

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

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 6-K**

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**Report of Foreign Issuer**

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

**For the month of September 2006**

**Commission File Number 1-14522**

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**Open Joint Stock Company**

**Vimpel-Communications**

**(Translation of registrant's name into English)**

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**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

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

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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: September 1, 2006

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 2006 FINANCIAL AND OPERATING RESULTS**

**Moscow and New York (September 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 recently acquired operators in Ukraine, Uzbekistan, Tajikistan and Georgia, today announced its financial and operating results for the quarter and six months ended June 30, 2006. During the second quarter of 2006 the Company reported continued growth in new subscribers and improved financial results.

Attachments A, B and C present, respectively, definitions for certain terms used in this press release, the condensed consolidated financial statements of VimpelCom and tables with relevant reconciliations of non-U.S. GAAP financial measures to their most directly comparable U.S. GAAP financial measures. Selected financial and operating results are also reported for each of the countries where VimpelCom operates.

**Financial and Operating Highlights**

Net operating revenues reached \$1,121.5 million, a year-on-year increase of 45.7%.

OIBDA reached \$561.6 million, a year-on-year increase of 42.0%.

OIBDA margin was 50.1%.

Net income totaled \$194.9 million, a year-on-year increase of 22.7%.

Operating cash flow was \$431.9 million, a year-on-year increase of 35.7%.

Approximately 51.9 million subscribers as of September 1, 2006 including 4.4 million subscribers in the CIS outside of Russia

Strong growth and improved subscriber market share in Kazakhstan.

Solid growth in Ukraine after launch of the Beeline brand in April 2006.

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

It was a very strong quarter. On the back of continued growth, we achieved all-time records in revenue, OIBDA and net income. For the first time our quarterly revenue exceeded the \$1 billion mark. This success underlines our ability to deliver results against strategic priorities.

In Russia, we focused on revenue growth and on reversing the negative trends in ARPU. We were able to stabilize ARPU via conservative pricing and stimulated usage. ARPU of active subscribers showed year-on-year growth, driving our strong revenue performance.

In Kazakhstan, our priorities were increasing subscriber market share and usage. In the second quarter alone, we gained 3.6 percentage points in market share. As a result of market expansion and share gains, we recorded exceptionally high revenue growth as well as triple-digit year-on-year growth in OIBDA and net income.

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In Ukraine, we are off to a promising start following the launch of our Beeline brand in April of this year. As of June 30, 2006, after less than three months of operations, we had almost half a million active subscribers with active subscriber ARPU close to \$6. At the same time, we continued our work to improve network coverage and quality and this remains our key operational priority in Ukraine.

In Uzbekistan and Tajikistan, we are in the process of building-out our networks, integrating operations into the VimpelCom group and preparing for the launch of our brand later this month.

In addition, we are pleased to note that in July we acquired a GSM license holder in Georgia, and we plan to start full-scale commercial operations there in the beginning of 2007.

**Key Consolidated Operating Indicators**

	2Q2006	2Q2005	Change, Y-on-Y	1Q2006	Change, Q-on-Q
Subscribers, end of period (EOP)	50,822,100	35,102,000	44.8%	48,052,800	5.8%
% of prepaid	96.8%	96.5%		96.9%	
Churn, quarterly	7.8%	6.7%		8.4%	
ARPU (US\$)	7.5	7.8	-3.8%	6.6	13.6%
MOU, (min)	114.4	99.2	15.3%	107.8	6.1%
SAC, (US\$)	16.3	13.3	22.6%	12.6	29.4%

**Key Consolidated Financial Indicators**

	2Q2006	2Q2005	Change, Y-on-Y	1Q2006	Change, Q-on-Q
Net operating revenues (US\$,000)	1,121,546	769,770	45.7%	936,167	19.8%
including interconnect revenue	84,502	17,560	381.2%	59,720	41.5%
OIBDA (US\$, 000)	561,555	395,554	42.0%	482,607	16.4%
OIBDA margin	50.1%	51.4%		51.6%	
Gross margin (US\$, 000)	920,276	641,632	43.4%	768,298	19.8%
Gross margin percentage	82.1%	83.4%		82.1%	
SG&A (US\$, 000)	355,031	242,762	46.2%	282,925	25.5%
SG&A percentage	31.7%	31.5%		30.2%	
Net income (US\$, 000)	194,946	158,844	22.7%	150,223	29.8%
Net income per share (US\$)	3.83	3.11		2.94	
Net income per ADS (US\$)	0.96	0.78		0.74	

Strong growth in the second quarter of 2006 resulted in record figures reached in net revenue, OIBDA and net income. At the same time, the modest decline in OIBDA margin as compared with the previous quarter was driven by seasonal and competitive marketing investments as well

the growing contribution of the lower margin CIS operations.

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Investments made in the prior year to support our rapid growth led to approximately 72% year-on-year growth in depreciation and amortization expenses. This resulted in a slower year-on-year growth rate in net income as compared with net revenue and OIBDA.

In the second quarter of 2006, VimpelCom invested approximately \$402.3 million for the purchase of long-lived assets.

**RUSSIA**

	2Q2006	2Q2005	Change, Y-on-Y	1Q2006	Change, Q-on-Q
Net operating revenues (million US\$)	1,020.5	725.9	40.6%	871.0	17.2%
including interconnect revenue	63.8	6.9	824.6%	46.8	36.3%
OIBDA (million US\$)	529.7	378.6	39.9%	462.3	14.6%
OIBDA margin	51.9%	52.2%		53.1%	
Gross margin (US\$, 000)	849.4	612.1	38.8%	725.4	17.1%
Gross margin percentage	83.2%	84.3%		83.3%	
SG&A (US\$, 000)	317.6	230.7	37.7%	260.4	22.0%
SG&A percentage	31.1%	31.8%		29.9%	
Net income (million US\$)	197.6	156.5	26.3%	155.0	27.5%
ARPU (US\$)	7.4	7.6	-2.6%	6.6	12.1%
ARPU <sub>ACT</sub> (active subscribers), (US\$)	9.0	8.7	3.4%	7.8	15.4%
MOU (min.)	115.9	100.9	14.9%	110.6	4.8%
MOU <sub>ACT</sub> (active subscribers) (min)	140.7	115.3	22.0%	132.0	6.6%
SAC (US\$)	17.5	13.4	30.6%	13.2	32.6%
Subscribers, EOP	46,905,600	33,700,400	39.2%	44,814,000	4.7%
Active subscribers, EOP	38,161,700	29,250,900	30.5%	37,373,400	2.1%
Subscriber market share, EOP	33.4%	34.6%		33.9%	

\*) Excluding inter-company transactions.

In the Russian market, our continued focus on revenue growth produced a positive response. Substantial increase in usage and positive trends in ARPU resulted in the record revenue, OIBDA and net income figures in the second quarter of 2006.

In connection with the introduction of the CPP ( Calling Party Pays ) regime in Russia from July 1, 2006, we have been revising our charges for interconnection with other operators. The full effect of these changes will be seen in the third quarter results.

SAC went up due to the increase in advertising and marketing expenses and return of net dealer commissions from an exceptionally low level in the previous quarter to a normal figure. The same factors had a depressing effect on the margins as well.

Net income growth rate in Russia in the second quarter of 2006 was behind that of revenue and OIBDA primarily due to approximately 67% year-on-year growth in the depreciation and amortization expenses as a result of ongoing investing activities.

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**KAZAKHSTAN**

	2Q2006	2Q2005	Change, Y-on-Y	1Q2006	Change, Q-on-Q
Net operating revenues <sup>*)</sup> (million US\$)	80.1	43.9	82.5%	54.0	48.3%
including interconnect revenue	18.9	10.7	76.6%	12.2	54.9%
OIBDA (million US\$)	33.9	16.9	100.6%	21.9	54.8%
OIBDA margin	42.2%	38.6%		40.3%	
Gross margin (US\$, 000)	55.3	29.5	87.5%	35.5	55.8%
Gross margin percentage	68.9%	67.0%		65.3%	
SG&A (US\$, 000)	20.2	12.1	66.9%	13.5	49.6%
SG&A percentage	25.2%	27.5%		24.8%	
Net income (million US\$)	11.0	2.4	358.3%	3.9	182.1%
ARPU (US\$)	10.0	11.7	-14.5%	7.8	28.2%
ARPU <sub>ACT</sub> (active subscribers), (US\$)	12.6	12.4	1.6%	8.8	43.2%
MOU (min.)	52.4	58.1	-9.8%	40.0	31.0%
MOU <sub>ACT</sub> (active subscribers) (min)	66.3	61.6	7.6%	44.8	48.0%
SAC (US\$)	9.3	10.6	-12.3%	6.1	52.5%
Subscribers, EOP	2,880,900	1,401,600	105.5%	2,512,700	14.7%
Active subscribers, EOP	2,204,300	1,356,100	62.5%	2,123,100	3.8%
Subscriber market share, EOP	44.2%	38.2%		40.6%	

\*) Excluding inter-company transactions.

In Kazakhstan, our investments in network build-out, branding and distribution have paid off and resulted in overall great progress. We made substantial market share gains, and improved all financial indicators. Quarter-on-quarter MOU and ARPU growth was exceptionally high and resulted in record growth in net revenue, OIBDA and net income. Margins also improved due to the new interconnect rules which allow a direct link between mobile operators, bypassing an expensive fixed-line intermediary. The overall financial performance and particularly exceptional growth of net income were helped by an 8% appreciation of the local currency in the second quarter of 2006.

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**UKRAINE**

	2Q2006	1Q2006	Change, Q-on-Q
Net operating revenues *) (million US\$)	5.8	2.1	176.2%
including interconnect revenue	1.8	0.7	157.1%
OIBDA (million US\$)	-11.3	-6.8	
Gross margin (US\$, 000)	2.3	-0.4	
Gross margin percentage	39.0%	-19.0%	
SG&A (US\$, 000)	13.2	6.4	106.3%
SG&A percentage	223.7%	304.8%	
Net income (million US\$)	-17.0	-9.5	
ARPU (US\$)	4.7	2.6	80.8%
ARPU <sub>ACT</sub> (active subscribers), (US\$)	5.9	3.4	73.5%
MOU (min.)	137.2	47.3	190.1%
MOU <sub>ACT</sub> (active subscribers) (min)	172.4	60.8	183.6%
SAC (US\$)	14.5	30.1	-51.8%
Subscribers, EOP	569,400	278,000	