

OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS
Form 6-K
August 26, 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 August 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)

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-_____ .

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: August 26, 2004

By: /s/ Alexander V. Izosimov

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

FOR IMMEDIATE RELEASE

VIMPELCOM ANNOUNCES SECOND QUARTER AND SIX MONTH 2004

FINANCIAL AND OPERATING RESULTS

61% YEAR-ON-YEAR INCREASE IN NET OPERATING REVENUES

73% YEAR-ON-YEAR INCREASE IN NET INCOME

75% YEAR-ON-YEAR INCREASE IN OIBDA

APPROXIMATELY 18.3 MILLION SUBSCRIBERS

COMMERCIAL OPERATIONS IN 70 REGIONS OF RUSSIA

Moscow and New York (August 26, 2004)-Open Joint Stock Company Vimpel-Communications (VimpelCom or the Company) (NYSE: VIP), a leading provider of wireless telecommunications services in Russia, today announced its financial and operating results for the quarter and six months ended June 30, 2004. During the second quarter, the Company reported rapid subscriber growth in the regions and increases in net operating revenues, OIBDA and net income. Consolidated financial statements of VimpelCom and consolidated financial statements of VimpelCom-Region, VimpelCom's subsidiary for regional development, are attached.

Commenting on today's announcement, Alexander Izosimov, Chief Executive Officer of VimpelCom, said, "We are pleased with the Company's performance in the second quarter. We added approximately 3 million new subscribers, our largest quarterly increase in new subscribers in the Company's history. We launched five new networks in the regions and gained access to operations in three regions in the Far East through an acquisition. In addition, our financial results continue to strengthen, with our OIBDA margin reaching a new high of 49.8%. Mr. Izosimov continued: "We are pleased to see progress with the supply of numbering capacity and we look forward to continued strong growth, particularly in the Russian regions.

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VimpelCom Announces Second Quarter And Six Month 2004 Financial and Operating Results

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Key Financial and Operating Indicators

(Definitions as well as reconciliation of each of OIBDA, OIBDA margin, ARPU and SAC to its most directly comparable U.S. GAAP financial measures are presented below in the attachment)

| | Three months ended June 30, 2004 | Three months ended June 30, 2003 | Change Y-on-Y (%) | Six months ended June 30, 2004 | Six months ended June 30, 2003 | Change Y-on-Y (%) |
|--|--|--|-------------------------|--|--|-------------------------|
| Net operating revenues (US\$,000) | 490,901 | 304,440 | 61.2% | 908,598 | 548,877 | 65.5% |
| OIBDA (US\$,000) (1) | 244,694 | 139,929 | 74.9% | 446,719 | 247,865 | 80.2% |
| OIBDA margin (2) | 49.8% | 46.0% | | 49.2% | 45.2% | |
| Gross margin (US\$,000) (3) | 406,217 | 249,022 | 63.1% | 748,358 | 445,592 | 67.9% |
| Gross margin percentage (4) | 82.7% | 81.8% | | 82.4% | 81.2% | |
| Net income (US\$,000) | 90,955 | 52,647 | 72.8% | 167,086 | 94,034 | 77.7% |
| Net income per share (US\$) | 2.26 | 1.38 | 63.8% | 4.16 | 2.47 | 68.4% |
| Net income per ADS (US\$) (5) | 1.70 | 1.04 | 63.5% | 3.12 | 1.85 | 68.6% |
| ARPU (US\$) (6) | 10.8 | 14.3 | -24.7% | 10.8 | 13.9 | -22.6% |
| MOU, revised definition (min) (7) | 96.3 | 100.2 | -3.9% | 94.1 | 94.4 | -0.4% |
| SAC (US\$) (8) | 14.1 | 21.1 | -33.0% | 15.3 | 21.0 | -27.2% |

Significant improvements in VimpelCom's financial and operating results in the second quarter of 2004, as compared with the second quarter of 2003, were achieved largely as a result of rapid subscriber growth combined with the effects of economies of scale, efficient cost control and lower acquisition costs per subscriber in the regions outside of Moscow.

The Company's financial results include the activities in the Moscow license area and in the regions. Net operating revenues, excluding inter-company transactions, for Moscow stand-alone and the regions in the second quarter of 2004 were \$289.1 million and \$201.8 million, respectively. Net income for Moscow stand-alone and in the regions in the second quarter of 2004 was \$68.9 million and \$43.0 million, respectively.

Selling, general and administrative (SG&A) expenses, as a percentage of net operating revenues, improved to 32.3% reported in the second quarter of 2004 as compared with 35.1% in the second quarter of 2003. In part, it was caused by a temporary decrease in subscriber acquisition costs in Moscow in the second quarter of 2004 due to the transition from payments of a one-time dealer commission to payments of dealer commissions over six months.

VimpelCom's total capital expenditures for the second quarter of 2004 were approximately \$272.4 million, spent for the purchase of long-lived assets. On June 30, 2004, VimpelCom acquired approximately 93.5% of

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the outstanding shares of Dal Telecom International for a total purchase price of approximately US\$74.1 million. Dal Telecom International, which operates in three regions in the Russian Far East, has short-term debt of approximately US\$8.0 million.

As previously disclosed, in January 2004, VimpelCom adopted a new depreciation policy. Based on periodic internal studies of the useful economic lives of the Company's property and equipment, the Company changed the estimated useful life of GSM telecommunications equipment from 9.5 to 7 years. This new policy was largely responsible for the increase to \$62.7 million in depreciation reported for the second quarter of 2004 as compared to the \$33.9 million reported for the same period in 2003. Depreciation expense did not increase significantly in the second quarter of 2004 as compared to the \$57.3 million reported for the first quarter of 2004.

The Company's MOU in the second quarter of 2004 was 96.3 minutes, a decrease of approximately 3.9% compared to 100.2 minutes recorded in the second quarter of 2003. As compared with 91.4 minutes recorded for the first quarter of 2004, MOU increased by 5.3%, primarily due to seasonal effects. ARPU for the second quarter of 2004 was approximately \$10.8, a 24.7% decrease from the \$14.3 reported for the second quarter of 2003. The downward trend in ARPU is caused primarily by rapid regional expansion, which increases the proportion of lower ARPU regional subscribers in the network. A very competitive environment in some regions amplifies this trend by putting additional pressure on tariffs. As compared with the first quarter of 2004, these effects were offset primarily by the seasonal increase in MOU.

Key Subscriber Statistics

| | | | Change | | | |
|--|----------------------|----------------------|------------|----------------------|-------|-------------------|
| | As of | As of | Y-on-Y | As of | | Change |
| | <u>June 30, 2004</u> | <u>June 30, 2003</u> | <u>(%)</u> | <u>Mar. 31, 2004</u> | | <u>Q-on-Q (%)</u> |
| Moscow license area | 6,183,400 | 4,428,800 | 39.6% | 6,042,300 | 2.3% | |
| Contract | 843,900 | 763,200 | 10.6% | 826,800 | 2.1% | |
| Prepaid | 5,339,500 | 3,665,600 | 45.7% | 5,215,500 | 2.4% | |
| Regions (predominantly prepaid subscribers) | 10,120,500 | 3,004,800 | 236.8% | 7,329,200 | 38.1% | |
| Total Number of Subscribers | 16,303,900 | 7,433,600 | 119.3% | 13,371,500 | 21.9% | |
| Churn (quarterly) | 9.4% | 10.5% | | 8.6% | | |

The Company reported a record subscriber growth in the second quarter of 2004 due to the acceleration in subscriber growth in the regions, the launch of new networks in five regions and the acquisition of Dal Telecom International, a cellular operator in three regions of the Russian Far East. The acquisition was closed on June 30, 2004, as a result of which VimpelCom obtained approximately 322,000 additional subscribers as of the date of acquisition. VimpelCom's subscriber growth in the second quarter of 2004 was negatively affected by the shortage of numbering capacity, particularly in Moscow. As previously disclosed, VimpelCom was granted additional numbering capacity in August both for Moscow and the regions.

Using independent sources to estimate the number of subscribers of the Company's competitors, VimpelCom estimates its market share in Russia at 32.9% at the end of the second quarter of 2004, compared to 30.0% estimated at the end of the second quarter of 2003. VimpelCom's market

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share in the Moscow license area was 46.0% at the end of the second quarter of 2004, compared to the Company's estimated market share of 48.8% reported at the end of the second quarter of 2003.

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The Company's quarterly churn rate in the second quarter of 2004 was 9.4%, compared to the Company's churn rate of 10.5% reported for the same period in 2003. An increase in churn rate as compared with the 8.6% churn rate reported for the first quarter of 2004 was primarily due to the shortage of numbering capacity which forced the Company to temporarily reduce the termination period for inactive subscribers. This resulted in approximately 200,000 additional disconnects, which increased the second quarter churn rate by approximately 1.4%.

The Company's management will discuss its second quarter 2004 results during a conference call and slide presentation on August 26, 2004 at 6:30 pm Moscow time (10:30 am EDT 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 September 2, 2004 and September 27, 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, operating under the Bee Line GSM brand. 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. 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 development plans. 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 general economic developments in Russia, 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 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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- Definitions and Tables attached-

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Definitions

1. 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 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 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.
2. 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.
3. Gross margin is defined as total operating revenues less service costs and cost of handsets and accessories sold.
4. Gross margin percentage is gross margin expressed as a percentage of total operating revenues.
5. Each ADS represents 0.75 of one share of common stock.
6. 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.
7. 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.
8. 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.

Open Joint Stock Company Vimpel-Communications

Unaudited Condensed Consolidated Statements of Income

| | Three months ended | | Six months ended | |
|---|--------------------|--------------------|---------------------|--------------------|
| | June 30, | | June 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\$ 472,808 | US\$ 290,426 | US\$ 873,711 | US\$ 520,525 |
| Sales of handsets and accessories | 17,507 | 12,956 | 33,281 | 26,382 |
| Other revenues | 586 | 1,058 | 1,606 | 1,970 |
| Total operating revenues | 490,901 | 304,440 | 908,598 | 548,877 |
| Operating expenses: | | | | |
| Service costs | 69,327 | 42,774 | 131,692 | 79,934 |
| Cost of handsets and accessories sold | 15,357 | 12,644 | 28,548 | 23,351 |
| Selling, general and administrative expenses | 158,537 | 106,721 | 296,550 | 192,031 |
| Depreciation | 62,743 | 33,914 | 120,080 | 65,592 |
| Amortization | 9,513 | 8,738 | 18,656 | 16,110 |
| Impairment of long-lived assets | 7,354 | 0 | 7,354 | 0 |
| Provision for doubtful accounts | 2,986 | 2,372 | 5,089 | 5,696 |
| Total operating expenses | 325,817 | 207,163 | 607,969 | 382,714 |
| Operating income | 165,084 | 97,277 | 300,629 | 166,163 |
| Other income and expenses: | | | | |
| Other income | 534 | 90 | 888 | 664 |
| Other expenses | (898) | (950) | (1,301) | (1,382) |
| Interest income | 362 | 2,278 | 1,863 | 4,276 |
| Interest expense | (12,904) | (17,961) | (26,760) | (33,997) |
| Net foreign exchange gain (loss) | 861 | (1,286) | 2,532 | 41 |
| Total other income and expenses | (12,045) | (17,829) | (22,778) | (30,398) |
| Income before income taxes and minority interest | 153,039 | 79,448 | 277,851 | 135,765 |
| Income taxes expense | 44,040 | 23,129 | 80,739 | 38,041 |
| Minority interest in net earnings of subsidiaries | 18,044 | 3,672 | 30,026 | 3,690 |
| Net income | US\$ 90,955 | US\$ 52,647 | US\$ 167,086 | US\$ 94,034 |
| Net income per common share | US\$ 2.26 | US\$ 1.38 | US\$ 4.16 | US\$ 2.47 |
| Net income per ADS equivalent | US\$ 1.70 | US\$ 1.04 | US\$ 3.12 | US\$ 1.85 |
| Weighted average common shares outstanding (thousands) | 40,178 | 38,079 | 40,175 | 38,076 |



Open Joint Stock Company Vimpel-Communications

Unaudited Condensed Consolidated Balance Sheets

| | June 30, 2004 | December 31, 2003 |
|---|-----------------------|-----------------------|
| <i>(In thousands of US dollars)</i> | | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | US\$ 243,553 | US\$ 157,611 |
| Trade accounts receivable | 108,375 | 113,092 |
| Other current assets | 290,580 | 255,540 |
| Total current assets | 642,508 | 526,243 |
| Non-current assets | | |
| Property and equipment, net | 1,720,740 | 1,460,542 |
| Telecommunication licenses and allocation of frequencies, net | 130,963 | 103,817 |
| Other intangible assets, net | 106,614 | 59,369 |
| Other assets | 213,151 | 152,261 |
| Total non-current assets | 2,171,468 | 1,775,989 |
| Total assets | US\$ 2,813,976 | US\$ 2,302,232 |
| Liabilities and shareholders equity | | |
| Current liabilities: | | |
| Accounts payable | 200,128 | 158,467 |
| Due to related parties | 6,330 | 8,603 |
| Customer advances and deposits | 209,749 | 181,475 |
| Deferred revenue | 2,626 | 2,701 |
| Ruble denominated bonds payable, current portion | 34,450 | 101,852 |
| Bank loans, current portion | 288,211 | 35,343 |
| Capital lease obligations, current portion | 6,879 | 6,587 |
| Equipment financing obligations, current portion | 53,697 | 70,935 |
| Accrued liabilities | 68,738 | 127,689 |
| Total current liabilities | 870,808 | 693,652 |
| Deferred income taxes | 71,810 | 34,380 |
| Bank loans, less current portion | 442,084 | 330,112 |
| Capital lease obligations, less current portion | 6,974 | 9,154 |
| Ruble denominated bonds payable, less current portion | 14,382 | |
| Accrued liabilities, less current portion | 5,214 | 4,046 |
| Equipment financing obligations, less current portion | 23,949 | 53,008 |
| Minority interest | 211,395 | 179,664 |
| Shareholders equity | 1,167,360 | 998,216 |
| Total liabilities and shareholders equity | US\$ 2,813,976 | US\$ 2,302,232 |

Open Joint Stock Company Vimpel-Communications

Unaudited Condensed Consolidated Statements of Cash Flows

| | Six months ended | |
|--|-------------------------------------|--------------|
| | June 30, | |
| | 2004 | 2003 |
| | <i>(In thousands of US dollars)</i> | |
| Net cash provided by operating activities | US\$ 298,657 | US\$ 196,614 |
| Proceeds from bank and other loans | 382,325 | 121,732 |
| Proceeds from issuance of rouble denominated bonds | 5,200 | 97,119 |
| Payments of fees in respect of bank loans | (7,216) | |
| Payments of fees in respect of debt issue | (2,500) | (1,815) |
| Repayment of rouble denominated bonds | (59,764) | |
| Repayment of bank and other loans | (25,668) | (57,545) |
| Repayment of equipment financing obligations | (43,126) | (149,384) |
| Repayment of lease obligations | (260) | (661) |
| Net cash provided by financing activities | 248,991 | 9,446 |
| Purchase of property and equipment | (334,895) | (221,754) |
| Purchase of StavTeleSot stock, net of cash acquired of US\$658 | | (38,143) |
| Purchase of DalTelecom stock, net of cash acquired of US\$382 | (73,689) | |
| Purchase of intangible assets | (15,219) | (12,387) |
| Purchase of other assets | (38,890) | (14,420) |
| Net cash used in investing activities | (462,693) | (286,704) |
| Effect of exchange rate changes on cash | 987 | 5,477 |
| Net increase (decrease) in cash | 85,942 | (75,167) |
| Cash and cash equivalents at beginning of period | 157,611 | 263,657 |
| Cash and cash equivalents at end of period | US\$ 243,553 | US\$ 188,490 |
| Supplemental cash flow information | | |
| Non-cash activities: | | |
| Equipment acquired under financing and capital lease agreements | US\$ 1,659 | US\$ 68,053 |
| Accounts payable for equipment and other long-lived assets | 77,004 | 25,587 |
| Accrued debt and equity offering costs | 1,230 | 249 |
| Operating activities financed by sale of treasury stock | 1,268 | 1,777 |
| Acquisitions: | | |
| Fair value of assets acquired | 86,655 | 66,634 |
| Difference between the amount paid and the fair value of net assets acquired | 17,401 | (4,699) |
| Cash paid for the capital stock | (74,071) | (38,801) |
| Liabilities assumed | US\$ 29,985 | US\$ 23,134 |

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

| | Three months ended | | |
|------------------|--------------------|-------------------|------------------|
| | June 30, 2004 | March 31, 2004 | June 30, 2003 |
| OIBDA | 244,694 | 202,025 | 139,929 |
| Impairment loss | (7,354) | | |
| Depreciation | (62,743) | (57,337) | (33,914) |
| Amortization | (9,513) | (9,143) | (8,738) |
| Operating income | 165,084 | 135,545 | 97,277 |

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

| | Three months ended | | |
|--|--------------------|-------------------|------------------|
| | June 30, 2004 | March 31, 2004 | June 30, 2003 |
| OIBDA margin | 49.8% | 48.4% | 46.0% |
| Less: Impairment loss | (1.5)% | 0% | 0% |
| Less: Depreciation as percentage of net operating revenues | (12.8)% | (13.7)% | (11.1)% |
| Less: Amortization as percentage of net operating revenues | (1.9)% | (2.2)% | (2.9)% |
| Operating income as percentage of net operating revenues | 33.6% | 32.5% | 32.0% |

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

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

| Three months ended | | |
|--------------------|-------------------|------------------|
| June 30, 2004 | March 31, 2004 | June 30, 2003 |

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| | | | |
|--|---------|---------|---------|
| Selling, general and administrative expenses | 158,537 | 138,013 | 106,721 |
| Less: General and administrative expenses | 102,247 | 87,865 | 65,474 |
| Sales and marketing expenses, <i>including</i> | 56,290 | 50,148 | 41,247 |
| <i>advertising & marketing expenses</i> | 16,468 | 13,245 | 13,518 |
| <i>dealers' commission expense</i> | 39,822 | 36,903 | 27,729 |
| New gross subscribers, 000 | 3,987 | 2,979 | 1,959 |
| Subscriber Acquisition Cost (SAC) (US\$) | 14.1 | 16.8 | 21.1 |

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

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

| | Three months ended | | |
|---|--------------------|--------------|--------------|
| | June 30, | March 31, | June 30, |
| | 2004 | 2004 | 2003 |
| Service revenue and connection fees | US\$ 472,808 | US\$ 400,903 | US\$ 290,426 |
| Less: Connection fees | 151 | 185 | 379 |
| Less: Revenue from rent of fiber-optic channels | 304 | 549 | 278 |
| Service revenue used to calculate ARPU | 472,353 | 400,169 | 289,769 |
| Average number of subscribers, 000 | 14,625 | 12,318 | 6,754 |
| Average revenue per subscriber per month (US\$) | 10.8 | 10.8 | 14.3 |

Reconciliation of VimpelCom OIBDA to operating income (Unaudited)

(In thousands of US dollars)

| | Six months ended | |
|------------------|------------------|----------|
| | June 30, | June 30, |
| | 2004 | 2003 |
| OIBDA | 446,719 | 247,865 |
| Impairment loss | (7,354) | |
| Depreciation | (120,080) | (65,592) |
| Amortization | (18,656) | (16,110) |
| Operating income | 300,629 | 166,163 |

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

(Unaudited)

| | Six months ended | |
|--|------------------|----------|
| | June 30, | June 30, |
| | 2004 | 2003 |
| OIBDA margin | 49.2% | 45.2% |
| Less: Impairment loss | (0.8)% | 0% |
| Less: Depreciation as percentage of net operating revenues | (13.2)% | (12.0)% |
| Less: Amortization as percentage of net operating revenues | (2.1)% | (2.9)% |
| Operating income as percentage of net operating revenues | 33.1% | 30.3% |

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

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

| | Six months ended | |
|---|------------------|----------|
| | June 30, | June 30, |
| | 2004 | 2003 |
| Selling, general and administrative expenses | 296,550 | 192,031 |
| Less: General and administrative expenses | 190,112 | 122,117 |
| Sales and marketing expenses, <i>including</i> <i>advertising & marketing expenses</i> | 106,438 | 69,914 |
| <i>dealers' commission expense</i> | 29,713 | 22,963 |
| | 76,725 | 46,951 |
| New gross subscribers, 000 | 6,967 | 3,333 |
| Subscriber Acquisition Cost (SAC) (US\$) | 15.3 | 21.0 |

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

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

| | Six months ended | |
|---|------------------|--------------|
| | June 30, | June 30, |
| | 2004 | 2003 |
| Service revenue and connection fees | US\$ 873,711 | US\$ 520,525 |
| Less: Connection fees | 336 | 716 |
| Less: Revenue from rent of fiber-optic channels | 853 | 649 |
| Service revenue used to calculate ARPU | 872,522 | 519,160 |
| Average number of subscribers, 000 | 13,471 | 6,207 |
| Average revenue per subscriber per month (US\$) | 10.8 | 13.9 |

Open Joint Stock Company VimpelCom-Region

Unaudited Condensed Consolidated Statements of Income

| | Three months ended | |
|--|---|---------------|
| | June 30, | |
| | 2004 | 2003 |
| | <i>(In thousands of US dollars, except per share (ADS) amounts)</i> | |
| Operating revenues: | | |
| Service revenues and connection fees | 209,344 | 83,212 |
| Sales of handsets and accessories | 8,643 | 7,700 |
| Other revenues | 574 | 892 |
| Total operating revenues | 218,561 | 91,804 |
| Operating expenses | | |
| Service costs | 38,915 | 17,665 |
| Cost of handsets and accessories sold | 8,199 | 6,929 |
| Equipment lease | 2,763 | 2,233 |
| Selling, general and administrative expenses | 69,458 | 28,884 |
| Network maintenance | 4,518 | 2,296 |
| Depreciation and amortization | 26,222 | 14,161 |
| Provision for doubtful accounts | 1,845 | 554 |
| Total operating expenses | 151,920 | 72,722 |
| Operating income | 66,641 | 19,082 |
| Other income and expenses: | | |
| Other income | (414) | (24) |
| Other expenses | 128 | 281 |
| Interest income | (219) | (239) |
| Interest expense | 5,414 | 5,925 |
| Net foreign exchange gain | (568) | (369) |
| Total other income and expenses | 4,341 | 5,574 |
| Income before income taxes and minority interest | 62,300 | 13,508 |
| Income taxes expense | 16,764 | 4,573 |
| Minority interest in net earnings of subsidiaries | 59 | 286 |
| Net income | 45,477 | 8,649 |

*) Net income of VimpelCom-Region as a legal entity differs from the \$42,960 million net income reported above in this press release for the regional segment for the second quarter of 2004. The difference is caused by the fact that the financial statements of BeeLine-Samara are included in the regions for segment reporting purposes, but are not included in the consolidated financial statements of VimpelCom-Region. BeeLine-Samara operates in the Samara region but, for historical reasons, is owned directly by VimpelCom. The following table provides reconciliation between these figures (all numbers are in thousands of US\$):

| | Three months ended |
|--|---------------------------|
| | June 30, 2004 |
| Net income of VimpelCom-Region | 45,477 |
| Net income of BeeLine-Samara | (5,033) |
| Net effect of transactions between VimpelCom-Region and BeeLine-Samara | 2,516 |
| Net income of VimpelCom's regional segment | 42,960 |

Operating revenue of VimpelCom-Region as a legal entity differs from the \$201,760 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 |
|---|---------------------------|
| | June 30, 2004 |
| Operating revenue of VimpelCom-Region | 218,561 |
| Operating revenue of BeeLine-Samara | 8,114 |
| Net effect of transactions between VimpelCom-Region and BeeLine-Samara | (4,321) |
| Operating revenue of VimpelCom's regional segment | 222,354 |
| Inter-company operating revenue of VimpelCom-Region and BeeLine-Samara | (20,594) |
| Regional segment operating revenue excluding inter-company transactions | 201,760 |

Open Joint Stock Company VimpelCom-Region

Unaudited Condensed Consolidated Balance Sheets

| | June 30, 2004 | December 31, 2003 |
|---|-----------------------|----------------------|
| <i>(In thousands of US dollars)</i> | | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | US\$ 32,801 | US\$ 42,729 |
| Trade accounts receivable | 13,513 | 22,726 |
| Other current assets | 176,729 | 137,529 |
| Total current assets | 223,043 | 202,984 |
| Non-current assets: | | |
| Property and equipment, net | 827,930 | 624,306 |
| Telecommunication licenses and allocation of frequencies, net | 77,427 | 87,175 |
| Other intangible assets, net | 30,759 | 20,383 |
| Other assets | 108,653 | 62,995 |
| Total non-current assets | 1,044,769 | 794,859 |
| Total assets | US\$ 1,267,812 | US\$ 997,843 |
| Liabilities and shareholders equity | | |
| Current liabilities: | | |
| Accounts payable | US\$ 108,400 | US\$ 73,345 |
| Due to related parties | 122,054 | 71,420 |
| Customer advances and deposits | 72,282 | 41,916 |
| Deferred revenue | 1,125 | 713 |
| Rouble denominated bonds payable, current portion | 34,450 | 101,852 |
| Bank loans, current portion | 16,111 | 4,710 |
| Capital lease obligation, current portion | | |
| Equipment financing obligations, current portion | 10,164 | 17,078 |
| Accrued liabilities | 15,951 | 16,076 |
| Total current liabilities | 380,537 | 327,110 |
| Deferred income taxes | 21,019 | 24,713 |
| Bank loans, less current portion | 88,401 | 66,500 |
| Long-term loans due to VimpelCom | 295,435 | 176,231 |
| Equipment financing obligations, less current portion | 6,594 | 16,097 |
| Rouble denominated bonds payable, less current portion | 14,382 | |
| Accrued liabilities | 3,263 | 2,718 |
| Minority interest | 481 | 350 |
| Shareholders equity | 457,700 | 384,124 |
| Total liabilities and shareholders equity | US\$ 1,267,812 | US\$ 997,843 |

Open Joint Stock Company VimpelCom-Region

Unaudited Condensed Consolidated Statements of Cash Flows

| | Six months ended | |
|--|-------------------------------------|-------------|
| | June 30, | |
| | 2004 | 2003 |
| | <i>(In thousands of US dollars)</i> | |
| Net cash provided by operating activities | US\$ 173,076 | US\$ 32,836 |
| Proceeds from bank and other loans | 34,081 | 99,144 |
| Proceeds from loans from VimpelCom | 119,144 | 54,243 |
| Proceeds from issuance of rouble denominated bonds | 5,200 | 97,119 |
| Repayment of issuance of rouble denominated bonds | (59,764) | |
| Payment of fees in respect of bank loans | (6,956) | |
| Repayment of bank and other loans | (887) | (34,488) |
| Repayment of equipment financing obligations | (15,522) | (120,259) |
| Repayment of capital lease obligations | | (119) |
| Net cash provided by financing activities | 75,296 | 95,640 |
| Purchase of property and equipment | (215,348) | (103,951) |
| Purchase of StavTeleSot stock, net of cash acquired of US\$658 | | (38,143) |
| Purchase of intangible assets | (12,805) | (8,944) |
| Purchase of other assets | (30,714) | (3,058) |
| Net cash used in investing activities | (258,867) | (154,096) |
| Effect of exchange rate changes on cash | 567 | 1,557 |
| Net decrease in cash | (9,928) | (24,063) |
| Cash and cash equivalents at beginning of year | 42,729 | 52,703 |
| Cash and cash equivalents at end of year | US\$ 32,801 | US\$ 28,640 |

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

| | Three months ended | | |
|------------------|---------------------------|------------------|-----------------|
| | June 30, | March 31, | June 30, |
| | 2004 | 2004 | 2003 |
| OIBDA | 92,863 | 69,923 | 33,243 |
| Depreciation | (19,616) | (18,194) | (8,524) |
| Amortization | (6,606) | (6,166) | (5,637) |
| Operating income | 66,641 | 45,563 | 19,082 |

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

| | Three months ended | | |
|--|---------------------------|------------------|-----------------|
| | June 30, | March 31, | June 30, |
| | 2004 | 2004 | 2003 |
| OIBDA margin | 42.5% | 40.1% | 36.2% |
| Less: Depreciation as percentage of net operating revenues | (9.0)% | (10.4)% | (9.3)% |
| Less: Amortization as percentage of net operating revenues | (3.0)% | (3.5)% | (6.1)% |
| Operating income as percentage of net operating revenues | 30.5% | 26.2% | 20.8% |

Reconciliation of VimpelCom-Region OIBDA to operating income

(Unaudited)

(In thousands of US dollars)

| | Six months ended | |
|------------------|------------------|----------|
| | June 30, | June 30, |
| | 2004 | 2003 |
| OIBDA | 162,786 | 48,633 |
| Depreciation | (37,810) | (15,284) |
| Amortization | (12,772) | (10,187) |
| Operating income | 112,204 | 23,162 |

Reconciliation of VimpelCom-Region OIBDA margin to

operating income as percentage of net operating revenues

(Unaudited)

| | Six months ended | |
|--|------------------|----------|
| | June 30, | June 30, |
| | 2004 | 2003 |
| OIBDA margin | 41.4% | 31.0% |
| Less: Depreciation as percentage of net operating revenues | (9.6)% | (9.7)% |
| Less: Amortization as percentage of net operating revenues | (3.3)% | (6.5)% |
| Operating income as percentage of net operating revenues | 28.5% | 14.8% |