

OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS

Form 6-K

November 19, 2004

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**

For the month of November 2004

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)

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

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

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

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

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

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: November 18, 2004

By: /s/ Alexander V. Izosimov

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

FOR IMMEDIATE RELEASE

VIMPELCOM ANNOUNCES THIRD QUARTER AND NINE MONTHS 2004

FINANCIAL AND OPERATING RESULTS

59% YEAR-ON-YEAR INCREASE IN NET OPERATING REVENUES

42% YEAR-ON-YEAR INCREASE IN NET INCOME

66% YEAR-ON-YEAR INCREASE IN OIBDA

APPROXIMATELY 22.3 MILLION SUBSCRIBERS AS OF TODAY

COMMERCIAL OPERATIONS IN 72 REGIONS OF RUSSIA AND IN KAZAKHSTAN

Moscow and New York (November 18, 2004) **Open Joint Stock Company Vimpel-Communications (VimpelCom or the Company) (NYSE: VIP)**, a leading provider of wireless telecommunications services in Russia and Kazakhstan, today announced its financial and operating results for the quarter and nine months ended September 30, 2004. During the third quarter of 2004, VimpelCom showed strong subscriber growth in the regions of Russia and continued improvement in net operating revenues, OIBDA and net income. As reported earlier, VimpelCom completed the acquisition of KaR-Tel, a GSM operator in Kazakhstan, on September 3, 2004 and the results of operations of KaR-Tel were included in the consolidated financial statements of VimpelCom from that date.

Commenting on today's announcement, Alexander Izosimov, Chief Executive Officer of VimpelCom, said, "Our strategy is focused on rapid subscriber growth in Russia and expansion into the CIS. We took great strides in meeting these objectives in the third quarter. We launched eight new networks in the regions of Russia and took control of operations in our newly acquired company in Kazakhstan. We added more than 4.2 million new subscribers in the third quarter, including almost 3.6 million new subscribers in Russia, which gave us a gain of approximately 1% of Russia's national market share. These successes were translated into strong financial results with our quarterly OIBDA reaching almost \$300 million.

The principal results of operations with comments are presented in the following tables. All definitions as well as condensed consolidated financial statements of VimpelCom and condensed consolidated financial statements of VimpelCom-Region, VimpelCom's subsidiary for regional development, are presented in Attachments A, B and C, respectively. Reconciliation of each of OIBDA, OIBDA margin, ARPU and SAC to the most directly comparable U.S. GAAP financial measures follows the financial statements in the attachments. Reconciliation tables for non-U.S. GAAP measures relating to geographical areas including Kazakhstan are presented in Attachment D.

- more -

VimpelCom Announces Third Quarter And Nine Months 2004 Financial and Operating Results

Page 2 of 5

Key Subscriber Statistics

	As of	As of	Change	As of	Change
	Sept. 30, 2004	Sept. 30, 2003	Y-on-Y	June 30, 2004	Q-on-Q
			(%)		(%)
Moscow license area	6,645,700	5,076,200	30.9%	6,183,400	7.5%
Contract	867,100 ^{a)}	799,000	8.5%	843,900	2.8%
Prepaid	5,778,600	4,277,200	35.1%	5,339,500	8.2%
Regions	13,223,400	4,183,000	216.1%	10,120,500	30.7%
Contract	1,417,700 ^{b)}	670,900	111.3%	1,315,700	7.8%
Prepaid	11,805,700	3,512,100	236.1%	8,804,800	34.1%
Kazakhstan	676,300	n/a		n/a	
Contract	580,600	n/a		n/a	
Prepaid	95,700	n/a		n/a	
Total	20,545,400	9,259,200	121.9%	16,303,900	26.0%
Churn (quarterly)	7.2%	9.6%		9.4%	

^{a)} Including approximately 99% of postpaid (credit) and 1% of advance payment subscribers.

^{b)} Including approximately 15% of postpaid (credit) and 85% of advance payment subscribers.

The Company reported a new record subscriber growth in the third quarter of 2004 due to the acceleration in subscriber growth in the regions, the commercial launch of eight new networks, and the acquisition of Kar-Tel, a cellular operator in Kazakhstan. The acquisition was closed on September 3, 2004, as a result of which VimpelCom obtained approximately 645,000 additional subscribers as of the date of acquisition.

Using independent sources to estimate the number of subscribers of the Company's competitors, VimpelCom estimates its market share in Russia at 33.7% at the end of the third quarter of 2004, compared to 31.0% estimated at the end of the third quarter of 2003. VimpelCom's market share in the Moscow license area was 45.0% at the end of the third quarter of 2004, compared to the Company's estimated market share of 49.0% reported at the end of the third quarter of 2003.

Churn management remains one of the Company's priority tasks. The Company's quarterly churn rate in the third quarter of 2004 was 7.2%, compared to the Company's churn rate of 9.6% reported for the same period in 2003. A decrease in churn rate as compared with the 9.4% reported for the second quarter of 2004 was primarily caused by an acceleration in subscriber growth and positive results from churn-reducing activities implemented earlier this year.

- more -

VimpelCom Announces Third Quarter And Nine Months 2004 Financial and Operating Results

Page 3 of 5

Key Consolidated Financial and Operating Indicators

	Three	Three		Nine	Nine	
	months	months		months	months	
	ended	ended	Change	ended	ended	Change
	Sept. 30,	Sept. 30,	Y-on-Y	Sept. 30,	Sept. 30,	Y-on-Y
	2004	2003	(%)	2004	2003	(%)
Net operating revenues (US\$,000)	602,360	378,981	58.9%	1,510,958	927,858	62.8%
OIBDA (US\$,000)	295,663	178,472	65.7%	742,382	426,337	74.1%
OIBDA margin	49.1%	47.1%		49.1%	45.9%	
Gross margin (US\$,000)	491,328	310,192	58.4%	1,239,686	755,784	64.0%
Gross margin percentage	81.6%	81.8%		82.0%	81.5%	
Net income (US\$,000)	102,185	72,190	41.6%	269,271	166,224	62.0%
Net income per share (US\$)	2.54	1.89	34.4%	6.70	4.37	53.3%
Net income per ADS (US\$)	1.91	1.42	34.5%	5.03	3.28	53.4%
ARPU (US\$)	10.7	14.4	-25.7%	10.7	14.1	-24.1%
MOU (min)	99.4	92.7	7.3%	96.3	90.0	7.0%
SAC (US\$)	14.2	18.8	-24.3%	14.8	20.0	-25.8%

Rapid subscriber growth, efficient cost control and lower acquisition costs per subscriber in the regions outside of Moscow enhanced by economies of scale led to significant improvements in VimpelCom's financial and operating results in the third quarter of 2004, as compared with the third quarter of 2003.

Selling, general and administrative (SG&A) expenses, as a percentage of net operating revenues, continued to improve, reaching 32.0% reported in the third quarter of 2004 as compared with 33.5% in the third quarter of 2003. In part, it was caused by the decrease in SAC to \$14.2 in the third quarter of 2004 from \$18.8 reported for the same period of 2003. The decrease in SAC was primarily attributable to the increase in regional sales as a percentage of total sales, as SAC is lower in the regions due to the relatively lower dealer commissions and larger proportion of sales through the Company's own offices.

Strong growth in lower margin roaming revenue led to a slightly reduced OIBDA margin in the third quarter of 2004 as compared with the second quarter of 2004. Likewise, strong growth in the regions in the third quarter of 2004 resulted in a disproportional increase in minority interest which decelerated growth in consolidated net income. This effect will be eliminated upon completion of the merger of VimpelCom-Region into VimpelCom.

VimpelCom's capital expenditures for purchase of property and equipment for the third quarter of 2004 were approximately \$346.5 million, and capital investments for the acquisition of shares were \$12.9 million for the acquisition of the remaining 49% shares of our subsidiary, BeeLine-Samara, and \$350.0 million for the acquisition of KaR-Tel, the Kazakh GSM operator.

MOU increased in the third quarter of 2004 to 99.4 minutes, compared to 92.7 minutes in the third quarter of 2003 and 96.3 minutes in the second quarter of 2004. This is a positive development, notably in light of the significant increase in the number of our regional subscribers. ARPU decreased in the third quarter of 2004 by approximately 25.7% to \$10.7, compared to \$14.4 in the third quarter of 2003, due to the growing proportion

- more -

VimpelCom Announces Third Quarter And Nine Months 2004 Financial and Operating Results

Page 4 of 5

of regional subscribers (who generate lower ARPU than Moscow subscribers) and a reduction in tariffs as a result of increased competition. Due to continued seasonal effects, ARPU in the third quarter of 2004 was higher both in Moscow and the regions as compared with the second quarter of 2004. However, because of the growing proportion of regional subscribers in the network, the blended ARPU showed a slight decrease compared with ARPU of \$10.8 reported for the second quarter of 2004. Kazakhstan's contribution to variations of ARPU and MOU in the third quarter of 2004 was insignificant.

The Company's consolidated financial results include the activities in the Moscow license area, in the regions of Russia and, beginning from September 3, 2004, in Kazakhstan.

3Q2004 Selective Financial and Operating Indicators for Geographical Areas

	Moscow license area	Regions of Russia	Kazakhstan ^{d)}
Total operating revenues ^{e)} (US\$,000)	313,765	277,836	10,759
Net income (US\$,000)	55,896 ^{d)}	75,175 ^{e)}	2,284
ARPU (US\$)	16.0	8.4	16.3
MOU (min)	123.7	86.7	71.8
SAC (US\$)	25.4	10.8	25.2

^{c)} Excluding inter-company transactions.

^{d)} September data only.

^{e)} Including minority interest.

^{f)} The lower net income in the Moscow license area (MLA) in the third quarter of 2004 as compared with \$68.9 million reported for the second quarter of 2004 is driven primarily by two factors: (i) decrease in gross margin caused by seasonal growth in roaming revenue, particularly pronounced in Moscow, (ii) growth in debt interest expense for the VimpelCom Group which is primarily carried by the MLA.

The Company's management will discuss its third quarter 2004 results during a conference call and slide presentation on November 18, 2004 at 6:30 pm Moscow time (10:30 am ET in New York). The call and slide presentation may be accessed via webcast at the following URL address <http://www.vimpelcom.com>. The conference call replay and the slide presentation webcast will be available through November 25, 2004 and December 20, 2004, respectively. The slide presentation will also be available for download on VimpelCom's website <http://www.vimpelcom.com>.

VimpelCom is a leading provider of telecommunications services in Russia and Kazakhstan, operating under the Bee Line GSM brand in Russia and K-mobile and EXCESS brands in Kazakhstan. The VimpelCom Group's license portfolio covers approximately 94% of Russia's population (136 million people), including the City of Moscow, the Moscow Region and the City of St. Petersburg, as well as the entire territory of Kazakhstan. VimpelCom was the first Russian company to list its shares on the New York Stock Exchange (NYSE). VimpelCom's ADSs are listed on the NYSE under the symbol VIP .

This press release contains forward-looking statements, as the phrase is defined in Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements relate to the Company's strategic and development plans and the completion of the merger of

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VimpelCom-Region into VimpelCom. These and other forward-looking statements are based on management's best assessment of the Company's strategic and financial position and of future market conditions and trends. These discussions involve risks and uncertainties. The actual outcome may differ materially from these statements as a result of unforeseen developments from competition, governmental regulation of the wireless telecommunications industry, general political uncertainties in Russia and Kazakhstan and general economic developments in Russia and Kazakhsan, the Company's ability to continue to grow its overall subscriber base, continued volatility in the world economy and other factors. As a result of such risks and

- more -

VimpelCom Announces Third Quarter And Nine Months 2004 Financial and Operating Results

Page 5 of 5

uncertainties, there can be no assurance that the effects of competition or current or future changes in the political, economic and social environment or current or future regulation of the Russian and Kazakh telecommunications industry will not have a material adverse effect on the VimpelCom Group. Certain factors that could cause actual results to differ materially from those discussed in any forward-looking statements include the risks described in the Company's Annual Report on Form 20-F for the year ended December 31, 2003 and other public filings made by the Company with the United States Securities and Exchange Commission, which risk factors are incorporated herein by reference. VimpelCom disclaims any obligation to update developments of these risk factors or to announce publicly any revision to any of the forward-looking statements contained in this release, or to make corrections to reflect future events or developments.

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Attachment A: Definitions

Subscriber is an authorized user of cellular services, using one SIM card (GSM) with one or several selective numbers or one handset (D-AMPS) with one selective number. The number of subscribers includes employees using cellular services and excludes guest roamers and users of test SIM cards (GSM) or handsets (D-AMPS).

Churn rate is defined as the total number of subscribers disconnected from our network within a given period of time expressed as a percentage of the midpoint of subscribers in our network at the beginning and end of that period. Contract subscribers are disconnected if they have not paid their bills for 2 months and prepaid subscribers are disconnected 6 months after their services have been blocked. We typically block a prepaid subscriber's service in two cases: (1) their balance drops to \$0 or below, and (2) an account shows no chargeable activity within 6 months. The Company retains the right to change its disconnect policy to reflect changes in business or regulatory environment.

OIBDA is a non-U.S. GAAP financial measure. OIBDA, previously referred to as EBITDA by the Company, is defined as operating income before depreciation, amortization and the one-time write-down of AMPS/D-AMPS related assets in the Samara region of \$7,354 thousand in the second quarter of 2004. The Company believes that OIBDA provides useful information to investors because it is an indicator of the strength and performance of our business operations, including our ability to finance capital expenditures, acquisitions and other investments and our ability to incur and service debt. While depreciation, amortization and the one-time write-down of AMPS/D-AMPS related assets in the Samara region of \$7,354 thousand in the second quarter of 2004, are considered operating costs under U.S. GAAP, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Our OIBDA calculations are commonly used as bases for some investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within the wireless telecommunications industry. OIBDA should not be considered in isolation as an alternative to net income, operating income or any other measure of performance under U.S. GAAP. OIBDA does not include our need to replace our capital equipment over time. Reconciliation of OIBDA to operating income, the most directly comparable U.S. GAAP financial measure, is presented below in the tables section.

OIBDA margin is OIBDA expressed as a percentage of total operating revenues. Reconciliation of OIBDA margin to operating income as a percentage of total operating revenues, the most directly comparable U.S. GAAP financial measure, is presented below in the tables section.

Gross margin is defined as total operating revenues less service costs and cost of handsets and accessories sold.

Gross margin percentage is gross margin expressed as a percentage of total operating revenues.

Each ADS represents 0.75 of one share of common stock. As notified by the Bank of New York on November 9, 2004, VimpelCom's ADSs will be split effective November 22, 2004 so that each ADS will represent 0.25 of one share of common stock.

Monthly ARPU (Monthly Average Revenue per User), a non-U.S. GAAP financial measure, is calculated for each month in the relevant period by dividing the Company's 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 the Company's subscribers during the month. Reconciliation of ARPU to service revenues and connection fees, the most directly comparable U.S. GAAP financial measure, is presented below in the tables section. The Company believes that ARPU provides useful information to investors because it is an indicator of the performance of the Company's business operations and assists management in budgeting. The Company also believes that ARPU provides management with useful information concerning usage and acceptance of the Company's services. ARPU should not be viewed in isolation or an alternative to other

figures reported under U.S. GAAP.

MOU (Monthly Average Minutes of Use per User) is calculated for each month of the relevant period by dividing the total number of minutes of usage for incoming and outgoing calls during that month (excluding guest roamers) by the average number of subscribers during the month.

SAC (Average Acquisition Cost Per User), a non-U.S. GAAP financial measure, is calculated as dealers' commissions, advertising expenses and handset subsidies for the relevant period divided by the number of new subscribers added during the relevant period. Reconciliation of SAC to selling, general and administrative expenses, the most directly comparable U.S. GAAP financial measure, is presented below in the tables section. The Company believes that SAC provides useful information to investors because it is an indicator of the performance of the Company's business

operations and assists management in budgeting. The Company also believes that SAC assists management in quantifying the incremental costs to acquire a new subscriber. SAC should not be viewed in isolation or as an alternative to other figures reported under U.S. GAAP.

Attachment B: VimpelCom financial statements and pertinent reconciliation tables

Open Joint Stock Company Vimpel-Communications

Unaudited Condensed Consolidated Statements of Income

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2004	2003	2004	2003
<i>(In thousands of US dollars, except per share (ADS) amounts)</i>				
Operating revenues:				
Service revenues and connection fees	US\$ 583,278	US\$ 359,815	US\$ 1,456,989	US\$ 880,340
Sales of handsets and accessories	18,302	18,337	51,583	44,719
Other revenues	780	829	2,386	2,799
Total operating revenues	602,360	378,981	1,510,958	927,858
Less revenue based taxes				
Net operating revenues	602,360	378,981	1,510,958	927,858
Operating expenses:				
Service costs	94,854	54,304	226,546	134,244
Cost of handsets and accessories sold	16,178	14,485	44,726	37,830
Selling, general and administrative expenses	192,513	126,860	489,063	318,891
Depreciation	70,723	42,894	190,803	108,486
Amortization	14,962	8,871	33,618	24,981
Impairment of long-lived assets			7,354	
Provision for doubtful accounts	3,152	4,860	8,241	10,556
Total operating expenses	392,382	252,274	1,000,351	634,988
Operating income	209,978	126,707	510,607	292,870
Other income and expenses:				
Interest income	2,225	1,590	4,088	5,866
Other income	737	439	1,625	1,099
Interest expense	(24,946)	(17,910)	(51,706)	(51,907)
Net foreign exchange gain (loss)	1,979	1,935	4,511	1,976
Other expenses	(1,307)	(913)	(2,608)	(2,291)
Total other income and expenses	(21,312)	(14,859)	(44,090)	(45,257)
Income before income taxes and minority interest	188,666	111,848	466,517	247,613
Income taxes expense	54,398	32,146	135,137	70,187
Minority interest in net earnings of subsidiaries	32,083	7,512	62,109	11,202
Net income	US\$ 102,185	US\$ 72,190	US\$ 269,271	US\$ 166,224
Net income per common share	US\$ 2.54	US\$ 1.89	US\$ 6.70	US\$ 4.37
Net income per ADS equivalent	US\$ 1.91	US\$ 1.42	US\$ 5.03	US\$ 3.28

Weighted average common shares outstanding (thousands)	40,179	38,103	40,176	38,079
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Open Joint Stock Company Vimpel-Communications

Unaudited Condensed Consolidated Balance Sheets

	September 30, 2004	December 31, 2003
	<i>(In thousands of US dollars)</i>	
Assets		
Current assets:		
Cash and cash equivalents	US\$ 189,044	US\$ 157,611
Trade accounts receivable	100,766	113,092
Other current assets	348,583	255,540
Total current assets	638,393	526,243
Non-current assets		
Property and equipment, net	1,990,951	1,460,542
Telecommunication licenses and allocation of frequencies, net	380,531	103,817
Other intangible assets, net	318,465	59,369
Other assets	278,675	152,261
Total non-current assets	2,968,622	1,775,989
Total assets	US\$ 3,607,015	US\$ 2,302,232
Liabilities and shareholders equity		
Current liabilities:		
Accounts payable	223,699	158,467
Due to related parties	4,285	8,603
Customer advances and deposits	223,382	181,475
Deferred revenue	2,667	2,701
Ruble denominated bonds payable, current portion		101,852
Bank loans, current portion	399,943	35,343
Capital lease obligations, current portion	4,754	6,587
Equipment financing obligations, current portion	71,340	70,935
Accrued liabilities	121,878	127,689
Total current liabilities	1,051,948	693,652
Deferred income taxes	189,184	34,380
Bank loans, less current portion	698,086	330,112
Capital lease obligations, less current portion	6,000	9,154
Ruble denominated bonds payable, less current portion	99,652	
Accrued liabilities, less current portion	6,248	4,046
Equipment financing obligations, less current portion	44,645	53,008
Minority interest	237,553	179,664
Shareholders equity	1,273,699	998,216
Total liabilities and shareholders equity	US\$ 3,607,015	US\$ 2,302,232

Unaudited Condensed Consolidated Statements of Cash Flows

	Nine months ended Sept. 30,	
	2004	2003
	<i>(In thousands of US dollars)</i>	
Net cash provided by operating activities	US\$ 551,496	US\$ 364,152
Proceeds from bank and other loans	716,534	144,800
Proceeds from bonds issue	90,470	97,119
Capital contribution by minority shareholders		58,520
Payments of fees in respect of debt issue	(10,791)	(1,815)
Repayment of bank and other loans	(27,148)	(70,646)
Repayment of rouble denominated bonds	(94,214)	
Repayment of equipment financing obligations	(55,234)	(182,468)
Repayment of capital lease obligations	(401)	(860)
Net cash provided by financing activities	619,216	44,650
Purchase of property and equipment	(622,286)	(341,512)
Proceeds from sale of property and equipment		12,432
Purchase of Beeline-Samara stock	(12,884)	
Purchase of Kar-Tel stock, net of cash acquired of US\$6,543	(345,427)	
Purchase of DTI stock, net of cash acquired of US\$382	(73,689)	
Purchase of StavTeleSot stock, net of cash acquired of US\$658		(42,455)
Purchase of intangible assets	(6,541)	(15,083)
Purchase of other assets	(77,741)	(18,774)
Net cash used in investing activities	(1,138,568)	(405,392)
Effect of exchange rate changes on cash	(711)	5,883
Net increase in cash	31,433	9,293
Cash and cash equivalents at beginning of period	157,611	263,657
Cash and cash equivalents at end of period	US\$ 189,044	US\$ 272,950
Supplemental cash flow information		
Non-cash activities:		
Equipment acquired under financing and capital lease agreements	US\$ 4,517	US\$ 89,562
Accounts payable for equipment and other long-lived assets	82,186	36,356
Operating activities financed by sale of treasury stock	1,546	3,171
Acquisitions:		
Fair value of assets acquired	484,287	73,290
Difference between the amount paid and the fair value of net assets acquired	174,771	(4,699)
Cash paid for the capital stock	(426,041)	(43,113)
Liabilities assumed	US\$ 233,017	US\$ 25,478

Reconciliation of VimpelCom OIBDA to operating income (Unaudited)*(In thousands of US dollars)*

	Three months ended		
	September 30,	June 30,	September 30,
	2004	2004	2003
OIBDA	295,663	244,694	178,472
Impairment loss		(7,354)	
Depreciation	(70,723)	(62,743)	(42,894)
Amortization	(14,962)	(9,513)	(8,871)
Operating income	209,978	165,084	126,707

**Reconciliation of VimpelCom OIBDA margin to
operating income as percentage of net operating revenues
(Unaudited)**

	Three months ended		
	September 30,	June 30,	September 30,
	2004	2004	2003
OIBDA margin	49.1%	49.8%	47.1%
Less: Impairment loss	0%	(1.5)%	0%
Less: Depreciation as percentage of net operating revenues	(11.7)%	(12.8)%	(11.3)%
Less: Amortization as percentage of net operating revenues	(2.5)%	(1.9)%	(2.4)%
Operating income as percentage of net operating revenues	34.9%	33.6%	33.4%

**Reconciliation of SAC to selling, general and
administrative expenses (Unaudited)**

*(In thousands of US dollars, except for SAC and
subscriber amounts)*

	Three months ended		
	September 30,	June 30,	September 30,
	2004	2004	2003

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Selling, general and administrative expenses	192,513	158,537	126,860
Less: General and administrative expenses	122,913	102,247	77,220
Sales and marketing expenses, <i>including</i>	69,600	56,290	49,640
<i>advertising & marketing expenses</i>	16,780	16,468	11,668
<i>dealers' commission expense</i>	52,820	39,822	37,972
New gross subscribers, 000	4,894	3,987	2,641
Subscriber Acquisition Cost (SAC) (US\$)	14.2	14.1	18.8

**Reconciliation of ARPU to service revenue and
connection fees (Unaudited)**

*(In thousands of US dollars, except for ARPU and
subscriber amounts)*

	Three months ended		
	September 30,	June 30,	September 30,
	2004	2004	2003
Service revenue and connection fees	583,278	472,808	359,815
Less: Connection fees	191	151	361
Less: Revenue from rent of fiber-optic channels	408	304	308
Service revenue used to calculate ARPU	582,679	472,353	359,146
Average number of subscribers, 000	18,184	14,625	8,305
Average revenue per subscriber per month (US\$)	10.7	10.8	14.4

Reconciliation of VimpelCom OIBDA to operating income (Unaudited)

(In thousands of US dollars)

	Nine months ended	
	September 30,	September 30,
	2004	2003
OIBDA	742,382	426,337
Impairment loss	(7,354)	
Depreciation	(190,803)	(108,486)
Amortization	(33,618)	(24,981)
Operating income	510,607	292,870

**Reconciliation of VimpelCom OIBDA margin to
operating income as percentage of net operating revenues**

(Unaudited)

	Nine months ended	
	September 30,	September 30,
	2004	2003
OIBDA margin	49.1%	45.9%
Less: Impairment loss	(0.5)%	0%
Less: Depreciation as percentage of net operating revenues	(12.6)%	(11.6)%
Less: Amortization as percentage of net operating revenues	(2.2)%	(2.7)%
Operating income as percentage of net operating revenues	33.8%	31.6%

**Reconciliation of SAC to selling, general and
administrative expenses (Unaudited)**

*(In thousands of US dollars, except for SAC and
subscriber amounts)*

	Nine months ended	
	September 30,	September 30,
	2004	2003
Selling, general and administrative expenses	489,063	318,891
Less: General and administrative expenses	313,025	199,337
Sales and marketing expenses, <i>including</i> <i>advertising & marketing expenses</i>	176,038	119,554
<i>dealers' commission expense</i>	46,493	34,631
	129,545	84,923
New gross subscribers, 000	11,861	5,974
Subscriber Acquisition Cost (SAC) (US\$)	14.8	20.0

**Reconciliation of ARPU to service revenue and
connection fees (Unaudited)**

*(In thousands of US dollars, except for ARPU and
subscriber amounts)*

	Nine months ended	
	September 30,	September 30,
	2004	2003
Service revenue and connection fees	1,456,989	880,340
Less: Connection fees	527	1,077
Less: Revenue from rent of fiber-optic channels	1,261	958
Service revenue used to calculate ARPU	1,455,201	878,305
Average number of subscribers, 000	15,042	6,906
Average revenue per subscriber per month (US\$)	10.7	14.1

Attachment C: VimpelCom-Region financial statements and pertinent reconciliation tables

Open Joint Stock Company VimpelCom-Region

Unaudited Condensed Consolidated Statements of Income

	Three months ended September 30,	
	2004	2003
	<i>(In thousands of US dollars, except per share (ADS) amounts)</i>	
Operating revenues:		
Service revenues and connection fees	272,445	118,676
Sales of handsets and accessories	9,594	8,742
Other revenues	659	1,330
Total operating revenues	282,698	128,748
Operating expenses		
Service costs	48,526	22,980
Cost of handsets and accessories sold	9,184	7,894
Equipment lease	2,724	2,445
Selling, general and administrative expenses	80,993	41,269
Network maintenance	5,472	3,139
Depreciation and amortization	28,609	18,681
Provision for doubtful accounts	767	1,233
Total operating expenses	176,275	97,641
Operating income	106,423	31,107
Other income and expenses:		
Other income	(358)	(56)
Other expenses	571	332
Interest income	(674)	(393)
Interest expense	7,053	6,814
Net foreign exchange loss (gain)	110	(375)
Total other income and expenses	6,702	6,322
Income before income taxes and minority interest	99,721	24,785
Income taxes expense	28,167	6,904
Minority interest in net earnings of subsidiaries	98	331
Net income	71,456	17,550

*) Net income of VimpelCom-Region as a legal entity differs from the \$75,175 million net income reported above in this press release for the regional segment for the third quarter of 2004. The difference is caused by the fact that the financial statements of BeeLine-Samara and DTI are included in the regions for segment reporting purposes, but are not included in the consolidated financial statements of

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VimpelCom-Region. BeeLine-Samara operates in the Samara region but, for historical reasons, is owned directly by VimpelCom. DTI, also owned by VimpelCom, operates in the Far East. The following table provides reconciliation between these figures (all numbers are in thousands of US\$):

	Three months ended September 30, 2004
Net income of VimpelCom-Region	71,456
Net income of BeeLine-Samara	396
Net income of DTI	3,315
Net effect of transactions between VimpelCom-Region, BeeLine-Samara and DTI	8
Net income of VimpelCom's regional segment	75,175

Operating revenue of VimpelCom-Region as a legal entity differs from the \$277,837 million operating revenues for the regional segment excluding inter-company transactions, reported above in this press release for the second quarter of 2004. The following table provides reconciliation between these figures (all numbers are in thousands of US\$):

	Three months ended September 30, 2004
Operating revenue of VimpelCom-Region	282,698
Operating revenue of BeeLine-Samara	7,795
Operating revenue of DTI	17,898
Net effect of transactions between VimpelCom-Region, BeeLine-Samara and DTI	(3,997)
Operating revenue of VimpelCom's regional segment	304,394
Inter-company operating revenue of VimpelCom-Region, BeeLine-Samara and DTI	(26,558)
Regional segment operating revenue excluding inter-company transactions	277,836

Open Joint Stock Company VimpelCom-Region

Unaudited Condensed Consolidated Balance Sheets

	September 30, 2004	December 31, 2003
	<i>(In thousands of US dollars)</i>	
Assets		
Current assets:		
Cash and cash equivalents	US\$ 71,102	US\$ 42,729
Trade accounts receivable	17,121	22,726
Other current assets	321,401	137,529
Total current assets	409,624	202,984
Non-current assets:		
Property and equipment, net	983,358	624,306
Telecommunication licenses and allocation of frequencies, net	72,158	87,175
Other intangible assets, net	21,275	20,383
Other assets	137,458	62,995
Total non-current assets	1,214,249	794,859
Total assets	US\$ 1,623,873	US\$ 997,843
Liabilities and shareholders equity		
Current liabilities:		
Accounts payable	US\$ 120,882	US\$ 73,345
Due to related parties	139,003	71,420
Customer advances and deposits	77,947	41,916
Deferred revenue	1,367	713
Rouble denominated bonds payable, current portion		101,852
Bank loans, current portion	22,951	4,710
Capital lease obligation, current portion		
Equipment financing obligations, current portion	10,356	17,078
Accrued liabilities	30,108	16,076
Total current liabilities	402,614	327,110
Deferred income taxes	19,217	24,713
Bank loans, less current portion	109,708	66,500
Long-term loans due to VimpelCom	455,363	176,231
Equipment financing obligations, less current portion	4,182	16,097
Rouble denominated bonds payable, less current portion	99,652	
Accrued liabilities	4,093	2,718
Minority interest	531	350
Shareholders equity	528,513	384,124
Total liabilities and shareholders equity	US\$ 1,623,873	US\$ 997,843

Open Joint Stock Company VimpelCom - Region

Unaudited Condensed Consolidated Statements of Cash Flows

	Nine months ended Sept. 30,	
	2004	2003
	<i>(In thousands of US dollars)</i>	
Net cash provided by (used in) operating activities	US\$ 275,365	US\$ 73,883
Proceeds from bank and other loans	62,660	118,933
Proceeds from loans from VimpelCom	310,073	95,688
Proceeds from issuance of ruble denominated bonds	(90,470)	97,119
Proceeds from sales of capital stock		58,520
Payment of fees in respect of debt issue	(6,994)	
Repayment of loans from related parties	(31,000)	
Repayment of bank and other loans	(1,318)	(35,925)
Repayment of equipment financing obligations	(17,690)	(141,015)
Repayment of rouble denominated bonds	(94,214)	
Repayment of capital lease obligations		(119)
Net cash provided by financing activities	311,987	193,201
Loan issued to KBI	(105,000)	
Purchase of property and equipment	(392,095)	(169,294)
Purchase of Orensot stock, net of cash acquired of US\$344		(42,455)
Purchase of StavTeleSot stock, net of cash acquired of US\$658		(11,161)
Purchase of intangible assets	(3,840)	(7,416)
Purchase of other assets	(57,644)	
Net cash used in investing activities	(558,579)	(230,326)
Effect of exchange rate changes on cash	(400)	2,328
Net increase (decrease) in cash	28,373	39,086
Cash and cash equivalents at beginning of period	42,729	52,703
Cash and cash equivalents at end of period	US\$ 71,102	US\$ 91,789
Supplemental cash flow information		
Non-cash activities:		
Equipment acquired under financing agreements	US\$ 1,659	US\$ 31,238
Accounts payable for equipment and other long-lived assets	69,464	17,217
Accrued debt costs		
Acquisitions:		
Fair value of assets acquired		73,290
Difference between the amount paid and the fair value of net assets acquired		(4,699)
Cash paid for the capital stock		(43,113)
Liabilities assumed		US\$ 25,478

Reconciliation of VimpelCom-Region OIBDA to operating income (Unaudited)

(In thousands of US dollars)

	Three months ended		
	September 30,	June 30,	September 30,
	2004	2004	2003
OIBDA	135,032	92,863	49,788
Depreciation	(22,899)	(19,616)	(12,893)
Amortization	(5,710)	(6,606)	(5,788)
Operating income	106,423	66,641	31,107

**Reconciliation of VimpelCom-Region OIBDA margin to
operating income as percentage of net operating revenues**

(Unaudited)

	Three months ended		
	September 30,	June 30,	September 30,
	2004	2004	2003
OIBDA margin	47.8%	42.5%	38.7%
Less: Depreciation as percentage of net operating revenues	(8.1)%	(9.0)%	(10.0)%
Less: Amortization as percentage of net operating revenues	(2.0)%	(3.0)%	(4.5)%
Operating income as percentage of net operating revenues	37.7%	30.5%	24.2%

Reconciliation of VimpelCom-Region OIBDA to operating income**(Unaudited)***(In thousands of US dollars)*

	Nine months ended	
	September 30,	September 30,
	2004	2003
OIBDA	297,818	98,421
Depreciation	(60,709)	(28,177)
Amortization	(18,482)	(15,975)
Operating income	218,627	54,269

Reconciliation of VimpelCom-Region OIBDA margin to**operating income as percentage of net operating revenues****(Unaudited)**

	Nine months ended	
	September 30,	September 30,
	2004	2003
OIBDA margin	44.1%	34.4%
Less: Depreciation as percentage of net operating revenues	(9.0)%	(9.9)%
Less: Amortization as percentage of net operating revenues	(2.7)%	(5.6)%
Operating income as percentage of net operating revenues	32.4%	19.0%

Attachment D: Reconciliation tables for non-U.S. GAAP measures related to geographical areas

**Reconciliation of SAC to selling, general and
administrative expenses in Moscow license area (Unaudited)**

*(In thousands of US dollars, except for SAC and
subscriber amounts)*

	Three months ended		
	September 30,	June 30,	September 30,
	2004	2004	2003
Selling, general and administrative expenses	96,665	83,185	81,976
Less: General and administrative expenses	68,139	60,022	50,334
Sales and marketing expenses, including advertising & marketing expenses	28,526	23,163	31,642
dealers' commission expense	10,345	10,937	6,282
New gross subscribers, '000	18,181	12,226	25,360
Subscriber Acquisition Cost (SAC) (US\$)	1,121	989	1,172
	25.4	23.4	27.0

**Reconciliation of ARPU to service revenue and
connection fees in Moscow license area (Unaudited)**

*(In thousands of US dollars, except for ARPU
and subscriber amounts)*

	Three months ended		
	September 30,	June 30,	September 30,
	2004	2004	2003
Total operating revenues	344,868	315,736	275,205
Less: Revenues from sales of handsets and accessories and other revenues	39,912	35,629	25,103
Less: Connection fees	70	123	208
Less: Revenue from rent of fiber-optic channels	408	304	308
Service revenue used to calculate ARPU	304,478	279,680	249,586
Average number of subscribers, '000	6,349	6,129	4,752
Average revenue per subscriber per month (US\$)	16.0	15.2	17.5

**Reconciliation of SAC to selling, general and
administrative expenses in regions (Unaudited)**

*(In thousands of US dollars, except for SAC and
subscriber amounts)*

	Three months ended		
	September 30,	June 30,	September 30,
	2004	2004	2003
Selling, general and administrative expenses	96,766	78,193	48,346
Less: General and administrative expenses	56,751	45,065	30,348
Sales and marketing expenses, <i>including</i>	40,015	33,127	17,998
<i>advertising & marketing expenses</i>	6,188	5,531	5,385
<i>dealers' commission expense</i>	33,827	27,596	12,613
New gross subscribers, '000	3,731	2,998	1,469
Subscriber Acquisition Cost (SAC) (US\$)	10.8	11.0	12.3

**Reconciliation of ARPU to service revenue and
connection fees in regions (Unaudited)**

*(In thousands of US dollars, except for ARPU and
subscriber amounts)*

	Three months ended		
	September 30,	June 30,	September 30,
	2004	2004	2003
Total operating revenues	304,394	222,429	133,376
Less: Revenues from sales of handsets and accessories and other revenues	11,155	10,033	10,714
Less: Connection fees	123	102	147
Service revenue used to calculate ARPU	293,116	213,506	122,515
Average number of subscribers, '000	11,615	212,294	3,552
Average revenue per subscriber per month (US\$)	8.4	8.3	11.5

**Reconciliation of SAC to selling, general and
administrative expenses in Kazakhstan (Unaudited)**

*(In thousands of US dollars, except for SAC and
subscriber amounts)*

	Three months ended		
	September 30,	June 30,	September 30,
	2004 ^{a)}	2004	2003
Selling, general and administrative expenses	1,944	n/a	n/a
Less: General and administrative expenses	886	n/a	n/a
Sales and marketing expenses, <i>including</i>	1,058	n/a	n/a
<i>advertising & marketing expenses</i>	247	n/a	n/a
<i>dealers' commission expense</i>	811	n/a	n/a
New gross subscribers, '000	42	n/a	n/a
Subscriber Acquisition Cost (SAC) (US\$)	25.2	n/a	n/a

^{a)} September data only

**Reconciliation of ARPU to service revenue and
connection fees in Kazakhstan (Unaudited)**

*(In thousands of US dollars, except for ARPU and
subscriber amounts)*

	Three months ended		
	September 30,	June 30,	September 30,
	2004 ^{a)}	2004	2003
Total operating revenues	10,759	n/a	n/a
Less: Revenues from sales of handsets and accessories and other revenues	0	n/a	n/a
Less: Connection fees	0	n/a	n/a
Service revenue used to calculate ARPU	10,759	n/a	n/a
Average number of subscribers, '000	661	n/a	n/a
Average revenue per subscriber per month (US\$)	16.3	n/a	n/a

^{a)} September data only

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