

OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS  
Form 6-K  
June 01, 2006

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**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 June 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)

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

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

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

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

Yes  No

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

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**SIGNATURES**

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

OPEN JOINT STOCK COMPANY

VIMPEL-COMMUNICATIONS

(Registrant)

Date: June 1, 2006

By: /s/ ALEXANDER V. IZOSIMOV  
Name: Alexander V. Izosimov  
Title: Chief Executive Officer and General Director

FOR IMMEDIATE RELEASE

## VIPTEL COM ANNOUNCES FIRST QUARTER 2006

## FINANCIAL AND OPERATING RESULTS

**Moscow and New York (June 1, 2006) - Open Joint Stock Company Vimpel-Communications ( VimpelCom or the Company ) (NYSE: VIP)**, a leading provider of wireless telecommunications services in Russia and Kazakhstan, with newly acquired operations in Ukraine, Uzbekistan and Tajikistan, today announced its financial and operating results for the first quarter ended March 31, 2006. During the first quarter of 2006 the Company reported continued growth in new subscribers and improved financial results.

The principal results of operations with comments are presented in the following tables. All definitions are presented in Attachment A. The condensed consolidated financial statements of VimpelCom are presented in Attachment B. Reconciliation of each of OIBDA, OIBDA margin, ARPU and SAC to the most directly comparable U.S. GAAP financial measures appear in Attachment C.

**Financial and Operating Highlights**

Net operating revenues reached \$936.2 million, a year-on-year increase of 46%.

OIBDA reached \$482.6 million, a year-on-year increase of 58%.

OIBDA margin was 51.6%.

Net income totaled \$150.2 million, a year-on-year increase of 37%.

Operating cash flow was \$362.9 million, a year-on-year increase of 69%.

Approximately 50.0 million subscribers as of June 1, 2006 including 3.7 million subscribers in the CIS outside of Russia

Strong growth and improved subscriber market share in Kazakhstan.

Two mobile operators were acquired in Uzbekistan bringing to five the number of countries where VimpelCom operates.

**Key Consolidated Operating Indicators**

	As of March 31, 2006	As of March 31, 2005	Change, Y-on-Y	As of Dec. 31, 2005	Change, Q-on-Q
<b>Subscribers</b>	48,052,800	30,748,400	56.3%	45,430,300	5.8%
<b>% of prepaid</b>	96.9%	96.2%		96.9%	

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<b>Churn, quarterly</b>	8.4%	5.9%		8.3%	
<b>ARPU (US\$)</b>	6.6	7.3	-9.6%	7.1	-7.0%
<b>MOU (min)</b>	107.8	86.9	24.1%	106.5	1.2%
<b>SAC (US\$)</b>	12.6	14.3	-11.9%	13.8	-8.7%

- more -

**VimpelCom Announces First Quarter 2006 Financial And Operating Results**

Page 2 of 5

**Key Consolidated Financial Indicators**

	Three months ended March 31, 2006	Three months ended March 31, 2005	Change, Y-on-Y	Three months ended Dec. 31, 2005	Change, Q-on-Q
<b>Net operating revenues (US\$,000) including interconnect revenue</b>	936,167	640,636	46.1%	910,421	2.8%
<b>OIBDA (US\$,000)</b>	482,607	306,107	57.7%	419,692	15.0%
<b>OIBDA margin</b>	51.6%	47.8%		46.1%	
<b>Gross margin (US\$,000)</b>	768,298	531,690	44.5%	757,443	1.4%
<b>Gross margin percentage</b>	82.1%	83.0%		83.2%	
<b>SG&amp;A (US\$,000)</b>	282,925	223,523	26.6%	335,666	-15.7%
<b>SG&amp;A percentage</b>	30.2%	34.9%		36.9%	
<b>Net income (US\$,000)</b>	150,223	109,664	37.0%	151,748	-1.0%
<b>Net income per share (US\$)</b>	2.94	2.14		2.97	
<b>Net income per ADS (US\$)</b>	0.74	0.54		0.74	

Commenting on today's announcement, Alexander Izosimov, Chief Executive Officer of VimpelCom, said,

Our business continued its successful development in the first quarter of 2006. This was the 2<sup>nd</sup> consecutive quarter of revenue growth. In the first quarter of 2006, we achieved the highest quarterly OIBDA and OIBDA margin in our history. These results came on the back of strong performance both in Russia and Kazakhstan.

The first quarter results confirm the stabilizing trend in ARPU which we have previously reported. We believe that stabilizing ARPU indicates that Russia, our main market, retains substantial growth potential.

We would like to again specifically note improving momentum in Kazakhstan where our efforts to enhance the Company's position have started to bear fruit.

Significant progress in Kazakhstan, good start in Ukraine and promising entry into Tajikistan and Uzbekistan substantiate our CIS expansion strategy and we intend to vigorously pursue it going forward.

In the first quarter of 2006, VimpelCom invested approximately \$195.4 million for the purchase of property and equipment and \$261.0 million for the acquisition of mobile providers in Uzbekistan.

In the first quarter of 2006 we began to revise interconnect charges with operators in Russia in anticipation of the introduction of CPP (Calling Party Pays) on July 1, 2006. As a result, our revenue and service cost increased by approximately the same amount. These interconnect revisions caused gross margin percentage to decrease by approximately 2 percentage points. However, the impact of further revisions to interconnect charges for future periods is still unclear and therefore cannot be derived based on our first quarter results.

Starting from the first quarter of 2006, in addition to consolidated financial and operating results, VimpelCom reports its selected results along the following reportable segments: (1) Russia, which includes the operating results of VimpelCom and all of its subsidiaries operating in Russia; (2) Kazakhstan, which includes the operating results of VimpelCom's subsidiary KaR-Tel; (3) Ukraine, which includes the operating results of VimpelCom's subsidiary URS; (4) Tajikistan, which includes the operating results of VimpelCom's subsidiary Tacom; and (5) Uzbekistan, which includes the operating results of VimpelCom's subsidiaries Buztel and Unitel. VimpelCom's management analyzes the reportable segments separately because of different economic environments and the different stages of development of markets of wireless telecommunications services in Russia and the countries of the CIS, which require different investment and

- more -

**VimpelCom Announces First Quarter 2006 Financial And Operating Results**

Page 3 of 5

marketing strategies. Accordingly, VimpelCom's reportable segments are presented and discussed separately below.

In countries with high penetration levels and predominantly prepaid subscribers, such as Russia, Ukraine and Kazakhstan, there are substantial numbers of multiple SIM card users and inactive subscribers. According to the current arrangements and legal requirements, subscribers in certain tariff plans may stay inactive but still remain registered as subscribers for a period of up to one year. In order to properly analyze our subscriber base and make proper comparisons with other markets, in 2005 we introduced the definition of active subscribers as those subscribers who made a revenue producing transaction in the past three months. We also started to calculate ARPU and MOU for the active subscriber base (see Attachment A). In addition to our standard presentation of performance indicators, in this release we present ARPU and MOU in Russia and Kazakhstan calculated on the basis of active subscribers and we will do the same for our new markets as soon as we establish more reliable data collection mechanisms for these statistics at our subsidiaries in those markets.

**RUSSIA**

	As of and for the three months ended March 31, 2006	As of and for the three months ended March 31, 2005	Change,  Y-on-Y	As of and for the three months ended December 31, 2005	Change,  Q-on-Q
Net revenue* (million US\$)	871.0	605.6	43.8%	859.2	1.4%
OIBDA (million US\$)	462.3	293.9	57.3%	404.1	14.4%
OIBDA margin	53.1%	48.5%		47.0%	
Net income (million US\$)	155.0	113.5	36.6%	153.2	1.2%
ARPU (US\$)	6.6	7.2	-8.3%	7.0	-5.7%
ARPU <sub>ACT</sub> (US\$) (active subscribers)	7.8	8.1	-3.7%	8.4	-7.1%
MOU (min.)	110.6	88.1	25.5%	109.5	1.0%
MOU <sub>ACT</sub> (min) (active subscribers)	132.0	99.3	32.9%	131.4	0.5%
SAC (US\$)	13.2	14.1	-6.4%	14.0	-5.7%
Subscribers	44,814,000	29,617,700	51.3%	43,096,700	4.0%
Active subscribers	37,373,400	25,980,300	43.9%	35,936,400	4.0%
Market share	33.9%	34.6%		34.3%	

\*) Excluding inter-company transactions.

In the Russian market, VimpelCom's focus is concentrated on stimulating increased usage of our services and revenue growth. In the first quarter of 2006 this resulted in improved trends in MOU (year-on-year and quarter-on-quarter increases) and ARPU (the lowest year-on-year and quarter-on-quarter decrease ever recorded by the Company in the first quarter). Our OIBDA margin in Russia was the highest ever recorded by the Company.

Due to significant strengthening of the ruble against the dollar during the first quarter we faced substantial increase in our taxable income in Russian accounts, as our debts stated in US dollars were favorably revalued leading to taxable foreign exchange gain. As a result, we recognized approximately \$18 million of additional expense leading to an increase in our effective consolidated tax rate from 26.4% for 2005 to 32.7% for the first quarter of 2006.

- more -

**VimpelCom Announces First Quarter 2006 Financial And Operating Results**

Page 4 of 5

**KAZAKHSTAN**

	As of and for the three months ended March 31, 2006	As of and for the three months ended March 31, 2005	Change, Y-on-Y	As of and for the three months ended December 31, 2005	Change, Q-on-Q
Net revenue* (million US\$)	54.0	35.0	54.3%	49.2	9.8%
OIBDA (million US\$)	21.9	12.2	79.5%	17.0	28.8%
OIBDA margin	40.3%	34.8%		34.2%	
Net income (million US\$)	3.9	-3.8		2.5	56.0%
ARPU (US\$)	7.8	11.5	-32.2%	9.1	-14.3%
ARPU <sub>ACT</sub> (US\$) (active subscribers)	8.8	12.4	-29.0%	10.3	-14.6%
MOU (min.)	40.0	53.6	-25.4%	43.4	-7.8%
MOU <sub>ACT</sub> (min) (active subscribers)	44.8	57.9	-22.6%	49.2	-8.9%
SAC (US\$)	6.1	17.6	-65.3%	11.4	-46.5%
Subscribers	2,512,700	1,130,700	122.2%	2,050,300	22.6%
Active subscribers	2,123,100	1,052,900	101.6%	1,813,900	17.0%
Market share	40.6%	35.2%		37.2%	

\*) Excluding inter-company transactions.

In Kazakhstan, VimpelCom made substantial progress in improving all financial indicators primarily due to rapid subscriber growth, efficient cost control and an improved interconnect regime. Recently, we acquired additional spectrum of 2.5 MHz in the 900 MHz frequency band, which will allow us to make a significant improvement to the capacity and quality of our network.

In the first quarter of 2006, operations in Ukraine, Tajikistan and Uzbekistan were in their initial phase and their contribution to the Company's results was insignificant:

**UKRAINE, TAJIKISTAN, UZBEKISTAN:** Selected financial and operating data as of and for the three months ended March 31, 2006:

Country	Ukraine	Tajikistan	Uzbekistan
Net revenue* (million US\$)	2.1	0.18	8.9
OIBDA (million US\$)	-6.8	-0.05	5.2
Net income (million US\$)	-9.5	-0.2	1.0
Subscribers	278,000	26,700	421,400
Market share	0.8%	9.5%	31.5%

\*) Excluding inter-company transactions.

Business in Ukraine is developing in line with the Company's plans. We are in the process of integrating URS into the VimpelCom Group. The Beeline brand was launched in April 2006. The new brand and the associated marketing campaign have led to rapid growth in net additions. URS's incremental market share in April grew to almost 20% according to independent sources. URS is also applying substantial efforts to upgrading its network. In March, we acquired additional 1800 MHz spectrum in most of the regions in Ukraine.

VimpelCom acquired Tacom in Tajikistan in December 2006. At the time of acquisition, the company owned a number of licenses, including GSM 900/1800 but its GSM network was at the initial stage of development.



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*VimpelCom Announces First Quarter 2006 Financial And Operating Results*

Page 5 of 5

Currently, we are focusing on building the network and conducting preparations for launching the Beeline brand. We expect to introduce our brand in Tajikistan in the fall of 2006.

VimpelCom's acquisitions of Unitel and Buztel in Uzbekistan were completed in January-February 2006 and the two acquired companies are now in the process of being integrated into the VimpelCom Group. We expect to introduce our brand in Uzbekistan in the fall of 2006.

The Company's management will discuss its first quarter 2006 results during a conference call and slide presentation on June 1, 2006 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 June 8, 2006 and June 30, 2006, respectively. The slide presentation will also be available for download on VimpelCom's website <http://www.vimpelcom.com>.

VimpelCom is a leading international provider of mobile telecommunications services in Russia and Kazakhstan, with newly acquired operations in Ukraine, Tajikistan and Uzbekistan. The VimpelCom Group's license portfolio covers approximately 232 million people. Geographically it covers 78 regions in Russia (with 136.5 million people, representing 94% of Russia's population) as well as the entire territories of Kazakhstan, Ukraine, Tajikistan and Uzbekistan. 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 .

*Although the first quarter 2006 U.S. GAAP financial statements were approved by the requisite majority of our board, the three directors on our board who were nominated by our shareholder Telenor East Invest AS and who are officers of Telenor or its affiliates voted against approval, indicating that their vote against approval was due to the lack of a board approved budget. 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, including network development plans, and developments in the telecommunications markets in which the Company operates, including with respect to ARPU trends. 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 industries in Russia and the CIS, general political uncertainties in Russia and the CIS and general economic developments in Russia and the CIS, 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 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 CIS telecommunications industries 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, 2004 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.*

For more information, please contact:

Valery Goldin  
VimpelCom (Moscow)  
Tel: 7(495) 974-5888  
[Investor\\_Relations@vimpelcom.com](mailto:Investor_Relations@vimpelcom.com)

**Peter Schmidt/Michael Polyviou**  
Financial Dynamics  
Tel: 1(212) 850 5600  
[mpolyviou@fd-us.com](mailto:mpolyviou@fd-us.com)

**- Definitions and tables are attached -**

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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 (DAMPS) 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 (DAMPS).

**Churn rate** is defined as the total number of registered 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.

**Active subscribers** are those who in the past three months made a transaction which brought revenue to the Company.

**Prepaid subscribers** are those subscribers who pay for their services in advance.

**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 and amortization. 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 and amortization 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 0.25 of one share of common stock. This ratio was established effective November 22, 2004. Previously each ADS represented 0.75 of one share of common stock.

**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.

**ARPU<sub>ACT</sub>** is ARPU calculated with regard to active subscribers.

**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.

**MOU<sub>ACT</sub>** is MOU calculated with regard to active subscribers.

**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.

**Market share of subscribers for each relevant area is calculated by dividing the estimated number of our subscribers in Russia, Kazakhstan, Ukraine, Tajikistan and Uzbekistan, respectively, by the total estimated number of subscribers in Russia, Kazakhstan, Ukraine and Tajikistan, respectively. Subscriber statistics for these countries are taken from reports published by consulting agencies specializing in the telecommunications industry in Russia and the CIS, reports of other mobile operators, or are estimated by the Company.**

## Attachment B: VimpelCom financial statements

## Open Joint Stock Company Vimpel-Communications

## Condensed Consolidated Statements of Income

	Three months ended	
	2006	2005
	March 31, <i>Unaudited</i>	
	<i>(In thousands of US dollars, except per share</i>	
	<i>(ADS) amounts)</i>	
<b>Operating revenues:</b>		
Service revenues	\$ 930,150	\$ 631,741
Sales of handsets and accessories	5,329	7,967
Other revenues	987	928
<b>Total operating revenues</b>	<b>936,466</b>	640,636
Revenue based tax	(299)	
<b>Net operating revenues</b>	<b>936,167</b>	640,636
<b>Operating expenses:</b>		
Service costs	162,919	101,903
Cost of handsets and accessories sold	4,950	7,043
Selling, general and administrative expenses	282,925	223,523
Depreciation	171,094	86,334
Amortization	40,955	33,629
Provision for doubtful accounts	2,766	2,060
<b>Total operating expenses</b>	<b>665,609</b>	454,492
<b>Operating income</b>	<b>270,558</b>	186,144
<b>Other income and expenses:</b>		
Interest income	1,392	2,342
Other income	2,104	6,195
Net foreign exchange loss	5,579	(2,336)
Interest expense	(43,173)	(36,917)
Other expense	(4,577)	(4,240)
<b>Total other income and expenses</b>	<b>(38,675)</b>	(34,956)
<b>Income before income taxes and minority interest</b>	<b>231,883</b>	151,188
<b>Provision for income taxes</b>	<b>75,878</b>	41,345
<b>Minority interest in net earnings of subsidiaries</b>	<b>3,900</b>	179
<b>Net income before cumulative effect of a change in accounting principle</b>	<b>152,105</b>	109,664
<b>Cumulative effect of change in accounting principle</b>	<b>(1,882)</b>	
<b>Minority interest on cumulative effect of changes in accounting principles</b>		
<b>Net income</b>	<b>\$ 150,223</b>	\$ 109,664

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<b>Net income per common share</b>	<b>\$</b>	<b>2.94</b>	<b>\$</b>	<b>2.14</b>
<b>Net income per ADS equivalent</b>	<b>\$</b>	<b>0.74</b>	<b>\$</b>	<b>0.54</b>
<b>Weighted average common shares outstanding (thousands)</b>		<b>51,032</b>		<b>51,130</b>

## Open Joint Stock Company Vimpel-Communications

## Condensed Consolidated Balance Sheets

	March 31, 2006	December 31, 2005 <i>(unaudited)</i>
<i>(In thousands of US dollars, except share amounts)</i>		
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 238,014	\$ 363,646
Accounts receivable	156,004	144,197
Other current assets	469,910	453,582
Total current assets	863,928	961,425
Non-current assets		
Property and equipment, net	3,329,211	3,211,112
Telecommunication licenses and allocation of frequencies, net	864,811	826,948
Goodwill	638,571	477,495
Other intangible assets, net	218,004	196,356
Other assets	608,511	633,700
Total non-current assets	5,659,108	5,345,611
<b>Total assets</b>	<b>\$ 6,523,036</b>	<b>\$ 6,307,036</b>
<b>Liabilities and shareholders equity</b>		
Current liabilities:		
Accounts payable	\$ 418,060	\$ 544,961
Due to related parties	785	709
Customer advances and deposits	286,205	317,503
Deferred revenue	1,030	1,301
Ruble denominated bonds payable	108,059	104,230
Bank loans, current portion	266,977	278,537
Capital lease obligations	3,709	2,913
Equipment financing obligations, current portion	36,295	35,787
Accrued liabilities	135,322	133,411
Total current liabilities	1,256,442	1,419,352
Deferred income taxes	398,856	371,008
Bank loans, less current portion	1,715,523	1,540,043
Capital lease obligations, less current portion	1,757	751
Accrued liabilities, less current portion	11,237	10,802
Equipment financing obligations, less current portion	30,714	35,905
Minority interest	198,851	188,626
Shareholders equity	2,909,656	2,740,549
<b>Total liabilities and shareholders equity</b>	<b>\$ 6,523,036</b>	<b>\$ 6,307,036</b>

## Condensed Consolidated Statements of Cash Flows

	Three months ended	
	March 31, 2006	2005 <i>Unaudited</i>
	<i>(In thousands of US dollars)</i>	
<b>Net cash provided by operating activities</b>	<b>\$ 362,876</b>	<b>\$ 215,210</b>
Proceeds from bank and other loans	253,606	300,000
Payments of fees in respect of bank loans	(1,581)	
Payments of fees in respect of debt issue		(9,888)
Repayment of bank and other loans	(91,202)	(4,219)
Repayment of equipment financing obligations	(21,701)	(14,596)
<b>Net cash provided by (used in) financing activities</b>	<b>139,122</b>	<b>271,297</b>
Purchase of property and equipment	(207,688)	(285,048)
Purchase of Unitel, net of cash acquired \$8,364	(192,172)	
Purchase of Buztel, net of cash acquired \$88	(60,350)	
Purchase of minority interest in consolidated subsidiary		(8,020)
Purchase of intangible assets	(6,043)	(2,263)
Proceeds from prepayment for sale of minority interest in consolidated subsidiary		20,000
Purchase of other assets	(167,658)	(65,561)
<b>Net cash used in investing activities</b>	<b>(633,911)</b>	<b>(340,892)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>6,281</b>	<b>(384)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(125,632)</b>	<b>145,231</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>363,646</b>	<b>305,857</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 238,014</b>	<b>\$ 451,088</b>
<b>Supplemental cash flow information</b>		
Non-cash activities:		
Equipment acquired under financing and capital lease agreements		6,599
Accounts payable for equipment and other long-lived assets	149,749	151,198
Operating activities financed by sale of treasury stock	989	
Offset of the capital lease liability with accounts receivable	1,345	
Accrued debt and equity offering costs	480	
Acquisitions:		
Fair value of assets acquired	150,021	
Difference between the amount paid and the fair value of net assets acquired	154,061	
Cash paid for the capital stock	(260,974)	
Liabilities assumed	\$ (43,108)	\$



## Attachment C. Reconciliation

## Reconciliation of OIBDA (Unaudited)

*(In thousands of US dollars)*

	March 31, 2006	Three months ended	
		March 31, 2005	December 31, 2005
<b>OIBDA</b>	<b>482,607</b>	<b>306,107</b>	<b>419,692</b>
<i>Depreciation</i>	<i>(171,094)</i>	<i>(86,334)</i>	<i>(143,425)</i>
<i>Amortization</i>	<i>(40,955)</i>	<i>(33,629)</i>	<i>(39,040)</i>
<b>Operating income</b>	<b>270,558</b>	<b>186,144</b>	<b>237,227</b>

## Reconciliation of OIBDA Margin

	March 31, 2006	Three months ended	
		March 31, 2005	December 31, 2005
<b>OIBDA margin</b>	<b>51.6%</b>	<b>47.8%</b>	<b>46.1%</b>
<i>Less: Depreciation as a percentage of net operating revenue</i>	<i>(18.3%)</i>	<i>(13.5%)</i>	<i>(15.7%)</i>
<i>Less: Amortization as a percentage of net operating revenue</i>	<i>(4.4%)</i>	<i>(5.2%)</i>	<i>(4.3%)</i>
<b>Operating income as a percentage of net operating revenue</b>	<b>28.9%</b>	<b>29.1%</b>	<b>26.1%</b>

## Reconciliation of SAC

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

	March 31, 2006	Three months ended	
		March 31, 2005	December 31, 2005
Selling, general and administrative expenses	282,925	223,523	335,666
Less: General and administrative expenses	205,903	139,672	216,163
Sales and marketing expenses, <i>including</i>	77,022	83,851	119,503
<i>advertising &amp; marketing expenses</i>	<i>36,416</i>	<i>20,217</i>	<i>48,042</i>
<i>dealers' commission expense</i>	<i>40,606</i>	<i>63,634</i>	<i>71,461</i>
New gross subscribers, '000	6,134	5,856	8,659
Subscriber Acquisition Cost (SAC) (US\$)	<b>12.6</b>	<b>14.3</b>	<b>13.8</b>

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

	March 31, 2006	Three months ended March 31, 2005	December 31, 2005
Service revenue and connection fees	930,150	631,741	900,916
Less: Connection fees	404	160	259
Less: Revenue from rent of fiber-optic channels	328	272	309
Service revenue used to calculate ARPU	929,418	631,309	900,348
Average number of subscribers, 000	46,803	28,783	42,426
<b>Average revenue per subscriber per month (US\$)</b>	<b>6.6</b>	<b>7.3</b>	<b>7.1</b>
Average number of active subscribers, 000	39,258	25,588	35,473
<b>Average revenue per active subscriber per month (US\$)</b>	<b>7.9</b>	<b>8.2</b>	<b>8.5</b>

**RUSSIA****Reconciliation of OIBDA in Russia***(In thousands of US dollars)*

	March 31, 2006	Three months ended March 31, 2005	December 31, 2005
<b>OIBDA</b>	<b>462,337</b>	<b>293,933</b>	<b>404,113</b>
<i>Depreciation</i>	<i>(161,936)</i>	<i>(83,055)</i>	<i>(135,740)</i>
<i>Amortization</i>	<i>(24,977)</i>	<i>(24,538)</i>	<i>(27,998)</i>
<b>Operating income</b>	<b>275,424</b>	<b>186,340</b>	<b>240,375</b>

**Reconciliation of OIBDA Margin in Russia**

	March 31, 2006	Three months ended March 31, 2005	December 31, 2005
<b>OIBDA margin</b>	<b>53.1%</b>	<b>48.5%</b>	<b>47.0%</b>
<i>Less: Depreciation as a percentage of net operating revenue</i>	<i>(18.6%)</i>	<i>(13.7%)</i>	<i>(15.7%)</i>
<i>Less: Amortization as a percentage of net operating revenue</i>	<i>(2.9%)</i>	<i>(4.1%)</i>	<i>(3.3%)</i>
<b>Operating income as a percentage of net operating revenue</b>	<b>31.6%</b>	<b>30.7%</b>	<b>28.0%</b>

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

	Three months ended		
	March 31, 2006	March 31, 2005	December 31, 2005
Selling, general and administrative expenses	260,398	211,487	318,457
Less: General and administrative expenses	188,439	133,047	205,643
Sales and marketing expenses, <i>including advertising &amp; marketing expenses</i>	71,959	78,440	112,814
<i>dealers' commission expense</i>	33,704	19,258	45,291
New gross subscribers, '000	38,255	59,182	67,523
New gross subscribers, '000	5,459	5,549	8,064
Subscriber Acquisition Cost (SAC) (US\$)	<b>13.2</b>	<b>14.1</b>	<b>14.0</b>

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

	Three months ended		
	March 31, 2006	March 31, 2005	December 31, 2005
Service revenue and connection fees	864,767	596,769	849,775
Less: Connection fees	404	160	259
Less: Revenue from rent of fiber-optic channels	328	272	309
Service revenue used to calculate ARPU	864,035	596,337	849,207
Average number of subscribers, '000	43,919	27,770	40,484
<b>Average revenue per subscriber per month (US\$)</b>	<b>6.6</b>	<b>7.2</b>	<b>7.0</b>
Average number of active subscribers, '000	36,784	24,651	33,754
<b>Average revenue per active subscriber per month (US\$)</b>	<b>7.8</b>	<b>8.1</b>	<b>8.4</b>

**KAZAKHSTAN****Reconciliation of OIBDA in Kazakhstan***(In thousands of US dollars)*

	March 31, 2006	Three months ended March 31, 2005	December 31, 2005
<b>OIBDA</b>	<b>21,907</b>	<b>12,174</b>	<b>16,979</b>
<i>Depreciation</i>	<i>(7,672)</i>	<i>(3,279)</i>	<i>(7,655)</i>
<i>Amortization</i>	<i>(8,785)</i>	<i>(9,091)</i>	<i>(8,245)</i>
<b>Operating income</b>	<b>5,450</b>	<b>(196)</b>	<b>1,079</b>

**Reconciliation of OIBDA Margin in Kazakhstan**

	March 31, 2006	Three months ended March 31, 2005	December 31, 2005
<b>OIBDA margin</b>	<b>40.3%</b>	<b>34.8%</b>	<b>34.2%</b>
<i>Less: Depreciation as a percentage of net operating revenue</i>	<i>(14.1%)</i>	<i>(9.4%)</i>	<i>(15.4%)</i>
<i>Less: Amortization as a percentage of net operating revenue</i>	<i>(16.2%)</i>	<i>(26.0%)</i>	<i>(16.6%)</i>
<b>Operating income as a percentage of net operating revenue</b>	<b>10.0%</b>	<b>(0.6%)</b>	<b>2.2%</b>

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

	March 31, 2006	Three months ended March 31, 2005	December 31, 2005
Selling, general and administrative expenses	13,504	12,036	14,764
Less: General and administrative expenses	9,693	6,625	8,434
Sales and marketing expenses, <i>including</i>	3,811	5,411	6,330
<i>advertising &amp; marketing expenses</i>	<i>1,768</i>	<i>959</i>	<i>2,420</i>
<i>dealers' commission expense</i>	<i>2,043</i>	<i>4,452</i>	<i>3,909</i>
New gross subscribers, 000	623	307	556
Subscriber Acquisition Cost (SAC) (US\$)	<b>6.1</b>	<b>17.6</b>	<b>11.4</b>

## Reconciliation of ARPU in Kazakhstan

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

	March 31,	Three months ended March 31,	December 31,
	2006	2005	2005
Service revenue and connection fees	54,382	34,972	49,668
Less: Connection fees	0	0	0
Less: Revenue from rent of fiber-optic channels	0	0	0
Service revenue used to calculate ARPU	54,382	34,972	49,668
Average number of subscribers, 000	2,316	1,013	1,818
<b>Average revenue per subscriber per month (US\$)</b>	<b>7.8</b>	<b>11.5</b>	<b>9.1</b>
Average number of active subscribers, 000	2,070	937	1,604
<b>Average revenue per active subscriber per month (US\$)</b>	<b>8.8</b>	<b>12.4</b>	<b>10.3</b>

## UKRAINE

## Reconciliation of OIBDA in Ukraine

*(In thousands of US dollars)*

	March 31,	Three months ended March 31,	December 31,
	2006	2005	2005
<b>OIBDA</b>	<b>(6,814)</b>		<b>(1,400)</b>
<i>Depreciation</i>	<i>(76)</i>		<i>(30)</i>
<i>Amortization</i>	<i>(4,692)</i>		<i>(2,797)</i>
<b>Operating income</b>	<b>(11,582)</b>		<b>(4,227)</b>

## Reconciliation of OIBDA Margin in Ukraine

	March 31,	Three months ended March 31,	December 31,
	2006	2005	2005
<b>OIBDA margin</b>	<b>(320.0%)</b>		<b>(71.1%)</b>
<i>Less: Depreciation as a percentage of net operating revenue</i>	<i>(3.6%)</i>		<i>(1.5%)</i>
<i>Less: Amortization as a percentage of net operating revenue</i>	<i>(220.4%)</i>		<i>(142.0%)</i>
<b>Operating income as a percentage of net operating revenue</b>	<b>(544.0%)</b>		<b>(214.6%)</b>

## TAJIKISTAN

## Reconciliation of OIBDA in Tajikistan

*(In thousands of US dollars)*

	March 31,	Three months ended March 31,	December 31,
	2006	2005	2005
<b>OIBDA</b>	<b>(50)</b>		
<i>Depreciation</i>	<i>(37)</i>		
<i>Amortization</i>	<i>(416)</i>		
<b>Operating income</b>	<b>(503)</b>		

## Reconciliation of OIBDA Margin in Tajikistan

	March 31,	Three months ended March 31,	December 31,
	2006	2005	2005
<b>OIBDA margin</b>	<b>(27.7%)</b>		
<i>Less: Depreciation as a percentage of net operating revenue</i>	<i>(20.4%)</i>		
<i>Less: Amortization as a percentage of net operating revenue</i>	<i>(229.8%)</i>		
<b>Operating income as a percentage of net operating revenue</b>	<b>(277.9%)</b>		

## UZBEKISTAN

## Reconciliation of OIBDA in Uzbekistan

*(In thousands of US dollars)*

	March 31,	Three months ended March 31,	December 31,
	2006	2005	2005
<b>OIBDA</b>	<b>5,227</b>		
<i>Depreciation</i>	<i>(1,374)</i>		
<i>Amortization</i>	<i>(2,084)</i>		
<b>Operating income</b>	<b>1,769</b>		

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**Reconciliation of OIBDA Margin in Uzbekistan**

	March 31,	Three months ended March 31,	December 31,
	2006	2005	2005
<b>OIBDA margin</b>	<b>58.6%</b>		
<i>Less: Depreciation as a percentage of net operating revenue</i>	<i>(15.4%)</i>		
<i>Less: Amortization as a percentage of net operating revenue</i>	<i>(23.4%)</i>		
<b>Operating income as a percentage of net operating revenue</b>	<b>19.8%</b>		













































































