based on the Company credit ratings. Facility A is available for drawing for thirty five months following the signing date, and Facility B is available for drawing for six months following the signing date. Gross issuance costs comprised US\$2,292 and were included in other assets in the accompanying consolidated balance sheet. As of December 31, 2005, Vimpefcom had not borrowed under this credit facility.

On December 9, 2005 URS signed a US\$1,300 loan agreement with CB "Platina". The loan bears interest at annual rate of 9.8%. The loan will mature on July 25, 2006. The loan was drawn down in January 2006.

On December 16, 2005, K&R-Tel signed a US\$100,000 loan agreement with the European Bank of Reconstruction and Development (the "EBRD"). The EBRD granted US\$50,000 from its own sources and another US\$50,000 were granted by a participation with a group of banks: Citigroup, BNP Paribas, HypoReal Estatebank, Raiffeisen Zentralbank Österreich and Veritas Bank AB. The interest rate is LIBOR plus 3.0% for the tranche from the EBRD and LIBOR plus 3.5% for the tranche from the participant banks. The entire US\$100,000 was borrowed in January 2006. VimpelCom provided a parent guarantee for up to US\$20,000.

14. Ruble Denominated Bonds

On May 20, 2003, VimpelCom-Region issued ruble denominated bonds through VimpelCom Finance, an ultimate subsidiary of VimpelCom-Region, in an aggregate principal amount of 3,000,000 thousand rubles. The bonds are due on May 16, 2006, and bondholders had a put option exercisable between May 7 and May 18, 2004, at 100% of nominal value plus accrued interest. Interests were to be paid semi-annually. The annual interest rate for the first two interest payments was 8.8%. On May 7, 2004, VimpelCom Finance announced that the interest rate for subsequent interest payments would be 9.9%. VimpelCom-Region irrevocably, fully and unconditionally guaranteed VimpelCom Finance's obligations under ruble denominated bonds.

As of December 31, 2005, the outstanding aggregate principal amount of bonds comprised 3,000,000 thousand rubles (US\$104,230 at exchange rate as of December 31, 2005), which are traded on the secondary market. All such amounts are classified as short-term obligations as they are repayable within 2006.

VimpelCom irrevocably, fully and unconditionally guaranteed VimpelCom Finance's obligations under the ruble denominated bonds. Under the terms of the guarantee VimpelCom should pay any arrears of VimpelCom Finance under the ruble denominated bonds up to a maximum of 3,000,000 thousand rubles which equalled the aggregate principal amount of the bonds at issuance. VimpelCom's guarantee is valid until VimpelCom Finance fulfills all its obligations under ruble denominated bonds.

15. Equipment Financing Obligations

VimpelCom entered into agreements with different vendors for the purchase and installation of mobile telecommunications GSM network equipment. In order to finance the transactions, VimpelCom entered into deferred payment agreements. The following table provides a summary of VimpelCom's material outstanding equipment financing indebtedness, including bank loans obtained for the purposes of financing equipment purchases. Pursuant to the merger of VimpelCom-Region (note 5) and EB into VimpelCom VimpelCom became the obligor under the indebtedness of VimpelCom-Region and EB.

Reported by	Vendor	Interest rate	Outstanding debt as of December 31, 2005	Security
K&R-Tel (VimpelCom after Merger)	Alcatel	Six-month EURIBOR plus 3.5% and six-month EURIBOR plus 2.9%	\$ 27,005 (**) (EURO 27,158)	Network equipment of \$ 6,2827 (*) (EURO 46,109)
VimpelCom	Technostore	10.0%	\$ 1,283	None
VimpelCom-Region (VimpelCom after Merger)	Technostore	8.0%	\$ 10,383	None
VimpelCom	LLC General DataCom	Six-month LIBOR plus 2.0%	\$ 2,205	None
K&R-Tel	Bank Turan Alem	From six-month EURIBOR plus 4.1% to six-month EURIBOR plus 5.25%	\$ 25,524 (US\$ 13,278 and EURO 8,087)	Network equipment \$ 27,071 and cash \$ 3,000
K&R-Tel	Almalyk Merchant Bank	12%	US\$ 10,638 (*) (EURO 7807)	None

Reported by	Vendor	Interest rate	Outstanding debt as of December 31, 2005	Security
K&R-Tel	Alcatel	Six-month EURIBOR	\$ 12,658 (*) (EURO 10,704)	Network equipment through 2007
K&R-Tel	Citibank International PLC	6 month LIBOR +0.25%	\$ 2,683	None
URS	Margaretsky GOX	0%	\$ 15,172 (UAH 76,619)	None
Other	Various	Various rates	\$ 1	Various
Total			\$ 31,520	
Long-term portion (*)			\$ 35,787	
(*)			\$ 35,895	
(**) Translated at exchange rate as of December 31, 2005			\$ 32,283	

(*) Translated at exchange rate as of December 31, 2004

In 2005, 2004 and 2003, interest of US\$1,241, US\$3,044 and US\$6,224, respectively, was accrued under all agreements between K&R and Alcatel. On November 21, 2005, all obligations of K&R to Alcatel were fully paid.

In 2005, 2004 and 2003, interest of US\$9, US\$182 and US\$1,182, respectively, was accrued under all agreements between VimpelCom-Region and Alcatel. VimpelCom-Region made all payments to Alcatel in respect of principal and accrued interest amounts in accordance with the above-mentioned agreements.

On September 6, 2005 K&R-Tel signed a US\$30,000 Facility Agreement with Citibank Int. plc under an English Credit Guarantee Department (EGDP) guarantee. The purpose of the loan is refinancing of telecommunications equipment delivered from Morocco. The interest rate is 6-month LIBOR plus 0.25% p.a. The loan is repayable equal semi-annual installments beginning on a date determined by EGDP, with the final maturity date being January 26, 2010 with respect to certain tranches of the loan and July 26, 2010 with respect to the remaining tranches of the loan. VimpelCom provides a parent guarantee for up to US\$30,000. As of December 31, 2005 K&R-Tel has drawn US\$16,683 under this loan.

As of December 31, 2005 K&R-Tel had obligations under a US dollar credit agreement provided by Bank TuranAlem. The credit facility was opened before K&R-Tel was acquired by VimpelCom Finance B.V. (Note 4). The given credit line can be used in the form of money or other financial tools (letters of guarantee, guarantees letters of credit, etc.) with a credit limit of EURO 23,270. As of December 31, 2005, K&R-Tel has drawn US\$1,588 and EURO 5,516, with various interest rates applicable to each loan, ranging from 6.87% up to 8.59% p.a. Repayment of the principal amount is due on September 1, 2006 and December 31, 2008, respectively. K&R-Tel's telecommunications equipment, with a net carrying amount of US\$126,595 was pledged as collateral for the loans from Bank TuranAlem as at December 31, 2005. The loan agreement also states that the Company is required to maintain an obligatory cash balance of US\$150 at Bank TuranAlem.

Short-term equipment financing from MGR as of the end of 2005 comprised US\$15,172 and it to be paid by May 3, 2006 in equal instalments of US\$3,793 on a

Reported by	Vendor	Interest rate	Outstanding debt as of December 31, 2005	Security
K&R-Tel	Alcatel	Six-month EURIBOR	\$ 18,300 (*) (EURO 13,455)	Network equipment through 2007
K&R-Tel	Citibank International PLC	6 month LIBOR +0.25%	\$ 2,683	None
URS	Margaretsky GOX	0%	\$ 15,172 (UAH 76,619)	None
Other	Various	Various rates	\$ 4,542	Various
Total			\$ 36,697	
Long-term portion (*)			\$ 35,787	
(*)			\$ 36,283	

(*) Translated at exchange rate as of December 31, 2004

In 2005, 2004 and 2003, interest of US\$1,241, US\$3,044 and US\$6,224, respectively, was accrued under all agreements between K&R and Alcatel. On November 21, 2005, all obligations of K&R to Alcatel were fully paid.

In 2005, 2004 and 2003, interest of US\$9, US\$182 and US\$1,182, respectively, was accrued under all agreements between VimpelCom-Region and Alcatel. VimpelCom-Region made all payments to Alcatel in respect of principal and accrued interest amounts in accordance with the above-mentioned agreements.

On September 6, 2005 K&R-Tel signed a US\$30,000 Facility Agreement with Citibank Int. plc under an English Credit Guarantee Department (EGDP) guarantee. The purpose of the loan is refinancing of telecommunications equipment delivered from Morocco. The interest rate is 6-month LIBOR plus 0.25% p.a. The loan is repayable equal semi-annual installments beginning on a date determined by EGDP, with the final maturity date being January 26, 2010 with respect to certain tranches of the loan and July 26, 2010 with respect to the remaining tranches of the loan. VimpelCom provides a parent guarantee for up to US\$30,000. As of December 31, 2005 K&R-Tel has drawn US\$16,683 under this loan.

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Short-term equipment financing from MGR as of the end of 2005 comprised US\$15,172 and it to be paid by May 3, 2006 in equal instalments of US\$3,793 on a

16. Shareholders' Equity

In 1998, VimpelCom issued 6,426,600 shares of preferred stock. As of December 31, 2005, all of the shares of preferred stock were owned by Eco Telecom. The shares of preferred stock entitles its holder to one vote. To receive a fixed dividend of 0.05 ruble per share per year and to receive a fixed liquidation value of 0.05 share in the event of VimpelCom's liquidation, to the extent there are funds available. As of December 31, 2005, this liquidation preference amount is approximately US\$1.1 at the official year-end exchange rate. Each share of preferred stock is convertible into one share of common stock at any time. On June 30, 2016 at the election of the holder upon payment to VimpelCom a vesting premium equal to 100% of the market value of one share of common stock at the time of conversion.

Under an agreement dated December 1, 1998, prior to the occurrence of transactions, VimpelCom had the right to purchase from Telenor a p

2006	\$ 421,467
2007	130,839
2008	498,297
2009	232,252
2010	304,532
Thereafter	\$ 1,995,166

previously issued to Releco. The number of shares that could be purchased was limited by a condition that Releco's share in Vimpeleco's total outstanding capital stock should not become less than 25% plus one share after the call is exercised. In December 2004, Vimpeleco purchased 250,000 shares of common stock for US\$1,913 from Releco under its call option and further transfer of common stock to Releco under its call option, to support grants under Releco's stock option plan (Note 2).

In 2005, the Board of Directors approved Amendment No. 1 to the call option plan in order to increase the maximum number of shares authorized under the plan from 250,000 to 450,000 and the expiration date of the plan from December 31, 2006 to December 31, 2007. In June 2005, Vimpeleco purchased 135,508 shares of its common stock for US\$1,913 in open market transactions and then transferred these shares to VC Releco. Vimpeleco intended to utilize the purchased shares for the issuance of common stock under the stock option plan.

Shares held by VC Releco (225,950 shares and 123,490 shares as of December 31, 2005 and 2004, respectively) were treated as treasury shares in the accompanying consolidated financial statements.

On October 31, 2005 and 2004, 27,252 shares (111,008 ADS) of Vimpeleco's common stock issued on July 28, 2000 were held by VC Limited, a consolidated subsidiary of Vimpeleco. These shares were treated as treasury shares in the accompanying consolidated financial statements.

On December 22, 2002, Vimpeleco, Eco Releco and Releco each purchased 1,662 shares of Vimpeleco Region's common stock for US\$56,486. Subsequently, Eco Releco and 223 and 860 shares of Vimpeleco Region's preferred stock were purchased by Releco, respectively, at a price of 20 rubles per share. The purchase of the second tranche of equity investments into Vimpeleco Region represented the agreement dated May 30, 2004, as amended.

Third and fourth quarters 2003, Vimpeleco used 2,053,176 shares (8,213,496 ADS) and fourth quarters 2004, Vimpeleco used 2,053,176 shares (8,213,496 ADS) of its treasury stock to meet its conversion obligations for senior convertible preferred stock. The excess of the nominal value of senior convertible notes reduced by the debt cost was allocated to additional paid-in capital.

On August 27, 2003, Eco Releco purchased 1,463 newly issued shares of Vimpeleco Region's common stock for US\$54,526. Simultaneously, Vimpeleco and Eco Releco sold 128 and 34 shares of Vimpeleco Region's preferred stock, respectively, to Releco, at a price of 20 rubles per share. The closing represented the third tranche of equity investments into Vimpeleco Region in accordance with the agreement dated May 30, 2001, as amended.

VC's share in net assets of Vimpeleco Region increased by US\$4,915 as a result of a capital contribution of Eco Releco made on August 27, 2003. The gain on the sale of newly issued stock of a subsidiary was included in additional paid-in capital.

Since the Company listed on the New York Stock Exchange in 1996, Vimpeleco's price per ADS has risen from US\$20.50 to over US\$100. In order to bring the ADS price more into line with other ADSs, the Company changed the ratio from four ADSs for three common shares to four ADSs for one common share effective November 22, 2004. To implement the ratio change, Vimpeleco ADS holders as of record date at the close of business on November 19, 2004 received two additional ADSs for every ADS held. There were no changes to Vimpeleco's underlying common shares. All ADS amounts for all years reflected in the notes to consolidated financial statements have been adjusted to reflect this new allocation.

On November 26, 2004, Vimpeleco issued 1,200,000 and 1,648,441 new shares to Eco Releco and Releco, respectively, in exchange for 41,678 stake in Vimpeleco Region that was owned by Eco Releco and by Releco (Note 5). Vimpeleco's additional paid-in capital was increased by US\$19,479 for the difference between nominal value per share and fair market value of the new common stock issued.

Each outstanding share of Vimpeleco's common stock entitles its holder to participate in shareholder meetings to resolve dividend matters and to elect directors of Vimpeleco's Board of Directors to receive part of Vimpeleco's assets to the extent there are sufficient funds available.

In accordance with Russian legislation, Vimpeleco can distribute all profits as dividends or transfer them to reserves. Dividends may only be declared from accumulated undistributed and unreserved earnings as shown in the Russian statutory financial statements, not out of amounts previously transferred to reserves. 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 through double tax treaties. Dividends to reserves have been insignificant through December 31, 2005. As of December 31, 2005, Vimpeleco's retained earnings distributable under Russian legislation were US\$1,606,585 at the official year-end exchange rate.

17. VC Limited

VC Limited is a special purpose entity formed under the laws of the British Virgin Islands for the purpose of holding the ADSs that were used to satisfy the conversion obligations under the convertible notes. Vimpeleco does not own directly or indirectly any shares of VC Limited. However, Vimpeleco controls VC Limited pursuant to an agreement between Vimpeleco and the sole shareholder of VC Limited by which Vimpeleco has an irrevocable proxy to vote the shares of VC Limited for all purposes. As of December 31, 2005 and 2004, the assets of VC Limited primarily consisted of shares of Vimpeleco's common stock with the cost of US\$1,668. There were no other material assets and liabilities in the financial statements of VC Limited as of December 31, 2005 and 2004. Expenses of VC Limited for the years ended December 31, 2005, 2004 and 2003 primarily consisted of interest expense on the loan due to Vimpeleco B.V. in the amount of US\$6, 015.00 and US\$31,199, respectively. VC Limited had no other material revenues or expenses for each of the years 2005, 2004 and 2003.

18. Income Taxes

The Russian Federation, the Republic of Kazakhstan, Ukraine and the Republic of Tajikistan were tax jurisdictions in which Vimpeleco's income was subject to taxation as of December 31, 2005.

The Russian statutory income tax rate is 24%. The Kazakh statutory income tax rate is 30%. The Ukrainian statutory income tax rate is 22%. The Tajik statutory income tax rate is 25%.

The Russian statute (herein) consisted of the following for the years ended December 31:

	2005	2004	2003
Current income taxes	\$ 212,319	\$ 154,714	\$ 140,209
Deferred taxes	4,582	286	(14,310)
	\$ 221,901	\$ 155,000	\$ 105,879

A reconciliation between the income tax expense reported in the accompanying consolidated financial statements and income before taxes multiplied by the Russian Federation statutory tax rate of 24% (for the years ended December 31) is as follows:

	2005	2004	2003
Income tax expense computed on income before taxes at Russian statutory tax rate	\$ 201,703	\$ 140,550	\$ 85,990
Effect of differing tax rates in different jurisdictions	(387)	88	-
Effect of non-deductible expenses	16,321	1,274	27,421
Effect of reducing prior period tax return differences not recognized as measured by the change in valuation allowance	0	2,488	(7,532)
Income tax expense reported in accompanying consolidated financial statements	\$ 221,901	\$ 155,000	\$ 105,879

The deferred tax balances were calculated by applying the presently enacted statutory tax rate applicable to the period in which the temporary differences between the carrying amounts and tax base of assets and liabilities are expected to reverse. The amounts reported in the accompanying consolidated financial statements at December 31 consisted of the following:

	2005	2004
Deferred tax assets:		
Accrued operating and interest expenses	\$ 59,655	\$ 19,603
Deferred revenue	32,137	5,007
	96,792	24,610
Valuation allowance	(8,254)	(1,680)
	88,538	22,930

	2005	2004
Deferred tax liabilities:		
Revenue accrued	-	270
Bad debts	-	8,401
Property and equipment	85,672	50,309
Losses and allocation of frequencies	226,442	160,432
Other intangible assets	23,244	61,899
Other non-current assets	33,172	17,695
Accounts payable	2,202	10,822
Forward agreement	371,653	319,272
Net deferred tax liabilities	283,614	242,232
Add current deferred tax assets	85,848	64,206
Add non-current deferred tax assets	2,070	1,714
Less current deferred tax liability	(644)	(11,785)
Total long-term net deferred tax liability	\$ 371,008	\$ 295,567

In 2005 and 2004, Vimpeleco completed a series of significant acquisitions which resulted in the write-up of the non-current assets at the dates of acquisition (Note 6). These write-ups mainly contributed to the increase in the deferred tax liability on non-current assets in 2005 and 2004.

For financial reporting purposes, a valuation allowance has been recognized to reflect management's estimate for realization of the deferred tax assets. Valuation allowances are provided when it is more likely than not that some or all of the deferred tax assets will not be realized in the future. These evaluations are based on expectations of future taxable income and reversals of the various taxable temporary differences.

19. Valuation and Qualifying Accounts

The following summarizes the changes in the allowance for doubtful accounts for the years ended December 31, 2005, 2004 and 2003:

Balance as of December 31, 2002	\$ 12,916
Provision for bad debts	11,074
Accounts receivable written off	(16,032)
Balance as of December 31, 2003	7,958
Provision for bad debts	9,636
Accounts receivable written off	(4,710)
Balance as of December 31, 2004	12,884
Provision for bad debts	13,668
Accounts receivable written off	(10,095)
Balance as of December 31, 2005	\$ 16,457

The provision for bad debts included in the accompanying consolidated statements of income is net of related value-added taxes of US\$2,085, US\$1,470 and US\$1,846 for the years ended December 31, 2005, 2004 and 2003, respectively.

20. Related Party Transactions

Transactions between VimpelCom and its related parties except for the transactions described below consist primarily of services from the related parties and loans to them, which are not material to the financial results of VimpelCom.

Balances due to related parties consisted of the following as of December 31:

	2005	2004
Telenor Russia AS	\$ 709	\$ 2,255
Eco Telecom and Alfa-Eco M	-	4,110
Other	709	905
	\$ 1,418	\$ 7,270

On April 1, 1999, VimpelCom and Telenor Russia AS signed a Service Obligation Agreement (the "General Services Agreement"). Total expense in respect of management fees under this General Services Agreement included in selling, general and administrative expenses in the accompanying consolidated statements of income for the years ended December 31, 2005, 2004 and 2003 amounted to US\$0, US\$1,041 and US\$3,018, respectively. As of December 31, 2005 and 2004, the liability to Telenor Russia AS amounted to US\$0 and US\$3,018, respectively.

On October 1, 2003, VimpelCom and Telenor Russia AS signed a General Services Agreement (the "General Services Agreement"). Total expense in respect of management fees under this General Services Agreement included in selling, general and administrative expenses in the accompanying consolidated statements of income for the years ended December 31, 2005, 2004 and 2003 amounted to US\$2,625, US\$3,500 and US\$1,167, respectively. As of December 31, 2005 and 2004, the liability to Telenor Russia AS amounted to US\$1,709 and US\$1,337, respectively.

In February 2006, the Board approved a General Agreement with Telenor Russia AS for provision of personnel and a General Services Agreement with Telenor Russia AS which came into force as of September 1, 2005 in substitution of the General Services Agreement. Between September 1, 2005 and January 1, 2006, VimpelCom was obligated to pay approximately US\$472 for provision of personnel under the General Agreement for provision of personnel and a US\$167 fixed fee for the services rendered under the new General Services Agreement (exclusive of VAT 18%).

On August 28, 2003, VimpelCom and Eco Telecom and Limited Liability Company Alfa-Eco M ("Alfa-Eco M"), a part of the Alfa group of companies in Russia, signed a Services Agreement. In accordance with the Services Agreement, Eco Telecom and Alfa-Eco M provided advising and consulting services to VimpelCom in connection with the merger between VimpelCom and VimpelCom-Region. The total cost in respect of the Services Agreement as of December 31, 2003 amounted to US\$1,500 and was included in telecommunications licenses and allocations of frequencies in the accompanying consolidated financial statements. This amount was paid in 2005. As of December 31, 2005 and 2004, the liability to Eco Telecom and Alfa-Eco M amounted to US\$0 and US\$4,136, respectively.

On October 1, 2003, VimpelCom and Limited Liability Company Alfa-Eco Telecom, a part of the Alfa group of companies in Russia, signed a General Service Agreement. Total expense in respect of management fees under this General Service Agreement included in selling, general and administrative expenses in the accompanying consolidated statements of income for the years ended December 31, 2005, 2004 and 2003 amounted to US\$0, US\$2,333 and US\$1,167, respectively.

On November 10, 2005, VimpelCom acquired 100% of the issued and outstanding stock of each of Cayuga Properties Limited, Credit Investments Limited, Winrop Management Limited, Golden Holdings Limited and Celcott Holdings Limited, which together hold 100% interest in US\$ for a total cash purchase price of approximately US\$23,286. We do assume approximately US\$22,800 in US debt (Note 4). One of the members of Company's board of directors was on the board of directors of one of the sellers, Kainon Trading Limited, at the time of the acquisition.

21. Earnings per Share

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 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 four to determine net income per ADS equivalent as each ADS is equivalent to one-quarter of one share of common stock (Note 16). In 2003 and 2004 the Company included the preferred shares in the computation of the diluted net income per common share which were assessed as having a dilutive effect. In 2005, the Company revised the computation of diluted net income per common share to consider the assumed repurchases of common stock using the proceeds from the conversion (i.e. in accordance with the "Treasury stock method"). Accordingly the computation of diluted net income per common share has been amended for 2003 (from US\$ 5.11 to US\$ 5.67) and for 2004 (from US\$ 7.35 to US\$ 8.49).

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

	Year ended December 31,		
	2005	2004	2003
Numerator:			
Net income	\$ 615,131	\$ 750,396	\$ 238,809
Denominator:			
Denominator for basic earnings per share - weighted average shares	51,066	41,224	38,241
Effect of dilutive securities:			
Senior convertible notes	-	-	2,076
Employee stock options	19	48	27
Denominator for diluted earnings per share - assumed conversions	51,085	41,272	40,344
Basic net income per common share	\$ 12.05	\$ 18.50	\$ 5.38
Diluted net income per common share	\$ 12.04	\$ 18.49	\$ 5.27

Beginning January 1, 2005, management began analyzing only two reportable segments, the Russian Federation and Kazakhstan, by combining the Moscow area and the Regions reportable segments. One of the reasons for this decision to concentrate on the Russian Federation segment was the VimpelCom and VimpelCom-Region on November 28, 2004. The corresponding information for previous periods have been restated.

As of December 31, 2005, new reportable segments, Ukraine and Tajikistan identified due to the acquisition of UTS and Tracom, respectively. Management decided to organize the enterprise based on geographical, economic environments and stages of development of markets of telecommunications services in different geographical areas, requiring different and marketing strategies.

The board of Directors and management utilize more than one measure multiple views of data to measure segment performance. However, the measurements are consistent with VimpelCom's consolidated statements and, accordingly, are reported on the same basis herein. Management evaluates the performance of its segments primarily along with cash income, income before income taxes and net income along with overall economic returns. Intersegment revenues are eliminated consolidation. Intersegment revenues may be accounted for at different from sales to unaffiliated companies. The accounting policies segments are the same as those described in the summary of accounting policies, as discussed in Note 2.

22. Segment Information

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," requires companies to provide certain information about their operating segments. In past periods VimpelCom had two reportable segments: the Moscow license area and the regions outside of the Moscow license area (the "Regions"). As of September 30, 2004, a new reportable segment, Kazakhstan, was identified due to the acquisition of KabTel (Note 4). The Moscow license area

	Year ended December 31, 2005	Russia	Kazakhstan	Ukraine	Tajikistan
Total operating revenues from external customers	\$ 3,032,976	\$ 1,970	\$ 176,172	\$ 1,970	\$ -
Total intersegment revenues	291	752	-	-	-
Depreciation and amortization	535,372	55,079	2,827	-	-
Operating income	972,673	9,586	(4,227)	-	-
Interest income	11,269	\$	40	-	-
Interest expense	140,585	9,503	-	-	-
Income before income taxes and minority interest	842,727	(2,128)	-	-	-
Income tax expense	247,975	(4,381)	-	-	-
Net income	594,752	(4,509)	-	-	-
Segment assets	5,383,139	668,443	16,457	-	-
Goodwill	230,851	155,948	8,097	-	-
Expenditures for long-lived assets	\$ 1,498,807	\$ 136,538	\$ -	\$ -	\$ -

The options granted vest at varying rates over one to three year periods. If certain events provided for in the 2000 Stock Option Plan occur, the vesting period for certain employees is accelerated.

As of December 31, 2005, the weighted average contractual life of outstanding options was two years. VimpelCom can accelerate the expiration date. VimpelCom recognizes compensation costs for awards with graded vesting schedules on a straight-line basis over two to three year periods.

The number of exercise of stock options required variable accounting for stock-based compensation under APB No. 25 and related interpretations. The amount of compensation expense in respect of 2000 Stock Option Plan included in the accompanying consolidated statements of operations was US\$6,637, US\$5,682 and US\$5,382 in the year ended December 31, 2005, 2004 and 2003, respectively.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because VimpelCom's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the resulting models do not necessarily provide a reliable single measure of the fair value of its employee stock options (Note 2).

Pro forma information regarding net income (loss) and net income (loss) per common share is required by SAS No. 123, and has been determined as if VimpelCom had accounted for its employee stock options under the fair value method of that Statement. The fair value of these options was estimated at the dates of grant using a Black-Scholes option pricing model with the following weighted-average assumptions (Note 2).

	2005	2004	2003
Risk-free interest rate	1.7%	-	1.7%
Expected dividends yield	0.0%	-	0.0%
Volatility factor of expected price of VimpelCom's common stock	94%	-	94%
Weighted-average expected life of the options (years)	3.25	-	3.25

In addition to the Stock Option Plan, members of the board of directors who are not employees participate in a phantom stock plan, pursuant to which they each receive up to a maximum of 18,000 phantom ADSs. The number of phantom ADSs to be granted to each director is set by the board of directors. The phantom ADSs may be redeemed for cash on the date the director ceases to be a director; provided, however, that directors who are re-elected to the board of directors may redeem such phantom ADSs related to previous period of his/her service as a Director at any time from the date of his or her re-election to the date he or she is no longer a director. As of December 31, 2004, an aggregate of 412,500 phantom ADSs had been granted to directors under phantom stock plans, of which 254,500 are currently redeemable or will become redeemable within 60 days of the financial statement date at price ranging from US\$16.83 to US\$33.45.

VimpelCom's senior managers participate in a separate phantom stock plan, pursuant to which they receive phantom ADSs in an amount determined by the Chief Executive Officer ("CEO") and General Director and approved by Finance committees. The board of directors determines the aggregate amount of phantom ADSs that the CEO and General Director may grant to senior managers in each calendar year. In 2004, the board of directors authorized the CEO and General Director to grant 450,000 phantom ADSs to senior managers in addition to the 450,000 phantom ADSs that were authorized to be granted in 2003. No additional phantom ADSs were authorized to be granted in 2005. No phantom ADSs have been issued to the CEO and General Director. As of December 31, 2005, an aggregate of 414,000 phantom ADSs had been granted to senior managers, of which 293,250 are currently or will become redeemable within 60 days of the financial statement date at price ranging from US\$10.51 to US\$38.83.

24. Contingencies and Uncertainties

The economy of each of Russia, Kazakhstan, Ukraine and Tajikistan continue to display certain traits consistent with that of a market in transition. These characteristics have in the past included higher than normal historic inflation, lack of liquidity in the capital markets and the existence of currency controls which cause the national currency to be liquid outside of their territories. The continued success and stability of the economies of Russia, Kazakhstan, Ukraine and Tajikistan will be significantly impacted by their respective governments' continued actions with regard to supervisory, legal and economic reforms.

On January 1, 2004, a new federal law on telecommunications came into effect in Russia (the "New Law"). The New Law set the legal basis for the telecommunications business in Russia and defines the terms that the entities have in the telecommunications sector. VimpelCom entered into contracts with any certainty how the new law will affect it. The New Law created new incentives and federal telephone line capacity pricing regimes, that establish more transparent and unified rules for granting federal and direct numbering capacity and mobile network codes. These new rules were implemented in January 2005. The New Law also creates a universal service charge calculated as a 1.2% of revenue, which was introduced from April 2005. The amount of this charge for the period to December 31, 2005 comprised \$18,980. Almost all of the orders and regulations contemplated by the New Law have been promulgated. However, uncertainty remains regarding several aspects of the regulation of the telecommunications industry in Russia, including as regulators interpret the legislation, and there may be a period of confusion and ambiguity as regulators interpret the legislation.

The taxation systems in Russia, Kazakhstan, Tajikistan and Ukraine are evolving as their respective central governments transform their national economies (first from a command to a market oriented economies. In the Russian Federation, VimpelCom's predominant market, there were many tax laws and related regulations introduced in 2005 and previous periods which were not always clearly written, and their interpretation is subject to the opinions of the local tax inspectors, Central Bank officials and the Ministry of Finance. Instances of inconsistent opinions between local, regional and federal tax authorities and between the Central Bank and the Ministry of Finance are not unusual. Management believes that it has paid or accrued all taxes that are applicable.

Where uncertainty exists, VimpelCom has accrued tax liabilities based on management's best estimate.

As of December 31, 2005, VimpelCom does not believe that any material matters exist relating to the developing markets and evolving fiscal and regulatory environments in Russia, Kazakhstan, Tajikistan and Ukraine, including current pending or future governmental claims and demands, which would require adjustment to the accompanying financial statements in order for those statements not to be misleading.

In the ordinary course of business, VimpelCom may be party to various legal and tax proceedings, and subject to claims, certain of which relate to the developing markets and evolving fiscal and regulatory environments in which VimpelCom operates. In the opinion of management, VimpelCom's liability, if any, in all pending litigation, other legal proceedings or other matters other than what is discussed above, will not have a material effect upon the financial condition, results of operations or liquidity of VimpelCom.

VimpelCom's operations and financial position will continue to be affected by Russian political developments in Russia, Kazakhstan, Tajikistan and Ukraine, including the application of existing and future legislation and tax regulations. The likelihood of such occurrences and their effect on VimpelCom could have a significant impact on VimpelCom's ability to continue operations. VimpelCom does not believe that these contingencies as related to its operations, are any more significant than those of similar enterprises in Russia, Kazakhstan, Tajikistan and Ukraine.

VimpelCom's ability to generate revenues in Moscow and the Moscow region is dependent upon the operation of the wireless telecommunications networks under its licenses. VimpelCom's MMS/DMA/MS licenses to operate in the Moscow license area expires in November 2007, while the GSM license for the Moscow license area expires in April 2008. Various regional GSM-900/1800 licenses previously held by VimpelCom-region and currently held by Svyazinvest, Velescom and other operators, have and will expire between August 1, 2008 and November 14, 2012. Article 39 of the New Law defines the circumstances under which a license may be revoked. However, there is no precedent as to the practical application of this new law as it applies to actual license terminations.

KazTel owns a GSM license to operate over the entire territory of Kazakhstan. The license expires in August 2013.

UKRS has a GSM-900 license that covers the entire territory of Ukraine and a GSM-1800 license that covers 23 of Ukraine's 27 administrative regions (excluding City of Kyiv, the Kyiv Region, the Dnipropetrovsk Region and the Odessa Region). UKRS' GSM-1800 license expires in October 2020.

Tacocom owns GSM and CDMA licenses to operate in Tajikistan. These licenses expire in June 2009.

VimpelCom is dependent upon a small number of suppliers, principally Alcatel and Ericsson, for purchases of wireless telecommunications equipment. Similarly, there are only a small number of telephone line capacity suppliers in Moscow. In the year ended December 31, 2005, VimpelCom did not purchase telephone line capacity. In prior years this capacity was primarily purchased from two suppliers: Telecom, Sovietnet and Digital Telephone Networks.

VimpelCom's MMS licenses to operate wireless networks in the regions including Moscow and the Moscow Voz, Povoloz and Vladimir regions are subject to conditions to make non-renewable contributions to the development of the switched telecommunications network of the Russian Federation. The contribution to VimpelCom is unspecified and will be agreed with or determined by respective local administrations. VimpelCom has made no significant contribution to the network and it is not possible to determine the amount that will eventually be payable.

Following VimpelCom's acquisition of UKRS, Ericsson, a leading telephone equipment supplier, agreed to swap UKRS existing equipment. Ericsson has paid approximately US\$52,600, including VAT, in cash for the existing equipment. UKRS has purchased US\$1,000,000 worth of equipment and services from Ericsson to expand its network during the next three years. This agreement is part of an agreement for the VimpelCom Group under which it intends to purchase a total of US\$10 million of equipment and services from Ericsson. There were no transactions in these contracts as of December 31, 2005.

Telecommunications Licenses, Frequencies and Other Permissions, Previously Held by VimpelCom-Region

Following the merger of VimpelCom-Region into VimpelCom and in accordance with the Federal Law "On Communications", VimpelCom promptly filed applications for the Services for the re-issuance of VimpelCom-Region's licenses to VimpelCom. On December 28, 2004, VimpelCom received a letter from the Service that although VimpelCom had complied with the relevant requirements of the Federal Law "On Communications", the Service was not in a position to re-issue the licenses previously held by VimpelCom-Region to VimpelCom until the Russian Government adopted regulations establishing the types of telecommunications services which a license is required and the material terms and conditions associated with such license as contemplated by the Federal Law "On Communications". Further stated that VimpelCom, as the legal successor to VimpelCom-Region, assume the obligations of VimpelCom-Region to provide wireless services under its licenses previously held by VimpelCom-Region prior to their re-issuance to VimpelCom. Furthermore, although the letter did not specifically refer to the obligations of VimpelCom-Region to provide wireless services under its licenses and the ability of VimpelCom to provide wireless services under the licenses previously held by VimpelCom-Region.

On December 28, 2004, VimpelCom re-filed its applications with the Service for re-issuance of the licenses to VimpelCom. The licenses were re-issued in the period between January 1, 2005 and February 1, 2005. The licenses for GSM-900 and GSM-1800 and the related frequencies and permissions were received in the period between September to November 2005.

Telecommunications Licenses, Frequencies and Other Permissions, Previously Held by KBI

On May 31, 2005, VimpelCom's wholly-owned subsidiary KBI merged with VimpelCom. KBI held a GSM-900/1800 license, other licenses and frequencies and permissions for the city of Moscow and the Moscow Region. VimpelCom filed applications for the re-issuance of KBI's licenses as frequencies and permissions to VimpelCom promptly, in accordance with current legal and regulatory regime which requires the applications for re-

On October 20, 2005, the KBI merged. In October 2005, the Federal Agency for Supervision in Communications received a license covering the City of Moscow and the Moscow region. The license covers the related frequencies and permissions to be used for the operation of mobile telephony services. The license is being processed but no assurance can be given as to when it will be issued. The license will be issued to Vimpelcom in a timely manner or on the same terms and conditions as the license issued to other operators in the region.

On December 26, 2004, Vimpelcom received an act from the Russian tax authorities regarding the tax review of the company's 2003 tax returns. The act stated that Vimpelcom owed an additional 1,255,012 thousand rubles (US\$30,991) at December 31, 2004. On February 15, 2005, Vimpelcom received an act from the Russian tax authorities regarding the tax review of the company's 2004 tax returns. The act stated that Vimpelcom owed an additional 2,202,865 thousand rubles (US\$52,800) at December 31, 2005. In addition, in 2005, previously paid VAT payable in respect of 2001 tax filing, in addition, in 2005, previously paid penalties and claims were reversed in the amount of US\$1,560 at the exchange rate as of December 31, 2005.

On February 28, 2004, Vimpelcom received an act from the Russian tax authorities regarding the tax review of Vimpelcom's 2002 tax returns. The act stated that Vimpelcom owed an additional 408,534 thousand rubles (US\$10,172) at December 31, 2004. In addition, in 2004, previously paid VAT payable in respect of 2001 tax filing, in addition, in 2004, previously paid penalties and claims were reversed in the amount of US\$1,560 at the exchange rate as of December 31, 2005.

On February 28, 2004, Vimpelcom received an act from the Russian tax authorities regarding the tax review of Vimpelcom's 2002 tax returns. The act stated that Vimpelcom owed an additional 408,534 thousand rubles (US\$10,172) at December 31, 2004. In addition, in 2004, previously paid VAT payable in respect of 2001 tax filing, in addition, in 2004, previously paid penalties and claims were reversed in the amount of US\$1,560 at the exchange rate as of December 31, 2005.

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Vimpelcom has received several letters from one of its shareholders, Permian, challenging the sufficiency of the corporate authority of the decision of the Board of Directors of Vimpelcom's shareholders held on September 14, 2005 (the "ECHR") regarding the acquisition of URS (Notes 4 and 24). In one of these letters, Permian requested that it be allowed to challenge the URS acquisition. Permian stated that it reserves its right to challenge the URS acquisition. Permian stated that it is commencing, in January 2006, relevant legal proceedings in the Moscow Arbitration Court in connection with Vimpelcom's acquisition of URS.

On January 10, 2005, Kar-Tel received an "order to pay" issued by the Savings Deposit Insurance Fund (the "Fund"), a Turkish state agency, in the amount of approximately US\$5.5 billion (stated as approximately Turkish Lira 255 quadrillion) and issued prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005). The order does not provide any information regarding the nature of or basis for the asserted debt, other than to state that it is a debt to the Turkish Treasury and the term for payment is May 5, 2004. On January 12, 2005, Kar-Tel delivered to the

On January 10, 2005, Kar-Tel received an "order to pay" issued by the Savings Deposit Insurance Fund (the "Fund"), a Turkish state agency, in the amount of approximately US\$5.5 billion (stated as approximately Turkish Lira 255 quadrillion) and issued prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005). The order does not provide any information regarding the nature of or basis for the asserted debt, other than to state that it is a debt to the Turkish Treasury and the term for payment is May 5, 2004. On January 12, 2005, Kar-Tel delivered to the

On January 10, 2005, Kar-Tel received an "order to pay" issued by the Savings Deposit Insurance Fund (the "Fund"), a Turkish state agency, in the amount of approximately US\$5.5 billion (stated as approximately Turkish Lira 255 quadrillion) and issued prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005). The order does not provide any information regarding the nature of or basis for the asserted debt, other than to state that it is a debt to the Turkish Treasury and the term for payment is May 5, 2004. On January 12, 2005, Kar-Tel delivered to the

On January 10, 2005, Kar-Tel received an "order to pay" issued by the Savings Deposit Insurance Fund (the "Fund"), a Turkish state agency, in the amount of approximately US\$5.5 billion (stated as approximately Turkish Lira 255 quadrillion) and issued prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005). The order does not provide any information regarding the nature of or basis for the asserted debt, other than to state that it is a debt to the Turkish Treasury and the term for payment is May 5, 2004. On January 12, 2005, Kar-Tel delivered to the

On January 10, 2005, Kar-Tel received an "order to pay" issued by the Savings Deposit Insurance Fund (the "Fund"), a Turkish state agency, in the amount of approximately US\$5.5 billion (stated as approximately Turkish Lira 255 quadrillion) and issued prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005). The order does not provide any information regarding the nature of or basis for the asserted debt, other than to state that it is a debt to the Turkish Treasury and the term for payment is May 5, 2004. On January 12, 2005, Kar-Tel delivered to the

On January 10, 2005, Kar-Tel received an "order to pay" issued by the Savings Deposit Insurance Fund (the "Fund"), a Turkish state agency, in the amount of approximately US\$5.5 billion (stated as approximately Turkish Lira 255 quadrillion) and issued prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005). The order does not provide any information regarding the nature of or basis for the asserted debt, other than to state that it is a debt to the Turkish Treasury and the term for payment is May 5, 2004. On January 12, 2005, Kar-Tel delivered to the

On January 10, 2005, Kar-Tel received an "order to pay" issued by the Savings Deposit Insurance Fund (the "Fund"), a Turkish state agency, in the amount of approximately US\$5.5 billion (stated as approximately Turkish Lira 255 quadrillion) and issued prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005). The order does not provide any information regarding the nature of or basis for the asserted debt, other than to state that it is a debt to the Turkish Treasury and the term for payment is May 5, 2004. On January 12, 2005, Kar-Tel delivered to the

25. Quarterly Financial Data (Unaudited)

The following table sets forth selected highlights for each of the fiscal quarters during the years ended December 31, 2005 and 2004 (US dollars in thousands, except per share data):

	March 31	June 30	September 30	December 31	Year
2005					
Total operating revenues	\$ 640,636	\$ 790,770	\$ 890,291	\$ 910,421	\$ 3,211,118
Operating income	186,144	257,222	297,439	237,227	978,032
Net income	109,664	198,844	198,875	151,748	615,131
Net income per common share - basic	2.14	3.42	3.42	2.97	12.05
Net income per common share - diluted	2.14	3.11	3.42	2.97	12.04
2004					
Total operating revenues	\$ 413,772	\$ 482,851	\$ 591,472	\$ 624,907	\$ 2,113,002
Operating income	133,856	162,130	206,246	171,914	674,156
Net income	75,602	90,036	107,015	83,742	350,396
Net income per common share - basic	1.88	2.24	2.51	1.87	8.50
Net income per common share - diluted	1.88	2.24	2.51	1.87	8.49

26. Subsequent Events

On January 18, 2006, VimpelCom acquired 100% of Bakarie Uzbekistan Telecom LLC ("Buztel") for the purchase price of US\$60,000 plus the assumption of approximately US\$2,400 in debt. Buztel holds national GSM-900 and GSM licenses. On February 8, 2006, VimpelCom acquired Uzbtelecom LLC ("Uztelecom") for the purchase price of US\$2,000,000 plus assumption of approximately US\$7,700 in debt based on VimpelCom's assessment at the time of closing of the acquisition. Uztelecom holds national GSM-900 and GSM licenses. At the time of the acquisition, Uztelecom served approximately 364,000 subscribers, representing, according to the company's statements, a 31% market share in Uzbekistan. In addition, recognizing the benefits of local expertise when entering a new country, VimpelCom intends to find an Uzbek partner to whom to sell a minority interest in the planned combined company.

Buztel was previously owned by an affiliate of Alfa Telecom Limited, also known as Alfa, a leading Moscow-based telecom services provider. One of the founders of Alfa Group of companies, which currently indirectly holds 34.2% of the voting shares of VimpelCom. The transaction was completed on February 9, 2006.

Telenor's lawsuits

On January 26, 2006, Telenor East Invest AS filed two lawsuits in the Moscow City Arbitration Court.

The first claim Telenor is asking the court to declare invalid the decision of the extraordinary general shareholders' meeting of VimpelCom ("EGSM") approving the acquisition of URS as an interested party transaction. Telenor claims that EGSM was convened in violation of law and the decision taken by EGSM violates its rights and legitimate interests. The preliminary hearing was held on 26 February 2006.

The main hearing took place on April 7, 2006. After the parties have presented their arguments to the court, the court has postponed the main hearing until May 15, 2006. The court has asked the parties to collect and present additional documents supporting their arguments.

The its second claim Telenor is asking the court to declare invalid the decision of VimpelCom's General Director, relating to VimpelCom's acquisition of URS. On February 1, 2006, the Moscow City Arbitration Court rendered a decision to schedule a preliminary court hearing on March 1, 2006. On March 1, 2006 the Moscow City Arbitration Court rendered a decision to postpone the preliminary court hearing until April 5, 2006. The main hearing took place on April 5, 2006. After the parties have presented their arguments to the court, the court has postponed the main hearing until May 25, 2006, based on Telenor's statement, asking to postpone the hearing in order for Telenor to renew the response to the claim filed by VimpelCom.

On January 31, 2006, Telenor East Invest AS filed a lawsuit in the Moscow City Arbitration Court in order to declare invalid the acquisition of URS and to unwind the acquisition. The Moscow City Arbitration Court rendered a decision to schedule a preliminary court hearing on August 1, 2006.

There can be no assurance that VimpelCom will prevail at any stage of the lawsuit. Pending these lawsuits or that other claims by Telenor East Invest AS or other third parties, the court's decision on URS or other matters will not be made. In the event a decision is not favorable to VimpelCom becomes binding, including a decision to unwind the URS acquisition, it could have an adverse effect on VimpelCom's business. Its expected effect on the financial results. Management cannot make an estimate of the effect of the ultimate resolution of the matters described above on VimpelCom's consolidated financial statements.