

OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS
Form 6-K
February 14, 2006

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 February 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-_____ .

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: February 14, 2006

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

General Director

VimpelCom acquisition of Kyivstar
Creating value for all shareholders
February 2006

2

VimpelCom and Kyivstar today

Market cap US\$9.1 billion

Enterprise value US\$11.4 billion

45.4 million subscribers

(as at 31 December 2005)

Kyivstar

VimpelCom (economic ownership)

Telenor
Alfa Group
Public
VimpelCom

URS

Other

assets

29.9%

24.5%

45.6%

Telenor

Alfa Group

Kyivstar

56.5%

43.5%

Private company

No.1 mobile operator in Ukraine

13.9

million subscribers

(as at 31 December 2005)

Source: Datastream, UBS Research, ACM Consulting

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Background to the proposal

VimpelCom

Board approved a CIS strategy in 2004 -

management has argued

the strategic importance of entering Ukraine ever since

VimpelCom

public

shareholders

strongly

supported

the

acquisition

of

URS,

the

No. 4 Ukrainian operator

89% of the public shareholders who voted approved the URS acquisition

acquisition completed November 10, 2005 for US\$231m

On 26 January 2006, Telenor publicly announced that it was filing three

separate law suits in the Moscow Arbitration Court challenging the URS

acquisition

Before making significant infrastructure and marketing investments in URS (in

excess of US\$500m), VimpelCom wants to propose a full merger of VimpelCom

and Kyivstar

A merger offers ALL shareholders an opportunity to create more value than on

a standalone basis

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The proposal

Acquire 100% of Kyivstar
equity for US\$5 billion, plus
debt

Payable in VimpelCom
common registered shares
approx. 35% ownership

dilution¹

Subject to:

completion of due diligence

UBS fairness opinion

all

required corporate and

regulatory approvals

VimpelCom post transaction

(economic ownership)

1

Note:

1

Assuming no pre-emption rights or rights to

tender shares, if applicable. by minority

shareholders

Telenor

Alfa

Group

Public

VimpelCom

Kyivstar

URS

Other

assets

31.1%

29.8%

39.1%

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Why Kyivstar

Ukraine is a highly strategic growth market for VimpelCom and a cornerstone for any CIS expansion strategy

Combining Kyivstar and VimpelCom creates the leading telecoms operator in Ukraine -

and a dominant player in the CIS

Eliminates significant duplication capex and marketing expenses

and achieves a number of operational efficiencies

Earnings accretive to VimpelCom s public shareholders from 2007

Potential solution to dispute between VimpelCom s (and

Kyivstar s) strategic shareholders

1

2

3

4

5

6
Ukraine: strategically important
47
million
population
GDP
growth forecast
8.7%

p.a.
2006 2010

Strong
economic
and cultural
links with
Russia
and
strengthening
ties
with
the
EU

A key expansion market for
VimpelCom, with Russia
already at 87% penetration

30.4

23.4

7.2

8.4

10.6

13.8

16.1

19.5

64%

50%

15%

18%

22%

29%

34%

41%

0

5

10

15

20

25

30

35

1Q04

2Q04

3Q04

4Q04

1Q05

2Q05

3Q05

4Q05

0

10

20
30
40
50
60
70

Ukraine wireless market

Source: EIU, EMC, The Mobile World

Note: PPP adjusted nominal GDP growth

7

Source: ACM Consulting, as at 31 December 2005

Note:

1

VimpelCom

pro-forma

for

Unitel,

Buztel
and
Tacom
acquisitions
2
MTS
includes
unconsolidated
Belarus
subscribers,
but
excludes
470k
subscribers
related
to
disputed
acquisition
of
Bitel
(Kyrgyzstan)
Russia
43.1
44.2
Ukraine
14.2
13.3
Other CIS
2.4
2.8
Total subscribers
59.7
60.3
Becoming the leading CIS
operator
Subscribers (m)
VimpelCom + Kyivstar
MTS
Total CIS
16.6
16.1

8
Strong financial position
VimpelCom
today
+
Kyivstar
=
VimpelCom

pro forma
(US\$m)
2004
9M05
2004
9M05
2004
9M05
Revenues
2,147
2,301
641
774
2,787
3,074
OIBDA
1,027
1,152
377
428
1,403
1,580
OIBDA margin (%)
47.8
50.1
58.8
55.3
50.3
51.4
Net earnings
350
463
219
213
570
677
Capex
(943)
(776)
(424)
(380)
(1,367)
(1,156)
Operating FCF
83
376
(47)
48
37
424

Net debt

1,275

1,263

255

315

1,530

1,578

No synergies or cost savings assumed

Refer

to

VimpelCom

press

releases

of

April

14,

2005

and

November

17,

2005

posted

on

VimpelCom's

website

www.vimpelcom.com

for

a

reconciliation

of

OIBDA

and

OIBDA

margin

to

their

most

directly

comparable

US

GAAP

financial

measures

for

2004

and

9M05,

respectively

Operating FCF equals OIBDA less capex

VimpelCom

net
debt
calculated
as
the
sum
of
ruble
denominated
bonds
payable
(2004:
\$108m;
9M05:
\$105m),
bank
loans
(2004:\$1,355m;
9M05:
\$1,764),
capital
lease
obligations
(2004:
\$8m;
9M05:
\$5m)
and
equipment
financing
obligations
(2004:
\$110m;
9M05:
\$63m)
less
cash
and
cash
equivalents
(2004:
\$306m;
9M05:
\$675m)
Source: VimpelCom and Kyivstar company reports

Note:

- 1
- 2
- 3
- 4

9
Attractive synergies
Corporate services
Product
development
Network capex
Roaming
Network

maintenance

Advertising

Corporate overheads

+

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Summary

A compelling, value enhancing deal for VimpelCom shareholders

VimpelCom

becomes the leading operator in the CIS

Potential path to resolution of dispute between our two strategic shareholders

11
Disclaimer
This
presentation
contains
"forward-looking
statements",
as

the
phrase
is
defined
in
Section
27A
of
the
Securities
Act
of
1933
and
Section
21E
of
the
Securities
Exchange
Act
of
1934.
These
statements
relate,
in
part,
to
the
consummation
of
an
acquisition
of
Kyivstar
and
the
potential
benefits
that
may
result
from
any
such
acquisition,
as
well
as

the
effect
of
such
transaction
on
VimpelCom s
operating
and
financial
performance
and
VimpelCom s
planned
expenditures
on
its
subsidiary
in
Ukraine.
There
can
be
no
assurance
that
the
proposed
acquisition
will
be
consummated
and,
if
consummated,
that
the
expected
benefits
from
the
acquisition
will
be
realized.
In
addition,
the
forward-looking
statements

contained
in
this
press
release,
including
the
intended
benefits
to
VimpelCom
and
its
shareholders
from
the
transactions
described
herein,
are
based
on
management's
best
assessment
of
each
of
the
Company's
and
Kyivstar'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
developments
from
competition,
governmental
regulations
of
the
wireless
telecommunications
industry,
general
political
uncertainties
in
Russia
and
Ukraine
and
general
economic
developments
in
Russia
and
Ukraine,
and
other
factors,
including
our
ability
to
successfully
integrate
Kyivstar
into
the
VimpelCom

Group
and
the
extent
and
timing
of
our
ability
to
realize
synergies
from
the
transaction.

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
presentation,
or
to
make
corrections
to
reflect
future
events
or
developments
UBS
Investment
Bank
is
the
global
investment
banking
and
securities
business
group
of
UBS
AG