IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS (AS DEFINED BELOW) OR (2) NON-U.S. PERSONS OR ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the prospectus following this page (the "**Prospectus**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT, BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS AND WHICH DOES NOT REQUIRE THE ISSUER TO REGISTER UNDER THE INVESTMENT COMPANY ACT.

THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this Prospectus or make an investment decision with respect to the securities, investors must be either (1) Qualified Institutional Buyers ("**QIBs**") (within the meaning of Rule 144A under the Securities Act) or (2) non-U.S. persons (within the meaning of Regulation S under the Securities Act) outside the United States who are not acting for the account or benefit of U.S. persons. This Prospectus is being sent at your request and by accepting the e-mail and accessing this Prospectus, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) not a U.S. person and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) that you consent to delivery of such Prospectus by electronic transmission.

You are reminded that this Prospectus has been delivered to you on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Prospectus to any other person. The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the issuer in such jurisdiction.

This communication is only directed at persons who (i) are outside the United Kingdom or (ii) are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**") or (iii) are persons falling within Article 49(2)(a) to (e) of the Financial Promotion Order (all such persons together being referred to as "relevant persons"). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this communication.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, HSBC Bank plc, ING Bank N.V., London branch or The Royal Bank of Scotland plc (the "**Lead Managers**") or any person who controls any of them, nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from any of the Lead Managers.

VimpelCom Holdings B.V.

(*a private limited liability company incorporated under Dutch law*)

US$200,000,000 Floating Rate Guaranteed Notes due 2014
and
US$500,000,000 6.2546% Guaranteed Notes due 2017
and
US$1,500,000,000 7.5043% Guaranteed Notes due 2022

unconditionally and irrevocably guaranteed by

Open Joint Stock Company "Vimpel-Communications"

(*an Open Joint Stock Company incorporated in the Russian Federation*)

Issue Price: 100.0%

VimpelCom Holdings B.V., a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under Dutch law (the "**Issuer**"), is offering an aggregate principal amount of US$200,000,000 Floating Rate Guaranteed Notes due 2014 (the "**2014 Notes**"), US$500,000,000 6.2546% Guaranteed Notes due 2017 (the "**2017 Notes**") and US$1,500,000,000 7.5043% Guaranteed Notes due 2022 (the "**2022 Notes**" and, together with the 2014 Notes and the 2017 Notes, the "**Notes**"). Open Joint Stock Company "Vimpel-Communications" (the "**Guarantor**" or "**OJSC VimpelCom**"), the Issuer's direct 100.0% (minus one share) owned subsidiary, has unconditionally and irrevocably guaranteed the due and punctual payment of all amounts at any time becoming due and payable in respect of each of the 2014 Notes, the 2017 Notes and the 2022 Notes under the guarantees (the "**Guarantees**") contained in the trust deeds relating to the Notes (the "**Trust Deeds**").

The Issuer will pay interest on the 2014 Notes at an annual rate equal to three-month USD LIBOR plus 4.00%. Interest on the 2014 Notes is payable quarterly in arrear on March 29, June 29, September 29 and December 29 of each year, commencing on September 29, 2011. The Issuer will pay interest on the 2017 Notes at an annual rate equal to 6.2546% and on the 2022 Notes at an annual rate equal to 7.5043%. Interest on the 2017 Notes and the 2022 Notes is payable semi-annually in arrear on March 1 and September 1 in each year, commencing on March 1, 2012. Payments on the Notes (including payments by a Guarantor under each Guarantee or otherwise under each Trust Deed) will be made without deduction for or on account of taxes of the Netherlands or the Russian Federation, unless such withholding or deduction is required by law. In such event, the Issuer or (as the case may be) the Guarantor will, subject to certain exceptions and limitations, pay additional amounts to the holder of any Note to the extent described under "*Terms and Conditions of the Notes—Condition 8 Taxation*". The 2014 Notes will be redeemed on June 29, 2014, the 2017 Notes will be redeemed on March 1, 2017 and the 2022 Notes will be redeemed on March 1, 2022. The Issuer may redeem all of the Notes at 100% of the principal amount thereof, plus accrued and unpaid interest, in the event of certain taxation changes. See "*Terms and Conditions of the Notes—Redemption and Purchase—Condition 6(b) Redemption by the Issuer for tax reasons*".

The Notes will rank equally in right of payment with the Issuer's other existing and future unsecured and unsubordinated indebtedness. Each Guarantee will rank equally in right of payment to all existing and future senior unsecured and unsubordinated indebtedness of the Guarantor.

This prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**"). The Central Bank only approves this prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange (the "**Irish Stock Exchange**") for the Notes to be admitted to the official list (the "**Official List**") and trading on its regulated market. No certainty can be given that the application will be granted. Furthermore, admission of the Notes to the Official List and trading on its regulated market is not an indication of the merits of the Issuer, the Guarantor or the Notes. This Prospectus constitutes a "prospectus" for the purposes of the Prospectus (Directive 2003/71/EC) Regulations 2005 (the "**Prospectus Regulations**") which implement the Prospectus Directive in Ireland. References in this prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the regulated market of the Irish Stock Exchange. There can be no assurance that a trading market in the Notes will develop or be maintained.

AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. SEE THE SECTION OF THIS PROSPECTUS ENTITLED "RISK FACTORS" BEGINNING ON PAGE 21 OF THIS PROSPECTUS.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or under any securities laws of any other jurisdiction. The Notes will be offered and sold outside the United States to non-U.S. persons in offshore transactions as defined in and in reliance on Regulation S under the Securities Act and in the United States to persons that are qualified institutional buyers ("QIBs") (within the meaning of Rule 144A under the Securities Act) in reliance on an exemption from registration pursuant to Rule 144A under the Securities Act. Prospective purchasers of the Notes are hereby notified that the Issuer of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on the transfer of the Notes, see "Form of Notes and Transfer Restrictions."

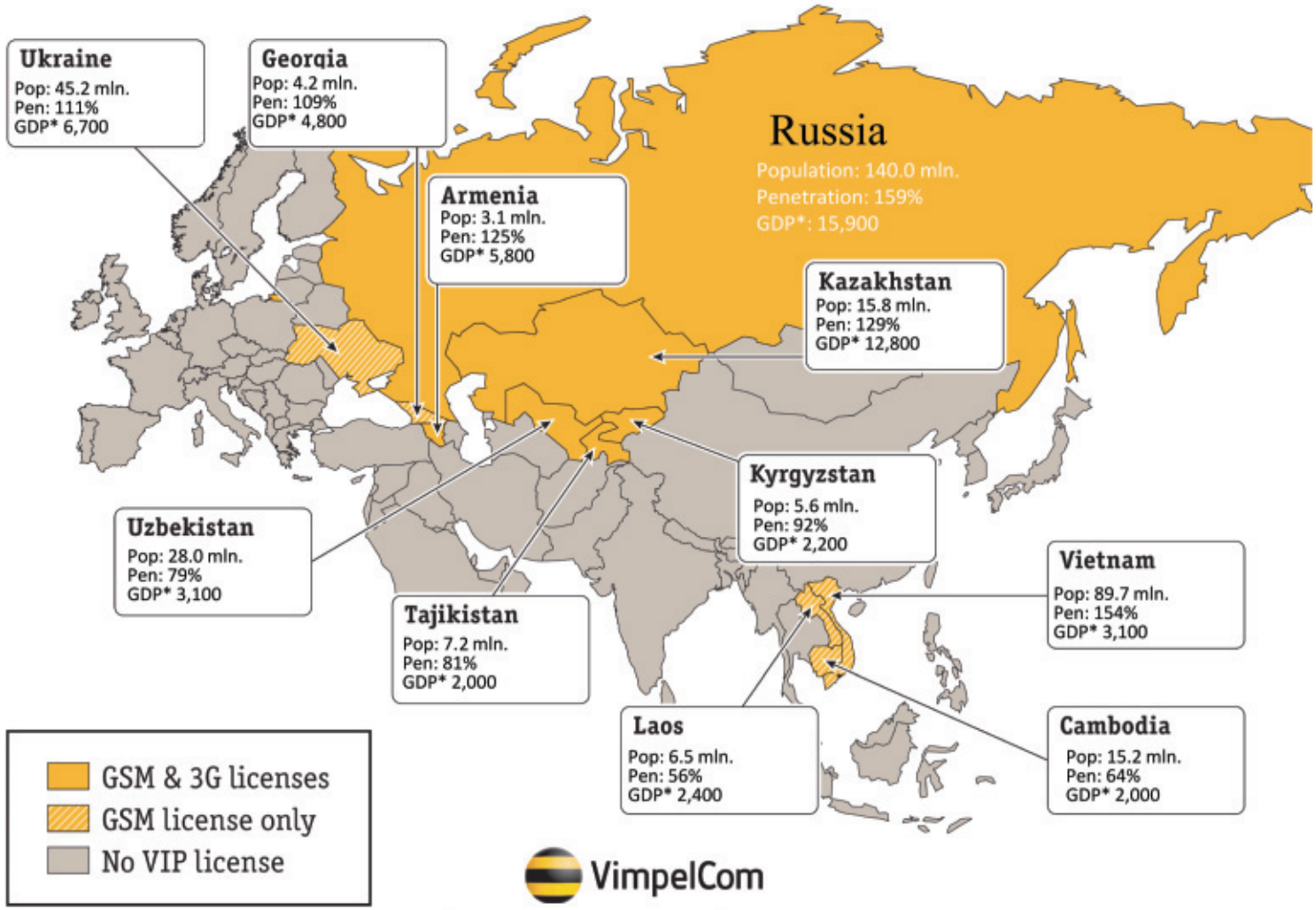
The Notes will be ready for delivery in book-entry form only through the facilities of Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and The Depository Trust Company ("**DTC**") on or about June 29, 2011.

Lead Managers and Bookrunners

Barclays Capital	***BNP PARIBAS***	***Citi***
HSBC	***ING***	***The Royal Bank of Scotland***

The date of this prospectus is June 24, 2011.

Map of Operations



* CIA – The World Factbook – GDP per capita, US$

Population and Penetration figures as of March 31, 2011 are provided by Informa Telecoms &Media ©Informa UK Ltd, 2011

IMPORTANT INFORMATION ABOUT THE OFFER

For information about VimpelCom Holdings B.V. (the "Issuer"), Open Joint Stock Company "Vimpel-Communications" (the "Guarantor" or "OJSC VimpelCom"), this offering (the "Offer") and the terms and conditions of the Notes, you should rely only on the information contained in this prospectus. Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, HSBC Bank plc, ING Bank N.V., London branch and The Royal Bank of Scotland plc (collectively, the "Lead Managers" and each a "Lead Manager"), the Issuer, the Guarantor and BNY Mellon Corporate Trustee Services Limited (the "Trustee") have not authorized any person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that, unless otherwise indicated, the information appearing in this prospectus is accurate as of the date of this prospectus only. The Issuer's and the Guarantor's business, financial condition, results of operations and the information set forth in this prospectus may have changed since that date.

The Issuer and the Guarantor accept responsibility for the information contained in this prospectus. To the best of the knowledge and belief of the Issuer and the Guarantor (having taken all reasonable care to ensure that such is the case), the information contained in this prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each of the Issuer and the Guarantor, having made all reasonable inquiries, confirms that (i) this prospectus contains all information with respect to the Issuer, the Guarantor, the Issuer's subsidiaries, the Guarantees and the Notes that is material to the Offer; (ii) such information is true and accurate in every material respect and is not misleading in any material respect; (iii) the opinions, assumptions and intentions expressed in this prospectus on the part of the Issuer and the Guarantor are honestly held or made, have been reached after considering all relevant circumstances, are based on reasonable assumptions and are not misleading in any material respect; (iv) this prospectus does not contain any untrue statement of a material fact nor does it omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading; and (v) all proper inquiries have been made to ascertain and verify the foregoing. Accordingly, other than as provided above and in the paragraph below, the Issuer and the Guarantor accept responsibility for the information contained in this prospectus.

Notwithstanding the preceding paragraph, the Issuer and the Guarantor obtained the market data used in this prospectus from internal surveys, industry sources, government sources and publicly available information. Although the Issuer and the Guarantor believe that their sources are reliable, information and data from industry and government sources has not been independently verified by the Issuer, the Guarantor, the Lead Managers or the Trustee or any of their respective affiliates or agents. Each of the Issuer and the Guarantor confirms that the market data from internal surveys, industry sources, government sources and publicly available information used in this prospectus has been accurately reproduced and that as far as it is aware and is able to ascertain from information published, no facts have been omitted which would render the reproduced information inaccurate or misleading, but none of the Issuer, the Guarantor, the Lead Managers or the Trustee nor any of their respective affiliates or agents makes any further representation or warranty relating thereto.

Each Noteholder participating in the Offer will be deemed to have made certain acknowledgments, representations and agreements as set forth under the section of this prospectus entitled "Form of Notes and Transfer Restrictions." The Notes and the Guarantees have not been registered under the Securities Act or any state securities laws or the laws of any other jurisdiction, are subject to restrictions on transferability and resales, and unless so registered, may not be transferred or resold except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and other applicable securities laws. Each purchaser of Notes should be aware that it may be required to bear the financial risks of this investment for an indefinite period of time.

None of the Issuer, the Guarantor, the Lead Managers or the Trustee makes any representation or warranty, express or implied, as to the accuracy or completeness of any of the information in this prospectus. Each person receiving this prospectus acknowledges that such person has not relied on the Issuer, the Guarantor, any Lead Manager or the Trustee in connection with its investigation of the accuracy of such information or its investment decision. Each person contemplating accepting the Offer and making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and the Guarantor and its own determination of the suitability of such investment, with particular reference to its own investment objectives and experience, and any other factors that may be relevant to it in connection with such investment. No person has been authorized in connection with the Offer to make or provide any representation or information regarding the Issuer, the Guarantor, the Notes or the Guarantees other than as contained in this prospectus.

Any such representation or information should not be relied upon as having been authorized by the Issuer, the Guarantor, the Lead Managers or the Trustee.

Neither the delivery of this prospectus nor the offering, sale or delivery of any Note in the Offer shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Guarantor since the date of this prospectus. Unless otherwise indicated, all information in this prospectus is given as of the date hereof.

This prospectus does not constitute an offer of, or the solicitation of an offer to buy, the Notes in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this prospectus and the offering, sale and delivery of the Notes in the Offer in certain jurisdictions may be restricted by law.

Persons into whose possession this prospectus comes are required by the Lead Managers, the Issuer, the Guarantor and the Trustee to inform themselves about and to observe any such restrictions. This prospectus may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorized or is unlawful. For a description of certain further restrictions on offers, sales and deliveries of the Notes and distribution of this information, see the section of this prospectus entitled "Subscription and Sale."

None of the Issuer, the Guarantor, the Lead Managers, the Trustee and any of their respective affiliates or agents makes any representation about the legality of the acceptance of the Offer or the purchase of, or exchange for, the Notes by an investor under applicable investment or similar laws. Each prospective investor is advised to consult its own counsel and business adviser as to legal, business and related matters concerning the acceptance of the Offer and the Notes. The contents of this prospectus are not to be construed as legal, business or tax advice.

Each prospective purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required of it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of the Issuer, the Guarantor, the Lead Managers or the Trustee or any of their respective affiliates or agents shall have any responsibility therefor.

*This prospectus contains summaries intended to be accurate with respect to certain terms of the Trust Deeds and the agency agreements relating to the Notes (the "**Agency Agreements**"), but reference is made to the actual documents, which will be made available free of charge to prospective investors upon request to the Issuer, the Guarantor or at the office of the principal paying agent in London, for complete information with respect thereto, and all summaries are qualified in their entirety by such reference.*

The Issuer may withdraw the Offer at any time and the Issuer and the Lead Managers reserve the right to reject any offer to purchase the Notes in whole or in part and to sell to any prospective investor less than the full amount of Notes sought by such investor. The Lead Managers and certain related entities may acquire a portion of the Notes for their own account.

This prospectus has been filed with and approved by the Central Bank as required by the Prospectus Regulations.

Any investment in Notes does not have the status of a bank deposit and in not within the scope of the deposit protection scheme operated by the Central Bank. The Issuer is not and will not be regulated by the Central Bank or by the Dutch Central Bank (De Nederlandsche Bank N.V.) as a result of issuing the Notes.

The Notes have not been recommended by or approved by the SEC or any other federal or state securities commission or regulatory authority, nor has any commission or regulatory authority passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

STABILIZATION

IN CONNECTION WITH THE ISSUE OF THE NOTES, HSBC BANK PLC (THE "STABILIZING MANAGER") (OR PERSONS ACTING ON ITS BEHALF) MAY OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, AS AMENDED, WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE NEW HAMPSHIRE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO INVESTORS IN THE UK

This communication is only directed at persons who (i) are outside the United Kingdom or (ii) are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "***Financial Promotion Order***") or (iii) are persons falling within Article 49(2)(a) to (e) of the Financial Promotion Order (all such persons together being referred to as "***relevant persons***"). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this communication.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

This prospectus has been prepared on the basis that all offers of Notes other than the offer(s) contemplated in this prospectus in Ireland, once the prospectus has been approved by the competent authority in such Member State and published in accordance with the Prospectus Directive (2003/71/EC) as implemented in Ireland, will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the European Economic Area ("***EEA***"), from the requirement to produce a prospectus for offers of Notes. Accordingly any person making or intending to make any offer within the EEA of Notes which are the subject of the placement contemplated in this prospectus should only do so in circumstances in which no obligation arises for the Issuer, the Guarantor or the Lead Managers to produce a prospectus for such offer. Neither the Issuer, the Guarantor nor the Lead Managers have authorized, nor do they authorize, the making of any offer of Notes through any financial intermediary.

NOTICE TO INVESTORS IN HONG KONG

The contents of this prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice from your broker, bank manager, solicitor, professional accountant, financial advisor, or other professional advisor. This prospectus and the information

contained herein may not be used other than by the person to whom it is addressed and may not be reproduced in any form or transferred to any person in Hong Kong. This Offer is not an offer for sale to the public in Hong Kong and it is not the intention of the Issuer that the Notes be offered for sale to the public in Hong Kong.

NOTICE TO INVESTORS IN SINGAPORE

This prospectus has not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes offered in this Offer may not be circulated or distributed, nor may the Notes offered in this Offer be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes offered in this Offer are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation, which is not an accredited investor (as defined in Section 4A of the SFA), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest, howsoever described, in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes offered in this Offer pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than Singapore $200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- where no consideration is or will be given for the transfer; or
- where the transfer is by operation of law.

For a description of certain further restrictions on offers and sales of the Notes and distribution of this prospectus, see the section of this prospectus entitled "Subscription and Sale."

LIMITATION ON ENFORCEABILITY OF CIVIL LIABILITIES

The Issuer's and Guarantor's presence outside the United Kingdom and the United States may limit your legal recourse against the Issuer and the Guarantor. The Issuer is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under Dutch law and the Guarantor is incorporated under the laws of the Russian Federation and neither has a presence in the United Kingdom or the United States. The Issuer's and Guarantor's directors and executive officers named in this prospectus reside outside the United Kingdom and the United States, principally, in the Netherlands and Russia. All or a substantial portion of the Issuer's and Guarantor's assets and the assets of the Issuer's and Guarantor's officers and directors are also located outside the United Kingdom and the United States. As a result, it may not be possible for the Trustee, acting on behalf of Noteholders or, in certain circumstances, a Noteholder, to:

- effect service of process within the United Kingdom or the United States on the Issuer or the Guarantor or on the Issuer's or the Guarantor's officers and directors named; or
- obtain or enforce English or U.S. court judgments against the Issuer, the Guarantor, the Issuer's or Guarantor's officers and directors on any basis, including actions under the civil liability provisions of English law or U.S. securities laws.

Under the terms of the Trust Deeds, the Issuer and the Guarantor will appoint an agent for service of process in London, England for claims under the Trust Deeds. It is possible that a Russian court will not recognize this appointment. The Issuer and the Guarantor will not appoint an agent for service of process in the United States. It may be difficult for the Trustee, acting on behalf of Noteholders, to enforce, in original actions brought in courts in jurisdictions located outside the United Kingdom or United States, liabilities predicated upon English law or U.S. securities laws. In addition, judgments rendered by a court in any jurisdiction outside the Russian Federation will be recognized by courts in Russia only if an international treaty providing for the recognition and enforcement of judgments in civil cases exists between the Russian Federation and the country where the judgment is rendered. No such treaty exists between the United States and the Russian Federation, or between the United Kingdom and the Russian Federation, for the reciprocal recognition and enforcement of foreign court judgments in civil and commercial matters. However, according to recent trends in Russian court practice, a foreign judgment can be recognized and enforced in the Russian Federation based on the principles of reciprocity and international comity, provided, however, that there is a bilateral or multilateral treaty to which the Russian Federation and the relevant foreign country are parties. Currently there exist at least two cases in which Russian courts recognized and enforced the foreign court judgments based on such principals (an English court judgment in one instance and a Dutch court judgment in another instance). However, in the absence of established court practices, it is difficult to predict whether a Russian court will be inclined in any particular case to recognize and enforce an English court judgement on these grounds. These limitations may deprive the Trustee of effective legal recourse for claims related to your investment in the Notes.

In addition, it may be difficult for investors to enforce judgments obtained in non-Dutch courts against the Issuer. The Netherlands does not currently have a treaty with the United States providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any court in any federal or state court in the United States based on civil liability, whether or not predicated solely upon United States federal securities laws, would not automatically be recognized or enforceable in the Netherlands.

In order to obtain a judgment which is enforceable in the Netherlands, the claim must be re-litigated before a competent Dutch court. A Dutch court will, under current practice, generally grant the same judgment without a de novo analysis on the merits (i) if that judgment results from legal proceedings compatible with Dutch notions of due process, (ii) if that judgment does not contravene public policy (*openbare orde*) of the Netherlands and (iii) if the jurisdiction of the relevant federal or state court in the United States has been based on internationally accepted principles of private international law.

Subject to the foregoing and service of process in accordance with applicable treaties, investors may be able to enforce in the Netherlands judgments in civil and commercial matters obtained from U.S. federal or state courts. However, no assurance can be given that such judgments will be enforceable. In addition, it is doubtful whether a Dutch court would accept jurisdiction and impose civil liability in an original action commenced in the Netherlands and predicated solely upon U.S. federal securities laws.

The Notes and the Trust Deeds are governed by the laws of England and the Issuer and the Guarantor have each agreed in the Trust Deeds that disputes arising thereunder and under the Notes are subject to arbitration in accordance with the Rules of Arbitration of the London Court of International Arbitration, also known as LCIA with the seat of any such arbitration in London, England or, at the election of the Trustee or, in certain circumstances, a Noteholder, to the jurisdiction of the English courts. See "Terms and Conditions of the Notes—Condition 17 Governing Law and Arbitration". The Netherlands and the Russian Federation are parties to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "***New York Convention***"). Consequently, an arbitral award from an arbitral tribunal in the United Kingdom, or the United States would generally be recognized and enforced in the Russian Federation on the basis of the rules of the New York Convention and the enforcement in the Netherlands of an arbitral award rendered in the United Kingdom or the United States will be subject to the provisions of the New York Convention. However, it may be difficult to enforce arbitral awards in the Russian Federation due to:

- the limited experience of Russian courts in international commercial transactions;
- official and unofficial political resistance to the enforcement of awards against Russian companies in favor of foreign investors; and
- the inability of Russian courts to enforce such orders and corruption.

See "Risk Factors—Risks Related to the Legal and Regulatory Environment in Russia, Ukraine and the CIS—Lack of independence and experience of the judiciary, difficulty of enforcing court decisions, the unpredictable acknowledgement and enforcement of foreign court judgments or arbitral awards in Russia, Ukraine and the CIS and governmental discretion in enforcing claims give rise to significant uncertainties."

Russian courts generally only recognize foreign court judgments or arbitral awards pursuant to bilateral or multilateral treaty arrangements. In addition, Russian courts have limited experience in the enforcement of foreign court judgments. The possible need to re-litigate on the merits in the Russian Federation a court judgment obtained elsewhere may significantly delay the enforcement of such judgment. Under current Russian law, certain amounts may be payable upon the initiation of any action or proceeding related to the Notes, the Guarantees or the Trust Deeds in any Russian court. These amounts in many instances depend on the amount of the relevant claim.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains "forward-looking statements," as this phrase is defined in Section 27A of the U.S. Securities Act of 1933, as amended (the "***Securities Act***"), and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the "***Exchange Act***"). Forward-looking statements are not historical facts and can often be identified by the use of terms like "estimates," "projects," "anticipates," "expects," "intends," "believes," "will," "may," "should" or the negative of these terms. All forward-looking statements, including discussions of strategy, plans, objectives, goals and future events or performance, involve risks and uncertainties. Examples of forward-looking statements include:

- our strategy to generate sufficient net cash flow in order to meet our debt service obligations;
- our intention to report our financial results under International Financial Reporting Standards ("***IFRS***"), as issued by the International Accounting Standards Board (the "***IASB***");
- our plans to develop and provide integrated telecommunications services to our customers, increase fixed and mobile telephone use and expand our operations in Russia, Ukraine, the CIS and other countries where we operate;
- our ability to execute our business strategy successfully and achieve the expected benefits from our existing and future acquisitions;
- our ability to extract anticipated synergies or to integrate an acquired business into our group in a timely and cost-effective manner;
- our ability to successfully challenge claims brought against Limited Liability Partnership KaR-Tel ("***KaR-Tel***");
- our expectations as to pricing for our products and services in the future, improving the total average monthly service revenues per subscriber and our future operating results;
- our ability to meet our projected capital requirements;
- our ability to meet license requirements and to obtain, maintain, renew or extend licenses, frequency allocations and frequency channels and obtain related regulatory approvals;
- our ability to obtain and maintain interconnect agreements; and
- other statements regarding matters that are not historical facts.

While these statements are based on sources believed to be reliable and on our management's current knowledge and best belief, they are merely estimates or predictions and cannot be relied upon. We cannot assure you that future results will be achieved. The risks and uncertainties that may cause our actual results to differ materially from the results indicated, expressed or implied in the forward-looking statements used in this prospectus include:

- risks relating to changes in political, economic and social conditions in each of the countries in which we operate;
- in each of the countries in which we operate, risks relating to legislation, regulation and taxation, including laws, regulations, decrees and decisions governing the telecommunications industry, currency and exchange controls and taxation legislation, and their official interpretation by governmental and other regulatory bodies and courts;
- risks that various courts or regulatory agencies in which we are involved in legal challenges or appeals may not find in our favor;
- risks relating to our company, including demand for and market acceptance of our products and services, regulatory uncertainty regarding our licenses, frequency allocations and numbering capacity, constraints on our spectrum capacity, availability of line capacity and competitive product and pricing pressures;
- risks associated with discrepancies in subscriber numbers and penetration rates caused by differences in the churn policies of mobile operators; and
- other risks and uncertainties.

These factors and the other risk factors described in this prospectus (in the section entitled "Risk Factors" beginning on page 20) are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable

factors also could harm our future results. Under no circumstances should the inclusion of such forward looking statements in this prospectus be regarded as a representation or warranty by us, the Lead Managers, or any other person with respect to the achievement of results set out in such statements or that the underlying assumptions used will in fact be the case. The forward-looking statements included in this prospectus are made only as of the date of this prospectus and we cannot assure you that projected results or events will be achieved. Except to the extent required by law, we disclaim any obligation to update or revise any of these forward-looking statements, whether as a result of new information, future events or otherwise.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

This prospectus describes matters that relate generally to VimpelCom Holdings B.V. (the "***Issuer***"), a private limited liability company incorporated under Dutch law, and its consolidated subsidiaries. Thus, we use terms such as "we," "us," "our", "our company" or "our group" and similar plural pronouns when describing the matters that relate generally to the Issuer and its consolidated subsidiaries.

In addition, the discussion of our business and the telecommunications industry contains references to certain terms specific to our business, including numerous technical and industry terms. Certain of these terms, as well as other terms used in this prospectus, are below:

- References to our operations in the "Moscow license area" are to our operations in the City of Moscow and the Moscow region.
- References to our operations in "the regions," "the regions outside of Moscow" and "the regions outside of the Moscow license area" are to our operations in the regions of the Russian Federation outside of the City of Moscow and the Moscow region.
- Unless the context otherwise requires, references to our operations in the "CIS" are to our operations in the Commonwealth of Independent States outside of the Russian Federation and Ukraine. Although Georgia is no longer a member of the CIS, consistent with our historic reporting practice, we continue to include Georgia in our CIS mobile reporting segment, and references to "CIS" in this prospectus generally include Georgia.
- References to the "super-regions" are to Russia's seven large geographical regions and the Moscow license area.
- References to "GSM-900/1800" are to dual band networks that provide mobile telephone services using the Global System for Mobile Communications standard in the 900 MHz and 1800 MHz frequency ranges. References to "GSM-1800" are to networks that provide mobile telephone services using GSM in the 1800 MHz frequency range. References to "GSM-900" are to networks that provide mobile telephone services using GSM in the 900MHz frequency range. References to "GSM" are to both the GSM-900 and GSM-1800 standards.
- References to "3G" technologies are to third generation mobile technologies, including UMTS.
- References to "mobile services" are to our wireless voice and data transmission services but excluding Wireless Fidelity technology ("***WiFi***").
- References to our "mobile subscribers" are to active subscribers of our mobile telecommunications services. A subscriber is considered "active" if the subscriber's activity resulted in income to VimpelCom during the most recent three months and if the subscriber remained in the mobile subscriber base at the end of the reported period. Such activity includes all incoming and outgoing calls, subscriber fee accruals, debits related to service, mobile Internet service via Universal Serial Bus ("***USB***") modems, outgoing short messaging service ("***SMS***") and multimedia messaging service ("***MMS***") and data transmission and receipt sessions, but does not include incoming SMS and MMS sent by our company or abandoned calls. We calculate monthly average minutes of use per mobile subscriber ("***MOU***") and monthly average revenue per mobile subscriber ("***ARPU***") on the basis of subscriber data using the "active subscriber" definition. Previously, we reported mobile subscriber data on the basis of registered mobile subscribers. A registered mobile subscriber is an authorized user of mobile services, using one SIM card (GSM/3G) with one or several selective numbers. Other mobile telecommunications operators may apply mobile subscriber policies that differ from ours.
- References to "Russian rubles" or "rubles" or "RUB" or "RUR" are to the lawful currency of the Russian Federation.
- References to "Moody's Investors Service" are to Moody's Investors Service Ltd.
- References to "US$" or "$" or "USD" or "U.S. dollars" are to the lawful currency of the United States of America.
- References to "LIBOR" are to the London Interbank Offered Rate.
- References to "AB SEK" are to AB Svensk Exportkredit.
- References to "MosPRIME" are to the Moscow Prime Offered Rate.

- References to "the Notes" mean, collectively, the 2014 Notes, the 2017 Notes and the 2022 Notes, unless the context indicates that such reference is intended to specify the 2014 Notes, the 2017 Notes or the 2022 Notes, in which case, such reference shall mean the 2014 Notes, the 2017 Notes or the 2022 Notes, as the case may be.
- References to the "VimpelCom Ltd. Group" are to VimpelCom Ltd. and its subsidiaries.
- References to "OJSC VimpelCom" or the "Guarantor" are to Open Joint Stock Company "Vimpel-Communications" and its subsidiaries.
- References to "Weather" are to Weather Investments II S.à r.l. and references to the "Weather Group" are to Weather and its subsidiaries.
- References to "Wind Telecom" are to Wind Telecom S.p.A., which until December 30, 2010, was known as Weather Investments S.p.A., and its subsidiaries.
- References to the "Wind Telecom Transaction" are to the acquisition by our indirect parent company, VimpelCom Ltd., of Wind Telecom.
- References to the "Telenor Group" or "Telenor" are to Telenor ASA and its subsidiaries.
- References to the "Alfa Group" are to the Alfa Group Consortium, which includes Altimo Holdings & Investments Ltd. and its affiliates. References to "Altimo Holdings" are to Altimo Holdings & Investments Ltd. only. References to "Altimo" are to Altimo Holdings & Investments Ltd. and/or (as the context may require) its subsidiaries holding shares in VimpelCom Ltd. References to "Altimo Coöperatief" are to Altimo Coöperatief U.A., a subsidiary of Altimo Holdings and the direct holder of Altimo's shares in VimpelCom Ltd.
- References to "Kyivstar" are to Private Joint Stock Company, "Kyivstar".
- References to the "Russian Bank Loan" are to the loan agreement dated April 12, 2011 between OJSC VimpelCom and Sberbank for up to the Russian ruble equivalent of US$2.5 billion.
- References to the "Bond Loan" are to the US$1.5 billion loan agreement dated February 2, 2011 between OJSC VimpelCom and VIP Finance Ireland Limited.
- References to the "Refinancing Transactions" are to (i) the US$50.0 million loan from OJSC VimpelCom to VimpelCom Ltd. made on April 29, 2011 and (ii) the US$2.6 billion loan from OJSC VimpelCom to VimpelCom Amsterdam Finance B.V. made on May 13, 2011 (US$52.8 million of which was repaid on May 20, 2011), all of which were funded by a portion of the proceeds from the Russian Bank Loan and the Bond Loan.
- References to the "Bridge Loan" are to the loan entered into by VimpelCom Amsterdam B.V. with a group of international banks (including Barclays Capital, BNP Paribas, Citibank, N.A., London Branch, ING Bank NV, HSBC Bank plc, The Royal Bank of Scotland plc and Citibank International plc (as "***Agent***")) in a principal amount of up to US$2.5 billion due March 31, 2012 (with a possible six month extension).
- References to the "Original Intercompany Note" are to the promissory note issued by the Issuer to VimpelCom Ltd. in September 2010 in the approximate principal amount of US$16.7 billion, and subsequently transferred to VimpelCom Amsterdam B.V.
- References to the "Recent Transactions" are to (i) the OJSC VimpelCom US$245.0 million loan to VimpelCom Amsterdam B.V. made on June 8, 2011 and (ii) the Issuer's repayment of US$265.8 million of the principal amount outstanding under the Original Intercompany Note on May 18, 2011, (iii) OJSC VimpelCom's borrowing from HSBC Bank PLC of the Russian ruble equivalent of US$201.3 million on May 10, 2011 and (iv) OJSC VimpelCom's borrowing from CISCO SYSTEMS FINANCE INTERNATIONAL of the Russian ruble equivalent of US$48.1 million on May 19, 2011.

Certain amounts and percentages that appear in this prospectus have been subject to rounding adjustments. As a result, certain numerical figures shown as totals, including in tables, may not be exact arithmetic aggregations of the figures that precede or follow them.

In October 2009, Telenor ASA, the parent company of the Telenor Group, and Altimo Holdings, a member of the Alfa Group and the parent company of Eco Telecom Limited, announced that they agreed to combine their ownership of OJSC VimpelCom and Kyivstar, under a new company called VimpelCom Ltd. Kyivstar is a Ukrainian mobile operator, 56.5% of which was owned by subsidiaries of Telenor and 43.5% of which was owned by subsidiaries of Altimo. We refer to the combination in this prospectus as the "***VimpelCom***

Ltd. Transaction." The VimpelCom Ltd. Transaction involved a series of transactions, including an exchange offer by VimpelCom Ltd. comprised of (i) an offer to all holders resident in the United States (including its territories and possessions) of shares of OJSC VimpelCom's common and preferred stock and to all holders of OJSC VimpelCom's ADSs, wherever located, referred to in this prospectus as the "***U.S. Offer***", and (ii) a separate voluntary tender offer to all holders of shares of OJSC VimpelCom's common and preferred stock, wherever located, referred to in this prospectus as the "***Russian Offer***". The Russian Offer and the U.S. Offer are collectively referred to in this prospectus as the "***VimpelCom Ltd. Exchange Offers***." Completion of the VimpelCom Ltd. Exchange Offers was conditioned upon greater than 95.0% of OJSC VimpelCom's shares, including those represented by ADSs, being validly tendered and not withdrawn, in addition to other conditions. On April 21, 2010, all conditions of the VimpelCom Ltd. Exchange Offers were satisfied, and VimpelCom Ltd. acquired approximately 98.0% of OJSC VimpelCom's outstanding shares, including shares represented by ADSs. Immediately following completion of the VimpelCom Ltd. Exchange Offers, subsidiaries of Telenor and Altimo caused their direct and indirect interests in Kyivstar to be transferred to the Issuer. On May 14, 2010, OJSC VimpelCom's ADSs were delisted from the NYSE, and on June 2, 2010, OJSC VimpelCom's shares were excluded from the list of traded securities at the Open Joint Stock Company Russian Trading System Stock Exchange (the "***Russian Trading System***"). On August 6, 2010, VimpelCom Ltd. completed the acquisition of all of OJSC VimpelCom's shares, including those represented by ADSs, from OJSC VimpelCom's remaining minority shareholders by way of a squeeze-out process under Russian law commenced on May 25, 2010.

This prospectus includes (i) audited consolidated financial statements for each of the Issuer and the Guarantor as of and for the years ended December 31, 2010, 2009 and 2008 prepared in accordance with United States generally accepted accounting principles ("***U.S. GAAP***") and presented in U.S. dollars (ii) unaudited consolidated interim financial statements for each of the Issuer and the Guarantor as of and for the three months ended March 31, 2011 and 2010 prepared in accordance with U.S. GAAP and presented in U.S. dollars; (iii) audited financial statements of the Issuer as of and for the year ended December 31, 2010 prepared in accordance with Dutch generally accepted accounting principles ("***Dutch GAAP***") and presented in U.S. dollars; and (iv) audited consolidated financial statements of Kyivstar as of and for the years ended December 31, 2009, 2008 and 2007 prepared in accordance with IFRS, as issued by the IASB ("***IFRS***") and presented in Ukrainian Hryvnia. We currently anticipate that we will continue to report our 2011 consolidated quarterly financial results under U.S. GAAP, but in the future we intend to report our consolidated financial results under IFRS. As a result of the VimpelCom Ltd. Transaction, the Issuer is as of April 21, 2010, the accounting successor to OJSC VimpelCom, and accordingly, accounting data and disclosure relating to the period prior to April 21, 2010 in its U.S. GAAP financial statements represent accounting data and disclosures of OJSC VimpelCom, except for equity which was restated to reflect the capital structure of the Issuer. The historical operating data for periods prior to April 21, 2010, the date on which the VimpelCom Ltd. Transaction was completed, represents the historical operating data of OJSC VimpelCom and excludes the historical operating data of Kyivstar.

This prospectus also contains an unaudited pro forma condensed consolidated combined statement of income of the Issuer for the year ended December 31, 2010, which gives effect to the Issuer's acquisitions of OJSC VimpelCom and Kyivstar as part of the VimpelCom Ltd. Transaction as if the acquisitions had occurred as of January 1, 2010. This unaudited pro forma condensed consolidated combined statement of income is presented for illustrative purposes only and is not necessarily indicative of the results that would have been obtained had these acquisitions occurred as of January 1, 2010. Further, this unaudited pro forma condensed consolidated combined statement of income is not intended to be indicative of the results of operations that we may achieve in the future. See "Unaudited Pro Forma Condensed Combined Financial Information" below for more specific information.

Please also see the section of this prospectus entitled "Glossary of Technical Terms" for definitions of certain terms used in this prospectus.

OVERVIEW

This summary contains basic information about us, our industry and the offer. You should read the entire prospectus carefully, including the risk factors, and the financial statements and their related notes included elsewhere in this prospectus.

Business

We are a holding company for telecommunications operators providing voice and data services through a range of mobile, fixed and broadband technologies. Our group includes companies operating in Russia, Ukraine, Kazakhstan, Uzbekistan, Armenia, Tajikistan, Georgia, Kyrgyzstan, the Kingdom of Cambodia and Laos. We also own 49.0% of an operator in the Socialist Republic of Vietnam. The operations of these companies cover a territory with a total population of approximately 360.0 million.

Our net operating revenues were US$2,742.9 million for the three months ended March 31, 2011 compared to US$2,231.1 million for the three months ended March 31, 2010. Our operating income was US$652.1 million for the three months ended March 31, 2011 compared to US$632.9 million for the three months ended March 31, 2010. Our net income attributable to our group was US$542.9 million for the three months ended March 31, 2011 compared to US$392.4 million for the three months ended March 31, 2010.

In October 2009, Telenor and Altimo announced an agreement to combine their respective ownership in OJSC VimpelCom and Kyivstar, under a new company called VimpelCom Ltd. Kyivstar is a Ukrainian mobile operator, 56.5% of which was owned by subsidiaries of Telenor and 43.5% of which was owned by subsidiaries of Altimo. The combination involved a series of transactions, including exchange offers by VimpelCom Ltd. to all holders of OJSC VimpelCom common shares and ADSs.

On April 21, 2010, the VimpelCom Ltd. Exchange Offers were completed, and VimpelCom Ltd. acquired approximately 98.0% of OJSC VimpelCom's outstanding shares, including shares represented by ADSs. Immediately following completion of the VimpelCom Ltd. Exchange Offers, subsidiaries of Telenor and Altimo caused their direct and indirect interests in Kyivstar to be transferred to the Issuer, which transfers were completed on April 23, 2010. On May 14, 2010, OJSC VimpelCom's ADSs were delisted from the NYSE, and on June 2, 2010, its shares were excluded from the list of traded securities at the Russian Trading System.

All of OJSC VimpelCom's shares and ADSs not tendered to VimpelCom Ltd. in the VimpelCom Ltd. Exchange Offers were subject to a squeeze-out procedure under Russian law. On May 25, 2010, VimpelCom Ltd. commenced a squeeze-out procedure to acquire all of OJSC VimpelCom's remaining shares, including those represented by ADSs, for a cash payment of RUB 11,800 per share (which was equal to approximately US$382.18 per share at the exchange rate as of May 25, 2010). The squeeze-out price was determined as the market value of OJSC VimpelCom's shares as of February 28, 2010 by an independent Russian appraiser, in accordance with Russian law. The appraisal was supplemented with a value analysis by ZAO Deloitte and Touche CIS. VimpelCom Ltd. completed payment to OJSC VimpelCom's minority shareholders and ADS holders on July 14, 2010 of the cash amounts to which they were entitled, and their shares were transferred to us by operation of law on August 6, 2010, making OJSC VimpelCom a wholly owned subsidiary of VimpelCom Ltd. On October 7, 2010, VimpelCom Ltd. transferred 100.0% less one share of OJSC VimpelCom to us.

Competitive Strengths

We believe that we are well positioned to capitalize on opportunities in the Russian, Ukrainian and CIS mobile, fixed-line and broadband telecommunications markets. We seek to differentiate ourselves from our competitors by providing innovative products, high-quality mobile, fixed-line and broadband telecommunications service offerings, specialized customer care and strong, recognized brand names.

- *Recognized brand name*. We market our mobile services under our "Beeline" brand name in nine countries (Russia, Kazakhstan, Uzbekistan, Armenia, Tajikistan, Georgia, Kyrgyzstan, Cambodia and Vietnam). We market our mobile services primarily under the "Kyivstar", "Kyivstar Business", "djuice" and "Beeline" brands in Ukraine. We established our "Beeline" brand in Russia in 1993 and launched the "Beeline" brand name in Kazakhstan in 2005, in Ukraine, Uzbekistan and Tajikistan in 2006, in Georgia in 2007, in Armenia in 2008 and in Cambodia and Vietnam in 2009. Since June 2009, Sky Mobile has been operating in Kyrgyzstan under our "Beeline" brand. Djuice is the unique youth brand recognized as the most musical brand—"the expert in music" according to Brand Progress Tracking.

- *Product and service innovation*. In our mobile business, we continue to seek out new products and services to provide our subscribers with faster access and easier usage to be competitive in the markets in which we operate. We continue to develop services oriented towards our prepaid consumer segment, such as allowing customers to stay connected while temporarily accruing a negative account balance and a portfolio of call completion services. We have strengthened our mobile instant messaging service through the launch of new features, made our service interoperable with competitors and we continue to grow our mobile instant messaging community successfully.
- *Pricing*. Acknowledging differences in competitive situations and consumer behavior across regions, we undertake a systematic effort involving dedicated analytics and research to develop an optimal pricing structure. This pricing approach ensures that we maximize value from all segments and lets us offer different tariffs and solutions to all market segments and types of companies, including special tariff options and bundles for data access services for GPRS and 3G.
- *Data Services*. We believe data services are driving market growth and we are focusing our efforts at winning this segment. We began launching 3G services in several markets in Russia in the second half of 2008, and we roll out 3G technology as frequencies are cleared and network construction in each region is completed. Our subscribers benefit from 3G service in all regions in Russia (1,084 cities, 2,100 town/village) as of March 31, 2011. We are one of only two mobile operators in Russia that have an agreement with Apple to sell the iPhone across Russia. Since we began selling the iPhone in September 2008, we have sold more than 400,000 iPhones. We believe that sales of iPhones will contribute to an increase in the sale of our data services.
- *Convergence*. Following our acquisition of Golden Telecom, Inc. ("***Golden Telecom***") we now offer a broad portfolio of competitive services in both the fixed-line and mobile corporate data markets that are designed to match the needs of our customers.
- *Blackberry*. We are one of only two carriers in Russia that are authorized by "Research in Motion" and local regulatory authorities to sell BlackBerry devices and provide BlackBerry services.
- *Mobile email*. We offer corporate mobile e-mail services for devices with OS Symbian 60/80, OS Windows Mobile and OS Symbian UIQ operating systems and have begun developing new platforms with extended features, which will also support devices with OS Android operating systems. We aim to increase penetration in the Russian corporate mobile data market by expanding the platforms through which we offer mobile e-mail services.
- *M2M*. Machine-to-machine ("***M2M***") refers to technologies that allow both wireless and wired systems to communicate with other devices of the same ability and includes technologies that allow data transmission between remote equipment. M2M technologies are used in areas such as consumer electronics, banking, metering, security and others. The M2M market in Russia is in the early stage of development with penetration of M2M SIM cards at less than 1.0%. Experts estimate the annual Russian market growth for M2M to be 25.0-30.0% until 2015. We have launched, "M2M Control Center," with Jasper Wireless Inc. (PaaS). This product is unique to the Russian market and its launch made us the first company in Russia to provide this service for corporate clients.
- *Branded handsets*. In 2010, we began selling branded handsets for B2B clients. Handsets are sold as a bundle, including special price plans or year contracts.
- *Specialized customer care*. We provide specialized customer service to our different subscriber segments. We believe that our ability to provide specialized customer service has helped us maintain a high level of subscriber satisfaction with our products and services and control churn. We also believe that we have provided particularly strong customer service to our corporate subscribers.
- *Broad distribution network*. We have one of the largest distribution networks for mobile services in Russia with approximately 2,750 independent dealers. In addition, we have approximately 4,050 branded kiosks (branded stands) and 15,800 non-specialized independent retail outlets where Beeline contracts may be purchased. In total, we have approximately 40,900 points of sale in Russia. We also have approximately 58,340 locations in Russia where prepaid scratch cards are sold and 250,000 points where cash is collected. We are also rapidly expanding our distribution in the CIS and already have approximately 26,390 points of sales throughout the CIS countries.

Additionally, we are also rapidly developing our distribution in Cambodia with approximately 647 independent dealers, and already have approximately 7,011 points of sales and 15,043 locations where prepaid scratch cards are sold throughout the country. We also have one of the largest distribution networks for mobile services in Ukraine. We have 83 partners (dealers, distributors and e-sales partners), approximately 65,000 non-specialized retail outlets, 5,000 specialized outlets, 483 monobrand sales points and approximately 56,000 e-sales points of sale. We also have approximately 65,000 locations in Ukraine where scratch cards are sold.

- *Unified, sophisticated mobile network*. We are able to provide uniform mobile products and services that we develop and launch on an international rather than local basis due to our centralized IT platform which operates throughout our unified mobile network system covering our license areas in Russia, Ukraine and the CIS. We believe that our level of centralization and standardization is unique in the license areas where we operate and that this gives us a competitive advantage and efficiency in developing and rolling out new services. We build our mobile networks with advanced technology from the world's leading mobile telecommunications equipment suppliers, such as Alcatel-Lucent, Ericsson, Nokia-Siemens Networks, and Huawei in order to provide our subscribers with high-quality, dependable networks capable of offering enhanced value added services ("***VAS***") and features. We launched our 3G network in 2008 and plan to follow the same principles of centralization that we have applied to our 2G network and building on a philosophy of a convergent 2G/3G core.
- *Extensive fixed infrastructure*. Through the combination of OJSC VimpelCom's and Golden Telecom's fixed assets, including both long distance fiber lines and city rings, we have what we believe is one of the best high-speed fixed asset bases in Russia, which enables us to efficiently carry our own traffic and to offer data communications capacity on a wholesale basis. In addition, we believe our network capacity allows us to deliver a broader range of products at a higher speed.

Strategy

We are part of the VimpelCom Ltd. Group and we share the strategy of our parent company, VimpelCom Ltd., which strives to create shareholder value by focusing on three core priorities: driving value capture in the mature voice business in core markets, emerging as a leader from the transition to a data-centric world and selectively building scale. Within each of these broad priorities we pursue specific objectives:

- *Drive value capture in the mature voice business in core markets.*
  - We recognize that our industry is one where the prices of the traditional products and services that we provide are generally falling over time, despite price elasticity being significantly below one. In contrast, many of the costs of delivering these products and services experience significant inflationary pressures. To address this imbalance, we continuously focus on cost efficiency, especially minimizing business support costs. We also design our go-to-market actions thoughtfully, with the dual ambition of ensuring that we remain a highly attractive choice for consumers at all times, while at the same time promoting responsible industry conduct.
  - We also see that the telecommunications market is highly heterogeneous, consisting of a significant number of sub-segments with partially unique needs. Therefore, we selectively, but aggressively, attack underserved B2C (consumer) and B2B (business) sub-segments, especially in areas where we can leverage the fact that we have both fixed and mobile assets or where our international footprint can be a source of competitive advantage.
  - We believe that the shift away from the traditional voice- and SMS-centric telephone company world and towards a data-centric world is fundamental and we therefore carefully scrutinize any investment in legacy infrastructure that does not also support our future data business, while ensuring that we remain able to deliver a set of core traditional telephone company services that fully meet customer expectations.
- *Emerge as leader from the transition to a data-centric world.*
  - We are convinced that the move towards a data-centric world is the single biggest industry change that our core mobile business has experienced so far. We also see that a key success factor over the coming few years for any telco operator with a significant mobile business will be to manage pricing approaches well. We therefore spend considerable time and effort to ensure that we offer a pro-active and customer-centric transition from legacy voice pricing to data-centric pricing, with the ambition to retain and ultimately grow ARPUs.

- We see that data offerings are already becoming a significant operator decision parameter for certain customer segments, and we expect this trend to broaden further. To ensure that we are the natural consumer choice in the data-centric world we aim to provide the best "value-for-money" data product portfolio while staying highly price-competitive at all times.
- We clearly recognize that a data network is more complex to manage than a voice network and that the optimization potential in a data network is significant. We therefore aim to drive smart cost efficiency in technology investments, including traffic management and off-loading as well as content compression.

- *Selectively build scale.*
  - Any future acquisitions will be consistent with our group's belief that international scale, and to a certain extent also market maturity-level portfolio diversification, can create shareholder value. We also understand very clearly that the attractiveness of any deal is going to be highly dependent on our ability to realize significant synergies and one of our core focuses in any deal will therefore be to aggressively identify and capture synergies, whether they come from enhanced leverage in procurement, staff redundancies or best-practice sharing between markets at different stages of development.

Recent Developments

On October 4, 2010, our indirect parent VimpelCom Ltd. and Wind Telecom signed an agreement in respect of the Wind Telecom Transaction to combine their respective groups. The agreement provided that at the closing of the transaction, VimpelCom Ltd. would own, through Wind Telecom, 51.7% of Orascom Telecom Holding S.A.E. ("***Orascom***") and 100% of Wind Telecomunicazioni S.p.A. ("***Wind Italy***"). At its meeting on January 16, 2011, the VimpelCom Ltd. supervisory board approved new terms of the Wind Telecom Transaction, under which shareholders of Wind Telecom would contribute to VimpelCom Ltd. their shares in Wind Telecom in exchange for consideration consisting of 325,639,827 newly-issued VimpelCom Ltd. common shares, 305,000,000 newly-issued VimpelCom Ltd. convertible preferred shares and US$1,495 million in cash. In addition, certain assets would be demerged from the Wind Telecom Group and transferred back to Weather, Wind Telecom's main selling shareholder. On March 17, 2011, the shareholders of VimpelCom Ltd. approved the issuance of common and convertible preferred shares (which have the same rights as the existing convertible preferred shares) to Wind Telecom's shareholders and the related increase in VimpelCom Ltd.'s share capital. The completion of the Wind Telecom Transaction took place on April 15, 2011. As a result of the Wind Telecom Transaction, VimpelCom Ltd. acquired operations of Wind Telecom in Algeria, Bangladesh, Pakistan, Burundi, Zimbabwe, Central African Republic, Italy and indirect equity shareholding in Canadian operations. Wind Telecom's businesses and operations are not included in the discussion of our businesses and operations that follows because Wind Telecom is held by our parent company and is therefore not part of our group.

We have assisted VimpelCom Ltd. in raising funds for use in connection with the Wind Telecom Transaction. As part of the financing for the Wind Telecom Transaction, OJSC VimpelCom borrowed the Russian Bank Loan and guaranteed the obligations of VimpelCom Amsterdam B.V. for its Bridge Loan. On April 14, 2011, VimpelCom Amsterdam B.V. drew down the Bridge Loan in the amount of US$2.2 billion. In addition, OJSC VimpelCom borrowed the Bond Loan, funded with the proceeds of VIP Finance Ireland Limited's loan participation notes issued on February 2, 2011. A portion of the proceeds from the Russian Bank Loan and the Bond Loan were loaned to VimpelCom Amsterdam B.V., which it used, along with proceeds from the Bridge Loan, to pay the Wind Telecom Transaction consideration and refinance debt held at certain Wind Telecom companies. Under the terms of the Wind Telecom Transaction, VimpelCom Ltd. may be required to pay to Weather additional amounts of up to US$770.0 million if the transfer of certain Wind Telecom assets to Weather, within certain defined periods following the closing of the Wind Telecom Transaction (the "***Spin-Off***"), cannot be effected. As of the date of this prospectus, the Spin-Off has not been completed.

Some or all of the proceeds from the issuance of the Notes will be used to provide our direct parent VimpelCom Amsterdam B.V. funds to repay the Bridge Loan. We expect that our borrowings or guarantees in connection with the Wind Telecom Transaction or to, or for the benefit of, Wind Telecom or its subsidiaries or other entities owned or controlled by VimpelCom Ltd. could materially affect our future financial condition and results of our operations by, among other things, increasing our interest expenses and total debt.

On May 4, 2011, OJSC VimpelCom signed agreements with KT Corporation and Summit Telecom Global Management B.V. (a subsidiary of Sumitomo Corporation) to acquire 99.99% of the shares of Open Joint-Stock Company "New Telephone Company" ("***NTC***"), a leading mobile operator in the Primorskiy krai in the Far East super-region of Russia, with the purchase price based on an enterprise value of US$420.0 million. On June 7, 2011, we acquired 89.99% of the shares. We expect to launch a mandatory tender offer under Russian law to acquire 10.00% of the remaining outstanding shares in July 2011. We expect that the mandatory tender offer will be completed in the third quarter of 2011 and it will be followed by a squeeze out under Russian law of the remaining 0.01% of outstanding shares.

On March 29, 2011, we agreed with our local partner in Vietnam on a financing plan for GTEL-Mobile Joint Stock Company ("***GTEL-Mobile***"), that could result in us providing investments in total of up to US$500 million through 2013. On April 26, 2011, we completed the first stage of the financing plan by paying US$196 million for newly issued shares and thereby increasing our stake in GTEL-Mobile from 40% to 49%. All proceeds from this financing will be used for GTEL-Mobile development. In connection with this investment, the joint venture parties have also agreed that we will assume operational management of GTEL-Mobile. We have also agreed to invest another US$304 million under this plan, which would increase our economic interest in GTEL-Mobile from 49% to 65%. The additional financing and equity increase are subject to satisfaction of certain performance targets by GTEL-Mobile and receipt of further regulatory approvals.

OJSC VimpelCom, Mobile Telesystems OJSC ("***MTS***"), Open Joint Stock Company "Rostelecom" ("***Rostelecom***") and Open Joint Stock Company "Megafon" ("***Megafon***") are in negotiations that could result in these companies jointly purchasing 80% of the entity or entities owning the Russian "Yota"-branded mobile internet network infrastructure, together with the rights to use this infrastructure, which presently employs the Mobile WiMax technology.

On June 1, 2011, VimpelCom Ltd. announced that it has established new dividend guidelines. VimpelCom Ltd. aims to pay interim and final dividends annually in cash that represent a significant part of its annual operating free cash flow, defined as "net cash from operating activities minus capital expenditure", to its shareholders. For the period 2011-2013, VimpelCom Ltd. aims to pay out at least US$0.80 per share per year, assuming not more than 1,628 million common shares are issued and outstanding. Cash flow to pay these dividends is provided mainly by the operations of the Issuer's subsidiaries, including OJSC VimpelCom and Kyivstar. The precise amount and timing of dividends for a particular year will be approved by the supervisory board of VimpelCom Ltd., subject to certain constraints and the terms of the dividend guidelines.

Risk Factors

You should carefully consider all information in this prospectus. In particular, you should evaluate the specific risk factors relating to an investment in our securities set forth in the section of this prospectus entitled "Risk Factors."

The Issuer was incorporated as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) on June 29, 2009. The corporate seat of the Issuer (*statutaire zetel*) is at Amsterdam, The Netherlands. The registered office of the Issuer is Claude Debussylaan 13-15, 1082 MC, Amsterdam, The Netherlands and the telephone number is +31(0)20 7977 200. The Issuer is registered with the trade registry of the Chamber of Commerce in Amsterdam, The Netherlands under number 34345993.

Summary Financial Data

The following summary consolidated financial data for the three years ended December 31, 2010, except for the data included in "—Russia Financial Highlights" below, is derived from our historical consolidated financial statements which have been audited by Ernst & Young Accountants LLP, an independent auditor, for the year ended December 31, 2010 and Ernst & Young LLC, an independent auditor, for the years ended December 31, 2009 and 2008. The summary consolidated financial data for the three-month periods ended March 31, 2011 and 2010, except for the data included in "—Russia Financial Highlights" below, is derived from unaudited financial statements. The financial data included in "—Russia Financial Highlights" below is derived from analyses prepared from our accounting records. The summary financial data set forth below should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein and the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." As a result of the VimpelCom Ltd. Transaction, the Issuer is as of April 21, 2010, the accounting successor to OJSC VimpelCom, and accordingly, accounting data and disclosure relating to the period prior to April 21, 2010 in its U.S. GAAP financial statements represent accounting data and disclosures of OJSC VimpelCom, except for equity which was restated to reflect the capital structure of the Issuer.

	Three Months Ended March 31,		Years Ended December 31,		
	2011	2010	2010	2009	2008
	(In thousands of U.S. Dollars)				
Operating revenues:					
Service revenues	US$2,673,139	US$2,202,629	US$10,291,333	US$ 8,580,815	US$ 9,999,850
Sales of equipment and accessories	66,133	26,579	193,814	109,959	107,946
Other revenues	3,588	1,920	27,653	19,788	17,190
Total operating revenues	2,742,860	2,231,128	10,512,800	8,710,562	10,124,986
Revenue based taxes	–	–	–	(7,660)	(8,054)
Net operating revenues	2,742,860	2,231,128	10,512,800	8,702,902	10,116,932
Operating expenses:					
Service costs	625,172	501,588	2,251,474	1,878,443	2,262,570
Cost of equipment and accessories	82,408	26,350	216,944	110,677	101,282
Selling, general and administrative expenses	794,343	632,406	2,998,967	2,389,998	2,838,508
Depreciation	475,309	352,553	1,649,897	1,393,431	1,520,184
Amortization	100,665	66,694	427,764	300,736	360,980
Impairment loss	–	–	–	–	442,747
Provision for doubtful accounts	12,908	18,643	50,486	51,262	54,711
Total operating expenses	2,090,806	1,598,234	7,595,532	6,124,547	7,580,982
Operating income	652,055	632,894	2,917,268	2,578,355	2,535,950
Other income and expenses:					
Interest income	24,865	11,546	64,644	51,714	71,618
Net foreign exchange (loss) gain	137,993	104,934	(14,314)	(411,300)	(1,142,276)
Interest expense	(206,808)	(141,660)	(615,870)	(598,531)	(495,634)
Equity in net gain/(loss) of associates	55,588	(3,784)	53,189	(35,763)	(61,020)
Other (expenses) income, net	(5,523)	(48,345)	(99,544)	(32,114)	(17,404)
Total other income and expenses	6,115	(77,309)	(611,895)	(1,025,994)	(1,644,716)
Income before income taxes	658,170	555,585	2,305,373	1,552,361	891,234
Income tax expense	96,186	153,049	609,479	435,030	303,934
Net income	US$ 561,984	US$ 402,536	US$ 1,695,894	US$ 1,117,331	US$ 587,300
Net income/(loss) attributable to the non-controlling interest	19,036	10,166	44,984	(4,499)	62,966
Net income attributable to VimpelCom	US$ 542,948	US$ 392,370	US$ 1,650,910	US$ 1,121,830	US$ 524,334
Other data:					
OIBDA[1]	1,228,029	1,052,141	4,994,929	4,272,522	4,859,861
OIBDA margin[2]	44.8%	47.2%	47.5%	49.1%	48.0%
Operating income margin[3]	23.8%	28.4%	27.7%	29.6%	25.1%

(1) OIBDA is a non-U.S. GAAP financial measure. OIBDA is defined as operating income before depreciation and amortization. Our management uses OIBDA and OIBDA margin as supplemental performance measures and believes that OIBDA and OIBDA margin

provide useful information to investors because they are indicators of the strength and performance of the company's business operations, including its ability to fund discretionary spending, such as capital expenditures, acquisitions and other investments, as well as indicating its ability to incur and service debt. In addition, the components of OIBDA include the key revenue and expense items for which the company's operating managers are responsible and upon which their performance is evaluated. OIBDA also assists management and investors by increasing the comparability of the company's performance against the performance of other telecommunications companies that provide OIBDA or EBITDA (earnings before interest, taxes, depreciation and amortization) information. This increased comparability is achieved by excluding the potentially inconsistent effects between periods or companies of depreciation and amortization, which items may significantly affect operating income between periods. However, our OIBDA results may not be directly comparable to other companies' reported OIBDA or EBITDA results due to variances and adjustments in the components of OIBDA (including our calculation of OIBDA) or calculation measures. Additionally, a limitation of OIBDA's use as a performance measure is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues or the need to replace capital equipment over time. For 2008, figures represent adjusted OIBDA. Adjusted OIBDA is OIBDA adjusted for impairment loss. Reconciliation of OIBDA to net income, the most directly comparable U.S. GAAP financial measure, is presented below.

(2) Represents OIBDA as a percentage of net operating revenues. Reconciliation of OIBDA margin to net income as a percentage of net operating revenues, the most directly comparable U.S. GAAP financial measure, is presented below. For 2008, figures represent adjusted OIBDA.

(3) Represents operating income as a percentage of net operating revenues.

Reconciliation of OIBDA* to net income
(Unaudited, in thousands of U.S. dollars)

	Three Months Ended March 31,		Years Ended December 31,		
	2011	2010	2010	2009	2008
OIBDA	US$1,228,029	US$1,052,141	US$4,994,929	US$4,272,522	US$ 4,859,861
Less: Depreciation	475,309	352,553	1,649,897	1,393,431	1,520,184
Less: Amortization	100,665	66,694	427,764	300,736	360,980
Less: Impairment loss	–	–	–	–	442,747
Operating income	652,055	632,894	2,917,268	2,578,355	2,535,950
Interest income	24,865	11,546	64,644	51,714	71,618
Net foreign exchange (loss) gain	137,993	104,934	(14,314)	(411,300)	(1,142,276)
Interest expense	(206,808)	(141,660)	(615,870)	(598,531)	(495,634)
Equity in net gain/(loss) of associates	55,588	(3,784)	53,189	(35,763)	(61,020)
Other expenses, net	(5,523)	(48,345)	(99,544)	(32,114)	(17,404)
Income tax expense	(96,186)	(153,049)	(609,479)	(435,030)	(303,934)
Net income	561,984	402,536	1,695,894	1,117,331	587,300

* For 2008, figures represent adjusted OIBDA. Adjusted OIBDA is OIBDA adjusted for impairment loss.

Reconciliation of OIBDA margin*
(as a percentage of net operating revenues, unaudited)

	Three Months Ended March 31,		Years Ended December 31,		
	2011	2010	2010	2009	2008
OIBDA margin	44.8%	47.2%	47.5%	49.1%	48.0%
Less: Depreciation	17.3%	15.8%	15.7%	16.0%	15.0%
Less: Amortization	3.7%	3.0%	4.1%	3.5%	3.6%
Less: Impairment loss	–	–	–	–	4.4%
Operating income	23.8%	28.4%	27.7%	29.6%	25.1%
Interest income	0.9%	0.5%	0.6%	0.6%	0.7%
Net foreign exchange (loss) gain	5.0%	4.7%	-0.1%	-4.7%	-11.3%
Interest expense	-7.5%	-6.3%	-5.9%	-6.9%	-4.9%
Equity in net gain/(loss) of associates	2.0%	-0.2%	0.5%	-0.4%	-0.6%
Other expenses, net	-0.2%	-2.2%	-0.9%	-0.4%	-0.2%
Income tax expense	-3.5%	-6.9%	-5.8%	-5.0%	-3.0%
Net income	20.5%	18.0%	16.1%	12.8%	5.8%

* For 2008, figures represent adjusted OIBDA. Adjusted OIBDA is OIBDA adjusted for impairment loss.

	At March 31, 2011	At December 31, 2010	At December 31, 2009	At December 31, 2008
Consolidated balance sheets data:				
Cash and cash equivalents	US$ 1,853,020	US$ 851,383	US$ 1,446,949	US$ 914,683
Working capital (deficit)[1]	471,221	(928,137)	(447,742)	(1,407,795)
Property and equipment, net	7,375,846	6,933,076	5,561,569	6,425,873
Telecommunications licenses, goodwill and other intangible assets, net	9,316,267	9,048,445	4,527,255	5,124,555
Total assets	23,035,174	20,401,052	14,732,541	15,725,153
Total debt, including current portion[2]	7,289,434	5,661,305	7,353,047	8,442,926
Due to related parties, non-current[3]	16,289,102	16,217,230	–	–
Total liabilities	26,586,180	24,777,443	9,715,364	11,115,307
Redeemable noncontrolling interest	525,436	522,076	508,668	469,604
Total equity	US$ (4,076,442)	US$ (4,898,467)	US$ 4,508,509	US$ 4,140,242

(1) Working capital is calculated as current assets less current liabilities.

(2) Includes bank loans, Russian ruble denominated bonds, equipment financing and capital lease obligations excluding the amount due to related parties under the Original Intercompany Note held by VimpelCom Amsterdam B.V. for all periods presented. Subsequent to March 31, 2011, there have been additional changes in certain of our outstanding indebtedness. For information regarding these changes, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financing Activities—Recent Financing Activities."

(3) Represents obligations under the Original Intercompany Note held by VimpelCom Amsterdam B.V. including interest.

Russia Financial Highlights
(In millions of Russian rubles)

	Three Months Ended March 31,		Year Ended December 31,		
	2011	2010	2010	2009	2008
Net operating revenue total	60,334	57,350	247,923	235,438	214,136
Mobile	50,067	47,882	207,338	194,936	182,766
Fixed-line	10,267	9,468	40,585	40,502	31,370
OIBDA*	25,395	27,235	114,621	116,882	104,419

Reconciliation of Russia OIBDA* to net income
(Unaudited, in millions of Russian rubles)

	Three Months Ended March 31,		Year Ended December 31,		
	2011	2010	2010	2009	2008
OIBDA	25,395	27,235	114,621	116,882	104,419
Less: Depreciation	8,425	8,346	32,998	34,725	30,332
Less: Amortization	1,191	1,238	4,959	5,197	5,015
Less: Impairment loss	–	–	–	–	9,616
Operating income	15,779	17,651	76,664	76,960	59,456
Interest income	826	808	3,310	3,422	2,734
Net foreign exchange (loss) gain	3,820	3,178	272	(10,167)	(24,349)
Interest expense	(3,940)	(4,303)	(16,446)	(18,875)	(12,046)
Equity in net gain/(loss) of associates	1,866	69	2,593	(488)	(1,722)
Other (expenses) income, net	(106)	(1,402)	(1,742)	(535)	(86)
Income tax expense	(2,115)	(4,309)	(15,688)	(12,375)	(6,965)
Net income	16,130	11,692	48,963	37,942	17,022

* For 2008, figures represent adjusted OIBDA. Adjusted OIBDA is OIBDA adjusted for impairment loss.

	Three Months Ended March 31		Year Ended December 31,		
	2011	2010	2010	2009	2008
	(In Russian rubles)				
ARPU Russia	307.8	307.7	328.2	319.6	344.4

Summary Operating Data

The following summary operating data as of March 31, 2011 and as of December 31, 2010, 2009 and 2008 has been derived from internal company sources and from independent sources that we believe to be reliable. The summary operating data set forth below should be read in conjunction with our consolidated financial statements and their related notes included elsewhere in this prospectus and the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." Our subscriber data, MOU and churn figures for all periods indicated in the table below are reported on the basis of active subscribers. The historical operating data for periods prior to April 21, 2010, the date on which the VimpelCom Ltd. Transaction was completed, represents the historical operating data of OJSC VimpelCom and excludes the historical operating data of Kyivstar.

	As of March 31,	As of December 31,		
	2011	2010	2009	2008
Selected industry operating data:				
Estimated population:[1]				
Russia	140,009,091	140,128,248	140,681,500	142,008,800
Ukraine	45,243,143	45,306,567	45,813,764	46,192,300
Kazakhstan	15,833,852	15,807,055	15,704,000	15,571,500
Tajikistan	7,177,818	7,143,494	7,011,000	7,215,700
Uzbekistan	28,043,595	27,960,495	28,381,000	27,100,000
Armenia	3,097,729	3,095,279	2,990,000	3,230,100
Georgia	4,198,875	4,205,647	4,318,000	4,500,000
Kyrgyzstan	5,596,290	5,580,940	–	–
Cambodia	15,248,754	15,183,540	15,097,000	–
Laos	6,527,189	–	–	–
Estimated mobile subscribers:[2]				
Russia	222,306,700	220,384,130	209,206,000	187,830,000
Ukraine	50,106,500	49,969,900	55,251,400	55,793,102
Kazakhstan	20,385,900	17,279,900	16,581,000	14,437,927
Tajikistan	5,825,400	5,532,150	4,334,900	3,428,061
Uzbekistan	22,134,500	20,995,500	16,569,900	12,276,098
Armenia	3,866,200	3,694,000	2,616,700	2,561,280
Georgia	4,560,800	4,422,000	3,894,800	3,757,055
Kyrgyzstan	5,149,260	5,027,000	–	–
Cambodia	9,768,700	8,930,200	5,477,100	–
Laos	3,639,200	–	–	–
Mobile penetration rate:[3]				
Russia	158.8%	157.3%	148.7%	132.3%
Ukraine	111.1%	110.3%	120.6%	120.8%
Kazakhstan	128.8%	109.3%	105.6%	92.7%
Tajikistan	81.2%	77.4%	61.8%	47.5%
Uzbekistan	78.9%	75.1%	58.4%	45.3%
Armenia	124.8%	119.3%	87.5%	79.3%
Georgia	108.6%	105.1%	90.2%	83.5%
Kyrgyzstan	92.0%	90.1%	–	–
Cambodia	64.1%	58.8%	36.3%	–
Laos	55.8%	–	–	–
Selected company operating data:[4]				
End of period mobile subscribers:				
Russia	52,991,000	52,020,000	50,886,127	47,676,844
Ukraine	24,398,000	24,389,838	2,004,729	2,052,493
Kazakhstan	6,987,000	6,867,000	6,135,275	6,269,927
Tajikistan	804,000	786,600	743,140	624,624
Uzbekistan	5,102,000	4,821,700	3,514,516	3,636,243
Armenia	699,000	672,300	545,201	544,271
Georgia	611,000	560,200	399,161	225,055
Kyrgyzstan	1,965,000	1,904,300	–	–
Cambodia	757,000	651,000	367,474	–
Laos	550,000	–	–	–
Total mobile subscribers	**94,864,000**	**92,672,938**	**64,595,623**	**61,029,457**

	As of March 31,	As of December 31,		
	2011	2010	2009	2008
MOU:[5]				
Russia	217.8	218.5	211.4	219.1
Ukraine	465.6	378.4	208.7	231.8
Kazakhstan	113.3	120.3	93.1	104.3
Tajikistan	203.4	178.5	172.9	238.9
Uzbekistan	390.7	385.7	314.0	287.8
Armenia	237.6	294.3	237.8	152.1
Georgia	147.1	136.7	138.3	113.6
Kyrgyzstan	289.7	257.7	–	–
Cambodia	355.0	331.1	78.2	–
Laos	–	–	–	–
ARPU:[6]				
Russia	US$ 10.5	US$ 10.8	US$ 10.1	US$ 13.9
Ukraine	US$ 4.7	US$ 4.8	US$ 4.7	US$ 7.6
Kazakhstan	US$ 8.0	US$ 9.2	US$ 8.1	US$ 11.7
Tajikistan	US$ 7.6	US$ 6.5	US$ 7.1	US$ 9.5
Uzbekistan	US$ 3.8	US$ 4.1	US$ 4.7	US$ 6.4
Armenia	US$ 7.8	US$ 10.3	US$ 13.2	US$ 14.6
Georgia	US$ 6.1	US$ 7.5	US$ 8.9	US$ 9.0
Kyrgyzstan	US$ 5.1	US$ 5.3	–	–
Cambodia	US$ 3.5	US$ 3.5	US$ 1.4	–
Laos	–	–	–	–
Churn rate:[7]				
Russia	14.6%	50.8%	42.8%	34.6%
Ukraine	5.3%	29.5%	81.0%	84.0%
Kazakhstan	11.4%	38.1%	46.3%	31.5%
Tajikistan	18.6%	79.9%	52.9%	42.8%
Uzbekistan	15.1%	39.4%	63.7%	55.6%
Armenia	20.2%	55.3%	58.6%	106.2%
Georgia	17.2%	30.1%	46.6%	47.2%
Kyrgyzstan	14.9%	63.3%	–	–
Cambodia	33.5%	167.0%	–	–
Laos	–	–	–	–
Number of GSM base stations:[8]				
Russia	35,188	33,535	28,718	26,633
Ukraine	15,497	15,394	3,039	3,015
Kazakhstan	3,907	3,546	3,191	3,119
Tajikistan	689	661	523	494
Uzbekistan	2,096	1,972	1,625	1,573
Armenia	806	735	518	503
Georgia	863	809	609	514
Kyrgyzstan	954	946	–	–
Cambodia	986	958	552	–
Laos	600	–	–	–
End of period broadband subscribers:[9]				
Russia	3,882,000	3,348,000	2,110,881	1,181,916
Ukraine	235,487	200,438	71,000	24,147
Kazakhstan	15,400	12,000	1,342	154
Uzbekistan	42,900	37,300	9,029	5,766
Armenia	92,800	75,000	26,196	9,234
Total broadband subscribers	**4,268,587**	**3,672,738**	**2,218,448**	**1,221,217**

(1) Estimated population statistics for the first three months of 2011 were provided by ©Informa Telecoms & Media—©Informa UK Ltd 2011. Estimated population statistics for the year ended December 31, 2010 were provided by Informa Telecoms & Media ((C)2011 Informa Telecoms & Media). Estimated population statistics for the year ended December 31, 2009 were provided by Informa Telecoms & Media ((C)2010 Informa Telecoms & Media), except for the statistics on Ukraine, which were provided by AC&M. Estimated population statistics for the year ended December 31, 2008 for all countries were published by the Interstate Statistical Committee of the CIS.

(2) Estimated mobile subscriber statistics by country for the first three months of 2011 were provided by ©Informa Telecoms & Media—©Informa UK Ltd 2011. Estimated mobile subscriber statistics by country for the year ended December 31, 2010 were provided by Informa Telecoms & Media ((C)2011 Informa Telecoms & Media). Estimated mobile subscriber statistics by country for the year ended December 31, 2009 were provided by Informa Telecoms & Media ((C)2010 Informa Telecoms & Media), except for the statistics on Ukraine, which were provided by AC&M. For the year ended December 31, 2008, estimated mobile subscriber statistics for all countries were provided by AC&M, a management consulting and research agency specializing in the telecommunications industry in Russia and the CIS.

(3) Estimated mobile penetration rate statistics for the first three months of 2011 were provided by ©Informa Telecoms & Media—©Informa UK Ltd 2011. Estimated mobile penetration rate statistics for the year ended December 31, 2010 were provided by Informa Telecoms & Media ((C)2011 Informa Telecoms & Media). Estimated mobile penetration rate statistics for the year ended December 31, 2009 were provided by Informa Telecoms & Media ((C)2010 Informa Telecoms & Media), except for the statistics on Ukraine, which were provided by AC&M. For the year ended December 31, 2008, estimated mobile penetration statistics for all countries were provided by AC&M. Penetration rates for all other countries and all other years are calculated by dividing the total estimated number of mobile subscribers in each relevant area (see Note (2)) by the total estimated population in such area (see Note (1)) as of the end of the relevant period.

(4) Operating data for Ukraine does not include figures associated with Kyivstar's operations prior to April 21, 2010, when Kyivstar's operations were integrated into the group.

(5) MOU is calculated by dividing the total number of minutes of usage for incoming and outgoing calls during the relevant period (excluding guest roamers) by the average number of mobile subscribers during the period and dividing by the number of months in that period.

(6) ARPU is calculated by dividing our mobile service revenue during the relevant period, including roaming revenue and interconnect revenue, but excluding revenue from connection fees, sales of handsets and accessories and other non-service revenue, by the average number of our mobile subscribers during the period and dividing by the number of months in that period.

(7) Churn rate is based on active subscribers. We define our churn rate of mobile subscribers as the total number of churned mobile subscribers over the reported period expressed as a percentage of the average of our mobile subscriber base at the starting date and at the ending date of the period. The total number of churned mobile subscribers is calculated as the difference between the number of new subscribers who engaged in a revenue generating activity in the reported period and the change in the mobile subscriber base between the starting date and the ending date of the reported period. Migration between prepaid and contract forms of payment and between tariff plans may technically be recorded as churn, which contributes to our churn rate even though we do not lose those subscribers. Churn rates have seasonal fluctuations and typically increase in the last quarter of the year due to churn of new subscribers obtained in the summer months of the year. Policies regarding the calculation of churn differ among operators.

(8) Including 3G base stations.

(9) Broadband subscribers are those subscribers in the registered subscriber base who were a party to a revenue generating activity in the past three months. Such activities include monthly Internet access using fiber-to-the-building, or FTTB, xDSL and WiFi technologies as well as mobile internet access via USB modems using 3G/HSDPA technologies.

THE NOTES

Issuer	VimpelCom Holdings B.V., a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under Dutch law, having its official seat (*statutaire zetel*) in Amsterdam, The Netherlands and having its registered office address at Claude Debussylaan 13-15 (1082 MC) Amsterdam, The Netherlands, registered with the trade register of the Chamber of Commerce in Amsterdam, The Netherlands under number 34345993.
Guarantor	Open Joint Stock Company "Vimpel-Communications"
Issue Amount	US$200,000,000 aggregate principal amount of Floating Rate Guaranteed Notes due 2014 (the "***2014 Notes***"). US$500,000,000 aggregate principal amount of 6.2546% Guaranteed Notes due 2017 (the "***2017 Notes***"). US$1,500,000,000 aggregate principal amount of 7.5043% Guaranteed Notes due 2022 (the "***2022 Notes***" and, together with the 2014 Notes and the 2017 Notes, the "***Notes***").
Lead Managers	Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, HSBC Bank plc, ING Bank N.V., London branch and The Royal Bank of Scotland plc.
Issue Price	100.0% of the principal amount of the Notes.
Closing Date	June 29, 2011.
Maturity Date	The 2014 Notes will be redeemed on June 29, 2014. The 2017 Notes will be redeemed on March 1, 2017. The 2022 Notes will be redeemed on March 1, 2022.
Trustee	BNY Mellon Corporate Trustee Services Limited.
Registrar	The Bank of New York Mellon (Luxembourg) S.A.
Transfer and Paying Agents	The Bank of New York Mellon (Luxembourg) S.A., at its specified office in Luxembourg, and The Bank of New York Mellon, New York Branch, at its specified office in New York.
Principal Paying Agent	The Bank of New York Mellon.
Calculation Agent	The Bank of New York Mellon.
Interest	The 2014 Notes will bear interest from their date of issuance at the annual rate of three-month USD LIBOR plus 4.00%, payable quarterly in arrear on March 29, June 29, September 29 and December 29 of each year, commencing on September 29, 2011. The 2017 Notes will bear interest from their date of issuance at a rate of 6.2546% per year. Interest on the 2017 Notes will be payable semi-annually in arrear on March 1 and September 1 of each year, commencing on March 1, 2012. The 2022 Notes will bear interest from their date of issuance at a rate of 7.5043% per year. Interest on the 2022 Notes will be payable semi-annually in arrear on March 1 and September 1 of each year, commencing on March 1, 2012.
Form	The Notes will be issued in registered form. The Notes will be in denominations in aggregate principal amount of US$200,000 each and integral multiples of US$1,000 thereafter and will be represented by global note certificates. The global note certificates will be exchangeable for Notes in individual form in the limited circumstances specified in the global note certificates.

Status of the Notes	The Notes constitute unsubordinated and unsecured obligations of the Issuer which rank *pari passu* and without preference among themselves. The Guarantees constitute unsubordinated and unsecured obligations of the Guarantor. Each of the Issuer and the Guarantor shall ensure that at all times the claims of the Noteholders against them under the Notes and the Guarantees, respectively, rank in right of payment at least *pari passu* with the claims of all their other unsecured and unsubordinated creditors, save those whose claims are preferred by any mandatory operation of law.
Guarantees	The payment, when due, of all sums expressed to be payable by the Issuer under the Notes and the Trust Deeds has the benefit of unconditional and irrevocable Guarantees of the Guarantor, as further described in Condition 2 of the Terms and Conditions of the Notes.
Use of Proceeds	The fees and expenses associated with the Offer are estimated to be approximately US$12,500,000. We expect the aggregate net proceeds of the issuance of the Notes to be approximately US$2,187,500,000. We will use the aggregate net proceeds from the issuance of the Notes first to provide our direct parent VimpelCom Amsterdam B.V. funds to repay any outstanding amounts under the Bridge Loan, as provided therein, and to use any net proceeds in excess of the amounts to be applied for such repayment for our general corporate purposes. For more information regarding the Bridge Loan, see the sections of this prospectus entitled "Certain Transactions—Agreements Related to the Wind Telecom Transaction" and "Risk Factors—Risks Related to Our Business— Substantial leverage and debt service obligations may materially adversely affect our cash flow". None of the proceeds from the issuance of the Notes will be used to fund, finance or facilitate any activity, business or transaction that is the subject of a sanctions regime administered or enforced by the U.S. Department of Treasury's OFAC, the UN Security Council, the European Union or other relevant sanctions authorities.
Redemption for Tax Reasons	The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 25 days' notice to the Noteholders, at the principal amount thereof, together with interest accrued and unpaid to (but excluding) the date fixed for redemption, if (i) the Issuer (or the Guarantor if the Guarantees are called) will become obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of The Netherlands or the Russian Federation or any political or governmental subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Closing Date and (ii) such obligations cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it. At redemption the Issuer will also pay any such additional amounts then due.
Covenants	The Terms and Conditions of the Notes and the Trust Deeds, will among other things, restrict, with certain exceptions, the ability of the Issuer, the Guarantor and their subsidiaries to create or incur liens. In addition, the Terms and Conditions of the Notes and the Trust Deeds require us to provide certain periodic information to the Trustee and require the Issuer and the Guarantor, subject to certain exceptions, to maintain their corporate existence and material telecommunications licenses.

Events of Default	In the case of an Event of Default (as defined in the "Terms and Conditions of the Notes" section of this Prospectus), the Trustee may, subject as provided in the Trust Deeds, give notice to the Issuer and the Guarantor that the Notes are immediately due and repayable.
Rating	The Notes have been rated "BB" by Standard & Poor's Ratings Services and "Ba3" by Moody's Investors Service. The Guarantor has been given a long-term corporate credit rating of "BB" by Standard & Poor's Ratings Services and a senior implied rating of "Ba3" by Moody's Investors Service. Standard & Poor's Ratings Services downgraded the Guarantor's long-term credit rating to "BB" from "BB+" on April 20, 2011, and Moody's Investors Service downgraded its corporate family rating from "Ba2" to Ba3" on March 21, 2011. In announcing the downgrades, both agencies cited the increase in leverage resulting from the Wind Telecom Transaction. Credit ratings assigned to the Notes do not necessarily mean they are a suitable investment for you. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. Similar ratings on different types of Notes do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Notes will be prepaid, paid on an expected final payment date or paid on any particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes, the Issuer or the Guarantor could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. We recommend that you analyze the significance of each rating independently from any other rating. Each of the credit ratings issued by Standard & Poor's Rating Services are issued out of the Moscow branch of Standard & Poor's International Services, Inc. which is not established in the European Union and therefore has not applied for registration under the Regulation (EC) No 1060/2009 (the "***CRA Regulation***"). Standard & Poor's Rating Services entities that are established in the European Union have applied for registration under the CRA Regulation, although notification of the corresponding registration decision (including a decision regarding endorsement of non-European Union issued ratings by Standard & Poor's Ratings Services entities in the European Union) has not yet been provided by the relevant competent authorities. Moody's Investors Service is established in the European Union and has applied to be (but at the date of this prospectus, is not) registered under the CRA Regulation.
Withholding Tax	All payments on the Notes or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by the Netherlands or the Russian Federation or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall, subject to certain exceptions, pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such witholding or deduction had been made or required to be made.
Listing	The prospectus has been approved by the Central Bank as competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under

	Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. No certainty can be given that the application will be granted.
Transfer Restrictions	The Notes and the Guarantees have not been and will not be registered under the Securities Act and, subject to certain exceptions, the Notes may not be offered or sold within the United States. The Notes may be sold in other jurisdictions only in compliance with applicable laws. See the sections of this prospectus entitled "Form of Notes and Transfer Restrictions" and "Subscription and Sale."
Governing Law	The Notes and the Trust Deeds (including the Guarantees) and any non-contractual matters arising therewith will be governed by English law and the Notes and the Trust Deeds contain certain provisions for arbitration in London, England.

RISK FACTORS

Investing in the Notes involves a high degree of risk. Before purchasing the Notes, you should carefully consider all of the information set forth in this prospectus and, in particular, the risks described below. If any of the following risks actually occurs, our business, financial condition or results of operations could be adversely affected. In that case, the value of the Notes could decline and you could lose all or part of your investment.

The risks and uncertainties below are not the only ones we face, but represent the risks that we believe are material. However, there may be additional risks that we currently consider not to be material or of which we are not currently aware and these risks could materially adversely affect our business, financial condition, results of operations and business prospects.

Risks Related to Our Business

There is no restriction in the Trust Deeds or the Notes preventing the transfer of operations of the Issuer outside of the Issuer's group.

The Issuer's indirect parent company, VimpelCom Ltd., is presently considering transferring Kyivstar outside of the Issuer's group of subsidiaries for tax planning or strategic reasons. Neither the Trust Deeds nor the Notes contain provisions preventing the Issuer or its subsidiaries, including OJSC VimpleCom, from transferring assets to other companies in the VimpelCom Ltd. Group (not subsidiaries of the Issuer) or to outside third parties. Any such transfers of operations to companies that are not subsidiaries of the Issuer could deprive us of sources of current or future income, such as dividend income from Kyivstar, currently our second largest subsidiary, and KaR-Tel, one of our largest subsidiaries in the CIS, which could adversely affect our business, financial condition, results of operations and the Noteholders.

Investors should be making their investment decision in respect of the Notes solely on the basis of OJSC VimpelCom's creditworthiness.

Because OJSC VimpelCom is entering the Guarantees, and because Kyistar is not providing credit support for the Notes and could be transferred out of the Issuer's group, holders of the Notes should rely on OJSC VimpelCom's Guarantees of the Notes and should look to and evaluate the creditworthiness of OJSC VimpelCom. Investors should not rely on Kyivstar's operations to provide the Issuer with funds to pay the Notes.

Substantial leverage and debt service obligations may materially adversely affect our cash flow.

We have substantial amounts of indebtedness. As of March 31, 2011, our total external debt for equipment financing, capital leases, bank and other loans (excluding the amount due to related parties under the Original Intercompany Note held by VimpelCom Amsterdam B.V.) was approximately US$7.3 billion on an actual basis and approximately US$12.0 billion on an adjusted basis after giving effect to (i) the issuance of the Notes (assuming a principal amount of US$2.2 billion and excluding any expenses relating to the Offer), (ii) the US$2.3 billion borrowing under the Russian Bank Loan, (iii) the Refinancing Transactions, (iv) payment of the purchase price for the acquisition by OJSC VimpelCom of 89.99% of NTC, (v) the Recent Transactions and (vi) the repayment by the Issuer of a portion of the outstanding principal amount under the New Intercompany Note in the amount of US$2.2 billion, which proceeds will be used by VimpelCom Amsterdam B.V to repay the outstanding amount under the Bridge Loan. The figure of US$12.0 billion does not reflect the repayment of any of our existing indebtedness since March 31, 2011 except as described in the foregoing sentence.

In connection with the Wind Telecom Transaction, we incurred significant additional indebtedness. As part of the financing for the Wind Telecom Transaction, OJSC VimpelCom signed the Russian Bank Loan for up to the Russian ruble equivalent of approximately US$2.5 billion (of which it borrowed US$2.0 billion in connection with the Wind Telecom Transaction) and guaranteed the obligations of VimpelCom Amsterdam B.V. for its Bridge Loan. In addition, OJSC VimpelCom borrowed US$1.5 billion from VIP Finance Ireland Limited under the Bond Loan, funded with the proceeds of VIP Finance Ireland Limited's loan participation notes issued on February 2, 2011. A portion of the proceeds from the Russian Bank Loan and the Bond Loan were loaned to VimpelCom Amsterdam B.V., which it used, along with proceeds from the Bridge Loan, to pay the Wind Telecom Transaction consideration and refinance debt held at certain Wind Telecom companies. For more information on the debt agreements entered into by members of the VimpelCom Ltd. Group in connection with the Wind Telecom Transaction, see the section of this prospectus entitled "Certain Transactions—Agreements Related to the Wind Telecom Transaction."

Under the terms of the Wind Telecom Transaction, VimpelCom Ltd. may be required to pay to Weather additional amounts of up to US$770.0 million if the Spin-Off, cannot be effected. As of the date of this prospectus, the Spin-Off has not been completed, and VimpelCom Ltd. may need to raise additional funding if the Spin-Off cannot be completed as required.

The proceeds from the issuance of the Notes will be used to provide our direct parent VimpelCom Amsterdam B.V. funds to repay any outstanding amount under the Bridge Loan. For more information on the use of proceeds from the issuance of the Notes, please see the section of this prospectus entitled "Use of Proceeds." To the extent that the proceeds from the Notes or any other debt obligations we incur are lent or distributed to VimpelCom Ltd. or its subsidiaries which are not our subsidiaries, we may not have the availability of the proceeds of that debt to support our operations and debt service obligations. There can be no assurance that we would be able to recover any amounts we lend to, or any amounts paid on guarantees for the benefit of, VimpelCom Ltd. or its subsidiaries. Furthermore, because the acquisition of Wind Telecom was undertaken by our parent company, we will not derive additional sources of cash flow or revenues from this transaction and will have to satisfy our debt service obligations from our existing cash flow and revenue sources. For more information regarding the Wind Telecom Transaction, see the sections of this prospectus entitled "Business—Overview" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments and Trends." For more information regarding our outstanding indebtedness, see the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financing Activities."

From time to time, we may enter into guarantee arrangements on behalf of our parent companies, including debt guarantees. These guarantee arrangements enhance the credit standing of our parent companies, enabling our parent companies to borrow money for their general corporate and other purposes. These guarantee arrangements may involve elements of performance and credit risk for us, which will not be included on our consolidated balance sheets. The possibility of us having to perform under any guarantee we issue on behalf of our parent companies is largely dependent upon the future performance of our parent companies, investees and other third parties, or the occurrence of certain future events. Any guarantees issued by us on behalf of our parent companies may increase our potential exposure in the event of a default by our parent companies, which could have a material adverse effect on our future financial condition and results of operations, as well as a negative impact on our liquidity. See the section of this prospectus entitled "Certain Transactions—Agreements Related to the Wind Telecom Transaction" for information about OJSC VimpelCom's guarantee of the obligations of VimpelCom Amsterdam B.V. under the Bridge Loan.

Our substantial leverage and the limits imposed by our debt obligations could have significant negative consequences, including making it difficult for us to satisfy our obligations with respect to the Notes; requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for working capital, capital expenditures, acquisitions, joint ventures, dividends and other purposes; increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions; limiting our ability to obtain additional financing and increasing the cost of such financing; and placing us at a possible competitive disadvantage relative to less leveraged competitors which have greater access to capital resources.

We must generate sufficient net cash flow in order to meet our group's debt service obligations, and we cannot assure you that we will be able to meet such obligations. If we are unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments, we would be in default under the terms of our indebtedness and the holders of our indebtedness would be able to accelerate the maturity of such indebtedness and could cause defaults under our other indebtedness.

If we do not generate sufficient cash flow from operations in order to meet our debt service obligations, we may have to undertake alternative financing plans to alleviate liquidity constraints, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital expenditures or seeking additional capital. We cannot assure you that any refinancing or additional financing would be available on acceptable terms, or that assets could be sold, or if sold, the timing of the sales, whether such sales would be on satisfactory terms and whether the proceeds realized from those sales would be sufficient to meet our debt service obligations. Our inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance debt on commercially reasonable terms, could materially adversely affect our business, financial condition, results of operations and business prospects.

VimpelCom Ltd. is primarily dependent on the Issuer for funds to pay dividends to its shareholders.

VimpelCom Ltd., the Issuer's indirect parent company, is looking to the Issuer as a primary source of funds for any further potential international expansion and dividends to VimpelCom Ltd.'s shareholders, at least in the near future. VimpelCom Ltd. aims to pay interim and final dividends annually in cash that represent a significant part of its annual operating free cash flow, defined as net cash from operating activities minus capital expenditure, to its shareholders. For the period 2011-2013, VimpelCom Ltd. aims to pay out at least US$0.80 per share per year, assuming not more than 1,628 million common shares are issued and outstanding. Cash flows that are available from the Wind Telecom entities are limited due to various factors, including restrictions on

dividends in loan agreements to Wind Italy and legal restrictions in Algeria. Therefore, funds to pay dividends to shareholders of VimpelCom Ltd. are provided mainly by the operations of the Issuer's subsidiaries, including OJSC VimpelCom and Kyivstar. Financial support that we provide to VimpelCom Ltd. for expansion and dividends would reduce our access to funds for corporate purposes, including debt service, which could adversely affect our business, financial condition, results of operations and the Noteholders.

The Issuer's substantial New Intercompany Note held by VimpelCom Amsterdam B.V. will rank pari passu with the Notes until the Issuer's insolvency, when it becomes subordinated to the Notes, but until the Issuer's insolvency it may be prepaid in whole or in part, potentially diverting funds from payment of the Notes to payment of the New Intercompany Note or reducing the assets of the Issuer available upon insolvency for application to the Notes.

Through a series of intercompany transactions within the VimpelCom Ltd. Group, in September 2010, the Issuer issued the Original Intercompany Note to VimpelCom Ltd. in the approximate principal amount of US$16.7 billion. VimpelCom Ltd. subsequently transferred the Original Intercompany Note to VimpelCom Amsterdam B.V., which is the holder of the Original Intercompany Note as of the date of this prospectus and which directly owns 100.0% of the shares of the Issuer. The Original Intercompany Note contributes significantly to the negative total equity shown on the Issuer's recent consolidated financial statements. For more information about the negative total equity position of the Issuer, see the section of this prospectus entitled "Description of the Issuer—Negative Total Equity". The Original Intercompany Note has been used to facilitate the flow of funds from the Issuer to its parent company, VimpelCom Amsterdam B.V., including the flow of funds generated by OJSC VimpelCom, effectively providing a means for revenues generated by the Issuer's operating subsidiaries to be used for payment of dividends and obligations by the Issuer's direct and indirect parent companies.

The Original Intercompany Note arose from the following transactions: after completion of the VimpelCom Ltd. Exchange Offers, VimpelCom Ltd. completed, in August 2010, the acquisition of all of OJSC VimpelCom's shares, including those represented by ADSs, from OJSC VimpelCom's remaining minority shareholders, by way of a squeeze-out process under Russian law. Subsequently, in September 2010, VimpelCom Ltd. transferred to the Issuer 100.0% minus one share of the capital stock of OJSC VimpelCom. The Issuer paid VimpelCom Ltd. the fair market value of the OJSC VimpelCom shares through a combination of the Original Intercompany Note and EUR 150,000 in cash. Shortly thereafter, VimpelCom Ltd. contributed the Original Intercompany Note to the share capital of VimpelCom Amsterdam B.V. as share premium. In connection with this Offer of the Notes, VimpelCom Amsterdam B.V. and the Issuer have agreed that the Issuer will repay the outstanding amount under the Original Intercompany Note by giving VimpelCom Amsterdam B.V. a new promissory note (the "***New Intercompany Note***") in the amount of approximately US$16.1 billion, representing the remaining outstanding principal plus unpaid interest on the Original Intercompany Note. The New Intercompany Note will extend the principal maturity for the debt from the Issuer until March 31, 2022, after the maturity for the Notes, although principal can be prepaid at any time. Interest on the New Intercompany Note will be payable annually, or, if not paid, added to the principal owed. Interest on the New Intercompany Note will be at the rate of one year LIBOR plus 4.5%. The Issuer will upstream to VimpelCom Amsterdam B.V. a portion or all of the aggregate net proceeds from the issuance of the Notes, in an amount sufficient to repay any outstanding amounts under the Bridge Loan, by paying a portion of the outstanding principal under the New Intercompany Note. Any portion of the aggregate net proceeds from the issuance of the Notes in excess of the amounts to be applied for repayment of the Bridge Loan will be used for general corporate purposes.

Because the New Intercompany Note will constitute unsecured debt of the Issuer ranking pari passu with the Notes, the Issuer and VimpelCom Amsterdam B.V., as holder of the New Intercompany Note, will agree by a Subordination Deed (the "***Subordination Deed***"), to be executed on the Closing Date, to subordinate payment on the New Intercompany Note to payments to all other creditors of the Issuer, including the Noteholders, if an insolvency event under the Subordination Deed (an "***Insolvency Event***") occurs in respect of the Issuer (as more specifically set out in the Subordination Deed). The subordination under the Subordination Deed is limited because the New Intercompany Note is subordinated only if an Insolvency Event occurs in respect of the Issuer. No earlier subordination is triggered by any other specified event, such as an event of default under other debt obligations of the Issuer or the Subordination Deed, and so the Subordination Deed does not contain the protections frequently afforded when the subordination becomes effective from the outset. Because the subordination will not be effective until an Insolvency Event occurs in respect of the Issuer, investors should note that under the Subordination Deed, before an Insolvency Event occurs: (i) the Issuer would be permitted to make payments or prepayments under the New Intercompany Note, at any time, which could reduce the amount of assets distributable to Noteholders as a result of an Insolvency Event; (ii) the Issuer would be permitted to amend the New Intercompany Note at any time for any reason or in any way; and (iii) VimpelCom Amsterdam B.V. would be entitled to exercise any of its rights under the New Intercompany Note, including the rights to

accelerate or demand payment under the New Intercompany Note, to take any action against the Issuer to enforce the New Intercompany Note or to commence insolvency proceedings against the Issuer on the basis of the New Intercompany Note. The Trustee is a party to the Subordination Deed for the limited purpose of enforcing its rights under the Subordination Deed following the occurrence of an Insolvency Event and shall not be bound to enquire as to whether any default of payment has occurred under the New Intercompany Note or any default or breach has occurred under the Subordination Deed.

Covenants in our debt agreements could impair our liquidity and our ability to expand or finance our future operations.

Agreements under which we borrow funds (as set forth in further detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financing Activities") contain a number of different covenants that impose on us certain operating and financial restrictions. Some of these covenants relate to our financial performance, such as the level of earnings, debt, assets and shareholders' equity. Other covenants limit the ability of, and in some cases prohibit, among other things, us or certain of our subsidiaries from incurring additional indebtedness, creating liens on assets, entering into business combinations or engaging in certain activities with companies within our group. A failure to comply with these covenants would constitute a default under these relevant agreements and could trigger cross payment default/cross acceleration provisions under some or all of these agreements discussed above. In the event of such a default, the debtor's obligations under one or more of these agreements could, under certain circumstances, become immediately due and payable, which could have a material adverse effect on our business, our liquidity and our shareholders' equity.

We may not be able to raise additional capital.

The actual amount of debt financing that we will need to raise will be influenced by the actual pace of subscriber growth and growth in usage over the period, the pace of technological development, capital expenditures, our acquisition plans and our ability to continue to generate sufficient amounts of revenue and ARPU growth. If we incur additional indebtedness, the related risks that we now face could increase. Specifically, we may not be able to generate enough cash to pay the principal, interest and other amounts due under our indebtedness. Due to a variety of factors, including a significant tightening in credit standards, deterioration in the availability of financing, or significant rise in interest rates in international markets, Russia, Ukraine, the United States or the European Union, we may not be able to borrow money within the local or international capital markets on acceptable terms or at all. As a result, we may be unable to make desired capital expenditures, take advantage of investment opportunities, refinance existing indebtedness or meet unexpected financial requirements, and our growth strategy and liquidity may be negatively affected. This could cause us to be unable to repay indebtedness as it comes due, to delay or abandon anticipated expenditures and investments or otherwise limit operations, which could materially adversely affect our business, financial condition, results of operations and business prospects.

Our debts denominated in foreign currencies expose us to foreign exchange loss and convertibility risks.

We have introduced Russian ruble denominated mobile and fixed-line tariff plans throughout our license areas in Russia and we denominate tariffs in local currencies in most of our geographic areas of operation. As we continue to have U.S. dollar-denominated debts and may incur Euro-denominated debts, and we continue to buy our telecommunications equipment in foreign currencies, we are exposed to higher foreign exchange loss risks related to the varying exchange rate of the Russian ruble and local currencies against the U.S. dollar or Euro. Unless effectively hedged, these risks could have a material adverse effect on our business, financial condition and results of operations. There can be no assurance that we will be able to effectively hedge currency fluctuations due to the cost or availability of hedging instruments. Also, the imposition of exchange controls or other similar restrictions on currency convertibility in our geographic areas of operation could limit our ability to convert currencies in a timely manner or at all, which could have a material adverse effect on our business, financial condition and results of operations.

Fluctuations in the value of the Russian ruble, the Ukrainian hryvnia and CIS currencies against the U.S. dollar, as well as our ability to convert our revenues, could materially adversely affect our business, financial condition and results of operations.

A significant amount of our costs, expenditures and liabilities are denominated in U.S. dollars, including capital expenditures and borrowings. In Russia, we are required to collect revenues from our subscribers and from other Russian telecommunications operators for interconnect charges in Russian rubles, and there may be limits on our ability to convert these Russian rubles into foreign currency. We hold part of our readily available

cash in U.S. dollars and Euros in order to manage against the risk of Russian ruble and Ukrainian hryvnia devaluation. Even though we have entered into forward and option agreements to hedge some of our financial obligations, if the U.S. dollar value of the Russian ruble or the Ukrainian hryvnia were to dramatically decline, we could have difficulty repaying or refinancing our foreign currency denominated indebtedness. Significant changes in the Russian ruble or the Ukrainian hryvnia to the value of the U.S. dollar or the Euro, unless effectively hedged, could result in significant variability in our earnings and cash flows. There can be no assurance that we will be able to effectively hedge currency fluctuations due to the cost or availability of hedging instruments. An increase in the Russian ruble value or the Ukrainian hryvnia value of the U.S. dollar could, unless effectively hedged, result in a net foreign exchange loss due to an increase in the Russian ruble or the Ukrainian hryvnia value of our U.S. dollar denominated liabilities. In turn, our net income could decrease. Accordingly, fluctuations in the value of the Russian ruble or the Ukrainian hryvnia against the U.S. dollar could materially adversely affect our business, financial condition and results of operations. For more information about the market risks we are exposed to as a result of foreign currency exchange rate fluctuations, please see the section of this prospectus entitled "Management's Discussion and Analysis of Financial Conditions and Results of Operations—Quantitative and Qualitative Disclosures About Market Risk."

In Kazakhstan, our costs, expenditures and current liabilities are denominated in the Kazakh tenge. Although our tariffs are also denominated in the Kazakh tenge, our subsidiary KaR-Tel has long-term financial liabilities denominated in the U.S. dollar. If the U.S. dollar value of the Kazakh tenge declines, we could have difficulty repaying or refinancing our foreign currency denominated indebtedness, which could have a material adverse effect on our business, financial condition and results of operations. Also, the imposition of exchange controls or other similar restrictions on currency convertibility in Russia, Kazakhstan, Ukraine, Uzbekistan and other CIS countries could limit our ability to convert currencies in a timely and profitable manner, which could materially adversely affect our business, financial condition and results of operations.

The international economic environment could have a material adverse effect on our business.

In late 2008 and 2009, the economies of Russia and all other markets in which we operate were adversely affected by the international economic crisis. Among other things, the crisis led to a slowdown in gross domestic product growth, devaluations of the currencies in Russia and the other markets in which we operate and a decrease in commodity prices. Although economic conditions have improved, the timing of a return to sustained economic growth and consistently positive economic trends is difficult to predict. In addition, because Russia and Kazakhstan, currently two of our largest markets, produce and export large amounts of oil, their economies are particularly vulnerable to fluctuations in the price of oil on the world market and those fluctuations can adversely affect such economies. The current difficult economic environment and any future downturns in the economies of Russia and the other markets in which we operate or may operate in the future could diminish demand for our services, constrain our ability to retain existing subscribers and collect payments from them and prevent us from executing our growth strategy. Adverse economic conditions could also hurt our liquidity and prevent us from obtaining financing needed to fund our development strategy, which could have a material adverse effect on our business, financial condition and results of operations.

The interests of VimpelCom Ltd. and its largest shareholders may conflict with our commercial interests and the interests of the Noteholders.

Our company is indirectly wholly owned and controlled by VimpelCom Ltd. VimpelCom Ltd.'s largest shareholders, Telenor, Altimo and Weather (from which VimpelCom Ltd. acquired Wind Telecom) and their respective affiliates, beneficially own, in the aggregate, approximately 80% of VimpelCom Ltd.'s outstanding voting shares. As a result, these shareholders, if acting together, may have the ability to determine the outcome of matters submitted to VimpelCom Ltd.'s shareholders for approval, including the acquisition of assets by us. In addition, the shareholders agreement between Telenor and Altimo in relation to VimpelCom Ltd. (the "***VimpelCom Ltd. Shareholders Agreement***") gives Telenor and Altimo the ability to influence our management and affairs by giving each of them the right to nominate one candidate to each of the five-person boards of directors of the Issuer, OJSC VimpelCom and Kyivstar. The VimpelCom Ltd. Shareholders Agreement also includes a voting arrangement that determines the composition of VimpelCom Ltd.'s supervisory board and grants each of Telenor and Altimo the right to appoint three of the nine members of the VimpelCom Ltd. supervisory board and to influence the appointment of the remaining three members of the VimpelCom Ltd. supervisory board. Under the VimpelCom Ltd. Group's corporate governance structure, significant corporate action on behalf of VimpelCom Ltd. and/or its subsidiaries requires the prior approval of the VimpelCom Ltd. supervisory board. Acting jointly, the nominees of Telenor and Altimo to the VimpelCom Ltd. supervisory board could cause VimpelCom Ltd. to take corporate actions or block corporate decisions by VimpelCom Ltd. or its subsidiaries, including with respect to its capital structure, financings and acquisitions, which may not be in the best interest of minority shareholders of VimpelCom Ltd., or other security holders, including holders of the

Notes. On April 15, 2011, Altimo announced that in connection with the closing of the Wind Telecom Transaction, it intended to take measures to trigger the termination of the VimpelCom Ltd. Shareholders Agreement. On June 10, 2011, VimpelCom Ltd. received a notice from Altimo that it has completed the sale of 123,600,000 preferred shares which reduced its voting rights in VimpelCom Ltd. to below 25.0% and as a result the VimpelCom Ltd. Shareholders Agreement will terminate six months following the date of such notice. For more information on Altimo's announcement, see "—Litigation involving Telenor and Altimo, two of VimpelCom Ltd.'s largest shareholders, could lead to deterioration in their relationship and could have a material adverse effect on our business, financial condition, results of operations and prospects" below.

As a result of the Wind Telecom Transaction, VimpelCom Ltd. also controls Wind Telecom and its subsidiaries and in the future may pursue other acquisition opportunities which could further shift the focus of its major shareholders away from our company and its subsidiaries. VimpelCom Ltd. could, and its major shareholders acting jointly through their nominees on the VimpelCom Ltd. supervisory board could, cause us to take corporate actions or block corporate decisions by our companies, including with respect to our strategy, capital structure, financings and acquisitions, which may not be in our best interest or in the best interest of minority shareholders of VimpelCom Ltd. or other security holders, including holders of the Notes. For example, VimpelCom Ltd. or its shareholders could cause us to incur additional indebtedness, to make intercompany loans and dividends (including to directly or indirectly support other subsidiaries of VimpelCom Ltd. that are not our subsidiaries) or to sell certain material assets, in each case so long as our debt instruments and applicable law so permit.

VimpelCom Ltd.'s strategic shareholders may pursue different development strategies from us and from one another in Russia, Ukraine, the CIS or other regions, which may hinder our ability to expand and/or compete in such regions and may lead to a deterioration in the relationship among our strategic shareholders.

In 2003, Alfa Group, one of VimpelCom Ltd.'s strategic shareholders, acquired a stake in MegaFon one of our main competitors. At the time, Alfa Group confirmed that following its acquisition of a stake in MegaFon, OJSC VimpelCom continues to be its primary investment vehicle in the Russian telecommunications industry. If Alfa Group's investment focus shifts in favor of MegaFon, the VimpelCom Ltd. Group, including our company and our subsidiaries, may be deprived of the important benefits and resources that it derives from Alfa Group's current telecommunications investment policy. Additionally, a shift in Alfa Group's focus in favor of MegaFon may hinder our activities and operations and may prevent our further expansion.

In the past, Telenor and Alfa Group have had different strategies from us and from one another in pursuing development in the CIS or other regions outside of the CIS. For example, prior to the VimpelCom Ltd. Transaction, affiliates of Telenor and members of the Alfa Group of companies reportedly owned 56.5% and 43.5%, respectively, of Kyivstar. According to VimpelCom Ltd. and public reports, companies in the Telenor group and the Alfa Group historically were involved in various disputes and litigations regarding their ownership of and control over Kyivstar. See also "—Litigation involving Telenor and Altimo, two of VimpelCom Ltd.'s largest shareholders, could lead to deterioration in their relationship and could have a material adverse effect on our business, financial condition, results of operations and prospects" below.

The Weather Group has retained some, and expects through the Spin-Off to retain additional, telecommunications assets that were not included within the scope of the Wind Telecom Transaction. We cannot assure you that the Weather Group will not compete in the future with the VimpelCom Ltd. Group in those countries or markets where the VimpelCom Ltd. Group has a presence.

We cannot assure you that the VimpelCom Ltd. Group, the Telenor Group, the Alfa Group or the Weather Group will not choose to pursue different strategies, including in markets or countries where the Telenor group, the Alfa Group or the Weather Group have a presence. Furthermore, if and to the extent that VimpelCom Ltd.'s strategic shareholders have different expansion strategies, it could lead to a deterioration in their relationship which could have a material adverse effect on our business, financial condition, results of operations and business prospects. The VimpelCom Ltd. Shareholders Agreement limits our ability to enter a market or country in which either the Telenor group or the Alfa Group already has an interest or an investment. As a result, we may be prevented from expanding our operations into new countries where one or both of the Telenor Group or the Alfa Group have existing operations or investments on favorable terms or at all.

Litigation involving Telenor and Altimo, two of VimpelCom Ltd.'s largest shareholders, could lead to deterioration in their relationship and could have a material adverse effect on our business, financial condition, results of operations and prospects.

According to VimpelCom Ltd. and public reports, during the past five years two of VimpelCom Ltd.'s largest shareholders, Telenor and Altimo, have been involved in various disputes and litigation regarding their

ownership of and control over OJSC VimpelCom and Kyivstar and more recently, the VimpelCom Ltd. Group. In October 2009, Telenor and Altimo entered into agreements under which, among other things, they agreed to dismiss or withdraw or to cause the dismissal or withdrawal of outstanding legal proceedings between, or involving, them and their respective affiliates, and reportedly they did so.

In a letter dated January 9, 2011, Altimo Holdings, a member of the Alfa Group, wrote to VimpelCom Ltd. stating that an affiliate of Altimo Holdings owns shares in Orascom Telecom Holdings S.A.E. (***"Orascom"***) sufficient in value for the Wind Telecom Transaction to be treated as a "Related M&A Transaction" under the VimpelCom Ltd. Shareholders Agreement. The VimpelCom Ltd. Shareholders Agreement provides that the issuance of VimpelCom Ltd. shares in a Related M&A Transaction is not subject to any pre-emptive rights for Altimo or Telenor. At its meeting on January 16, 2011, the VimpelCom Ltd. supervisory board concluded that the Wind Telecom Transaction should be regarded as a Related M&A Transaction and therefore is not subject to any pre-emptive rights for either Altimo or Telenor under the VimpelCom Ltd. Shareholders Agreement. The supervisory board approved the Wind Telecom Transaction by a vote of six to three. The three Telenor nominees on the supervisory board voted against the Wind Telecom Transaction. The three Altimo nominees on the supervisory board and the three independent members of the supervisory board voted for the Wind Telecom Transaction.

According to VimpelCom Ltd., on January 28, 2011, Telenor commenced arbitration proceedings against each of Altimo Holdings, Altimo Coöperatief, one of VimpelCom Ltd.'s largest shareholders, and a member of the Alfa Group, and VimpelCom Ltd. (the ***"Arbitration Proceedings"***) for the stated purpose of enforcing its alleged pre-emptive rights under the VimpelCom Ltd. Shareholders Agreement with respect to VimpelCom Ltd. shares to be issued in the Wind Telecom Transaction.

On February 7, 2011, Telenor commenced proceedings in the English Commercial Court (the ***"Court"***) seeking an injunction (the ***"Injunction Request***") which, if granted, would have prevented VimpelCom Ltd. from proceeding with the special general meeting of its shareholders on March 17, 2011 at which the Wind Telecom Transaction was proposed for approval until after the arbitration tribunal reached a final decision in the Arbitration Proceedings, unless VimpelCom Ltd. authorized and issued to Telenor its alleged pre-emptive shares on the basis that the Wind Telecom Transaction is not a "Related M&A Transaction" under the VimpelCom Ltd. Shareholders Agreement. The hearing of the Injunction Request took place on February 25, 2011. On March 1, 2011, the Court handed down its judgment in which it refused to grant the Injunction Request. VimpelCom Ltd., Altimo Holdings, Altimo Coöperatief and Weather have given various undertakings to the Court (the ***"Undertakings"***) intended to (a) ensure that Telenor will receive its pre-emptive shares should the tribunal in the Arbitration Proceedings ultimately find in Telenor's favor and (b) protect Telenor's voting stake from dilution below 25% plus one share between the closing of the Wind Telecom Transaction and the resolution of the Arbitration Proceedings.

In the Arbitration Proceedings, Telenor specifically seeks an award (a) declaring that the Wind Telecom Transaction is not a "Related M&A Transaction"; (b) declaring that VimpelCom Ltd., Altimo Holdings and Altimo Coöperatief breached the VimpelCom Ltd. Shareholders Agreement by declaring the Wind Telecom Transaction to be a "Related M&A Transaction" and denying Telenor its pre-emptive rights in connection with the Wind Telecom Transaction; (c) compelling VimpelCom Ltd., Altimo Holdings and Altimo Coöperatief to take all actions necessary to permit Telenor to exercise its pre-emptive rights in connection with the Wind Telecom Transaction; (d) declaring that Altimo Holdings and Altimo Coöperatief, through their actions and inaction in connection with the Wind Telecom Transaction, failed to exercise their pre-emptive rights and may not now claim any such rights; (e) directing that, during the pendency of the Arbitration Proceedings, the Undertakings shall remain in force and granting such other and additional interim relief as will preserve Telenor's rights as a shareholder in VimpelCom Ltd. and as a party to the VimpelCom Ltd. Shareholders Agreement; (f) granting Telenor all appropriate relief in respect of all violations by Altimo Holdings, Altimo Coöperatief and VimpelCom Ltd. of the VimpelCom Ltd. Shareholders Agreement and New York law, so as to place Telenor in the position it would have been had such violations not occurred, and ruling that Altimo Holdings and Altimo Coöperatief shall not benefit in any manner from their improper conduct; (g) awarding Telenor damages for the harm caused by violations by Altimo Holdings, Altimo Coöperatief and VimpelCom Ltd. of the VimpelCom Ltd. Shareholders Agreement and New York law, in an amount to be determined by the tribunal in the Arbitration Proceedings; (h) awarding Telenor its costs and disbursements in respect of the Arbitration Proceedings and the proceedings before the Court, including its reasonable attorneys' and experts' fees, in accordance with Article 38 of the UNCITRAL Arbitration Rules; and (i) awarding Telenor such other and further relief as the tribunal in the Arbitration Proceedings deems just and proper.

VimpelCom Ltd. shareholders approved the Wind Telecom Transaction at the special general meeting of shareholders held on March 17, 2011. On April 15, 2011, Altimo announced that in connection with the closing

of the Wind Telecom Transaction, it intended to take measures to trigger the termination of the VimpelCom Ltd. Shareholders Agreement. On June 6, 2010, Altimo announced that it entered into an agreement to sell 123,600,000 convertible preferred shares in VimpelCom Ltd. to Forrielite, a company based in Cyprus, whose beneficial owner is Oleg Kiselev, a Russian investor. On June 10, 2011, VimpelCom Ltd. received a notice from Altimo that it has completed the sale of 123,600,000 preferred shares which reduced its voting rights in VimpelCom Ltd. to below 25%, and as a result the VimpelCom Ltd. Shareholders Agreement will terminate six months following the date of such notice. Immediately upon termination of the VimpelCom Ltd. Shareholders Agreement, a new set of corporate bye-laws (Section B of VimpelCom Ltd.'s existing bye-laws) will automatically come into effect, to the exclusion of Section A of VimpelCom Ltd.'s bye-laws, which shall cease to have further effect. Unlike the set of corporate bye-laws currently in effect (Section A of VimpelCom Ltd.'s bye-laws), Section B of VimpelCom Ltd.'s bye-laws does not contain preferential shareholder rights for Altimo or Telenor (with the exception of certain transitional provisions applicable for the six month period following termination of the VimpelCom Ltd. Shareholders Agreement). Termination of the VimpelCom Ltd. Shareholders Agreement could lead to further disputes between Telenor and Altimo and present the possibility of a disposition by Telenor of its stake in VimpelCom Ltd.

Legal proceedings between Altimo and Telenor, and Telenor's opposition to the Wind Telecom Transaction, as well as Altimo's actions to terminate the VimpelCom Ltd. Shareholders Agreement, could cause the relationship between Altimo and Telenor to deteriorate. As a result of the disputes among two of our largest shareholders and claims made against VimpelCom Ltd., we could suffer material adverse effects on our business, financial condition, results of operations and prospects.

A disposition by VimpelCom Ltd.'s strategic shareholders of their respective stakes in VimpelCom Ltd. or a change in control of VimpelCom Ltd. could harm our business.

Our debt agreements have had, and in the future may have, "change of control" provisions that may require us to make a prepayment if certain parties acquire beneficial or legal ownership of or control over more than 50.0% of our shares, which could occur if certain parties acquired more than 50.0% of VimpelCom Ltd. Generally, this change of control provision is not triggered as long as a combination of the Alfa Group, Telenor and/or Weather own more than 50% of VimpelCom Ltd. If a change of control is triggered and we fail to make any required prepayment, this could lead to an event of default, and could trigger cross default/cross acceleration provisions under certain of our other debt agreements. In such event, our obligations under one or more of these agreements could become immediately due and payable, which would have a material adverse effect on our business, financial condition and results of operations.

We derive benefits and resources from the participation of Telenor, Altimo and Weather in the VimpelCom Ltd. Group. If Telenor, Altimo and/or Weather were to dispose of its stake in VimpelCom Ltd., either voluntarily or involuntarily, we may be deprived of the benefits and resources that we derive from Telenor, Altimo and/or Weather which could have a material adverse effect on our business, financial condition and results of operations.

We may not realize the anticipated benefits from acquisitions and we may assume unexpected or unforeseen liabilities and obligations or incur greater than expected liabilities in connection with acquisitions.

The actual outcome of our acquisitions and their effect on our company and its subsidiaries and the results of our operations may differ materially from our expectations as a result of the following factors, among others:

- past and future compliance with the terms of the telecommunications license and permissions of the acquired companies, their ability to get additional frequencies and their past and future compliance with applicable laws, rules and regulations (including, without limitation, tax and customs legislation);
- unexpected or unforeseen liabilities or obligations or greater than expected liabilities incurred prior to or after the acquisition, including tax, customs, indebtedness and other liabilities;
- the acquired company's inability to comply with the terms of its debt and other contractual obligations;
- the acquired company's ability to obtain or maintain favorable interconnect terms;
- our inability to extract anticipated synergies or to integrate an acquired business into our group in a timely and cost-effective manner;

- changes to the incumbent management personnel of our acquired companies or the possible deterioration of relationships with employees and customers as a result of integration;
- exposure to foreign exchange risks that are difficult or expensive to hedge;
- the acquired company's inability to protect its trademarks and intellectual property and to register trademarks and other intellectual property used by such company in the past;
- developments in competition within each jurisdiction, including the entry of new competitors or an increase in aggressive competitive measures by our competitors;
- governmental regulation of the telecommunications industry in each jurisdiction, ambiguity in regulation and changing treatment of certain license conditions;
- political economic, social, legal and regulatory developments and uncertainties in each jurisdiction; and
- claims by third parties challenging our ownership or otherwise.

For information about our acquisitions, please see the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Investing Activities."

We may still pursue a strategy that includes additional expansion. Any future acquisitions or investments could be significant and in any case could involve risks inherent in assessing the value, strengths and weaknesses of such opportunities, particularly if we are unable to conduct thorough due diligence prior to the acquisition. Such acquisitions or investments may divert our resources and management time. We cannot assure you that any acquisition or investment could be made in a timely manner or on terms and conditions acceptable to us.

If VimpelCom Ltd. is unable to successfully integrate Wind Telecom and develop its combined business, it could have a material adverse effect on our business.

With the acquisition of Wind Telecom, VimpelCom Ltd.'s management will be required to devote a significant amount of time and resources to the process of integrating the operations of Wind Telecom with the VimpelCom Ltd. Group's operations, which will decrease the time management has to manage the combined company's business, service existing clients, attract new clients, develop new services or strategies and respond to increasing forms of competition. The integration process will require significant input from Wind Telecom's management. All of the risks associated with the integration process and execution of VimpelCom Ltd.'s strategy could be exacerbated by the fact that Wind Telecom has operations in markets that are new to the VimpelCom Ltd. Group. Additionally, VimpelCom Ltd. will depend to a significant extent upon the performance and contributions of Wind Telecom's senior management. Although VimpelCom Ltd. has retained several members of Wind Telecom's senior management, we cannot assure you that it will be able to retain all of the senior managers who are valuable to Wind Telecom's operations. The VimpelCom Ltd. Group's inability to integrate Wind Telecom successfully could have a material adverse effect on the VimpelCom Ltd. Group and, in turn, our company's business, financial condition and results of operations.

VimpelCom Ltd.'s stated rationale behind the acquisition was based on certain beliefs and assumptions, among others, that the assets of the VimpelCom Ltd. Group and Wind Telecom are complementary, that demand for mobile data services in its markets is set to grow significantly and that the combination will result in significant synergies, primarily derived from procurement, operational expenses and capital expenditures. If any of these fundamental beliefs or assumptions proves to be incorrect or if VimpelCom Ltd. is unable to effectively execute its strategy, the return on its substantial investment in Wind Telecom may not materialize and the VimpelCom Ltd. Group's, and, in turn, our, business, financial condition and results of operations could be materially adversely affected.

A deterioration in macroeconomic conditions could require us to write down goodwill on certain of our reporting units.

When we purchase a company, we record the difference between the fair value of the assets and the purchase price as goodwill. This goodwill is subject to impairment tests on an ongoing basis. OJSC VimpelCom had goodwill impairment charges of US$315.0 million in our fixed operations in Russia and US$53.8 million in its Ukrainian mobile operations in 2008. A deterioration in macroeconomic conditions in the countries in which we operate and/or a significant difference between the performance of an acquired company and the business case assumed at the time of acquisition could require us to further write down the value of the goodwill. A write down in goodwill could impact the covenants under our debt agreements and could lead to a material adverse effect on our business, financial condition and results of operations.

Our revenues are often unpredictable and our revenue sources are short-term in nature.

Future revenues from our prepaid mobile subscribers, our primary source of revenues, and our contract mobile subscribers are unpredictable. We do not require our prepaid mobile subscribers to enter into long-term service contracts and cannot be certain that they will continue to use our services in the future. We require our contract mobile subscribers to enter into service contracts; however, many of these service contracts can be cancelled by the subscriber with limited advance notice and without significant penalty. Our churn rate fluctuates significantly and is difficult to predict. Our churn rate for our biggest markets—Russia and Ukraine—were 14.6% and 5.3%, respectively, for the three months ended March 31, 2011 and ranged from 11.4% to 33.5% for the other markets. Our churn rates in Russia for 2010 and 2009 were 50.8% and 42.8%, respectively, while in Ukraine our churn rates were 29.5% and 81.0%, respectively. For our other markets, our churn rates ranged from 30.1% to 167%. Consumption of mobile telephone services is driven by the level of consumer discretionary income. Deterioration in the economic situation could cause subscribers to have less discretionary income, thus affecting their spending on our services. The loss of a larger number of subscribers than anticipated could result in a loss of a significant amount of expected revenues. Because we incur costs based on our expectations of future revenues, our failure to accurately predict revenues could adversely affect our business, financial condition, results of operations and business prospects.

We could be subject to tax claims that could have a material adverse effect on our business.

Tax audits in Russia, Ukraine and in the other countries in which we operate are conducted regularly. We have been subject to substantial claims by the Russian and Ukrainian tax inspectorates with respect to other tax years for which we have been audited in the past. These claims have resulted in additional payments, including fines and penalties, by OJSC VimpelCom to the tax authorities. We have challenged and are currently challenging certain claims by the Russian tax inspectorate in court. In addition, we have challenged a claim for RUR1.2 billion (which is approximately US$42.0 million at the exchange rate as of March 31, 2011) in relation to a tax audit that was conducted with respect to OJSC VimpelCom's 2007 and 2008 Russian tax filings. On December 9, 2010 Kazakh tax authorities completed a tax audit of KaR-Tel for its tax filings from 2005 to 2009 and ordered KaR-Tel to pay additional taxes, fines and penalties of US$7.3 million. KaR-Tel did not challenge the order and paid the penalty in its entirety. For more information regarding tax claims and their effects on our financial statements, see the sections of this prospectus entitled "Business—Legal Proceedings" and note 10 to our unaudited interim consolidated financial statements included elsewhere in this prospectus. In addition, for more information concerning the tax risks we face, see the risk factor in this section entitled "—Risks Related to the Legal and Regulatory Environment in Russia, Ukraine and the CIS—Russian tax laws, regulations and court practice are subject to frequent change, varying interpretations and inconsistent and selective enforcement."

Kyivstar may face a potential dispute with the tax authorities concerning basis for assessment of 20.0% Ukrainian VAT. In particular, the new Tax Code entered into force on January 1, 2011 and Kyivstar's understanding of the VAT regulations is that Kyivstar should not assess VAT on the amount of Ukrainian pension fund tax charged by Kyivstar from its customers, while the tax authorities' view is that VAT liability should be declared in respect of all payments received by Kyivstar from its subscribers. Although Kyivstar has received a letter from the tax and customs policy committee of the Ukrainian parliament supporting Kyivstar's position, the letter is not binding upon tax authorities, and the controversy most likely will be resolved in court. In the event Kyivstar is not successful in its challenge of the VAT application, Kyivstar may face significant fines and penalties for the unassessed VAT.

Although we are permitted to challenge in court the decisions of tax inspectorates, there can be no assurance that we will prevail in our litigation with tax inspectorates. In addition, there can be no assurance that the tax authorities will not claim on the basis of the same asserted tax principles they have claimed against us for prior tax years or different tax principles that additional taxes are owed by us for prior or future tax years or that the relevant governmental authorities will not decide to initiate a criminal investigation in connection with claims by tax inspectorates for prior tax years. The adverse resolution of these or other tax matters that may arise could have a material adverse effect on our business, financial condition and results of operations.

Our competitors may receive preferential treatment from the regulatory authorities and benefit from the resources of their shareholders, potentially giving them a substantial competitive advantage over us.

Our competitors, including MTS, MegaFon, Rostelecom, a subsidiary of the state-controlled telecommunications company, Telecommunication Investment Joint Stock Company Svyazinvest ("***Svyazinvest***"), Open Joint Stock Company "Ukrtelecom" ("***Ukrtelecom***"), Limited Liability Company "Astelit" ("***Astelit***"), Private Joint Stock Company "MTS UKRAINE" ("***MTS Ukraine***"), GSM Kazakhstan and others, may receive preferential treatment from the regulatory authorities and benefit from the resources of their shareholders, potentially giving them a substantial competitive advantage over us. Additionally, current or future

relationships among our competitors and third parties may restrict our access to critical systems and resources. New competitors or alliances among competitors could rapidly acquire significant market share. We cannot assure you that we will be able to forge similar relationships or successfully compete against them.

The Russian government recently completed the restructuring of Rostelecom by means of a merger of Svyazinvest's regional subsidiary telecommunications operators into Rostelecom. This reorganization led to the creation of a fourth Russian federal mobile communications operator. The newly organized company, including its mobile operations, may receive preferential treatment from the regulatory authorities in licensing, frequency allocation, tariff regulation, access to existing infrastructure, and the regulatory regime, among others, and may receive favorable pricing terms for interconnection from state-controlled regional fixed line operators.

Increased competition and a more diverse subscriber base in our mobile business may have a material adverse effect on our results of operations, including revenues.

We cannot assure you that our revenue will grow in the future, as mobile subscriber growth rates slow and competition puts pressure on prices. Nevertheless, our business strategy contemplates revenue growth and we are expending significant resources to increase our revenues, particularly by building 3G networks and by marketing new products and value added services to both our existing subscribers and new corporate and business subscribers. If we are unsuccessful in our marketing campaigns or the services we introduce are not well received by consumers, or in the event of any delays in developing our 3G networks, we will not generate the revenue anticipated and our ARPU may decline, which may materially adversely affect our business, financial condition and results of operations. For more information on competition we face in the market for mobile services, see the section of this prospectus entitled "Business—Competition—Mobile Services."

In addition, as the subscriber penetration rates increase and the markets in which we operate mature, mobile services providers, including us, may be forced to utilize more aggressive marketing schemes to retain existing subscribers and attract new ones. If this were to occur, we may choose to adopt lower tariffs, offer handset subsidies or increase dealer commissions, any or all of which could materially adversely affect our business, financial condition and results of operations.

If we are unable to maintain our favorable brand image, we may be unable to attract new subscribers and retain existing subscribers, leading to loss of market share and revenues.

We have expended significant time and resources building our "Beeline", "Kyivstar" and "djuice" brand images. Our ability to attract new subscribers and retain existing subscribers depends in part on our ability to maintain what we believe to be our favorable brand image. Negative rumors or various claims by Russian, Ukrainian or foreign governmental authorities, individual subscribers and third parties against us could materially adversely affect this brand image. In addition, consumer preferences change and our failure to anticipate, identify or react to these changes by providing attractive services at competitive prices could negatively affect our market share. We cannot assure you that we will continue to maintain a favorable brand image in the future. Any loss of market share resulting from any or all of these factors could negatively affect our business, financial condition and results of operations.

If we cannot attract, train, retain and motivate qualified personnel, then we may be unable to successfully manage our business or otherwise compete effectively in the telecommunications industry, which could have a material adverse effect on our business.

To successfully manage our business, we depend in large part upon our ability to attract, train, retain and motivate highly skilled employees and management. There is significant competition for such employees, particularly during economic downturns such as the one we recently experienced. We may lose some of our most talented personnel to our competitors. If we cannot attract, train, retain and motivate qualified personnel, then we may be unable to successfully manage our business or otherwise compete effectively in the telecommunications industry, which could have a material adverse effect on our business, financial condition, results of operations and business prospects.

We may not be able to recover, or realize the value of, the debt investments that we make in our subsidiaries.

OJSC VimpelCom lends funds to, and makes further debt investments in, its subsidiaries under intercompany loan agreements and other types of contractual agreements. Certain of OJSC VimpelCom's subsidiaries are also parties to third-party financing arrangements that restrict OJSC VimpelCom's ability to recover its investments in these subsidiaries through the repayment of loans or dividends. For more information regarding our subsidiaries' indebtedness, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financing Activities." These restrictions on

repayment of intercompany debt may reduce the ability of OJSC VimpelCom to upstream cash to us. In the future, we may enter into similar debt arrangements with our subsidiaries. These restrictions in OJSC VimpelCom's or our debt arrangements could make it difficult for us to meet our debt service obligations, which could materially adversely affect our business, financial condition, results of operations and business prospects.

Claims by the former shareholders of Limited Liability Partnership KaR-Tel and/or the Turkish Savings Deposit Insurance Fund or others may result in increased liabilities and obligations, including possible defaults under our outstanding indebtedness, and deprive us of the value of our ownership interest in KaR-Tel.

On January 10, 2005, KaR-Tel received an "order to pay" issued by the Savings Deposit Insurance Fund (the "***Fund***"), a Turkish state agency responsible for collecting state claims arising from bank insolvencies, in the amount of approximately US$5.0 billion (stated as approximately Turkish Lira 7.6 quadrillion and issued prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005). We believe that the order to pay is without merit. We challenged it in the Administrative Court of Istanbul, which, on October 25, 2010, ruled in our favor and cancelled the order to pay. However, the Fund has appealed the ruling and there can be no assurance that the ruling will not be overturned, that KaR-Tel will ultimately prevail in its petition for the cancellation of the order to pay or that we will not be subject to protracted litigation with the Fund or others. The adverse resolution of this matter and any other matter that may arise in connection with the order to pay issued by the Fund or any other claims made by the Fund or the former shareholders of KaR-Tel, could have a material adverse effect on our business, financial condition and results of operations, including an event of default under some or all of our outstanding indebtedness. For more information about our litigation regarding KaR-Tel, see the section of this prospectus entitled "Business—Legal Proceedings—KaR-Tel Litigation."

We are subject to claims in connection with Sky Mobile.

In October 2010, OJSC VimpelCom acquired 50.1% of the share capital of Menacrest Limited ("***Menacrest***"), which is the parent company of Limited Liability Company Sky Mobile ("***Sky Mobile***"), a mobile operator in Kyrgyzstan, from Crowell Investments Limited ("***Crowell***") in exchange for a set-off of a portion of our US$350.0 million loan to Crowell.

Sky Mobile is a defendant in litigation in the Isle of Man. The litigation was brought by affiliates of MTS against Sky Mobile and affiliates of Altimo alleging that the Kyrgyz judgment determining that an Altimo affiliate was the rightful owner of interest in the equity of Bitel, an MTS affiliate, prior to the asset sale between Sky Mobile and Bitel, was fraudulent and that Bitel shares and Sky Mobile assets were misappropriated. The legal proceedings in this matter are pending. There can be no assurance that MTS or any other party will not bring an additional action against our company or any of our subsidiaries in connection with Sky Mobile or, if so brought, that we will prevail in any such lawsuit. The adverse resolution of any matter that may arise in connection with Sky Mobile could have a material adverse effect on our company, its business, its expansion strategy and its financial results. For more information about legal proceedings and threatened claims against us relating to Sky Mobile, see the section of this prospectus entitled "Business—Legal Proceedings—Sky Mobile Litigation."

Our licenses may be suspended or revoked and we may be fined or penalized for alleged violations of law or regulations.

We are required to meet certain terms and conditions under our licenses, including meeting certain conditions established by the legislation regulating the communications industry. For more information on our licenses and their related requirements, please see the sections of this prospectus entitled "Business—Licenses" and "Regulation of Telecommunications." If we fail to comply with the conditions of our licenses or with the requirements established by the legislation regulating the communications industry, or if we do not obtain permits for the operation of our equipment, use of frequencies or additional licenses for broadcasting directly or through agreements with broadcasting companies, we anticipate that we would have an opportunity to cure any non-compliance. However, we cannot assure you that we will receive a grace period, and we cannot assure you that any grace afforded to us would be sufficient to allow us to cure any remaining non-compliance. In the event that we do not cure any remaining non-compliance, the applicable regulator could decide to suspend and seek termination of the license. The occurrence of any of these events could materially adversely affect our ability to build out our networks in accordance with our plans and could harm our reputation.

If we fail to fulfil the specific terms of any of our licenses, frequency permissions or other governmental permissions or if we provide services in a manner that violates applicable legislation, government regulators may levy fines, suspend or terminate our licenses, frequency permissions, or other governmental permissions or refuse to renew licenses that are up for renewal. A suspension and the subsequent termination of GSM licenses, 3G

licenses, long distance, international services, fixed-line, telematic and data licenses or refusal to renew our licenses could materially adversely affect our business, financial condition and results of operations.

Our licenses are granted for specified periods and they may not be extended or replaced upon expiration.

Most of our licenses are granted for specified terms, and we can give you no assurance that any license will be renewed upon expiration. Our super-regional GSM licenses in Russia will expire in 2012 and 2013, our territorial GSM licenses in Russia will expire in various years from 2011 to 2021, and our mobile licenses in the CIS will expire in various years from 2013 to 2021. Our 3G license in Russia will expire in 2017. Most of our fixed telecommunications licenses expire in various years from 2011 to 2019. If renewed, our licenses may contain additional obligations, including payment obligations, or may cover reduced service areas or scope of service.

Kyivstar's main 900/1800 MHz (GSM) mobile license was issued on April 12, 2001 and will expire on October 25, 2011. Under Ukrainian law, a license holder may apply to the Ukrainian National Commission for Communications Regulation (the "***NCCR***") for the extension of a telecommunications license four months prior to its expiration date. As a matter of practice, the NCCR has denied extension of telecommunications licenses issued under old legislation that existed prior to December 24, 2003. The NCCR's refusal to extend the term of a license may be challenged in court. A number of telecommunications operators have already disputed the NCCR's refusal to renew licenses in court with varying outcomes in the relevant cases.

On June 9, 2011, Kyivstar applied to the NCCR for extension of its 900/1800 MHz (GSM) mobile license. If the NCCR refuses to extend the term of Kyivstar's 900/1800 MHz (GSM) license, Kyivstar may challenge such refusal in court. Kyivstar's 900/1800 MHz (GSM) mobile license may expire prior to the completion of any related court proceedings. In Ukraine, operation without a license may result in penalties in the amount of income generated from such operation.

If Kyivstar does not successfully challenge a refusal to extend its license by the NCCR, it will have to apply to obtain new 900/1800 MHz (GSM) license, which could result in costs of approximately US$2.3 million. In addition, there can be no assurance that Kyivstar will successfully be able to obtain a new license.

All licenses held by Kyivstar were re-issued due to the recent change of Kyivstar's corporate name from Closed Joint Stock Company "Kyivstar G.S.M." to Private Joint Stock Company, "Kyivstar" effected in March 2011 to bring its corporate governance in compliance with the new Joint Stock Company Law. According to the law, change of corporate name of a license-holder triggers re-issuance of the respective licenses. The licenses were re-issued in a timely manner and with the same terms and conditions. The permits for allocation of numbering resources and frequency permissions under these licenses are being re-issued.

As a rule, the expiration date of frequency permissions for most of our mobile communications and radio-relay line base stations exceeds the validity period of communications service licenses. We cannot predict whether we will be able to obtain extensions of our frequency permissions and whether these extensions will be formalized and granted by the regulatory agency in a timely manner and without any significant additional costs. It is possible that upon expiration of frequency permissions the frequency bands currently in use by us will be wholly or partly re-allocated in favor of other communications technologies and/or other communications operators, requiring that we coordinate the use of our frequencies with the other license holders and/or experience a loss of quality in our network.

If our licenses for provision of telecommunications services or frequency allocations are not renewed, our business could be materially adversely affected. For more information, please see the section of this prospectus entitled "Business—Licenses—Mobile Telecommunications Licenses."

We may be subject to increases in payments for frequency allocations under the terms of some of our licenses.

Russian legislation requires that we make payments for frequency spectrum usage. Any significant increase in the fees payable for the frequencies that we use or for additional frequencies that we need could have a negative effect on our financial results.

At present we make payments for radio-frequency spectrum use under regulations of the Russian government. In Ukraine, fees for use of radio-frequency spectrum are payable under the Tax Code of Ukraine. As a whole, the fees for all available frequency assignments have been significant. Although the Russian radio frequency payment requirement is not 1egislatively assigned to all types of networks, there is a Russian Government Decree which requires everyone to pay for radio frequency spectrum use, including military and other users of radio networks. As a result, we cannot assure you that the fees we pay for radio-frequency spectrum use will not increase, and such an increase could negatively affect our financial results. In addition, in

Ukraine, failure to make payments for frequency allocations for more than six months could result in revocation of frequency allocations and permissions, which could limit our ability to provide services and have a material adverse effect on our business, financial condition or results of operations. For more information, please see the section of this prospectus entitled "Regulation of Telecommunications."

Our ability to provide telecommunications services would be severely hampered if our access to local and long distance line capacity was limited or if the commercial terms of our interconnect agreements were significantly altered.

Our ability to secure and maintain interconnect agreements with other wireless and local, domestic and international fixed-line operators on cost-effective terms is critical to the economic viability of our operations. Interconnection is required to complete calls that originate on our respective networks but terminate outside of our respective networks, or that originate from outside our networks and terminate on our respective networks. A significant increase in our interconnect costs as a result of new regulations or commercial decisions by other fixed-line operators or a lack of available line capacity for interconnection could have a material adverse effect on our ability to provide services. We also cannot exclude the possibility of further increase of interconnect costs in case of increase of the inflation rate in our countries of operation.

We are experiencing difficulties with maintaining efficient interconnection relationships with certain telecommunications operators. For example, Kyivstar and MTS Ukraine are currently involved in legal disputes with Astelit in relation to amending interconnection agreements. Notably, Astelit refused to sign amendments to the relevant interconnect agreements providing for revised call termination rates established for operators holding a dominant position in the interconnect market. Kyivstar filed a lawsuit seeking to compel Astelit to adhere to the government-regulated rates. Astelit filed a counterclaim against Kyivstar. In May 2011, the court ruled in favor of Astelit compelling Kyivstar to amend the interconnect agreements providing for asymmetric interconnect rates. Kyivstar filed an appeal the said court decision, but there can be no assurance that Kyivstar will prevail on its appeal.

Also, Kyivstar is currently involved in a dispute with local telecommunications operator Limited Liability Company "Ucomline" ("***Ucomline***") in respect of entry into interconnect agreement. Specifically, in October 2010 Ucomline brought an action in the court seeking to compel Kyivstar to enter into the interconnect agreement on the conditions proposed by Ucomline. Kyivstar filed a counterclaim against Ucomline seeking to compel Ucomline to enter into the interconnect agreement on the conditions proposed by Kyivstar. In December 2010, the court made a decision in favor of Ucomline in full and in favour of Kyivstar in part and approved a restated interconnect agreement between the parties in its decision. In March 2011 the court of appeals upheld the decision of the court of first instance. Kyivstar has already filed a cassation appeal, but there can be no assurance that Kyivstar will prevail on its appeal.

We face uncertainty regarding our frequency allocations, equipment permits and network registration, and we may experience limited spectrum capacity for providing wireless services.

To establish and commercially launch a mobile telecommunications network, we are required to receive, among other things, frequency allocations for bandwidths within the frequency spectrums in the regions in which we operate. There are a limited number of frequencies available for mobile operators in each of the regions in which we operate or hold licenses to operate. We are dependent on access to adequate frequency allocation in each such market in order to maintain and expand our subscriber base. If frequencies are not allocated to us in the future in the quantities, with the geographic span and for time periods that would allow us to provide mobile services on a commercially feasible basis throughout all of our license areas, our business, financial condition, results of operations and prospects may be materially adversely affected. In addition, a failure to make payments for frequency allocations could result in the suspension or revocation of our frequency allocations. A loss of allocated frequency that is not replaced by other adequate allocations also could have a substantial adverse impact on our network capacity and our ability to provide mobile services. In addition, frequency allocations may be issued for periods that are shorter than the terms of our licenses, and such allocations may not be renewed in a timely manner or at all. If our frequencies are revoked or we are unable to renew our frequency allocations, our network capacity and our ability to provide mobile services would be constrained and our ability to expand would be limited, which could have a material adverse effect on our business, financial conditions and results of operations.

We have in the past been unable to obtain frequency allocations necessary to test or expand our networks in Russia. For example, our applications for GSM-900 frequencies in five regions within the Urals super-region and eight regions in the Northwest super-region were denied. Further, we were denied a grant of GSM-900, GSM-1800 frequencies in the Far East super-region and E-GSM frequencies throughout all of Russia by Russia's State Radio Frequency Commission ("***SRFC***"). Although OJSC VimpelCom received frequencies in three

regions within the Far East super-region through tenders conducted in 2007 and seven regions within the Far East super-region through tenders conducted in April 2011, OJSC VimpelCom's applications for such frequencies have been denied in the past.

In addition, we may encounter difficulties in building our networks or we may face other factors beyond our control that could affect our ability to operate our networks, decrease the quality of our services, increase the cost of construction or operation of our networks or delay the introduction of services. As a result, we could experience difficulty in increasing our subscriber base or could fail to meet license requirements, either of which may have a material adverse effect on our business.

The laws of Russia, Ukraine and the CIS prohibit the operation of telecommunications equipment without a relevant permit from the appropriate regulatory body. Due to complex regulatory procedures, it is frequently not possible for us to procure in a timely manner the permissions and registrations required for our base stations, including registration of our title to land plots underlying our base stations and constructions permits, or other aspects of our network before we put the base stations into operation or to amend or maintain the permissions in a timely manner when it is necessary to change the location or technical specifications of our base stations. At times, there can be a number of base stations or other communications facilities and other aspects of our networks for which we are awaiting final permission to operate for indeterminate periods. This problem may be exacerbated if there are delays in issuing necessary permits.

We also regularly receive notices from Russian, Ukrainian and CIS regulatory authorities warning us that we are not in compliance with aspects of our licenses and permits and requiring us to cure the violations within a certain time period. We have closed base stations on several occasions in order to comply with regulations and notices from regulatory authorities. Any failure by our company to cure such violations could result in the applicable license being suspended and subsequently revoked through court action. Although we generally take all necessary steps to comply with any license violations within the stated time periods by switching off base stations that do not have all necessary permits until such permits are obtained, we cannot assure you that our licenses will not be suspended and subsequently revoked in the future. If we are found to operate telecommunications equipment without an applicable permit, we could experience a significant disruption in our service or network operation and this would have a material adverse effect on our business, financial condition and results of operations.

It may be more difficult for us to attract new mobile subscribers than it is for our competitors that established a local presence prior to the time that our company did.

We do not possess a "first mover advantage" in most of the geographic areas where we operate. In many cases, we have been the second, third, or fourth mobile operator to enter a particular market. As a result, it may be more difficult for us to attract new subscribers than it is for our competitors (including MTS and MegaFon and their respective affiliates in Russia, Ukraine and the CIS) that entered markets and established a local presence in some cases years before we did. The mobile markets outside Russia are significant to us, as the rate of subscriber growth in Russia has significantly slowed as a result of oversaturation. In many of these markets outside of Russia we entered the market when other mobile operators were already well established. If we are not successful in penetrating markets where we operate, our business may be materially adversely affected.

We are in competitive industries and we may face greater competition as a result of market and regulatory developments.

The markets in which we operate are competitive in nature, and we expect that competition, especially in the least developed markets, will continue to increase. As we expand the scope of our services, such as fixed-line residential and commercial broadband services, we anticipate that we will encounter a greater number of competitors who provide similar services. Unfavorable competitive developments could have a material adverse effect on our business. For example, during 2009, Kyivstar experienced a reduction in revenue and lost approximately 6.4% of its subscribers to lower cost, mass market operators. In Russia, OJSC VimpelCom experienced competitive pressures in 2009 and 2010 that resulted in a reduction in our market share by revenues and a decline in OIBDA margins. In the event we fail to successfully address challenges from our competition, our financial condition and results of operations could be materially and adversely affected.

The issuance of additional telecommunications licenses or the implementation of new technology in any of the license areas in which we operate could greatly increase competition and threaten our business. For example, in 2006, 2007, 2008 and 2011, our competitors, Tele2 and Sky Link, were awarded GSM licenses in parts of Russia and the CIS. In addition, in 2008 a third GSM license was issued in Kazakhstan, and it was reported that Tele2 purchased an interest in the company holding this license. This acquisition will result in increased competition in the Kazakh market. An additional GSM license has been issued in Armenia and France Telecom has reportedly purchased an interest in the company holding this license. Furthermore, the government

of Armenia has recently liberalized the fixed line market in Armenia, which will result in increased competition. If competitors are able to operate telecommunications networks that are more cost effective than ours, then they may have competitive advantages over us, which could harm our business.

Providers of traditional fixed-line telephone services and mobile operators that have obtained fixed-line licenses may compete more effectively with us. The fixed-line market has historically been dominated by Svyazinvest (now, after the completion of the restructuring, Rostelecom) in Russia, Kazakhtelecom in Kazakhstan, Ukrtelecom in Ukraine, Uzbektelecom in Uzbekistan (which was controlled by the Uzbek government until recently), Tajiktelecom in Tajikistan and Kyrgyztelecom in Kyrgyzstan, all former state monopoly telecommunications services providers. These companies and other established competitors, such as Svyazinvest (now Rostelecom), have some competitive advantages over our fixed-line operations, including:

- significant resources and greater market presence and network coverage;
- brand name recognition, customer loyalty and goodwill;
- control over domestic transmission lines and over access to these lines by other participants; and
- close ties to national and local regulatory authorities who may be reluctant to adopt policies that would result in increased competition for Svyazinvest (now Rostelecom), Uzbektelecom, Kazakhtelecom or Ukrtelecom and other historically state-owned companies.

On December 29, 2008, the Russian Ministry of Communications and Mass Media adopted an order establishing the requirements for Mobile Virtual Network Operators ("***MVNOs***") in Russia. MVNOs are companies that provide mobile communications services but do not own the radio frequencies and, often, network infrastructure required to do so. According to the order, MVNOs in Russia must be licensed, and their use of frequencies and infrastructure and rendering of services will be done pursuant to agreements entered into between MVNOs and existing frequency holders. Competition from MVNOs may reduce our subscriber market share and revenues and could have a material adverse effect on our business, financial condition and results of operations.

Our failure to keep pace with technological changes and evolving industry standards could harm our competitive position and, in turn, materially adversely affect our business.

The telecommunications industry is characterized by rapidly changing technology and evolving industry standards. We experience new customer demand for more sophisticated telecommunications and Internet services in Russia, Ukraine and the CIS as well as for other new technologies such as Internet Protocol ("***IP***"), telephony and Worldwide Interoperability for Microwave Access. Accordingly, our future success will depend, in part, on the adoption of a favorable policy and regulation of standards utilizing these technologies. Our success will also depend on our ability to adapt to the changing technological landscape. However, the rapid technological advances in the telecommunications industry make it difficult to predict the extent of future competition. It is possible that the technologies we utilize today will become obsolete or subject to competition from new technologies in the future for which we may be unable to obtain the appropriate license.

We may not be able to meet all of these challenges in a timely and cost-effective manner. In addition, we may not be able to acquire licenses, which we may deem necessary to compete or we may not be able to acquire such licenses on reasonable terms and we may not be able to develop a strategy compatible with this or any other new technology.

On April 20, 2007, the Russian Federal Communications Agency announced the results of three tenders for awarding 3G licenses and OJSC VimpelCom was awarded a license for the provision of IMT-2000/UMTS 3G mobile radiotelephony communications services for the entire territory of the Russian Federation. The 3G license was granted subject to certain capital commitments. The major conditions are that we will have to build a certain number of base stations that support 3G standards and will have to start services provision by certain dates in each subject of the Russian Federation, and also will have to build a certain number of base stations by the end of the third, fourth and fifth years from the date of granting the license. To date, we have complied with the required conditions in each year. Part of the frequency spectra related to the 3G license are currently used by other commercial and governmental entities and our 3G network development will require those entities to vacate those frequency spectra. Additionally, 3G network development requires significant financial investments and there can be no assurance that we will be able to develop a 3G network on commercially reasonable terms; that we will not experience delays in developing our 3G network or that we will be able to meet all of the license terms and conditions. If we experience substantial problems with our 3G services, or if we fail to introduce new services on a timely basis relative to our competitors, it may impair the success of our 3G services, delay or decrease revenues and profits and therefore may hinder recovery of our significant capital investments in 3G services as well as our growth.

We also expect to face future competition from networks that provide faster, higher quality data transfer and streaming capability than 2G and 3G networks. The Russian government recently issued licenses for broadband wireless mobile access services for 40 regions throughout Russia. Svyazinvest (now Rostelcom) won the tender for 38 out of the 40 licenses. Increased competition from the new networks could have a material adverse effect on our business, financial condition and results of operations.

We are exploring options for developing a 4G/LTE network for deploying 4G/LTE services. In March 2011, we, MTS, MegaFon and Rostelecom signed a non-binding memorandum of understanding to use or purchase interests in the entity or entities owning the Yota infrastructure, which presently employs the Mobile WiMax technology. We are also exploring other opportunities. There can be no assurance that we will be able to develop a commercially viable means of providing 4G/LTE services on competitive terms, through Yota or otherwise. If our competitors gain access to or deploy 4G/LTE networks before us or on commercially better terms, they would have an advantage over us, which may in turn have a material adverse effect on our business, financial condition and results of operations.

Failure to obtain, or delay in obtaining a 3G telecommunications license in Ukraine could place us at a competitive disadvantage.

We have in the past been unable to obtain necessary frequency allocations in order to launch telecommunications services in Ukraine using 3G technologies. For example, Kyivstar's application for a radio frequency license within the 1.9-2.2 billion cycles per second (referred to as GHz) frequency band, which it submitted together with an application for a telecommunications license to provide 3G services in Ukraine, was refused by the NCCR in 2006. Although Kyivstar challenged this refusal, the Ukrainian courts considering the case dismissed all claims brought by Kyivstar against the NCCR.

In September 2009, the NCCR made a decision to issue four 3G licenses to Ukrainian telecommunications operators, in addition to the 3G license awarded to Ukrtelecom in 2005. On September 22, 2009, the NCCR announced its decision to hold an auction for the first of these 3G licenses and, on September 29, 2009, approved the auction conditions. This tender was subsequently cancelled by government authorities and Ukrtelecom continues to be the only operator in Ukraine to hold a 3G license. Kyivstar's failure to obtain a 3G license in future, as well as the award of a 3G license to one of Kyivstar's competitors would increase the competition Kyivstar faces in the provision of mobile services in Ukraine. If Kyivstar acquires a 3G license later than its competitors or pays a significantly higher price to obtain a 3G license than its competitors pay, it could be subject to significant time delays to market and increased costs in implementing its 3G network rollout.

Our strategic partnerships and relationships to develop our business are accompanied by inherent business risks.

We may enter into strategic partnerships and joint ventures with other companies to develop our business and expand our operations. For example, in July 2008, we entered into a joint venture to provide mobile services in Vietnam. In October 2008, we indirectly acquired a minority stake in LLC "Torgoviy Dom "Euroset"", which with its subsidiaries operate as a mobile handset retailer and dealer for major mobile network operators in Russia ("***Euroset***"). Euroset is an important sales partner and a deterioration of our relationship with Euroset or its majority shareholder or our inability to leverage our investment in Euroset could have an adverse effect on our sales. For more information about the joint venture in Vietnam and our acquisition of a minority stake in Euroset, please see the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Investing Activities."

Emerging market strategic partnerships and joint ventures are often accompanied by risks, including in relation to:

- the possibility that a strategic or joint venture partner or partners will default in connection with their obligations;
- the possibility that a strategic or joint venture partner will hinder development by blocking capital increases and other decisions if that partner runs out of money, disagrees with our views on developing the business, or loses interest in pursuing the partnership or joint projects;
- risk inherent in the business of the partnership or joint venture itself, such as funding and liquidity;
- diversion of resources and management time;
- potential joint and several or secondary liability for transactions and liabilities of the partnership or joint venture entity;

- the difficulty of maintaining uniform standards, controls, procedures and policies; and
- the loss of a strategic or joint venture partner and the associated benefits, such as insight into operating a business in an economic, social and political environment that is unfamiliar to us.

We cannot assure you that a market for our future services will develop or that we can satisfy subscriber expectations, which could result in a significant loss of our subscriber base.

We currently offer our subscribers a number of value added services, including voice mail, SMS, call forwarding, wireless Internet access, IP telephony, known as VoIP, entertainment and information services, music and data transmission services. Despite investing significant resources in marketing, we may not be successful in creating or competing in a market for these value added services. We cannot assure you that subscribers will continue to utilize the services we offer. If we fail to obtain widespread commercial and public acceptance of our new services, our visibility in the telecommunications markets in Russia, Ukraine and the CIS could be jeopardized, which could result in a significant loss of our subscriber base and have a material adverse affect on our business, financial condition, results of operations and business prospects.

Sustained periods of high inflation may materially adversely affect our business.

The countries in which we operate have experienced periods of high levels of inflation since the early 1990s. In Russia, our largest market, inflation increased dramatically following the August 1998 financial crisis, reaching a rate of 84.4% in 1998. Inflationary volatility and pressure on the Russian ruble remains significant, as evidenced by the increase in the inflation rate in 2007 to 11.9% and in 2008 to 13.3%. Although the inflation rate decreased to 8.8% in 2009 and 2010 and 3.8% in the first three months of 2011, it may increase again in the near future as a result of challenging worldwide economic conditions. We face similar risks in other jurisdictions in which we operate.

Our profit margins could be adversely affected if we are unable to sufficiently increase our prices to offset any significant future increase in the inflation rate, which may become more difficult as we attract more mass market subscribers and our subscriber base becomes more price sensitive. Inflationary pressure in Russia and the other CIS countries where we have operations could materially adversely affect our business, financial condition and results of operations.

We could experience subscriber database piracy, which may materially adversely affect our reputation, lead to subscriber lawsuits, loss of subscribers or hinder our ability to gain new subscribers and thereby materially adversely affect our business.

We may be exposed to database piracy which could result in the unauthorized dissemination of information about our subscribers, including their names, addresses, home phone numbers, passport details and individual tax numbers. The breach of security of our database and illegal sale of our subscribers' personal information could materially adversely impact our reputation, prompt lawsuits against us by individual and corporate subscribers, lead to adverse actions by the telecommunications regulators, lead to a loss in subscribers and hinder our ability to attract new subscribers. In case of detection of severe customer data security breaches, the regulatory authority can sanction our company, and such sanction can include suspension of operations for some time period. These factors, individually or in the aggregate, could have a material adverse effect on our business, financial condition, results of operations and business prospects.

We are subject to anti-monopoly and consumer protection regulation in Russia, Ukraine and the CIS, which could restrict our business.

Anti-monopoly regulations in Russia, Ukraine and the CIS may require us to obtain anti-monopoly approvals for certain acquisitions, reorganizations or other transactions as may be provided for in applicable law. The applicable rules are subject to different interpretations and the competent authorities may challenge the positions that we take. We may also be unable to comply with anti-monopoly approvals due to administrative delays in the review process or for other reasons. Failure to obtain such approval or the activity of the relevant anti-monopoly bodies may impede or adversely affect our business and ability to expand our operations.

Anti-monopoly and consumer protection regulators in Russia, Ukraine and the CIS have oversight over consumer affairs and advertising and are authorized to regulate companies deemed to be a dominant force in, or a monopolist of, a market. Some of our subsidiaries in the CIS have been recognized as dominant entities on their respective national markets. Because the law does not always clearly define "market" in terms of either services provided or geographic area of activity, it is difficult to determine under what circumstances we could be subject to these or similar measures. Regulatory measures taken in response to competition violations may include inter alia the requirement to discontinue certain activities, the imposition of fines, confiscation of revenue derived

from monopolistic activities, restrictions on increase of tariffs, on acquisitions or on other activities, such as contractual obligations. In addition, the concepts of "affiliated persons" and "group of persons" that are fundamental to the anti-monopoly laws and to the laws on joint stock companies in Russia, Ukraine and the CIS are not clearly defined and are subject to different interpretations. Consequently, anti-monopoly regulators or other competent authorities may challenge the positions we or certain of our officers, directors, or shareholders have taken in this respect despite our best efforts at compliance. Any successful challenge by an anti-monopoly regulator or other competent authority may expose us or certain of our officers, directors, or shareholders to fines or penalties and may result in the invalidation of certain agreements or arrangements. This may adversely affect the manner in which we manage and operate certain aspects of our business.

Russia

In connection with the FAS approval of our acquisition of a 49.9% stake in Euroset, the FAS issued an order that prohibits Euroset from setting discriminatory terms in its sale of services of mobile telecommunications operators for a period of three years. Our company does not control Euroset, and we cannot assure you that Euroset will comply with the FAS order. If Euroset fails to comply with the FAS order, the FAS may fine us and Euroset and it may apply to a court to invalidate the acquisition of our 49.9% stake in Euroset.

In December 2009, the Russian anti-monopoly regulators commenced proceedings against us alleging violations of the Russian Federal Law "On Protection of Competition" by imposing unfair prices for interconnection with other operators. The penalty for such violations could have resulted in fines of up to 15.0% of the revenues derived from the relevant services. We ceased to conduct the activities that allegedly violated the law and the case was dismissed on September 22, 2010. On January 28, 2011, however, FAS initiated administrative proceedings against us in relation to our alleged violations of the law in the past. On April 5, 2011, FAS issued its decision that we were in violation of the law and subject to fines for such violations of approximately RUR 7.3 million (or approximately US$257.5 thousand as of April 5, 2011). On April 27, 2011, we appealed the FAS finding subjecting us to fines. We separately filed an appeal challenging the FAS decision. We filed a petition to join the two appeal cases, which was granted on June 3, 2011. A hearing on the joint cases is scheduled for July 22, 2011.

In March 2010, the FAS commenced proceedings against OJSC VimpelCom, MTS and MegaFon alleging violations of the Russian Federal Law "On Protection of Competition" relating to our pricing for interconnection and roaming services. On November 23, 2010, the FAS issued its decision that OJSC VimpelCom, MTS and MegaFon violated the Russian Federal Law "On Protection of Competition" with respect to the pricing of roaming services and ordered that OJSC VimpelCom stop such violations. Under Russian law, such violations may result in fines of up to 15.0% of the revenues derived from the services provided in violation of the Russian Federal Law "On Protection of Competition". As a result, in September 2010, OJSC VimpelCom accrued a loss contingency in the Russian ruble equivalent of approximately US$2.4 million (at the March 31, 2011 exchange rate). On March 9, 2011 OJSC VimpelCom received the FAS decision imposing a fine of RUR12.0 million (approximately US$0.4 million at the exchange rate as of March 9, 2011 for alleged violations relating to OJSC VimpelCom's traffic agreements. OJSC VimpelCom did not challenge the decision and paid this fine in full.

In May 2010, the FAS concluded that OJSC VimpelCom's traffic agreement in Moscow violated anti-monopoly legislation. OJSC VimpelCom challenged the FAS findings and on March 21, 2011, the court of first instance dismissed OJSC VimpelCom's claims. OJSC VimpelCom does not believe that it has violated Russian law and appealed the dismissal of its challenge of the FAS decision on April 26, 2011. On June 9, 2011, the appeal court dismissed OJSC VimpelCom's appeal. OJSC VimpelCom intends to appeal this decision. On March 9, 2011, OJSC VimpelCom received the FAS decision imposing a fine on OJSC VimpelCom related to FAS's finding of the violation of the anti-monopoly legislation in the amount of RUR10 million (approximately US$0.3 million at the exchange rate as of March 9, 2011). On April 19, 2011, OJSC VimpelCom appealed the fines to which it is subject. The proceedings were suspended pending the outcome of the decision in the underlying case. As of the date of this prospectus, OJSC VimpelCom has not received any information regarding the resumption of these proceedings.

In 2002, OJSC VimpelCom was included in the register of business entities for having a market share in the telecommunications market in the Moscow license area of over 35.0%. On April 8, 2009, the anti-monopoly body by its order had excluded OJSC VimpelCom from the regional section of the Register for Moscow region in connection with entering OJSC VimpelCom into the Federal register in accordance with the anti-monopoly body order of the same date as set out below in more detail. In October 2006, a new law "On Protection of Competition" became effective, which introduced new criteria pursuant to which the Russian anti-monopoly regulators may determine that a company has a dominant position in a particular market of goods or services if such company has a market share between 35.0-50.0% or over 50.0%. However, in accordance with certain

provisions of the Russian Communications Law and for purposes of application of the Russian Law on Foreign Investment in Strategic Enterprises, which came into force on May 7, 2008, which we refer to as the Foreign Investment Law, a mobile telecommunications operator is deemed to have a dominant position if its share of the Russian mobile telecommunications market exceeds 25.0%. OJSC VimpelCom received an order dated April 8, 2009 from the FAS (the "***FAS Order***"), stating that a group of persons consisting of OJSC VimpelCom and two of our Russian subsidiaries, one of which has been merged with and into OJSC VimpelCom, has a dominant position in the Russian mobile telecommunications market as its share in this market exceeds 25.0%. Because of the inconsistencies in the laws referenced above and ambiguity in the text of the FAS Order, it is not clear whether OJSC VimpelCom may now be deemed to have a dominant position for purposes of the law "On Protection of Competition".

Ukraine

In the recent past, the Antimonopoly Committee of Ukraine (the ***"UAMC"***) determined that all mobile network operators in Ukraine, including Kyivstar, hold a dominant position with regard to providing access to their respective networks. This decision requires operators holding a dominant position on their respective networks to comply with the NCCR regulations governing the pricing regime for interconnection services.

The UAMC is currently conducting an investigation of Kyivstar and other mobile telecommunications operators' roaming charges and other tariffs. As a result of the investigation, the UAMC may issue binding recommendations requiring mobile operators to take and/or refrain from certain actions and/or initiate a case investigation regarding violation of competition legislation.

If the UAMC finds that Kyivstar abused its dominance or was engaged in anticompetitive concerted practices, it could impose fines in the amount of up to 10.0% of revenues for the last financial year of the group of which Kyivstar is a member, as well as in the amount of up to 300.0% of such group's profits received from the activities carried out in violation of competition legislation. A third party could bring an action for damages suffered as a result of such violation, which could amount to up to 200.0% of the damages suffered by such third party.

In addition, the UAMC is investigating an unfair competition case in relation to alleged distribution by Kyivstar of misleading information on its tariffs. For an unfair competition violation the UAMC could impose a fine in the amount of up to 5.0% of revenues for the last financial year of the group of which Kyivstar is a member. A third party could bring an action for damages suffered as a result of such violation.

Kazakhstan

KaR-Tel is subject to governmental control over tariffs because it is recognized as an entity having a dominant position on the Kazakhstan mobile market. KaR-Tel is required by law to notify the Ministry of Communications and Information of Kazakhstan, the Kazakh state anti-monopoly body, (the "***MCI***") of any increase of its tariffs and to justify such increase. Upon receipt of such a notice, the MCI is required to carry out an examination of proposed tariff increase and has the right to prohibit it. KaR-Tel is also required to submit information periodically to the MCI, which establishes maximum tariff rates based on information submitted. According to information available on the MCI's public website, it has recently examined retail tariffs of one of KaR-Tel's competitors and established maximum rates based on such examination.

The Kazakhstan Antimonopoly Agency (the ***"KAA"***) has recently initiated a number of proceedings against KaR-Tel and its competitors in relation to pricing and roaming policies. In connection with one such proceeding, on June 21, 2010 the KAA concluded that KaR-Tel and the other two Kazakhstan GSM operators are liable for abuse of their dominant position on the market by way of establishing monopolistically high roaming tariffs. As required under Kazakh law, the KAA has submitted its finding to a Kazakh administrative court. On July 16, 2010, KaR-Tel filed a claim to recognize as illegal and to annul the acts of the KAA. In October 2010, the Interregional Economic Court of Astana decided in favor of KaR-Tel and recognized the acts of the KAA as illegal, null and void. This decision was affirmed by the Court of Appeals in December 2010 and the Cassation Court in January 2011 and has entered into force, but is subject to appeal.

Georgia

Telecommunications regulations in Georgia contain laws similar to those in Kazakhstan allowing regulators to regulate retail and interconnection tariffs of telecommunications operators with dominant positions on the Georgian mobile market. Based on Mobitel's market share, it is possible that the Georgian anti-monopoly regulator may determine that Mobitel holds a dominant position on the market and therefore, has the right to regulate its tariffs.

Armenia

ArmenTel has also been recognized as an entity having a dominant position on the fixed-line telecommunication services market in Armenia. It generally requires regulatory approval to increase tariffs at the retail and wholesale level.

For more information about the competition proceedings in which our subsidiaries are involved, please see the section of this prospectus entitled "Business—Legal Proceedings" and note 10 to the unaudited interim consolidated financial statements included elsewhere in this prospectus.

Our equipment supply arrangements may be terminated or interrupted and our existing equipment, technological and management systems may be subject to disruption and failure, which could cause us to lose customers, limit our growth and violate our licenses.

The successful build-out and operation of our networks depends heavily on obtaining adequate supplies of switching equipment, base stations and other equipment on a timely basis. We currently purchase our equipment from a small number of suppliers, principally Alcatel-Lucent, Cisco Systems, Comverse, Ericsson, Huawei and Nokia-Siemens Networks, although some of the equipment that we use is available from other suppliers. From time to time, we have experienced delays receiving equipment. Our business could be materially adversely affected if we are unable to obtain adequate supplies or equipment from our suppliers in a timely manner and on reasonable terms.

Our business depends on providing customers with reliability, capacity and security. As telecommunications increases in technological capacity, it may become increasingly subject to computer viruses and other disruptions. We cannot be sure that our network system will not be the target of a virus or, if it is, that we will be able to maintain the integrity of the data of our corporate customers or of that in individual handsets of our mobile subscribers or that a virus will not overload our network, causing significant harm to our operations. In addition to computer viruses, the services we provide may be subject to disruptions resulting from numerous other factors, including human error, security breaches, equipment defects, and natural disasters, which could have a material adverse effect on our business.

Problems with our backbone, switches, controllers, fiber optic network or network nodes at one or more of our base stations, whether or not within our control, could result in service interruptions or significant damage to our networks. All of our equipment for provision of mobile services in Moscow is located primarily in two buildings in Moscow. Disruption to the operation of these buildings, or buildings where our equipment is held in other jurisdictions where we operate, such as from electricity outages or damage to these buildings could result in disruption of our mobile services in those jurisdictions.

Although we have back-up capacity for our network management operations and maintenance systems, automatic transfer to our back-up capacity may not be seamless, and may cause network service interruptions. In recent years, we have experienced network service interruptions, which occur from time to time during installations of new software. Interruptions of services could harm our business reputation and reduce the confidence of our subscribers and consequently impair our ability to obtain and retain subscribers and could lead to a violation of the terms of our licenses, each of which could materially adversely affect our business. We do not carry business interruption insurance to prevent against network disruptions.

Our ability to manage our business successfully is contingent upon our ability to implement sufficient operational resources systems and processes to support our rapid growth. We may face risks in connection with the correct use of the newly introduced systems and processes in the regions where our group operates or integrating new technologies into existing systems. For example, if our billing systems develop unexpected limitations or problems, subscriber bills may not be generated promptly and/or correctly. This could materially adversely impact our business since we would not be able to collect promptly on subscriber balances.

The introduction of zero or close-to-zero on-net tariffs, such as Djuice Unlimited and Lots of Talks, as well as the vast introduction of any-net tariffs, such as Djuice Bomba and Djuice Proriv, and mobile Internet services in Ukraine have increased the amount of traffic on Kyivstar's and its competitors' networks. If we fail to invest sufficiently in our networks, we may be unable to maintain the level of reliability and capacity we currently provide, which could adversely affect our ability to retain subscribers. The resulting loss of revenue could materially adversely affect our business, financial condition and results of operations.

Our Golden Telecom operations in the CIS employ billing and management information systems which may not provide our management with information that is sufficient in amount or accuracy. We are in the process of consolidating its local and regional billing and management information systems, which will allow it to bill its customers and to manage other administrative tasks through a small number of our centralized systems. If Golden Telecom is unable to consolidate and upgrade its billing and management information systems to support

its integrated operations, its billing may be insufficient, which could have a material adverse effect on our revenues. Furthermore, Golden Telecom relies on agent billing and information systems to provide information necessary to generate invoices in certain areas of its operations. Golden Telecom may encounter risks associated with verification and calculation of volumes of long-distance services provided to end users, invoicing and revenue recognition. Kyivstar faces similar risks in the Ukraine for the greater part of its information systems, particularly with respect to the verification and calculation of volumes of fixed telephony and internet services provided to end users.

Sale of handsets and other devices and our inability to maintain relationships with handset providers could have a negative impact on our company.

Historically the vast majority of our operating subsidiaries' revenue has come from providing telecommunications services, with relatively little of our revenue coming from sales of handsets and other devices. In 2008, OJSC VimpelCom significantly increased its sale of devices by beginning to sell broadband Internet modems and entering into an agreement with Apple Sales International ("***Apple***") to sell iPhones in Russia. Sales of devices tend to yield lower profit margins than sale of services and the need to maintain devices in inventory can have a negative impact on our working capital. In addition, sales of handsets are sensitive to changes in economic conditions and there can be no assurance that we will be able to make the purchase instalments contemplated by the agreement with Apple. At the same time, we expect that the sales of handsets, including iPhones, will contribute to our subscriber growth, and such sales are therefore critical for our overall growth strategy. In the event we are unable to extend our existing agreements with, or fail to agree on acceptable terms or lose exclusivity in our agreements with handset providers, we could experience a negative impact on our ARPU and our churn rate, which could have a material adverse effect on our business, financial condition and results of operation. For more information, please see the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Contractual Obligations."

Allegations of health risks related to the use of mobile telephones could have a material adverse effect on us.

There have been allegations that the use of certain portable mobile devices may cause serious health risks. The actual or perceived health risks of mobile devices could diminish subscriber growth, reduce network usage per subscriber, spark product liability lawsuits or limit available financing. Each of these possibilities has the potential to cause material adverse consequences for us and for the entire mobile industry.

Our intellectual property rights are costly and difficult to protect, and we cannot guarantee that the steps we have taken to protect our property rights will be adequate.

We regard our copyrights, trademarks, trade dress, trade secrets and similar intellectual property, including our rights to certain domain names, as important to our continued success. We rely upon trademark and copyright law, trade secret protection and confidentiality or license agreements with our employees, customers, partners and others to protect our proprietary rights. However, intellectual property rights are especially difficult to protect in the markets where we operate. In these markets, the regulatory agencies charged to protect intellectual property rights are inadequately funded, legislation is underdeveloped, piracy is commonplace and enforcement of court decisions is difficult.

In addition, litigation may be necessary to enforce our intellectual property rights, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement. Any such litigation may result in substantial costs and diversion of resources, and, if decided unfavorably to us, could have a material adverse effect on our business, financial condition or results of operations. We also may incur substantial acquisition or settlement costs where doing so would strengthen or expand our intellectual property rights or limit our exposure to intellectual property claims of third parties. While we have successfully enforced our intellectual property rights in courts in the past, we cannot assure you that we will be able to successfully protect our property rights in the future.

Russian companies may be required to adopt a decision on liquidation when their net assets are negative.

Under Russian law, if a company's net asset value at the end of its second or any subsequent financial year, as determined under Russian accounting standards, is less than the minimum charter capital required by law, such company must adopt a decision to liquidate (if the company is registered as a limited liability company) or perform a number of actions provided by the law (if the company is registered as a joint-stock company). If it fails to do so within a "reasonable period," the company's creditors are entitled to request early termination and acceleration of the company's obligations to them and to demand compensation of damages, and

governmental agencies may seek involuntary liquidation of such company. Limited Liability Company Kolangon-Optim and certain of our other Russian subsidiaries had negative net assets as of December 31, 2009 and 2010. We believe that these subsidiaries are solvent and continue to meet all of their obligations to creditors, however, if an involuntary liquidation of our subsidiaries were to occur, our business, financial condition and results of operations could be materially adversely affected.

Risks Related to Our Operations in Russia, Ukraine and the CIS

Investors in emerging markets, such as Russia, Ukraine, the CIS and other emerging markets where we operate, are subject to greater risks than investors in more developed markets, including significant political, legal and economic risks and risks related to fluctuations in the global economy.

Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including in some cases significant political, legal and economic risks. Emerging market governments and judiciaries often exercise broad, unchecked discretion and are susceptible to abuse and corruption. Emerging economies are subject to rapid change and the information set out herein may become outdated relatively quickly. The economies of Russia, Ukraine, the CIS and other emerging markets where we operate, like other emerging economies, are vulnerable to market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in these markets and materially adversely affect their economies. These developments could severely limit our access to capital and could materially adversely affect the purchasing power of our subscribers and, consequently, our business. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult with their own legal, financial and tax advisors.

We face a number of economic, political, social and regulatory risks relating to conducting business outside of Russia and Ukraine.

Although a significant number of our risk factors relate to the risks associated with conducting business in Russia and Ukraine, where a majority of our assets and operations are located, similar risks in each instance also apply to the conduct of our business and operations in Kazakhstan, Uzbekistan, Tajikistan, Georgia, Armenia, Kyrgyzstan, Cambodia, Laos and Vietnam. In some instances, the risks inherent in transacting business in these countries may be more acute than those in Russia and Ukraine. Prior to our investments in Kazakhstan, Uzbekistan, Tajikistan, Georgia, Armenia, Kyrgyzstan, Cambodia, Laos and Vietnam, our company did not have any experience operating in these countries. Regulatory risks present in these countries and in any other countries where we may acquire additional operations may not be similar to those we face in Russia and Ukraine and may increase our vulnerability to such risks. If any of these risks materialize, our business could be materially adversely affected.

Information that we have obtained from third party sources may be unreliable.

We have sourced certain information contained in this prospectus from third parties, including private companies and governmental agencies, and we have relied on the accuracy of this information without independent verification. The official data published by governmental agencies in Russia, Ukraine and the CIS is substantially less complete and less reliable than similar data in the United States and Western Europe. We cannot be certain that the information that we obtained from government and other sources and included in this document is reliable. When reading this prospectus, you should keep in mind that the data and statistics that we have included relating to Russia, Ukraine and the CIS could be incomplete or erroneous. In addition, because there is limited reliable data and no current official data regarding the relevant telecommunications markets, including our competitors, we have relied, without independent verification, on certain publicly available information. This includes press releases and filings under the U.S. securities laws, as well as information from various private publications, some or all of which could be based on estimates or unreliable sources.

Risks Related to the Political Environment in Russia, Ukraine and the CIS

If political and economic relations between Russia, Ukraine and the countries of the CIS deteriorate, our operations could be materially adversely affected.

Political and economic relations between Russia, Ukraine and the countries of the CIS are complex and recent conflicts have arisen between the government of Russia and the governments of Ukraine and some of the countries of the CIS.

Although the situation has improved recently, relations between Russia and Ukraine have historically been strained. Ukraine's economy depends heavily on its trade flows with Russia and the CIS largely because Ukraine imports a large proportion of its energy requirements, especially from Russia. In addition, a large share of Ukraine's services receipts comprise transit charges for oil, gas and ammonia from Russia. As a result, Ukraine considers its relations with Russia to be of strategic importance. However, relations between Ukraine and Russia have cooled due to disagreements over the prices and methods of payment for gas delivered by the Russian gas monopoly OJSC Gazprom to, or for transportation through, Ukraine and over the stationing of the Russian Black Sea Fleet (Chernomorskii Flot) on the territory of Ukraine. In particular, Russia has in the past threatened to cut off the supply of oil and gas to Ukraine with the most recent conflict occurring in early January 2009, when Gazprom substantially decreased natural gas supplies to Ukraine, reportedly due to a failure by the National Joint-Stock Company "Naftogaz" ("***Naftogaz***") to timely repay all outstanding debt owed to Gazprom for natural gas supplied to Ukraine for domestic consumption in 2008. Following negotiations between the governments of Russia and Ukraine and the signing on January 19, 2009 of agreements between Naftogaz and Gazprom setting out the terms of further natural gas supplies and transit through the territory of Ukraine, Gazprom resumed natural gas supplies to Ukraine and other European countries on January 20, 2009. Since that date, there have been no further disruptions in the supply of Russian gas to Ukraine and other European countries through the territory of Ukraine. In addition, on April 21, 2010, Ukraine and Russia signed a new agreement on the stationing of the Black Sea Fleet in Ukrainian waters. Under the agreement, the term for the stationing of the Black Sea Fleet was extended for a further 25-year period (starting upon expiration of the previous term in 2017) with an additional 5 year extension option, and the amount of the lease charges payable for the Black Sea Fleet stationing was increased. The agreement also provides that a portion of the lease charges payable for the stationing of the Black Sea Fleet will be set off against the discounts to the price of natural gas supplied by Gazprom for domestic consumption in Ukraine.

If bilateral trade relations were to deteriorate, including if Russia were to stop transiting a large portion of its oil and gas through Ukraine or if Russia halted supplies of gas to Ukraine, Ukraine's balance of payments and foreign currency reserves could be materially and adversely affected. Any major changes in Ukraine's relations with Russia, in particular, any such changes adversely affecting supplies of energy resources from Russia to Ukraine or Ukraine's revenues derived from transit charges for Russian oil and gas, may have negative effects on sectors of the Ukrainian economy which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

The relationship between Russia and Georgia has also been strained due to several ongoing disputes which resulted in military conflict in August 2008 and may lead to military and/or economic conflict in the future. Although our company operates in Ukraine and the CIS through local subsidiaries, governmental officials and consumers may associate our group and our brand with Russia. Any deterioration in political and economic relations between Russia, Ukraine and the countries of the CIS could have a material adverse effect on our business, financial condition and results of operations.

If reform policies in Russia, Ukraine and the CIS are reversed, our business could be harmed and it could restrict our ability to obtain financing.

Our business, in part, depends on the political and economic policies set by the governments of the countries where we operate. For example, in recent years, the political and economic situation in Russia has been stable, which has allowed for continued economic growth. However, there is a persistent sentiment in Russia against certain private enterprises that is being encouraged by a number of prominent Duma deputies, political analysts and members of the media. In addition, reforms may be hindered if conflicts of interest are permitted to exist when officials are also engaged in private business, particularly when the business interests are in the industry which the officials regulate. Notwithstanding initiatives to combat corruption, Russia, Ukraine and the CIS, like many other markets, continue to experience corruption and conflicts of interests of officials, which add to the uncertainties we face, and may increase our costs. Any deterioration of the investment climate could restrict our ability to obtain financing in international capital markets in the future and our business could be harmed if governmental instability recurs or if reform policies are reversed.

Political and governmental instability could adversely affect the value of investments in Ukraine.

Since obtaining independence in 1991, Ukraine has undergone a substantial political transformation from a constituent republic of the former Union of Soviet Socialist Republics to an independent sovereign democratic state. Governmental instability has been a feature of the Ukrainian political scene and, as a result, Ukraine has experienced fifteen changes of Prime Minister during this period, with various actions and decisions being taken based primarily on political considerations. Historically, a lack of political consensus in the Verkhovna Rada (the "***Ukrainian Parliament***") has consistently made it difficult for the Ukrainian government to secure the necessary parliamentary support to implement a variety of policies intended to foster economic reform and financial stability.

Following presidential elections completed on February 7, 2010, which were won by Viktor Yanukovych, the leader of the Party of Regions and former Prime Minister, the Ukrainian Parliament passed a vote of no confidence in the Prime Minister, Yulia Tymoshenko, forcing her and her government to resign. On March 11, 2010, the Ukrainian Parliament appointed Mykola Azarov, a member of the President's Party of Regions, as the new Prime Minister of Ukraine and endorsed the new members of the government. Currently, the government consists mainly of members of the President's Party of Regions with a few positions being occupied by representatives of other political forces.

The majority in the Ukrainian Parliament and the new Ukrainian government headed by Prime Minister Azarov are closely aligned with President Yanukovych. However, there is no certainty that good relations between the President, the government and the majority in the Ukrainian Parliament will continue in the future. Such relations are subject to change through the normal process of political alliance-building or, if the required action is taken, through constitutional amendments and decisions of the Constitutional Court of Ukraine (the "***CCU***").

On September 30, 2010, the CCU issued a ruling against the constitutionality of the 2004 constitution amendment law, which was the basis for the constitutional reform of 2006, limiting the powers of the President and transferring certain powers of the President to the Ukrainian Parliament and the Ukrainian government. Pursuant to this ruling, the 2004 constitution amendment law ceased to be effective from September 30, 2010 and the constitution that was in effect before the enactment of the 2004 constitution amendment law resumed legal force from September 30, 2010. Accordingly, following the decision of the CCU, certain current Ukrainian legislation may contradict the constitution of Ukraine and require amendment to be constitutionally valid. This may result in uncertainty in the distribution of powers among Ukrainian state authorities and may lead to further political instability in Ukraine.

Recent political developments have also highlighted potential inconsistencies between the constitution of Ukraine and various laws and presidential decrees. Whilst the long-term consequences of the recent judgment of the CCU in respect of the 2004 constitution amendment law are not yet clear, the decision may result in political instability in Ukraine which, in turn, could impair efforts to implement all the necessary reforms. Furthermore, such developments have raised questions regarding the judicial system's independence from economic and political influences.

A number of additional factors could adversely affect political stability in Ukraine, including:

- lack of agreement within the factions and amongst individual deputies;
- disputes between factions that form a majority and opposition factions on major policy issues, including Ukraine's foreign policy;
- court actions taken by opposition parliamentarians against decrees and other actions of the president or the government of Ukraine or the majority factions; and
- court action by the president against parliamentary or governmental resolutions or actions.

No assurances can be given that the political initiatives necessary to achieve reforms will continue, will not be reversed or will achieve their intended aims. These and any other adverse political developments may have negative effects on the economy as a whole and, as a result, on our business, financial condition, results of operations and prospects.

Risks Related to the Economic Situation in Russia, Ukraine and the CIS

The physical infrastructure in Russia, Ukraine and the CIS is in poor condition and further deterioration in the physical infrastructure could have a material adverse effect on our business.

The physical infrastructure in Russia, Ukraine and the CIS largely dates back to Soviet times and has not been adequately funded and maintained in recent years. Particularly affected are the rail and road networks, power generation and transmission, communications systems and building stock. The public switched telephone networks have reached capacity limits and need modernization, which may inconvenience our subscribers and will require us to make additional capital expenditures. Additional investment is required to increase communication line capacity. In addition, continued growth in local, long-distance and international traffic, including that generated by our subscribers, and development in the types of services provided may require substantial investment in public switched telephone networks. Any efforts to modernize infrastructure may result in increased charges and tariffs, potentially adding costs to our business. The deterioration of the physical infrastructure harms the economies of these countries, disrupts the transportation of goods and supplies, adds costs to doing business and can interrupt business operations. These difficulties can impact us directly; for

example, we have needed to keep portable electrical generators available to help us maintain base station operations in the event of power failures. Further deterioration in the physical infrastructure could have a material adverse effect on our business.

The banking systems in Russia, Ukraine and the CIS remain underdeveloped and there are a limited number of creditworthy banks in these countries with which our company can conduct business.

The banking and other financial systems in Russia, Ukraine and the CIS are not well developed or regulated, and laws relating to banks and bank accounts are subject to varying interpretations and inconsistent applications. For example, in Russia, there are a limited number of banks that meet international banking standards and the transparency of the Russian banking sector in some respects lags behind internationally accepted norms. Most creditworthy Russian banks are located in Moscow and there are fewer creditworthy Russian banks in the regions outside of Moscow. Recently, there has been an increase in lending by Russian banks, which many believe has been accompanied by a deterioration in the credit quality of the borrowers. The deficiencies in the Russian banking system, coupled with a decline in the quality of the credit portfolios of Russian banks, may result in the banking sector being more susceptible to the current worldwide credit market downturn and economic slowdown. The global financial crisis that began in the United States in the autumn of 2008 has resulted in decreased liquidity in the Russian credit market and weakened the Russian financial system. Efforts by the Russian government to increase liquidity have been stymied by an unwillingness in the banking sector to lend to other banks and to the real economy. The lack of liquidity and economic slowdown have raised the possibility of Russian corporate defaults and led to bank failures and downgrades of Russian banks by credit rating agencies. More bank failures and credit downgrades may result in a crisis throughout the Russian banking sector. Starting from the fourth quarter of 2008, a majority of the Russian banks experienced difficulties with funding on domestic and international markets and interest rates increased significantly. Some of the banks were unable to service their obligations and were sold to and/or merged into larger banks. Credit ratings of several banks have been lowered and some banks have lost their Central Bank of Russia licenses. The Russian Government has provided liquidity to the banking system and interest rates have been decreasing since the second half of 2009, but major banks are still unwilling or unable to transfer money to the economy in the form of long-term loans. A prolonged or serious banking crisis or the bankruptcy of a number of banks, including banks in which we receive or hold our funds or conduct other transactions necessary for our operations, could negatively impact our ability to complete banking transactions in Russia, which could place severe liquidity constraints on and materially adversely affect our business.

The banking and financial systems in Ukraine and the CIS are also not well developed or regulated and may be susceptible to economic downturns. Few international banks have subsidiaries in Kazakhstan, Uzbekistan, and Armenia, and no international banks operate subsidiaries in Tajikistan and Georgia. We have attempted to mitigate our banking risk by receiving and holding funds with the most creditworthy banks available in each country. However, in the event of a banking crisis in any of these countries or the bankruptcy or insolvency of the banks from which we receive, or with which we hold, our funds could result in the loss of our deposits or negatively affect our ability to complete banking transactions in these countries, which could have a material adverse effect on our business, financial conditions and results of operations.

Risks Related to the Social Environment in Russia, Ukraine and the CIS

Social instability in Russia, Ukraine and the CIS could lead to increased support for centralized authority and a rise in nationalism, which could harm our business.

Social instability in Russia, Ukraine and the CIS, coupled with difficult economic conditions, could lead to increased support for centralized authority and a rise in nationalism. These sentiments could lead to restrictions on foreign ownership of companies in the telecommunications industry or large-scale nationalization or expropriation of foreign-owned assets or businesses. There is relatively little experience in enforcing legislation enacted to protect private property against nationalization or expropriation. As a result, we may not be able to obtain proper redress in the courts, and we may not receive adequate compensation if in the future the Russian, Ukrainian, Kazakh, Tajik, Uzbek, Georgian, Kyrgyz or Armenian governments decide to nationalize or expropriate some or all of our assets. If this occurs, our business could be harmed.

In addition, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, military conflict. The spread of violence, or its intensification, could have significant political consequences, including the imposition of a state of emergency in some parts or throughout Russia, Ukraine and the CIS. These events could materially adversely affect the investment environment in Russia, Ukraine and the CIS.

Risks Related to the Legal and Regulatory Environment in Russia, Ukraine and the CIS

We operate in an uncertain regulatory environment, which could cause compliance to become more complicated, burdensome and expensive and could result in our operating without all of the required permissions.

The application of the laws of any particular country is not always clear or consistent. This is particularly true in Russia, Ukraine and other emerging market countries in which we operate where the legislative drafting has not always kept pace with the demands of the marketplace. As a result, it is often difficult to ensure that we are in compliance with changing legal requirements. For example, although the Russian Communications Law regarding license renewals in Russia has been clarified, the licensing procedures (including the re-issuance of licenses, frequencies and other permissions in connection with mergers and the issuance of local and zonal licenses) appear to differ from the procedures under prior law and do not always clearly state the steps that must be followed to obtain new licenses, frequencies, numbering capacity or other permissions needed to operate our business, and do not clearly specify the consequences for violations of the foregoing. If we are found to be involved in practices that do not comply with local laws or regulations, we may be exposed, among other things, to significant fines, the risk of prosecution or the suspension or loss of our licenses, frequency allocations, authorizations or various permissions, any of which could have a material adverse effect on our business, financial condition and results of operations.

The regulators responsible for the control and supervision of communications services in each country in which we operate frequently check our compliance with the requirements of the applicable legislation and our telecommunications licenses. We intend to use our best efforts to comply with all such requirements. However, we cannot assure you that in the course of future inspections, we will not be found to be in violation of the applicable legislation. Any such finding could have a material adverse effect on our operations.

In addition, it may be difficult and prohibitively expensive for us to comply with applicable Russian telecommunications regulations related to state surveillance of communications traffic. Currently, Ukrainian authorities are also in the process of implementing additional state surveillance of communications traffic. Full compliance with regulations that allow the state to monitor voice and data traffic may be overly burdensome, expensive and lead to a drop in quality of service. Noncompliance with such regulations once they are implemented may lead to the imposition of fines or penalties on us, or the revocation of our operating licenses. Further, some subscribers may refuse to utilize the services of a telecommunications operator whose networks facilitate state surveillance of communications traffic.

As a result of the uncertainty in the regulatory environment in Russia, Ukraine and the CIS we have experienced and could experience in the future:

- restrictions or delays in obtaining additional numbering capacity, receiving new licenses and frequencies, receiving regulatory approvals for rolling out our networks in the regions for which we have licenses, receiving regulatory approvals for changing our frequency plans and importing and certifying our equipment;
- difficulty in complying with applicable legislation and the terms of any notices or warnings received from the regulatory authorities in a timely manner;
- significant additional costs;
- delays in implementing our operating or business plans; and
- a more competitive operating environment.

Telecommunications operators in Russia, Ukraine and the CIS are subject to regulatory levies and fees and may become subject to pricing regulation.

Telecommunications operators in Russia, Ukraine and our other markets of operation are obligated to pay levies and fees pursuant to law and regulation. For example, in Russia every telecommunications operator is required to make compulsory payments to a "universal services fund" in the amount of 1.2% of its revenues (excluding revenues from traffic transmissions). Additionally, the Russian Communications Law provides for payments for numbering capacity allocation, including through auctions in instances where numbering capacity is scarce. Because telecommunications operators apply for numbering allocation on a regular basis, this payment requirement may have a material adverse effect on the financial condition of operators.

Telecommunications regulators in Russia, Ukraine and the CIS may impose additional levies and fees on our operations from time to time. Such payment obligations create financial burdens and we may not be able to pass related costs on to subscribers, which, in turn could have a material adverse effect on our business, financial

condition and results of operations. In 2009, Kazakh authorities implemented new compulsory payments to their universal telecommunications services fund. The rates of such payments vary annually depending upon the costs of universal services operators. In 2010, Tajik authorities increased license fees for mobile telecommunications operators from 1.0% to 2.5% and introduced a levy on mobile telecommunications services for mobile telecommunications operators of 3.0%. In early 2011, Kyrgyz authorities increased license payments from 0.25% to 1.0% and may also increase payments for radio frequencies and numbering capacity. In Ukraine, during 2010, the Ukrainian government increased fivefold the fee for use of radio frequencies. In addition, in early 2011, the newly-adopted Tax Code of Ukraine introduced approximately 10% higher fees for the use of radio frequencies. At the same time, under the Tax Code, the Cabinet of Ministers of Ukraine should submit to the parliament a draft law regarding indexation of fee for use of radio frequencies before June 1 every year in order to ensure predictability as regards revision of the fee rates in future. Recently, the draft law envisaging a further approximately 10% increase of fee for use of radio frequencies was submitted to the Ukrainian Parliament.

In the recent past, amendments to the Russian Communications Law have been proposed which would have resulted in the regulation of tariffs set by mobile operators for interconnection and transfer of traffic. According to the proposed amendments, an operator will be subject to such regulation if it, together with its affiliated persons, owns at least 25.0% of the installed capacity of the operational networks that are part of the public communications network and relate to the same type of communications services technology, such as communications networks using DEF codes, within a subject territory of the Russian Federation or throughout the Russian Federation. Although the proposed amendments were not adopted, these or similar amendments may be adopted in the future and would restrict our ability to set tariffs. Such restrictions could have a material adverse affect on our business, financial condition and results of operations.

Under the Ukrainian Telecommunications Law, the NCCR is authorized to implement tariff regulation on the telecommunications market of Ukraine within the framework envisaged by the law. In particular, NCCR regulates services of traffic transfer to networks of operators with a significant market power on a certain market of traffic transfer or operators that hold a dominant position on the telecommunications market. In February 2009, the NCCR adopted a decision to analyze certain telecommunication services markets to determine whether the tariffs charged by telecommunications companies operating on such markets should be subject to the NCCR regulation. Among the markets reviewed were the market for accessing mobile networks and the market for terminating calls on mobile networks. Upon the application of mobile operators, in June 2009 the UAMC suspended its previous decision in order to further review operators' objections and other implications of this decision. In February 2010, the NCCR established tariffs for interconnection services charged by dominant operators on the market for terminating calls on mobile and fixed-line networks. In June 2010, the UAMC sustained its decision of May 2009 determining the dominant operators. In July 2010, the NCCR requested all dominant operators to bring their tariffs for interconnect into compliance with the tariffs established by the NCCR and gave operators a one-month grace period. In December 2010, the NCCR revised the interconnect tariffs. These or other regulations could result in lower overall revenues for Kyivstar, which would have a material adverse effect on our business, financial condition and results of operations.

Arbitrary action by the authorities may have a material adverse effect on our business.

In our areas where we operate, governmental, regulatory and tax authorities have a high degree of discretion and at times exercise their discretion arbitrarily, without a hearing or prior notice, and sometimes in a manner that is contrary to law. In Russia, governmental actions have included unscheduled inspections by regulators, suspension or withdrawal of licenses and permissions, unexpected tax audits, criminal prosecutions and civil actions. Russian federal and local government entities have also used common defects in matters surrounding share-issuances and registration as pretexts for court claims and other demands to invalidate such issuances and registrations and void transactions. Authorities also have the power in certain circumstances, by regulation or government act, to interfere with the performance of, nullify or possibly terminate contracts. Although such actions have been condemned at the highest government levels, they continue to take place according to press reports.

Recent amendments to the Russian Federal Law "On Enforcement Proceedings" and the Russian Federal Law "On Court Bailiffs" have given bailiffs the right to obtain from mobile services providers personal data on subscribers for law enforcement purposes. We could lose subscribers as a result of these amendments, which could have a material adverse effect on our business, financial condition and results of operations.

If we are found not to be in compliance with applicable telecommunications laws or regulations, we could be exposed to additional costs or suspension or termination of our licenses, which may materially adversely affect our business.

Our operations and properties are subject to considerable regulation by various governmental entities in connection with obtaining and renewing various licenses, frequencies and permissions, as well as ongoing compliance with existing laws, decrees and regulations. We cannot assure you that regulators, judicial authorities or third parties will not challenge our compliance with such laws, decrees and regulations. Governmental agencies exercise considerable discretion in matters of enforcement and interpretation of applicable laws, decrees and regulations, the issuance and renewal of licenses, frequencies and permissions and in monitoring licensees' compliance therewith. Communications regulators conduct periodic inspections and have the right to conduct additional unscheduled inspections during the year. In Ukraine, regular inspections of operators are carried out once in every three years, while unscheduled inspections may be held at any time upon request of law enforcement authorities, governmental bodies or consumers alleging breach of telecommunications law by such operator. We have been able to cure violations found by the regulators within the applicable grace period but were nevertheless required to pay fines. We cannot assure you that in the course of future inspections conducted by regulatory authorities, we will not be found to have violated any laws, decrees or regulations, that we will be able to cure such violations within any grace periods permitted by such notices, or that the regulatory authorities will be satisfied by the remedial actions we have taken or will take.

In Russia, as in our other areas where we operate, we routinely receive notices with respect to violations of our licenses. To the extent possible, we take measures to comply with the requirements of the notices. Nonetheless, at any given time, there may be outstanding notices with which we have not complied within the cure periods specified in the notices, primarily due to delays in the issuance of frequency permits, sanitation-epidemiological permissions, and permissions for the operation of our equipment and communication facilities in connection with the rollout of our networks (including our transportation network) by responsible regulatory authorities. Accordingly, at any given time a certain percentage of our base stations and equipment may not have all permissions required causing us to be in violation of the terms of our licenses. Failure to comply with the provisions of a notice due to a delay in the issuance of such permits or permissions by the regulatory bodies at times has not been, and in the future may not be, an acceptable explanation to the authorities issuing the notices. In each of the years from 2006 to 2010 and in the first quarter of 2011, in order to comply with notices from the regulator, we switched off a number of base stations that were operating without the necessary permissions. If we switch off additional base stations, the quality of service of our networks in those areas may deteriorate. We are also potentially responsible for violations of legislation by our dealers and sub-dealers in failing to obtain personal data such as name, address and passport number when selling SIM-cards. We cannot assure you that we will be able to cure such violations within the grace periods permitted by such notices or that the regulator will be satisfied by the remedial actions we have taken or will take. In addition, we cannot assure you that our requests for extensions of time periods in order to enable us to comply with the terms of the notices will be granted. Accordingly, we cannot assure you that such findings by the regulator or any other authority will not result in the imposition of fines or penalties or more severe sanctions, including the suspension and subsequent termination of our licenses, frequency allocations, authorizations, registrations, or other permissions, any of which could increase our estimated costs and materially adversely affect our business.

Developing legal systems in the countries in which we operate create a number of uncertainties for our business.

Many aspects of the legal systems in our countries of operation create uncertainties with respect to many of the legal and business decisions that we make, many of which do not exist in countries with more developed legal systems. The uncertainties we face include, among others, potential for negative changes in laws, gaps and inconsistencies between the laws and regulatory structure, difficulties in enforcement and inconsistency in the judicial interpretation of legislation in similar cases due to an under-developed judicial system.

The nature of much of the legislation in Russia, Ukraine and the CIS, the lack of consensus about the scope, content and pace of economic and political reform and the rapid evolution of the legal systems in Russia, Ukraine and the CIS in ways that may not always coincide with market developments, place the enforceability and, possibly, the constitutionality of laws and regulations in doubt and result in ambiguities, inconsistencies and anomalies. The legislation often contemplates implementing regulations that have not yet been promulgated, leaving substantial gaps in the regulatory infrastructure. All of these weaknesses could affect our ability to enforce our rights under our licenses and under our contracts, or to defend ourselves against claims by others.

Lack of independence and experience of the judiciary, difficulty of enforcing court decisions, the unpredictable acknowledgement and enforcement of foreign court judgments or arbitral awards in Russia, Ukraine and the CIS and governmental discretion in enforcing claims give rise to significant uncertainties.

The independence of the judicial system and its immunity from political, economic and nationalistic influences in Russia, Ukraine and the CIS remains largely untested. Judicial precedents have no formal binding effect on subsequent decisions. Not all legislation and court decisions are readily available to the public or organized in a manner that facilitates understanding. The judicial systems can be slow. Enforcement of court orders can in practice be very difficult. All of these factors make judicial decisions in Russia, Ukraine and the CIS difficult to predict and make effective redress uncertain. Additionally, court claims are often used in furtherance of political aims. We may be subject to such claims and may not be able to receive a fair hearing. Additionally, court orders are not always enforced or followed by law enforcement agencies.

None of the countries where we operate, including Russia and Ukraine, are parties to any multilateral or bilateral treaties with most Western jurisdictions, including the United States and the United Kingdom, for the mutual enforcement of judgments of state courts. Consequently, should a judgment be obtained from a court in any of such jurisdictions, it is highly unlikely to be given direct effect in the courts of Russia, Ukraine and the CIS. There is also a risk that Russian and Ukrainian procedural legislation will be changed by way of introducing further grounds preventing foreign court judgments and arbitral awards from being recognized and enforced in Russia and Ukraine. In practice, reliance upon international treaties may meet with resistance or a lack of understanding on the part of Russian and Ukrainian courts or other officials, thereby introducing delays and unpredictability into the process of enforcing any foreign judgment or any foreign arbitral award in Russia and Ukraine.

Unpredictable tax systems give rise to significant uncertainties and risks that could complicate our tax planning and business decisions.

The tax systems in Russia, Ukraine and other emerging markets in which we operate are unpredictable and give rise to significant uncertainties, which could complicate our tax planning and business decisions. Tax laws in Russia, Ukraine and other emerging markets in which we operate have been in force for a relatively short period of time as compared to tax laws in more developed market economies. Tax authorities in Russia, Ukraine and other emerging markets in which we operate are often arbitrary in their interpretation of tax laws, as well as in their enforcement and tax collection activities.

Many companies are often forced to negotiate their tax bills with tax inspectors who may assess additional taxes. Any additional tax liability, as well as any unforeseen changes in applicable tax laws or changes in the Russian or Ukrainian tax authorities' interpretations of the respective double tax treaties in effect with the Netherlands, could have a material adverse effect on our future results of operations, cash flows or the amounts of dividends available for distribution to shareholders in a particular period. We may be required to accrue substantial amounts for contingent tax liabilities and the amounts accrued for tax contingencies may not be sufficient to meet any liability we may ultimately face. From time to time, we may also identify tax contingencies for which we have not recorded an accrual. Such unaccrued tax contingencies could materialize and require us to pay additional amounts of tax.

Russian tax laws, regulations and court practice are subject to frequent change, varying interpretations and inconsistent and selective enforcement.

Generally, taxes payable by Russian companies are relatively substantial and include, inter alia, corporate profits tax, VAT, excise, property tax and other taxes. Russian tax laws, regulations and court practice are subject to frequent change, varying interpretation and inconsistent and selective enforcement. The law and legal practice in Russia are not as clearly established as those of mature markets and there are a number of uncertainties with respect to the application of tax legislation. In some instances, although it may be viewed as contrary to Russian constitutional law, the Russian tax authorities have applied certain new tax laws retroactively, issued tax claims for periods for which the statute of limitations had expired and reviewed the same tax period multiple times.

Despite the Russian government's steps to reduce the overall tax burden in recent years, Russia's largely ineffective tax collection system and continuing budgetary funding requirements may increase the likelihood that the Russian Federation will impose arbitrary or onerous taxes and penalties in the future, which could have a material impact on our business and financial performance. Additionally, taxation has been used as a tool for significant state intervention in certain key industries.

Since Russian federal, regional and local tax laws and regulations are subject to frequent change and some of the sections of the Tax Code of the Russian Federation (the ***"Tax Code"***) are comparatively new, interpretation of these laws and regulations is often unclear or non-existent. Taxpayers and the Russian tax

authorities often interpret tax laws differently. Differing interpretations of tax regulations exist both among and within government ministries and organizations at the federal, regional and local levels, creating uncertainties and inconsistent enforcement. Furthermore, in the absence of binding precedent, court rulings on tax or other related matters by different courts relating to the same or similar circumstances may also be inconsistent or contradictory. Taxpayers often have to resort to court proceedings to defend their position against the tax authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their assessments and their interpretation of legislation and it is possible that transactions and activities that have not been challenged in the past may now be challenged.

In addition to the usual tax burden imposed on Russian taxpayers, these conditions complicate tax planning and related business decisions, potentially exposing us to significant fines and penalties as well as potentially severe enforcement measures and greater than expected tax burdens despite our best efforts to comply. This could have a significant adverse effect on our business, prospects, financial condition and results of operations.

On October 12, 2006, the Plenum of the High Arbitration Court of the Russian Federation issued Resolution No. 53 formulating the concept of "unjustified tax benefit," which is described in the Resolution by reference to circumstances, such as absence of business purpose or transactions where the form does not match the substance, and which could lead to the disallowance of tax benefits resulting from the transaction or the recharacterization of the transaction. There has been very little further guidance on the interpretation of this concept by the tax authorities or courts, but it is likely that the tax authorities will actively seek to apply this concept when challenging tax positions taken by taxpayers in Russian courts. While the intention of this Resolution might have been to combat abuse of tax laws, in practice, there is no assurance that the tax authorities will not seek to apply this concept in a broader sense.

Generally, tax declarations of Russian companies remain open and subject to inspection by tax and/or customs authorities for three calendar years immediately preceding the year in which the decision to conduct an audit is taken. However, the fact that a particular year has been reviewed by tax authorities does not preclude that year from further review or audit during the eligible three-year limitation period by a superior tax authority. On July 14, 2005 the Russian Constitutional Court issued a decision allowing the statute of limitations for tax liabilities to be extended beyond the three-year term set forth in the tax laws if a court determines that the taxpayer has obstructed or hindered a tax inspection. Moreover, recent amendments to the first part of the Tax Code, effective January 1, 2007, provide for the extension of the three-year statute of limitations if the actions of the taxpayer created insurmountable obstacles for the tax audit. Because none of the relevant terms is defined, tax authorities may have broad discretion to argue that a taxpayer has "obstructed", "hindered" or "created insurmountable obstacles" in respect of an inspection and to ultimately seek review and possibly apply penalties beyond the three-year term, and there is no guarantee that the tax authorities will not review our compliance with applicable tax law beyond the three-year limitation period.

Russian law does not provide for the possibility of group relief or fiscal unity. Consequently, financial results of each of Russian company belonging to the group are not consolidated for tax purposes, i.e. no offset of profit of one entity against losses of another entity in the group is possible. The Russian Government, in its "Major Trends in Russian Tax Policy for 2010-2012", has proposed the introduction of consolidated tax reporting to enable the consolidation of the financial results of Russian taxpayers which are part of one group for corporate income tax purposes. We are aware that the draft law on consolidated tax reporting has already been drafted, however, at this stage, it is impossible to predict whether, when or how consolidated tax reporting principles will be enacted.

In addition, intercompany dividends are subject to a withholding tax of 0.0% or 9.0% (depending on whether the recipient of dividends qualifies for Russian participation exemption rules), if being distributed to Russian companies, and 15.0% (or lower, subject to benefits provided by relevant double tax treaties), if being distributed to foreign companies. If the receiving company itself pays a dividend, it may offset tax withheld against its own withholding liability of the onward dividend although not against any withholding made on a distribution to a foreign company. Failure to meet the requirements established for application of Russian participation exemption rules may result in additional burdens and costs on our operations.

Moreover, Russian tax legislation in effect as at the date of this prospectus does not contain a concept of corporate tax residency (rather, the Russian domestic legislation recognizes the concept of a taxpayer). Russian legal entities and organizations are taxed on their worldwide income while foreign legal entities and organizations are taxed in Russia on income attributable to their permanent establishment and on Russian source income, received by these foreign legal entities and organizations. Some of our foreign companies may be treated by the tax authorities as having a permanent establishment in Russia.

Nevertheless, the Russian Government, in its "Major Trends in Russian Tax Policy for 2008-2010", has proposed the introduction into the domestic tax law of a concept of tax residency for legal entities. According to the proposals, a non-Russian entity would be deemed a Russian tax resident based on the place of its effective management and control and/or based on the residence of its shareholders. No assurance can be given as to whether and when these amendments will be enacted, their exact nature, and their interpretation by the tax authorities and possible impact on us. We cannot rule out that, as a result of the introduction of these changes to the Russian tax legislation, our certain foreign companies might be deemed to be Russian tax residents, subject to all applicable Russian taxes.

We are part of a multi-national group, to which a number of double tax treaties applies. On May 25, 2009, in his budget message, the President of Russia set a goal of introducing legal mechanisms designed to restrict the use of double tax treaties and minimize tax benefits for ultimate beneficiaries who are not residents of the country that is a party to the relevant double tax treaty. The status of the proposed legislation and the extent to which it would apply to us is unclear.

A large number of changes have been introduced to the Tax Code since its adoption. One of these amendments was introduced to decrease deductibility limits applicable to taxpayer's interest expenses for obligations denominated in foreign currency. The amendment decreasing deductibility limits was introduced as a temporary measure to be in effect for a time period specified in the law, and according to the current wording of the law this period expires on December 31, 2012. Very likely these changes will result in a disallowance of a certain portion of interest expenses incurred on foreign currency denominated loans, which could have an adverse effect on our business, financial condition or results of operations or prospects.

Moreover, the Russian Government in its "Major Trends in Russian Tax Policy for 2011-2013", has proposed to modify existing thin capitalization rules by effectively expanding the list of related parties subject to application of these rules. It is planned to reconsider methods of calculation of deductibility limits for interest expenses (which are currently based on the Russian Central Bank refinancing rate). No assurance can be given as to whether and when these amendments will be enacted, their exact nature, and their interpretation by the tax authorities and possible impact on us. We cannot rule out that, as a result of the introduction of these changes to the Russian tax legislation our business, prospects, financial condition and results of operations may be adversely affected.

Current Russian tax legislation is, in general, based upon the formal manner in which transactions are documented, looking to form rather than substance. However, the Russian tax authorities, in some cases, are increasingly taking a "substance and form" approach, which may cause additional tax exposures to arise in the future. There can be no assurance that the Tax Code or its interpretation will not be changed in the future in a manner adverse to the stability and predictability of the tax system (including in relation to thin capitalization and transfer pricing rules and other rules governing the deductibility of interest or other expenses and the timing thereof). It is expected that Russian tax legislation will become more sophisticated, which, coupled with the state budget deficits, may result in the introduction of additional revenue raising mechanisms. Although it is unclear how these measures would operate, the introduction of such measures could affect our overall tax efficiency and result in significant additional tax liabilities. Additional tax exposure could have a significant adverse effect on our business, prospects, financial condition and results of operations.

Vaguely drafted Russian transfer pricing rules and lack of reliable pricing information may impact our business, financial condition and results of operations.

Transfer pricing legislation became effective in the Russian Federation on January 1, 1999. This legislation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all "controlled" transactions (except for those conducted at state regulated prices) provided that the transaction price differs from the market price by more than 20.0%. "Controlled" transactions include transactions with related parties, barter transactions, foreign trade transactions and transactions with unrelated parties with "significant price fluctuations" (i.e., if the price with respect to such transactions differs from the prices on similar transactions conducted within a short period of time by more than 20.0%). Special transfer pricing adjustments are also applicable to operations with securities and derivatives. Russian transfer pricing rules are vaguely drafted, generally leaving wide scope for interpretation by Russian tax authorities and courts and their use in tax examinations. There has been very little guidance (although some court practice is available) as to how these rules are to be applied.

If the tax authorities were to impose significant additional tax liabilities as a result of transfer pricing adjustments, it could have a material adverse impact on our business, financial condition and results of operations. Additionally, in the event that a transfer pricing adjustment is assessed by the Russian tax authorities, the Russian transfer pricing rules do not provide for a correlative adjustment to the related counterparty in the transaction that is subject to adjustment. Although a possibility for such an adjustment in relation to cross-border

transactions generally exists through a mutual agreement procedure allowed by most of the double taxation agreements signed by Russia with other countries, to date this procedure has not been used in practice. In addition to the usual tax burden imposed on Russian taxpayers, these conditions complicate tax planning and related business decisions.

Due to the uncertainties in the interpretation of transfer pricing legislation, there is a risk that the tax authorities may challenge the prices of some of our transactions and propose adjustments and, to the extent that any such challenge is upheld by the Russian arbitration courts and implemented, our business, revenues, financial condition, results of operations and prospects could be materially adversely affected.

Currently new Russian transfer pricing rules are in the process of being adopted by the State Duma of the Russian Federation. The new Russian transfer pricing rules may be adopted and come into force some time during 2011. The amendments are expected to considerably toughen the existing law by requiring taxpayers to substantiate the arm's length nature of controllable transactions and compile and maintain substantial supporting documentation.

Introduction of the new transfer pricing rules may increase the risk of transfer pricing adjustments by the tax authorities and have a material impact on our business and the results of operations. It will also require us to ensure compliance with the new transfer pricing documentation requirements proposed by these rules, resulting in additional tax compliance costs and burdens.

Laws restricting foreign investment could materially adversely affect our business.

We could be materially adversely affected by the adoption of new laws or regulations restricting foreign participation in the telecommunications industry in Russia, Ukraine or other emerging markets in which we operate. The Russian Foreign Investment Law limits foreign investment in companies that are deemed to be strategic. Under the Russian Foreign Investment Law, a company operating in the telecommunications sector may be deemed strategic if it holds a dominant position in the Russian communications market (except for the Internet services market) or, in the case of fixed-line telecommunications, if the particular company's market covers five or more Russian regions or covers Russian cities of federal importance. In connection with the adoption of the Russian Foreign Investment Law, amendments were adopted to certain provisions of the Russian Communications Law which provide that with respect to mobile telecommunications, a company will be deemed to have a dominant position for purposes of application of the Russian Foreign Investment Law if its share of the Russian mobile telecommunications market exceeds 25.0%. As discussed above, under "—Risks Related to Our Business—We are subject to anti-monopoly and consumer protection regulation in Russia, Ukraine and the CIS, which could restrict our business," the Russian FAS previously determined that a group of persons consisting of OJSC VimpelCom and two of its Russian subsidiaries, one of which subsequently merged with and into OJSC VimpelCom, has a dominant position, because their share of the Russian mobile telecommunications market exceeds 25.0%. As a result, OJSC VimpelCom is deemed to be a strategic enterprise and, among other things, any acquisition by a foreign investor of direct or indirect control over more than 50.0% of its voting shares requires the prior approval of the Russian authorities pursuant to the Russian Foreign Investment Law. In the event any future transactions with our shares result in the acquisition by a foreign investor of direct or indirect control over OJSC VimpelCom, such a transaction will require prior approval in accordance with the Russian Foreign Investment Law. As a result, our ability to obtain financing from foreign investors through such transactions may be limited, should prior approval be refused, delayed or require foreign investors to comply with certain conditions imposed by the Government Commission on Control of Foreign Investments in the Russian Federation or the Russian FAS, which could materially and adversely affect our business, financial condition and results of operations.

The Ukrainian economy is to a certain extent dependent on foreign investment. Despite improvements in the economy from 2005 to 2008, Ukraine experienced a severe contraction of cumulative foreign direct investment, as well as a considerable foreign capital outflow due to the economic downturn and political instability in Ukraine in the fourth quarter of 2008. As the volume of foreign direct investment into emerging markets is expected to contract globally, Ukraine may face further deterioration in the amounts of foreign direct investment. No assurance can be given that Ukraine will be able to increase or maintain access to foreign investment. Furthermore, any future attempts to nationalize or expropriate and re-privatize private enterprises could adversely affect the climate for foreign direct investment and have an adverse effect on the economy of Ukraine which, in turn, could materially adversely affect Kyivstar's and our group's growth potential, business, financial condition and results of operations.

In Kazakhstan, an amendment to the law "On National Security" was adopted in July 2004 which specifically limits investments to less than 49.0% by foreign legal entities or individuals in domestic and long distance operators who own certain communications lines (including fiber optic and microwave links). The law

"On Investments," adopted in January 2003, consolidated past Kazakh legislation governing foreign investment. While these laws guarantee the stability of existing contracts, all contracts are subject to amendments in domestic legislation, certain provisions of international treaties, and domestic laws dealing with "national and ecological security, health and ethics".

Our growth strategy may also be limited by laws in jurisdictions outside of Russia, Ukraine and the CIS restricting foreign ownership. For example, the laws of Vietnam currently restrict foreign ownership of a majority stake in certain types of telecommunications companies.

The developing securities laws and regulations of Russia, Ukraine and the CIS may limit our ability to attract future investment and could subject us to fines or other enforcement measures despite our best efforts at compliance, which could cause our financial results to suffer and harm our business.

The regulation and supervision of the securities market, financial intermediaries and issuers are considerably less developed in Russia, Ukraine and the CIS than in the United States and Western Europe. Disclosure and reporting requirements, anti-fraud safeguards, insider trading restrictions and fiduciary duties are relatively new to Russia, Ukraine and the CIS and are unfamiliar to most companies and managers. In addition, securities rules and regulations can change rapidly, which may materially adversely affect our ability to conduct securities-related transactions, including our ability to attract investments in our securities. We may be subject to fines or other enforcement measures despite our best efforts at compliance, which could cause our financial results to suffer and harm our business.

Weaknesses in Ukrainian corporate law have often been used for the purpose of disenfranchising or diluting minority shareholders and misappropriating corporate assets. In September 2008, the Ukrainian Parliament adopted a new Joint Stock Company Law that came into effect in April 2009 and is meant to improve the current law by introducing corporate practices that are consistent with international standards. For example, Kyivstar was required to amend and restate its charter and change its corporate name (which was amended to Private Joint Stock Company, "Kyivstar") in order to bring it into full compliance with the new Joint Stock Company Law. The effect of these reform efforts remains to be seen, and any continuation of the corporate governance issues that have plagued Ukrainian companies prior to adoption of the new law could have a material adverse effect on our business, financial condition and results of operations.

We may be exposed to liability for actions taken by our subsidiaries.

In certain cases we may be jointly and severally liable for any obligations of a subsidiary under a transaction. We may also incur secondary liability for any obligations of a subsidiary in certain cases involving bankruptcy or insolvency. The other shareholders of the subsidiary may seek compensation from us for the losses sustained by the subsidiary that were caused by us. This type of liability could result in significant obligations and materially adversely affect our business.

Risks Related to the Notes

While the provisions of the Notes relating to the Guarantor generally correspond in substance to provisions included in the loan participation notes previously issued by VIP Finance Ireland Limited for the purpose of funding loans to the Guarantor, there are differences which investors should carefully review and consider.

The Notes are structured in a different manner to the loan participation notes issued in April 2008 and February 2011 by VIP Finance Ireland Limited for the purpose of funding loans to the Guarantor (the "***Loan Participation Notes***"). However, as against the Guarantor and its subsidiaries, the Notes generally include provisions that correspond in substance to provisions included in the Loan Participation Notes. Nevertheless, there are differences in certain provisions, including an increase in the threshold under the Notes for an event of default arising from default on other debt of the Issuer or the Guarantor or arising from a final judgment that has not been satisfied. The cross-default threshold under the Notes has increased to US$75.0 million from US$40.0 million under the Loan Participation Notes. In addition, the debt cross default applies to debt of subsidiaries falling within the definition of "Significant Subsidiaries" of the Guarantor under the terms of the Notes, rather than to all subsidiaries of the Guarantor under the Loan Participation Notes. A Significant Subsidiary is a subsidiary that accounts for more than 10.0% of the Guarantor's consolidated revenues or assets or that holds a license generating more than 10.0% of the Guarantor's consolidated revenues. None of the Guarantor's subsidiaries fall within this definition at present. Investors should carefully review and consider the terms and conditions of the Notes. See "Terms and Conditions of the Notes."

We will have the ability to incur more debt and this could increase the risks described above.

We may decide to incur additional debt in the future, including secured debt that will be effectively senior to the Notes as to the value of the assets constituting collateral for such secured debt. While the Notes contain certain limitations on our ability to incur additional debt, nonetheless we are permitted to incur such debt. If new debt, in particular secured debt, is added to our current debt levels, the magnitude of the related risks described above could increase, and the foregoing factors could have an adverse effect on our ability to pay amounts due in respect of the Notes.

Secured indebtedness of OJSC VimpelCom is senior to the Guarantees.

As of March 31, 2011, OJSC VimpelCom had an aggregate amount of US$32.3 million of secured indebtedness. All of OJSC VimpelCom's secured indebtedness is effectively senior to its obligations under the Guarantees, since the Guarantees and the Notes they guarantee are unsecured. As a result, if we default on the Notes and this default triggers an event of default under any of OJSC VimpelCom's secured indebtedness, holders of OJSC VimpelCom's secured indebtedness will have priority over the Noteholders if they pursue rights under the Guarantees to the extent of the value, validity and priority of the liens on the assets securing such indebtedness. In addition, we have a significant amount of unsecured indebtedness that ranks equally in right of payment with the Notes. As of March 31, 2011, the aggregate principal on our total outstanding unsecured indebtedness was approximately US$7.3 billion (not including intercompany debt within the VimpelCom Ltd. Group). Subsequent to March 31, 2011, there have been changes in certain of our secured and unsecured indebtedness. For information regarding these changes, please refer to the sections of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financing Activities."

Your right to receive payments on the Notes is structurally subordinated to indebtedness of our subsidiaries.

OJSC VimpelCom will guarantee the Notes, but the Notes will not be guaranteed by any of our other subsidiaries. Our consolidated subsidiaries (other than OJSC VimpelCom) are the primary or sole obligors on US$122.4 million, or approximately 2.0% of our total debt as of March 31, 2011. In general, claims of a subsidiary's creditors, including trade creditors, secured creditors and unsecured creditors holding indebtedness and guarantees issued by such subsidiary, will have priority with respect to the assets and earnings of that subsidiary over the claims of the creditors of its parent company as a shareholder, except to the extent that the parent company is a valid creditor of that subsidiary under Russian law. The Notes, therefore, will effectively be structurally subordinated to creditors, including trade creditors, of each of our subsidiaries (other than OJSC VimpelCom). In addition, the Notes will be structurally subordinated to vendor financing obtained by our subsidiaries.

We may be unable to repay the Notes at maturity.

At maturity, we may not have the funds to fulfil our obligations under the Notes and we may not be able to arrange for additional financing. If the maturity date of the Notes occurs at a time when other arrangements prohibit us from repaying the Notes, we would try to obtain waivers of such prohibitions from the lenders under those arrangements, or we could attempt to refinance the borrowings that contain the restrictions. If we could not obtain the waivers or refinance these borrowings, we would be unable to repay the Notes.

The claims of Noteholders may be limited in the event that we or any of our operating subsidiaries are declared bankrupt.

Dutch, Russian and Ukrainian bankruptcy laws often differ from bankruptcy laws of England and the United States, and are subject to varying interpretations. It is difficult to predict how claims of the Noteholders against us or any of our operating subsidiaries would be resolved in the event of bankruptcy. In the event of bankruptcy, our obligations to the Noteholders could be subordinated to the following obligations:

- workplace injury obligations;
- severance pay and employment related obligations;
- secured creditors;
- tax and other payment obligations to the government; and
- liabilities arising from the liquidation of the estate.

In the event of our insolvency, Dutch, Russian and Ukrainian bankruptcy laws may adversely affect our ability to make payments to the Noteholders.

You may not be adequately protected against corporate restructurings or highly leveraged transactions.

The terms of the Notes do not contain provisions that would afford you protection in the event of a decline in our credit quality resulting from highly leveraged or other similar transactions in which we may engage. We are also not limited in the amount of other indebtedness or other liabilities that we may incur or securities that we may issue. You do not have the right to require us to repurchase or redeem the Notes in the event of many types of highly leveraged transactions.

We cannot assure you that an active trading market will develop for the Notes.

The Notes have not been registered under the Securities Act or any U.S. state securities laws and may not be offered or sold except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable state securities laws. Although we have applied to list the Notes on the Irish Stock Exchange, we cannot assure you that our application will be granted or an active trading market for the Notes will develop. We do not know the extent to which investor interest will lead to the development of an active trading market or how liquid that market might be, nor can we make any assurances regarding the ability of Noteholders to sell their Notes or the price at which the Notes might be sold. As a result, the market price of the Notes could be adversely affected.

The market price of the Notes may be volatile.

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in our own and our competitors' operating results, adverse business developments, changes to the regulatory environment in which we operate, changes in financial estimates by securities analysts, and the actual or expected sale of a large number of Notes, as well as other factors. Historically, the market for non-investment grade debt, such as the Notes, has been subject to disruptions that have caused substantial volatility in the prices of such securities. Any such disruptions may harm Noteholders. In addition, in recent years the global financial markets, including emerging markets, have experienced significant price and volume fluctuations that, if repeated in the future, could adversely affect the market price of the Notes without regard to our results of operations, prospects or financial condition. In this context, future terrorist attacks in the United States, such as those of September 11, 2001, or elsewhere, such as those of March 11, 2004 in Spain, July 7, 2005 in the United Kingdom and terrorist attacks that have occurred in Russia, any worldwide developments responding to any terrorist attacks, and continued tension in the Middle East, though not directly affecting us or our operations, could produce sustained pressure on the global financial markets and worldwide economic trends.

The market price of the Notes could be affected by any change in the credit ratings of the Notes or our company. The Notes have been rated "BB" by Standard & Poor's Ratings Services and "Ba3" by Moody's Investors Service. Standard & Poor's Ratings Services downgraded the Guarantor's long-term credit rating to "BB" from "BB+" on April 20, 2011, and Moody's Investors Service downgraded its corporate family rating from "Ba2" to Ba3" on March 21, 2011. In announcing the downgrades, both agencies cited the increase in leverage resulting from the Wind Telecom Transaction. In the event of any further downgrade in our ratings by Standard & Poor's Ratings Services, Moody's Investors Service or another rating agency, or in the event that Standard & Poor's Ratings Services, Moody's Investors Service or any other rating agency imposes any financial or other condition on our retaining any rating assigned to OJSC VimpelCom, the Issuer or the Notes, or indicates that it is considering the downgrading, suspension or withdrawal of, or any review for a possible change that does not indicate the direction of the possible change in, any rating so assigned or any change in the outlook for any rating of OJSC VimpelCom, the Issuer or the Notes, as applicable, the market price of the Notes could be materially adversely affected. In addition, any such change or development may increase our cost of borrowing or affect our ability to obtain debt financing in the future.

Enforcing your rights as a holder of the Notes across multiple jurisdictions may prove difficult.

The Issuer is incorporated under the laws of the Netherlands; the Notes will be guaranteed by OJSC VimpelCom, which is organized under the laws of the Russian Federation and the transaction documents in relation to the issuance of the Notes are governed by English law. Therefore, your rights under the Notes and the Guarantees will be subject to the laws of more than one jurisdiction, and there can be no assurance that you will be able to effectively enforce your rights in multiple bankruptcy, insolvency or similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of your rights.

In addition, the bankruptcy, insolvency, administrative and other laws of the various jurisdictions of organization may be materially different from, or in conflict with, each other in certain areas. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes and the Guarantees.

As the Global Note Certificates are held by or on behalf of Euroclear, Clearstream, Luxembourg and DTC, investors will have to rely on their procedures for transfer, payment and communication with the Issuer and/or the Guarantor.

The Notes will be represented by the Global Note Certificates except in certain limited circumstances described therein. The Regulation S Global Note Certificate will be deposited with the Common Depositary for Euroclear and Clearstream, Luxembourg. The Rule 144A Global Note Certificate will be registered in the name of a nominee of, and deposited with a custodian for, DTC. Except in certain limited circumstances described in the Global Note Certificates, investors will not be entitled to receive definitive Notes. Euroclear, Clearstream, Luxembourg and DTC will maintain records of the beneficial interests in the Global Note Certificates. While the Notes are represented by the Global Note Certificates, investors will be able to trade their beneficial interests only through Euroclear, Clearstream, Luxembourg and DTC.

The Issuer and the Guarantor will discharge their payment obligations under the Notes by making payments through DTC or to the Common Depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in the Global Note Certificates must rely on the procedures of DTC, Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificates.

Holders of beneficial interests in the Global Note Certificates will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by DTC, Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

The Notes are subject to restrictions on transfer.

The Notes are being offered and sold in the United States in reliance on Rule 144A to purchasers who are QIBs and outside the United States in reliance on Regulation S. Each purchaser of Notes pursuant to Rule 144A will be deemed to have represented to the Issuer that it is a QIB. Each purchaser of the Notes pursuant to Regulation S will be deemed to have represented to the Issuer that it is not a U.S. person within the meaning of Regulation S and is not acquiring Notes for the account or benefit of any U.S. person and that it is purchasing the Notes in an offshore transaction within the meaning of Regulation S. See “Form of Notes and Transfer Restrictions”.

Certain transactions contemplated in connection with the offering of the Notes could constitute prohibited transactions under ERISA.

The United States Employee Retirement Income Security Act of 1974, as amended, or ERISA, and the Internal Revenue Code of 1986, as amended, or the Code, set forth certain restrictions on employee benefit plans and certain other plans and entities. Certain transactions contemplated in connection with the offering of the Notes could be deemed to constitute direct or indirect prohibited transactions under ERISA or the Code. A prohibited transaction may result in an excise tax, penalty or other liabilities under ERISA or the Code, unless exemptive relief is available. Your attention is drawn to the section of this prospectus entitled “Certain ERISA Considerations,” in which any purchaser or holder of Notes and any subsequent transferee of Notes is deemed to have made representations that it is not investing assets of a benefit plan that is subject to ERISA or to Section 4975 of the Code.

The Noteholders face risks associated with possible changes in law.

The Terms and Conditions of the Notes are based on English law in effect as at the date of the prospectus. The descriptions of legal matters and tax analysis elaborated in the prospectus are based on relevant laws and regulations as currently in force. No assurance can be given as to the impact of any possible judicial decision or change to the laws and regulations or administrative practice after the date of the prospectus. If the laws and regulations are amended, such amendments could have an impact on the rights and obligations of the Noteholders and the tax treatment of (income derived from) the Notes.

The 2014 Notes will bear interest at floating rates that could rise significantly, increasing our interest cost and reducing cash flow.

The 2014 Notes will bear interest at per annum rates equal to three-month USD LIBOR plus a spread. Interest rates could rise significantly in the future, thereby increasing our interest expense associated with these obligations, reducing cash flow available for capital expenditures and hindering the Issuer’s or the Guarantor’s ability to make payments on the Notes.

Risks Related to the Issuer

The Issuer is a holding company with negative total equity of approximately US$4.1 billion and, as a result, is dependent on cash flow from its operating subsidiaries to service its indebtedness.

The Issuer is a holding company and its primary assets consist of its shares in its subsidiaries and cash in its bank accounts. As of March 31, 2011, the Issuer had negative total equity of approximately US$4.1 billion, due to accounting rules that apply a historical cost basis to assets of OJSC VimpelCom. For an explanation of this negative total equity, see "Description of the Issuer—Negative Total Equity" below.

As a holding company, the Issuer has no revenue generating operations of its own, and therefore the Issuer's cash flow and ability to service its indebtedness, including the Notes, will depend primarily on the operating performance and financial condition of its operating subsidiaries and the receipt by the Issuer of funds from such subsidiaries in the form of dividends or otherwise. The Issuer's operating subsidiaries may not generate income and cash flow sufficient to enable it to meet the payment obligations on the Notes, because their ability to provide funds to the Issuer by way of dividends or otherwise will depend, to some extent, on general economic, financial, competitive, market and other factors, many of which are beyond the Issuer's control. Transfer of a subsidiary of the Issuer could also reduce income from operations. For more information, see "—There is no restriction in the Trust Deeds or the Notes preventing the transfer of operations of the Issuer outside of the Issuer's group."

There are legal limits on dividends that the Issuer's subsidiaries are permitted to pay to the Issuer. With respect to OJSC VimpelCom, Russian law prohibits declaration and payment of dividends by a Russian company if such company's net asset value is lower than its charter capital or will become lower than its charter capital as a result of declaration or distribution of dividends. With respect to Kyivstar, under Ukrainian law, a joint stock company is not allowed to pay dividends on ordinary shares unless, among other things, the amount of its share capital is sufficient to cover the aggregate amount of its charter capital, reserve capital and an excess amount of the liquidation value of the preferred shares (if any) over their nominal value. Furthermore, based on frequent discretionary application of Ukrainian law by relevant controlling agencies, it is possible that payment of dividends by Kyivstar may be subject to monetary transfer restrictions and foreign currency exchange restrictions in Ukraine. For example, currently Kyivstar is not required to obtain an individual license from the National Bank of Ukraine ("***NBU***") in order to pay dividends to the Issuer. However, there can be no assurance that Ukrainian currency control regulations, or their interpretation by the NBU will not change, resulting in the need for Kyivstar to obtain individual license from the NBU for the purpose of paying dividends to the Issuer or subjecting Kyivstar to other currency control restrictions.

The Notes and the obligations in relation to the issuance of the Notes may be voided, voidable, subordinated, limited in scope, unenforceable or practically unenforceable under Dutch insolvency laws.

The Issuer is incorporated in the Netherlands and therefore may be subject to insolvency proceedings governed by Dutch law. The Issuer may become subject to two types of insolvency proceedings under Dutch law. The first, suspension of payments, is intended to facilitate the reorganization of a debtor's indebtedness, provide the debtor temporary relief against creditors and enable the debtor to continue as a going concern. The second, bankruptcy, is primarily designed to liquidate and distribute the proceeds of the assets of a debtor to its creditors.

During a Dutch suspension of payments proceeding, a debtor loses the right to legally dispose of and administer the property, rights and interests of its estate at its own discretion. As of the date of the commencement of the suspension of payments until the termination of the suspension of payments, an administrator must co-sign all actions with respect to the disposal of or the administration of the property of the estate. Since the administrator is also not allowed to dispose of or administer the property of the estate or to enter into contracts on behalf of the estate on his own, the debtor and the administrator in fact co-manage the affairs of the debtor. If the Issuer were to be involved in a suspension of payments proceeding, the obligations of the Issuer in connection with the Notes may be difficult to enforce against the Issuer. In practice, a suspension of payments proceeding nearly always results in bankruptcy of the debtor.

During a Dutch bankruptcy, a debtor loses the right to legally dispose of and administer the property, rights and interests of its estate from 00.00 hours on the date of the declaration of bankruptcy. The debtor therefore loses the right to dispose of and administer the bankrupt estate as of 00.00 hours on the date of the declaration of bankruptcy. From that time onwards, only the trustee in bankruptcy of the debtor can validly represent the debtor. Any transactions entered into by the Issuer after 00.00 hours of the date of declaration of bankruptcy, may be annulled by the trustee in bankruptcy. The bankruptcy estate includes all assets of the debtor at the time it is declared bankrupt as well as any assets acquired during the bankruptcy. As a result of bankruptcy, all legal proceedings against a debtor and all attachments on the debtor's assets are terminated by operation of

law. Further, if a debtor is legally obliged to perform a transaction, the performance of the obligation can be invalidated if the relevant counterparty knew that a request for bankruptcy of the debtor was pending or the performance of the obligation was the result of consultation between the insolvent person and the recipient with a view to give preference to the latter over the other creditors. The performance by the Issuer of its obligations in connection with the Notes may be invalidated if the relevant counterparty of such obligation was aware of a pending bankruptcy of the Issuer at the time the obligation was performed.

Unlike Chapter 11 proceedings under U.S. bankruptcy law where both secured and unsecured creditors are generally barred from seeking to recover their claims, suspension of payment proceedings allow certain secured creditors and preferential creditors to satisfy their claims by exercising foreclosure rights on the assets which secure their claims or to which they have preferential rights. Therefore, a recovery under Dutch law could involve a sale of the assets of the Issuer in a manner that does not reflect its going concern value. Consequently, Dutch insolvency laws could preclude or inhibit a restructuring of the Issuer.

In Dutch bankruptcy proceedings, the assets of a debtor are generally liquidated and the proceeds distributed to the debtor's creditors on the basis of the relative priority of the claims of those creditors and, to the extent claims of certain creditors have equal priority, in proportion to the amount of such claims. On the basis of the Subordination Deed, the relative priority of the claim of VimpelCom Amsterdam B.V. under the New Intercompany Note will change if an Insolvency Event occurs in respect of the Issuer. The Subordination Deed will provide that upon such an Insolvency Event, the New Intercompany Note shall at that time be subordinated to all claims of all other creditors of the Issuer, including the Notes, until these claims are paid and discharged in full. The subordination created by the Subordination Deed will not be affected by a Dutch bankruptcy or suspension of payments of the Issuer. Certain parties, such as secured creditors (including senior lenders as secured creditors under senior credit facilities), will benefit from special rights. Secured creditors such as pledgees and mortgagees may enforce their rights separately from bankruptcy and do not have to contribute to the liquidation costs. However, the enforcement of the security interest might be subject to: (a) a statutory stay of execution of up to two months extendable by another period of up to two months imposed by a Dutch court order pursuant to Sections 63(a) and 241(a) of the Dutch Bankruptcy Act (*Faillissementswet*); (b) a receiver (*curator*) can force a secured party to foreclose its security interest within a reasonable time (as determined by the receiver pursuant to Section 58(1) of the Dutch Bankruptcy Act), failing which the bankruptcy trustee will be entitled to sell the relevant rights or assets and distribute the proceeds to the secured party; and (c) excess proceeds of enforcement must be returned to the debtor's bankruptcy trustee; they may not be offset against an unsecured claim of the pledgee or the mortgagee against the debtor. All unsecured, pre-bankruptcy claims are submitted to a receiver for verification, and the receiver makes a determination as to the existence, ranking and value of the claim and whether and to what extent it should be admitted in the bankruptcy proceedings. Creditors that wish to dispute the verification of their claims by the receiver will need to commence a court proceeding in order to establish the amount and rank of the disputed claim. Although no interest is payable in respect of unsecured claims as of the date of a bankruptcy, if the net present value of a claim of a holder needs to be determined, such determination will be made by taking into account the agreed payment date and interest rate.

You may have difficulty enforcing your rights against the Issuer and its directors and executive officers.

The Issuer is incorporated in the Netherlands. None of the Issuer's directors reside in the United States and a substantial amount of the Issuer's assets, and a substantial amount of the assets of the Issuer's directors are located outside of the United States. Civil liabilities based on the securities laws of the United States may not be enforceable in the Netherlands, either in an original action or in an action to enforce a judgment obtained in U.S. courts. The United States and the Netherlands currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any court in the United States, whether or not predicated solely upon U.S. securities laws, would not be enforceable in the Netherlands.

In order to obtain a judgment which is enforceable in the Netherlands, the claim must be re-litigated before a competent Dutch court. A Dutch court will, under current practice, generally grant the same judgment without a de novo analysis on the merits (i) if that judgment results from legal proceedings compatible with Dutch notions of due process, (ii) if that judgment does not contravene public policy (*openbare orde*) of the Netherlands and (iii) if the jurisdiction of the relevant federal or state court in the United States has been based on internationally accepted principles of private international law.

Subject to the foregoing and provided that service of process occurs in accordance with applicable treaties, investors may be able to enforce in the Netherlands, judgments in civil and commercial matters obtained from U.S. federal or state courts. However, no assurance can be given that such judgments will be enforceable. In addition, it is doubtful whether a Dutch court would accept jurisdiction and impose civil liability in an original action commenced in the Netherlands and predicated solely upon U.S. federal securities laws.

You may have difficulty enforcing your rights against the Issuer due to general defenses available to debtors under Dutch law and an appeal by the Issuer on the transgression of its corporate interests.

Under Dutch law, receipt of any payment under the Notes may be affected by (i) the standards of reasonableness and fairness (*maatstaven van redelijkheid en billijkheid*); (ii) force majeure (*niet-toerekenbare tekortkoming*) and unforeseen circumstances (*onvoorziene omstandigheden*); and (iii) the other general defenses available to debtors under Dutch law in respect of the validity, binding effect and enforceability of such Notes. Other general defenses include claims that the Notes should be avoided because the underlying agreement was entered into through undue influence (*misbruik van omstandigheden*), fraud (bedrog), duress (*bedreiging*) or error (*dwaling*).

The validity and enforceability of the Notes, and any other transaction entered into by the Issuer at any time in connection with the Notes may also be successfully contested by the Issuer (or its receiver (*curator*) in bankruptcy) on the basis of the ultra vires provisions of section 2:7 of the Dutch Civil Code (*Burgerlijk Wetboek*). These provisions give legal entities the right to invoke the nullity of a transaction if such transaction entered into by such entity cannot serve to realize the objects of such entity and the other parties to such transaction knew, or without independent investigation, should have known, that such objects and purposes have been exceeded. In determining whether the granting of the Notes is in furtherance of the objects and purposes of the Issuer, a court will consider (i) the text of the objects clause in the articles of association of such company; (ii) whether the granting of such Notes is in the company's corporate interests (*vennootschappelijk belang*) and to its benefit; and (iii) whether or not the subsistence of such company is jeopardized by the granting of such Notes. The mere fact that a certain legal act (*rechtshandeling*) is explicitly mentioned in a Dutch company's objects clause, may not be conclusive evidence to state that such legal act is not ultra vires. Rather, a transaction must be in the corporate interest of a Dutch company in order to withstand a challenge that it is ultra vires.

The obligations in relation to the Notes and the Notes may be voidable under Dutch fraudulent conveyance laws.

Dutch law contains specific provisions dealing with fraudulent conveyance both in and outside of bankruptcy, (*actio pauliana provisions*). The actio pauliana offers creditors protection against a decrease in their means of recovery. A legal act performed by a person (including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third party and any other legal act having similar effect) can be challenged in or outside bankruptcy of the relevant person and may be nullified by the bankruptcy trustee in a bankruptcy of the relevant person or by any of the creditors of the relevant person outside bankruptcy, if (i) the person performed such acts without an obligation to do so (*onverplicht*), (ii) the creditor concerned was or, in the case of the person's bankruptcy, the creditors were, was prejudiced in its/their means of recovery as a consequence of the act, and (iii) at the time the act was or the acts were performed both the person and the counterparty to the transaction knew or should have known that its creditors (existing or future) would be prejudiced in their means of recovery, unless the act was entered into for no consideration (*om niet*) in which case such knowledge of the counterparty is not necessary for a successful challenge on grounds of fraudulent conveyance.

Knowledge of prejudice is however presumed by law for all transactions performed within one year of an adjudication of bankruptcy when it can also be established that one of the conditions mentioned in article 43 of the Dutch Bankruptcy Act (*Faillissementswet*) or article 46 of book 3 of the Dutch Civil Code (*Burgerlijk Wetboek*) is fulfilled. These conditions include: (i) transactions in which the debtor received substantially less than the value given by the debtor; (ii) payment of, or granting of, security for debts which are not yet due; (iii) transactions entered into by the debtor with certain relatives; (iv) transactions entered into by the debtor-company with its managing director, a member of the board, certain relatives of these directors or certain shareholders; (v) transactions by the debtor company with an affiliated legal entity; or (vi) transactions by the debtor company with a subsidiary or affiliate company.

If a Dutch court found that the issuance of the Notes by the Issuer, or any other transaction entered into by the Issuer at any time in connection with the Notes involved a fraudulent conveyance that did not qualify for any defense under Dutch law, then the issuance of the Notes by the Issuer or any other transaction entered into by the Issuer at any time in connection with the Notes, could be nullified. As a result of such a successful challenge, Noteholders may not enjoy the benefit of the Notes or any of the other transactions entered into by the Issuer at any time in connection with the Notes. The value of any consideration that Noteholders received with respect to the Notes could also be subject to recovery from such Noteholders and possibly from subsequent transferees. In addition, under such circumstances, Noteholders might be held liable for any damages incurred by prejudiced creditors of the Issuer as a result of the fraudulent conveyance.

Risks Related to Taxation of the Notes

A withholding tax may be imposed upon the disposal of the Notes in Russia which could adversely affect the value of the Notes.

A non-resident holder that is a legal entity or organization, which, in either case, is not organized under Russian law and which holds and disposes of the Notes otherwise than through a permanent establishment in Russia generally should not be subject to withholding tax on any gain realized on the sale or on the disposition of the Notes, even if proceeds are received from a source within Russia, although there is some uncertainty regarding the treatment of any part of such gain realized on sale or other disposal of the Notes that is attributable to accrued interest on the Notes. If the payment upon sale or other disposal of the Notes is received from within Russia, accrued interest may be distinguished from the total gain and taxed at the rate of 20.0% (even if the disposal is made at a loss) unless relief is available under an applicable double tax treaty.

Where proceeds from a disposition of the Notes are received from a source within Russia by a non-resident individual, such proceeds may be subject to personal income tax at a rate of 30.0% of the proceeds from such disposal of the Notes less any available documented cost deductions (including the acquisition cost of the Notes). Russian withholding tax is subject to relief under the relevant double tax treaty, however, there is no assurance that double tax treaty relief would be granted to non-resident Noteholders who are individuals, and obtaining a refund can involve considerable practical difficulties. The imposition or possibility of imposition of this withholding tax could adversely affect the value of the Notes. For more information, see the section of this prospectus entitled “Tax Considerations.”

Payments required under the Guarantees may be subject to Russian withholding tax.

Due to the lack of clarity in Russian tax legislation and the vague wording of the Russian withholding income tax provisions, payments under the Guarantees related to interest on the Notes and, to a lesser extent, payments related to the principal amounts due under the Notes are likely to be characterized as Russian source income. Accordingly, such payments should be subject to withholding tax in Russia at a rate of 20% in the event that a payment under the Guarantees on the Notes is made to a non-resident Noteholder that is a legal entity or organization, in each case not organized under Russian laws and which holds and disposes of the Notes otherwise than through a permanent establishment in Russia, unless such withholding tax is reduced or eliminated pursuant to the terms of an applicable double tax treaty.

In the event a payment under the Guarantees is made to a non-resident individual, there is a risk that the full amount of such payment may be subject to withholding tax at a rate of 30%, unless such withholding tax is reduced or eliminated pursuant to the terms of an applicable double tax treaty. See “Tax Considerations— Russian Taxation— General”.

If any payment required under the Guarantees is subject to withholding tax, OJSC VimpelCom will be obliged to increase the amount payable under the Guarantees by the amount of withholding tax (except in circumstances specified in “Terms and Conditions of the Notes —Condition 8 Taxation”). As a result, OJSC VimpelCom could incur expenses well in excess of the amount due to the Noteholders. We cannot be certain that OJSC VimpelCom would have sufficient funds to make any payment required under the Guarantees or to pay the additional amounts associated with the withholding. Further, we can give no assurance that OJSC VimpelCom’s obligation to pay the additional amounts associated with the withholding tax is enforceable under Russian law.

Payments under the Notes may be subject to withholding tax under European Commission regulations.

Under Directive 2003/48/EC on the Taxation of Savings Income in the Form of Interest Payments, European Union Member States are required to provide to the tax authorities of other Member States details of interest payments (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in such other Member State. Member States that choose not to disclose information in accordance with the directive are required to operate a withholding system in relation to such payments, which could allow for withholding tax at a rate of up to 35.0% on applicable payments. Agreements creating similar disclosure or tax withholding arrangements have been reached between Member States and a number of non-European Union countries or certain dependent or associated territories of Member States.

The European Commission has proposed certain amendments to this Directive which may, if implemented, amend or broaden the scope of the requirements described above. If an interest payment were to be made or collected through a Member State which has opted for a withholding system, such interest payments could be subject to withholding tax, and none of the Issuer, the Guarantor, the Paying Agent, nor any other person would be required to pay to such Noteholder any additional amounts in respect of such interest payment.

USE OF PROCEEDS

The fees and expenses associated with the Offer are estimated to be approximately US$12,500,000. We expect the aggregate net proceeds of the issuance of the Notes to be approximately US$2,187,500,000.

We will use the aggregate net proceeds from the issuance of the Notes first to provide our direct parent VimpelCom Amsterdam B.V. funds to repay any outstanding amounts under the Bridge Loan, as provided therein, and to use any net proceeds in excess of the amounts to be applied for such repayment for our general corporate purposes. For more information regarding the Bridge Loan, see the sections of this prospectus entitled "Certain Transactions—Agreements Related to the Wind Telecom Transaction."

None of the proceeds from the issuance of the Notes will be used to fund, finance or facilitate any activity, business or transaction that is the subject of a sanctions regime administered or enforced by the U.S. Department of Treasury's OFAC, the UN Security Council, the European Union or other relevant sanctions authorities.

CAPITALIZATION

The following table sets forth our cash and cash equivalents balance and our capitalization as of March 31, 2011, on an actual basis and on an adjusted basis to reflect (i) the issuance of the Notes (assuming a principal amount of US$2.2 billion and excluding any expenses relating to the Offer), (ii) the US$2.3 billion borrowing under the Russian Bank Loan, (iii) the Refinancing Transactions, (iv) payment of the purchase price for the acquisition by OJSC VimpelCom of 89.99% of NTC, (v) the Recent Transactions and (vi) the repayment by the Issuer of a portion of the outstanding principal amount under the New Intercompany Note in the amount of US$2.2 billion, which proceeds will be used by VimpelCom Amsterdam B.V to repay the outstanding amount under the Bridge Loan. Except for the repayments described in the foregoing sentence, the adjusted figures in the table below do not reflect the repayment of any of our existing indebtedness since March 31, 2011.

	As of March 31, 2011	
	Actual	Adjusted
	(In thousands of U.S. dollars)	
Cash and cash equivalents	1,853,020	899,327
Current debt:		
Bank, capital lease and other loans	1,242,508	1,242,508
Total current debt	1,242,508	1,242,508
Long term debt:		
Loans	–	2,200,000
Bank, capital lease and other loans, less current portion	6,046,926	8,603,160
Total long term debt	6,046,926	10,803,160
Total debt	7,289,434	12,045,668
Due to related parties	16,289,102	13,823,302
Redeemable noncontrolling interest	525,436	525,436
Stockholders' equity:		
Convertible voting preferred stock	–	–
Common stock	20,195	20,195
Additional paid in capital	0	0
Retained earnings	(3,739,836)	(3,739,836)
Accumulated other comprehensive loss	(315,556)	(315,556)
Treasury stock	(215,474)	(215,474)
Total VimpelCom Holdings B.V. stockholders' equity	(4,250,671)	(4,250,671)
Non-controlling interest	174,229	174,229
Total equity	(4,076,442)	(4,076,442)
Total capitalization	US$20,027,530	US$22,317,964

Other than the changes in certain of our other outstanding indebtedness subsequent to March 31, 2011 described in the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financing Activities—Recent Financing Activities," there have been no material changes to the consolidated capitalization of our company since March 31, 2011.

As of March 31, 2011, the Issuer had negative total equity of approximately US$4.1 billion. For more information about the negative total equity, see the section of this prospectus entitled "Description of the Issuer—Negative Total Equity".

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information of the Issuer is being provided to give a better understanding of what the Issuer's results of operations might have looked like had the pro forma adjustment transactions occurred on an earlier date. This information does not purport to indicate the results that actually would have been obtained had the pro forma adjustment transactions been completed on the dates indicated, nor does this information purport to indicate the results which may be realized in the future. You should not rely on the following information as being indicative of the historical results that the Issuer would have had or the results that the Issuer will experience in the future.

The unaudited pro forma condensed combined financial information presents the combined statement of income of the Issuer (as further discussed below in Note 1 to the unaudited pro forma condensed combined financial information) as if the pro forma adjustment transactions had occurred as of January 1, 2010.

On April 21, 2010, VimpelCom Ltd. completed the VimpelCom Ltd. Exchange Offers, and acquired approximately 98.0% of OJSC VimpelCom's outstanding shares (including shares represented by ADSs). Therefore, effective April 21, 2010, OJSC VimpelCom became a subsidiary of VimpelCom Ltd. Also on April 21, 2010, following the successful completion of the VimpelCom Ltd. Exchange Offers, subsidiaries of Telenor and Altimo caused their direct and indirect interest in Kyivstar to be transferred to the Issuer. On May 25, 2010, VimpelCom Ltd. served a squeeze-out demand notice to OJSC VimpelCom demanding that the remaining shareholders of OJSC VimpelCom sell their shares to VimpelCom Ltd. The squeeze-out process was completed on August 6, 2010. As a result, VimpelCom Ltd. became the sole shareholder of OJSC VimpelCom. On September 24, 2010, VimpelCom Ltd. and the Issuer entered into a share transfer agreement through which 100.0% minus one share of OJSC VimpelCom was transferred to the Issuer in exchange for the Original Intercompany Note in the approximate principal amount of US$ 16.7 billion and a cash payment of EUR 150,000.

The unaudited pro forma condensed combined financial information gives effect to the acquisition of Kyivstar by the Issuer and the transfer of OJSC VimpelCom shares to VimpelCom Ltd. (the "***Transactions***") as transactions to be accounted for under the acquisition method of accounting in accordance with ASC 805, and the subsequent transfer of 100.0% minus one share of OJSC VimpelCom to the Issuer accounted for as a common control transaction in accordance with ASC 805-50. Therefore the Issuer is deemed to be the accounting successor to OJSC VimpelCom and is deemed to have acquired Kyivstar. The assets and liabilities of OJSC VimpelCom transferred to the Issuer were recorded at their historical carrying value in VimpelCom Ltd.'s financial statements. This means that the consolidated financial statements of the Issuer were derived from the consolidated financial statements of OJSC VimpelCom up to April 21, 2010 when the Issuer was considered to be an acquirer of Kyivstar.

The unaudited pro forma condensed combined statement of income is prepared in accordance with U.S. GAAP, is presented in U.S. dollars and has been derived from and should be read in conjunction with the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2010, prepared in accordance with U.S. GAAP. The historical Kyivstar amounts reflected in the unaudited pro forma condensed combined statement of income have been derived from the internal accounting records of Kyivstar maintained under IFRS, as issued by the IASB, for the period from January 1, 2010 to April 20, 2010 (unaudited), and reconciled to U.S. GAAP.

The pro forma adjustments to the unaudited pro forma condensed combined statement of income are limited to those that are (1) directly attributable to the pro forma adjustment transactions, (2) factually supportable and (3) expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined statement of income does not reflect, for example (except for those incurred in the actual statement of income of the Issuer as of and for the year ended December 31, 2010):

- any integration costs that may be incurred as a result of the implementation of our strategy;
- any synergies, operating efficiencies and cost savings that may result from implementation of our strategy; or
- any benefits that may be derived from our growth prospects.

For purposes of the unaudited pro forma condensed combined statement of income, we have used the actual outcome of the VimpelCom Ltd. Exchange Offers and the final adjustments applied to identifiable assets and liabilities of Kyivstar as required by ASC 805. In the audited consolidated financial statements of the Issuer, Kyivstar's identifiable assets, liabilities and contingent liabilities were recognized at fair value, and any excess of the cost of the acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities was recognized as goodwill.

Unaudited Pro Forma Condensed Consolidated Combined Statement of Income
for the year ended December 31, 2010

	Historical OJSC VimpelCom from Jan 1-April 20, 2010 (Vimpelcom Holdings B.V. since April 21, 2010)	Historical Kyivstar (from Jan 1-April 20, 2010)	Pro Forma Adjustments		Pro Forma Condensed Combined
	(In thousands of US dollars)				
Operating revenues:					
Service revenues	**10,291,333**	**399,583**	**(31,456)**	**[a], [b]**	**10,659,460**
Sales of equipment and accessories	**193,814**	**2,094**	**–**		**195,908**
Other revenues	**27,653**	**8,032**	**–**		**35,685**
Net operating revenues	**10,512,800**	**409,709**	**(31,456)**		**10,891,053**
Operating expenses:					
Service costs	**2,251,474**	**66,829**	**(23,152)**	**[a]**	**2,295,151**
Cost of equipment and accessories	**216,944**	**6,217**	**–**		**223,161**
Selling, general and administrative expenses	**2,998,967**	**117,613**	**–**		**3,116,580**
Depreciation	**1,649,897**	**51,547**	**16,430**	**[c]**	**1,717,874**
Amortization	**427,764**	**18,080**	**60,553**	**[c]**	**506,397**
Provision for doubtful accounts	**50,486**	**1,941**	**–**		**52,427**
Total operating expenses	**7,595,532**	**262,227**	**53,831**		**7,911,590**
Operating income	**2,917,268**	**147,482**	**(85,287)**		**2,979,463**
Other income and expenses:					
Interest income	**64,644**	**4,438**	**–**		**69,082**
Net foreign exchange loss	**(14,314)**	**(4,537)**	**–**		**(18,851)**
Interest expense	**(615,870)**	**(153)**	**–**		**(616,023)**
Equity in net gain/(loss) of associates	**53,189**	**–**	**–**		**53,189**
Other (expenses)/income, net	**(99,544)**	**(684)**	**–**		**(100,228)**
Total other income and expenses	**(611,895)**	**(936)**	**–**		**(612,831)**
Income before income taxes	**2,305,373**	**146,546**	**(85,287)**		**2,366,632**
Income tax expense	**609,479**	**38,497**	**(21,322)**	**[b], [c]**	**626,654**
Net income	**1,695,894**	**108,049**	**(63,965)**		**1,739,978**
Net income/(loss) attributable to the noncontrolling interest	**44,984**	**–**	**–**		**44,984**
Net income attributable to VimpelCom	**$ 1,650,910**	**$108,049**	**$(63,965)**		**$ 1,694,994**

Notes to Unaudited Pro Forma Condensed Combined Statement of Income
(In thousands of US dollars)

Note 1—Basis of Pro Forma Presentation

The unaudited pro forma condensed combined statement of income for the Issuer is presented for the year ended December 31, 2010.

The unaudited pro forma condensed combined statement of income is presented in accordance with U.S. GAAP. The historical financial statements of the Issuer are prepared in accordance with U.S. GAAP and presented in U.S. dollars. The historical Kyivstar amounts reflected in the unaudited pro forma condensed combined statement of income have been derived from the accounting records of Kyivstar maintained under IFRS, as issued by the IASB, for the period from January 1, 2010 until April 20, 2010 (unaudited), and reconciled to U.S. GAAP. While the historical financial amounts for Kyivstar were presented in Ukrainian hryvnia, for the purpose of the unaudited pro forma condensed combined statement of income, Kyivstar's financial information has been translated into U.S. dollars. This reconciliation has not been audited. The differences between Kyivstar's historical financial information and the Kyivstar column in the unaudited pro forma condensed combined statement of income relate to:

(i) the change in the reporting currency from Ukrainian hryvnia to U.S. dollars (Kyivstar's historical statement of income has been translated into U.S. dollars using average exchange rates);

(ii) differences between U.S. GAAP and IFRS associated with the reversal of impairment losses, the determination of discount rates for pension plans, the treatment of certain costs, and the tax effects associated with these differences. The impact of these differences on the unaudited pro forma condensed combined income statement are not material.

The unaudited pro forma condensed combined statement of income gives effect to the Transactions using the acquisition method of accounting and transactions under common control guidance in accordance with ASC 805. The acquisition method of accounting uses the fair value concepts defined in ASC 820, *Fair Value Measurements and Disclosures*. ASC 805 requires, among other things, that most assets acquired and liabilities assumed be recognized at their acquisition date fair values and that the fair value of intangibles are recognized regardless of their intended use. See Note 2 to the unaudited pro forma condensed combined statement of income for the adjustments to the amortization and depreciation of the assets of Kyivstar. The transactions under common control accounting uses the concept of the historical value of the assets and liabilities as they are recorded in the parents financial statements. Therefore the assets and liabilities of OJSC VimpelCom transferred to the Issuer were recorded at their historical carrying value in Vimpelcom Ltd.'s financial statements.

We have estimated the fair value of Kyivstar's identifiable assets and liabilities and contingent liabilities of Kyivstar as of April 21, 2010. This estimation was included in the actual audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2010.

Note 2—Kyivstar Pro Forma Adjustments

(a) The pro forma adjustment reflects elimination of intercompany transactions between Kyivstar and OJSC VimpelCom (amounts in thousands of U.S. dollars):

Period Ended April 20, 2010	
Service revenues	(23,152)
Service costs	(23,152)

(b) The adjustment to operating revenue reflects the reversal of deferred revenue recognized by Kyivstar for which the Issuer has no further contractual performance obligation as of January 1, 2010. These deferred amounts had been recognized in Kyivstar's historical statement of income for the period from January 1, 2010 until April 20, 2010.

The following table shows the effects of reversing these amounts, including an applied statutory tax rate with respect to the Kyivstar adjustments of 25.0% (amounts in thousands of U.S. dollars):

Period Ended April 20, 2010	
Service revenues	(8,304)
Income tax benefit	2,076

(c) The actual purchase accounting has been applied to the pro forma condensed combined statement of income for the year ended December 31, 2010, as if the Transactions occurred at January 1, 2010. The pro forma adjustment represents the impact on the statement of income of the fair value adjustments to the assets and liabilities deemed acquired. The fair value allocation has been performed based on assessments of information

available as of the date of the acquisition. The following is a summary of the various methods used to value the Kyivstar assets purchased and liabilities assumed. Property and equipment and software have been valued primarily by using the cost method. Mobile licenses have been valued using the Greenfield and market methods. Customer relationships have been valued using the multi-period excess earnings method. Trademarks have been valued primarily using the relief-from-royalty method. Liabilities have been valued using the most probable outcome method.

Kyivstar financial information in Ukrainian hryvnia has been translated to U.S. dollars applying an average exchange rate of UAH per U.S. dollar for the period from January 1, 2010 to April 20, 2010. As required by ASC 805, related to the purchase accounting in connection with the Transactions, pro forma adjustments have been made to reflect additional depreciation and amortization based on the estimated remaining useful lives for intangible assets and equipment as follows (amounts in thousands of U.S. dollars):

Period Ended April 20, 2010	
Depreciation	(16,430)
Amortization	(60,553)
Income tax benefit	19,246

The statutory income tax rate of 25.0% has been applied to the pro forma adjustments noted above. We did not identify intangibles with indefinite useful life except for goodwill.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data for the five years ended December 31, 2010 are derived from our historical consolidated financial statements which have been audited by Ernst & Young Accountants LLP, an independent registered public accounting firm, for the year ended December 31, 2010 and Ernst & Young LLC, an independent registered public accounting firm, for the years ended December 31, 2009, 2008, 2007 and 2006. The selected consolidated financial data for the three-month periods ended March 31, 2011 and 2010 are derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which we consider necessary for a fair presentation of the financial position and the results of operations for these periods. Operating results for the three months ended March 31, 2011 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2011. The data should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein and the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." As a result of the VimpelCom Ltd. Transaction, the Issuer is as of April 21, 2010, the accounting successor to OJSC VimpelCom, and accordingly, accounting data and disclosure relating to the period prior to April 21, 2010 in its U.S. GAAP financial statements represent accounting data and disclosures of OJSC VimpelCom, except for equity which was restated to reflect the capital structure of the Issuer.

	Three months ended March 31,		Years ended December 31,				
	2011	2010	2010	2009	2008	2007	2006
	(In thousands of U.S. dollars)						
Operating revenues:							
Service revenues	US$2,673,139	US$2,202,629	US$10,291,333	US$ 8,580,815	US$ 9,999,850	US$7,161,833	US$4,847,661
Sales of equipment and accessories	66,133	26,579	193,814	109,959	107,946	6,519	19,265
Other revenues	3,588	1,920	27,653	19,788	17,190	6,528	2,931
Total operating revenues	2,742,860	2,231,128	10,512,800	8,710,562	10,124,986	7,174,880	4,869,857
Revenue based taxes	–	–	–	(7,660)	(8,054)	(3,782)	(1,879)
Net operating revenues	2,742,860	2,231,128	10,512,800	8,702,902	10,116,932	7,171,098	4,867,978
Operating expenses:							
Service costs	625,172	501,588	2,251,474	1,878,443	2,262,570	1,309,287	872,388
Cost of equipment and accessories	82,408	26,350	216,944	110,677	101,282	5,827	18,344
Selling, general and administrative expenses	794,343	632,406	2,998,967	2,389,998	2,838,508	2,206,322	1,503,615
Depreciation	475,309	352,553	1,649,897	1,393,431	1,520,184	1,171,834	874,618
Amortization	100,665	66,694	427,764	300,736	360,980	218,719	179,846
Impairment loss	–	–	–	–	442,747	–	–
Provision for doubtful accounts	12,908	18,643	50,486	51,262	54,711	52,919	21,848
Total operating expenses	2,090,806	1,598,234	7,595,532	6,124,547	7,580,982	4,964,908	3,470,659
Operating income	652,055	632,894	2,917,268	2,578,355	2,535,950	2,206,190	1,397,319
Other income and expenses:							
Interest income	24,865	11,546	64,644	51,714	71,618	33,021	15,471
Net foreign exchange (loss) gain	137,993	104,934	(14,314)	(411,300)	(1,142,276)	72,955	24,596
Interest expense	(206,808)	(141,660)	(615,870)	(598,531)	(495,634)	(194,839)	(186,404)
Equity in net gain/(loss) of associates	55,588	(3,784)	53,189	(35,763)	(61,020)	(211)	–
Other (expenses) income, net	(5,523)	(48,345)	(99,544)	(32,114)	(17,404)	3,240	(38,844)
Total other income and expenses	6,115	(77,309)	(611,895)	(1,025,994)	(1,644,716)	(85,834)	(185,181)
Income before income taxes and cumulative effect of change in accounting principle	658,170	555,585	2,305,373	1,552,361	891,234	2,120,356	1,212,138
Income tax expense	96,186	153,049	609,479	435,030	303,934	593,928	390,663
Income before cumulative effect of change in accounting principle	561,984	402,536	1,695,894	1,117,331	587,300	1,526,428	821,475
Cumulative effect of change in accounting principle	–	–	–	–	–	–	(1,882)
Net income	US$ 561,984	US$ 402,536	US$ 1,695,894	US$ 1,117,331	US$ 587,300	US$1,526,428	US$ 819,593
Net income (loss) attributable to the noncontrolling interest	19,036	10,166	44,984	(4,499)	62,966	63,722	8,104
Net income attributable to VimpelCom	US$ 542,948	US$ 392,370	US$ 1,650,910	US$ 1,121,830	US$ 524,334	US$1,462,706	US$ 811,489

	At March 31,	At December 31,				
	2011	2010	2009	2008	2007	2006
			(In thousands of U.S. dollars)			
Consolidated balance sheets data:						
Cash and cash equivalents	US$ 1,853,020	US$ 851,383	US$ 1,446,949	US$ 914,683	US$ 1,003,711	US$ 344,494
Working capital (deficit)[1]	471,221	(928,137)	(447,742)	(1,407,795)	(272,784)	(487,420)
Property and equipment, net	7,375,846	6,933,076	5,561,569	6,425,873	5,497,819	4,615,675
Telecommunications licenses, goodwill and other intangible assets, net	9,316,267	9,048,445	4,527,255	5,124,555	2,217,529	1,957,949
Total assets	23,035,174	20,401,052	14,732,541	15,725,153	10,568,884	8,436,546
Total debt, including current portion[2]	7,289,434	5,661,305	7,353,047	8,442,926	2,766,609	2,489,432
Due to related parties, non current[3]	16,289,102	16,217,230	–	–	–	–
Total liabilities	26,586,180	24,777,443	9,715,364	11,115,307	4,868,688	4,235,777
Redeemable noncontrolling interest	525,436	522,076	508,668	469,604	–	–
Total equity	US$ (4,076,442)	US$ (4,898,467)	US$ 4,508,509	US$ 4,140,242	US$ 5,700,196	US$4,200,769

(1) Working capital is calculated as current assets less current liabilities.

(2) Includes bank loans, Russian ruble denominated bonds, equipment financing and capital lease obligations for all periods presented. Subsequent to March 31, 2011, there have been additional changes in certain of our outstanding indebtedness. For information regarding these changes, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financing Activities—Recent Financing Activities."

(3) Represents obligation under the Original Intercompany Note held by VimpelCom Amsterdam B.V. including interest.

SELECTED OPERATING DATA

The following selected operating data as of March 31, 2011 and as of December 31, 2010, 2009, 2008, 2007 and 2006 has been derived from internal company sources and from independent sources that we believe to be reliable. The selected operating data set forth below should be read in conjunction with our consolidated financial statements and their related notes included elsewhere in this prospectus and the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." Our subscriber data, ARPU and MOU for all periods indicated in the table below and churn figures for the years 2008, 2009 and 2010 and the first three months of 2011 in the table below are reported on the basis of active subscribers. The historical operating data for periods prior to April 21, 2010, the date on which the VimpelCom Ltd. Transaction was completed, represents the historical operating data of OJSC VimpelCom and excludes the historical operating data of Kyivstar.

	As of March 31,	As of December 31,				
	2011	2010	2009	2008	2007	2006
Selected industry operating data:						
Estimated population:[1]						
Russia	140,009,091	140,128,248	140,681,500	142,008,800	142,008,800	145,166,700
Ukraine	45,243,143	45,306,567	45,813,764	46,192,300	46,192,300	48,457,000
Kazakhstan	15,833,852	15,807,055	15,704,000	15,571,500	15,571,500	14,953,000
Tajikistan	7,177,818	7,143,494	7,011,000	7,215,700	7,215,700	–
Uzbekistan	28,043,595	27,960,495	28,381,000	27,100,000	27,100,000	–
Armenia	3,097,729	3,095,279	2,990,000	3,230,100	3,230,100	–
Georgia	4,198,875	4,205,647	4,318,000	4,500,000	4,500,000	–
Kyrgyzstan	5,596,290	5,580,940	–	–	–	–
Cambodia	15,248,754	15,183,540	15,097,000	–	–	–
Laos	6,527,189	–	–	–	–	–
Estimated mobile subscribers:[2]						
Russia	222,306,700	220,384,130	209,206,000	187,830,000	172,870,000	151,920,000
Ukraine	50,106,500	49,969,900	55,251,400	55,793,102	55,596,318	49,219,900
Kazakhstan	20,385,900	17,279,900	16,581,000	14,437,927	12,692,511	–
Tajikistan	5,825,400	5,532,150	4,334,900	3,428,061	2,131,103	–
Uzbekistan	22,134,500	20,995,500	16,569,900	12,276,098	5,931,796	–
Armenia	3,866,200	3,694,000	2,616,700	2,561,280	1,868,571	–
Georgia	4,560,800	4,422,000	3,894,800	3,757,055	2,690,405	–
Kyrgyzstan	5,149,260	5,027,000	–	–	–	–
Cambodia	9,768,700	8,930,200	5,477,100	–	–	–
Laos	3,639,200	–	–	–	–	–
Mobile penetration rate:[3]						
Russia	158.8%	157.3%	148.7%	132.3%	121.7%	104.6%
Ukraine	111.1%	110.3%	120.6%	120.8%	120.4%	103.4%
Kazakhstan	128.8%	109.3%	105.6%	92.7%	81.5%	–
Tajikistan	81.2%	77.4%	61.8%	47.5%	29.5%	–
Uzbekistan	78.9%	75.1%	58.4%	45.3%	21.9%	–
Armenia	124.8%	119.3%	87.5%	79.3%	57.8%	–
Georgia	108.6%	105.1%	90.2%	83.5%	59.8%	–
Kyrgyzstan	92.0%	90.1%	–	–	–	–
Cambodia	64.1%	58.8%	36.3%	–	–	–
Laos	55.8%	–	–	–	–	–
Selected company operating data:[4]						
End of period mobile subscribers:						
Russia	52,991,000	52,020,000	50,886,127	47,676,844	42,221,252	39,782,690
Ukraine	24,398,000	24,389,838	2,004,729	2,052,493	1,941,251	1,523,682
Kazakhstan	6,987,000	6,867,000	6,135,275	6,269,927	4,603,300	3,052,878
Tajikistan	804,000	786,600	743,140	624,624	339,393	72,028
Uzbekistan	5,102,000	4,821,700	3,514,516	3,636,243	2,119,612	700,470
Armenia	699,000	672,300	545,201	544,271	442,484	415,965
Georgia	611,000	560,200	399,161	225,055	72,655	–
Kyrgyzstan	1,965,000	1,904,300	–	–	–	–
Cambodia	757,000	651,000	367,474	–	–	–
Laos	550,000	–	–	–	–	–
Total mobile subscribers	**94,864,000**	**92,672,938**	**64,595,623**	**61,029,457**	**51,739,947**	**45,547,713**

	As of March 31,	As of December 31,				
	2011	2010	2009	2008	2007	2006
MOU[5]						
Russia	217.8	218.5	211.4	219.1	192.1	145.9
Ukraine	465.6	378.4	208.7	231.8	163.2	149.7
Kazakhstan	113.3	120.3	93.1	104.3	94.6	70.4
Tajikistan	203.4	178.5	172.9	238.9	220.6	121.1
Uzbekistan	390.7	385.7	314.0	287.8	274.0	320.5
Armenia	237.6	294.3	237.8	152.1	169.9	178.0
Georgia	147.1	136.7	138.3	113.6	102.5	–
Kyrgyzstan	289.7	257.7	–	–	–	–
Cambodia	355.0	331.1	78.2	–	–	–
Laos	–	–	–	–	–	–
ARPU[6]						
Russia	US$ 10.5	US$ 10.8	US$ 10.1	US$ 13.9	US$ 12.6	US$ 9.6
Ukraine	US$ 4.7	US$ 4.8	US$ 4.7	US$ 7.6	US$ 4.7	US$ 5.0
Kazakhstan	US$ 8.0	US$ 9.2	US$ 8.1	US$ 11.7	US$ 13.1	US$ 12.6
Tajikistan	US$ 7.6	US$ 6.5	US$ 7.1	US$ 9.5	US$ 9.7	US$ 6.8
Uzbekistan	US$ 3.8	US$ 4.1	US$ 4.7	US$ 6.4	US$ 7.1	US$ 11.9
Armenia	US$ 7.8	US$ 10.3	US$ 13.2	US$ 14.6	US$ 16.7	US$ 17.0
Georgia	US$ 6.1	US$ 7.5	US$ 8.9	US$ 9.0	US$ 7.4	–
Kyrgyzstan	US$ 5.1	US$ 5.3	–	–	–	–
Cambodia	US$ 3.5	US$ 3.5	US$ 1.4	–	–	–
Laos	–	–	–	–	–	–
Churn rate[7]						
Russia	14.6%	50.8%	42.8%	34.6%	32.9%	35.4%
Ukraine	5.3%	29.5%	81.0%	84.0%	61.8%	18.6%
Kazakhstan	11.4%	38.1%	46.3%	31.5%	23.5%	32.8%
Tajikistan	18.6%	79.9%	52.9%	42.8%	4.6%	95.1%
Uzbekistan	15.1%	39.4%	63.7%	55.6%	61.7%	44.9%
Armenia	20.2%	55.3%	58.6%	106.2%	49.7%	9.1%
Georgia	17.2%	30.1%	46.6%	47.2%	1.0%	–
Kyrgyzstan	14.9%	63.3%	–	–	–	–
Cambodia	33.5%	167%	n/a	–	–	–
Laos	–	–	–	–	–	–
Number of GSM base stations[8]:						
Russia	35,188	33,535	28,718	26,633	22,088	19,241
Ukraine	15,497	15,394	3,039	3,015	2,294	1,653
Kazakhstan	3,907	3,546	3,191	3,119	2,291	1,791
Tajikistan	689	661	523	494	326	107
Uzbekistan	2,096	1,972	1,625	1,573	928	626
Armenia	806	735	518	503	379	205
Georgia	863	809	609	514	215	–
Kyrgyzstan	954	946	–	–	–	–
Cambodia	986	958	552	–	–	–
Laos	600	–	–	–	–	–
End of period broadband subscribers:						
Russia	3,882,000	3,348,000	2,110,881	1,181,916	–	–
Ukraine	235,487	200,438	71,000	24,147	–	–
Kazakhstan	15,400	12,000	1,342	154	–	–
Uzbekistan	42,900	37,300	9,029	5,766	–	–
Armenia	92,800	75,000	26,196	9,234	–	–
Total broadband subscribers	**4,268,587**	**3,672,738**	**2,218,448**	**1,221,217**	**–**	**–**

(1) Estimated population statistics for the first three months of 2011 were provided by ©Informa Telecoms & Media—© Informa UK Ltd 2011. Estimated population statistics for the year ended 2010 were provided by Informa Telecoms & Media ((C)2011 Informa Telecoms & Media). Estimated population statistics for the year 2009 were provided by Informa Telecoms & Media ((C)2010 Informa Telecoms & Media), except for the statistics on Ukraine, which were provided by AC&M. Estimated population statistics for the years 2007 and 2008 for all countries were published by the Interstate Statistical Committee of the CIS. For 2006, estimated population statistics for Russia were published by the Federal State Statistics Service (Goskomstat) of Russia; estimated population statistics for Kazakhstan were published by the Statistics Agency of Kazakhstan; and estimated population statistics for Ukraine were published by Goskomstat of Ukraine.

(2) Estimated mobile subscriber statistics by country for the first three months of 2011 were provided by ©Informa Telecoms & Media—© Informa UK Ltd 2011. Estimated mobile subscriber statistics by country for the year ended 2010 were provided by Informa Telecoms & Media ((C)2011 Informa Telecoms & Media). Estimated mobile subscriber statistics by country for the year 2009 were provided by Informa Telecoms & Media ((C)2010 Informa Telecoms & Media), except for the statistics on Ukraine, which were provided by AC&M. For the years 2007 and 2008, estimated mobile subscriber statistics for all countries were provided by AC&M, a management consulting and research agency specializing in the telecommunications industry in Russia and the CIS. For 2006, estimated registered mobile subscriber statistics for Russia and Ukraine were published by AC&M.

(3) Estimated mobile penetration rate statistics for the first three months of 2011 were provided by ©Informa Telecoms & Media—© Informa UK Ltd 2011. Estimated mobile penetration rate statistics for the year ended 2010 were provided by Informa Telecoms & Media ((C)2011 Informa Telecoms & Media). Estimated mobile penetration rate statistics for the year 2009 were provided by Informa Telecoms & Media ((C)2010 Informa Telecoms & Media), except for the statistics on Ukraine, which were provided by AC&M. For the years ended December 31, 2008 and 2007, estimated mobile penetration statistics for all countries were provided by AC&M. For 2006, penetration rates for Russia and Ukraine are based on data provided by AC&M. Penetration rates for all other countries and all other years are calculated by dividing the total estimated number of mobile subscribers in each relevant area (see Note (2)) by the total estimated population in such area (see Note (1)) as of the end of the relevant period.

(4) Operating data for Ukraine does not include figures associated with Kyivstar's operations prior to April 21, 2010, when Kyivstar's operations were integrated into the group.

(5) MOU is calculated by dividing the total number of minutes of usage for incoming and outgoing calls during the relevant period (excluding guest roamers) by the average number of mobile subscribers during the period and dividing by the number of months in that period.

(6) ARPU is calculated by dividing our mobile service revenue during the relevant period, including roaming revenue and interconnect revenue, but excluding revenue from connection fees, sales of handsets and accessories and other non-service revenue, by the average number of our mobile subscribers during the period and dividing by the number of months in that period.

(7) Churn rate is based on active subscribers. We define our churn rate of mobile subscribers as the total number of churned mobile subscribers over the reported period expressed as a percentage of the average of our mobile subscriber base at the starting date and at the ending date of the period. The total number of churned mobile subscribers is calculated as the difference between the number of new subscribers who engaged in a revenue generating activity in the reported period and the change in the mobile subscriber base between the starting date and the ending date of the reported period. Migration between prepaid and contract forms of payment and between tariff plans may technically be recorded as churn, which contributes to our churn rate even though we do not lose those subscribers. Churn rates have seasonal fluctuations and typically increase in the last quarter of the year due to churn of new subscribers obtained in the summer months of the year. Policies regarding the calculation of churn differ among operators.

(8) Including 3G base stations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our consolidated financial statements and their related notes included elsewhere in this prospectus. This discussion contains forward looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward looking statements as a result of numerous factors, including the risks discussed in the section of this prospectus entitled "Risk Factors" and elsewhere in this prospectus.

Overview

We are a holding company for telecommunications operators, providing voice and data services through a range of mobile, fixed and broadband technologies. The Issuer and its subsidiaries include companies operating in Russia, Ukraine, Kazakhstan, Uzbekistan, Tajikistan, Armenia, Georgia, Kyrgyzstan, Cambodia and Laos. We also own 49.0% of an operator in the Socialist Republic of Vietnam. The operations of these companies cover a territory with a total population of approximately 360 million. Our group is part of a larger group of companies consisting of VimpelCom Ltd. and its subsidiaries (the "***VimpelCom Ltd. Group***"). Accordingly, this discussion and analysis does not include the financial condition, or results of operations, of the VimpelCom Ltd. Group companies that are not members of our group, including Wind Telecom and its subsidiaries. For more information, see "—Recent Developments and Trends" below.

Our net operating revenues were US$2,742.9 million for the three months ended March 31, 2011, compared to US$2,231.1 million for the three months ended March 31, 2010. Our operating income was US$652.1 million for the three months ended March 31, 2011, compared to US$632.9 million for the three months ended March 31, 2010. Net income attributable to our group was US$542.9 million for the three months ended March 31, 2011, compared to US$392.4 million for the three months ended March 31, 2010.

Kyivstar is a Ukrainian mobile operator, 56.5% of which was owned by subsidiaries of Telenor and 43.5% of which was owned by subsidiaries of Altimo. The combination under the VimpelCom Ltd. Transaction involved a series of transactions, including exchange offers by VimpelCom Ltd. to all holders of OJSC VimpelCom shares and ADSs. On April 21, 2010, the transactions were completed and VimpelCom Ltd. acquired approximately 98.0% of OJSC VimpelCom's outstanding shares. Immediately following completion of the VimpelCom Ltd. exchange offers, subsidiaries of Telenor and Altimo caused their direct and indirect interests in Kyivstar to be transferred to the Issuer. On August 6, 2010, VimpelCom Ltd. completed the acquisition of the remaining 2.0% of OJSC VimpelCom shares, including those represented by ADSs, from OJSC VimpelCom's remaining minority shareholders by way of a squeeze-out, making OJSC VimpelCom a wholly owned subsidiary of VimpelCom Ltd. On October 7, 2010, VimpelCom Ltd. transferred 100.0% less one share of OJSC VimpelCom to the Issuer.

The Issuer is a wholly owned indirect subsidiary of VimpelCom Ltd. The Issuer holds a direct interest in OJSC VimpelCom consisting of 100% of OJSC VimpelCom's shares less one share, which is held by VimpelCom Ltd. The Issuer also holds a direct 56.52% stake in Kyivstar. The remaining 43.48% stake is owned by Kyivstar as a result of its merger with its former shareholder Storm LLC, with Kyivstar as the surviving company. For more information regarding Kyivstar's ownership structure, see the section of this prospectus entitled "Business—Organizational Structure".

The Issuer's consolidated U.S. GAAP financial statements as of December 31, 2010 and March 31, 2011, show that the Issuer had negative total equity of US$4.9 billion and US$4.1 billion, respectively. The negative total equity position is mainly due to accounting rules applicable to the Issuer's acquisition of the assets and liabilities of OJSC VimpelCom, which was required to be accounted for as a transaction under common control whereby the assets and liabilities acquired were recorded on the Issuer's financial statements at their historical carrying value on OJSC VimpelCom's financial statements. If the assets and liabilities of OJSC VimpelCom were to be accounted for at their fair value, the consolidated total equity amount of the Issuer would be a positive amount. For more information regarding the Issuer's negative equity, see the section of this prospectus entitled "Description of the Issuer—Negative Total Equity".

The Issuer is as of April 21, 2010, the accounting successor to OJSC VimpelCom, and, accordingly, accounting data and disclosure related to the period prior to April 21, 2010 in its U.S. GAAP financial statements represent accounting data and disclosures of OJSC VimpelCom except for equity which was restated to reflect the capital structure of the Issuer.

We use the U.S. dollar as our reporting currency. The functional currencies of our group are the Russian ruble in Russia, the Ukrainian hryvnia in Ukraine, the Kazakh tenge in the Republic of Kazakhstan, the Armenian dram in the Republic of Armenia, the Georgian lari in Georgia, Kyrgyz som in Kyrgyzstan, the Lao kip in the Lao PDR and the U.S. dollar in Tajikistan, Uzbekistan and Cambodia. Due to the significant

fluctuation of the non-U.S. dollar functional currencies against the U.S. dollar in the periods covered by this discussion and analysis, changes in our consolidated operating results in functional currencies differed from changes in our operating results in reporting currencies during some of these periods. In the following discussion and analysis, we have indicated our operating results in functional currencies and the devaluation or appreciation of functional currencies where it is material to explaining our operating results. For more information about exchange rates relating to our functional currencies, see "—Certain Factors Affecting our Financial Position and Results of Operations—Foreign Currency Translation" below.

Reportable Segments

We present our reportable segments based on economic environments and stages of development in different geographical areas, requiring different investment and marketing strategies. In 2010, primarily due to the acquisition by VimpelCom Ltd. of OJSC VimpelCom and Kyivstar and in connection with their consolidation into the VimpelCom Ltd. Group, we began to define our operating segments based on the business activities in different geographical areas. Accordingly, our reporting segments consist of Russia mobile, Russia fixed line, CIS, Ukraine and "All other". Russia mobile includes the operating results of all mobile operations in Russia. Russia fixed includes wireline telecommunication services, broadband and consumer Internet in Russia. CIS includes the operating results of all operations in Kazakhstan, Tajikistan, Uzbekistan, Georgia, Armenia and Kyrgyzstan. Although Georgia is no longer a member of the CIS, consistent with our historic reporting practice, we continue to include Georgia in our CIS reporting segment. The Ukraine segment includes the operating results of Kyivstar and OJSC VimpelCom's subsidiaries in Ukraine, Closed Joint Stock Company "Ukrainian Radio Systems" ("***URS***") and Golden Telecom LLC. The "All other" segment includes the operating results of our subsidiaries in Cambodia and Laos, our equity in net results of GTEL-Mobile, our equity investment in Vietnam and headquarter expenses. The segment information for prior periods was adjusted to reflect the changes to segment reporting made in 2010. For more information on our reportable segments, please see Note 9 to our unaudited condensed consolidated financial statements included elsewhere in this prospectus.

This discussion does not include information for our Cambodia operations in 2008 because we launched operations in Cambodia only in 2009, and it does not include information on our operations in Kyrgyzstan for periods prior to January 1, 2010 the date on which we began to consolidate our Kyrgyz subsidiary. This discussion also primarily does not include information for our Laos operations because we began to consolidate them in March 2011.

Factors Affecting Comparability of Prior Periods

Our selected operating and financial data, unaudited condensed consolidated financial statements and related notes included elsewhere in this prospectus, audited consolidated financial statements and related notes included elsewhere in this prospectus and the following discussion and analysis reflect the contribution of the operators we acquired from their respective dates of acquisition or consolidation, and, as a result, include results for our consolidated subsidiaries Millicom Lao Co., Ltd., ("***Millicom Lao***"), our subsidiary in Laos, since March 9, 2011, Kyivstar since April 21, 2010, Sky Mobile, our subsidiary in Kyrgyzstan, since January 1, 2010, Golden Telecom since February 28, 2008, and Sotelco, our subsidiary in Cambodia, since July 16, 2008. Our other income and expenses for our equity-method associates are impacted by our associate in Vietnam, GTEL-Mobile, since July 8, 2008, and our associate Morefront Holdings Ltd. ("***Morefront***", subsequently Euroset Holdings N.V.), which owned 100.0% of Euroset from October 23, 2008. For more information, see "—Liquidity and Capital Resources—Investing Activities" and "—Recent Developments and Trends" below. The following table shows the percentage of our net operating revenue represented by the net operating revenues from external customers (excluding intersegment revenues) for each reportable segment for the periods indicated:

	Three months ended March 31,		Year ended December 31,		
	2011	2010	2010	2009	2008[1]
			(in %)		
Russia mobile	62.3	71.8	64.8	70.8	72.7
Russia fixed	12.3	13.9	12.4	14.5	12.2
CIS	12.0	12.5	12.0	12.8	12.5
Ukraine	13.0	1.6	10.6	1.9	2.5
All other	0.4	0.2	0.2	0.1	–
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

(1) Includes results of Golden Telecom's fixed-line business from March 1, 2008. Prior to such acquisition, we did not have any material fixed-line operations in Russia.

Recent Developments and Trends

The mobile markets in Russia, Ukraine, Kazakhstan, Armenia and Georgia have reached mobile penetration rates exceeding 100.0% in each market, and the mobile markets in each of Kyrgyzstan and Uzbekistan have mobile penetration rates of approximately 92.0% and 78.9%, respectively. As a result, we will focus less on subscriber market share growth and more on revenue market share growth in each of these markets. The key components of our growth strategy in these markets will be to increase our share of the high value subscriber market, increase usage of value added services and improve subscriber loyalty. Our management expects revenue growth in these markets to come primarily from an increase in usage of voice and data traffic among our subscribers.

The remaining mobile markets in which we operate, particularly Tajikistan, Cambodia and Laos, are still in a phase of rapid subscriber growth with penetration rates substantially lower than in Russia, Ukraine, Kazakhstan, Armenia and Georgia. In Tajikistan, Cambodia and Laos, our management expects revenue growth to come primarily from subscriber growth in the short term and increasing usage of voice and data traffic in the longer term.

Our management expects revenue growth in our mobile business to come primarily from data services and in our fixed-line business from broadband and business and corporate services.

The integration of Kyivstar's operations and OJSC VimpelCom's Ukrainian operations was one of the primary reasons for the VimpelCom Ltd. Transaction. Our integration program has already resulted in synergies that have given rise to substantial savings and we expect that our integration program will allow us to realize additional savings on operating and capital expenditures as well as additional revenue for the combined entity. The combination of network operations and unification of market strategy are the key sources of these synergies.

On October 4, 2010, our indirect parent VimpelCom Ltd. and Wind Telecom signed an agreement in respect of the Wind Telecom Transaction to combine their respective groups. The agreement provided that at the closing of the transaction, VimpelCom Ltd. would own, through Wind Telecom, 51.7% of Orascom and 100% of Wind Italy. At its meeting on January 16, 2011, the VimpelCom Ltd. supervisory board approved new terms of the Wind Telecom Transaction, under which shareholders of Wind Telecom would contribute to VimpelCom Ltd. their shares in Wind Telecom in exchange for consideration consisting of 325,639,827 newly-issued VimpelCom Ltd. common shares, 305,000,000 newly-issued VimpelCom Ltd. convertible preferred shares and US$1,495 million in cash. In addition, certain assets would be demerged from the Wind Telecom Group and transferred back to Weather, Wind Telecom's main selling shareholder. On March 17, 2011, the shareholders of VimpelCom Ltd. approved the issuance of common and convertible preferred shares (which have the same rights as the existing convertible preferred shares) to Wind Telecom's shareholders and the related increase in VimpelCom Ltd.'s share capital. The completion of the Wind Telecom Transaction took place on April 15, 2011. As a result of the Wind Telecom Transaction, VimpelCom Ltd. acquired operations of Wind Telecom in Algeria, Bangladesh, Pakistan, Burundi, Zimbabwe, Central African Republic, Italy and indirect equity shareholding in Canadian operations. Wind Telecom's businesses and operations are not included in the discussion of our businesses and operations that follows because Wind Telecom is held by our parent company and is therefore not part of our group.

We have assisted VimpelCom Ltd. in raising funds for use in connection with the Wind Telecom Transaction, as described in the section of this prospectus entitled "Use of Proceeds" and in "Risk Factors—Risks Related to Our Business—Substantial leverage and debt service obligations may materially adversely affect our cash flow." As part of the financing for the Wind Telecom Transaction, OJSC VimpelCom borrowed the Russian Bank Loan and guaranteed the obligations of VimpelCom Amsterdam B.V. for its Bridge Loan. On April 14, 2011, VimpelCom Amsterdam B.V. drew down the loan in the amount of US$2.2 billion. In addition, OJSC VimpelCom borrowed the Bond Loan, funded with the proceeds of VIP Finance Ireland's loan participation notes issued on February 2, 2011. A portion of the proceeds from the Russian Bank Loan and the Bond Loan were loaned to VimpelCom Amsterdam B.V., which it used, along with proceeds from the Bridge Loan, to pay the Wind Telecom Transaction consideration and refinance debt held at certain Wind Telecom companies. For more information on the debt agreements entered into by members of the VimpelCom Ltd. Group, see the section of this prospectus entitled "Certain Transactions—Agreements Related to the Wind Telecom Transaction."

Under the terms of the Wind Telecom Transaction, VimpelCom Ltd. may be required to pay to Weather additional amounts of up to US$770.0 million if the Spin-Off cannot be effected. As of the date of this prospectus, the Spin-Off has not been completed.

Some or all of the proceeds from the issuance of the Notes will be used to provide our direct parent VimpelCom Amsterdam B.V. funds to the Bridge Loan. For more information on the use of proceeds from the issuance of the Notes, please see the section of this prospectus entitled "Use of Proceeds."

We expect that our borrowings or guarantees in connection with the Wind Telecom Transaction or to, or for the benefit of, Wind Telecom or its subsidiaries or other entities owned or controlled by VimpelCom Ltd. could materially affect our future financial condition and results of our operations by, among other things, increasing our interest expenses and total debt.

On May 4, 2011, OJSC VimpelCom signed agreements with KT Corporation and Summit Telecom Global Management B.V. (a subsidiary of Sumitomo Corporation) to acquire 99.99% of the shares of NTC, a leading mobile operator in the Primorskiy krai in the Far East super-region of Russia, with the purchase price based on an enterprise value of US$420.0 million. On June 7, 2011, we acquired 89.99% of the shares. We expect to launch a mandatory tender offer under Russian law to acquire 10.00% of the remaining outstanding shares in July 2011. We expect that the mandatory tender offer will be completed in the third quarter of 2011 and it will be followed by a squeeze out under Russian law of the remaining 0.01% of outstanding shares. For more information regarding this acquisition, see Note 11 to our unaudited condensed consolidated financial statements included elsewhere in this prospectus.

On March 29, 2011, we agreed with our local partner in Vietnam on a financing plan for GTEL-Mobile, that could result in us providing investments in total of up to US$500 million through 2013. On April 26, 2011, we completed the first stage of the financing plan by paying US$196 million for newly issued shares and thereby increasing our stake in GTEL-Mobile from 40% to 49%. All proceeds from this financing will be used for GTEL-Mobile development. In connection with this investment, the joint venture parties have also agreed that we will assume operational management of GTEL-Mobile. We have also agreed to invest another US$304 million under this plan, which would increase our economic interest in GTEL-Mobile from 49% to 65%. The additional financing and equity increase are subject to satisfaction of certain performance targets by GTEL-Mobile and receipt of further regulatory approvals.

OJSC VimpelCom, MTS, Rostelecom and Megafon are in negotiations that could result in these companies jointly purchasing 80% of the entity or entities owning the Russian "Yota"-branded mobile internet network infrastructure, together with the rights to use this infrastructure, which presently employs the Mobile WiMax technology.

On June 1, 2011, VimpelCom Ltd. announced that it has established new dividend guidelines. VimpelCom Ltd. aims to pay interim and final dividends annually in cash that represent a significant part of its annual operating free cash flow, defined as "net cash from operating activities minus capital expenditure", to its shareholders. For the period 2011-2013, VimpelCom Ltd. aims to pay out at least US$0.80 per share per year, assuming not more than 1,628 million common shares are issued and outstanding. Cash flow to pay these dividends is provided mainly by the operations of the Issuer's subsidiaries, including OJSC VimpelCom and Kyivstar. The precise amount and timing of dividends for a particular year will be approved by the supervisory board of VimpelCom Ltd., subject to certain constraints and the terms of the dividend guidelines.

Certain Performance Indicators

The following discussion analyzes certain operating data, such as mobile and broadband subscriber data, mobile ARPU, mobile MOU, and churn rates of our mobile subscribers that are not included in our financial statements. We provide this operating data because it is regularly reviewed by our management and our management believes it is useful in evaluating our performance from period to period as set out below. As the Russia mobile and Ukraine and CIS segments represent such a large portion of our consolidated net operating revenues and as broadband growth is an important aspect of our growth strategy, our management believes that presenting such information about mobile and broadband subscriber data and mobile ARPU and mobile MOU is useful in assessing the usage and acceptance of our mobile and broadband products and services, and that presenting our mobile churn rate is useful in assessing our ability to retain mobile subscribers.

Mobile Subscriber Data

We offer both contract and prepaid services to mobile subscribers. As of March 31, 2011, the number of mobile subscribers reached approximately 94.9 million. Mobile subscribers are subscribers in the registered subscriber base as of a measurement date who engaged in a revenue generating activity at any time during the three months prior to the measurement date. Such activity includes any incoming and outgoing calls, subscriber fee accruals, debits related to service, outgoing SMS and MMS, data transmission and receipt sessions, but does not include incoming SMS and MMS or abandoned calls. Our total number of mobile subscribers also includes subscribers using mobile Internet service via USB modems.

The following table indicates our mobile subscriber figures, as well as our prepaid mobile subscribers as a percentage of our total mobile subscriber base, for the periods indicated:

	As of March 31,		As of December 31,		
	2011	2010	2010	2009	2008
Russia	52,991,000	51,254,000	52,020,000	50,886,127	47,676,844
Ukraine	24,398,000	1,951,000	24,389,838	2,004,729	2,052,493
Kazakhstan	6,987,000	6,062,000	6,867,000	6,135,275	6,269,927
Tajikistan	804,000	820,000	786,600	743,140	624,624
Uzbekistan	5,102,000	3,489,000	4,821,700	3,514,516	3,636,243
Armenia	699,000	549,000	672,300	545,201	544,271
Georgia	611,000	431,000	560,200	399,161	225,055
Kyrgyzstan	1,965,000	1,774,000	1,904,300	–	–
Cambodia	757,000	491,000	651,000	367,474	–
Laos	550,000	–	–	–	–
Total number of subscribers	**94,864,000**	**66,821,000**	**92,672,938**	**64,595,623**	**61,029,457**
Percentage of prepaid subscribers	94.5%	95.9%	94.4%	96.0%	95.9%

Russia. As of March 31, 2011, we had approximately 53.0 million mobile subscribers in Russia, representing an increase of 3.4% over approximately 51.3 million mobile subscribers as of March 31, 2010. Our subscriber growth in Russia came primarily from the growth of our Moscow subscriber base, which increased from 10.5 million as of March 31, 2010 to 12.2 million as of March 31, 2011. In the regions outside the Moscow license area our subscriber base remained stable at 40.7 million. The lack of growth outside Moscow was primarily due to saturation of the market and increased price competition.

Ukraine. As of March 31, 2011, we had approximately 24.4 million mobile subscribers in Ukraine. We had a significant increase in our subscriber base in Ukraine mainly due to the consolidation of Kyivstar's operations, which added approximately 21.9 million subscribers to our subscriber base in Ukraine at the moment of consolidation.

Kazakhstan. As of March 31, 2011, we had approximately 7.0 million mobile subscribers in Kazakhstan, representing an increase of 15.3% from approximately 6.0 million mobile subscribers as of March 31, 2010. The increase in our subscriber base in Kazakhstan was primarily due to the introduction of attractive tariff offers at competitive prices.

Tajikistan. As of March 31, 2011, we had approximately 0.8 million mobile subscribers in Tajikistan, representing a decrease of 2.0% or 16,000 mobile subscribers as compared to March 31, 2010. The decrease in our subscriber base in Tajikistan was primarily due to the relatively high churn of low quality subscribers in the third quarter of 2010, partially offset by acquisitions of higher quality subscribers in the first three months of 2011.

Uzbekistan. As of March 31, 2011, we had approximately 5.1 million mobile subscribers in Uzbekistan, representing an increase of 46.2% from approximately 3.5 million mobile subscribers as of March 31, 2010. The increase in our subscriber base in Uzbekistan was primarily due to expansion of our mobile network coverage and the introduction of attractive tariff offers at competitive prices.

Armenia. As of March 31, 2011 we had approximately 0.7 million mobile subscribers in Armenia, representing an increase of 27.3% from approximately 0.5 million mobile subscribers as of March 31, 2010, primarily due to the introduction of attractive tariff offers at competitive prices.

Georgia. As of March 31, 2011, we had approximately 0.6 million mobile subscribers in Georgia, representing an increase of 41.8% over the approximately 0.4 million mobile subscribers as of March 31, 2010. The increase in our subscriber base in Georgia was primarily due to the expansion of our mobile network coverage and the introduction of attractive tariff offers at competitive prices.

Kyrgyzstan. As of March 31, 2011, we had approximately 2.0 million mobile subscribers in Kyrgyzstan, representing an increase of 10.8% over the approximately 1.8 million mobile subscribers as of March 31, 2010, primarily due to the introduction of attractive tariff offers at competitive prices.

Cambodia. We launched commercial operations in Cambodia in May 2009 and as of March 31, 2011, we had approximately 0.8 million mobile subscribers in Cambodia, representing an increase of 54.2% over approximately 0.5 million mobile subscribers as of March 31, 2010. The increase in our subscriber base in Cambodia was primarily due to effective marketing campaigns and anti-churn programs. We are continuing to build our network and develop our sales and distribution channels in Cambodia.

Mobile MOU

MOU measures the monthly average minutes of voice service use per mobile subscriber. We calculate MOU by dividing the total number of minutes of usage for incoming and outgoing calls during the relevant period (excluding guest roamers) by the average number of mobile subscribers during the period and dividing by the number of months in that period.

The following table shows MOU for our mobile subscribers for the periods indicated:

	Three months ended March 31,		Year ended December 31,		
	2011	2010	2010	2009	2008
Russia	217.8	203.9	218.5	211.4	219.1
Ukraine	465.6	197.2	378.4	208.7	231.8
Kazakhstan	113.3	102.2	120.3	93.1	104.3
Tajikistan	203.4	157.9	178.5	172.9	238.9
Uzbekistan	390.7	369.2	385.7	314.0	287.8
Armenia	237.6	345.6	294.3	237.8	152.1
Georgia	147.1	125.0	136.7	138.3	113.6
Kyrgyzstan	289.7	193.9	257.7	–	–
Cambodia[1]	355.0	350.7	331.1	78.2	–

(1) Figures include results of Sotelco from launch of operations in May 2009.

Russia. In the first three months of 2011, our MOU in Russia increased by 6.8% to 217.8 from 203.9 in the first three months of 2010, primarily due to improved economic conditions that resulted in higher consumer spending and higher usage.

Ukraine. In the first three months of 2011, our MOU in Ukraine increased by 136.1% to 465.6 from 197.2 in the first three months of 2010, due to the integration of our operations with Kyivstar whose subscribers have higher usage of services than those of URS.

Kazakhstan. In the first three months of 2011, our MOU in Kazakhstan increased by 10.9% to 113.3 from 102.2 in the first three months of 2010, primarily due to the introduction of an attractive tariff plan at competitive prices.

Tajikistan. In the first three months of 2011, our MOU in Tajikistan increased by 28.8% to 203.4 from 157.9 in the first three months of 2010, primarily due to the launch of tariff plans designed to increase usage and due to the increase in the proportion of higher usage subscribers relative to low usage subscribers in our subscriber base.

Uzbekistan. In the first three months of 2011, our MOU in Uzbekistan increased by 5.8% to 390.7 from 369.2 in the first three months of 2010, primarily due to introduction of an attractive tariff plan at competitive prices.

Armenia. In the first three months of 2011, our MOU in Armenia decreased by 31.3% to 237.6 from 345.6 in the first three months of 2010, as a result of an increase in the average price per minute.

Georgia. In the first three months of 2011, our MOU in Georgia increased by 17.7% to 147.1 from 125.0 in the first three months of 2010, primarily due to the introduction of an attractive tariff plan at competitive prices.

Kyrgyzstan. In the first three months of 2011, our MOU in Kyrgyzstan increased by 49.4% to 289.7 from 193.9 in the first three months of 2010, primarily due to the introduction of an attractive tariff plan at competitive prices.

Cambodia. In the first three months of 2011, our MOU in Cambodia increased by 1.2% to 355.0 from 350.7 in the first three months of 2010, primarily due to promotional tariffs and a focus on acquiring higher usage subscriber.

Mobile ARPU

ARPU measures the monthly average revenue per user. We calculate ARPU by dividing our mobile service revenue during the relevant period, including data revenue, roaming revenue and interconnect revenue, but excluding revenue from connection fees, sales of handsets and accessories and other non-service revenue, by the average number of our mobile subscribers during the period and dividing by the number of months in that period.

The following table shows our ARPU for the periods indicated:

	Three months ended March 31,		Year ended December 31,		
	2011	2010	2010	2009	2008
Russia	US$10.5	US$10.3	US$10.8	US$10.1	US$13.9
Ukraine	US$ 4.7	US$ 3.8	US$ 4.8	US$ 4.7	US$ 7.6
Kazakhstan	US$ 8.0	US$ 8.4	US$ 9.2	US$ 8.1	US$11.7
Tajikistan	US$ 7.6	US$ 5.6	US$ 6.5	US$ 7.1	US$ 9.5
Uzbekistan	US$ 3.8	US$ 4.2	US$ 4.1	US$ 4.7	US$ 6.4
Armenia	US$ 7.8	US$ 9.0	US$10.3	US$13.2	US$14.6
Georgia	US$ 6.1	US$ 7.5	US$ 7.5	US$ 8.9	US$ 9.0
Kyrgyzstan	US$ 5.1	US$ 4.7	US$ 5.3		
Cambodia[1]	US$ 3.5	US$ 3.5	US$ 3.5	US$ 1.4	–

(1) Includes results of Sotelco from launch of operations in May 2009.

Russia. In the first three months of 2011, our ARPU in Russia increased by 1.9% to US$10.5 from US$10.3 in the first three months of 2010, primarily due to appreciation of the functional currency and an increase in MOU. In functional currency terms, ARPU in Russia increased by 0.03% during the first three months of 2011 compared to the first three months of 2010.

Ukraine. In the first three months of 2011, our ARPU in Ukraine increased by 23.7% to US$4.7 from US$3.8 in the first three months of 2010, primarily due to the consolidation of the operations of Kyivstar, which has a higher ARPU than URS.

Kazakhstan. In the first three months of 2011, our ARPU in Kazakhstan decreased by 4.8% to US$8.0 from US$8.4 in the first three months of 2010, primarily due to a decrease in average price per minute caused by abolishing connection fees and introduction of per-second billing in compliance with new legislation which more than offset the increase in MOU.

Tajikistan. In the first three months of 2011, our ARPU in Tajikistan increased by 35.7% to US$7.6 from US$5.6 in the first three months of 2010, primarily due to the increase in MOU.

Uzbekistan. In the first three months of 2011, our ARPU in Uzbekistan decreased by 9.5% to US$3.8 from US$4.2 in the first three months of 2010, primarily due to the introduction of an attractive tariff plan at competitive prices.

Armenia. In the first three months of 2011, our ARPU in Armenia decreased by 13.3% to US$7.8 from US$9.0 in the first three months of 2010, primarily as a result of decreased MOU which offset the increase in average price per minute.

Georgia. In the first three months of 2011, our ARPU in Georgia decreased by 18.7% to US$6.1 from US$7.5 in the first three months of 2010, primarily due to the increased price competition due to the introduction of mobile number portability in the first three months of 2011 and our launch of attractive tariff plans at lower prices.

Kyrgyzstan. In the first three months of 2011, our ARPU in Kyrgyzstan increased by 8.5% to US$5.1 from US$4.7 in the first three months of 2010, primarily due to the increase in MOU offset by a decrease in average price per minute from elimination of connection fees in compliance with legislation and lower prices for on-net and international calls.

Cambodia. In the first three months of 2011, our ARPU in Cambodia remained at US$3.5, the same levels as for the first three months of 2010.

Mobile churn rate

We define our churn rate of mobile subscribers as the total number of churned mobile subscribers over the reported period expressed as a percentage of the average of our mobile subscriber base at the starting date and at the ending date of the period. The total number of churned mobile subscribers is calculated as the difference between the number of new subscribers who engaged in a revenue generating activity in the reported period and the change in the mobile subscriber base between the starting date and the ending date of the reported period. Migration between prepaid and contract forms of payment and between tariff plans may technically be recorded as churn, which contributes to our churn rate even though we do not lose those subscribers. Churn rates have seasonal fluctuations and typically increase in the last quarter of the year due to churn of new subscribers obtained in the summer months of the year. We do not annualize quarterly amounts of churn and, as a result, quarterly figures are generally lower than the annual figures.

The following table shows our churn rates for the periods indicated:

	Three months ended March 31,		Year ended December 31,		
	2011	2010	2010	2009	2008
Russia	14.6%	10.6%	50.8%	42.8%	34.6%
Ukraine	5.3%	18.5%	29.5%	81.0%	84.0%
Kazakhstan	11.4%	11.4%	38.1%	46.3%	31.5%
Tajikistan	18.6%	13.6%	79.9%	52.9%	42.8%
Uzbekistan	15.1%	14.7%	39.4%	63.7%	55.6%
Armenia	20.2%	13.6%	55.3%	58.6%	106.2%
Georgia	17.2%	11.2%	30.1%	46.6%	47.2%
Kyrgyzstan	14.9%	17.2%	63.3%	–	–
Cambodia	33.5%	40.5%	167.0%	–	–

Russia. In the first three months of 2011, our churn rate in Russia increased compared to the first three months of 2010 due to aggressive competition in the mobile market.

Ukraine. In the first three months of 2011, our churn rate in Ukraine decreased significantly to 5.3% from 18.5% in the first three months of 2010 as a result of the addition of Kyivstar and its more stable subscriber base to our Group.

Kazakhstan. In the first three months of 2011, our churn rate in Kazakhstan remained at 11.4%, the same level as for the first three months of 2010, primarily due to effective churn management that included targeted marketing program for subscribers.

Tajikistan. In the first three months of 2011, our churn rate in Tajikistan increased to 18.6% from 13.6% in the first three months of 2010 due to aggressive pricing by our competitors and the departure of low quality subscribers.

Uzbekistan. In the first three months of 2011, our churn rate in Uzbekistan increased slightly to 15.1% from 14.7% in the first three months of 2010 reflecting strong competition in the market.

Armenia. In the first three months of 2011, our churn rate in Armenia increased to 20.2% from 13.6% compared to the first three months of 2010 as a result of strong competition in the market.

Georgia. In the first three months of 2011, our churn rate in Georgia increased to 17.2% from 11.2% in the first three months of 2010 due to the introduction of mobile number portability which resulted in subscriber migration among operators.

Kyrgyzstan. In the first three months of 2011, our churn rate in Kyrgyzstan decreased to 14.9% from 17.2% in the first three months of 2010 primarily due to effective churn management that included marketing programs for subscribers.

Cambodia. In the first three months of 2011, our churn rate in Cambodia decreased to 33.5% from 40.5% in the first three months of 2010 primarily due to effective loyalty programs.

Broadband subscribers

Broadband subscribers are subscribers in the registered subscriber base who were engaged in a revenue generating activity in the three-month period prior to the measurement date. Such activity includes monthly Internet access using FTTB, xDSL and WiFi technologies, as well as mobile internet access via USB modems using 3G/HSDPA technologies.

As of March 31, 2011, we had approximately 3.9 million broadband subscribers in Russia, representing an increase of approximately 66.3% over the approximately 2.3 million broadband subscribers as of March 31, 2010. The increase was mainly due to active promotion of USB modems and launch of FTTB services in new cities. The fixed line broadband subscribers in Russia are primarily represented by FTTB subscribers. As of March 31, 2011, we had approximately 1.5 million FTTB subscribers in Russia, representing an increase of approximately 38.8% over the approximately 1.1 million FTTB subscribers as of March 31, 2010 due to launch of FTTB services in new cities. As of March 31, 2011, we had also approximately 2.3 million of mobile broadband subscribers (using USB modems) in Russia, representing an increase of approximately 97.9% over the approximately 1.2 million mobile broadband subscribers as of March 31, 2010 due to active promotion of USB modems.

Our FTTB ARPU in Russia increased during the three months ended March 31, 2011 to US$13.2 from US$12.4 during the three months ended March 31, 2010 primarily as a result of pricing policy, which encouraged subscribers to use more expensive tariffs, and appreciation of the local currency. Our mobile broadband (using USB modems) ARPU in Russia decreased during the three months ended March 31, 2011 to US$7.8 from US$9.2 during the three months ended March 31, 2010 primarily as a result of widespread use of unlimited tariff plans.

As of March 31, 2011, we had approximately 151,000 broadband subscribers in the CIS, compared to 58,000 broadband subscribers as of March 31, 2010. The increase was mainly due to the continuing expansion of FTTB network coverage.

As of March 31, 2011, we had approximately 235,500 broadband subscribers in Ukraine, compared to approximately 91,800 broadband subscribers as of March 31, 2010. The increase was mainly due to the further expansion of our broadband services (particularly, FTTB).

Our broadband ARPU in Ukraine decreased during the three months ended March 31, 2011 to US$6.2 from US$8.6 during the three months ended March 31, 2010 primarily as a result of the introduction of a competitive tariff plan at competitive prices.

Revenues

During the three months ended March 31, 2011 and the three years ended December 31, 2010, we generated revenues from providing voice, data and other telecommunication services through a range of wireless, fixed and broadband Internet services, as well as selling equipment and accessories. Our primary sources of revenues consisted of:

Service Revenues

Our service revenues included revenues from airtime charges from contract and prepaid subscribers, monthly contract fees, time charges from subscribers online using Internet services, interconnect fees from other mobile and fixed-line operators, roaming charges and charges for value added services such as messaging, data and infotainment. Roaming revenues include both revenues from our customers who roam outside of their home country networks and revenues from other wireless carriers for roaming by their customers on our network. Roaming revenues do not include revenues from our own subscribers roaming while traveling across Russian regions within our network (so called “intranet roaming”).

As a result of a change in our contract terms with most of our content providers for our value added services in the Russia mobile segment, commencing January 1, 2010 revenues from such services are recognized on a gross basis. Previously, the revenues from value added services were recognized net of related commissions paid to the content provider.

Sales of Equipment and Accessories and Other Revenues

We sold mobile handsets, equipment and accessories to our subscribers. Our other revenues included, among other things, rental of base station sites.

Expenses

Operating Expenses

During the three months ended March 31, 2011 and the three years ended December 31, 2010, we had two categories of operating expenses directly attributable to our revenues: service costs and the costs of equipment and accessories.

Service Costs. Service costs included interconnection and traffic costs, channel rental costs, telephone line rental costs, roaming expenses and charges for connection to special lines for emergencies. As a result of a change in our contract terms with content providers for our value added services in the Russia mobile segment, as of January 1, 2010 revenues from such services are recognized on a gross basis and the commission paid to the content provider is recognized in service costs. Previously, the revenues from value added services were recognized net of related commissions, and accordingly, the commissions were not recognized in service costs.

Costs of Equipment and Accessories. Our costs of equipment and accessories sold represented the amount that was payable for these goods, net of VAT. We purchased handsets, equipment and accessories from third party manufacturers for resale to our subscribers for use on our networks.

In addition to service costs and the costs of equipment and accessories, during the three months ended March 31, 2011 and the three years ended December 31, 2010, our operating expenses included:

Selling, general and administrative expenses. Our selling, general and administrative expenses include:

- dealers' commissions;
- salaries and outsourcing costs, including related social contributions required by law;
- marketing and advertising expenses;
- repair and maintenance expenses;
- rent, including lease payments for base station sites;
- utilities;
- stock price-based compensation expenses; and
- other miscellaneous expenses, such as insurance, operating taxes, license fees, and accounting, audit and legal fees.

Depreciation and amortization expense. We depreciated the capitalized costs of our tangible assets, which consisted mainly of telecommunications equipment including software and buildings that we owned. We amortized our intangible assets, which consisted primarily of telecommunications licenses, telephone line capacity for local numbers in Russia, Ukraine and the CIS and customer relations acquired in business combinations. We expect depreciation and amortization expenses to increase in line with growth of our capital expenditures.

Provision for doubtful accounts. We included in our operating expenses an estimate of the amount of our accounts receivable net of VAT that we believe will ultimately be uncollectible. We based the estimate on historical data and other relevant factors, such as a change in tariff plans from prepaid to postpaid.

In addition to operating expenses, during the three months ended March 31, 2011 and the three years ended December 31, 2010, our other significant expenses included:

Net foreign exchange (loss)/gain

The functional currency of our group is the Russian ruble in Russia, the Kazakh tenge in Kazakhstan, the Ukrainian hryvnia in Ukraine, the Armenian dram in Armenia, the Georgian lari in Georgia, the Kyrgyz som in Kyrgyzstan, the Lao kip in the Laos PDR, and the U.S. dollar in Tajikistan, Uzbekistan and Cambodia. Monetary assets and liabilities denominated in foreign currencies are translated into our respective functional currencies on the relevant balance sheet date. We record changes in the values of such assets and liabilities as a result of exchange rate changes in our results of operations under the line item net foreign exchange (loss)/gain.

Interest expense

We incurred interest expense on our vendor financing agreements, loans from banks, capital leases and other borrowings net of amounts capitalized. Our interest bearing liabilities carry both fixed and floating interest rates. On our borrowings with a floating interest rate, the interest rate is linked either to LIBOR, EURIBOR, AB SEK or MosPRIME. Our interest expense depends on a combination of prevailing interest rates and the amount of our outstanding interest bearing liabilities.

Income tax expense

The statutory income tax rate in Russia, Kazakhstan, Armenia and Cambodia in the first three months of 2011 and 2010 was 20.0%. The statutory income tax rate in Ukraine and Tajikistan was 25.0% in the first three months of 2011 and 2010. The statutory income tax rate in Georgia was 15.0% in the first three months of 2011 and 2010. In Uzbekistan there was a complex income tax regime that resulted in an income tax rate of approximately 17.0% in the first three months of 2011 and the first three months of 2010. The statutory income tax rate in Kyrgyzstan in the first three months of 2011 was 10.0%. The statutory income tax rates in the respective countries in 2010 and 2009 were the same as those in the first three months of 2011 except in Uzbekistan where the rate was 18.0% in 2009. The statutory income rate in Netherlands was 25.0% in the first three months of 2011 and 25.5% in 2010. The New Tax Code of Ukraine significantly changed the rules for tax base calculation and provided for gradual decrease in tax rates from 25% to 16% over the next few years.

Results of Operations

The table below shows, for the periods indicated, the following consolidated statement of operations data expressed as a percentage of consolidated net operating revenues:

	Three months ended March 31,		Year ended December 31,		
	2011	2010	2010	2009	2008
Operating revenues:					
Service revenues	**97.5%**	98.7%	97.9%	98.6%	98.8%
Sales of equipment and accessories	**2.4%**	1.2%	1.8%	1.3%	1.1%
Other revenues	**0.1%**	0.1%	0.3%	0.2%	0.2%
Total operating revenues	**100%**	100%	100.0%	100.1%	100.1%
Revenue based tax	**0.0%**	0.0%	0.0%	(0.1)%	(0.1)%
Net operating revenues	**100%**	100%	100.0%	100.0%	100.0%
Operating expenses:					
Service costs	**22.8%**	22.5%	21.4%	21.6%	22.4%
Cost of equipment and accessories	**3.0%**	1.2%	2.1%	1.3%	1.0%
Selling, general and administrative expenses	**29.0%**	28.3%	28.5%	27.5%	28.1%
Depreciation	**17.3%**	15.8%	15.7%	16.0%	15.0%
Amortization	**3.7%**	3.0%	4.1%	3.5%	3.6%
Impairment loss	**0.0%**	0.0%	0.0%	0.0%	4.4%
Provision for doubtful accounts	**0.5%**	0.8%	0.5%	0.6%	0.5%
Total operating expenses	**76.2%**	71.6%	72.3%	70.4%	74.9%
Operating income	**23.8%**	28.4%	27.7%	29.6%	25.1%
Other income and expenses:					
Interest income	**0.9%**	0.5%	0.6%	0.6%	0.7%
Net foreign exchange (loss)/gain	**5.0%**	4.7%	(0.1)%	(4.7)%	(11.3)%
Interest expense	**(7.5)%**	(6.3)%	(5.9)%	(6.9)%	(4.9)%
Equity in net gain/(loss) of associates	**2.0%**	(0.2)%	0.5%	(0.4)%	(0.6)%
Other (expenses)/income, net	**(0.2)%**	(2.2)%	(0.9)%	(0.4)%	(0.2)%
Total other income and expenses	**0.2%**	(3.5)%	(5.8)%	(11.8)%	(16.3)%
Income before income taxes	**24.0%**	24.9%	21.9%	17.8%	8.8%
Income tax expense	**3.5%**	6.9%	5.8%	5.0%	3.0%
Net income	**20.5%**	18.0%	16.1%	12.8%	5.8%
Net income/(loss) attributable to the noncontrolling interest	**0.7%**	0.5%	0.4%	(0.1)%	0.6%
Net income attributable to VimpelCom	**19.8%**	17.6%	15.7%	12.9%	5.2%

The tables below show for the periods indicated selected information about the results of operations in each of our reportable segments. For more information regarding our segments, see Note 9 to our unaudited condensed consolidated financial statements included elsewhere in this prospectus.

Russia Mobile

	Three months ended March 31,			Year ended December 31,					
	2011	2010	% Change	2010	2009	% Change	2009	2008	% Change
	(US$ in millions, except % change)								
Net operating revenues from external customers	1,710.7	1,601.1	6.8	6,814.9	6,165.9	10.5	6,165.9	7,357.9	(16.2)
Intersegment revenues	2.4	1.1	118.2	11.1	4.2	164.3	4.2	3.4	23.5
Net operating revenues (including intersegment revenues)	**1,713.1**	**1,602.2**	**6.9**	**6,826.0**	**6,170.1**	**10.6**	**6,170.1**	**7,361.3**	**(16.2)**
OIBDA*	**778.4**	**820.5**	**(5.1)**	**3,395.8**	**3,287.9**	**3.3**	**3,287.9**	**3,922.1**	**(16.2)**

* For 2008, figures represent adjusted OIBDA. Adjusted OIBDA is OIBDA adjusted for impairment loss.

Russia Fixed

	Three months ended March 31,			Year ended December 31,					
	2011	2010	% Change	2010	2009	% Change	2009	2008	% Change
	(US$ in millions, except % change)								
Net operating revenues from external customers	337.9	311.2	8.6	1,299.7	1,257.7	3.3	1,257.7	1,239.2	1.5
Intersegment revenues	13.4	5.2	157.7	35.9	20.0	79.5	20.0	18.6	7.5
Net operating revenues (including intersegment revenues)	**351.3**	**316.4**	**11.0**	**1,335.6**	**1,277.7**	**4.5**	**1,277.7**	**1,257.8**	**1.6**
OIBDA*	**90.0**	**90.6**	**(0.7)**	**379.5**	**408.2**	**(7.0)**	**408.2**	**287.5**	**42.0**

* For 2008, figures represent adjusted OIBDA. Adjusted OIBDA is OIBDA adjusted for impairment loss.

CIS

	Three months ended March 31,			Year ended December 31,					
	2011	2010	% Change	2010	2009	% Change	2009	2008	% Change
	(US$ in millions, except % change)								
Net operating revenues from external customers	328.1	278.9	17.6	1,266.6	1,110.4	14.1	1,110.4	1,263.4	(12.1)
Intersegment revenues	22.8	15.9	43.4	87.4	45.5	92.1	45.5	20.5	122.0
Net operating revenues (including intersegment revenues)	**350.9**	**294.8**	**19.0**	**1,354.0**	**1,155.9**	**17.1**	**1,155.9**	**1,283.9**	**(10.0)**
OIBDA	**159.6**	**139.6**	**14.3**	**637.8**	**578.4**	**10.3**	**578.4**	**629.0**	**(8.0)**

Ukraine

	Three months ended March 31,			Year ended December 31,					
	2011	2010	% Change	2010	2009	% Change	2009	2008	% Change
	(US$ in millions, except % change)								
Net operating revenues from external customers	356.2	35.4	906.2	1,109.8	163.3	579.6	163.3	256.4	(36.3)
Intersegment revenues	19.0	9.5	100.0	75.6	39.7	90.4	39.7	24.2	64.0
Net operating revenues (including intersegment revenues)	**375.2**	**44.9**	**735.6**	**1,185.4**	**203.0**	**483.9**	**203.0**	**280.6**	**(27.7)**
OIBDA*	**204.0**	**10.1**	**1919.8**	**632.8**	**36.2**	**1,648.1**	**36.2**	**22.1**	**63.8**

* For 2008, figures represent adjusted OIBDA. Adjusted OIBDA is OIBDA adjusted for impairment loss.

All other

	Three months ended March 31,			Year ended December 31,					
	2011	2010	% Change	2010	2009	% Change	2009	2008	% Change
	(US$ in millions, except % change)								
Net operating revenues from external customers	9.9	4.4	125.0	21.8	5.7	282.5	5.7	–	n/a
Intersegment revenues	–	–		–	–	n/a	–	–	n/a
Net operating revenues (including intersegment revenues)	**9.9**	**4.4**	**125.0**	**21.8**	**5.7**	**282.5**	**5.7**	**–**	**n/a**
OIBDA	**(4.0)**	**(8.7)**	**(nm)**	**(50.9)**	**(38.1)**	**(nm)**	**(38.1)**	**(0.7)**	**(nm)**

Three Months Ended March 31, 2011 Compared to Three Months Ended March 31, 2010

Net Operating Revenues

Our consolidated net operating revenues increased by 22.9% to US$2,742.9 million during the first three months of 2011 from US$2,231.1 million during the first three months of 2010 primarily due to consolidation of Kyivstar, an increased subscriber base and usage of mobile services. The following discussion of revenues by

reportable segments includes intersegment revenues. Our management assesses the performance of each reportable segment on this basis as it believes the inclusion of intersegment revenues better reflects the true performance of each segment on a stand-alone basis.

Russia mobile net operating revenues.

Our Russia mobile net operating revenues increased by 6.9% to US$1,713.1 million during the first three months of 2011 from US$1,602.2 million during the first three months of 2010. Our Russia mobile net operating revenues consist primarily of service revenues.

During the first three months of 2011, we generated US$942.6 million of our voice service revenues from airtime charges from mobile contract and prepaid subscribers, including monthly contract fees, or 55.0% of net operating revenues in our Russia mobile segment, compared to US$949.3 million, or 59.2% of net operating revenues in the first three months of 2010. The 0.7% decrease in voice service revenues was primarily caused by a decline in the average price per minute which was partially offset by the appreciation of our functional currency, growth of our subscriber base and increased traffic volume. In functional currency terms, our voice service revenues from airtime charges from mobile contract and prepaid subscribers, including monthly contract fees, in our Russia mobile segment decreased by 2.9% in the first three months of 2011 compared to the first three months of 2010.

During the first three months of 2011, we generated US$389.0 million of our service revenues from value added services, or 22.7% of net operating revenues in our Russia mobile segment, compared to US$324.3 million, or 20.2% of net operating revenues in the first three months of 2010. The 20.0% increase in our mobile value added services revenues was due to growth in mobile internet revenue as a result of the more active rollout of our 3G network during 2010, increased sales of infotainment and an increase in our subscriber base.

During the first three months of 2011, we generated US$257.0 million of our service revenues from interconnect, or 15.0% of net operating revenues in the Russia mobile segment, compared to US$228.1 million, or 14.2% of net operating revenues in the first three months of 2010. The 12.7% increase in interconnect revenues was primarily due to increased incoming traffic from subscribers of our competitors.

During the first three months of 2011, we generated US$72.5 million of our service revenues from roaming fees generated by our Russian mobile subscribers and roaming fees received from other mobile services operators for providing roaming services to our subscribers, or 4.2% of net operating revenues in our Russia mobile segment, compared to US$73.7 million or 4.6% of net operating revenues in the first three months of 2010. The 1.6% decrease in service revenues from roaming fees during the first three months of 2011 compared to the first three months of 2010 was primarily due to a decrease of guest roaming revenues from international operators partially offset by appreciation of our functional currency. In functional currency terms, our Russia mobile segment service revenues from roaming decreased by 3.7% during the first three months of 2011 compared to the first three months of 2010.

Our net operating revenues in the Russia mobile segment also included revenues from sales of equipment and accessories. During the first three months of 2011, revenues from sales of equipment and accessories increased by 106.8% to US$48.8 million from US$23.6 million during the first three months of 2010 and increased to 2.8% of net operating revenues in the first three months of 2011 from 1.5% in the first three months of 2010, as a result of increased sales of devices (such as USB modems, beeline brand phones and iPhones). In functional currency terms, increased sales of our Russia mobile segment sales of equipment and accessories increased by 102.2% during the first three months of 2011 compared to the first three months of 2010.

Russia fixed net operating revenues.

In the first three months of 2011, net operating revenues in the Russia fixed segment increased by 11.0% to US$351.3 million from US$316.4 million in the first three months of 2010. Our Russia fixed segment net operating revenues in the first three months of 2011 consisted of US$155.0 million generated from business operations, US$121.5 million generated from wholesale operations and US$74.9 million generated from residential operations. The increase in net operating revenues in our Russia fixed segment in the first three months of 2011 compared to the first three months of 2010 was mostly due to FTTB segment results. FTTB revenue increased by 49.7% to US$56.6 million due to launch of services in new cities and active sales in already existing ones. In functional currency terms, our Russia fixed segment net operating revenues increased by 8.4% during the first three months of 2011 compared to the first three months of 2010.

CIS net operating revenues.

Our CIS net operating revenues increased by 19.0% to US$350.9 million during the first three months of 2011 from US$294.8 million during the first three months of 2010.

CIS mobile net operating revenues. Our CIS mobile net operating revenues increased by 18.8% to US$309.8 million during the first three months of 2011 from US$260.8 million during the first three months of 2010. Our CIS net operating revenues consist mostly of service revenues.

During the first three months of 2011, we generated US$194.0 million of our service revenues from airtime charges in the CIS from mobile contract and prepaid subscribers, including monthly contract fees, or 62.6% of our net operating revenues in the CIS mobile segment, compared to US$171.8 million, or 65.9% of net operating revenues in the first three months of 2010. The 12.9% increase in service revenues from airtime charges during the first three months of 2011 compared to the first three months of 2010 was primarily due to positive trends in sales and growth of the active subscriber base.

During the first three months of 2011, we generated US$51.6 million of our service revenues from interconnect fees in the CIS, or 16.7% of our net operating revenues in the CIS mobile segment, compared to US$46.3 million, or 17.8% of net operating revenues in the CIS mobile segment in the first three months of 2010. The 11.4% increase in service revenues from interconnect fees in the first three months of 2011 compared to the first three months of 2010 was primarily due to an increase in traffic and the growth of the active subscriber base.

During the first three months of 2011, we generated US$43.5 million of our mobile service revenues from value added services in the CIS mobile segment, or 14.0% of net operating revenues in the CIS mobile segment, compared to US$35.0 million, or 13.4% of net operating revenues in the CIS mobile segment in the first three months of 2010. The 24.3% increase in mobile service revenues from value added services in the first three months of 2011 compared to the first three months of 2010 was primarily due to an increase in the subscriber base and consumer spending on value added services.

During the first three months of 2011, we generated US$9.5 million of our service revenues from roaming in the CIS mobile segment, or 3.1% of net operating revenues in the CIS mobile segment, compared to US$7.9 million, or 3.0% of net operating revenues in the CIS mobile segment in the first three months of 2010. This 20.3% increase in roaming revenues in the first three months of 2011 compared to the first three months of 2010 was primarily due to subscribers base growth and increased consumer spending on roaming services.

Our net operating revenues in the CIS segment also included revenues from sales of equipment and accessories. During the first three months of 2011, revenues from sales of equipment and accessories increased to US$9.5 million from US$1.2 million during the first three months of 2010. This 691.7% increase in revenues from sales of equipment and accessories in the first three months of 2011 compared to the first three months of 2010 was primarily due to increased sales of notebooks and USB modems.

CIS fixed-line service revenues. During the first three months of 2011, we generated US$41.1 million of our service revenues from our fixed-line operations in the CIS, or 11.7% of net operating revenue in the CIS, compared to US$34.0 million in the first three months of 2010. The 20.9% increase was primarily due to an increase in the rent of channels revenue in Kazakhstan, increase of traffic termination revenue in all countries and Internet revenue in Armenia.

Ukraine net operating revenues.

Our Ukraine mobile net operating revenues increased by 1,420.5% to US$348.2 million during the first three months of 2011 from US$22.9 million during the first three months of 2010, primarily due to the consolidation of Kyivstar's operations in April 2010.

During the first three months of 2011, we generated US$222.7 million of our service revenues from airtime charges from mobile contract and prepaid subscribers, including monthly contract fees, or 64.0% of net operating revenues in our Ukraine mobile segment, compared to US$12.9 million, or 56.1% of net operating revenues in the first three months of 2010. The 1626.4% increase was primarily due to the consolidation of Kyivstar's operations in April 2010.

During the first three months of 2011, we generated US$51.4 million of our service revenues from value added services (including data revenue), or 14.8% of net operating revenues in our Ukraine mobile segment, compared to US$2.5 million, or 11.0% of net operating revenues in the first three months of 2010. The 1956.0% increase in our value added services revenues was primarily due to the consolidation of Kyivstar's operations in April 2010.

During the first three months of 2011, we generated US$57.1 million of our service revenues from interconnect, or 16.4% of net operating revenues in the Ukraine mobile segment, compared to US$5.5 million, or 24.0% of net operating revenues in the first three months of 2010. The 938.2% increase was primarily due to the consolidation of Kyivstar's operations in April 2010.

During the first three months of 2011, we generated US$13.0 million of our service revenues from roaming fees generated by our Ukraine mobile subscribers and roaming fees received from other mobile services

operators for providing roaming services to their subscribers, or 3.7% of net operating revenues in our Ukraine mobile segment, compared to US$1.9 million or 8.3% of net operating revenues in the first three months of 2010. The 584.2% increase during the first three months of 2011 compared to the first three months of 2010 was primarily due to the consolidation of Kyivstar's operations in April 2010.

During the first three months of 2011, we generated US$2.9 million of our service revenues from other types of services, including connection charges, or 0.8% of net operating revenues in our Ukraine mobile segment, compared to US$0.1 million and 0.4%, respectively, for the first three months of 2010. The 2800.0% increase during the first quarter of 2011 compared to the first quarter of 2010 was primarily due to the consolidation of Kyivstar's operations in April 2010.

Our net operating revenues in the Ukraine mobile segment also included revenues from sales of equipment and accessories. During the first three months of 2011, revenues from sales of equipment and accessories increased to US$0.9 million from US$0.0 million during the first three months of 2010 and increased to 0.3% of net operating revenues in the first quarter of 2011 from 0.0% in the first quarter of 2010, primarily due to the consolidation of Kyivstar's operations in April 2010.

Our net operating revenues in the Ukraine mobile segment also included other revenues which increased to US$0.3 million during the first three months of 2011 from US$0.0 million in the first three months of 2010.

Ukraine fixed net operating revenues.

Our net operating revenues in the Ukraine fixed segment increased by 22.7% to US$27.0 million in the first three months of 2011 from US$22.0 million in the first three months of 2010, primarily due to the consolidation of Kyivstar's operations in April 2010.

"All other" net operating revenues.

In the first three months of 2011, net operating revenues in the "All other" segment were US$9.9 million compared to US$4.4 million in the first three months of 2010. Our "All other" operating revenues consist mostly of operating revenues in Cambodia in the total amount of US$7.6 million. During the first three months of 2011, in Cambodia US$5.1 million of our mobile service revenues, or 66% of our net operating revenues in Cambodia, were from airtime charges from mobile prepaid subscribers and monthly contract fees, US$1.5 million of our mobile service revenues, or 20% of our net operating revenues in Cambodia, were from interconnect fees, and US$0.8 million of our mobile service revenues, or 11% of our net operating revenues in Cambodia, were from other services, including connection charges and value added services. During the first three months of 2011, revenues from sales of equipment and accessories were US$0.3 million or 3% of net operating revenues in Cambodia. Our net operating revenues in the "All other" segment also included revenues from acquired Laos operations in the amount of US$2.3 million.

Total Operating Expenses

Our consolidated total operating expenses increased by 30.8% to US$2,090.8 million during the first three months of 2011 from US$1,598.2 million during the first three months of 2010, and represented 76.2% and 71.6% of net operating revenues in the first three months of 2011 and the first three months of 2010, respectively. This increase was primarily due to the increase in the size of our business following the consolidation of Kyivstar, increased business activities in Russia and CIS, as well as increased capital expenditures.

Service costs.

Our consolidated service costs increased by 24.6% to US$625.1 million during the first three months of 2011 from US$501.6 million during the first three months of 2010. As a percentage of consolidated net operating revenues, our service costs increased to 22.8% during the first three months of 2011 from 22.5% during the first three months of 2010.

Service costs in Russia mobile operations increased by 26.2% to US$407.0 million in the first three months of 2011 from US$322.4 million in the first three months of 2010 primarily due to increase of interconnect costs as a result of off-net outbound traffic growth. In functional currency terms, our service costs in Russia mobile increased by 23.4% during the first three months of 2011 compared to the first three months of 2010.

Service costs in Russia fixed increased by 10.9% to US$133.8 million in the first three months of 2011 from US$120.7 million in the first three months of 2010. This increase was mostly caused by an increase in interconnect costs and rent of channels expenses. In functional currency terms, service costs in Russia fixed increased by 8.2% in the first three months of 2011 compared to the first three months of 2010.

Service costs in CIS increased by 9.1% to US$77.7 million in the first three months of 2011 from US$71.2 million in the first three months of 2010. The increase was primarily due to the growth of our subscriber base and increased traffic.

Service costs in Ukraine increased by 268.9% to US$60.5 million in the first three months of 2011 from US$16.4 million in the first three months of 2010. The increase was primarily due to consolidation of Kyivstar.

In the first three months of 2011, service costs in our "All other" segment, consisting primarily of interconnect costs in our mobile operations in Cambodia, increased by 33.3% to US$2.8 million from US$2.1 million in the first three months of 2010. The increase in service costs was primarily due to growth of our subscriber base and increased traffic.

Cost of equipment and accessories. Our consolidated cost of equipment and accessories increased by 212.1% to US$82.4 million in the first three months of 2011 from US$26.4 million in the first three months of 2010. This increase was primarily due to an increase in sales of equipment and accessories (especially USB modems and branded phones) in Russia.

Selling, general and administrative expenses. Our consolidated selling, general and administrative expenses increased by 25.6% to US$794.3 million during the first three months of 2011 from US$632.4 million during the first three months of 2010. This increase was primarily due to consolidation of Kyivstar, as well as an increase in selling and marketing expenses associated with growth in sales and technical support expenses in turn, associated with the growth in network rollout in Russia. As a percentage of consolidated net operating revenues, our consolidated selling, general and administrative expenses increased to 29.0% in the first three months of 2011 from 28.3% in the first three months of 2010.

Selling, general and administrative expenses in the Russia mobile segment increased by 8.3% to US$461.4 million in the first three months of 2011 from US$426.0 million in the first three months of 2010. As a percentage of net operating revenues in the Russia mobile segment, selling, general and administrative expenses increased by 0.3% in the first three months of 2011 compared to the first three months of 2010. This overall increase was driven by higher commissions paid to our dealers as a result of increased sales, site rental expenses as a result of increased rollout of the network and payroll tax growth due to a change in the payroll tax rate.

Selling, general and administrative expenses in the Russia fixed segment increased by 19.4% to US$117.4 million in the first three months of 2011 from US$98.3 million in the first three months of 2010. As a percentage of net operating revenues in the Russia fixed segment, selling, general and administrative expenses increased by 2.3% in the first three months of 2011 compared to the first three months of 2010. This overall increase was mostly driven by an increase in advertising costs, site rental expenses and payroll tax.

Selling, general and administrative expenses in the CIS segment increased by 22.8% to US$97.1 million in the first three months of 2011 from US$79.1 million in the first three months of 2010. As a percentage of net operating revenues in the CIS segment, selling, general and administrative expenses increased by 0.9% in the first three months of 2011 compared to the first three months of 2010. This overall increase was driven by an increase in sales and marketing expenses and technical and IT expenses.

Selling, general and administrative expenses in the Ukraine segment increased by 491.8% to US$108.3 million in the first three months of 2011 from US$18.3 million in the first three months of 2010. As a percentage of net operating revenues in the Ukraine segment, selling, general and administrative expenses decreased by 11.9% in the first three months of 2011 compared to the first three months of 2010. The overall increase in selling, general and administrative expenses was driven by the consolidation of Kyivstar's operations.

Selling, general and administrative expenses in the "All other" segment primarily consisted of expenses in our mobile operations in Cambodia, which remained at the same level of US$8.2 million in the first three months of 2011 and the first three months of 2010 despite the increase in revenues due to effective cost management.

Depreciation and amortization expenses. Our consolidated depreciation and amortization expenses increased by 37.4% to US$576.0 million in the first three months of 2011 from US$419.2 million in the first three months of 2010. The overall increase in depreciation and amortization expenses was primarily the result of consolidation of Kyivstar operations in April 2010 and increased capital expenditures in the last twelve months.

Provision for doubtful accounts. Our consolidated provision for doubtful accounts decreased by 30.7% to US$12.9 million in the first three months of 2011 from US$18.6 million in the first three months of 2010. As a percentage of consolidated net operating revenues, provision for doubtful accounts decreased to 0.5% in the first three months of 2011 compared to 0.8% in the first three months of 2010 due to improvement in collection of accounts receivable.

Our consolidated adjusted OIBDA increased by 16.7% to US$1,228.0 million in the first three months of 2011 from US$1,052.1 million in the first three months of 2010, primarily due to consolidation of Kyivstar which offset the decrease of OIBDA in Russia.

Russia mobile OIBDA. Our Russia mobile OIBDA decreased by 5.1% to US$778.4 million in the first three months of 2011 from US$820.5 million in the first three months of 2010, primarily due to decreased average price per minute and growth of interconnect costs as a back of increased offnet outbound traffic. Russia mobile OIBDA in functional currency decreased by 7.2%. Mobile OIBDA margin as a percentage of mobile net operating revenue in the first three months of 2011 was 45.4% or 5.8 percentage points less than 51.2% in the first three months of 2010 primarily due to decreased average price per minute, growth of interconnect costs and increased volume of devices sales with low margin.

Russia fixed line OIBDA. In the first three months of 2011, OIBDA in the Russia fixed line segment decreased by 0.7% to US$90.0 million from US$90.6 million in the first three months of 2010, primarily due to growth of selling, general and administrative expenses, bad debt provision and appreciation of functional currency. Russia fixed OIBDA in functional currency decreased by 2.9%.

CIS OIBDA. Our CIS OIBDA increased by 14.3% to US$159.6 million in the first three months of 2011 from US$139.6 million in the first three months of 2010, primarily due to organic growth in major CIS markets.

Ukraine OIBDA. Our Ukraine OIBDA increased by 1,919.8% to US$204.0 million in the first three months of 2011 from US$10.1 million in the first three months of 2010, primarily due to the consolidation of Kyivstar operations in April 2010.

All other OIBDA. In the first three months of 2011, our negative OIBDA in the "All other" segment was US$4.0 million compared to US$8.7 million in the first three months of 2010. The decrease in negative OIBDA is caused by the reduction of expenses associated with headquarter activities in 2010, as well as our continued revenue and gross margin growth in Cambodia.

Operating Income

Our consolidated operating income increased by 3.0% to US$652.1 million in the first three months of 2011 from US$632.9 million in the first three months of 2010 primarily as a result of the increased operating revenues which offset the increase in operating expenses. Our total operating income as a percentage of net operating revenues in the first three months of 2011 decreased to 23.8% from 28.4% in the first three months of 2010, primarily as a result of the increased operating expenses as a percentage of net operating revenues.

Other Income and Expenses

Interest expense/income. Our consolidated interest expense increased by 45.9% to US$206.8 million in the first three months of 2011 from US$141.7 million in the first three months of 2010, primarily due to the interest expense on the loan from our parent, VimpelCom Amsterdam B.V., obtained in September 2010 and evidenced by the Original Intercompany Note. Our consolidated interest income increased by 116.5% to US$24.9 million in the first three months of 2011 from US$11.5 million in the first three months of 2010, primarily due to the increase in bank deposits and interest income on the Original Intercompany Note.

Net foreign exchange (loss)/gain. We recorded a US$138.0 million foreign currency exchange gain in the first three months of 2011 compared to a US$104.9 million foreign currency exchange gain in the first three months of 2010. The gains were primarily due to appreciation of our functional currency, Russian ruble, in Russia. Our foreign currency exchange gain increased in the first three months of 2011 compared to the first three months of 2010, primarily due to the higher rate of appreciation of the Russian ruble against the U.S. dollar of 6.7% in the first three months of 2011 compared to 2.9% in the first three months of 2010.

Equity in net gain/(loss) of associates. We recorded a net gain of US$55.6 million from our equity in associates in the first three months of 2011 compared to a net loss of US$3.8 million in the first three months of 2010, primarily due to a gain in our equity in Morefront. which was partially offset by a loss in our equity in GTEL-Mobile.

Other (expenses)/income, net. We recorded a US$5.5 million expense during the three months ended March 31, 2011 compared to US$48.3 million during the three months ended March 31, 2010. The decrease in losses was primarily due to a loss contingency in relation to cash rights for shares of Golden Telecom accrued in the first three months of 2010. For more information, see note 23 to our audited consolidated financial statements included elsewhere in this prospectus.

Income tax expense. Our consolidated income tax expense decreased by 37.1% to US$96.2 million in the first three months of 2011 from US$153.0 million in the first three months of 2010. The decrease in income taxes

was primarily due to a decrease in US income taxes, as well as a decrease in the provision for uncertain tax positions under ASC740-10 (explained by recognition of previously unrecognized tax benefits due to lapse of statute of limitations). These factors also led to the decrease in our effective income tax rate to 14.6% in the first three months of 2011 from 27.5% in the first three months of 2010.

Net income/(loss) attributable to the noncontrolling interest. Our net income attributable to the noncontrolling interest was US$19 million in the first three months of 2011 compared to a net income of US$10.2 million in the first three months of 2010, primarily due to the acquisition of a 50.1% interest in Sky Mobile in October 2010. For more information, see note 3 to our audited consolidated financial statements included elsewhere in this prospectus.

Net income attributable to VimpelCom

In the first three months of 2011, consolidated net income attributable to VimpelCom was US$542.9 million compared to US$392.4 million in the first three months of 2010.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Net Operating Revenues

Our consolidated net operating revenues increased by 20.8% to US$10,512.8 million during 2010 from US$8,702.9 million during 2009 primarily due to consolidation of Kyivstar's operations in April 2010, appreciation of our functional currency in Russia, changes in our contract terms for value added services in Russia and increased traffic on our mobile networks as a result of an increase in our mobile subscribers and consolidation of operations in Kyrgyzstan. The following discussion of revenues by reportable segments includes intersegment revenues. Our management assesses the performance of each reportable segment on this basis as it believes the inclusion of intersegment revenues better reflects the true performance of each segment on a stand-alone basis.

Russia mobile net operating revenues. Our Russia mobile net operating revenues increased by 10.6% to US$6,826.0 million during 2010 from US$6,170.1 million during 2009. Our Russia mobile net operating revenues consist primarily of service revenues.

During 2010, we generated US$4,028.2 million of our voice service revenues from airtime charges from mobile contract and prepaid subscribers, including monthly contract fees, or 59.0% of net operating revenues in our Russia mobile segment, compared to US$3,952.4 million, or 64.1% of net operating revenues in 2009. The 1.9% increase was primarily due to appreciation of the functional currency. In functional currency terms, our voice service revenues from airtime charges from mobile contract and prepaid subscribers, including monthly contract fees, in our Russia mobile segment decreased by 1.8% in 2010 compared to 2009 primarily due to decreased average price per minute which was partially offset by growth of our subscriber base and increased traffic volume.

During 2010, we generated US$1,281.4 million of our service revenues from value added services, or 18.8% of net operating revenues in our Russia mobile segment, compared to US$925.5 million, or 15.0% of net operating revenues in 2009. The 38.5% increase in our mobile value added services revenues was primarily due to a change in our contract terms in Russia for such services which caused us to recognize revenue from value added services on a gross basis and reflect the commissions paid to the content provider in the cost of service rather than deducting it from revenue. During 2009, we deducted US$103.7 million of commission from net operating revenues. Growth of our subscriber base, increased revenue from sales of infotainment and appreciation of the functional currency also contributed to the increase. In functional currency terms, our Russia mobile segment service revenues from value added services increased by 33.0% during 2010 compared to 2009, primarily due to the change in contract terms for value added services, as well as due to an increase in our subscriber base and increased revenue from sales of infotainment.

During 2010, we generated US$987.1 million of our service revenues from interconnect, or 14.5% of net operating revenues in the Russia mobile segment, compared to US$860.6 million, or 13.9% of net operating revenues in 2009. The 14.7% increase was primarily due to the appreciation of the functional currency and increased traffic on our network. In functional currency terms, our Russia mobile segment service revenues from interconnect increased by 10.1% during 2010 compared to 2009 due to increased incoming traffic from the subscribers of our competitors. The latter increased due to higher churn of our own subscribers in 2010 caused by aggressive competition in the mobile market which also contributed to the decrease in our voice service revenues in functional currency terms.

During 2010, we generated US$343.8 million of our service revenues from roaming fees generated by our Russian mobile subscribers and roaming fees received from other mobile services operators for providing

roaming services to our subscribers, or 5.0% of net operating revenues in our Russia mobile segment, compared to US$298.0 million or 4.8% of net operating revenues in 2009. The 15.4% increase during 2010 compared to 2009 was primarily due to bad weather conditions in Russia's central region which caused increased travel by subscribers, the growth of our subscriber base and the appreciation of the functional currency. In functional currency terms, our Russia mobile segment service revenues from roaming increased by 10.8% during 2010 compared to 2009.

Our net operating revenues in the Russia mobile segment also included revenues from sales of equipment and accessories. During 2010, revenues from sales of equipment and accessories increased by 74.1% to US$170.6 million from US$98.0 million during 2009 and increased to 2.5% of net operating revenues in 2010 from 1.6% in 2009, primarily as a result of appreciation of our functional currency and sales of iPhones and Beeline brand phones. In functional currency terms, our Russia mobile segment sales of equipment and accessories increased by 63.6% during 2010 compared to 2009.

Our net operating revenues in the Russia mobile segment also included other revenues (which included, among other things, rental of base station sites) which decreased by 28.7% to US$13.9 million during 2010 from US$19.5 million in 2009.

Russia fixed net operating revenues. In 2010, net operating revenues in the Russia fixed segment increased by 4.5% to US$1,335.6 million from US$1,277.7 million in 2009. Our Russia fixed segment net operating revenues in 2010 consisted of US$617.4 million generated from business operations, US$491.1 million generated from wholesale operations and US$227.1 million generated from residential operations. The increase in net operating revenues in our Russia fixed segment in 2010 compared to 2009 was primarily due to appreciation of the functional currency which more than offset a decrease in network traffic volume and lower prices as a result of price pressure from competitors. In functional currency terms, our Russia fixed segment net operating revenues increased by 0.2% during 2010 compared to 2009.

Our CIS net operating revenues increased by 17.1% to US$1,354.0 million during 2010 from US$1,155.9 million during 2009. Our CIS net operating revenues consist of revenues from providing mobile services as well as fixed-line services.

CIS mobile net operating revenues. In the CIS mobile segment net operating revenues increased by 18.4% to US$1,199.7 million during 2010 from US$1,012.9 million during 2009. In the CIS mobile segment net operating revenues consist mostly of service revenues.

During 2010, we generated US$799.7 million of our service revenues from airtime charges in the CIS mobile segment from mobile contract and prepaid subscribers, including monthly contract fees, or 66.7% of our net operating revenues in the CIS mobile segment, compared to US$698.9 million, or 69.0% of net operating revenues in 2009. The 14.4% increase during 2010 compared to 2009 was primarily due to consolidation of our operations in Kyrgyzstan and increased consumer spending in Kazakhstan, partially offset by decreased consumer spending in Uzbekistan and Tajikistan. Without the consolidation of our operations in Kyrgyzstan, our service revenues from airtime charges would have increased by 4.6%.

During 2010, we generated US$208.9 million of our mobile service revenues from interconnect fees in the CIS mobile segment, or 17.4% of our net operating revenues in the CIS mobile segment, compared to US$163.9 million, or 16.2% of net operating revenues in the CIS mobile segment in 2009. The 27.5% increase in 2010 compared to 2009 was primarily due to increase in traffic in all countries and consolidation of our operations in Kyrgyzstan.

During 2010, we generated US$142.3 million of our mobile service revenues in the CIS mobile segment from value added services, or 11.9% of net operating revenues in the CIS mobile segment, compared to US$112.3 million, or 11.1% of net operating revenues in the CIS mobile segment in 2009. The 26.7% increase in 2010 compared to 2009 was primarily due to increase in subscriber base and increased consumer spending on value added services.

During 2010, we generated US$41.7 million of our service revenues in the CIS mobile segment from roaming, or 3.5% of net operating revenues in the CIS mobile segment, compared to US$33.2 million, or 3.3% of net operating revenues in the CIS mobile segment in 2009. This 25.6% increase in roaming revenues in 2010 compared to 2009 was primarily due to consolidation of our operations in Kyrgyzstan and increased consumer spending on roaming services.

Our net operating revenues in the CIS mobile segment also included revenues from sales of equipment and accessories. During 2010, revenues from sales of equipment and accessories increased to US$4.3 million from US$1.2 million during 2009. During 2010, other revenue was US$ 2.8 million, as compared to US$3.4 million in 2009.

CIS fixed net operating revenues. Our net operating revenues in the CIS fixed segment increased by 7.9% to US$154.3 million in 2010 from US$143.0 million in 2009. The increase was primarily due to the growth of interconnect revenues in Tajikistan, interconnect and internet revenues in Armenia and revenues from rent of channel in Kazakhstan, partially offset by a decrease in voice revenues in Armenia. In 2010, US$31.9 million of CIS fixed revenues were generated from our business operations, US$65.0 million from wholesale operations and US$57.4 million from residential operations.

Our Ukraine net operating revenues increased by 483.9% to US$1,185.4 million during 2010 from US$203.0 million during 2009, primarily due to the consolidation of Kyivstar's operations in April 2010.

Ukraine mobile net operating revenues. Our Ukraine mobile net operating revenues increased by 889.5% to US$1,090.4 million during 2010 from US$110.2 million during 2009, primarily due to the consolidation of Kyivstar's operations in April 2010.

During 2010, we generated US$724.0 million of our service revenues from airtime charges from mobile contract and prepaid subscribers, including monthly contract fees, or 66.4% of net operating revenues in our Ukraine mobile segment, compared to US$54.0 million, or 48.9% of net operating revenues in 2009. The 1,240.7% increase was primarily due to the consolidation of Kyivstar's operations in April 2010.

During 2010, we generated US$116.4 million of our service revenues from value added services (including data revenue), or 10.7% of net operating revenues in our Ukraine mobile segment, compared to US$10.3 million, or 9.3% of net operating revenues in 2009. The 1,030.1% increase in our value added services revenues was primarily due to the consolidation of Kyivstar's operations in April 2010.

During 2010, we generated US$184.7 million of our service revenues from interconnect, or 16.9% of net operating revenues in the Ukraine mobile segment, compared to US$35.5 million, or 32.2% of net operating revenues in 2009. The 420.3% increase was primarily due to the consolidation of Kyivstar's operations in April 2010.

During 2010, we generated US$53.3 million of our service revenues from roaming fees generated by our Ukraine mobile subscribers and roaming fees received from other mobile services operators for providing roaming services to their subscribers, or 4.9% of net operating revenues in our Ukraine mobile segment, compared to US$8.9 million or 8.1% of net operating revenues in 2009. The 498.9% increase during 2010 compared to 2009 was primarily due to the consolidation of Kyivstar's operations in April 2010.

During 2010, we generated US$2.3 million of our service revenues from other types of services, including connection charges, or 0.2% of net operating revenues in our Ukraine mobile segment, compared to US$1.0 million and 0.9%, respectively, for 2009. The 130.0 % increase during 2010 compared to 2009 was primarily due to the consolidation of Kyivstar's operations in April 2010.

Our net operating revenues in the Ukraine mobile segment also included revenues from sales of equipment and accessories. During 2010, revenues from sales of equipment and accessories increased to US$3.5 million from US$0.0 million during 2009 and increased to 0.3% of net operating revenues in 2010 from 0.0% in 2009, primarily as a result of the consolidation of Kyivstar's operations in April 2010.

Ukraine fixed net operating revenues. Our net operating revenues in the Ukraine fixed segment increased by 2.4% to US$95.0 million in 2010 from US$92.8 million in 2009, primarily due the consolidation of Kyivstar's operations in April 2010.

Our revenue from "All other" segment consists of mobile net operating revenues in Cambodia. In 2010, net operating revenues in Cambodia were US$21.8 million compared to US$5.7 million in 2009. During 2010 US$15.0 million of our mobile service revenues, or 68.7% of our net operating revenues, were from airtime charges from mobile prepaid subscribers, US$3.7 million of our mobile service revenues, or 16.7% of our net operating revenues, were from interconnect fees, and US$2.6 million of our mobile service revenues, or 11.9% of our net operating revenues, were from other services, including connection charges, roaming and value added services. Our net operating revenues in the "All other" segment also included revenues from sales of equipment and accessories. During 2010, revenues from sales of equipment and accessories were US$0.7 million or 3.2% of net operating revenues.

Total Operating Expenses

Our consolidated total operating expenses increased by 24.0% to US$7,595.5 million during 2010 from US$6,124.5 million during 2009, and represented 72.3% and 70.4% of net operating revenues in 2010 and 2009, respectively. This increase was primarily due to the consolidation of Kyivstar's operations in April 2010.

Due to the adverse economic environment in 2009, we focused on maintaining our consolidated operating income margin by controlling our operating expenses. With the improvement of the economic environment in

2010, we increased operating expenses to support growth of our operations. As a result of the increased operating expenses as a percentage of net operating revenues, our consolidated operating income margin for 2010 was 27.7% compared to 29.6% in 2009.

Service costs. Our consolidated service costs increased by 19.9% to US$2,251.5 million during 2010 from US$1,878.4 million during 2009. As a percentage of consolidated net operating revenues, our service costs decreased slightly to 21.4% during 2010 from 21.6% during 2009.

Service costs in Russia mobile operations increased by 20.4% to US$1,403.3 million in 2010 from US$1,165.3 million in 2009, primarily due to the appreciation of the functional currency, growth of international interconnect costs related to an increase in our traffic volume and a change in our contract terms for value added services in Russia which caused us to recognize revenue from value added services on a gross basis and reflect the commission paid to the content provider in the cost of service rather than deducting it from revenue. During 2009, we netted US$103.7 million of commissions. In functional currency terms, our service costs in Russia mobile increased by 15.8% during 2010 compared to 2009.

Service costs in Russia fixed increased by 12.2% to US$513.7 million in 2010 from US$458.0 million in 2009. This increase was mostly due to appreciation of the functional currency and increased volume of local traffic and transport network cost. In functional currency terms, service costs in Russia fixed increased by 7.1% in 2010 compared to 2009.

Service costs in CIS increased by 19.8% to US$324.1 million in 2010 from US$270.5 million in 2009. The increase was primarily due to consolidation of our operations in Kyrgyzstan and overall growth of business in CIS.

Service costs in Ukraine increased by 158.8% to US$222.6 million in 2010 from US$86.0 million in 2009. The increase was primarily due to consolidation of Kyivstar operations in April 2010.

In 2010, service costs from the "All other" segment, consisting primarily of interconnect costs in our mobile operations in Cambodia, increased by 39.7% to US$9.5 million from US$6.8 million in 2009. The increase in service costs was primarily due to the growth of our subscriber base and traffic in Cambodia.

Cost of equipment and accessories. Our consolidated cost of equipment and accessories increased by 95.9% to US$216.9 million in 2010 from US$110.7 million in 2009. This increase was primarily due to the introduction of Beeline brand phones in Russia the summer of 2010.

Selling, general and administrative expenses. Our consolidated selling, general and administrative expenses increased by 25.5% to US$2,999.0 million during 2010 from US$2,390.0 million during 2009. This increase was primarily due to the consolidation of Kyivstar operations in April 2010, as well as higher sales and marketing expenses in Russia. As a percentage of consolidated net operating revenues, our consolidated selling, general and administrative expenses increased to 28.5% in 2010 from 27.5% in 2009, which is explained by increased level of expenses to support growth of our operations.

Selling, general and administrative expenses in the Russia mobile segment increased by 13.9% to US$1,812.6 million in 2010 from US$1,590.8 million in 2009. As a percentage of net operating revenues (including intersegment revenues) in the Russia mobile segment, selling, general and administrative expenses increased by 0.8 percentage points in 2010 compared to 2009. This overall increase was driven by higher sales and marketing expenses, which increased by 0.9 percentage points, technical support expenses, which increased by 0.3 percentage points and was partially offset by general and administrative expenses, which decreased by 0.4 percentage points, in each case as a percentage of net operating revenues.

Selling, general and administrative expenses in the Russia fixed segment increased by 8.9% to US$418.0 million in 2010 from US$384.0 million in 2009. As a percentage of net operating revenues (including intersegment revenues) in the Russia fixed segment, selling, general and administrative expenses increased by 1.2 percentage points in 2010 compared to 2009. This overall increase was driven by higher sales and marketing expenses, which increased by 0.7 percentage points, general and administrative expenses, which increased by 0.2 percentage points, and technical support expenses, which increased by 0.3 percentage points, in each case as a percentage of net operating revenues.

Selling, general and administrative expenses in the CIS segment increased by 24.9% to US$374.5 million in 2010 from US$299.8 million in 2009. As a percentage of net operating revenues (including intersegment revenues) in the CIS segment, selling, general and administrative expenses increased by 1.7% in 2010 compared to 2009. This overall increase was driven by higher general and administrative expenses, which increased by 1.0 percentage point, and selling and marketing expenses, which increased by 0.5 percentage points, while technical and support expenses remained at the same level, in each case as a percentage of net operating revenues. The increase was primarily due to an increase in sales and marketing expenses and expenses related to the introduction of two major technologies, FTTB and 3G.

Selling, general and administrative expenses in Ukraine segment increased by 327.5% to US$336.0 million in 2010 from US$78.6 million in 2009 primarily as a result of consolidation of Kyivstar operations in April 2010. In addition, selling, general and administrative expenses increased due to a change in regulation which significantly increased our monthly fees for radio frequencies usage. As a percentage of net operating revenues (including intersegment revenues) in the Ukraine segment, selling, general and administrative expenses decreased by 10.2 percentage points in 2010 compared to 2009 due to an effective cost cutting program introduced in 2010. As part of this program, sales and marketing expenses decreased by 2.2 percentage points, technical support expenses decreased by 7.3 percentage points and general and administrative expenses decreased by 0.7 percentage points, in each case as a percentage of net operating revenues.

Selling, general and administrative expenses in the "All other" segment consist primarily of the expenses of our South-East Asia mobile business, as well as headquarter expenses. Selling, general and administrative expenses amounted to US$47.0 million in 2010 compared to US$36.9 million in 2009. The 27.4% increase was primarily due to our continued development of business in South-East Asia, including network roll-out and sales and marketing activities.

Depreciation and amortization expenses. Our consolidated depreciation and amortization expenses increased by 22.6% to US$2,077.7 million in 2010 from US$1,694.2 million in 2009. The overall increase in depreciation and amortization expenses was primarily the result of consolidation of Kyivstar operations in April 2010 and Sky Mobile operations in January 2010.

Provision for doubtful accounts. Our consolidated provision for doubtful accounts decreased by 1.6% to US$50.5 million in 2010 from US$51.3 million in 2009. As a percentage of consolidated net operating revenues, provision for doubtful accounts decreased to 0.5% in 2010 compared to 0.6% in 2009 due to the improvement in collectability of accounts receivable because of improved economic conditions.

OIBDA

Our consolidated OIBDA increased by 16.9% to US$4,994.9 million during 2010 from US$4,272.5 million during 2009, primarily due to consolidation of Kyivstar operations in April 2010 and growth of OIBDA in our Russian operations.

Russia mobile OIBDA. Our Russia mobile OIBDA increased by 3.3% to US$3,395.8 million during 2010 from US$3,287.9 million during full year 2009, primarily due to appreciation of functional currency. Russia mobile OIBDA in functional currency decreased by 0.8%. OIBDA margin in 2010 was 3.3 percentage points less than in 2009 primarily due to decreased average price per minute and increased volume of customer equipment sales with negative margin. In functional currency terms, Russia mobile OIBDA decreased by 3.6 percentage points compared to 2009.

Russia fixed line OIBDA. In 2010, OIBDA in the Russia fixed line segment decreased by 7.0% to US$379.5 million from US$408.2 million in 2009, primarily due to appreciation of functional currency and slow after crisis recovery in comparably high marginal business segment of fixed line operations. Russia fixed OIBDA in functional currency decreased by 11.1% compared to 2009.

CIS OIBDA. Our CIS OIBDA increased by 10.3% to US$637.8 million during 2010 from US$578.4 million during 2009, primarily due to organic growth in major CIS markets and consolidation of our operations in Kyrgyzstan.

Ukraine OIBDA. Our Ukraine OIBDA increased by 1,648.1% to US$632.8 million during 2010 from US$36.2 million during 2009, primarily due to the consolidation of Kyivstar operations in April 2010.

All other OIBDA. In 2010, our negative OIBDA in the "All other" segment was US$50.9 million compared to US$38.1 million in 2009. The increase in negative OIBDA is caused by our continued development of business in South-East Asia, including network roll-out and sales and marketing activities.

Operating Income

Our consolidated operating income increased by 13.1% to US$2,917.3 million in 2010 from US$2,578.4 million in 2009 primarily as a result of increased operating revenues which offset the increase in operating expenses. Our consolidated operating income as a percentage of net operating revenues in 2010 decreased to 27.7% from 29.6% in 2009, primarily as a result of the increased operating expenses as a percentage of net operating revenues.

Other Income and Expenses

Interest expense/income. Our consolidated interest expense increased by 2.9% to US$615.9 million in 2010 from US$598.5 million in 2009, primarily due to the interest expense on the loan from our parent, VimpelCom Amsterdam B.V., obtained in September 2010 and evidenced by the Original Intercompany Note. Our consolidated interest income increased by 25.0% to US$64.6 million in 2010 from US$51.7 million in 2009, primarily due to the increase in bank deposits and interest income on a loan granted to VimpelCom Ltd., the parent of VimpelCom Amsterdam B.V.

Net foreign exchange (loss)/gain. We recorded a US$14.3 million foreign currency exchange loss in 2010 compared to a US$411.3 million foreign currency exchange loss in 2009. The losses were primarily due to the devaluation of the Russian ruble against the U.S. dollar at the revaluation date which resulted in a corresponding revaluation of our U.S. dollar denominated financial liabilities, including our loan agreements. Our foreign currency exchange loss decreased in 2010 compared to 2009, primarily due to the lower rate of devaluation of the Russian ruble against the U.S. dollar of 0.8% in 2010 compared to 2.9% in 2009.

Equity in net gain/(loss) of associates. We recorded a net gain of US$53.2 million from our equity in associates in 2010 compared to a net loss of US$35.8 million in 2009, primarily due to a gain in our equity in Morefront which was partially offset by a loss in our equity in GTEL-Mobile.

Other (expenses)/income, net. We recorded a US$99.5 million expense during 2010 compared to US$32.1 million during 2009. The increase was primarily due to a loss contingency in relation to cash rights for shares of Golden Telecom. For more information, see note 23 to our audited consolidated financial statements included elsewhere in this prospectus.

Income tax expense. Our consolidated income tax expense increased by 40.1% to US$609.5 million in 2010 from US$435.0 million in 2009. The increase in income taxes was primarily due to the increase in income before income taxes. Our effective income tax rate was 26.4% in 2010 compared to 28.0% in 2009. The decrease in the effective income tax rate was primarily due to the tax effect of the change in the statutory income tax rate in Ukraine in accordance with the New Tax Code of Ukraine which significantly changed the rules for tax based calculation and provided for gradual decrease in tax rates from 25% to 16% over the next few years.

Net income/(loss) attributable to the noncontrolling interest. Our net income attributable to the noncontrolling interest was US$45.0 million in 2010 compared to a net loss of US$4.5 million in 2009, primarily due to consolidation of Sky Mobile in Kyrgyzstan from January 1, 2010. For more information, see note 3 to our audited consolidated financial statements included elsewhere in this prospectus. Sky Mobile was wholly owned by a third-party for the period up to October 2010 which resulted in all of its net income being reflected in net income/(loss) attributable to the noncontrolling interest. In October 2010, we acquired 50.1% of the issued share capital of Sky Mobile's parent company, Menacrest.

Net income attributable to VimpelCom

In 2010, consolidated net income attributable to VimpelCom was US$1,650.9 million compared to US$1,121.8 million in 2009.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Net Operating Revenues

Our consolidated net operating revenues decreased by 14.0% to US$8,702.9 million during 2009 from US$10,116.9 million during 2008. Our net operating revenues decreased in 2009 primarily as a result of the devaluation of functional currencies. In functional currency terms, in 2009 compared to 2008, our net operating revenues increased in all countries in which we operate other than in Armenia and Uzbekistan, mainly due to increased traffic on our mobile networks primarily due to an increase in mobile subscribers over the course of 2009. The following discussion of revenues by reportable segments includes intersegment revenues. Our management assesses the performance of each reportable segment on this basis as it believes the inclusion of intersegment revenues better reflects the true performance of each segment on a stand-alone basis.

Russia mobile net operating revenues. Our Russia mobile net operating revenues decreased by 16.2% to US$6,170.1 million during 2009 from US$7,361.3 million during 2008. Our Russia mobile net operating revenues consist mostly of service revenues.

During 2009, we generated US$3,952.4 million of our service revenues from airtime charges from mobile contract and prepaid subscribers, including monthly contract fees, or 64.1% of net operating revenues in our Russia mobile segment, compared to US$4,853.6 million, or 65.9% of net operating revenues in 2008. The 18.6% decrease was primarily due to the devaluation of the functional currency, which more than offset the

growth of our subscriber base and the resulting increased traffic volumes on our mobile network. In functional currency terms, our service revenues from airtime charges from mobile contract and prepaid subscribers, including monthly contract fees, in our Russia mobile segment increased by 3.9% in 2009 compared to 2008.

During 2009, we generated US$860.6 million of our service revenues from interconnect, or 13.9% of net operating revenues in the Russia mobile segment, compared to US$1,064.1 million, or 14.5% of net operating revenues in 2008. The 19.1% decrease was primarily due to the devaluation of the functional currency, which more than offset increased traffic to our network. In functional currency terms, our Russia mobile segment service revenues from interconnect increased by 3.0% during 2009 compared to 2008.

During 2009, we generated US$925.5 million of our service revenues from value added services, or 15.0% of net operating revenues in our Russia mobile segment, compared to US$898.9 million, or 12.2% of net operating revenues in 2008. The 3.0% increase in our mobile value added services revenues was primarily due to the growth in our subscriber base and increased revenue from sales of infotainment and data, partially offset by the devaluation of the functional currency. In functional currency terms, our Russia mobile segment service revenues from value added services increased by 30.8% during 2009 compared to 2008.

During 2009, we generated US$298.0 million of our service revenues from roaming fees generated by our Russian mobile subscribers and roaming fees received from other mobile services operators for providing roaming services to our subscribers, or 4.8% of net operating revenues in our Russia mobile segment, compared to US$430.7 million or 5.9% of net operating revenues in 2008. The 30.8% decrease during 2009 compared to 2008 was primarily due to the devaluation of the functional currency and the adverse economic conditions which resulted in decreased activity of our Russia mobile subscribers and persons roaming on our network. In functional currency terms, our Russia mobile segment service revenues from roaming decreased by 11.1% during 2009 compared to 2008.

During 2009, we generated US$16.1 million of our service revenues from other types of services, including connection charges, or 0.3% of net operating revenues in our Russia mobile segment, compared to US$6.5 million and 0.1%, respectively, for 2008.

Our net operating revenues in the Russia mobile segment also included revenues from sales of equipment and accessories. During 2009, revenues from sales of equipment and accessories decreased by 2.9% to US$98.0 million from US$100.9 million during 2008 but increased to 1.6% of net operating revenues in 2009 from 1.4% in 2008, primarily as a result of sales of iPhones and USB modems that started in the end of 2008 and the second half of 2008, respectively.

During 2009, our net operating revenues in the Russia mobile segment included US$19.5 million of revenues generated from other activity compared to US$6.6 million for 2008.

Russia fixed net operating revenues. In 2009, net operating revenues in the Russia fixed segment increased by 1.6% to US$1,277.7 million from US$1,257.8 million in 2008. Our Russia fixed segment net operating revenues in 2009 consisted of US$656.3 million generated from business operations, US$438.2 million generated from wholesale operations and US$183.2 million generated from residential operations. The increase in net operating revenues in our Russia fixed segment in 2009 compared to 2008 was due to the full-year consolidation of Golden Telecom's operations for 2009 as opposed to only 10 months of 2008, and improvement in wholesale and residential operations. As a portion of our contracts with business and wholesale customers are denominated in U.S. dollars and Euros, a portion of our revenues was protected from devaluation of the Russian ruble.

Our CIS net operating revenues decreased by 10.0% to US$1,155.9 million during 2009 from US$1,283.9 million during 2008. Our CIS net operating revenues consist of revenues from providing mobile services as well as fixed-line services.

CIS mobile net operating revenues. Our CIS mobile net operating revenues decreased by 9.3% to US$1,012.9 million during 2009 from US$1,117.1 million during 2008. Our CIS mobile net operating revenues consist mostly of service revenues.

During 2009, we generated US$698.9 million of our service revenues from airtime charges in the CIS from mobile contract and prepaid subscribers, including monthly contract fees, or 69.0% of our net operating revenues in the CIS mobile segment, compared to US$788.6 million, or 70.6% of net operating revenues in 2008. The 11.4% decrease during 2009 compared to 2008 was primarily due to the devaluation of our functional currencies, which more than offset increased traffic volumes in Kazakhstan and Georgia during 2009. In functional currency terms, our service revenues from airtime charges increased by 3.2% in 2009 compared to 2008.

During 2009, we generated US$163.9 million of our mobile service revenues from interconnect fees in the CIS, or 16.2% of our net operating revenues in CIS mobile, compared to US$170.4 million, or 15.3% of net operating revenues in CIS mobile in 2008. The 3.8% decrease in 2009 compared to 2008 was primarily due to the devaluation of functional currencies, which more than offset increased volume of inbound traffic terminated on our networks in Uzbekistan, Tajikistan and Georgia. In functional currency terms, service revenues from interconnect fees increased by 11.7% in 2009 compared to 2008.

During 2009, we generated US$112.3 million of our mobile service revenues from value added services in the CIS, or 11.1% of net operating revenues in CIS mobile, compared to US$123.5 million, or 11.1% of net operating revenues in CIS mobile in 2008. The 9.1% decrease in 2009 compared to 2008 was primarily due to the devaluation of our functional currencies and decreased consumer spending on value added services in all CIS countries in which we operate, which together more than offset subscriber growth in Tajikistan and Georgia. In functional currency terms, service revenues from value added services increased by 5.6% in 2009 compared to 2008.

During 2009, we generated US$33.2 million of our service revenues from roaming in the CIS, or 3.3% of net operating revenues in CIS mobile, compared to US$38.0 million, or 3.4% of net operating revenues in CIS mobile in 2008. This 12.6% decrease in roaming revenues in 2009 compared to 2008 was primarily due to the devaluation of functional currencies. In functional currency terms, service revenues from roaming increased by 14.9%.

During 2009, we generated US$2.6 million of our service revenues from other types of services, including connection charges, or 0.3% of net operating revenues in our CIS mobile segment, compared to US$0.5 million and 0.0%, respectively, for 2008.

Our net operating revenues in the CIS mobile segment also included revenues from sales of equipment and accessories. During 2009, revenues from sales of equipment and accessories increased to US$1.2 million from US$0.0 million during 2008.

During 2009, our net operating revenues in the CIS mobile segment included US$8.2 million generated by other activity compared to US$4.0 million for 2008.

During each of 2009 and 2008, our CIS mobile segment incurred revenue based taxes of US$7.2 million and US$7.9 million.

CIS fixed net operating revenues. Our net operating revenues in the CIS fixed segment decreased by 14.4% to US$143.0 million in 2009 from US$166.8 million in 2008. The decrease was primarily attributable to the devaluation of the functional currency in Armenia compared to the U.S. dollar, while in functional currency terms, our revenues in CIS fixed increased by 5.3% primarily due to growth of interconnect, voice and Internet revenues in Kazakhstan and Uzbekistan. In 2009, US$17.7 million of CIS fixed revenues were generated from our business operations, US$12.0 million from wholesale operations and US$113.2 million from residential operations.

Our Ukrainian net operating revenues consist of revenues from providing mobile services as well as fixed-line services. Our Ukrainian total net operating revenues decreased by 27.6% to US$203.0 million during 2009 from US$280.6 million during 2008, primarily due to functional currency devaluation.

Ukraine mobile net operating revenues. Our Ukraine mobile net operating revenues decreased by 43.1% to US$110.2 million in 2009 from US$193.7 million in 2008. Our Ukraine mobile net operating revenues consist mostly of service revenues. The decrease was primarily attributable to the devaluation of the functional currency in Ukraine compared to the U.S. dollar, while in functional currency terms, our revenues in Ukraine mobile decreased by 15.4% primarily due to decreases in the subscriber base and ARPU.

Ukraine fixed net operating revenues. Our net operating revenues for fixed-line services in Ukraine increased by 6.8% to US$92.8 million in 2009 from US$86.9 million in 2008. The increase was primarily attributable to growth in our wholesale operations and Internet revenues and the full-year consolidation of Golden Telecom for 2009 as opposed to 10 months of 2008, partially offset by the devaluation of the functional currency. In functional currency terms, our revenues in Ukraine fixed increased by 57.7%. In 2009, US$42.1 million of Ukraine fixed revenues were generated from our business operations, US$44.6 million from wholesale operations and US$6.1 million from residential operations.

"All other" net operating revenues. In 2009, we started to generate revenues in our "All other" segment. In 2009, net operating revenues in this segment were US$5.7 million and consisted of revenues from our mobile operations in Cambodia from May 2009 when our subsidiary Sotelco launched its commercial operations.

During 2009, in Cambodia US$5.1 million of our mobile service revenues, or 89.5% of our net operating revenues, were from airtime charges from mobile prepaid subscribers and monthly contract fees, US$0.5 million

of our mobile service revenues, or 8.8% of our net operating revenues, were from interconnect fees, and US$0.2 million of our mobile service revenues, or 3.5% of our net operating revenues, were from other services, including connection charges and value added services.

Total Operating Expenses

Our consolidated total operating expenses decreased by 19.2% to US$6,124.5 million during 2009 from US$7,581.0 million during 2008, and represented 70.4% and 74.9% of net operating revenues in 2009 and 2008, respectively. The decrease of 19.2% was primarily due to the devaluation of our functional currencies and cost control measures implemented in 2009.

Due to the adverse economic environment, in 2009, we focused on maintaining our consolidated operating margin by controlling our operating expenses. As a result of those efforts and the non-recurrence of the 2008 impairment losses, our consolidated operating income margin for 2009 was 29.6% compared to 25.1% in 2008, notwithstanding the dilutive effect of Golden Telecom's lower margin fixed-line business, which we consolidated from March 1, 2008.

Service costs. Our consolidated service costs decreased by 17.0% to US$1,878.4 million during 2009 from US$2,262.6 million during 2008. As a percentage of consolidated net operating revenues, our service costs decreased to 21.6% during 2009 from 22.4% during 2008.

Service costs in Russia mobile operations decreased by 12.6% to US$1,165.3 million in 2009 from US$1,332.7 million in 2008, primarily due to the devaluation of the functional currency, which more than offset growth in interconnect costs related to an increase in our traffic volume. In functional currency terms, our service costs in Russia mobile increased by 11.3% during 2009 compared to 2008.

Service costs in Russia fixed decreased by 15.2% to US$458.0 million in 2009 from US$540.3 million in 2008. This decrease was primarily due to the devaluation of the functional currency, which more than offset growth in interconnect costs related to an increase in our traffic volume. In functional currency terms, service costs in Russia fixed increased by 7.4% in 2009 compared to 2008.

Service costs in CIS decreased by 11.6% to US$270.5 million in 2009 from US$306.1 million in 2008. The decrease was primarily due to the devaluation of functional currencies and a decrease in interconnection expenses in Armenia mobile business, which more than offset increased costs relating to increased volumes of traffic in Uzbekistan and Kazakhstan. In functional currency terms, service costs in CIS increased by 4.0% in 2009 compared to 2008.

Service costs in Ukraine decreased by 42.2% to US$86.0 million in 2009 from US$148.7 million in 2008. The decrease was primarily due to the devaluation of the functional currency and a decrease in interconnection expenses and partly offset by the increase on costs due to the consolidation of Golden Telecom's operations for all of 2009, compared to only 10 months in 2008. In functional currency terms, service costs in Ukraine decreased by 11.8% in 2009 compared to 2008.

Service costs in the "All other" reporting segment in 2009 were US$6.8 million, consisting primarily of interconnection expenses in our mobile operations in Cambodia.

Cost of equipment and accessories. Our consolidated cost of equipment and accessories increased by 9.3% to US$110.7 million during 2009 from US$101.3 million during 2008. This increase was primarily due to the sale of iPhones and USB modems to our customers that started in the end of 2008 and in the second half of 2008, respectively.

Selling, general and administrative expenses. Our consolidated selling, general and administrative expenses decreased by 15.8% to US$2,390.0 million during 2009 from US$2,838.5 million during 2008. This decrease was primarily due to the devaluation of functional currencies. As a percentage of consolidated net operating revenues, our consolidated selling, general and administrative expenses decreased to 27.5% in 2009 from 28.1% in 2008.

Selling, general and administrative expenses in the Russia mobile segment decreased by 19.2% to US$1,590.8 million in 2009 from US$1,967.8 million in 2008. As a percentage of net operating revenues (including intersegment revenues) in the Russia mobile segment, selling, general and administrative expenses decreased by 0.9 percentage points in 2009 compared to 2008. As a percentage of net operating revenues (including intersegment revenues) in the Russia mobile segment, in 2009 compared to 2008, general and administrative expenses decreased by 0.9 percentage points, technical support expenses increased by 0.7 percentage points and sales and marketing expenses decreased by 0.7 percentage points.

Selling, general and administrative expenses in the Russia fixed segment decreased by 8.2% to US$384.0 million in 2009 from US$418.5 million in 2008. As a percentage of net operating revenues (including

intersegment revenues) in the Russia fixed segment, selling, general and administrative expenses decreased by 3.2 percentage points in 2009 compared to the 2008. As a percentage of net operating revenues (including intersegment revenues) in the Russia fixed segment, in 2009 compared to 2008, general and administrative expenses decreased by 6.3 percentage points, technical support expenses increased by 2.1 percentage points and sales and marketing expenses increased by 0.9 percentage points.

Selling, general and administrative expenses in the CIS segment decreased by 12.1% to US$299.8 million in 2009 from US$341.2 million in 2008. As a percentage of net operating revenues (including intersegment revenues) in the CIS segment, selling, general and administrative expenses decreased by 0.6 percentage points in 2009 compared to 2008. As a percentage of net operating revenues (including intersegment revenues) in the CIS segment, in 2009 compared to 2008, general and administrative expenses increased by 0.4 percentage points, technical support expenses increased by 1.2 percentage points and sales and marketing expenses decreased by 2.2 percentage points.

Selling, general and administrative expenses in the Ukraine segment decreased by 27.2% to US$78.6 million in 2009 from US$107.9 million in 2008. As a percentage of net operating revenues (including intersegment revenues) in the Ukraine segment, selling, general and administrative expenses increased by 0.1 percentage points in 2009 compared to 2008. As a percentage of net operating revenues (including intersegment revenues) in the Ukraine segment, in 2009 compared to 2008, general and administrative expenses increased by 0.4 percentage points, technical support expenses increased by 2.8 percentage points and sales and marketing expenses decreased by 3.1 percentage points.

Selling, general and administrative expenses in the "All other" segment consisted of expenses in our mobile operations in Cambodia, as well as headquarter expenses, which amounted to US$36.9 million.

Depreciation and amortization expenses. Our consolidated depreciation and amortization expenses decreased by 9.9% to US$1,694.2 million in 2009 from US$1,881.2 million in 2008. The overall decrease in depreciation and amortization expenses was primarily due to the devaluation of functional currencies and a decrease in capital expenditures in 2009 in line with management's more cautious approach to capital investments and to internal targets for return on capital investments in response to existing adverse economic conditions. As a percentage of consolidated net operating revenues, depreciation and amortization expenses increased to 19.5% from 18.6% in 2009 compared to 2008.

Impairment loss. We did not have any write downs or impairment loss in 2009. In 2008, we wrote down US$37.6 million related to DVB-H and DVB-T licenses and recognized a US$90.1 million mobile goodwill and long lived assets impairment loss for Ukraine, and US$315.0 million fixed goodwill impairment loss for Russia. For details regarding our impairment loss and write down of long-lived assets in 2008, please see Note 10 to our audited consolidated financial statements included elsewhere in this prospectus.

Provision for doubtful accounts. Our consolidated provision for doubtful accounts decreased by 6.2% to US$51.3 million in 2009 from US$54.7 million in 2008. As a percentage of consolidated net operating revenues, provision for doubtful accounts increased to 0.6% in 2009 compared to 0.5% in 2008 due to the growth of our fixed line businesses, which had higher doubtful debt rates than our mobile segments.

Adjusted OIBDA

Our consolidated adjusted OIBDA decreased by 12.1% to US$4,272.5 million during full year 2009 from US$4,859.9 million during full year 2008, primarily due to devaluation of functional currencies in most markets where we operated.

Russia mobile adjusted OIBDA. Our Russia mobile adjusted OIBDA decreased by 16.2% to US$3,287.9 million during full year 2009 from US$3,922.1 million during full year 2008, primarily due to devaluation of functional currency.

Russia fixed line adjusted OIBDA. In 2009, adjusted OIBDA in the Russia fixed line segment increased by 42.0% to US$408.2 million from US$287.5 million in 2008, primarily due to the full-year consolidation of Golden Telecom's operations for 2009 as opposed to only 10 months of 2008, and functional currency devaluation.

CIS OIBDA. Our CIS OIBDA decreased by 8.0% to US$578.4 million during full year 2009 from US$629.0 million during full year 2008, primarily due to devaluation of functional currencies in most markets where we operated.

Ukraine adjusted OIBDA. Our Ukraine adjusted OIBDA increased by 63.8% to US$36.2 million during 2009 from US$22.1 million during 2008, primarily due to lower interconnect rates and sales and marketing and administrative cost saving.

All other OIBDA. In 2009, our negative OIBDA in other segment was US$38.1 million compared to US$0.7 million in 2008. The increase in negative OIBDA was primarily due to launch of operations in Cambodia in 2009.

Other Income and Expenses

Interest expense/income. Our consolidated interest expense increased by 20.8% to US$598.5 million during 2009 from US$495.6 million during 2008, primarily due to an increase in the average interest rates on our outstanding debt, which was 7.6% in 2009 compared to 7.0% in 2008. Our consolidated interest income decreased by 27.8% to US$51.7 million during 2009 from US$71.6 million during 2008, primarily due to lower interest rates on investments and short-term bank deposits.

Net foreign exchange (loss)/gain. We recorded a US$411.3 million foreign currency exchange loss during 2009 compared to a US$1,142.3 million foreign currency exchange loss during 2008. The losses were primarily due to the devaluation of the Russian ruble against the U.S. dollar during 2009 and 2008 which resulted in a corresponding revaluation of our U.S. dollar denominated financial liabilities, including our loan agreements. Our foreign currency exchange loss decreased in 2009 compared to 2008, primarily due to the lower rate of devaluation of the Russian ruble against the U.S. dollar of 2.9% in 2009 compared to 19.7% in 2008.

Equity in net (loss)/gain of associates. We recorded a net loss of US$35.8 million from our equity in associates during 2009 compared to a net loss of US$61.0 million during 2008, primarily due to our equity in Morefront, which was acquired in October 2008, and the losses incurred by GTEL-Mobile relating to commencement of its commercial operations.

Income tax expense. Our consolidated income tax expense increased by 43.1% to US$435.0 million during 2009 from US$303.9 million during 2008. The increase in income taxes was primarily due to the increase in income before income taxes. Our effective income tax rate was 28.0% in 2009 compared to 34.1% in 2008. The decrease in the effective income tax rate was primarily due to the non-recurrence in 2009 of a tax non-deductible impairment loss recorded in 2008, and a lower level of loss carry-forwards provided as non-recoverable in 2009 as compared to 2008.

Net (loss)/income attributable to the noncontrolling interest. Our net loss attributable to the noncontrolling interest was US$4.5 million during 2009 compared to a net gain of US$63.0 million during 2008, primarily due to foreign exchange losses incurred in 2009 by KaR-Tel, our subsidiary in Kazakhstan, and Mobitel, our subsidiary in Georgia.

Net income attributable to VimpelCom.

In 2009, consolidated net income attributable to VimpelCom was US$1,121.8 million compared to US$524.3 million in 2008.

Liquidity and Capital Resources

Consolidated Cash Flow Summary

The following table shows our cash flows for the three months ended March 31, 2011 and 2010 and for the years ended December 31, 2010, 2009 and 2008 (in millions of U.S. dollars):

	Three months ended March 31,		Year ended December 31,		
	2011	2010	2010	2009	2008
Consolidated Cash Flow					
Net cash provided by operating activities	1,027.4	803.3	3,691.0	3,512.8	3,421.9
Net cash provided by / (used in) investing activities	(1,444.8)	7.4	(1,849.0)	(1,433.5)	(7,177.2)
Net cash provided by / (used in) by financing activities	1,387.5	(736.6)	(2,418.8)	(1,545.4)	3,750.9
Effect of exchange rate changes on cash and cash equivalents	31.6	(8.6)	(18.8)	(1.7)	(84.6)
Net increase/(decrease) in cash and cash equivalents	1,001.6	82.7	(595.6)	532.3	(89.0)

During the three months ended March 31, 2011 and 2010 and the years ended December 31, 2010, 2009 and 2008, we generated positive cash flow from our operating activities and negative cash flow from investing activities except for the three months ended March 31, 2010. Cash flow from financing activities was positive during the three months ended March 31, 2011, negative during the three months ended 2010, negative during 2010, negative during 2009 and positive during 2008. The negative cash flow from financing activities during the three months ended March, 31, 2010 and during 2010 was mostly due to repayments of our existing debt

facilities, which exceeded new borrowings. The negative cash flow from financing activities during 2009 was primarily the result of repayments of our existing debt facilities and our payment of cash dividends of US$315.6 million. The positive cash flow from financing activities during the three months ended March 31, 2011 was primarily the result of the receipt of proceeds from borrowings primarily used to fund the Wind Telecom Transaction. The positive cash flow from financing activities during 2008 was primarily the result of the receipt of proceeds from borrowings, primarily used to fund the acquisition of Golden Telecom.

As of March 31, 2011, we had positive working capital of US$471.2 million, compared to negative working capital of US$928.1 million as of December 31, 2010. Working capital is defined as current assets less current liabilities. The change in our working capital as of March 31, 2011 compared to December 31, 2010, was mainly due to an increase in cash and deposits from long-term debt.

Our working capital is monitored on a regular basis by management. Our management expects to repay our debt as it becomes due from our operating cash flows or through additional borrowings. Short term borrowing payments are split during the twelve month period following March 31, 2011, and the majority of our short term borrowings will become due in the third and fourth quarters of 2011. Our management expects to make these payments as they become due. Our management believes that our working capital is sufficient to meet our present requirements.

Operating Activities

During the first three months of 2011, net cash provided by operating activities was US$1,027.4 million, a 27.9% increase over the US$803.3 million of net cash provided by operating activities during the first three months of 2010. The increase in net cash provided by operating activities during the first three months of 2011 as compared to the first three months of 2010 was primarily the result of an increase in net income attributable to VimpelCom to US$542.9 million during the first three months of 2011 from US$392.4 million during the first three months of 2010 and working capital management.

During 2010, net cash provided by operating activities was US$3,691.0 million, a 5.1% increase over the US$3,512.8 million of net cash provided by operating activities during 2009. The increase in net cash provided by operating activities during 2010 as compared to 2009 was primarily the result of an increase in net income to US$1,695.9 million in 2010 from US$1,117.3 million in 2009 and working capital management.

During 2009, net cash provided by operating activities was US$3,512.8 million, a 2.7% increase over the US$3,421.9 million of net cash provided by operating activities during 2008, which, in turn was a 12.6% increase over the US$3,037.7 million of net cash provided by operating activities during 2007. The improvement in net cash provided by operating activities during 2009 as compared to 2008 was primarily the result of an increase in net income to US$1,117.3 million in 2009 from US$587.3 million in 2008 and working capital management.

Financing Activities

During the first three months of 2011, we repaid approximately US$101.7 million of indebtedness. Since March 31, 2011 through the date of this prospectus, we have repaid approximately US$86.6 million of indebtedness. During 2010, we repaid approximately US$3,510.8 million of indebtedness.

The following table provides a summary of the Issuer's outstanding indebtedness, excluding the amount due to related parties under the Original Promissory Note held by VimpelCom Amsterdam B.V., with an outstanding principal balance exceeding US$10.0 million as of March 31, 2011. Many of the agreements relating to this indebtedness contain various restrictive covenants, including change of control restrictions and financial covenants. In addition, certain of these agreements subject our subsidiaries to restrictions on their ability to pay dividends or repay debts to us. For additional information on this indebtedness, please refer to the notes to our unaudited condensed consolidated financial statements included elsewhere in this prospectus. For information relating to our outstanding indebtedness subsequent to March 31, 2011, see "—Recent Financing Activities" below. For a description of some of the risks associated with certain of our indebtedness, please refer to the section of this prospectus entitled "Risk Factors."

Borrower	Type of debt/ lender	Interest rate	Outstanding debt (In millions)	Maturity date	Guarantor	Security
OJSC VimpelCom	Loan from VIP Finance Ireland Limited (funded by the issuance of loan participation notes by VIP Finance Ireland Limited)	6.493%	US$500.0	February 2, 2016	None	None
OJSC VimpelCom	Loan from VIP Finance Ireland Limited (funded by the issuance of loan participation notes by VIP Finance Ireland Limited)	7.748%	US$1,000.0	February 2, 2021	None	None
OJSC VimpelCom	Loan from VIP Finance Ireland Limited (funded by the issuance of loan participation notes by VIP Finance Ireland Limited)	9.125%	US$1,000.0	April 30, 2018	None	None
OJSC VimpelCom	Loan from VIP Finance Ireland Limited (funded by the issuance of loan participation notes by VIP Finance Ireland)	8.375%	US$800.6	April 30, 2013	None	None
OJSC VimpelCom	Loan from UBS (Luxembourg) S.A. (funded by the issuance of loan participation notes by UBS (Luxembourg) S.A.)	8.25%	US$600.0	May 23, 2016	None	None
OJSC VimpelCom	Loan from Sberbank	9.25%	US $629.2 (RUR 17,886.41)	February 13, 2013	None	None
OJSC VimpelCom	Loan from LLC VimpelCom-Invest ("***VC-Invest***") (funded by the RUR denominated bonds by VC-Invest)	15.2%	US$351.8 (RUR 10,000.0)	July 12, 2011	OJSC VimpelCom	None
OJSC VimpelCom	Loan from VC-Invest (funded by the RUR denominated bonds by VC-Invest)	9.25%	US$353.0 (RUR 10,000.0)	July 19, 2013	OJSC VimpelCom	None
OJSC VimpelCom	Loan from Sberbank	9.25%	US$351.8 (RUR 10,000.0)	April 30, 2013	None	None
OJSC VimpelCom	Loan from Sberbank	9.0%	US$211.1 (RUR 8,000.0)	December 27, 2011	None	None
OJSC VimpelCom	Loan from Sberbank	8.75%	US$270.1	December 16, 2015	None	None
OJSC VimpelCom	Loan from VC-Invest (funded by the RUB denominated bonds by VC-Invest)	8.3%	US$703.5 (RUR 20,000.0)	October 13, 2015	OJSC VimpelCom	None

Borrower	Type of debt/ lender	Interest rate	Outstanding debt (In millions)	Maturity date	Guarantor	Security
Menacrest Ltd.	Crowell Ltd.	15.0%	US$49.4	December 27, 2015	None	None
OJSC VimpelCom	Loan from UBS (Luxembourg) S.A. (funded by the issuance of loan participation notes by UBS (Luxembourg) S.A.)	8.375%	US$184.8	October 22, 2011	None	None
OJSC VimpelCom	Loans from Bayerische Hypo und Vereinsbank AG	AB SEK Rate plus 0.75%	US$124.8	June 15, 2016	EKN	None
OJSC VimpelCom	Loan from HSBC Bank plc	6 month MosPRIME plus 0.08%	US$32.2	March 28, 2014	EKN	None
OJSC VimpelCom	Loan arranged by Citibank, N.A.	LIBOR plus 0.1%	US$28.3	November 7, 2012	Euler Hermes Kreditversicherungs (Hermes)	None
OJSC VimpelCom	Cisco Capital	16.0%	US$25.9 (RUR 1,410.0)	July 2012	OJSC VimpelCom	Telecom Equipment
KaR-Tel	Loan from Bayerische Landesbank	LIBOR plus 0.38%	US$18.9	December 27, 2012	Hermes Export Credit Agency	None
Sotelco	Loan from China Construction Bank	LIBOR plus 2.1%	US$27.1	June 2016	Sinosure	None
Other loans, equipment financing and capital lease obligations	–	–	US$26.9	–	–	–

Recent Financing Activities. We are entering into interest swap transactions with VimpelCom Ltd. to effectively swap the fixed interest rate on Notes with a fixed rate for a floating interest rate based on USD LIBOR. We will conclude the swap transactions with VimpelCom Ltd. on substantially the same terms as VimpelCom Ltd.'s swap transactions with certain international banks. OJSC VimpelCom will enter into a guarantee of the payment obligations of VimpelCom Ltd. under its interest swap transactions with the international banks. The swap transactions will have a term extending through the maturity of the Notes with fixed rates, but can be terminated and unwound at any time. The swap transactions are expected to be completed after pricing of the Notes with effect from the date of issuance of the Notes.

On April 26, 2011, OJSC VimpelCom signed a facility agreement with HSBC Bank PLC. The facility is a Russian ruble denominated Swedish export credit facility supported by EKN for the total amount of US$200.0 million to be drawn down in rubles. The facility is to finance equipment and services provided to OJSC VimpelCom by Ericsson on a reimbursement basis. The facility bears interest at a rate of MosPRIME (Moscow indicative independent interbank offered rate) plus 1.05% p.a. On May 10, 2011, OJSC VimpelCom drew down RUR5,568 million (equivalent to US$201.3 million as of May 10, 2011).

On May 3, 2011 OJSC VimpelCom signed a loan facility agreement with CISCO SYSTEMS FINANCE INTERNATIONAL. The loan was a ruble denominated export credit facility for total amount of RUR1,350 million. The facility is to finance equipment provided to OJSC VimpelCom by CISCO on a reimbursement basis. The facility bears interest at a rate of 7.35% p.a. On May 19, 2011 OJSC VimpelCom drew down RUR1,350 million (the equivalent to US$48.1 million as of May 19, 2011).

On April, 12, 2011, OJSC VimpelCom signed the Russian Bank Loan, a seven-year loan agreement with Sberbank in the Russian ruble equivalent of US$2,500.0 million. The Russian Bank Loan bears interest at a rate of 9.0% per annum and matures on April 11, 2018. Under the agreement, the maximum rate may be increased up to 9.5% in case of occurrence of certain events. On April 27, 2011, OJSC VimpelCom drew down RUR33,492 million (equivalent to US$1,200.6 million as of April 27, 2011). On May 11, 2011 OJSC VimpelCom drew down an additional RUR22,498 million (equivalent to US$807.4 million as of May 11, 2011). On June 1, 2011, OJSC VimpelCom drew down an additional RUR 8,396 million (equivalent to US$300.1 million as of June 1, 2011).

We may from time to time seek to purchase our outstanding debt through cash purchases and/or exchanges for new debt securities in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Investing Activities

Our investing activities included payments related to the purchase of equipment, telephone line capacity, buildings and other assets as a part of the ongoing development of our mobile networks and fixed-line business. In the first three months of 2011, our total payments for purchases of property and equipment, intangible assets, software and other assets were US$552.7 million compared to US$218.0 million in the first three months of 2010. In 2010, our total payments for purchases of property and equipment, intangible assets, software and other assets were approximately US$1,782.4 million compared to US$932.4 million during 2009 and US$2,444.6 million during 2008. In the first three months of 2011, we paid US$103.7 million for the acquisition of primarily Eltel and Millicom Lao net of cash acquired. In 2010, we paid US$52.2 million for the acquisition of subsidiaries net of cash acquired, including Closed Joint Stock Company Foratec Communication ("***Foratec***"), and US$143.6 million to a former Golden Telecom shareholder in connection with a litigation related to the tender offer pursuant to which our company acquired Golden Telecom. In 2009, we did not have any payments in respect of acquisitions, compared to US$4,134.6 million during 2008.

Acquisitions and dispositions. Our significant acquisitions and dispositions during the three years ended December 31, 2010 and the three months ended March 31, 2011 are summarized below.

On December 21, 2007, two of our subsidiaries and Golden Telecom, a leading provider of fixed-line telecommunications and Internet services in major population centres throughout Russia and other countries in the CIS, signed a definitive merger agreement pursuant to which an indirect wholly-owned subsidiary of our company commenced a tender offer on January 18, 2008, to acquire 100.0% of the outstanding shares of Golden Telecom's common stock at a price of US$105.0 per share in cash. The initial tender offer period and subsequent tender offer period closed on February 26, 2008, with 94.4% of the outstanding shares of Golden Telecom's common stock being tendered. On February 28, 2008, our indirect wholly owned subsidiary was merged with and into Golden Telecom, and Golden Telecom became our indirect wholly owned subsidiary. The total purchase price for 100.0% of the shares of Golden Telecom was US$4,316.2 million. In connection with the merger, the outstanding and unvested employee stock options and stock appreciation rights relating to Golden Telecom's common stock were converted into the right to receive US$105.0 in cash, less the exercise price relating to such options, and US$53.8 in cash less the exercise price relating to such rights, respectively. The right to receive such payments continues to vest in accordance with the original vesting schedules for such options and rights respectively.

On June 11, 2008, we increased our share of ownership in Closed Joint Stock Company Cortec ("***Corbina telecom***"), a 51.0% subsidiary of Golden Telecom, by acquiring the remaining 49.0% from Inure Enterprises Ltd. for US$404.0 million and US$4.2 million of costs related to acquisition. As a result of this acquisition, together with our subsidiary Sovintel, we owned 100.0% of the shares of Corbina telecom. At the end of 2008, we completed the merger of Corbina telecom into Closed Joint Stock Company Investelectrosvyaz ("***Investelectrosvyaz***"). The step acquisition on June 11, 2008 was recorded under the purchase method of accounting. Our financial results reflect the allocation of the purchase price based on a fair value assessment of the assets acquired and liabilities assumed, and as such, we have assigned US$68.1 million to intangible assets which will be amortized over a weighted average period of approximately 12 years, recording of a deferred tax liability in the amount of US$17.3 million and adjusted minority interest by US$40.4 million. The total fair value of identifiable net assets acquired amounted to US$95.3 million. The excess of the acquisition cost over the fair value of identifiable net assets of Corbina telecom amounted to US$312.9 million and was assigned to Russia fixed reporting unit. On November 24, 2010, Sovintel and Investelectrosvyaz merged with and into OJSC VimpelCom.

On July 8, 2008 VimpelCom and our wholly owned direct subsidiary Ararima Enterprises Limited (Cyprus) ("***Ararima***"), signed a Joint Venture and Shareholders Agreement ("***JVA***"), to establish a mobile telecommunications joint venture in Vietnam under the name of GTEL-Mobile Joint Stock Company. The other participants in GTEL-Mobile are Global Telecommunications Corporation ("***GTEL***"), a Vietnamese state-owned enterprise and GTEL TSC, a subsidiary of GTEL. Subject to the conditions contained in the JVA and in accordance with the Vietnamese investment laws, Ararima received a 40.0% voting and economic interest in GTEL-Mobile in consideration for an equity investment of US$266.7 million that has been paid in full. GTEL-Mobile has received all of the regulatory approvals required under the JVA, including the registration of the GTEL-Mobile's GSM license and related frequencies. On March 29, 2011, we agreed on a financing plan with the JVA parties, that could result in our group providing investment in total of up to US$500 million through

2013. On April 26, 2011, we completed the first stage of the financing plan by paying US$196 million for newly issued shares and thereby increasing our stake in GTEL-Mobile from 40.0% to 49.0%. In connection with the financing plan, the JVA parties have also agreed that we will assume operation management of GTEL-Mobile.

On July 16, 2008, OJSC VimpelCom through Ararima acquired an indirect 90.0% voting and economic interest in the Cambodian company Sotelco Ltd., which holds a GSM 900-1800 license and related frequencies for the territory of Cambodia. The transaction was made through the purchase of 90.0% of Sotelco's parent company, Atlas Trade Limited (BVI) ("***Atlas***"), for US$28.0 million from Altimo, a related party of our group. The remaining 10.0% of Atlas is owned by a local partner, a Cambodian entrepreneur. OJSC VimpelCom has also acquired a call option to purchase the 10.0% interest of the local partner. The acquisition of Sotelco was accounted for as an asset purchase of the telecom license through a variable interest entity. On acquisition, we allocated approximately US$41.6 million to license, US$8.3 million to deferred tax liability and US$5.1 million to noncontrolling interest.

On October 23, 2008, we acquired 49.9% of Morefront which owned 100.0% of Euroset, the leading mobile handset retailer and dealer for major mobile network operators in Russia, for total consideration of US$226.0 million. The total consideration reduced to US$201.0 million as the result of a settlement in our litigation with Creative Retail Management Limited, the former shareholder of Morefront. On March 17, 2011 a restructuring of the Euroset group was completed. As a result, we own directly 49.9% of the shares of Euroset Holding N.V., which owns 100.0% of the shares of the Euroset. As part of the restructuring our put and call arrangements, exercisable after three years, with respect to a further 25.0% of Morefront shares were amended to apply to shares of Euroset Holding N.V. This acquisition allowed us to significantly enhance our distribution capabilities.

On July 29, 2010, OJSC VimpelCom acquired 100.0% of the share capital of Foratec, one of the leading alternative fixed-line providers in the Urals region of Russia. The total purchase price was the RUR equivalent of approximately US$37.1 million (based on the Central Bank Exchange rate as of July 29, 2010).

On December 10, 2010, we acquired 59.0% of the shares of Comnidor Holdings Limited ("***Comnidor***"), a Cyprus company, at a nominal value. On March 24, 2011, Comnidor acquired 100.0% of the shares of LLP 2Day Telecom ("***2Day Telecom***"), a Kazakhstan entity engaged in the provision of fixed-line telecommunications services. As consideration for the acquisition, on March 24, 2011, we transferred 100.0% of the shares of our wholly owned indirect subsidiary, LLP "SA-Telcom", a Kazakhstan entity engaged in the provision of fixed-line telecommunications services to Comnidor.

On January 21, 2011 we acquired 100.0% of the share capital of CJSC "ELTEL," one of the leading alternative fixed-line providers in St. Petersburg. The total value of the transaction amounted to RUR 1,000.0 million (equivalent to approximately US$33.4 million as of January 21, 2011). The excess of the purchase consideration over the fair value of the identifiable net assets of Eltel amounting to US$20.1 million was recorded as goodwill and assigned to the Russia fixed line reportable segment.

On March 9, 2011, we completed acquisition of Millicom Holding Laos B.V. (Netherlands), which holds a 78% interest in Millicom Lao. The remaining 22% of Millicom Lao is owned by the Government of the Lao PDR, as represented by the Ministry of Finance. The purchase price for the acquisition is approximately US$88 million including equity, repayment of debt, repayment of shareholder loan and intra-group indebtedness. The excess of the purchase consideration over the fair value of the identifiable net assets of Millicom Lao amounting to US$74.6 million was recorded as goodwill and assigned to the "All other" reportable segment.

On May 4, 2011, OJSC VimpelCom signed agreements with KT Corporation and Summit Telecom Global Management B.V. (a subsidiary of Sumitomo Corporation) to acquire 99.99% of the shares of NTC, a leading mobile operator in the Primorskiy krai in the Far East super-region of Russia, with the purchase price based on an enterprise value of US$420.0 million. On June 7, 2011, we acquired 89.99% of the shares. We expect to launch a mandatory tender offer under Russian law to acquire 10.00% of the remaining outstanding shares in July 2011. We expect that the mandatory tender offer will be completed in the third quarter of 2011 and it will be followed by a squeeze out under Russian law of the remaining 0.01% of outstanding shares. For more information regarding this acquisition, see Note 11 to our unaudited condensed consolidated financial statements included elsewhere in this prospectus.

Other acquisitions and dispositions. On July 1, 2008, we exercised our option to acquire an additional 25.0% less one share of Limnotex Developments Limited ("***Limnotex***"), for US$561.8 million. Limnotex is the parent company of KaR-Tel, our operating subsidiary in Kazakhstan. As a result of the exercise, our overall direct and indirect share stake in Limnotex increased from 50.0% plus one share to 75.0%. The acquisition was recorded as step acquisition under the purchase method of accounting. Our financial results reflect the allocation of the purchase price based on a fair value assessment of the assets acquired and liabilities assumed, and as such,

we have assigned US$147.7 million to intangible assets which will be amortized over a weighted average period of approximately seven years, recording of a deferred tax liability in the amount of US$42.8 million and adjusted noncontrolling interest by US$153.9 million. The fair value of acquired identifiable net assets amounted to US$99.9 million. The excess of the acquisition cost over the fair market value of the identifiable net assets amounted to US$309.4 million. This amount was recorded as goodwill, was assigned to the Kazakhstan reporting unit and is subject to annual impairment tests. To ensure a path to complete ownership over KaR-Tel, in June 2008, we amended our existing contractual arrangements with Crowell, to include new put and call option arrangements with respect to the remaining 25.0% share in Limnotex held by Crowell. The put option was initially exercisable by Crowell between January 1, 2010 and December 31, 2010, at a price of US$550.0 million in the aggregate. The call option was initially exercisable by OJSC VimpelCom any time between the date of delivery of KaR-Tel's 2008 audited financial statements and December 31, 2011, at a price determined by a fair value-based pricing mechanism. We were required to exercise the call option in full by December 31, 2011. On May 29, 2009, the terms of the contractual redemption arrangements that had been agreed in June 2008 were further amended such that the put option is now exercisable between January 1, 2013 and December 31, 2013. The call option is now exercisable any time between the date of delivery of KaR-Tel's 2011 financial statements and three years after that date, and we are required to exercise the call option in full on a date which is after the delivery of KaR-Tel's 2014 financial statements.

During 2008, we completed several small acquisitions of fixed-line telecommunication operators in different regions of Russia with total consideration of US$32.2 million. The acquisitions were recorded under the purchase method of accounting. The fair value of acquired identifiable net assets of the acquired companies amounted to US$21.9 million and adjusted non-controlling interest by US$11.7 million. The excess of the acquisition cost over the fair market value of the identifiable net assets amounted to US$10.3 million. This amount was recorded as goodwill and was mainly assigned to the Russia fixed reporting unit and is subject to annual impairment tests.

On July 30, 2010, we increased our ownership interest in Tacom from 80.0% to 90.0% by acquiring an additional 10.0% ownership interest for US$10.3 million.

During 2010 and the first three months of 2011, we completed several immaterial acquisitions of fixed-line providers in Russia.

Other investing activities. On February 13, 2008, we advanced to Crowell a loan in the principal amount of US$350.0 million. The loan agreement was entered into after Crowell acquired the entire issued share capital of Menacrest, which is the parent company of LLC Sky Mobile, or Sky Mobile, a mobile operator in Kyrgyzstan. Crowell granted us two call options over the entire issued share capital of Menacrest. The loan has been recorded in long-term loans receivable and related accrued interest of US$26.7 million has been recorded in other current assets.

On October 20, 2010, we exercised one of the call options and acquired 50.1% of the issued share capital of Menacrest. The purchase price was US$150.3 million and was paid by set off against part of the debt of Crowell to our company under the Crowell Loan Agreement.

Future Liquidity and Capital Requirements

Telecommunications service providers require significant amounts of capital to construct networks and attract subscribers. In the foreseeable future, our further expansion will require significant investment activity, including the purchase of equipment and possibly the acquisition of other companies.

Our capital expenditures include purchases of new equipment, new construction, upgrades, software, other long lived assets and related reasonable costs incurred prior to intended use of the noncurrent assets, accounted at the earliest event of advance payment or delivery. Long-lived assets acquired in business combinations are not included in capital expenditures. Our capital expenditures during the first three months of 2011 were approximately US$456.4 million compared to US$179.3 million during the first three months of 2010. During 2010, our capital expenditures were approximately US$2,224.4 million compared to approximately US$814.1 million during 2009 and approximately US$2,570.8 million during 2008. The increase in capital expenditures in the first three months of 2011 compared to the first three months of 2010 was primarily due to acceleration of development of our networks, primarily on our Russian operations. The increase in capital expenditure in 2010 compared to 2009 was mainly due to the refocus on operational development in the business units, particularly in Russia. The lower capital expenditure in 2009 compared to 2008 was mainly due to adverse economic conditions and historical traffic trends in response to which our management took a more cautious approach to capital investments and to internal targets for return on capital investments. The decline in 2009 capital expenditures in U.S. dollar reporting currency terms is also linked to the devaluation of the functional

currencies of many of our subsidiaries, which made some capital expenditures in functional currencies. Our capital expenditures do not include investments made through acquisition of interests in other entities.

Our management expects our total capital expenditures (excluding acquisitions) in 2011 to be approximately 21% of our 2011 consolidated net operating revenues. We expect that our capital expenditures for the last nine months of 2011 will mainly consist of network roll-out for both 2G and 3G and development of transport networks. In the three months ended March 31, 2011 and the years ended December 31, 2010, 2009 and 2008, our capital expenditures were 16.6%, 21.2%, 9.4% and 25.4% of our consolidated net operating revenues, respectively. The actual amount of our capital expenditures (excluding acquisitions) for 2011 will depend on market development and our performance.

Our management anticipates that the funds necessary to meet our current capital requirements and those to be incurred in the foreseeable future (including with respect to any possible acquisitions) will come from:

- cash we currently hold;
- operating cash flows;
- export credit agency guaranteed financing;
- borrowings under bank financings, including credit lines currently available to us;
- syndicated loan facilities; and
- debt financings from Russian and international capital markets.

Our management believes that funds from a number of these sources, coupled with cash on hand, will be sufficient to meet our projected capital requirements for the next twelve months. As of June 15, 2011, we had US$191.9 million available to us under existing credit lines. On June 23, 2011, OJSC VimpelCom registered with the Russian Federal Service on the Financial Market documentation required for the potential issuance of Russian ruble-denominated bonds in the Russian domestic markets over a one-year period up to June 23, 2012. This registration is a necessary prerequisite for bonds to be issued, but any sale and purchase of bonds would have to be initiated separately under authority of the registration and to follow the prescribed procedures. The amount and time for sale of any bonds will depend on our funding needs. The maximum authority of the registration covers bonds aggregating up to 60.0 billion Russian rubles.

Our management expects positive cash flows from operations will continue to provide us with internal sources of funds. The availability of external financing is difficult to predict because it depends on many factors, including the success of our operations, contractual restrictions, availability of guarantees from export credit agencies, the financial position of international and local banks, the willingness of international banks to lend to our companies and the liquidity of international and local capital markets. The actual amount of debt financing that we will need to raise will be influenced by our financing needs, the actual pace of traffic growth over the period, network construction, our acquisition plans and our ability to continue revenue growth and stabilize ARPU. For related risks, see the section of this prospectus entitled "Risk Factors—Risks Related to Our Business—Substantial leverage and debt service obligations may materially adversely affect our cash flow" and "—We may not be able to raise additional capital."

Contractual Obligations

As of December 31, 2010, we had the following contractual obligations, including long-term debt arrangements, equipment financing, capital leases, and commitments for future payments under non-cancellable lease arrangements and purchase obligations. We expect to meet our payment requirements under these obligations with cash flows from our operations and other financing arrangements. For information relating to our outstanding indebtedness subsequent to December 31, 2010, see "—Financing Activities" above.

	Payments due by period (in millions of U.S. dollars)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations[1]					
Long-term and short-term debt[2]	5,412.9	1,091.8	1,847.5	873.6	1,600.0
Equipment financing[3]	248.1	70.4	104.5	62.4	10.8
Capital lease obligations[3]	0.3	0.3	–	–	–
Non-cancellable lease obligations	550.4	104.4	153.1	115.9	177.0
Purchase obligations[4]	11.6	4.1	6.5	1.0	–
Other long-term liabilities	–	–	–	–	–
Total	6,223.3	1,271.0	2,111.6	1,052.9	1,787.8

(1) Debt payments could be accelerated upon violation of debt covenants.

(2) Long-term and short-term debt includes only principal amounts but excluding the amount due to related parties under the Original Intercompany Note held by VimpelCom Amsterdam B.V. For further information on interest rates on our long-term debt, see "—Financing Activities" above. Loans from UBS (Luxembourg) S.A. and VIP Finance Ireland Ltd. (funded by the issuance of loan participation notes by UBS (Luxembourg) S.A. and VIP Finance Ireland Ltd., respectively) are included under long-term debt.

(3) Amounts include principal and accrued interest.

(4) Purchase obligations primarily include our material contractual legal obligations for the future purchase of equipment and services. On March 31, 2011, OJSC VimpelCom and Apple signed an amendment to the agreement to purchase iPhones. Under the amendment, 958,540 iPhone handsets (being the difference between 1,500,000 iPhone handsets per the original agreement and the amount actually purchased by OJSC VimpelCom from Apple through March 31, 2011) should be purchased starting April 1, 2011 and before March 31, 2013, including 435,000 iPhone handsets to be purchased before March 31, 2012. If OJSC VimpelCom does not comply with newly agreed schedule and certain other terms of amendments, then according to the agreement it could become liable for the shortfall in orders of iPhone handsets that existed as of March 31, 2011, less any iPhone units actually purchased by OJSC VimpelCom after this date. The purchase obligations amounts do not include our obligation to purchase iPhones under our agreement with Apple as we are unable to estimate the amount of such obligation. The purchase obligations amounts do not include our obligations to purchase iPhones under our agreement with Apple as we are unable to estimate the amount of such obligations.

Other than the long-term debt obligations described in the above under "—Financing Activities", in the three months ended March 31, 2011 we have not had any material changes outside the ordinary course of our business in the specified contractual obligations.

Basis of Presentation of Financial Results

The Issuer maintains its records and prepares its statutory financial statements in accordance with Dutch accounting principles and tax legislation. Our subsidiaries outside of the Netherlands record and prepare their statutory financial statements in accordance with local accounting principles and tax legislation and in accordance with U.S. GAAP. Our audited consolidated financial statements have been prepared in accordance with U.S. GAAP. They differ from our financial statements issued for statutory purposes. The principal differences relate to:

- consolidation and accounting for subsidiaries;
- revenue recognition;
- recognition of interest expense and other operating expenses;
- valuation and depreciation of property and equipment;
- foreign currency translation;
- deferred income taxes;
- capitalization and amortization of telephone line capacity;
- valuation allowances for unrecoverable assets;
- stock based compensations; and
- business combinations.

Our unaudited condensed consolidated financial statements set forth elsewhere in this prospectus include the accounts of the Issuer and its consolidated subsidiaries. All inter-company accounts and transactions have been eliminated. We have used the equity method of accounting for companies in which we have significant influence. Generally, this represents voting stock ownership of at least 20.0% and not more than 50.0%.

We and our subsidiaries paid taxes computed on income reported for local statutory tax purposes. We based this computation on local statutory tax rules, which differ substantially from U.S. GAAP. Certain items that are capitalized under U.S. GAAP are recognized under local statutory accounting principles as an expense in the year paid. In contrast, numerous expenses reported in the financial statements prepared under U.S. GAAP are not tax deductible under local legislation. As a consequence, our effective tax charge was different under local tax rules and under U.S. GAAP.

Change from U.S. GAAP to IFRS

In line with the plans of the VimpelCom Ltd. Group, we intend to report our financial results under IFRS, as issued by the IASB. We currently anticipate that we will continue to report our 2011 consolidated quarterly financial results under U.S. GAAP, but intend to report our full year 2011 audited financial results under IFRS. We do not expect the adoption of IFRS as issued by the IASB to have a material impact on our results of operations, financial position and cash flows.

Certain Factors Affecting Our Financial Position and Results of Operations

Our financial position and results of operations for the first three months of 2011 as reflected in our unaudited condensed consolidated financial statements included elsewhere in this prospectus have been influenced by the following additional factors:

Inflation

As our biggest market, Russia has experienced periods of high levels of inflation since the early 1990s. In 2006, we introduced a number of Russian ruble-denominated tariff plans, which could expose us to additional inflationary risk. Please also see the section of this prospectus entitled "Risk Factors—Risks Related to Our Business—Sustained periods of high inflation may materially adversely affect our business." Inflation affects the purchasing power of our mass market subscribers, as well as corporate clients. For the three months ended March 31, 2011 and the years ended December 31, 2010, 2009 and 2008, Russia's inflation rates were 3.8%, 8.8%, 8.8% and 13.3%, respectively. For the three months ended March 31, 2011 and the years ended December 31, 2010, 2009 and 2008, inflation rates in Ukraine were 3.3%, 9.1%, 12.3% and 22.3%, respectively, in Kazakhstan* 7.5%, 7.8%, 6.2% and 9.5%, respectively, in Uzbekistan* 9.0%, 12.1%, 7.4% and 7.8%, respectively, in Armenia* 8.1%, 9.4%, 3.4% and 5.5%, respectively, in Tajikistan* were 14.3%, 13.1%, 5.0% and 11.8%, respectively, in Georgia* were 7.5%, 11.2%, 3.0% and 5.5%, respectively and in Cambodia 3.8%, 4.0%, 5.3% and 19.7%, respectively.

*For Kazakhstan, Uzbekistan, Armenia, Tajikistan and Georgia, inflation rates for the three months ended March 31, 2011 are forecast for the full 2011 year. Source: © 2011 Business Monitor International.

Foreign Currency Translation

Our unaudited condensed consolidated financial statements and audited consolidated financial statements included elsewhere in this prospectus are presented in U.S. dollars. Amounts included in these financial statements were presented in accordance with ASC—830, Foreign Currency Matters, using the current rate method of currency translation with the U.S. dollar as the reporting currency. The current rate method assumes that assets and liabilities measured in the functional currency are translated into U.S. dollars at exchange rates prevailing on the balance sheet date; whereas revenues, expenses, gains and losses are translated into U.S. dollars at historical exchange rates prevailing on the transaction dates. We translate income statement amounts using the average exchange rates for the period. Translation adjustments resulting from the process of translating financial statements into U.S. dollars are reported in accumulated other comprehensive income, a separate component of equity.

Russia. The national currency of Russia is the Russian ruble. We have determined that the functional currency for Russia is the Russian ruble. As of March 31, 2011 and December 31, 2010, 2009 and 2008, the official Central Bank of Russia Russian ruble-U.S. dollar exchange rates were 28.4290, 30.4769, 30.2442 and 29.3804 Russian rubles per U.S. dollar, respectively. During the three months ended March 31, 2011, the average Russian ruble-U.S. dollar exchange rate was 2.1% lower than the average Russian ruble-U.S. dollar exchange rate during the three months ended March 31, 2010. During 2010, the average Russian ruble-U.S. dollar exchange rate was 4.3% higher than the average Russian ruble-U.S. dollar exchange rate during 2009. During 2009, the average Russian ruble-U.S. dollar exchange rate was 27.7% lower than the average Russian ruble-U.S. dollar exchange rate during 2008.

Kazakhstan. The national currency of the Republic of Kazakhstan is the Kazakh tenge. We have determined that the functional currency of our subsidiary in Kazakhstan is the Kazakh tenge, as it reflects the economic substance of the underlying events and circumstances of the company. The Kazakh tenge is not a convertible currency outside Kazakhstan. As of March 31, 2011 and December 31, 2010, 2009 and 2008, the official National Bank of Kazakhstan tenge-U.S. dollar exchange rates were 145.7, 147.50, 148.36 and 120.77 Kazakh tenge per U.S. dollar, respectively. During the three months ended March 31, 2011, the average Kazakh tenge-U.S. dollar exchange rate was 1.0% higher than the average Kazakh tenge-U.S. dollar exchange rate during the three months ended March 31, 2010. During 2010 the average Kazakh tenge-U.S. dollar exchange rate was 1.7% higher than the average Kazakh tenge-U.S. dollar exchange rate during 2009. During 2009 the average Kazakh tenge-U.S. dollar exchange rate was 22.6% lower than the average Kazakh tenge-U.S. dollar exchange rate during 2008.

Ukraine. The national currency of Ukraine is the Ukrainian hryvnia. We have determined that the functional currency of our subsidiary in Ukraine is the Ukrainian hryvnia, as it reflects the economic substance of the underlying events and circumstances of the company. The Ukrainian hryvnia is not a convertible currency outside Ukraine. As of March 31, 2011 and as of December 31, 2010, 2009 and 2008, the official National Bank of Ukraine hryvnia-U.S. dollar exchange rates were 7.960, 7.962, 7.985 and 7.70 Ukrainian hryvnia per

U.S. dollar, respectively. During the three months ended March 31, 2011, the average Ukrainian hryvnia-U.S. dollar exchange rate was 0.6% lower than the average Ukrainian hryvnia-U.S. dollar exchange rate during the three months ended March 31, 2010. During 2010 the average Ukrainian hryvnia-U.S. dollar exchange rate was 1.7% higher than the average Ukrainian hryvnia-U.S. dollar exchange rate during 2009. During 2009 the average Ukrainian hryvnia-U.S. dollar exchange rate was 47.9% lower than the average hryvnia-U.S. dollar exchange rate during 2008.

Tajikistan. The national currency of Tajikistan is the Tajik somoni. We have determined that the functional currency of our subsidiary in Tajikistan is the U.S. dollar, as it reflects the economic substance of the underlying events and circumstances of the company. The Tajik somoni is not a convertible currency outside Tajikistan.

Uzbekistan. The national currency of Uzbekistan is the Uzbek sum. We have determined that the functional currency of our subsidiary in Uzbekistan is the U.S. dollar, as it reflects the economic substance of the underlying events and circumstances of the company. The Uzbek sum is not a convertible currency outside Uzbekistan.

Armenia. The national currency of Armenia is the Armenian dram. We have determined that the functional currency of our subsidiary in Armenia is the Armenian dram, as it reflects the economic substance of the underlying events and circumstances of the company. The Armenian dram is not a convertible currency outside Armenia. As of March 31, 2011 and as of December 31, 2010, 2009 and 2008, the official Central Bank of Armenia Armenian dram-U.S. dollar exchange rates were 369.68, 363.44, 377.89 and 306.73 Armenian drams per U.S. dollar, respectively. During the three months ended March 31, 2011, the average Armenian dram-U.S. dollar exchange rate was 4.8% higher than the average Armenian dram-U.S. dollar exchange rate during the three months ended March 31, 2010. During 2010 the average Armenian dram-U.S. dollar exchange rate was 2.9% lower than the average Armenian dram-U.S. dollar exchange rate during 2009. During 2009 the average Armenian dram-U.S. dollar exchange rate was 18.7% lower than the average Armenian dram-U.S. dollar exchange rate during 2008.

Georgia. The national currency of Georgia is the Georgian lari. We have determined that the functional currency of our subsidiary in Georgia is the Georgian lari, as it reflects the economic substance of the underlying events and circumstances of the company. The Georgian lari is not a convertible currency outside Georgia. As of March 31, 2011 and December 31, 2010, 2009 and 2008, the official Georgian lari-U.S. dollar exchange rates were 1.761, 1.7728, 1.6858 and 1.6670 lari per U.S. dollar, respectively. During the three months ended March 31, 2011, the average Georgian lari-U.S. dollar exchange rate was 2.4% lower than the average Georgian lari-U.S. dollar exchange rate during the three months ended March 31, 2010. During 2010, the average Georgian lari-U.S. dollar exchange rate was 6.7% lower than the average Georgian lari-U.S. dollar exchange rate during 2009. During 2009, the average Georgian lari-U.S. dollar exchange rate was 12.1% lower than the average Georgian lari-U.S. dollar exchange rate during 2008.

Kyrgyzstan. The national currency of Kyrgyzstan is the Kyrgyz som. We have determined that the functional currency of our subsidiary in Kyrgyzstan is the Kyrgyz som, as it reflects the economic substance of the underlying events and circumstances of the company. The Kyrgyz som is not a convertible currency outside Kyrgyzstan. As of March 31, 2011 and December 31, 2010 the official Kyrgyz som-U.S. dollar exchange rates were 47.24 and 47.10 per U.S. dollar, respectively. During the three months ended March 31, 2011, the average Kyrgyz som—U.S. dollar exchange rate was 6.4% lower than the average Kyrgyz som-U.S. dollar exchange rate during the three months ended March 31, 2010.

Cambodia. We have determined that the functional currency of our subsidiary in Cambodia is the U.S. dollar, as it reflects the economic substance of the underlying events and circumstances of the company.

Laos. The national currency of Laos is the Lao Kip. We have determined that the functional currency of our subsidiary in Laos is the Lao Kip, as it reflects the economic substance of the underlying events and circumstances of the company. The Lao Kip is not a convertible currency outside Laos. As of March 31, 2011, the official Lao Kip-U.S. dollar exchange rate was 8,029.0 Lao Kip to one U.S. dollar.

Conversion of foreign currencies that are not convertible outside the applicable country to U.S. dollars or other foreign currency should not be construed as a representation that such currency amounts have been, could be, or will be in the future, convertible into U.S. dollars or other foreign currency at the exchange rate shown, or at any other exchange rates.

We have implemented a number of risk management activities to minimize currency risk and exposure in certain of the countries in which we operate, as further described below under "—Quantitative and Qualitative Disclosures About Market Risk."

Recent Accounting Pronouncements

See note 2 to our unaudited condensed consolidated financial statements included elsewhere in this prospectus.

Off-balance Sheet Arrangements

From time to time, we may enter into guarantee arrangements on behalf of our parent companies, including debt guarantees. These guarantee arrangements enhance the credit standing of our parent companies, enabling our parent companies to borrow money for general corporate and other purposes. As such, these guarantee arrangements may involve elements of performance and credit risk for our company, which will not be included on our consolidated balance sheets. The possibility of us having to perform under any guarantee we issue on behalf of our parent companies is largely dependent upon the future performance of our parent, investees and other third parties, or the occurrence of certain future events. Issuance of these guarantees is not required for our operations. Thus, if we do not enter into these guarantee arrangements, there would not be a material impact to our consolidated results of operations, cash flows or financial condition. However, any guarantees issued by us on behalf of our parent companies may increase our potential exposure in the event of a default by our parent companies, which could have a material adverse effect on our future financial condition and results of operations, as well as a negative impact on our liquidity. See the section of this prospectus entitled "Certain Transactions—Agreements Related to the Wind Telecom Transaction" for information about OJSC VimpelCom's guarantee of the obligations of VimpelCom Amsterdam B.V. under the Bridge Loan.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from adverse movements in foreign currency exchange rates and changes in interest rates on our obligations.

The largest currency exposure risks for the group as a whole are in relation to the Russian ruble, the Ukrainian hryvnya and Kazakh tenge, because the majority of our cash flows from operating activities in Russia, Ukraine and Kazakhstan are denominated in these functional currencies, respectively, while our debt is primarily denominated in U.S. dollars.

We hold part of our readily available cash in subsidiaries in U.S. dollars in order to hedge against the risk of functional currency devaluation. We also hold part of our debt in Russian rubles to manage part of this risk. Nonetheless, if the U.S. dollar value of the Russian ruble, Ukrainian hryvnya or Kazakh tenge were to dramatically decline, it could negatively impact our ability to repay or refinance our U.S. dollar denominated indebtedness. Fluctuations in the value of the Russian ruble, Ukrainian hryvnya or Kazakh tenge against the U.S. dollar could adversely affect the Issuer's financial condition and results of operations due to potential revaluation of U.S. dollar denominated indebtedness affecting net income through foreign exchange gain/loss.

Our treasury function has developed risk management policies that establish guidelines for limiting foreign currency exchange rate risk. For more information on risks associated with currency exchange rates, see the section of this prospectus entitled "Risk Factors—Risks Related to Our Business— Fluctuations in the value of the Russian ruble, the Ukrainian hryvnya and CIS currencies against the U.S. dollar, as well as our ability to convert our revenues, could materially adversely affect our business, financial condition and results of operations."

The Issuer is exposed to interest rate fluctuations primarily on the floating rate Original Intercompany Note issued to its direct parent, VimpelCom Amsterdam B.V. (to be refinanced by the New Intercompany Note which will also bear a floating rate). For more information on the Original Intercompany Note, see the section of this prospectus entitled "Risk Factors—Risks Related to Our Business—The Issuer's substantial New Intercompany Note held by VimpelCom Amsterdam B.V. will rank pari passu with the Notes until the Issuer's insolvency, when it becomes subordinated to the Notes, but until the Issuer's insolvency it may be prepaid in whole or in part, potentially diverting funds from payment of the Notes to payment of the New Intercompany Note or reducing the assets of the Issuer available upon insolvency for application to the Notes." It is our intention to increase the floating rate share of our external debt portfolio over time in order to improve the funding cost profile of the company as a whole.

The following table summarizes information, as of March 31, 2011, about the maturity of our financial instruments that are sensitive to foreign currency exchange rates, primarily represented by foreign currency denominated debt obligations (in millions of U.S. dollars, excluding promissory note to related party):

	Aggregate nominal amount of total debt denominated in foreign currency outstanding as of December 31,						Fair Value as Of March 31, 2011
	2011	2012	2013	2014	2015	2016	
Total debt (excluding promissory note to related party):							
Fixed Rate (US$)	3,952.2	3,950.2	3,149.4	3,149.4	3,100.0	2,000.0	4,603.1
Average interest rate	8.6%	8.7%	8.8%	8.8%	8.8%	9.1%	–
Variable Rate (€)	2.5	–	–	–	–	–	6.4
Average interest rate		–	–	–	–	–	–
Variable Rate (US$)	148.8	97.0	68.27	39.5	10.8	–	199.2
Average interest rate	2.5%	3.0%	3.0%	3.0%	3.0%	–	–
	4,103.5	**4,047.2**	**3,217.7**	**3,188.9**	**3,110.8**	**2,000.0**	**4,808.7**

At or shortly after the date when the Notes are sold to the Lead Managers, we intend to enter into interest rate swap transactions to effectively swap the fixed interest rate on the Notes for a floating interest rate based on USD LIBOR. We will conclude the swap transactions with VimpelCom Ltd. on substantially the same terms as VimpelCom Ltd. concludes swap transactions with certain international banks (collectively, the "***Swap Transactions***"). OJSC VimpelCom intends to enter into a guarantee of the payment obligations of VimpelCom Ltd. under the Swap Transactions. The Swap Transactions will have a term extending through the maturity of the Notes, but can be terminated and unwound at any time. The Swap Transactions have not been completed as of the date of this Prospectus, and there is no assurance that they will be completed.

In accordance with our policies, we do not enter into any treasury management transactions of a speculative nature.

BUSINESS

Overview

We are a holding company for telecommunications operators, providing voice and data services through a range of mobile, fixed and broadband technologies. Our group includes companies operating in Russia, Ukraine, Kazakhstan, Uzbekistan, Armenia, Tajikistan, Georgia, Kyrgyzstan, the Kingdom of Cambodia and Laos. We also own 49.0% of an operator in the Socialist Republic of Vietnam. The operations of these companies cover a territory with a total population of approximately 360.0 million.

Our net operating revenues were US$10,512.8 million for the year ended December 31, 2010, compared to US$8,702.9 million for the year ended December 31, 2009 and US$10,116.9 million for the year ended December 31, 2008, and US$2,742.9 million for the three months ended March 31, 2011 compared to US$2,231.1 million for the three months ended March 31, 2010. Our operating income was US$2,917.3 million for the year ended December 31, 2010, compared to US$2,578.4 million for the year ended December 31, 2009 and US$2,536.0 million for the year ended December 31, 2008, and US$652.1 million for the three months ended March 31, 2011 compared to US$632.9 million for the three months ended March 31, 2010. Our net income attributable to our group was US$1,650.9 million for the year ended December 31, 2010, compared to US$1,121.8 million for the year ended December 31, 2009 and US$524.3 million for the year ended December 31, 2008, and US$542.9 million for the three months ended March 31, 2011 compared to US$392.4 million for the three months ended March 31, 2010.

As of March 31, 2011, our total number of mobile subscribers was 94.9 million (including 53.0 million in Russia, 24.4 million in Ukraine, 7.0 million in Kazakhstan, 5.1 million in Uzbekistan, 0.7 million in Armenia, 0.8 million in Tajikistan, 0.6 million in Georgia, 2.0 million in Kyrgyzstan, 0.8 million in Cambodia and 0.5 million in Laos). As of March 31, 2011, we had approximately 4.3 million residential broadband subscribers. As of March 31, 2010, our total number of mobile subscribers was 66.8 million (including 51.3 million in Russia, 2.0 million in Ukraine, 6.0 million in Kazakhstan, 3.5 million in Uzbekistan, 0.5 million in Armenia, 0.8 million in Tajikistan, 0.4 million in Georgia, 1.8 million in Kyrgyzstan and 0.5 million in Cambodia). As of March 31, 2010, we had approximately 2.5 million residential broadband subscribers.

As of December 31, 2010, our total number of mobile subscribers was 92.7 million (including 52.0 million in Russia, 24.4 million in Ukraine, 6.9 million in Kazakhstan, 4.8 million in Uzbekistan, 0.7 million in Armenia, 0.8 million in Tajikistan, 0.6 million in Georgia, 1.9 million in Kyrgyzstan and 0.7 million in Cambodia). As of December 31, 2010, we had approximately 3.7 million residential broadband subscribers.

As of December 31, 2009, our total number of mobile subscribers was 64.6 million (including 50.9 million in Russia, 2.0 million in Ukraine, 6.1 million in Kazakhstan, 3.5 million in Uzbekistan, 0.5 million in Armenia, 0.7 million in Tajikistan, 0.4 million in Georgia and 0.4 million in Cambodia). As of December 31, 2009, we had approximately 2.2 million residential broadband subscribers.

As of December 31, 2008, our total number of mobile subscribers was 61.0 million (including 47.7 million in Russia, 2.1 million in Ukraine, 6.3 million in Kazakhstan, 3.6 million in Uzbekistan, 0.5 million in Armenia, 0.6 million in Tajikistan and 0.2 million in Georgia). As of December 31, 2008, we had approximately 1.2 million residential broadband subscribers.

We currently operate our telecommunications services in Russia, Kazakhstan, Armenia, Tajikistan, Uzbekistan, Georgia, Kyrgyzstan, Cambodia and Vietnam primarily under the “Beeline” brand name. We expect to complete the transition of our telecommunications services in Laos, which are currently offered under the “Tigo” brand, to our “Beeline” brand by the end of 2011. In Ukraine, we primarily provide services under the “Kyivstar”, “djuice” and “Beeline” brands.

History and Development

In November 1996, OJSC VimpelCom became the first Russian company since 1903 to list shares on the NYSE. As discussed above, on May 14, 2010, OJSC VimpelCom’s ADSs, were delisted from the NYSE as a result of the completion of the acquisition of its shares, including shares represented by ADSs, by VimpelCom Ltd. For more information regarding the acquisition of OJSC VimpelCom’s shares and the delisting of its ADSs from the NYSE, see the notes to our unaudited condensed consolidated interim financial statements included elsewhere in this prospectus.

In 1997, Kyivstar was granted a 900 MHz (GSM) cellular license for operation in Ukraine, which was reissued and amended in 2001, authorizing it to provide services using both 900 MHz (GSM) and 1800 MHz (GSM) frequency ranges throughout the territory of Ukraine. Kyivstar was also granted 900 MHz (GSM) and 1800 MHz (GSM) cellular licenses for operations in defined regions of Ukraine. In addition, Kyivstar was

granted other licenses that give it the right to develop and operate wireless, long distance and local wire networks, and a data transfer network throughout Ukraine.

In December 1998, Telenor, Norway's leading telecommunications company became a strategic partner in OJSC VimpelCom. That same year, OJSC VimpelCom became the first major mobile telecommunications services provider in Russia to offer prepaid tariff plans to our subscribers.

To accelerate the development of OJSC VimpelCom's regional GSM license portfolio, in May 2001, OJSC VimpelCom signed an agreement with Alfa Group which purchased strategic ownership interests in OJSC VimpelCom. Telenor also participated in the transaction.

In April 2003, OJSC VimpelCom launched operations in St. Petersburg and by the end of that year had 55 regional networks in commercial operation and a total subscriber base in Russia exceeding 10.0 million.

In September 2004, OJSC VimpelCom began to implement its strategic plan to expand its operations into the CIS by acquiring 50.0% plus one share of KaR-Tel, a mobile telecommunications services provider with a national GSM license in Kazakhstan (and OJSC VimpelCom has since increased its stake in KaR-Tel to 75.0%). OJSC VimpelCom continued its growth strategy throughout 2005 and 2006 by acquiring 100.0% of URS in Ukraine in November 2005, 60.0% of Limited Liability Company Tacom ("***Tacom***") in Tajikistan in December 2005, 100.0% of each of Bakarie Uzbekistan Telecom Limited Liability Company ("***Buztel***") and Limited Liability Company Unitel ("***Unitel***") in Uzbekistan in January and February 2006, respectively, 51.0% of Limited Liability Company Mobitel ("***Mobitel***") in Georgia in July 2006 and 90.0% of CJSC "ArmenTel" ("***ArmenTel***") in Armenia in November 2006. In July 2006, OJSC VimpelCom merged Buztel into Unitel.

In September 2005, we acquired 89.6% of Closed Joint Stock Company "Sakhalin Telecom Mobile," ("***STM***") which holds GSM-1800 license covering the territory of Sakhalin.

In December 2006, we increased our stake in Tacom to 80.0%, and in April 2007, we increased our stake in ArmenTel to 100.0%.

In August 2007, we acquired 100.0% of Closed Joint Stock Company "Corporation Severnaya Korona" ("***CSK***"), a mobile telecommunications service provider in the Irkutsk region of Russia.

In November 2004 and May 2005, respectively, we completed the mergers of OJSC VimpelCom subsidiaries, Open Joint Stock Company "VimpelCom-Region" and Open Joint Stock Company "KB Impuls" into OJSC VimpelCom. In April and May 2006, we completed the mergers of the following wholly-owned subsidiaries into OJSC VimpelCom: Closed Joint Stock Company "Sotovaya Company," Closed Joint Stock Company "StavTeleSot," Closed Joint Stock Company "Vostok-Zapad Telecom," Open Joint Stock Company "Orensot," Open Joint Stock Company "Dal Telecom International," Closed Joint Stock Company "Extel," and Open Joint Stock Company "Beeline-Samara". On October 30, 2008, OJSC VimpelCom completed the merger of CSK and Closed Joint Stock Company "KarachaevoCherkesskTeleSot" into OJSC VimpelCom. On February 6, 2009, we completed the merger of Closed Joint Stock Company "Kabardino-Balkarskiy GSM" into OJSC VimpelCom.

On January 18, 2008, OJSC VimpelCom's indirect wholly-owned subsidiary Lillian Acquisition, Inc. ("***Lillian***") commenced a tender offer to purchase, at a price of US$105.0 per share in cash, any and all outstanding shares of Golden Telecom's common stock, on the terms and subject to the conditions specified in an offer to purchase dated January 18, 2008. Upon the closing of the initial offer period and the subsequent offer period on February 26, 2008, Golden Telecom shareholders had tendered over 94.0% of the outstanding shares of Golden Telecom. On February 28, 2008, Lillian was merged with and into Golden Telecom, with Golden Telecom continuing as the surviving corporation. As a result of the merger, Golden Telecom became our indirect wholly-owned subsidiary.

In June 2008, we completed our acquisition of 49.0% of Corbina telecom operating under the trademark "Corbina", from Inure Enterprises Ltd. for approximately US$404.0 million. Corbina telecom owns a fibre-optic network which provides FTTB broadband Internet services in Russia. As a result of this acquisition, together with OJSC VimpelCom's subsidiary Sovintel, we owned 100.0% of the shares of Corbina telecom. At the end of 2008, we completed the merger of Corbina telecom into Investelectrosvyaz. On November 24, 2010, Sovintel and Investelectrosvyaz merged with and into OJSC VimpelCom. In December 2010, OJSC VimpelCom filed applications with the relevant authorities to re-issue to it the licenses that were previously held by Sovintel, its subsidiaries and Investelectrosvyaz and, to date, all necessary licenses and frequencies were re-issued.

In July 2008, we acquired a 90.0% stake in Sotelco Ltd. ("***Sotelco***"), a company holding a GSM 900/1800 license and related frequencies in Cambodia, for US$28.0 million. We also acquired a call option to purchase the remaining 10.0% stake for market value at the exercise date.

Also in July 2008, we signed an agreement with GTEL, a Vietnamese state-owned enterprise, and its subsidiary GTEL Technical Service and Commercial Joint Stock Company ("***GTEL TSC***") to establish a joint venture company, GTEL-Mobile in which we received a 40.0% interest for US$266.7 million. In September 2008, GTEL-Mobile received a GSM-1800 license and frequencies. In April 2011, we acquired an additional approximately 9.0% (minus one share) on a fully diluted basis of GTEL-Mobile for US$196.0 million, increasing our shareholding to 49.0% (minus one share). As part of the transaction, we agreed to subscribe to additional dividend preference shares in the years 2012 to 2013, which will increase our economic interest to 65.0%, in exchange for providing GTEL-Mobile with up to US$304.0 million in financing, subject to certain conditions.

On October 23, 2008, we acquired 49.9% of Morefront, which owned 100.0% of Euroset, the leading mobile handset retailer and dealer for major mobile network operators in Russia, for total consideration of US$226.0 million. The total consideration reduced to US$201.0 million as the result of a settlement in our litigation with Creative Retail Management Limited, the former shareholder of Morefront. On March 17, 2011 a restructuring of the Euroset group was completed. As a result, we own directly 49.9% of the shares of Euroset Holding N.V., which owns 100.0% of the shares of Euroset. As part of the restructuring our put and call arrangements, exercisable after three years, with respect to a further 25.0% of Morefront shares were amended to apply to shares of Euroset Holding N.V. This acquisition allowed us to significantly enhance our distribution capabilities.

On September 16, 2009, we signed an agreement for the indirect acquisition of a 78.0% stake in Millicom Lao a mobile telecommunications operator with operations in the Lao PDR, from Millicom Holding B.V. (Netherlands) and Cameroon Holdings B.V. (Netherlands). The acquisition was completed on March 9, 2011 for approximately US$88.0 million (including equity, repayment of debt, repayment of shareholder loans and intra-group indebtedness).

On July 30, 2010, we increased our ownership interest in Tacom from 80.0% to 90.0% by acquiring an additional 10.0% ownership interest for a total cash consideration of US$10.3 million.

On October 20, 2010, we exercised our call option to acquire from Crowell 50.1% of the issued share capital of Menacrest, which is the parent company of Sky Mobile, a mobile operator in Kyrgyzstan holding GSM and 3G licenses to operate over the entire territory of Kyrgyzstan. The purchase price for the transaction was US$150.3 million, which was set off against part of the outstanding loan we made to Crowell in 2008. For more information relating to our loan to Crowell, see the section of this prospectus entitled "Management's Discussion and Analysis of Results of Operation and Financial Condition—Liquidity and Capital Resources—Investing Activities—Other Investing Activities." The remaining 49.9% of Menacrest, over which we have a call option, is owned by Crowell.

In October 2009, Telenor and Altimo announced an agreement to combine their respective ownership in OJSC VimpelCom and Kyivstar, under a new company called VimpelCom Ltd. Kyivstar is a Ukrainian mobile operator, 56.5% of which was owned by subsidiaries of Telenor and 43.5% of which was owned by subsidiaries of Altimo. The combination involved a series of transactions, including the VimpelCom Ltd. Exchange Offers. In the VimpelCom Ltd. Exchange Offers, VimpelCom Ltd. offered:

- to all holders of OJSC VimpelCom's ADSs: one VimpelCom Ltd. ADS, or a nominal cash amount, in exchange for each OJSC VimpelCom ADS;
- to all holders of OJSC VimpelCom common shares: twenty VimpelCom Ltd. ADSs, or a nominal cash amount, in exchange for each OJSC VimpelCom common share; and
- to all holders of OJSC VimpelCom preferred shares: twenty VimpelCom Ltd. preferred ADSs, or a nominal cash amount, in exchange for each OJSC VimpelCom preferred share.

Completion of the VimpelCom Ltd. Exchange Offers was conditioned upon greater than 95.0% of OJSC VimpelCom shares, including those represented by ADSs, being validly tendered and not withdrawn, in addition to other conditions.

On February 9, 2010, OJSC VimpelCom's board of directors unanimously recommended to holders of its common and preferred shares and ADSs to tender their securities to VimpelCom Ltd. in the VimpelCom Ltd. Exchange Offers and elect to exchange such tendered securities for depositary receipts representing depositary shares of VimpelCom Ltd. and not to accept the nominal cash consideration alternative offered by VimpelCom Ltd. in the VimpelCom Ltd. Exchange Offers. On April 21, 2010, all conditions of the VimpelCom Ltd. Exchange Offers were satisfied, and VimpelCom Ltd. acquired approximately 98.0% of OJSC VimpelCom's outstanding shares, including shares represented by ADSs. Immediately following completion of the VimpelCom Ltd. Exchange Offers, subsidiaries of Telenor and Altimo caused their direct and indirect interests in Kyivstar to

be transferred to the Issuer, which transfers were completed on April 23, 2010. On May 14, 2010, OJSC VimpelCom's ADSs were delisted from the New York Stock Exchange ("***NYSE***"), and on June 2, 2010, its shares were excluded from the list of traded securities at the Russian Trading System.

All of OJSC VimpelCom's shares and ADSs not tendered to VimpelCom Ltd. in the VimpelCom Ltd. Exchange Offers were subject to a squeeze-out procedure under Russian law. On May 25, 2010, VimpelCom Ltd. commenced a squeeze-out procedure to acquire all of OJSC VimpelCom's remaining shares, including those represented by ADSs, for a cash payment of RUB 11,800 per share (which was equal to approximately US$382.18 per share at the exchange rate as of May 25, 2010). Because each of OJSC VimpelCom's ADSs represented 1/20 of one of its shares, holders of OJSC VimpelCom's ADSs were entitled to receive RUB 590 per ADS (which was equal to approximately US$19.11 per ADS at the exchange rate as of May 25, 2010), less any costs and expenses incurred by The Bank of New York Mellon, in its capacity as the ADS depositary, in processing the payments and converting the ruble amount it received into US dollars. The squeeze-out price was determined as the market value of OJSC VimpelCom's shares as of February 28, 2010 by an independent Russian appraiser, in accordance with Russian law. The appraisal was supplemented with a value analysis by ZAO Deloitte and Touche CIS. VimpelCom Ltd. completed payment to OJSC VimpelCom's minority shareholders and ADS holders on July 14, 2010 of the cash amounts to which they were entitled, and their shares were transferred to us by operation of law on August 6, 2010, making OJSC VimpelCom a wholly owned subsidiary of VimpelCom Ltd. On October 7, 2010, VimpelCom Ltd. transferred 100.0% less one share of OJSC VimpelCom to the Issuer.

On October 4, 2010, our indirect parent VimpelCom Ltd. and Wind Telecom entered into an agreement relating to the Wind Telecom Transaction to combine their respective groups. The agreement provided that at the closing of the transaction, VimpelCom Ltd. would own, through Wind Telecom, 51.7% of Orascom and 100% of Wind Italy. At its meeting on January 16, 2011, the VimpelCom Ltd. supervisory board approved new terms of the Wind Telecom Transaction, under which shareholders of Wind Telecom would contribute to VimpelCom Ltd. their shares in Wind Telecom in exchange for consideration consisting of 325,639,827 newly-issued VimpelCom Ltd. common shares, 305,000,000 newly-issued VimpelCom Ltd. convertible preferred shares and US$1,495 million in cash. In addition, certain assets have been, and others are intended to be, demerged from the Wind Telecom group and transferred back to Weather. On March 17, 2011, the shareholders of VimpelCom Ltd. approved the issuance of common and convertible preferred shares (which have the same rights as the existing convertible preferred shares) to Wind Telecom's shareholders and the related increase in VimpelCom Ltd.'s share capital. On April 15, 2011, the Wind Telecom Transaction was successfully completed. As a result of the Wind Telecom Transaction, VimpelCom Ltd. acquired operations of Wind Telecom in Algeria, Bangladesh, Pakistan, Burundi, Zimbabwe, Central African Republic, Italy and indirect equity shareholding in Canadian operations. Wind Telecom's businesses and operations are not included in the discussion of our businesses and operations that follows because Wind Telecom is held by our parent company and is therefore not part of our group.

On December 10, 2010, we acquired 59.0% of the shares of Comnidor, a Cyprus company, at a nominal value. On March 24, 2011, Comnidor acquired a 100.0% of the shares of LLP 2Day Telecom, a Kazakhstan entity engaged in the provision of fixed-line telecommunications services. As consideration for the acquisition, on March 24, 2011, we transferred 100.0% of the shares of our wholly owned indirect subsidiary, LLP "SA-Telcom", a Kazakhstan entity engaged in the provision of fixed-line telecommunications services to Comnidor.

On May 4, 2011, OJSC VimpelCom signed an agreements with KT Corporation and Summit Telecom Global Management B.V. (a subsidiary of Sumitomo Corporation) to acquire 99.99% of the shares of NTC, a leading mobile operator in the Primorskiy krai in the Far East super-region of Russia, with the purchase price based on an enterprise value of US$420.0 million. On June 7, 2011, we acquired 89.99% of the shares. We expect to launch a mandatory tender offer under Russian law to acquire 10.00% of the remaining outstanding shares in July 2011. We expect that the mandatory tender offer will be completed in the third quarter of 2011 and it will be followed by a squeeze out under Russian law of the remaining 0.01% of outstanding shares. For more information regarding this acquisition, see Note 11 to our unaudited condensed consolidated financial statements included elsewhere in this prospectus.

For more information on our recent acquisitions, see the sections of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments and Trends" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Investing Activities."

Our capital expenditures include purchases of new equipment, new construction, upgrades, software, other long lived assets and related reasonable costs incurred prior to intended use of the noncurrent assets,

accounted at the earliest event of advance payment or delivery. Long-lived assets acquired in business combinations are not included in capital expenditures. Our capital expenditures during the first three months of 2011 were approximately US$456.4 million compared to US$179.3 million during the first three months of 2010. During 2010, our capital expenditures were approximately US$2,224.4 million, compared to approximately US$814.1 million during 2009 and approximately US$2,570.8 million during 2008. The increase in capital expenditures in the first three months of 2011 compared to the first three months of 2010 was primarily due to acceleration of development of our networks, primarily in our Russian operations. Capital expenditures increased in 2010 compared to 2009 in order to accelerate development of our networks, primarily in our Russian operations. The lower capital expenditure in 2009 compared to 2008 was mainly due to adverse economic conditions and historical traffic trends in response to which our management took a more cautious approach to capital investments and to internal targets for return on capital investments. The decline in 2009 capital expenditures in U.S. dollar reporting currency terms is also linked to the devaluation of the functional currencies of many of our subsidiaries, which made some capital expenditures in functional currencies. For more information on our principal capital investments and investing activities, including acquisitions and divestitures of interests in other companies, and method of financing, see the sections of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources-Investing Activities" and "Management's Discussion and Analysis of Financial Results of Operations-Liquidity and Capital Resources-Future Liquidity and Capital Requirements".

Organizational Structure

The Issuer is incorporated and existing under the laws of the Netherlands. The Issuer is the parent company of a number of operating subsidiaries and holding companies in various jurisdictions. The Issuer is a wholly owned indirect subsidiary of VimpelCom Ltd. The Issuer holds a direct interest in OJSC VimpelCom consisting of 100% of OJSC VimpelCom's shares less one share, which is held by VimpelCom Ltd. The Issuer also holds a direct 56.52% stake in Kyivstar (expected to increase to up to 73.72% in connection with the merger of Storm LLC into Kyivstar). The remaining 43.48% stake is owned by Kyivstar as a result of its merger with its former shareholder Storm LLC, with Kyivstar as the surviving company (expected to decrease to up to 26.27% in connection with the merger). Prior to the merger, the Issuer held a 99.99% stake in Storm LLC and VimpelCom Ltd. owned a 0.01% stake.

In the course of its merger with Storm LLC, Kyivstar approved the issuance of new shares and an increase of its authorized capital (the aggregate nominal value of which is equal to the amount of Storm LLC's charter capital). The share issuance was registered by the Ukrainian securities regulator on June 7, 2011. Upon completion of the share transfers, which Kyivstar expects to complete by the end of June - beginning of July 2011, once these shares are approved and issued, the Issuer will hold a direct 73.72% stake in Kyivstar and VimpelCom Ltd. will own a 0.004% stake. Kyivstar will own the remaining 26.27% of its shares.

Kyivstar's shares owned by it are not taken into account for the purposes of paying dividends, determining quorum or voting at Kyivstar shareholders meetings. By law, Kyivstar is required to either sell or cancel its shares that it owns within one year of the acquisition of title to the shares (i.e. by January 19, 2012). As of the date of this prospectus, Kyivstar has not yet made a decision whether it will sell or cancel such shares.

The table below sets forth our significant operating subsidiaries, including those subsidiaries that hold our principal telecommunications licenses, and our percentage ownership interest, both direct and indirect, in each subsidiary as of March 31, 2011. Our percentage ownership interest is identical to our voting power in each of the subsidiaries, except for Kyivstar where our 56.5% ownership interest gives us 100.0% of the voting power since the remaining 43.5% stake is owned by Kyivstar and does not carry voting rights. In addition to the subsidiaries listed below, we have other operating subsidiaries, which licenses are described below.

Subsidiary	Country of Incorporation	Percentage Ownership Interest
OJSC VimpelCom	Russia	100%-one share[1]
Kyivstar	Ukraine	56.52%[2]
LLP "KaR-Tel"	Kazakhstan	75.0%[3]
LLC "Tacom"	Tajikistan	90.0%[4]
CJSC "Ukrainian RadioSystems"	Ukraine	100.0%[5]
LLC "Golden Telecom"	Ukraine	100.0%[6]
LLC "Unitel"	Uzbekistan	100.0%[7]
LLC "Mobitel"	Georgia	51.0%[8]
CJSC "ArmenTel"	Armenia	100.0%
"Sotelco" Ltd.	Cambodia	90.0%[9]
LLC "Sky Mobile"	Kyrgyzstan	50.1%[10]
Millicom Lao Co., Ltd.	Lao PDR	78.0%[11]

(1) One share is owned by VimpelCom Ltd.

(2) The remaining 43.5% of Kyivstar's shares are held by Kyivstar as a result of its merger with Storm LLC. Please see "—Organizational Structure" above.

(3) Indirect ownership through OJSC VimpelCom, VimpelCom Finance B.V. (Netherlands) and Limnotex (Cyprus).

(4) Indirect ownership through OJSC VimpelCom,VimpelCom Finance B.V. (Netherlands) and VimpelCom (BVI) Limited.

(5) Indirect ownership through OJSC VimpelCom and its five direct wholly owned Cypriot subsidiaries.

(6) Indirect ownership through OJSC VimpelCom, Golden Telecom Inc. (Delaware) and its subsidiaries.

(7) Indirect ownership through OJSC VimpelCom, and its direct wholly owned subsidiaries in Netherlands and BVI.

(8) Indirect ownership through OJSC VimpelCom and its direct wholly owned subsidiary in BVI.

(9) Indirect ownership through OJSC VimpelCom and its subsidiaries in Cyprus and BVI.

(10) Indirect ownership through OJSC VimpelCom and its subsidiary in Cyprus.

(11) Indirect ownership through OJSC VimpelCom and its subsidiaries in Cyprus and the Netherlands.

Licenses

Mobile Telecommunications Licenses

Russia

GSM Licenses. We hold GSM licenses for seven out of the eight Russian super-regions. In total, our super-regional GSM licenses cover approximately 96.0% of Russia's population and permit us to operate a unified dual band GSM-900/1800 network.

We do not currently hold a GSM super-regional license for the Far East super-region of Russia. We currently hold GSM-1800 licenses in the following regions of the Far East super-region: Amur region, Kamchatka Krai (excluding Koryakskiy Autonomous Region), Khabarovsk Krai, Sakhalin region, Irkutsk region (GSM-900/1800) (excluding Ust-Ordynskiy Buryatskiy autonomous region, an administrative-territorial unit of special status), Koryakskiy Okrug of Kamchatka Krai (GSM-1800), Chukotskiy autonomous region (GSM 1800), Ust'-Ordynskiy Okrug of Irkutsk region (GSM-900, GSM-1800), Evreyskaya autonomous region (GSM-900, GSM-1800), Sakha Republic-Yakutiya (GSM-1800), Magadan region (GSM-1800) and Primorskiy Krai (GSM-1800).

In June 2011, we acquired 89.99% of NTC, a leading mobile operator in the Primorskiy krai within the Far East super-region of Russia. NTC holds GSM 900/1800 and intra-zone, data, channel leasing, telematic, local, cable casting and voice licenses for the Primorskiy krai. For more information regarding this acquisition, see—History and Development" above.

In addition to the seven super-regional GSM licenses, we hold GSM licenses for the following two territories, all of which are located within the seven super-regions: Kaliningrad region, within the Northwest region; Orenburg region, within the Ural region.

3G Licenses. On April 20, 2007, the Federal Communications Agency announced that OJSC VimpelCom was awarded one of three UMTS licenses in Russia. The license was issued on May 21, 2007. Under the license terms we are required to install a total of 6,096 3G base stations throughout Russia by the end of the fifth year from the date of issuance of the license. The license expires on May 21, 2017.

For additional information relating to the risks relating to the 3G license award, see the section of this prospectus entitled "Risk Factors—Risks Related to Our Business—Our failure to keep pace with technological changes and evolving industry standards could harm our competitive position and, in turn, materially adversely affect our business."

Ukraine

Kyivstar holds a 900 MHz (GSM) and 1800 MHz (GSM) cellular license for operation throughout the territory of Ukraine (telecommunications services license). This license is due to expire in October 2011 and there is no assurance that it will be renewed. For information regarding the risks related to the renewal of this license, see the section of this prospectus entitled "Risk Factors—Risks Related to Our Business—Our licenses are granted for specified periods and they may not be extended or replaced upon expiration". Kyivstar has also obtained a range of national and regional-scale licenses for use of RFR in the referred standards (frequencies licenses). In addition, Kyivstar provides local, long-distance and international fixed telecommunications services throughout the territory of Ukraine, according to respective licenses. Kyivstar's network covers all large and small cities and in excess of 28,000 villages, all the main national and regional roads, and a majority of the sea and river coasts of Ukraine (i.e. it covers the territory where 99.9% of Ukraine's population lives).

OJSC VimpelCom's subsidiaries hold a GSM-900 license that covers the entire territory of Ukraine and two GSM-1800 licenses that cover 23 of Ukraine's 27 administrative regions (including the Kyiv Region, but excluding the City of Kyiv, the Dnipropetrovsk Region and the Odessa Region). They also hold three GSM-1800 licenses covering the territory of Ukraine, excluding the Dnipropetrovsk Region, Kharkov Region and Lviv Region.

CIS

Kazakhstan. KaR-Tel holds a national GSM-900/1800 and UMTS licenses for the entire territory of Kazakhstan.

Uzbekistan. Unitel holds national GSM-900/1800 and UMTS licenses covering the entire territory of Uzbekistan.

Armenia. ArmenTel, which provides both fixed-line and mobile services, holds GSM-900/1800 and UMTS licenses for the entire territory of Armenia.

Tajikistan. Tacom holds national GSM-900/1800 and UMTS licenses for the entire territory of Tajikistan.

Georgia. Mobitel holds GSM-1800 and E-GSM licenses for the entire territory of Georgia.

Kyrgyzstan. Sky Mobile holds national GSM-900/1800 and WCDMA/UMTS licenses for the entire territory of Kyrgyzstan.

International

Vietnam. GTEL-Mobile, in which we hold approximately 49.0% interest, holds a national GSM-1800 license for the entire territory of Vietnam.

Cambodia. Sotelco holds a GMS-900/1800 license for the entire territory of Cambodia.

Laos. Millicom Lao holds a GSM-900/1800 and WiMax-2500 spectrum license for the entire territory of Lao PDR.

The following tables summarize the principal terms of our licenses, including the license areas and expiration dates. We have filed or will file applications for renewal for all of our licenses that expire in 2011.

Principal Terms of our Super-Regional GSM Licenses in Russia

	Expiration Date
Moscow	Apr. 28, 2013
Central and Central Black Earth	Apr. 28, 2013
North Caucasus	Apr. 28, 2013
North-West[(1)]	Sep. 12, 2012
Siberian	Apr. 28, 2013
Ural[(2)]	Nov. 14, 2012
Volga	Apr. 28, 2013

(1) We hold a GSM license covering 10 territories of the North-West super-region, which contains certain requirements related to the licensed territories: (i) GSM-900/1800 standard for the following territories within the North-West super-region: the city of Saint Petersburg, Leningrad region; and (ii) GSM-1800 standard for the following territories within the North-West super-region: Kareliya Republic, Nenetskiy Autonomous Region, Arkhangelsk region, Vologda region, Kaliningrad region, Murmansk region, Novgorod region, Pskov region.

(2) We hold a GSM license covering all 11 territories of the Ural super-region, which contains certain requirements related to the licensed territories: (i) GSM-900/1800 standard for the following territories within the Ural super-region: Komi Republic, Udmurtskaya Republic, Kirov region, Kurgan region, Sverdlovsk region, Yamal Nenets autonomous district, the city of Kudymkar, Kudymkar metropolitan region, Yus'vinsky metropolitan region, Yurlinsky metropolitan region, Kochevsky metropolitan region, Kossinsky metropolitan region, Gaynsky metropolitan region of Permskiy Krai; and (ii) GSM-1800 standard for the following territories within the Ural super-region: Orenburg region, Tyumen region, Chelyabinsk region, Hanty-Mansiysky autonomous district—Yugra and Permskiy Krai (not including the city of Kudymkar, Kudymkar metropolitan region, Yus'vinsky metropolitan region, Yurlinsky metropolitan region, Kochevsky metropolitan region, Kossinsky metropolitan region and Gaynsky metropolitan region).

Principal Terms of our Territorial GSM Licenses in Russia

License Area	Expiration Date	Type of License
Amur region	Jan. 10, 2012	GSM-1800
Kamchatka Krai[1]	Jan. 10, 2012	GSM-1800
Khabarovsk Krai	Jan. 10, 2012	GSM-1800
Orenburg region	Jun 13, 2015	GSM-900/1800
Kaliningrad region	Aug. 1, 2011	GSM-900
Irkutsk region[2]	Sept. 13, 2011	GSM-900/1800
Sakhalin region[3]	Oct. 18, 2011	GSM-1800
Koryakskiy Okrug of Kamchatka Krai[4]	May 6, 2021	GSM-1800
Chukotskiy autonomous region[4]	May 6, 2021	GSM-1800
Ust'-Ordynskiy Okrug of Irkutsk region[4]	May 6, 2021	GSM900/1800
Evreyskaya autonomous region[4]	May 6, 2021	GSM900/1800
Sakha Republic-Yakutiya[4]	May 6, 2021	GSM-1800
Magadan region[4]	May 6, 2021	GSM-1800
Primorskiy Krai[4]	May 6, 2021	GSM-1800
Primorskiy Krai[5]	October 1, 2011	GSM-900/1800

(1) The license for Kamchatka Krai excludes Koryakskiy Autonomous Region. This license was previously held by DTI and then was re-issued to OJSC VimpelCom as a result of the merger of DTI with and into OJSC VimpelCom.

(2) The license for the Irkutsk region (excluding Ust-Ordynskiy Buryatskiy Autonomous Region, an administrative-territorial unit of special status which is part of the Far East region) was re-issued from CSK to OJSC VimpelCom as a result of the merger of CSK with and into OJSC VimpelCom on October 30, 2008.

(3) The license for the Sakhalin region, which is part of the Far East super-region, is held by STM.

(4) These licenses were obtained via tenders conducted in April 2011. These licenses for all regions in the Far East super-region were obtained via tenders in April 2011 by OJSC VimpelCom.

(5) This license for the Primorskiy Krai region, part of the Far East super-region, is held by NTC, 89.99% of which was acquired by OJSC VimpelCom in June 2011. For more information on this acquisition, see "—History and Development" above.

Principal Terms of our Mobile Licenses in Ukraine

License Area	Expiration Date	Type of License
All territory of Ukraine	October 25, 2011[1]	***GSM-900***
Kyiv, Odesa region, Dnipropetrovsk region, Lviv region, Kharkiv region, Zaporizhzhya region, Donetsk region, Lugansk region and the Autonomous Republic of Crimea	November 14, 2012	
Sevastopol, Cherkasy region, Chernigiv region, Kherson region and Kirovograd region	May 17, 2015	
Poltava region, Mykolayiv region, Vinnytsya region and Zhitomyr region	April 3, 2015	
Kyiv, Kyiv region and the Autonomous Republic of Crimea	August 13, 2015	
Odesa region, Cherkasy region and Rivne region	September 21, 2015	
Dnipropetrovsk region, Lviv region, Kharkiv region and Zaporizhzhya region	October 17, 2015	
The Autonomous Republic of Crimea, Khmelnytskyi region, Ternopil region, Zakarpattya region, Zaporizhzhya region, Mykolayiv region, Kharkiv region and Cherkasy region	December 10, 2015	
Donetsk region, Sevastopol, Lugansk region, Poltava region, Ivano-Frankivsk region and Sumy region	January 17, 2016	
Kirovograd region, Lugansk region and Mykolayiv region	April 9, 2016	
The Autonomous Republic of Crimea, Kyiv region, Vinnytsya region, Zaporizhzhya region and Cherkasy region	June 5, 2016	
Poltava region, Zhytomyr region, Volyn region, Kherson region and Luhansk region	June 17, 2016	
Chernivtsi region, Zaporizhzhya region, Mykolayiv region and Zhytomyr region	September 12, 2016	
Kirovograd region, Vinnytsya region, Zhytomyr region, Kherson region, Ivano-Frankivsk region, Rivne region and Zakarpattya region	December 24, 2016	

License Area	Expiration Date	Type of License
Poltava region, Lugansk region, Mykolayiv region, Cherkasy region, Sumy region, Chernigiv region, Khmelnytskyi region, Ternopil region, Vinnytsya region and Volyn region	January 30, 2017	
Sumy region, Rivne region, Khmelnitsk region, Ternopil region and Sevastopol	April 23, 2017	
Kherson region, Lugansk region, Cherkassy region, Ivano Frankivsk region, Volyn region and Chernivtsi region	June 24, 2017	
Vinnytsya region, Zhitomyr region and Chernigiv region	December 12, 2017	
Chernivtsi region, Rivne region, Sumy region, Kirovograd region, Zakarpattya region, Ivano-Frankivsk region, Ternopil region and Volyn region	February 27, 2018	
Chernigiv region, Kirovograd region, Sumy region, Rivne region, Khmelnytsk region, Zakarpattya region and Volyn region	May 12, 2018	
Vinnytsya region, Zhytomyr region, Cherkasy region, Chernigiv region, Kherson region, Zaporizhzhya region, Sumy region, Poltava region, Rivne region, Khmelnytsk region, Ivano-Frankivsk region, Ternopil region, Volyn region and Chernivtsi region	May 19, 2018	
Kyiv region, Lugansk region and Sumy region	January 9, 2023	
Kyiv, Kyiv region, Dnipropetrovsk region, Zaporizhzhya region, Odesa region, Lviv region, Donetsk region, Kharkiv region, the Autonomous Republic of Crimea, Sevastopol, Poltava region, Lugansk region, Cherkasy region, Mykolayiv region, Ivano-Frankivsk region, Zakarpattya region, Kherson region, Vinnytsya region, Kirovograd region, Chernivtsi region, Ternopil region, Khmelnytsk region, Sumy region, Chernigiv region, Zhitomyr region and Rivne region	October 12, 2018	
All territory of Ukraine	October 25, 2011[1]	***GSM-1800 radio frequency***
Kyiv	February 6, 2016	
Dnipropetrovsk region and Odesa region	May 29, 2016	
Kyiv, Dnipropetrovsk region, Odesa region and Lviv region	June 6, 2016	
Kyiv	October 7, 2016	
Dnipropetrovsk region and Odesa region	December 24, 2016	
Zaporizhzhya region	January 30, 2017	
Lviv region and Kharkiv region	March 20, 2017	
The Autonomous Republic of Crimea and Sevastopol	June 24, 2017	
Donetsk region	August 28, 2017	
Zaporizhzhya region	October 31, 2017	
Mykolaiv region, Odesa region, Dnipropetrovsk region, Lviv region and Kharkiv region	December 12, 2017	
The Autonomous Republic of Crimea, Sevastopol, Kyiv, Dnipropetrovsk region, Odesa region, Kharkiv region and Lviv region	December 2, 2017	
Kyiv region and Khmelnytskyi region	May 12, 2018	
Zaporizhzhya region and Mykolayiv region	June 4, 2018	
Vinnytsya region, Odesa region and Donetsk region	July 16, 2018	
Kyiv region, Vinnytsya region, Zakarpattya region, Ivano-Frankivsk region, Ternopil region, Khmelnytskyi region, Zhitomyr region, Poltava region, the Autonomous Republic of Crimea and Sevastopol	February 18, 2019	
Dnipropetrovsk region, Lviv region, Kharkiv region and Zaporizhzhya region	February 18, 2019	
Kyiv and Odesa region	March 14, 2019	
Lugansk region, Mykolayiv region, Cherkasy region, Sumy region, Chernigiv region, Volyn region, Chernivtsi region, Rivne region, Kirovograd region, Kherson region, the Autonomous Republic of Crimea and Sevastopol	June 14, 2019	
Lugansk region, Cherkasy region, Sumy region, Chernigiv region, Volyn region, Chernivtsi region, Rivne region, Kirovograd region, Kherson region, Vinnytsya region, Zakarpattya region, Ivano-Frankivsk region, Ternopil region, Khmelnytskyi region, Zhitomyr region, Poltava region, Dnipropetrovsk region, Lviv region and Kharkiv region	August 16, 2019	

License Area	Expiration Date	Type of License
Donetsk region	December 30, 2019	
Ivano-Frankivsk region, Sumy region, Poltava region, Ternopil region, Cherkasy region, Vinnytsya region, Khmelnytsk region, Zhitomyr region, Rivne region, Kirovograd region, Volyn region, Chernigiv region, Zakarpattya region and Kyiv region	November 29, 2015	
Donetsk region, Chernivtsi region, Zaporizhzhya region, Mykolayiv region, Kherson region, the Autonomous Republic of Crimea, Sevastopol and Lugansk region	May 3, 2021	
Mykolayiv region, Kherson region, Zakarpattya region, the Autonomous Republic of Crimea and Sevastopol	January 25, 2022	***Radio frequency licenses for radio relay communications***
Cherkasy region, Kirovograd region, Mykolayiv region, Odesa region, Kyiv region, Poltava region, Dnipropetrovsk region, Kherson region, Kharkiv region and Zhytomyr region	March 18, 2016	
Chernigiv region and Lugansk region	April 2, 2016	
The Autonomous Republic of Crimea, Sevastopol, Ivano-Frankivsk region, Ternopil region and Rivne region	May 15, 2016	
Khmelnytskyi region and Kherson region	May 29, 2016	
Lugansk region	July 24, 2016	
Ivano-Frankivsk region	October 7, 2016	
The Autonomous Republic of Crimea	October 7, 2016	
Sumy region	October 7, 2016	
Lviv region	December 23, 2016	
Kyiv, the Autonomous Republic of Crimea, Sevastopol, Zhytomyr region, Kirovograd region, Vinnytsya region, Poltava region, Donetsk region, Chernigiv region, Chernivtsi region, Volyn region and Zakarpattya region	December 24, 2016	
Dnipropetrovsk region, Lviv region, Mykolayiv region, Cherkasy region, Sumy region, Donetsk region and Chernivtsi region	April 23, 2017	
Odesa region, Dnipropetrovsk region, Lviv region, Kharkiv region and Zaporizhzhya region	August 23, 2014	
Sevastopol, Kyiv region and Chernivtsi region	June 24, 2017	
Kyiv region, Ivano Frankivsk region, Zakarpatskyi region and Lviv region	August 28, 2017	
Chernigiv region and Lviv region	December 12, 2017	
Lviv region, Kyiv, Donetsk region, Kherson region, Ivano-Frankivsk region, Dnipropetrovsk region, Zaporizhzhya region, Sumy region, Vinnytsya region, Zhytomyr region, Rivne region, Zakarpattya region and Kyiv region	January 23, 2018	
Lugansk region, Zaporizhzhya region, Poltava region, Vinnytsya region, Volyn region, Kirovograd region, Rivne region, Ternopil region, Zhytomyr region, Chernivtsi region, Zakarpattya region, Odesa region, Sevastopol and the Autonomous Republic of Crimea	February 27, 2018	
Mykolayiv region, Khmelnytsk region, Ternopil region and Sevastopol	May 12, 2018	
Khmelnytsk region	June 4, 2018	
Volyn region, Lugansk region, Ternopil region, Kharkiv region and Chernivtsi region	July 16, 2018	
Kyiv, Kyiv region, Lugansk region, Lviv region, Poltava region, Volyn region, Cherkasy region and Chernigiv region	January 30, 2019	
Donetsk region, Kharkiv region, Zaporizhzhya region, Vinnytsya region, Zhitomyr region, Khmelnytsk region and Rivne region	January 30, 2019	
Sumy region, Poltava region, Zhitomyr region, Chernigiv region, Odesa region, Rivne region and the Autonomous Republic of Crimea	February 18, 2019	
Ivano-Frankivsk region	June 14, 2019	
Odesa region, Mykolayiv region, Rivne region, Khmelnytsk region, Ternopil region, Donetsk region, Lviv region, Vinnytsya region and Zakarpattya region	August 16, 2019	
Kyiv region, Cherkasy region, Donetsk region, the Autonomous Republic of Crimea, Sevastopol, Chernigiv region, Lugansk region and Kharkiv region	December 30, 2019	

License Area	Expiration Date	Type of License
Kyiv and Kyiv region	November 29, 2020	
Kyiv, Kyiv region, Dnipropetrovsk region, Donetsk region, Odesa region, Kharkiv region, Lugansk region, Lviv region, Poltava region, Vinnytsya region, Mykolayiv region, Sumy region, Kherson region, Khmelnytsk region, Volyn region, Zakarpattya region, Ivano-Frankivsk region, Kirovograd region, Rivne region, Ternopil region, Cherkasy region, Chernigiv region, Chernivtsi region, the Autonomous Republic of Crimea and Sevastopol	December 26, 2020	
Kyiv, Kyiv region, Dnipropetrovsk region, Donetsk region, Odesa region, Kharkiv region, Zaporizhzhya region, Poltava region, Zhitomyr region, Mykolayiv region, Sumy region, Kherson region, Khmelnytsk region, Zakarpattya region, Ivano-Frankivsk region, Kirovograd region, Rivne region, Ternopil region, Cherkasy region, Chernigiv region, Chernivtsi region and the Autonomous Republic of Crimea	May 18, 2016	
Kyiv, Kyiv region, Kherson region, Mykolayiv region, Zaporizhzhya region, the Autonomous Republic of Crimea, Sevastopol, Lviv region, Vinnytsya region, Zhytomyr region, Ivano-Frankivsk region, Rivne region, Khmelnytsk region, Chernigiv region and Cherkasy region	July 17, 2016	
Dnipropetrovsk region, Donetsk region, Odesa region, Lugansk region, Zaporizhzhya region, Lviv region, Poltava region, Rivne region, Ternopil region, Khmelnytsk region, Zakarpattya region, Ivano-Frankivsk region, Cherkasy region, Chernigiv region and Chernivtsi region	August 23, 2016	
Kyiv, Kyiv region, Dnipropetrovsk region, Odesa region, Kharkiv region, Vinnytsya region, Zaporizhzhya region, Lviv region, Poltava region, Zhitomyr region, Mykolayiv region, Sumy region, Kherson region, Volyn region, Zakarpattya region, Ivano-Frankivsk region, Kirovograd region, Rivne region, Ternopil region, Chernigiv region, Cherkasy region, the Autonomous Republic of Crimea and Sevastopol	October 31, 2016	
Dnipropetrovsk region, Odesa region, Poltava region, Mykolayiv region, Kherson region and Sevastopol	January 25, 2017	
Lugansk region, Zaporizhzhya region, Poltava region, Zhitomyr region, Mykolayiv region, Sumy region, Kherson region, Volyn region, Zakarpattya region, Ivano-Frankivsk region, Rivne region, Ternopil region, Cherkasy region and Chernivtsi region	March 28, 2017	
Kharkiv region, Lugansk region, Vinnytsya region, Sumy region, Khmelnytsk region, Zakarpattya region and Kirovograd region	June 21, 2017	
Zaporizhzhya region, Lviv region, Khmelnytsk region, Kirovograd region and Chernivtsi region	September 3, 2017	
Lugansk region, Sumy region and Kirovograd region	January 9, 2018	
Lugansk region	July 3, 2018	
Khmelnytsk region, Kharkiv region, Lugansk region and Sumy region	October 12, 2018	
Kirovograd region	December 25, 2018	
Odesa region, Kirovograd region and Kherson region	April 9, 2024	
Rivne region, Chernivtsy region and Kherson region	August 13, 2024	
Lviv region, Zakarpatya region, Ivano-Frankivsk region and Ternopil region	June 20, 2025	
Mikolayv region and Kherson region	July 18, 2025	
Lugansk region	September 29, 2025	
Kyiv, Kyiv region and Dnipropetrovsk region	October 31, 2025	
Dnipropetrovsk region	November 23, 2025	
Chernivtsy region	December 21, 2025	

License Area	Expiration Date	Type of License
		Radio frequency licenses for broadband radio access
27 regions of Ukraine (5.4 GHz. WiMax Mobile)	March 17, 2019	
27 regions of Ukraine (2.4 GHz, WiFi indoor)	June 21, 2012	
Entire territory of Ukraine[2]	July 25, 2021	***GSM-900***
23 out of 27 regions of Ukraine[2]	October 20, 2020	***GSM-1800***
Kyiv region[2]	Dec. 15, 2020	***GSM-1800***
Entire territory of Ukraine, excluding Kyiv, Kyiv region, Dnipropetrovsk, Kharkiv and Lviv region[3]	May 18, 2021	***GSM-1800***
Kyiv region[3]	May 18, 2021	***GSM-1800***
Kyiv[3]	July 17, 2021	***GSM-1800***

(1) For information regarding the risks related to the renewal of this license, see the section of this prospectus entitled "Risk Factors—Risks Related to Our Business—Our licenses are granted for specified periods and they may not be extended or replaced upon expiration".

(2) License held by URS.

(3) License held by GTU.

Principal Terms of our Mobile Licenses in the CIS

License Area	Expiration Date	Type of License	Territorial Coverage
Kazakhstan	Aug. 24, 2013	GSM-900/1800 and UMTS	Entire territory of Kazakhstan
Uzbekistan	Aug. 6, 2016	GSM-900/1800 and UMTS	Entire territory of Uzbekistan
Armenia	Mar. 3, 2013	GSM-900/1800 and UMTS	Entire territory of Armenia
Tajikistan	July 13, 2015	UMTS	Entire territory of Tajikistan
	Jun. 18, 2014	GSM-900/1800	Entire territory of Tajikistan
Georgia[1]	July 23, 2013	GSM-1800 and E-GSM	Entire territory of Georgia
Kyrgyzstan	May 30, 2016	GSM-900/1800	Entire territory of Kyrgyzstan
Kyrgyzstan	Oct. 23, 2015	UMTS	Entire territory of Kyrgyzstan

(1) Mobitel has been granted multiple radiofrequency and numeration capacity licenses with varying issue and expiration dates. The indicated dates are the earliest date of expiration of one of the radio frequency licenses and the earliest date of expiration of one of the numeration capacity licenses.

Principal Terms of our International Mobile Licenses

License Area	Expiration Date	Type of License	Territorial Coverage
Socialist Republic of Vietnam[1]	Sep. 5, 2023	GSM-1800	Entire territory of Vietnam
The Kingdom of Cambodia[2]	Jan. 3, 2042	GSM-900/1800	Entire territory of Cambodia
Lao PDR[3]	Jan. 22, 2022	GSM-900/1800/& Wimax - 2500	Entire territory of Lao PDR

(1) License is held by GTEL-Mobile, in which we hold a 48.9999% interest.

(2) License is held by Sotelco.

(3) License is held by Millicom Lao Co., Ltd

Fixed-line, Data and Long Distance Licenses

The tables below set forth the principal terms of the fixed-line, data and long distance licenses which are important to our operations (other than mobile operations) in Russia, Ukraine, Kazakhstan, Uzbekistan, Armenia and Tajikistan. We have filed or will file applications for renewal for all of our licenses that expire in 2011.

Principal Terms of our Fixed-Line, Data and Long Distance Licenses in Russia

License Type	Region	Expiration Date
Local Communications Services excluding local communications services using payphones and multiple access facilities	Moscow[3]	March 9, 2012
	Nizhny Novgorod[3]	March 9, 2012
	Khabarovsk[3]	October 31, 2015
	Novosibirsk[3]	March 9, 2012
	St. Petersburg[3]	March 9, 2012
	Ekaterinburg[3]	February 16, 2016
	Rostov-on-Don[3]	March 9, 2012
	Moscow[5]	August 30, 2011
	St. Petersburg[5]	May 23, 2013
	Nizhny Novgorod[1]	October 5, 2015
	Krasnodar[6]	December 31, 2014
	Krasnodar[7]	October 1, 2015
	Moscow, St. Petersburg[8]	April 28, 2016
Local Communications Services using multiple access facilities	Moscow [3]	September 21, 2011
	St. Petersburg[3]	September 21, 2011
	Novosibirsk[3]	March 9, 2012
	Nizhny Novgorod[3]	March 9, 2012
	Khabarovsk[3]	March 9, 2012
	Ekaterinburg[3]	July 20, 2015
	Rostov-on-Don[3]	March 26, 2013
	Nizhny Novgorod[1]	February 27, 2013
	Krasnodar[6]	April 18, 2013
Leased Communications Circuits Services	Moscow[3]	July 5, 2011, November 9, 2011
	St. Petersburg[3]	July 5, 2011, October 4, 2012
	Novosibirsk[3]	July 5, 2011, November 12, 2013
	Nizhny Novgorod[3]	July 5, 2011, November 12, 2013
	Rostov-on-Don[3]	July 5, 2011, November 12, 2013
	Khabarovsk[3]	July 5, 2011, October 13, 2011, August 25, 2015
	Ekaterinburg[3]	November 12, 2013
	Moscow[5]	August 28, 2013
	St. Petersburg[5]	October 4, 2011
	Moscow[2]	July 5, 2016
	Krasnodar[6]	April 17, 2013
	Krasnodar[7]	August 18, 2013
	Moscow, St. Petersburg[8]	April 28, 2016
Voice Communications Services in Data Transmission Networks	Moscow[3]	March 15, 2016
	St. Petersburg[3]	August 1, 2012
	Novosibirsk[3]	August 1, 2012
	Ekaterinburg[3]	September 5, 2013
	Nizhny Novgorod[3]	August 1, 2012
	Rostov-on-Don[3]	August 1, 2012
	Khabarovsk[3]	April 18, 2013
	Nizhny Novgorod[1]	January 27, 2016
	Moscow[2]	May 25, 2016
	Moscow[4]	January 23, 2012
	Krasnodar[6]	April 18, 2013
	St. Petersburg[8]	April 16, 2012
International and National Communications Services Telematic Services	Russian Federation[3]	December 13, 2012
	Moscow[3]	April 26, 2016
	St. Petersburg[3]	August 1, 2012
	Novosibirsk[3]	August 1, 2012
	Nizhny Novgorod[3]	August 1, 2012

License Type	Region	Expiration Date
	Rostov-on-Don[3]	August 1, 2012
	Khabarovsk[3]	June 26, 2012
	Ekaterinburg[3]	September 5, 2013
	Moscow[5], St. Petersburg[5]	November 21, 2015
	Nizhny Novgorod[1]	December 23, 2015
	Moscow[4]	January 23, 2012
	Moscow[2]	July 5, 2016
	Krasnodar[6]	November 17, 2011
	Krasnodar[7]	September 14, 2015
Intra-zonal Communications Services	Moscow[3]	February 16, 2016, November 24, 2011
	St. Petersburg[3]	February 16, 2016
	Novosibirsk[3]	February 16, 2016
	Ekaterinburg[3]	February 16, 2016
	Nizhny Novgorod[3]	February 16, 2016
	Rostov-on-Don[3]	February 16, 2016
	Khabarovsk[3]	February 16, 2016
	Nizhny Novgorod[1]	October 5, 2015
	Krasnodar[6]	December 12, 2015
Data Transmission Services	Moscow[3]	April 26, 2016
	St. Petersburg[3]	August 1, 2012
	Ekaterinburg[3]	September 5, 2013
	Novosibirsk[3]	August 1, 2012
	Nizhny Novgorod[3]	August 1, 2012
	Rostov-on-Don[3]	August 1, 2012
	Khabarovsk[3]	September 14, 2015
	Moscow[5], St. Petersburg[5]	April 17, 2014
	Nizhny Novgorod[1]	December 23, 2015
	Moscow[4]	January 23, 2012
	Moscow[2]	July 5, 2016
	Krasnodar[6]	April 17, 2013
	Krasnodar[7]	September 14, 2015
	Moscow, St. Petersburg[8]	April 28, 2016
Communications Services for the Purposes of Cable Broadcasting	Moscow[3]	December 6, 2012
	St. Petersburg[3]	December 6, 2012
	Novosibirsk[3]	December 6, 2012
	Ekaterinburg[3]	December 6, 2012
	Nizhny Novgorod[3]	December 6, 2012
	Rostov-on-Don[3]	December 6, 2012
	Khabarovsk[3]	December 6, 2012
	Krasnodar[6]	August 27, 2011
Communications Services for the Purposes of TV Broadcasting	Moscow[4]	June 19, 2011
	Krasnodar[6]	September 14, 2011

(1) These licenses are held by Limited Liability Company Agentstvo Delovoi Svyazi.

(2) These licenses are held by Limited Liability Company Dicom.

(3) These licenses were previously held by Sovintel and Investelectrosvyaz; now they are held by OJSC VimpelCom. On November 24, 2010, Sovintel and Investelectrosvyaz (into which Cortec was merged) merged with and into OJSC VimpelCom. In December 2010, OJSC VimpelCom filed applications with the relevant authorities to re-issue to it the licenses that were previously held by Sovintel and Investelectrosvyaz. To date, all necessary licenses and frequencies have been issued.

(4) These licenses are held by Limited Liability Company Dominanta.

(5) These licenses are held by Closed Joint Stock Company Rascom.

(6) These licenses are held by Limited Liability Company Kubtelekom.

(7) These licenses are held by Closed Joint Stock Company Kubintersvyaz.

(8) These licenses are held by Closed Joint Stock Company Eltel.

Principal Terms of our Fixed-Line, Data and Long Distance Licenses in Ukraine

License Type	Region	Expiration Date
International communication	All territory of Ukraine[3]	August 18, 2019
Long-distance communication	All territory of Ukraine	August 18, 2019
Local communication	All territory of Ukraine	August 29, 2015

Principal Terms of our Fixed-Line, Data and Long Distance Licenses in the CIS

License Type		Region	Expiration Date
Local Communication Services		Ukraine (excluding Kyiv, Kyiv Region, Odessa, Odessa Region)[1]	October 29, 2013
	DECT[2]	Ukraine (Kyiv, Odessa, Odessa Region, Dnipropetrovsk, Dnipropetrovsk Region, Lviv, Lviv Region)[1]	September 20, 2015
	DECT	Ukraine (Kyiv Region, Donetsk, Donetsk Region, Zaporozhye, Zaporozhye Region, Kharkov, Kharkov Region)[1]	November 17, 2015
		Ukraine (Ivano-Frankovsk, Ivano-Frankovsk Region)[9]	January 12, 2019
		Uzbekistan[3]	July 4, 2011
		Kazakhstan (Alma-aty and Alma-aty Region, Atyrau and Atyrau Region, Astana, Akmolinskaya Region)[4]	Unlimited
		Kazakhstan (Alma-aty, Alma-aty Region)[10]	Unlimited
		Ukraine (Kyiv, Kyiv Region, Odessa Region)[1]	October 12, 2012
		Armenia[7]	March 3, 2013
		Kyrgyzstan[13]	April 20, 2017
		Tajikistan[8]	February 16, 2016
International and National Communications Services	IP	Ukraine[5]	December 30, 2019
		Ukraine[5]	February 3, 2011
		Armenia[7]	March 3, 2013
		Uzbekistan[6]	January 15, 2015
		Uzbekistan[11]	March 28, 2026
		Uzbekistan[11]	April 24, 2026
		Ukraine[1]	October 14, 2015
		Ukraine (Kyiv, Odessa, Odessa Region, Donetsk, Donetsk Region, Kharkov, Kharkov Region, Lviv, Lviv Region, Dnipropetrovsk, Dnipropetrovsk Region)[1]	December 31, 2013
		Ukraine (excluding Kyiv, Odessa, Odessa Region, Donetsk, Donetsk Region, Kharkov, Kharkov Region, Lviv, Lviv Region, Dnipropetrovsk, Dnipropetrovsk Region)[1]	January 28, 2014
		Kyrgyzstan[13]	May 30, 2016
		Tajikistan[8]	August 11, 2011
		Tajikistan[8]	September 27, 2012
Telematic Services		Tajikistan[8]	July 24, 2012
Data Transmission Services		Kyrgyzstan[13]	August 4, 2011
		Uzbekistan[3]	August 29, 2011
		Uzbekistan[11]	July 22, 2015
		Kazakhstan[4][10][12]	Unlimited
		Tajikistan[8]	December 9, 2015
		Kyrgyzstan[13]	May 30, 2016
Communications Services for the Purposes of Cable IPTV		Ukraine (Kyiv)[1]	May 18, 2017
Broadcasting Communications Services for the Purpose of Radio & TV Broadcasting		Ukraine (Kyiv, Dnipropetrovsk, Odessa, Zaporozhye, Lviv, Kharkov)[1]	December 12, 2011

(1) These licenses are held by Golden Telecom LLC (Ukraine), or GTU.

(2) Digital Enhanced Cordless Telecommunications, or DECT.

(3) These licenses are held by Buzton, LLC.

(4) These licenses are held by SA-Telcom LLC.

(5) This license is held by URS.

(6) Buzton holds two licenses in this region, both of which expire on the same date.

(7) These licenses are held by ArmenTel.

(8) These licenses are held by Tacom.

(9) These licenses are held by TTK.

(10) This license is held by TNS-Plus.

(11) These licenses are held by Unitel.

(12) These licenses are held by KaR-Tel.

(13) These licenses are held by Sky Mobile.

Principal Terms of our International Fixed-Line, Data and Long Distance Licenses

License Type	Region	Expiration Date
Voice Over Internet Protocol Services (including Internet services)	The Kingdom of Cambodia[1]	January 3, 2042
Fixed Wireless Local Loop License	The Kingdom of Cambodia[1]	November 29, 2040

(1) License is held by Sotelco

For more information on the risks related to access to local and long distance services, please see the section of this prospectus entitled "Risk Factors—Risks Related to Our Business—Our ability to provide telecommunications services would be severely hampered if our access to local and long distance line capacity was limited or if the commercial terms of our interconnect agreements were significantly altered." For more information on licensing regulations and other risks related to our licenses, please see the sections of this prospectus entitled "Risk Factors—Risks Related to Our Business", "Risk Factors—Risks Related to the Legal and Regulatory Environment in Russia, Ukraine and the CIS," and "Regulation of Telecommunications."

Strategy

We are part of the VimpelCom Ltd. Group and we share the strategy of our parent company, VimpelCom Ltd., which strives to create shareholder value by focusing on three core priorities: driving value capture in the mature voice business in core markets, emerging as a leader from the transition to a data-centric world and selectively building scale. Within each of these broad priorities we pursue specific objectives:

- Drive value capture in the mature voice business in core markets.
  - We recognize that our industry is one where the prices of the traditional products and services that we provide are generally falling over time, despite price elasticity being significantly below one. In contrast, many of the costs of delivering these products and services experience significant inflationary pressures. To address this imbalance, we continuously focus on cost efficiency, especially minimizing business support costs. We also design our go-to-market actions thoughtfully, with the dual ambition of ensuring that we remain a highly attractive choice for consumers at all times, while at the same time promoting responsible industry conduct.
  - We also see that the telecommunications market is highly heterogeneous, consisting of a significant number of sub-segments with partially unique needs. Therefore, we selectively, but aggressively, attack underserved B2C (consumer) and B2B (business) sub-segments, especially in areas where we can leverage the fact that we have both fixed and mobile assets or where our international footprint can be a source of competitive advantage.
  - We believe that the shift away from the traditional voice- and SMS-centric telephone company world and towards a data-centric world is fundamental and we therefore carefully scrutinize any investment in legacy infrastructure that does not also support our future data business, while ensuring that we remain able to deliver a set of core traditional telephone company services that fully meet customer expectations.
- Emerge as leader from the transition to a data-centric world.
  - We are convinced that the move towards a data-centric world is the single biggest industry change that our core mobile business has experienced so far. We also see that a key success factor over the coming few years for any telco operator with a significant mobile business

will be to manage pricing approaches well. We therefore spend considerable time and effort to ensure that we offer a pro-active and customer-centric transition from legacy voice pricing to data-centric pricing, with the ambition to retain and ultimately grow ARPUs.

  - We see that data offerings are already becoming a significant operator decision parameter for certain customer segments, and we expect this trend to broaden further. To ensure that we are the natural consumer choice in the data-centric world we aim to provide the best "value-for-money" data product portfolio while staying highly price-competitive at all times.

  - We clearly recognize that a data network is more complex to manage than a voice network and that the optimization potential in a data network is significant. We therefore aim to drive smart cost efficiency in technology investments, including traffic management and off-loading as well as content compression.

- Selectively build scale.

  - Any future acquisitions will be consistent with our group's belief that international scale, and to a certain extent also market maturity-level portfolio diversification, can create shareholder value. We also understand very clearly that the attractiveness of any deal is going to be highly dependent on our ability to realize significant synergies and one of our core focuses in any deal will therefore be to aggressively identify and capture synergies, whether they come from enhanced leverage in procurement, staff redundancies or best-practice sharing between markets at different stages of development.

Competitive Strengths

We believe that we are well positioned to capitalize on opportunities in the Russian, Ukrainian and CIS mobile, fixed-line and broadband telecommunications markets. We seek to differentiate ourselves from our competitors by providing innovative products, high-quality mobile, fixed-line and broadband telecommunications service offerings, specialized customer care and strong, recognized brand names.

- *Recognized brand name.* We market our mobile services under our "Beeline" brand name in nine countries (Russia, Kazakhstan, Uzbekistan, Armenia, Tajikistan, Georgia, Kyrgyzstan, Cambodia and Vietnam). We market our mobile services primarily under the "Kyivstar", "Kyivstar Business", "djuice" and "Beeline" brands in Ukraine. We established our "Beeline" brand in Russia in 1993 and launched the "Beeline" brand name in Kazakhstan in 2005, in Ukraine, Uzbekistan and Tajikistan in 2006, in Georgia in 2007, in Armenia in 2008 and in Cambodia and Vietnam in 2009. Since June 2009, Sky Mobile has been operating in Kyrgyzstan under our "Beeline" brand. Primarily as a result of our innovative marketing and brand licensing efforts, our "Beeline" brand name is among the most recognized brand names in Russia. For the past six years, the "Beeline" brand has led the "top of mind awareness" among all Russian mobile operators' brands, according to Brand Health Tracking. In 2005 to 2008, our "Beeline" brand was named the most valuable Russian brand by Interbrand Group and it was named the second most valuable in 2010. In 2009 and 2010, the "Beeline" brand was ranked in the BrandZ Top 100 Most Powerful Global Brands by Millward Brown. In 2009, the "Beeline" brand was ranked 39th in the top 50 most valuable European brands by Eurobrand 2009 Research, becoming the first Eastern European brand to be included in this list. At the end of 2008, we re-launched the "Beeline" brand for the business and corporate services sector in Russia and Ukraine. In the first half of 2009, we launched "Beeline" for the business and corporate services sector in Kazakhstan and Uzbekistan. We believe we have strengthened our brand position in the business and corporate services sector by providing special product and services offerings, including all products and services provided to corporate clients by Golden Telecom, such as IP Centrex, IPVPN, SLA and managed services. For the past five years, Kyivstar lead by "Brand preference" among all Ukraine mobile operators' brands based on data from Brand Progress Tracking. Kyivstar has the highest level of reputation compared to the largest telecom companies in the world according to the Rep Track Deep Dive 2010. Djuice is the unique youth brand recognized as the most musical brand—"the expert in music" according to Brand Progress Tracking.

- *Product and service innovation.* In our mobile business, we continue to seek out new products and services to provide our subscribers with faster access and easier usage to be competitive in the markets in which we operate. We continue to develop services oriented towards our prepaid consumer segment, such as allowing customers to stay connected while temporarily accruing a negative account balance and a portfolio of call completion services. We have strengthened our

mobile instant messaging service through the launch of new features, made our service interoperable with competitors and we continue to grow our mobile instant messaging community successfully.

- *Pricing.* Acknowledging differences in competitive situations and consumer behavior across regions, we undertake a systematic effort involving dedicated analytics and research to develop an optimal pricing structure. This pricing approach ensures that we maximize value from all segments and lets us offer different tariffs and solutions to all market segments and types of companies, including special tariff options and bundles for data access services for GPRS and 3G.

- *Data Services.* We believe data services are driving market growth and we are focusing our efforts at winning this segment. We began launching 3G services in several markets in Russia in the second half of 2008, and we roll out 3G technology as frequencies are cleared and network construction in each region is completed. Our subscribers benefit from 3G service in all regions in Russia (1,084 cities, 2,100 town/village) as of March 31, 2011. We also offer USB modems (for GPRS and 3G use) to all customer segments.

We are one of only two mobile operators in Russia that have an agreement with Apple to sell the iPhone across Russia. Since we began selling the iPhone in September 2008, we have sold more than 400,000 iPhones. We believe that sales of iPhones will contribute to an increase in the sale of our data services.

For our business and corporate clients, we offer a wide range of data services, including mobile e-mail, mobile office and corporate Internet access.

- *Convergence.* Following our acquisition of Golden Telecom, we now offer a broad portfolio of competitive services in both the fixed-line and mobile corporate data markets that are designed to match the needs of our customers.

- *Blackberry.* We are one of only two carriers in Russia that are authorized by "Research in Motion" and local regulatory authorities to sell BlackBerry devices and provide BlackBerry services. In the first quarter of 2011 we extended the availability of BlackBerry Enterprise Services ("***BES***") to seven Russian cities (including Novosibirsk, Ufa and Krasnoyarsk). We started providing new versions of server software and thousands of new applications. All these improvements allow us to have stronger positions in tenders where the provision of Blackberry services is a requirement. BES became the most featured solution for remote access to corporate information from smartphones and it has a very low rate of churn.

- *Mobile email.* We offer corporate mobile e-mail services for devices with OS Symbian 60/80, OS Windows Mobile and OS Symbian UIQ operating systems and have begun developing new platforms with extended features, which will also support devices with OS Android operating systems. We aim to increase penetration in the Russian corporate mobile data market by expanding the platforms through which we offer mobile e-mail services.

- *M2M.* Machine-to-machine ("***M2M***") refers to technologies that allow both wireless and wired systems to communicate with other devices of the same ability and includes technologies that allow data transmission between remote equipment. M2M technologies are used in areas such as consumer electronics, banking, metering, security and others. The M2M market in Russia is in the early stage of development with penetration of M2M SIM cards at less than 1.0%. Experts estimate the annual Russian market growth for M2M to be 25.0-30.0% until 2015. We have launched, "M2M Control Center," with Jasper Wireless Inc. (PaaS). This product is unique to the Russian market and its launch made us the first company in Russia to provide this service for corporate clients. MTS is the only operator who has announced that it intends to launch a product with similar functionality based on its own platform. While our competitors are active and aggressive in the Russian M2M market providing various M2M solutions to their customers, they do not have any products similar to our "M2M Control Center," which we believe gives us a strong competitive advantage among all Russian operators. M2M Control Center allows on-line self-management of a business client's SIM cards, giving the client control and monitoring capabilities of its SIM cards via a web-based interface. For example, business customers with M2M Control Center can receive real-time monitoring, usage statistics, on-line diagnostics, and on-line notifications on SIM card activities from SIM cards used with the customers' remote equipment. We believe M2M Control Center can be easily integrated with our business customers' other systems and platforms through an open application programming interface ("***API***"). We have also launched "M2M" Complex solutions" which will give us an opportunity to provide turn-key solutions for all segments, including fleet management, security, smart metering and others. In the beginning of 2011, we

launched special M2M SIMs, which are able to operate in extreme environments (e.g., environments with high temperatures or humidity) and, because of their size, can be inserted directly into the motherboard of a device. MTS and MegaFon already offer similar products.

- *Branded handsets.* In 2010, we began selling branded handsets for B2B clients. Handsets are sold as a bundle, including special price plans or year contracts.

- *Specialized customer care.* We provide specialized customer service to our different subscriber segments. We believe that our ability to provide specialized customer service has helped us maintain a high level of subscriber satisfaction with our products and services and control churn. We also believe that we have provided particularly strong customer service to our corporate subscribers.

- *Broad distribution network.* We have one of the largest distribution networks for mobile services in Russia with approximately 2,750 independent dealers. In addition, we have approximately 4,050 branded kiosks (branded stands) and 15,800 non-specialized independent retail outlets where Beeline contracts may be purchased. In total, we have approximately 40,900 points of sale in Russia. We also have approximately 58,340 locations in Russia where prepaid scratch cards are sold and 250,000 points where cash is collected. We are also rapidly expanding our distribution in the CIS and already have approximately 26,390 points of sales throughout the CIS countries. In October 2008, we acquired 49.9% of Euroset with put and call arrangements for 25.0% of additional shares exercisable in three years. As of March 31, 2011, Euroset operates approximately 3,900 outlets in Russia, and we believe this acquisition has allowed us to significantly enhance our distribution capabilities. Additionally, we are also rapidly developing our distribution in Cambodia with approximately 647 independent dealers, and already have approximately 7,011 points of sales and 15,043 locations where prepaid scratch cards are sold throughout the country. We also have one of the largest distribution networks for mobile services in Ukraine. We have 83 partners (dealers, distributors and e-sales partners), approximately 65,000 non-specialized retail outlets, 5,000 specialized outlets, 483 monobrand sales points and approximately 56,000 e-sales points of sale. We also have approximately 65,000 locations in Ukraine where scratch cards are sold.

- *Unified, sophisticated mobile network.* We are able to provide uniform mobile products and services that we develop and launch on an international rather than local basis due to our centralized IT platform which operates throughout our unified mobile network system covering our license areas in Russia, Ukraine and the CIS. We believe that our level of centralization and standardization is unique in the license areas where we operate and that this gives us a competitive advantage and efficiency in developing and rolling out new services. We build our mobile networks with advanced technology from the world's leading mobile telecommunications equipment suppliers, such as Alcatel-Lucent, Ericsson, Nokia-Siemens Networks, and Huawei in order to provide our subscribers with high-quality, dependable networks capable of offering enhanced VAS and features. We launched our 3G network in 2008 and plan to follow the same principles of centralization that we have applied to our 2G network and building on a philosophy of a convergent 2G/3G core.

- *Extensive fixed infrastructure.* Through the combination of OJSC VimpelCom's and Golden Telecom's fixed assets, including both long distance fiber lines and city rings, we have what we believe is one of the best high-speed fixed asset bases in Russia, which enables us to efficiently carry our own traffic and to offer data communications capacity on a wholesale basis. In addition, we believe our network capacity allows us to deliver a broader range of products at a higher speed.

Competition—Mobile Services

As of March 31, 2011, our company provided mobile telecommunications services in Russia, Ukraine, Kazakhstan, Uzbekistan, Armenia, Tajikistan, Georgia, Kyrgyzstan, Cambodia, Vietnam and Laos. The following table provides a breakdown of our total number of mobile subscribers and the estimated mobile penetration rates in each of our geographic areas of operation for each of the three financial years ending on December 31, 2010 and the three months ended on March 31, 2011.

	Three Months Ended	Years Ended December 31,		
	March 31, 2011	2010	2009	2008
End of period mobile subscribers:				
Russia	52,991,000	52,020,000	50,886,127	47,676,844
Ukraine	24,398,000	24,389,838	2,004,729	2,052,493
Kazakhstan	6,987,000	6,867,000	6,135,275	6,269,927
Uzbekistan	5,102,000	4,821,700	3,514,516	3,636,243
Armenia	699,000	672,300	545,201	544,271
Tajikistan	804,000	786,600	743,140	624,624
Georgia	611,000	560,200	399,161	225,055
Kyrgyzstan	1,965,000	1,904,300	—	—
Cambodia	757,000	651,000	367,474	—
Laos	550,000	—	—	—
Total	**94,864,000**	**92,672,938**	**64,595,623**	**61,029,457**
Mobile penetration rate:*				
Russia	158.8%	157.3%	148.7%	132.3%
Ukraine	111.1%	110.3%	120.6%	120.8%
Kazakhstan	128.7%	109.3%	105.6%	92.7%
Uzbekistan	78.9%	75.1%	58.4%	45.3%
Armenia	124.8%	119.3%	87.5%	79.3%
Tajikistan	81.2%	77.4%	61.8%	47.5%
Georgia	108.6%	105.1%	90.2%	83.5%
Kyrgyzstan	92.0%	90.1%	n/a	n/a
Cambodia	64.1%	58.8%	36.3%	n/a
Laos	55.8%	—	—	—

* See Notes (1)-(3) of the selected industry operating data table in the section of this prospectus entitled "Selected Operating Data."

The Russian Mobile Telecommunications Market

The Russian mobile telecommunications industry has grown rapidly over the past decade as a result of increased demand by individuals and newly created private businesses. Increased demand for mobile telecommunications services is largely due to the expansion of the Russian economy and a corresponding increase in disposable income; declining tariffs and costs of handsets and accessories, which have made mobile telecommunications services more affordable to the mass market subscriber segment; advertising, marketing and distribution activities, which have led to increased public awareness of, and access to, the mobile telecommunications market; and improved service quality and coverage.

The table below indicates the estimated number of mobile subscribers, mobile penetration rates and annual subscriber growth rates in Russia.

Period	Subscribers[1]	Penetration Rate[2]	Annual Subscriber Growth
As of March 31, 2011	222,306,700	158.8%	4.9%
As of December 31, 2010	220,384,130	157.3%	5.3%
As of December 31, 2009	209,206,000	148.7%	11.4%
As of December 31, 2008	187,830,000	132.3%	8.7%

(1) Estimates as of March 31, 2011 were provided by Informa Telecoms & Media (© Informa UK Ltd 2011). Estimates for 2009-2011 were provided by Informa Telecoms & Media (© 2010 Informa Telecoms & Media, © 2011 Informa Telecoms & Media). Estimates for 2008 were provided by AC&M Consulting.

(2) Penetration rates as of March 31, 2011 were provided by Informa Telecoms & Media (© Informa UK Ltd 2011. Penetration rates for 2009-2011 were provided by Informa Telecoms & Media (© 2010 Informa Telecoms & Media, © 2011 Informa Telecoms & Media). Penetration rates for 2008 were calculated by dividing the total estimated number of mobile subscribers by the total estimated population in Russia published by the Interstate Statistical Committee of the CIS as of the end of the relevant period.

The Russian mobile telecommunications market is highly concentrated. Industry analysts estimate that the top three mobile operators, MTS, MegaFon and OJSC VimpelCom, collectively held approximately 81.7% of the mobile market in Russia as of March 31, 2011 (according to Informa Telecoms & Media). Competition for subscribers in Russia is intense and we expect competition to increase in the future as a result of greater market penetration, consolidation in the industry, the growth of current operators and new technologies, products and services. As a result of increased competition, mobile providers are utilizing new marketing efforts, including aggressive price promotions, to retain existing subscribers and attract new ones.

We compete with at least one other mobile operator in each of our license areas, and in many license areas we compete with two or more mobile operators. Competition is based primarily on local tariff prices, network coverage, quality of service, the level of customer service provided, brand identity and the range of value-added and other subscriber services offered.

The following table shows our and our primary mobile competitors' respective subscriber numbers in Russia as of March 31, 2011:

Operator	Subscribers in Russia
MTS	71,460,000
MegaFon	57,100,000
OJSC VimpelCom	52,991,000
Tele2	18,985,000
Rostelecom	9,915,000
SMARTS	2,501,000

Source: Informa Telecoms & Media (© Informa UK Ltd 2011) for all companies other than OJSC VimpelCom.

MTS. One of our primary competitors in Russia is MTS. According to Informa Telecoms & Media, as of March 31, 2011, MTS had approximately 71.5 million subscribers in Russia, representing a market share of 32.3%. It has a greater share of the high value subscriber market and more frequency allocations than we do, which provides MTS with a potential advantage in the quality of its GSM-900/1800 service. MTS reports that it holds licenses to operate mobile networks in almost all of the regions in Russia.

MegaFon. In addition to MTS, we also compete with MegaFon, the second largest mobile operator in Russia in terms of the number of subscribers. According to Informa Telecoms & Media, as of March 31, 2011, MegaFon had approximately 57.1 million subscribers, representing a market share of 25.8%. MegaFon holds GSM-900/1800 licenses to operate in all regions of Russia. In 2003, a member of the Alfa Group acquired CT Mobile, which owns approximately 25.1% of MegaFon's common stock. For more information on the Alfa Group's ownership interest in MegaFon, please see the section of this prospectus entitled "Risk Factors—Risks Related to Our Business—Our competitors may receive preferential treatment from the regulatory authorities and benefit from the resources of their shareholders, potentially giving them a substantial competitive advantage over us."

Tele2. Tele2 has been operating in Russia since 2003 and is now considered to be a significant player in the Russian telecommunications market. According to Informa Telecoms & Media, as of March 31, 2011, Tele2 had approximately 19.0 million subscribers, respectively, representing a market share of 8.6%. It currently provides GSM mobile services in 35 regions of Russia, including St. Petersburg, Leningrad, Arkhangelsk, Belgorod, Bryansk, Vladimir, Vologda, Voronezh, Kaliningrad, Kaluga, Kemerovo, Kirov, Kostroma, Kursk, Lipetsk, Murmansk, Nizhny Novgorod, Novgorod, Novosibirsk, Omsk, Orel, Pskov, Rostov, Ryazan, Smolensk, Tambov, Tver, Tomsk, Tula, and Chelyabinsk, as well as the Krasnodar Territory and the republics of Adygei, Komi, Udmurtia and Karelia.

Rostelecom. The Russian government recently completed the restructuring of Rostelecom, a subsidiary of Svyazinvest, the state-controlled telecommunications company, by means of a merger of Svyazinvest's regional subsidiary telecommunications operators into Rostelecom. These subsidiaries include, among others, Uralsvyazinform, Volgatelecom and Sibirtelecom. Svyazinvest group also owns 100% of SkyLink, a mobile data and voice operator. We compete with Rostelecom in the Ural super-region.

Other competitors in Russia. In addition to MTS and MegaFon, which operate in all of the regions where we operate, and Tele2, we compete with a number of local telecommunications companies. For example, we compete with Closed Joint Stock Company "Middle Volga Interregional Association of Radio and Telecommunication Systems" ("***SMARTS***"), a company that holds licenses, either directly or indirectly through joint ventures, for GSM-900 or -1800 networks in the Volga license area, certain parts of the Central and Central Black Earth license area, the Ural license area and the North Caucasus license area.

The Ukrainian mobile telecommunications market

By the fourth quarter of 2006, the growth of Ukraine's mobile market slowed and, as a result, mobile operators became more competitive and introduced new, higher quality services and retention policies aimed at maintaining subscribers rather than attracting new ones. New services included broadband, downloaded content (music, entertainment and games), news and other information services and related content. Although basic voice communication services remain a key driver for telecom revenue growth, the share of growth provided by value added services is increasing quickly. Access to mobile Internet is becoming increasingly popular.

Despite repeated requests from the leading Ukrainian operators, including Kyivstar, 3G launch in Ukraine had been blocked by the Ukrainian regulators until 2005, when the Ukrainian government issued its first and only 3G license to Ukrtelecom, Ukraine's state-owned fixed-line operator. Kyivstar, MTS and Astelit were refused 3G licenses by the Ukrainian government in 2006. The Ukrainian government subsequently announced plans to hold a tender to auction one 3G license. However, the proposed auction has been postponed indefinitely.

According to Informa Telecoms & Media, as of March 31, 2011 there were approximately 50.1 million subscribers in Ukraine, representing a penetration rate of approximately 111.1%. There are currently four mobile operators with national coverage in Ukraine: Kyivstar, JSC "Ukrainian Mobile Communications," or MTS-Ukraine (which has been renamed Mobile Telesystems—Ukraine), LLC Astelit and URS. Kyivstar and URS are in the process of being unified under the brand Kyivstar as a result of the VimpelCom Ltd. Transaction, which will leave three major competitors in Ukraine: Kyivstar (including URS), Mobile Telesystems—Ukraine and LLC Astelit.

The following table shows our and our primary mobile competitors' respective subscribers in Ukraine as of March 31, 2011:

Operator	Subscribers
VimpelCom (Kyivstar and URS)	24,398,000
MTS-Ukraine	18,280,000
Astelit	6,100,000

Source: Informa Telecoms & Media (© Informa UK Ltd 2011) for all companies apart from Kyivstar and URS.

Kyivstar, URS and MTS-Ukraine. Currently, Kyivstar and URS have joint activity in Ukraine as a result of the VimpelCom Ltd. Transaction following which Kyivstar became our wholly owned subsidiary. For more information about the integration of the URS and Kyivstar businesses, see the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments and Trends." According to Informa Telecoms & Media, the combined market share for Kyivstar and URS in Ukraine as of March 31, 2011 was 49.6%. Kyivstar and URS compete primarily with MTS-Ukraine which had a market share of 36.4% as of March 31, 2011. MTS-Ukraine, which is 100.0% owned by MTS, was the first mobile operator in Ukraine and operates a GSM-900/1800 network in Ukraine. MTS-Ukraine also received a CDMA-450 license in 2006. Kyivstar operates a dual-band GSM-900/1800 network covering more than 95.0% of Ukraine's population.

Other competitors in Ukraine. We also compete with Astelit, which operates throughout Ukraine and, according to Informa Telecoms & Media, had approximately 6.1 million subscribers as of March 31, 2011, representing a market share of 11.4%. We also compete with Ukrtelecom, the incumbent telecommunications operator in Ukraine, which was awarded the country's only 3G license in 2005 and launched 3G service under the Utel brand in November 2007.

The Kazakh Mobile Telecommunications Market

According to Informa Telecoms & Media, there were approximately 20.4 million subscribers in Kazakhstan as of March 31, 2011, representing a penetration rate of approximately 128.8%.

The following table shows our and our primary mobile competitors' respective subscriber numbers in Kazakhstan as of March 31, 2011:

Operator	Subscribers
GSM Kazakhstan	9,357,000
VimpelCom (KaR-Tel)	6,987,000
AlTel	1,363,900
Mobile Telecom Service	308,000

Source: Informa Telecoms & Media (© Informa UK Ltd 2011) Informa Telecoms & Media for all companies apart from KaR-Tel.

GSM Kazakhstan LLP. Currently, KaR-Tel's only major GSM competitor in Kazakhstan is GSM Kazakhstan, which markets its services under the "K-Cell" and "Activ" brand names. According to Informa Telecoms & Media, as of March 31, 2011, GSM Kazakhstan had approximately 9.4 million subscribers, representing a market share of 52.0%. GSM Kazakhstan is 49.0% owned by JSC Kazakhtelecom, the national telecommunications provider in Kazakhstan, and 51.0% owned by Fintur Holdings BV. Fintur Holdings is 58.6% owned by TeliaSonera and 41.5% owned by Turkcell (TeliaSonera has a 37.3% ownership interest in Turkcell).

Other competitors in Kazakhstan. KaR-Tel also competes in Kazakhstan with JSC AlTel (owned 100.0% by Kazakhtelecom and operating under the "Dalacom" and "PATHWORD" brand names) and Mobile Telecom Services LLP (operating under the "NEO" brand name and 51.0% owned by Tele2). AlTel is the oldest mobile services provider in Kazakhstan. AlTel operates a code division multiple access, or CDMA, 2000-1x network, a digital network launched by AlTel in 2003 in order to compete with KaR-Tel and GSM Kazakhstan LLP, which had each been issued GSM licenses in Kazakhstan at that time. Mobile Telecom Services launched commercial GSM operations in 2007. On March 17, 2010 the European operator Tele2 announced the completed purchase of a 51.0% stake in Mobile Telecom Services.

The Uzbek Mobile Telecommunications Market

According to Informa Telecoms & Media, as of March 31, 2011, there were approximately 22.1 million subscribers in Uzbekistan, representing a penetration rate of approximately 78.9%.

The following table shows our and our primary mobile competitors' respective subscribers in Uzbekistan as of March 31, 2011:

Operator	Subscribers
MTS-Uzbekistan	9,110,000
VimpleCom (Unitel)	5,102,000
UCell	7,344,000
Perfectum Mobile	115,100
UzbekMobile	463,700

Source: Informa Telecoms & Media (© Informa UK Ltd 2011) for all companies apart from Unitel.

MTS-Uzbekistan. According to Informa Telecoms & Media, as of March 31, 2011, MTS-Uzbekistan had approximately 9.1 million subscribers, representing a market share of 42.1%. MTS-Uzbekistan is 100.0% owned by MTS and operates a GSM-900/1800 network.

UCell. According to Informa Telecoms & Media, as of March 31, 2011, UCell had approximately 7.3 million subscribers, representing a market share of 33.2%. UCell is 74.0% owned by TeliaSonera and 26.0% owned by a local Uzbek company. It operates GSM-900/1800 and 3G networks. Prior to its re-branding in 2008, UCell operated under the COSCOM brand.

Other competitors in Uzbekistan. Unitel also competes with smaller operators UzbekMobile and Perfectum Mobile.

The Armenian Mobile Telecommunications Market

According to Informa Telecoms & Media, as of March 31, 2011, there were approximately 3.9 million subscribers in Armenia, representing a penetration rate of approximately 124.8%.

The following table shows our and our primary mobile competitor's respective subscribers in Armenia as of March 31, 2011:

Operator	Subscribers
K-Telecom	2,550,000
VimpelCom (ArmenTel)	699,000
Orange Armenia	617,000

Source: Informa Telecoms & Media (© Informa UK Ltd 2011) for all companies apart from ArmenTel.

K-Telecom (VivaCell-MTS). According to Informa Telecoms & Media, as of March 31, 2011, K-Telecom had approximately 2.6 million subscribers, representing a market share of 66.0%. K-Telecom was the second mobile operator to enter the telecommunications market in Armenia and has licenses for standard GSM-900/1800 through the end of 2019. K-Telecom is 80.0% owned by MTS and 20.0% owned by the Lebanese investment group Fattouch Group.

The Tajik Mobile Telecommunications Market

According to Informa Telecoms & Media, as of March 31, 2011, there were approximately 5.8 million subscribers in Tajikistan, representing a penetration rate of approximately 81.2% .

The following table shows our and our primary mobile competitors' respective subscribers in Tajikistan as of March 31, 2011:

Operator	Subscribers
Babilon Mobile	2,206,600
Indigo	1,783,000
VimpelCom (Tacom)	804,000
TK Mobile	488,700
TT-Mobile	520,900

Source: Informa Telecoms & Media (© Informa UK Ltd. 2011) for all companies apart from Tacom.

Babilon Mobile. According to Informa Telecoms & Media, as of March 31, 2011, Babilon Mobile had approximately 2.2 million subscribers, representing a market share of 37.9%. Babilon has a national GSM-900/1800 license and a 3G license.

Indigo (T-Cell). According to Informa Telecoms & Media, as of March 31, 2011, Indigo had approximately 1.8 million subscribers, representing a market share of 30.6%. Indigo consists of two companies: "Indigo-Tajikistan" and "Somoncom", both of which hold GSM-900/1800 and 3G licenses. 3G services have been rolled out. In early 2010, Indigo underwent a rebranding campaign. TeliaSonera owns 59.4% of Somoncom and 60.0% of Indigo Tajikistan.

Other competitors in Tajikistan. Tacom also competes with TT-Mobile (brand MLT/Megafon), which holds GMS-900/1800 and 3G licenses, and TK Mobile, which holds a CDMA-2000 1X license.

The Georgian Mobile Telecommunications Market

According to Informa Telecoms & Media, as of March 31, 2011, there were approximately 4.5 million subscribers in Georgia, representing a penetration rate of approximately 108.6%.

The following table shows our and our primary mobile competitors' respective subscribers in Georgia as of March 31, 2011:

Operator	Subscribers
Magticom	1,491,800
Geocell	2,096,000
VimpelCom (Mobitel)	611,000
Aquafone	227,700
A-Mobile	134,400

Source: Informa Telecoms & Media (© Informa UK Ltd. 2011) for all companies apart from Mobitel.

Magticom. According to Informa Telecoms & Media, as of March 31, 2011, Magticom had approximately 1.5 million subscribers, representing a market share of 32.7%. Magticom markets its services under the "Magti", "Bani" and "Bali" brand names. Magticom's network covers approximately 99.0% of Georgia's population.

Geocell. According to Informa Telecoms & Media, as of March 31, 2011, Geocell LLC had approximately 2.1 million subscribers, representing a market share of approximately 46.0%. Geocell markets its business under the "Geocell" and "Lai Lai" brand names. Geocell holds a UMTS 3G license and 97.5% is owned by Fintur Holdings.

Aquafone. According to Informa Telecoms & Media, as of March 31, 2011, Aquafone CJSC had approximately 0.2 million subscribers, representing market share of approximately 5.0%. Aquafone launched commercial services in 2003. MegaFon owns 51.0% of Aquafone. Aquafone operates GSM-900/1800 and 3G networks, which cover approximately 90.0% of the Abkhazia territory of Georgia.

A-Mobile. According to Informa Telecoms & Media, as of March 31, 2011, A-Mobile LLC had approximately 0.1 million subscribers, representing a market share of approximately 3.0% A-Mobile launched commercial services in 2006 and it operates GSM-900/1800, CDMA and UMTS networks. The coverage of the network is approximately 95.0% of Abkhazia territory.

The Kyrgyz Mobile Telecommunications Market

According to Informa Telecoms & Media, as of March 31, 2011, there were approximately 5.1 million subscribers in Kyrgyzstan, representing a penetration rate of approximately 92.0%.

The following table shows our and our primary mobile competitors' respective subscribers in Kyrgyzstan as of March 31, 2011:

Operator	Subscribers
Alfa Telecom (Megacom)	2,360,000
VimpelCom (Sky Mobile)	1,965,000
AkTel	666,100
Nur Telecom	5,560

Source: Informa Telecoms & Media (© Informa UK Ltd. 2011) for all companies apart from SkyMobile.

Alfa Telecom (Megacom). Currently, Sky Mobile's major GSM competitor in Kyrgyzstan is Alfa Telecom, which markets its services under the "Megacom" brand name and operates a GSM-900/1800 network. It also holds a 3G license. According to Informa Telecoms & Media, as of March 31, 2011, Alfa Telecom had approximately 2.4 million subscribers, representing a market share of 45.8%. Alfa Telecom is 49.0% owned by the Kyrgyz government and 51.0% owned by Eventis Telecom Holdings Ltd.

Aktel. Aktel operates under the "Fonex" brand name. According to Informa Telecoms & Media, it is the largest CDMA operator in Kyrgyzstan. It also holds a 3G license. Aktel is owned by Seimar Alliance Financial Corporation.

Nur Telecom LLC. Nur Telecom markets its services under the "O!" brand name and operates a GSM 900/1800 network. Nur Telecom is owned by Visor Holding TOO.

The Cambodian Mobile Telecommunications Market

According to Informa Telecoms & Media, as of March 31, 2011, there were approximately 9.8 million subscribers in Cambodia, representing a penetration rate of approximately 64.1%. The following table shows our and our primary mobile competitors' respective subscribers in Cambodia as of March 31, 2011:

Operator	Subscribers
CamGSM	3,110,200
Viettel Cambodia	3,070,000
Mfone	703,100
Hello Axiata Cambodia	970,300
VimpelCom (Sotelco)	757,000
Latelz	1,026,500
Cadcomms	84,000

Source: Informa Telecoms & Media (© Informa UK Ltd. 2011) for all companies apart from Sotelco.

CamGSM. According to Informa Telecoms & Media, as of March 31, 2011, CamGSM had approximately 3.1 million subscribers, representing a market share of 31.8%. CamGSM holds a national GSM-900 and 3G licenses.

Viettel Cambodia. According to Informa Telecoms & Media, as of March 31, 2011, Viettel Cambodia had approximately 3.1 million subscribers, representing a market share of 31.4%. Viettel Cambodia holds a national GSM-900/1800 license.

Mfone. According to Informa Telecoms & Media, as of March 31, 2011, Mfone had approximately 0.7 million subscribers, representing a market share of 7.2%. Mfone holds national GSM-900 and 3G licenses.

Hello Axiata Cambodia. According to Informa Telecoms & Media, as of March 31, 2011, Hello Axiata Cambodia had approximately 0.9 million subscribers, representing a market share of 9.9%. Hello Axiata Cambodia holds a national GSM-900 license.

The Lao Mobile Telecommunications Market.

According to Informa Telecoms & Media, as of March 31, 2011, there were approximately 3.6 million subscribers in Laos, representing a penetration rate of approximately 55.8%. The following table shows our and our primary mobile competitors' respective subscribers in Laos as of March 31, 2011:

Operator	Subscribers
Enterprise of Telecommunication Lao	465,100
Lao Telecom	1,593,600
Star Telecom	1,172,600
VimpelCom (Tigo Laos)	550,000

Source: Informa Telecoms & Media (© Informa UK Ltd. 2011) for all companies apart from Tigo Laos.

*Enterprise of Telecommunication Lao **("ETL").*** According to Informa Telecoms & Media, as of March 31, 2011, ETL had approximately 0.5 million subscribers, representing a market share of 12.8%. ETL is a 100% government-owned operator. ETL holds a nationwide GSM 900/1800 license and has recently been awarded a nationwide 3G license.

Lao Telecom. According to Informa Telecoms & Media, as of March 31, 2011, Lao Telecom had approximately 1.6 million subscribers, representing a market share of 43.8%. Lao Telecom is a joint venture between Thaicom (51.0%) and the government of Laos, (49.0%) and holds nationwide GSM-900/1800 and 3G licenses.

Star Telecom. According to Informa Telecoms & Media, as of March 31, 2011, Star Telecom had approximately 1.2 million subscribers, representing a market share of 32.2%. Star Telecom is a joint venture between the Lao government (49.0%) and Viettel of Vietnam, (51.0%). Star Telecom holds nationwide GSM 900/1800 and 3G licenses.

Competition-Fixed-line Services

Business and Corporate Services (BCS)

Russia. Our fixed telecommunications business marketed as "Beeline Business" competes principally on the basis of unique convergent services and bundles, installation time, network quality, geographical network reach, customer service, range of services offered and price. We face significant competition from other service providers, including:

- Rostelecom, a subsidiary of Svyazinvest, the state-controlled telecommunications company, for services in St. Petersburg and all of Russian regional cities;
- Comstar-UTS, a subsidiary of Sistema Telecom is in the process of merging with MTS, for services to corporate customers and the SME market;
- TransTelecom, owned by the Russian Railways, for corporate data networking services across Russia;
- Synterra, the owner of Peterstar (one of the leading fixed-line operators in St. Petersburg, providing convergent mobile and fixed services, which merged with MegaFon on February 1, 2011); and
- More than 180 other small operators in the regions.

Ukraine. In the voice services market to business customers in Kyiv, we compete with Ukrtelecom, Datagroup, Vega, and a number of other small operators. The provision of Internet and data services is not licensed in Ukraine. As a result, there is a high level of competition, with more than 400 Internet service providers, or ISPs, in Ukraine. Our main competitors in the corporate market for data are Ukrtelecom, Volia, Vega and Datagroup.

In the fast growing residential broadband Internet market, we face competition from Ukrtelecom and from Volya-Cable in Kyiv, as well as from strong local players in other cities.

Uzbekistan. We operate large independent fixed-line services in Uzbekistan, where we offer a full spectrum of integrated telecommunication services. In Uzbekistan, we compete with the state-owned provider, Uzbektelecom, East Telecom, Sarkor Telecom, Sharq Telecom and EVO.

There is a high level of competition in the capital city of Tashkent. The Internet market in the regions remains undeveloped.

Armenia. We are the largest fixed-line services operator in Armenia, where we offer a broad spectrum of fixed-line services to government, corporate and private customers across Armenia. In 2009, the following fourteen companies with which we compete were granted fixed-line technology licenses: (Internet service providers) iCON, Armenian Datacom Company, Cornet-AM, Bionet, Web, Hi-Tech Gateway Inc., Arminco, Softlink; Netsys, Xalt, Crossnet; (restaurant complex) Complex Dzoraghbyur; AATVQ CJSC and Ardnet LLC. In 2010, three more companies were granted fixed-line technology licenses: Griar Telecom, U!Com (a telecommunications company which offers universal solutions) and GNC-Alfa (a telecommunication network services operator). In 2010, Crossnet and Arminco began providing fixed-line services.

Kazakhstan. We are a fast growing alternative Internet service provider in Kazakhstan, where we compete primarily with state-owned provider, Kazakhtelecom (whose holding group includes Nursat, Sygnum, Kepter Telecom and Vostok Telecom), KazTransCom, TransTelecom, owned by the Kazakhstan Temir Zholy (railways), Astel (a leader in the provision of satellite services) and several other small operators in the regions.

Carrier and Operator Services

Russia. For voice services, our main competitors are long distance carriers Rostelecom, TransTelecom and OJSC "Multiregional TransitTelecom". For IP transit and capacity services, our main competitors are Rostelecom, TransTelecom and MegaFon. In wholesale data networking we also compete with Orange.

Ukraine. In Ukraine, carrier and operator services market competitors include Ukrtelecom, Ucomline (Farlep-Optima), Velton and Datagroup.

Consumer Internet Services

Russia. Our consumer Internet access business in Russia grew rapidly in the first three months of 2011. Our wireless business grew by 17.4% from March 31, 2010 to March 31, 2011, and our FTTB grew by 42.3%% during the same period as a result of increased demand by individuals. Increased demand for Internet access services is largely due to network construction, declining costs and tariffs, which have made services more affordable to the mass market subscriber segment. Our marketing and distribution activities have also led to increased public awareness about services.

In terms of end-user Internet penetration, the consumer Internet access business in Russia is divided between two clusters of markets: the first one consists of Moscow and St. Petersburg, the second comprises all other Russian regions. While the market for consumer Internet access is already saturated in Moscow and in St. Petersburg, in other regions the end-user Internet penetration remains quite low and has still been increasing dramatically.

The basic technologies of Internet access in Russia include: fixed broadband Internet access (comprising asymmetric digital subscriber line ("***ADSL***") Ethernet, Docsis and other regional home networks), wireless broadband Internet access (including WiFi, WiMax, 3G, CDMA) and dial-up.

Competition for subscribers in Moscow is intense and we expect it to increase in the future as a result of wider market penetration, consolidation of the industry, current operators growth and appearance of new technologies, products and services. As a result of increasing competition, Internet providers are utilizing new marketing efforts, i.e., aggressive price promotions, in order to retain existing subscribers and attract new ones.

Our main competitors in the fixed broadband market in Russia are Rostelecom, a subsidiary of the state-controlled telecommunications provider, Svyazinvest, Comstar UTS, Acado, Er-Telecom and various local home network providers. Competition is based primarily on network coverage, local tariff prices, Internet connection speed, services quality, customer service level, brand identity and the range of value-added and other subscriber services offered.

Ukraine. Our main competitors in Ukraine are Volia and Ukrtelecom. From March 2010 to March 2011, we significantly increased the number of broadband subscribers in Ukraine by 156%. As of December 31, 2010, broadband penetration in Ukraine was 18.4% and in Kyiv was 59.4% according to iKS-Consulting Ukraine.

CIS. The basic technologies of Internet access in CIS include: fixed broadband Internet access (comprising ADSL and Ethernet); wireless broadband Internet access (including 3G, CDMA, WiFi); and dial-up. Our main competitors in Armenia are U!Com, "Armenian Datacom Company" CJSC, Orange and VivaCell. Our main competitors in Uzbekistan are UzNet, Sarkor, TPS, SharqStream and Evo. Competition in CIS is based primarily on penetration, price, included traffic and speed of connection.

From March 31, 2010 to March 31, 2011 we significantly increased the number of broadband subscribers in Kazakhstan, Armenia and Uzbekistan by 557.0%, 54.0% and 40.0%%, respectively. From December 31, 2009

to December 31, 2010, we significantly increased the number of broadband subscribers in Kazakhstan, Armenia and Uzbekistan by 786.0%, 151.0% and 39.1%, respectively. From March 31, 2010 to March 31, 2011 the number of dial-up subscribers in Armenia and Uzbekistan decreased by 71.0% and 43.0%, respectively. From December 31, 2009 to December 31, 2010 the number of our dial-up subscribers decreased in Armenia and Uzbekistan by 73.0% and 39.1%, respectively.

Description of our Mobile Telecommunications Business

Services

We generally offer the following mobile telecommunications services to our subscribers:

- voice telephony services;
- value-added and call completion services;
- access to both national and international roaming services; and
- other services.

Voice Telephony Services

We primarily offer our mobile telecommunications services to our subscribers under two types of payment plans: contract plans and prepaid plans. As of March 31, 2011, approximately 5.2% of our subscribers in Russia were on contract plans and approximately 94.8% of our subscribers in Russia were on prepaid plans. As of March 31, 2011, approximately 8% of our subscribers in Ukraine were on contract plans and approximately 92% of our subscribers in Ukraine were on prepaid plans. As of March 31, 2011, approximately 3.0% of our subscribers in the CIS were on contract plans and approximately 97.0% of our subscribers in the CIS were on prepaid plans.

Call Completion Services and Value Added Services

We provide all of our customers with a variety of call completion services and value added services:

Call Completion Services. Our call completion services include two groups of services: "Possibilities with zero" services and "Basic VAS" services, which allow us to increase voice traffic and revenue without causing average price per minute to decrease. Our "Possibilities with zero" group of services helps our prepaid subscribers stay connected even in the event that they have a zero balance in their account with services that include, among others, "Receiving Party Pays", "Call Me Back" and "Fill Up My Balance". Our "Basic VAS" services include, among others, caller-ID, voicemail, call forwarding, conference calling, call blocking and call waiting.

Value Added Services. Our value added services include messaging services, content/infotainment services, data access services (on GPRS and 3G basis), financial value added services (which help customers manage their credit balances), location based services (which monitor subscriber locations) media and content delivery channels.

Our messaging portfolio include SMS, MMS (which allows subscribers to send pictures, audio and video to mobile phones and to e-mail), voice messaging and mobile instant messaging. Different price offers for messaging services are proposed to different segments of our customers.

We offer our subscribers various types of content/infotainment services, including:

- SMS services (including information services such as news, weather, entertainment chats and friend finder);
- Voice services (including referral services);
- Downloadable content (downloadable to telephone content, including music, pictures, games and video);
- Ringback tone ("***RBT***") (customized ringtones); and
- Wireless applications services ("***WAP***").

Our data access services are offered on GPRS and 3G basis and include access to Internet and WAP (even without phone settings).

Our media and content delivery channels include RBT, Chameleon (based on CellBroadcast), Interactive Voice Response content sales numbers, USSD-menu (self-care and entertainment portal), STK-menu, WAP-portal (targeted on surfing, downloads sales and enriched information).

We have launched a mobile advertising pilot project together with the company Out There Media ("***OTM***"), using OTM's technological and selling resources for delivery of advertising messages to mobile phones.

Roaming

Roaming allows our subscribers and subscribers of other mobile operators to receive and make international, local and long distance calls while outside of their home network. Our roaming service is instantaneous, automatic and requires no additional equipment.

As of March 31, 2011, OJSC VimpelCom and its subsidiaries had active roaming agreements with 556 GSM networks in 213 countries, respectively, in Europe, Asia, North America, South America, Australia and Africa. In addition, as of March 31, 2011 we provided GPRS roaming with 404 networks, in 166 countries. Active roaming expansion is complete as we now cover all major roaming destinations. However, we expect to continue developing roaming services for our subscribers.

Generally, each agreement with roaming partners provides that the operator hosting the roaming call sends us a bill for the roaming services used by our subscriber while on the host's network. We pay the host operator for the roaming services and then bill the amount due for the provision of roaming services on our subscriber's monthly bill.

In 2003, OJSC VimpelCom became the first Russian mobile company to launch a customized application for mobile network enhanced logic, or CAMEL, an intranetwork prepaid roaming service. This service allows prepaid subscribers to automatically receive access to roaming services provided they have a positive account balance. CAMEL service allows us to implement real time cost control, provide more dynamic service to our clients and reduce the number of delinquent subscriber accounts caused by roaming. As of March 31, 2011, we provided CAMEL roaming through 198 operators in 123 countries.

As of March 31, 2011, Kyivstar provided voice roaming on 399 partner networks in 195 countries, GPRS roaming on 277 networks in 149 countries and CAMEL roaming on 118 networks in 90 countries.

As of March 31, 2011, KaR-Tel provided voice roaming on 144 networks in 164 countries, GPRS roaming on 236 networks in 92 countries and CAMEL roaming on 137 networks in 47 countries. Unitel provided voice roaming on 390 partner networks in 162 countries, GPRS roaming on 204 networks in 101 countries and CAMEL roaming on 126 networks in 72 countries. ArmenTel provided voice roaming on 502 partner networks in 210 countries, GPRS roaming on 267 networks in 139 countries and CAMEL roaming on 170 networks in 85 countries. Tacom provided voice roaming on 44 networks in 70 countries, GPRS roaming on 96 networks in 50 and CAMEL roaming in 51 networks on 39 countries. Mobitel provided roaming on 109 partner networks in 56 countries, GPRS roaming on 35 networks in 25 countries and CAMEL roaming on 40 networks in 27 countries. Sky Mobile provided roaming on 408 partner networks in 150 countries and CAMEL roaming on 14 networks in 14 countries.

As of March 31, 2011, we also had domestic roaming agreements with 11 regional GSM providers in Russia, which provide roaming for subscribers in more than 10 cities across Russia, including small towns and settlements and the Far East super-region where we do not have GSM licenses.

USB Modems

Russia. We provide our prepaid customers with wireless Internet access through GPRS/EDGE and HSDPA networks. The service was commercially launched in September 2008 in Russia. We currently offer Internet access through USB modems in every region of Russia, and our subscribers benefit from 3G speeds in all regions (1,084 cities) in Russia as of March 31, 2011. We offer special wireless Plug&Play-USB modems, which provide our customers with a convenient tool for Internet access. In addition to providing Internet access, the USB modems have other functionalities such as balance top-up, tariff changing and easy management of other services in USB-modem interface.

Ukraine. In Ukraine, we provide our subscribers with wireless Internet access through GPRS/EDGE/UMTS networks. The service, which was commercially launched in 2008 offers subscribers special wireless USB modems, which provides a simple way to access the Internet throughout Ukraine without access to fixed-line broadband or a long-term contract. Subscribers receive a discounted USB modem and SIM card with a pre-installed special Internet rate data plan.

Kazakhstan. In Kazakhstan, we provide subscribers wireless Internet access over GPRS/EDGE/UMTS networks. Our UMTS/HSPA network was commercially launched in Almaty and Astana in December 2010. The wireless Internet services that we offer include small screen Internet (data services & options in regular voice price plans) and large screen Internet (special internet price plans bundled with USB-modem or without modem for PC and note/netbooks).

Uzbekistan. In Uzbekistan, we provide subscribers wireless Internet access over GPRS/EDGE/UMTS networks. The UMTS/HSPA services were commercially launched in 2008, and the majority of the network was constructed in 2010. By the end of March 2011 we provided *UMTS* services in 11 cities. We provide internet services both for small- and large-screen Internet. For small screen subscribers we have begun to integrate mobile services of popular social networks (Twitter, Facebook, etc). We partially subsidize USB-modems to reach highest user penetration. USB-modems are locked for the Beeline network so that they only work within our network.

Armenia. In Armenia, we provide subscribers wireless Internet access over GPRS/EDGE/UMTS/GSM networks. UMTS services were commercially launched in 2009. For small screen subscribers we launched data bundles and began to integrate mobile services of popular social networks (Twitter, Facebook, etc.) USB-modems were commercially launched in July 2009. Subscribers receive a USB modem and SIM card with a pre-installed special Internet rate data plan.

Georgia. USB-modems were commercially launched for prepaid customers in June 2009 and modem traffic exceeded 1 million megabites between June 2010 and March 2011.

Tajikistan. USB-modems were launched in Tajikistan in January 2008. We provide our subscribers with wireless Internet access via GSM/EDGE and UMTS networks. We provide Internet services both for small and large screen Internet. In the first quarter of 2011, Tacom began to integrate mobile services to Facebook. In the first quarter of 2011, the usage of non-voice services GPRS Internet megabites increased due to new Internet tariffs that Tacom offered.

Kyrgyzstan. We provide our subscribers with wireless Internet access through GPRS/EDGE/UMTS networks. Our UMTS network in Kyrgyzstan was launched in December 2010. USB-modems were commercially launched for prepaid and contract customers in November 2009.

Seasonality

Our mobile telecommunications business is subject to certain seasonal effects. Specifically, in our biggest markets of Russia and Ukraine sales of our contract and prepaid tariff plans tend to increase during the December holiday season, and then decrease in January and February. Our marketing efforts during periods of decreasing sales help to offset these seasonal effects. January tends to have higher roaming revenue due to winter holiday travel by subscribers. As with contract and prepaid tariff plans, sales and minutes of use per subscriber also typically decrease in October and November. Our roaming revenues increase significantly from June to September due to the fact that many of our subscribers travel on vacation to destinations outside of their home countries. Guest roaming revenue on our networks also grows in this period. During the winter season, roaming revenues are stable, although January shows growth in all types of roaming revenues due to the winter holidays. Seasonal growth of usage of messaging services in December, January, February and March is caused by holidays period when customers like to congratulate each other with SMS and MMS.

Our fixed telecommunications business marketed under the ‘Beeline’ and ‘Kyivstar’ brands, discussed below, is also subject to certain seasonal effects. Among the influencing factors are the number of working days during periods and periods of vacations. Due to the large number of public holidays and, consequently, the reduced number of working days, we see relatively low level of services usage in January, May and November. In addition, a large number of vacation days also have a negative impact on usage in the months of January, May and August.

Seasonal growth of mobile Internet services usage from September to January is caused by growth of customer activities in this period.

Description of our Fixed-line Telecommunications and our Fixed Internet Business

Following our acquisitions of Golden Telecom in February 2008 and Cortec in June 2008, we offer voice, data and Internet services to corporations, operators and consumers using metropolitan overlay network in major cities throughout Russia, Ukraine, Kazakhstan and Uzbekistan via intercity fiber optic and satellite-based networks, including approximately 295 combined access points in Russia and other countries of the CIS. Through Kyivstar, we have provided fixed-line services in Ukraine since 2005. We have provided fixed-line services in Armenia since 2007.

In our fixed/mobile integrated business structure, fixed-line telecommunications and fixed Internet business is organized into three business units:

- Business and corporate services;
- Carrier and operator services; and
- Consumer Internet services.

Business and Corporate Services (BCS)

BCS in Russia

Our company is an integrated provider of a wide range of telecommunication services available on the Russian market, such as network access and hardware and software solutions, including configuration and maintenance. It operates a number of competitive local exchange carriers ("***CLEC***"), that own and operate fully digital overlay networks in a number of major Russian cities. Our services cover all major population centers in Russia.

Customers and Services

Our customers range from large multinational and Russian corporate groups to Russian small and medium enterprises and high-end residential buildings in major cities throughout Russia.

Local Access Services. Our company provides business customers with local access services by connecting the customers' premises to its fiber network, which interconnects to the local public switched telephone network ("***PSTN***"), in major metropolitan areas in Russia.

International and Domestic Long Distance Services. Our company offers international long distance ("***ILD***") services to its customers via its Federal Transit Network ("***FTN***") which covers the entire territory of Russia and also includes eight international communications transit nodes across Russia.

Our company provides domestic long distance ("***DLD***"), services primarily through its FTN, proprietary and leased capacity between major Russian cities and through interconnection with zonal networks and incumbent networks. It also offers very small aperture terminal ("***VSAT***"), satellite services to customers located in remote areas.

Dedicated Internet and Data Services. Our company provides its business customers with dedicated access to the Internet through its access and backbone networks. It also offers traditional and high-speed data communications services to business customers who require wide area networks ("***WANs***"), to link geographically dispersed computer networks. In addition, our company provides private line channels that can be used for both voice and data applications. Our company offers IP virtual private network, or ("***IP VPN***"), service (based on multiprotocol label switching ("***MPLS***"), which is one of the most popular data services on the corporate market. We also offer customers the ability to enter into service level agreements, which ensure the quality of our service.

Leased Channels. Our company provides corporate clients with the ability to rent channels with different high speed capacities. These "leased channels" are dedicated lines of data transmission.

Value-Added Services. Our company offers an increasing range of value-added services such as co-location, audio conference, SLA and toll free (800) numbers. We also offer access to a variety of financial information services including access to S.W.I.F.T., Reuters, Bloomberg and all Russian stock exchanges. Our company has one of the biggest call centers in Russia that provides services for business clients.

Fixed Mobile Convergence. Based on our fixed and mobile networks, our company offers fixed-to-mobile convergence services to corporate clients providing use of their mobile phone as an extension of their private branch exchange ("***PBX***"). In 2010, we continued the expansion of our fixed mobile convergence services into 17 new cities in Russia, including Krasnodar, Novokuznetsk, Yaroslavl, Chelyabinsk and Kaliningrad. In 2010, we also signed a contract with Open Joint Stock Company "Russian Railways", the Russian national railway corporation for fixed mobile technological network ("***FMTN***") services.

Corporate Services. We also offer to our corporate customers IPIV services, certain Microsoft Office packages, videoconferencing services and sale, rental and technical support for telecommunications equipment.

Managed Services. We offer our corporate clients packages of integrated services that include fixed telephony and Internet access, along with the additional services such as virtual PBX, security services, such as firewall and LAN. The product allows customers to access their systems from various locations.

Equipment Sales. Our company offers and sells equipment manufactured by Cisco Systems, Alcatel-Lucent, Avaya, Panasonic, Nokia, Motorola, Apple, Blackberry and other manufacturers. As part of its turnkey approach, our company also offers custom solutions and services for the life cycle of the equipment, including its design, configuration, installation, consulting and maintenance.

Mobile VPN. We offer to our corporate customers secure remote access to corporate services, databases and corporate applications. Remote access can be organized through different mobile devices, including USB modems, tablet PCs and smartphones.

IP-addresses. We provide to our corporate customers IP-address services, which help to identify devices connected to mobile Internet or corporate network.

BCS in Ukraine

Our company has constructed and owns a 26,157 kilometer fiber optic network, including 5,070 kilometers in cities of Ukraine and 1,207 kilometers in the Kyiv region, which is interconnected to the local PSTN in Kyiv, to other major metropolitan areas in Ukraine and to our gateway. Our company provides data and Internet access services in approximately 97 metropolitan cities in Ukraine.

Kyivstar provides voice and data services through a range of mobile, fixed and broadband technologies. Our fixed services include corporate Internet access, virtual private networks service (VPN), data center, contact center, fixed telephony and number of value added services. Internet access services include connection to the Internet via ADSL, symmetrical and ethernet interfaces at speeds ranging from 256 kbps to 10 gbps. Our company provides standard and advanced fixed telephony value added services, such as convergent fixed-mobile closed user groups. Fixed voice services are available in 28 major cities of Ukraine.

In order to reduce our dependency on other fixed-line operators, we have been building our own transmission capacity between the base station network and the mobile switching centers, consisting of fiber optic cable and radio links. Between our base stations and base station controllers, we use mini links operating at 7, 8, 16 and 23 GHz, where capacity is not constrained. We are building dedicated fiber optic networks in larger cities, such as Kyiv, Kharkiv, Odesa, Dnipropetrovsk, Lviv, Donetsk, Vinnytsya, Khmelnytskyy, Zaporizhzhya, Simferopol and Mykolaiv. As of March 31, 2011, we owned approximately 26,157 kilometers of fiber optic cable and leased a negligible amount. For the last two years, we have already had our own fiber optic cable network that is sufficient to meet most of our transmission requirements without any leased capacity.

Local Access Services. Our company provides local access services to corporate customers by connecting their premises to our fiber optic network, which interconnects to the local PSTN in 28 major Ukrainian cities.

International and Domestic Long Distance Services. Our company provides outgoing international voice services to business customers through its international gateway and direct interconnections with major international carriers using least-cost routing. DLD services are primarily provided through our own intercity transmission network, leased capacity and through interconnection with Ukrtelecom's and other operators' networks. Our company also holds an international license for Ukraine that enables it to provide international telecommunications services throughout Ukraine and to lease the transmission channels to third parties.

Dedicated Internet and Data Services. Our company provides a private line service, virtual private network ("***VPN***") services, an integrated voice and data ISDN connection, frame relay, broadband digital subscriber line and dedicated Internet services.

Voice over Data Services. Our prepaid cards and VoIP products provide an international calling solution.

Information Services. Our company provides telecommunications services to financial and banking companies such as S.W.I.F.T. and Western Union, access to processing centers, news services to companies such as Reuters, as well as conduits to airline reservation systems in Ukraine. Our data center provides server co-location and hosting services for news agencies and financial and entertainment services providers.

Call Center Services. Our company launched its call center services in 2002 and is one of the main market players in providing telemarketing, actualization and hot line services for corporate clients in Kyiv.

Mass Market Services. Our company offers telephone and Internet broadband access services (through FTTB or ADSL) for mass market customers.

BCS in Uzbekistan

Our company is an integrated provider of a large range of telecommunication services available on the Uzbek market, such as network access and hardware and software solutions, including configuration and maintenance. Our company has its own basic fiber-optical digital network in the cities of Tashkent, Zarafshan and Uchkuduk which is longer than 200 kilometers, and copper cables (so-called "last mile"), which are longer than 250 kilometers that allow users to connect and to render services practically in any region of Uzbekistan.

Customers and Services. Traditionally clients of our company are embassies, diplomatic representatives of foreign states accredited in Uzbekistan, representatives of international organizations and corporations, and also large hotels, banks and joint ventures. Currently, our company renders services to physical persons through home ADSL-Internet "Beeline Speed", telephony, and long distance and international long distance telephony on prepaid cards.

Automatic Telephone Communication. Our company offers customers high quality telephone communication services, based on copper wires and the modern digital fiber-optic network. Local, national and international telephone communication is provided through the Beeline line installation. These lines can also be used for facsimile and modem communication.

Data Transmission Dedicated Lines. Our company gives opportunities to organize corporate networks based on leased channels (i.e., dedicated lines of data transmission). Dedicated line is a data transmission medium that is leased by organization-lessee. This solution is most convenient for an organization with big traffic of data transmission or uninterrupted connection requirements.

Dedicated Line Access. We offer direct connections between the customer's location and the telecommunications services facility to eliminate the need for local switching to and from the customer's location on calls between customers on our and other networks.

xDSL Internet Access. Our company offers xDSL technologies, allowing an increase in the data transmission rate via telephone copper cable, eliminating the necessity to modernize subscriber telephone lines. The very capability of the existing telephone lines to be transformed into the high-speed data transmission channels is the main advantage of the xDSL technologies.

Fixed Mobile Convergence. Based on our fixed and mobile networks, our company offers fixed-to-mobile convergence services to corporate clients providing use of their mobile phone as an extension of their private branch exchange, or PBX. Our company also provides access to corporate IP-networks from a mobile phone via GPRS/EDGE.

Mass Market Services. Our company offers telephone and Internet broadband access services (through FTTB or ADSL) for mass market customers, including 100Mbit/s Internet access service. Currently all services are provided under the "Beeline" trademark.

BCS in Kazakhstan.

We focus on small and medium businesses in the cities of Kazakhstan, offering services, including, high-quality, high-speed Internet, telephony and data transmission. We also offer specialized services for multi-national corporations and financial institutions. We provide the following services for corporate customers:

- hi-speed Internet access (including fiber optic lines, wireless technology, WiMax, xDSL and satellite technology);
- local, long-distance, international telephony (including traditional telephony, IP and session initiation protocol (SIP) telephony);
- data transmission services (including leased lines (point-to-point) and IP VPN);
- organization of satellite channels by VSAT; and
- organizational services for integrated corporate networks (including integrated network voice and data services).

BCS in Armenia

Our company is an integrated provider of a large range of telecommunication services available on the Armenian market, such as PSTN-fixed and IP telephony, Internet, data transmission and network access, as well as domestic and international voice termination, TCP/IP international transit traffic services. We operate a national network.

Local Access Services. Our company provides local leased channels.

International and Domestic Long Distance Services. Our company provides international and long-distance (in the territory of Armenia) leased channels.

Dedicated Internet and Data Services. Our company provides data transmission, as well as broadband and corporative Internet services.

Voice over Data Services. Our company provides IP telephony services.

Carrier and Operator Services

Our carrier and operator services division provides consolidated management of our relationship with other carriers and operators.

Two main areas of focus in this line of business are:

- generating revenue by provisioning a specific range of telecom services to other mobile and fixed-line operators and ISPs in Russia and worldwide; and
- optimizing costs and ensuring the quality of our long distance voice, Internet and data services to and from subscribers of other telecommunications operators and service providers worldwide by means of interconnection agreements.

Carrier and Operator Services in Russia

Our carrier and operator services division in Russia provides a range of carrier and operator services, including voice, Internet and data transmission over our own networks.

In an effort to create a single unified transport network for our mobile and fixed telecommunications services by December 31, 2008, we transferred the majority of our international and domestic long distance voice traffic to our own backbone from other Russian long distance carriers. This allowed us to reduce long distance voice traffic termination cost rate by and by 3.0% in 2010 as compared to 2009 and by 2.4% in 2009 as compared to 2008. In 2010, we continued consolidation of long distance traffic originated by our subscribers in Russia to achieve maximum cost efficiency with approximately 99.0% of our long distance traffic having been transferred via our own backbone with a centralized optimized cost routing.

Historically, we have provided high volumes of international and domestic voice calls termination for Russian telecommunications operators, as well as voice call termination to Russia, Ukraine, CIS and Baltic states for international telecommunications operators. After the demonopolization of the long distance telephony market in Russia in 2006, we received a new type of license for international and national communications services and built an FTN of 11 new international and domestic long distance voice switches to meet regulatory requirements for the activation of the new license. By the end of 2008, our FTN had expanded, consisting of 8 international and 21 domestic long distance switches. This allowed us to improve our status on the international and domestic long distance markets in Russia by providing services that are competitive with those offered by leading telecommunications providers in Russia. This infrastructure has allowed us to achieve significant traffic growth. International traffic volumes transferred by our FTN in increased by 14.0% in 2010 as compared to 2009 and by more than 25.0% in 2009 as compared to 2008.

Regulatory changes in 2006 introduced new models of inter-operator tariffs to the Russian voice traffic transmission market. There are three types of fixed-line voice services operators, local, zonal and long distance, which are determined in accordance with licenses held by an operator. According to regulations, every long distance voice call originating from a fixed-line subscriber in Russia and/or terminating with a fixed-line subscriber in Russia should be transmitted via all three levels of voice network. Every long distance call that originates or terminates with a mobile user must be transmitted on at least two levels of voice network. As a universal carrier and service provider, we combine all three levels of licenses and voice networks within Russia. We have a number of our own zonal networks and our own local networks in the most populated regions of Russia.

Our carrier and operator services division also provides domestic and international IP transit services to ISPs in Russia, Ukraine, the CIS and Baltic states. Smaller ISPs can connect to our IP backbone and then use its network to access the Internet. Our IP backbone is a native IP/MPLS network with 220 Gbps infrastructure and more than 130 access points in Russia. Top Russian content providers such as “Mail.ru” and “Odnoklassniki.ru” have facilities which are located in our data centers and have Internet access via our IP backbone. More than 450 ISPs have an IP exchange with our network as full IP transit customers. We have global traffic exchange points in London, Frankfurt, Amsterdam, Stockholm and New York. These factors allow us to provide ISPs with hi-level bandwidth and connectivity to both Russian and global Internet segments.

Customers and Services

Our carrier and operator services customers include foreign and Russian telecommunications operators and carriers.

Voice Services. For international operators, including traditional incumbents, mobile and VoIP operators, we provide call termination to fixed and mobile destinations in Russia, Ukraine, and the CIS and Baltic states. For Ukrainian and CIS operators, we provide call termination to Russian and international fixed and mobile destinations. For Russian operators we provide international, domestic, zonal and local voice call transmission services.

Internet Services. Our carrier and operator services division provides IP transit service to Russia, Ukraine, and the CIS and Baltic states and other operators throughout the world. Russian, Ukrainian and CIS operators require global Internet connectivity. International operators require connectivity to the Russian Internet segment. In addition, our carrier and operator services division provides co-location services in our data centers to content providers.

Data Services. We offer three types of data services: private networks, local access, and domestic and international channels.

We have our own local network nodes in the majority of business and trade centers in the largest cities of Russia. Other operators access those business and trade centers by ordering from our local channels that connect to their network nodes.

We have interconnection agreements with international global data network operators who provide one-stop shopping for worldwide data network services for multinational companies. Under these interconnection agreements we provide MPLS-based IP VPN, local, domestic and international private lines, equipment and equipment maintenance for Russia, Ukraine and the CIS.

We also provide high-speed domestic and international channels to international and Russian operators to sell excess backbone network capacity.

Carrier and Operator Services Outside Russia

We are the main carrier for all of our group companies in Ukraine and the CIS for voice traffic transmission between countries where we operate and for the majority of our group's international long distance traffic termination and IP transit. This allows the group to transfer subscribers' and transit long distance traffic to and from CIS networks at an optimized cost. By using consolidated volumes of international long distance traffic to achieve lower termination rates on volume commitments. Consolidated volumes of traffic are routed over the extensive interconnections base of our long distance network with a least cost routing system.

Ukraine. Our joint carrier and operator services division in Ukraine provides local, international and intercity long distance voice traffic transmission services to Ukrainian fixed-line and mobile operators on the basis of its proprietary DLD/ILD network as well as IP Transit and data transmission services on the basis of our own domestic and international fiber optic backbone and IP/MPLS data transmission network.

We derive most of our carrier and operator services revenue in Ukraine from voice call termination services to our own mobile network, and other local and international destinations. Kyivstar and URS have more than 100 national interconnections in cities in Ukraine through which we terminate traffic of our subscribers and generate revenues from call termination on our networks. Kyivstar has 40 international interconnections with international partners for voice call termination and IP transit services.

Armenia. ArmenTel is the Armenian incumbent mobile and fixed-line operator. ArmenTel operates a national network and local networks in almost in every city of Armenia. ArmenTel provides domestic and international voice termination, intercity and local leased channels and IP transit.

Kazakhstan. KaR-Tel has indirect interconnection with OJSC VimpelCom through Limited Liability Partnership TNS-Plus ("***TNS-Plus***"), in which KaR-Tel owns an interest. KaR-Tel has eight interconnection agreements with other mobile and fixed-line operators in Kazakhstan under which KaR-Tel provides traffic termination services.

Uzbekistan. Unitel has interconnection agreements with Uzbektelecom, the incumbent fixed and mobile services provider in Uzbekistan, through which all national and international traffic is routed, and six other operators in Uzbekistan. Uzbektelecom also has an interconnection agreement with OJSC VimpelCom.

Tajikistan. Tacom has interconnection agreements with 15 local operators. Under interconnection agreements, Tacom provides voice call termination to its own network. Tacom also has a license to provide international communications in Tajikistan which allows it to interconnect with OJSC VimpelCom directly.

Georgia. Mobitel has interconnection agreements with ArmenTel and OJSC VimpelCom, and 22 agreements with local operators. Under these agreements Mobitel provides voice call termination to its own network.

Cambodia. Sotelco has interconnection agreements with eight mobile operators, including local and international operators through the local incumbent Telecom Cambodia. Under interconnection agreements, Sotelco provides voice call termination to its own network. Sotelco also has a license to provide VoIP services in Cambodia which allows it to interconnect with international destinations.

Laos. Millicom Lao has direct interconnection agreements with all three other operators in Laos. These agreements allow for bilateral termination of all voice, data and SMS traffic to each other's networks. Millicom Lao also holds a license to provide VoIP services in Laos, which allows it to directly interconnect with international destinations for all voice, data and SMS traffic.

Consumer Internet Services

Our consumer Internet services division provides fixed-line telephony, Internet access and home phone services (on a VoIP and copper wire basis) to customers in Russia, Ukraine, Uzbekistan, Armenia and Kazakhstan.

In Russia, we offer fixed-line and wireless Internet access and dial-up services.

Fixed Broadband Internet Access.

Fixed-line broadband subscribers are subscribers in the registered subscriber base who were engaged in a revenue generating activity in the three months prior to the measurement date. Such activity includes monthly Internet access using FTTB, xDSL and WiFi technologies.

As of March 31, 2011, we had approximately 1.6 million fixed-line broadband subscribers in Russia, 0.2 million fixed-line broadband subscribers in Ukraine, and 0.113 million fixed-line broadband subscribers in the CIS, representing an increase of approximately 33.4% over the approximately 1.2 million fixed-line broadband subscribers in Russia, an increase of approximately 155% over the approximately 0.09 million fixed-line broadband subscribers in Ukraine, and an increase of approximately 157.0% over the approximately 0.044 million fixed-line broadband subscribers in the CIS as of March 31, 2010.

Russia. One of our strategic goals is to develop broadband services based on the most up-to-date engineering solutions. Currently, we are focused on developing local infrastructure in order to bring fixed broadband Internet access services to major Russian cities.

For more information on Golden Telecom's FTTB project, please see the "—Fixed-line Telecommunications Equipment and Operations—Fixed-line Telecommunications Network Infrastructure—FTTB Project" section below.

Ukraine. We began providing fixed broadband services in Ukraine in 2008 and as of March 31, 2011 provided services in 43 cities in Ukraine. In connection with this service, we have been engaged in an approximately US$70.0 million for 2011 project to install FTTB for fixed broadband services in approximately 23,000 residential buildings in our initial target cities, providing over 32,000 access points.

Additional FTTB services

FTTB IPTV. We launched the FTTB IPTV service in Russia in January 2009. In May 2009 we enhanced and relaunched the product under the "Beeline TV" brand. Currently Beeline TV product is run in Moscow, Saint Petersburg, Voronezh, Krasnodar, Tula and Novomoskovsk, Kaluga, Lipetsk, Saratov, Engels, Ufa, Yaroslavl, Volgograd, Volzhiskiy, Ekaterinburg, Kazan, Rostov-on-Don, Bataysk, Samara, Kursk, Astrakhan, Tver, Ivanovo, Kostroma, Orel, Stavropol, Krasnoyarsk, and Perm. As of March 31, 2011, we had approximately 179,000 IPTV subscribers, in total. Our service has two unique market features: first, all set-top-boxes ("***STBs***") are high definition ("***HD***") technology compatible which allows us to broadcast HD content to every our customer. Second, we provide STBs with digital video recorder ("***DVR***") functions, which allow users to watch TV content on-demand and to pause and rewind live television.

Wireless Broadband Internet Access. On March 1, 2007, Golden Telecom launched commercial operation of its WiFi network, offering prepaid Internet access to the mass market under the "Golden WiFi" brand. Since September 22, 2008, the service has been provided under "Beeline WiFi" brand. According to iKS Consulting, Beeline WiFi is the world's largest metropolitan wireless network and includes the greater part of Moscow's city center and many other areas of the city. As of March 31, 2011, our company had installed more than 12,000 WiFi access nodes in Moscow. Our most recognized partners in providing WiFi services are Domodedovo and Sheremetyevo Airports, McDonalds, Starbucks, Coffee-House, MEGA and IKEA trade centers. We also provide EDGE technology wireless broadband services through Kyivstar's GSM network in Ukraine.

Dial-up Internet Access. We continue to offer dial-up Internet services to consumers in Russia. With over 50 locations, we are the largest ISP in the CIS. We plan to continue providing dial-up Internet services while migrating dial-up Internet customers onto new Internet access products such as FTTB, USB-modems and WiFi.

Traditional Voice. We have provided home phone services to the mass market since 2005. We provide the same services as our main competition for such services is Rostelecom, a subsidiary of the state-controlled telecommunications company, Svyazinvest. As of March 31, 2011, we had subscribers in 51 regions in Russia.

Pay TV (Cable TV) Services. We provide traditional cable TV services in certain cities in Russia.

In Ukraine, Uzbekistan, Armenia and Kazakhstan, with the exception of Pay TV, we offer the same spectrum of fixed-line and wireless Internet access and dial-up services. In Armenia, we offer PSTN-fixed and IP telephony services, as well as fixed broadband Internet access based on ADSL technology and dial-up services and wireless Internet access based on CDMA technology.

Marketing and Distribution

Mobile Services

Target Subscribers and Tariffs

We offer to both our contract and prepaid subscribers a variety of tariff plans, each appealing to a specific subscriber segment and designed to fit different calling patterns. In all countries except Ukraine, our principal tariff plans are marketed under our "Beeline" trade name and in Ukraine, our principal tariff plans are marketed under the "Kyivstar" and "djuice" trade names.

Russia

In Russia, we offer our subscribers several national prepaid and contract tariff plans, each offering a different benefit and targeting a certain type of subscriber (such as business users, high-ARPU subscribers, families or young, active subscribers). We also offer a number of local tariff plans. Our tariff plans in Russia are almost exclusively Russian ruble-based but there are a limited number of U.S. dollar linked price plans (based on a fixed exchange rate).

We divide our primary target subscribers in Russia into four groups:

- key/national accounts, in which monthly revenue for mobile and fixed line services exceed US$10,000.0;
- large accounts, in which monthly revenue for mobile and fixed line services exceed US$2,000.0 or companies having high revenue potential;
- SME subscribers in which monthly revenue for mobile and fixed line services is less than US$2,000.0; and
- mass market subscribers.

We also offer specific business value added services and voice tariff plans with discounts and special pricing for our key/national accounts.

The revenues from our key/national accounts, including all multi-regional companies and government institutions, are included in the total revenues for our business and corporate division.

The typical corporate subscriber pays on a contract basis for our fixed and mobile services. We provide our corporate subscribers with a range of additional value-added services, including specialized customer service, tailored pricing arrangements and access to sophisticated technological options, such as individual corporate wireless networks.

For USB-modem customers, we offer special tariffs that were developed for Internet access purposes with closed voice service. Tariffs differ by subscriber needs. In regions in which we use a 3G network, subscribers benefit from lower tariffs and higher speeds. We implemented several unlimited tariffs and started sales of data-tariffs without USB-modems with attractive prices for Internet access.

Ukraine

In Ukraine, we offer several hryvnia-based prepaid and contract tariff plans, each one targeted at a different type of subscriber.

We divide our primary target subscribers into three large groups:

- youth;
- business (subdivided into SME subscribers and large business subscribers); and
- mass market subscribers.

The Ukrainian mobile market operates primarily on prepaid plans. However, contract subscribers tend to generate higher average revenues for our company than prepaid subscribers generate. To attract more contract

subscribers, we have differentiated our service levels to provide higher customer service to our contract subscribers, such as direct access to customer service agents on a dedicated contract subscriber customer service line, in addition to our initiatives to increase the flexibility and accessibility of the payment methods offered to contract subscribers.

Kazakhstan

In Kazakhstan, KaR-Tel offers more than ten different regional and nationwide tenge-based tariff plans for the consumer market and more than ten different tenge-based tariff plans for its business segment, each targeted at a different type of subscriber.

KaR-Tel divides its primary target subscribers into four large groups:

- large account corporate subscribers with an average monthly bill of US$2,400.0 or higher;
- SME subscribers with an average monthly bill of less than US$2,400.0;
- national clients with any number of employees, but that are industry leaders with a presence in more than one region of the country; and
- mass market subscribers.

Businesses and governmental entities that use mobile services on a contract basis are grouped together as part of KaR-Tel's business and corporate division.

In order to promote further growth of our subscriber base, KaR-Tel is able to offer a number of advanced services to the corporate and mass market subscribers with high ARPU, while at the same time providing lower priced services for the more cost-sensitive mass market subscribers.

Uzbekistan

In Uzbekistan, Unitel offers different prepaid tariff plans in two currencies (U.S. dollars and Uzbek soms), each one offering a different benefit and targeting a certain type of subscriber. Currently, more than 50.0% of Unitel's subscribers use tariff plans based in Uzbek soms.

Unitel divides its primary target subscribers into three large groups:

- large account corporate subscribers with an average monthly bill of US$1,000.0 or higher;
- SME subscribers in which monthly revenue is less than US$1,000.0 and high-income individual subscribers; and
- mass market subscribers.

Businesses and governmental entities that use mobile services on a contract basis are grouped together as part of Unitel's large business and corporate division.

Through its GSM network, Unitel offers a number of advanced services to the corporate and high-value subscribers, while at the same time providing low-priced services for the more cost-sensitive mass market subscribers.

Armenia

In Armenia, ArmenTel offers several dram-based prepaid and contract tariff plans, each one targeted at a different type of subscriber. In 2009, ArmenTel modified its tariff plans for contract subscribers and launched new corporate tariff plans. In May 2010, ArmenTel launched "Beeline phones" sales with contract tariff plan. Also in 2010 there were launched sales of "Regional" tariff plans, and new corporate tariff plans "Exclusive Line". In the first quarter 2011, ArmenTel launched new prepaid tariff plans for youth and regional subscribers.

ArmenTel divides its primary target subscribers into three groups:

- large corporate subscribers with service charges of US$2,200.0 or more, as well as certain international, governmental and strategic organizations;
- SME subscribers that are all other corporate subscribers that are not included in large segment; and
- mass market subscribers.

Businesses and governmental entities that use mobile services on a contract basis are grouped together as part of ArmenTel's business and corporate division.

Tajikistan

In Tajikistan, Tacom offers several U.S. dollar-based and Tajik somoni-based prepaid and contract tariff plans, each one targeted at a different type of subscriber.

Tacom divides its primary target subscribers into three groups:

- large account corporate subscribers with an average monthly bill of US$1,000.0 or higher;
- SME subscribers with an average monthly bill of less than US$1,000.0 and high-income individual subscribers; and
- mass market subscribers.

Georgia

In Georgia, Mobitel offers seven national lari-based prepaid tariff plans and twenty contract-based postpaid tariff plans for its SME and large account corporate customers. Mobitel divides its primary target subscribers into three groups:

- large account subscribers with an average monthly bill of approximately US$1,100 or higher;
- SME subscribers; and
- mass market subscribers.

Kyrgyzstan

In Kyrgyzstan, Sky Mobile offers many prepaid price plans in two currencies (U.S. dollars and Kyrgyz soms ("***KGS***")), each one offering a different benefit and targeting a certain type of subscriber. Sky Mobile offers a wide range of contract tariff plans to business clients, each targeted at a different type of subscriber. Sky Mobile's tariff plans are almost exclusively Kyrgyz som-based but there are a limited number of U.S. dollar-based price plans.

Sky Mobile divides its primary target subscribers into three large groups:

- large account corporate subscribers with an average monthly bill of 50.000-70.000 KGS or higher, including national companies (with any number of employees, but that are industry leaders with a presence in more than one region of the country) and governmental clients;
- SME subscribers with an average monthly bill of less than 50.000 KGS; and
- mass market subscribers.

Businesses and governmental entities that use mobile services on a contract basis are grouped together as part of Sky Mobile's business and corporate division.

Cambodia

In Cambodia, Sotelco offers two U.S. dollar-based prepaid national price plans with varying rate structures. All services are offered under the Beeline brand. Our main target audience is youth, following the demographics of this country with one of the youngest populations in Asia.

Laos

In Laos, Millicom Lao offers one Lao kip-based price plan for prepaid customers and four Lao-kip based price plan for postpaid subscribers.

Millicom Lao: divides its primary subscribers into three major groups:

- youth;
- corporate and professional (small business and SME executives); and
- friends and family (members of the general population).

Advertising

Our advertising focuses on maintaining our market share and developing existing subscribers, in addition to attracting new subscribers. To promote our image and services and to stimulate loyalty in the most efficient way, we use a variety of different media based on our analysis of advertising consumption, cost per point,

advertising coverage, proximity and affinity. Generally, for sales promotions, loyalty and image campaigns, we use a full media mix, including television, radio, press, outdoor advertisement, numerous point of sales materials and Internet advertising.

Through our advertising and public relations initiatives, we aim to build image attributes as a leading company, with superior customer care; promote new tariffs and encourage new and existing subscribers to use our services; develop existing subscribers in terms of their mobile and Internet usage behavior by promoting new and existing products and services; and stimulate loyalty by promoting loyalty program benefits to our existing subscribers.

We conduct significant advertising campaigns through popular publications, on radio and television, in outdoor media and on the Internet. We conduct our advertising campaigns in cooperation with our licensees to further increase the exposure of the "Beeline" brand names. We derive substantial marketing benefits from brand recognition, both with existing customers traveling outside of our service areas and with potential new customers moving into our license areas. We provide promotional information in our consumer invoices and on our prepaid cards to inform customers of alternative pricing arrangements, dealer locations and new services targeted to specific market segments. We also work with dealers on joint advertising and to ensure that the integrity and high quality image of the "Beeline" brand names is preserved.

In 2009, the Beeline brand was named the leading brand corporation in Russia and ranked 39th in the Top 50 Most Valuable European Brands, with a €7.9 billion brand value, by the European Brand Institute. In 2010, Beeline was voted second in the Best Russian Brands 2010 by Interbrand (with a US$6.3 billion brand value). In 2010, Beeline for a second time was ranked in the Brandz Top 100 Brand Ranking with an US$8.2 billion brand value, by Millward Brown. In 2010 and 2011, the Beeline brand was rated the most valuable brand in Russia (with a brand value of US$7.5 billion and US$8.0 billion, respectively) by MMP Consulting.

In Ukraine, we provide our services under a multi-brand portfolio, which includes "Kyivstar" (which also includes the "Kyivstar Business" brand), "djuice" and "Beeline". Each brand is marketed toward a particular segment of the population. The "Kyivstar" brand is marketed to the mass market in Ukraine; "Beeline" is marketed primarily to visitors from Russia and other countries; and "djuice" is marketed towards Ukraine's youth.

iPhones

We believe that sales of iPhones and iPads will contribute to an increase in the sales of our data services. As part of our strategy to develop our data services portfolio, we expect to promote iPhone and iPad price plan options and possibilities for consumers with devices in the Beeline network.

To increase use of our value added services by iPhone and iPad users, we offer a special application in the Apple AppStore that provides easy access to some of our popular services. In the future, we expect that the application we have developed will be updated with new services and features. In the third quarter of 2011, we plan to update our applications to be compatible with the iPad2. In addition, in order to increase sales of iPhones and iPads to our customers, we expect to cooperate with Euroset and other dealers and promote iPhone services in retail stores

Distribution

Our distribution strategy currently focuses on making our products and services more affordable and widely available to potential new and existing subscribers. We offer our products through independent dealers at an extensive range of points of sale throughout each country in which we offer services. Subscribers can replenish prepaid balances in a variety of ways, including through use of prepaid scratch cards or our cash collection network that includes partners' cash payment terminals, dealers' retail stores, supermarkets, bank branches or Beeline brand outlets. As a result of our strategy, we tend to attract a greater mix of mass-market subscribers, most of whom enroll through independent dealers as compared to our corporate and high value customers who mostly enroll directly with us. Additionally, in October 2008, we acquired 49.9% of Euroset, a leading independent retailer in Russia, which significantly enhanced our distribution capabilities. The table below provides a break-down of the principal categories of our distributors in the countries where we operate as of March 31, 2011.

As of March 31, 2011 we had 2,433 dedicated Beeline outlets of franchisee partners, which are branded Beeline outlets operated by dealers that provide Beeline products and services only. In early 2011, we signed an agreement with Euroset targeted to open new branded Beeline salons that will replace less effective franchisee partner outlets.

	Independent Dealers	Points of Sale	Prepaid Scratch Card Purchase Location[1]	Cash Collection Points[2]
		(As of March 31, 2011)		
Russia	2,750	40,900	58,340	250,000
Ukraine	473	40,000[3]	65,000	56,000
Kazakhstan	334	9,521	28,799	32,853
Uzbekistan	3,004	5,333	3,964	12,690
Armenia (mobile)	139	3,189	6,870	2,682
Tajikistan	114	1,586	596	8,179
Georgia	173	2,084	5,051	8,782
Kyrgyzstan	211	4,677	3,237	11,709
Cambodia	647	7,011	15,043	1,973

(1) Prepaid scratch cards are sold at our sales offices as well as through a network of dealers and various retail distribution channels, such as bank branches, supermarkets, grocery stores, kiosks and gas stations.

(2) Cash collection points where subscribers can replenish prepaid balances through our Universal Payment Systems are located throughout each jurisdiction (including our sales offices, dealers' sales outlets, supermarkets, bank branches, gas stations and ATM machines).

(3) Figures include Kyivstar's own stores, exclusive and non-exclusive dealer outlets, and specialized and non-specialized retail points of sale.

In Russia, we pay commissions to dealers for enrolling subscribers, which are based on the subscriber's spending within the six-month period after being enrolled up to a specified limit.

In Ukraine, Kyivstar pays dealers, distributors and electronic channel partners commissions, bonuses and subsidies, which are earned (i) when new customers create accounts, (ii) when a SIM card is activated and registered in Kyivstar's billing system with an initial balance and (ii) when certain quality standards are achieved by dealer personnel.

The commissions in CIS countries typically vary by the initial balance included with the SIM card, the subscriber's price plans, and the subscriber's expenditures. In all countries excluding Kyrgyzstan, registration of new subscribers in the billing system by dealers is required for payment of dealer commissions. In Kyrgyzstan, subscribers' registration is not required by law.

Customer Service and Loyalty Programs

We place a high priority on providing consistently high quality customer service to our subscribers. We have customer service centers in all of our sales offices throughout Russia, including 19 dedicated walk-in centers in Moscow, five in Moscow Region and 213 in Ukraine. We handle the majority of our customer contacts through call centers (13 in Russia, four in Ukraine, six in the CIS, one in Cambodia and one in Vietnam. Our call centers support a wide range of services, products and devices, including mobile, FTTB, Residential Broadband and iPhones. As of March 31, 2011, we employed approximately 8,649 service representatives in its subscriber service department (of which approximately 6,600 were in Russia, 501 were in Ukraine, 1,200 were in the CIS, 202 were in Cambodia, 92 were in Vietnam and 54 were in Laos).

We recognize the need to continuously build and increase the loyalty of our subscribers. Accordingly, we have developed marketing activities specifically designed to promote subscriber loyalty. We actively use targeted marketing to increase customer loyalty and services consumption (ARPU) in all segments of mobile and FTTB mass marketing services. We apply data mining analysis to predict the propensity of churn for each subscriber, which allows us to increase efficiency of churn reduction by means of targeted marketing campaigns.

In Russia, our loyalty programs are designed to retain our existing subscribers, thereby reducing churn, and increasing customer spending, both in B2C and B2B. In 2006, we launched a loyalty family program called "Malina" in the Moscow license area with other vendors and service providers. Through a variety of incentives, this program aims to decrease churn among our mass market subscribers, increase usage of "Beeline" services and attract target market subscribers from our competitors. We also launched the Data Warehouse program, which allows us to provide cross-partner programs in which we analyze Malina members' activities with other program partners. In 2007, Hi-Light Club, ("***HLC***") our loyalty program for high ARPU clients (launched in March 2005) became a nationwide program and is being developed as a centralized program managed from Moscow. HLC offers benefits to its members in 37 cities. In 2008 we launched "My company" and "How are you" loyalty campaigns to decrease churn among our business clients.

In Ukraine, we to promote brand loyalty we use 'Friends & Family' and social networking programs. These programs provide advantageous pricing for on-network calls and special discounts on some tariff plans for calls made to members of a subscriber's immediate family or most frequently called numbers.

In the first quarter of 2011, we actively developed activities to retain our subscribers in CIS markets. We continue to develop loyalty programs in Kazakhstan, Uzbekistan, Armenia and Kyrgyzstan. In February 2011, we launched a loyalty program (called Beeline Club) in Georgia. All loyalty programs are designed to decrease churn and increase ARPU. By the end of the first quarter of 2011, we had more than six million participants in our loyalty programs in the CIS. In addition we continue to retain customers with help of targeted campaigns based on churn prediction modeling.

Fixed-line Marketing and Pricing

We provide a variety of tariff plans all over Russia, Ukraine and the CIS including regular promotional rates with unlimited access price plans, lock-in contracts and multiregional offers and special fixed and mobile offers that include on-network convergent rates and IPVPN + Mobile VPN price packages. Our tariff plans are aimed at attracting new clients and keeping existing ones. Tariff plan usage depends on the type of subscriber. The majority of SME subscribers use standard tariff plans while large account and key/national account subscribers tend to use individual price offers. Marketing activities in Russia, Ukraine and CIS include national and local promotion, regular updates of tariff plans for all services, and the introduction of unique pricing features such as packages of minutes for a specified direction, a "preferred time" option which allows discounted calls during a chosen time period, special tariffs for defined user groups and national unlimited rates for IPVPN.

Business and Corporate Services (BCS)

Russia

We utilize a direct sales force in Moscow, operating both with fixed and mobile corporate customers and supported by specialists in technical sales support, marketing, customer service and end-user training. In addition, we employ a team of regional sales managers and a dedicated sales force in each of our regional branch offices, in addition to having sales incentive plans with our regional partners.

We train our employees to provide a high level of customer service. In the typical case, we offer our services at competitive prices in comparison with incumbent local / national operators and other alternative operators in the market. We base our pricing on research results, market price level, competition in all regions, and customer expectations learned through direct feedback from our new and existing clients. Additionally, we monitor price levels for similar services in other countries around the world. Our large customers may be eligible for volume discounts at defined revenue thresholds. We also apply a discount policy within cross-sales (selling convergence fixed and mobile services to the same client).

While pricing competition remains a factor, especially for voice services, many corporate data networking customers place more value on network coverage, reliability and the ability to design, install and maintain local area networks, or LANs, and wide area networks, or WANs. These customers often require integrated solutions, including connections to offices located in different cities. To meet these requests, we currently offer a range of services aimed to provide installation and maintenance of customers' equipment and local networks in Moscow and other regions. We currently provide full network support for a number of key clients, and we are actively working on new products which we believe will allow us to provide a whole range of managed services including managed IPVPN, managed PBX, managed customer premises equipment (CPE) managed security, managed storage and managed workplaces.

Ukraine

Our company emphasizes high customer service quality and reliability for its corporate large accounts while at the same time focusing on the development of its SME offerings. It sells to corporate customers through a direct sales force and various alternative distribution channels such as IT servicing organizations and business center owners, and to the SME through dealerships, direct sales, own retail and agent networks.

We use a customized pricing model for large accounts which includes, among other things, service or tariff discounts, volume discounts, progressive discount schemes and volume lock pricing. We use standardized and campaign-based pricing for SME customers.

Consumer Fixed Internet Services

Russia

Fixed Broadband Internet Access. We offer a wide range of FTTB services tariffs targeted to different customer segments. There are four unlimited tariff plans with monthly fees but different speeds for active

Internet users, as well as a set of tariffs with limited packages of traffic but with the highest possible connection speeds (up to 100 Mbps). There is also a special tariff for mobile customers with certain preferences. We also provide a range of value added services such as static IP address, trusted payment, antiviruses (Kasperskiy and Dr.WEB) and WiFi routers.

FTTB IPTV. TV service is provided on a monthly fee basis. STBs can be rented or bought by customers. We also have launched VAS for TV service: Video On Demand (with a library of more than 3,000 items), web-on-TV (together with Yandex—largest Russian web portal), and recommendation engine (a STB remind customer about the start of a customer's regularly viewed TV shows). Also, STB can record TV shows that may be interesting for the customer based on their viewing history.

xDSL Services. For xDSL services, our company offers an unlimited tariff plan and tariff plans that depend on traffic volume and connection speed.

Wireless Broadband Internet Access. Our company offers WiFi tariff plans that include unlimited usage plans and plans that charge by usage. Our company also offers special prices for mobile and FTTB users.

Dial-up Internet Access. Currently, our company offers prepaid tariff plans for all mass market services. Customers can purchase scratch cards from points of sale, pay through an electronic payment system or make a payment at one of our sales offices. We use our distribution network to communicate with our subscribers and for trade marketing activities. Moscow and regional subscribers can call their call centers for customer and technical support.

Pay TV (Cable TV) Services. We offer two tariff plans: "Social" for customers who need basic TV channels (10-12 channels) and "Commercial" with 45-55 TV channels.

Ukraine

Our marketing strategy is focused on attracting new subscribers. We offer several hryvnia-based tariff plans, each one targeted at a different type of subscriber. Advertising campaigns use primarily ATL (TV, outdoor, press, radio. Internet), and sometimes BTL. We also sell services through direct sales and in 1-2-1 activities.

Fixed Broadband Internet Access. We offer a wide range of FTTB services tariffs targeted to different customer segments. There are four unlimited tariff plans with monthly fees but different speeds for active Internet users (up to 100 Mbps).

xDSL Services. For xDSL services, our company maintains service with an unlimited tariff plan and tariff plans that depend on traffic volume and connection speed.

Dial-up Internet Access. Customers can purchase scratch cards from points of sale, pay through an electronic payment system or make a payment at one of our sales offices. Revenue, as well as the quantity of subscribers, is insignificant and shows a steady decrease in both cases due to obsolete technology used in this kind of service.

Equipment and Operations

Mobile Telecommunications Equipment and Operations

Mobile Telecommunications Network Infrastructure

GSM and 3G technologies are based on an "open architecture," which means that equipment from any supplier can be added to expand the initial network. Our GSM/GPRS/EDGE networks, which use Alcatel-Lucent, Ericsson, Huawei, Motorola and Nokia Siemens Networks equipment, are integrated wireless networks of base station equipment, packet core equipment and digital wireless switches connected by fixed microwave transmission links, fiber optic cable links and leased lines. We manage all major suppliers centrally to leverage the whole group and ensure we receive on an ongoing basis the best commercial terms possible. We make supplier selection decisions based on a total cost of ownership, seeking to optimize network operations and provide the best value end customer experience.

In 2006, we launched a 3G network in Tajikistan based on Huawei equipment. In 2008, we launched 3G networks in Uzbekistan and Armenia, and in December 2010, we launched 3G networks in Kazakhstan and Kyrgyzstan. These networks provide all common 3G services, including video calling. In March 2008, we launched a TDM/VoIP international gateway in Kazakhstan.

In Ukraine, we have constructed and currently operate our own national dual band GSM 900/1800 MHz network. Ericsson is our principal infrastructure contractor and has supplied all of our mobile switching centers,

base station controllers, base stations, operation support systems and transmission systems equipment. Our radio network is based primarily on GSM 900 MHz infrastructure, augmented by GSM 1800 MHz equipment. We use GSM 1800 MHz equipment in high use areas, such as the Kyiv area, due to 1800 spectrum availability. Our radio network uses different frequencies in different regions, depending on availability, conflicts and demand. Because the Ukrainian government has allocated only a limited number of frequencies on the 900 MHz spectrum for GSM mobile operators, we use the current spectrum available to us as efficiently as possible. Where available, we have upgraded our network to include additional frequencies in the 1800 MHz band.

We have established our mobile switching centers in all major cities and regional centers in Ukraine. Mobile switching centers are connected to the public switched telephone networks of other mobile telecommunications and fixed-line operators.

The table below sets forth certain information on our network equipment as of March 31, 2011.

	Base Stations(*)	Base Station Controllers(*)	Switches(*)	Territorial Coverage	Sq Kilometers
Russia	35,188	774	329**	3,250,000	million sq. kilometers
Ukraine	15,479	135	55	603,447	thousand sq. kilometers
Kazakhstan	3,907	102	31	706,866	thousand sq. kilometers
Uzbekistan	2,096	34	27	177,611	thousand sq. kilometers
Armenia	806	5	4	28,650	thousand sq. kilometers
Tajikistan	689	6	6	53,950	thousand sq. kilometers
Georgia	863	13	5	35,252	thousand sq. kilometers
Kyrgyzstan	954	11	7	52,326	thousand sq. kilometers
Cambodia	986	6	1	71,608	thousand sq. kilometers
Laos	600	6	1	34,000	thousand sq. kilometers

* Includes 3G equipment.

** In order to improve network quality and reduce operational costs we are removing old 2G-only switches from our mobile network and transferring all services to new combined 2G/3G Next Generation switches. As of March 2011, we removed from operation 45 old 2G switches and plan to remove 35 more switches by the end of 2011.

To avoid network constraints, we expect to extend our network capabilities through hardware and software extensions in 2011. We base our expansion decisions on current equipment load, existing marketing plans and new product and services launches.

Site Procurement and Maintenance

We enter into agreements for the location of base stations in the form of either leases or cooperation agreements that provide us with the use of certain spaces for our base stations and equipment. Under these leases or cooperation agreements, we typically have the right to use premises located in attics or on top floors of buildings for base stations and space on roofs of buildings for antennas.

Telephone Numbering Capacity

The Federal Communications Agency allocates all numbering capacity necessary for communication networks operation on a non-geographical and geographical basis for all telecommunications providers in Russia. We are required to pay 20.0 Russian rubles per telephone number according to the federal law which came into effect on January 28, 2010. This payment requirement applies to new numbers allocated after January 28, 2010. Numbering capacity is also allocated to us in the other CIS countries in which we operate by government agencies. For more information about numbering capacity allocation, please see "Regulation of Telecommunications" below.

Handsets and Accessories

Our subscribers must have a handset that can be used on our mobile networks. Subscribers in Russia and the CIS, but not Ukraine, can purchase handsets from us, from a dealer or supplier or from another service provider. We do not expect to earn a significant profit on the sale of handsets and accessories. Rather, we intend to sell handsets and accessories to help attract subscribers and ensure the supply of handsets in the marketplace. Our handset sale strategy focuses on traffic generating devices such as the iPhones and Android devices. We started mass market sales through our own offices and dealer shops of iPhone devices in the fourth quarter of 2008 and Blackberry devices in the fourth quarter of 2009.

In the second quarter of 2010, we began selling ultra-low-cost handsets to attract new voice customers. In the fourth quarter of 2010, we began selling a portfolio of branded devices, including low cost 2G and 3G

handsets, 3G smartphones, 3G tablet PCs, 3G WiFi routers and 3G USB modems. The software on branded devices is customized to increase data and mobile revenue. All devices will be SIM-locked for Beeline networks in Russia, the CIS and other countries, although to avoid legal risks, customers are permitted to unlock devices in Beeline stores for free. All devices will be sold bundled with Beeline SIM cards. We do not plan to limit the distribution of branded devices and is ultimately targeting distribution of branded devices in approximately 10,000 points of sale in Russia.

New technology

We are moving towards a broadband connection environment deploying wired and wireless highspeed technologies.

We have been working on next generation long term evolution ("***LTE***") pilot projects, which were launched in Kazakhstan (Almaty and Astana) in October 2010. We are also implementing 3G HSPA and HSPA+ protocols on our mobile network. To support radio interface expansion, we are continuously upgrading mobile backhaul with high speed IP and hybrid microwaves, connecting NodeBs to fiber.

To support rapidly growing data traffic, we have installed dense wavelength division multiplexing ("***DWDM***") equipment on our Russian backbone and some CIS countries. We are also implementing an expansion of our IP backbone network to support movement to an all-IP network architecture.

Fixed-line Telecommunications Equipment and Operations

Fixed-line Telecommunications Network Infrastructure

Russia

Our transport network carries voice, data and Internet traffic of mobile network, FTTB and our fixed customers. The intercity backbone of our transport network is based on our own optical cable network. The main fiber ring of our network connects the following major cities in the European part of Russia: Moscow, Voronezh, Rostov, Krasnodar, Volgograd, Saratov, Samara, Ufa, Kazan, Nizhny Novgorod. We also have a Urals optical ring connecting Chelyabinsk, Yekaterinburg, Perm, and Tyumen. Our protected optical line connects Moscow and St. Petersburg, and passes to Stockholm, London and Frankfurt, where we have interconnections with major European and international telecommunications operators. Two independent optical lines connect our optical networks in Russia and Ukraine. We have also built a cross boundary line in Kazakhstan, which connects our Russian network to our networks in Kazakhstan, Uzbekistan and to Asian telecommunications operators. We have also built an intercity line to the Far East called "UralSib." This line connects the following major cities in the Ural and Far East regions: Tumen, Omsk, Novosibirsk, Kemerovo and Krasnoyarsk. We also lease capacity from Rostelecom, Transtelcom, Eurotel and other providers to reach the Eastern part of Russia. Our lease agreements with Eurotel give us the right to exclusive, unlimited and irrevocable use. We also use satellite technology to connect remote sites where terrestrial communications are not available.

Our regional transport networks are based on SDH and MEN technology, we have built local SDH networks in more than 100 cities of Russia. We have also built the interregional (so-called "zone") transport networks that connect our sites in small towns and countryside. The total length of regional fiber cables constructed within the cities is 27,259 kilometers and the total length of our zonal fiber cables is 3,202 kilometers. The MEN network is constructed in more than 40 cities which provide our customers with IP VPN services, voice services and access to Internet.

Our fixed voice network has three levels—local, regional (zone) and federal. The local voice networks, constructed in 81 cities, provide customers with fixed voice services. Our local network in Moscow is integrated into telephone network and connected to 142 transit and local node of telephone urban set (UTN). We have completed construction of zone networks in 52 Russian regions, which helps us to minimize payments to incumbent local operators for voice transit. Our Federal transit network consists of eight international transit exchanges, 14 intercity communications transit exchanges installed in each of the federal districts of Russia, and connection points (access nodes) located in each region of Russia. The network provides mobile and fixed customers with long-distance voice services and minimizes our costs of traffic.

Our IP/MPLS data network carries IP traffic of the mobile network and FTTB and lets us provide our customers with IP VPN services. Our Internet network is the largest in Russia and carries 30.0% of total Internet traffic in Russia. We have interconnections with major ISPs in Russia—Transtelecom, Comcor, Net by Net, MTU and others.

Ukraine

Our transport network is designed to provide a full spectrum of telecommunication services for corporate and enterprise customers, including: Private Leasing Channel, voice, IP voice, L2VPN, IP VPN, and Internet access.

Our transport network is based on our optical cable network utilizing DWDM, SDH and IP/MPLS equipment. The DWDM and SDH networks connect all the main regional and mid-sized cities of Ukraine including Kiev, Kharkov, Dnepropetrovsk, Donetsk, Zaporozye, Lvov, Odessa, Lugansk, Poltava, Sumy, Kirovograd, Kherson, Chernovtsi, Cherkassi, Vinnitsa, Zhitomir, Nikolaev Chernigov, Kherson, Uzgorod, Lutsk, Rovno, Ivano-Frankovsk, Ternopol, Khmelnitskiy, Simferopol, Sevastopol, Yalta, Kremenchug, Krivoy Rog and Mariupol. All our DWDM and SDH optical networks are fully ring-protected. Our core IP/MPLS network is fully mesh-protected and connects all the main regional cities of Ukraine. The total length of our fiber optic cables is 26,157 kilometers. We have SDH and Ethernet interconnections with major European carriers in Russia, Poland, Hungary, Romania, Slovakia and Belorussia.

Our interregional and metro transport networks are based on our optical cable and microwave systems utilizing SDH, PDH, Ethernet and IP/MPLS technologies. We have deployed metro SDH and IP/MPLS optical networks in more than 50 cities of Ukraine. The total length of fiber cables constructed within the cities is 6,277 kilometers.

Our IP/MPLS data network carries IP traffic of the mobile network and FTTB, allowing us to provide L2VPN, IP VPN and Internet services. We have interconnections with major European ISPs in Poland (Telia), Hungary (Level3), Germany (Telia, L3), Russia (Sovintel). We are interconnected with Ukrainian local ISP—Volia, Ukrtelecom (planned) and have internet exchanges with UA-IX, DE-CIX, Datagroup, Vega, Eurotranstelecom.

Kyvstar's fixed voice network have based on softswitch technology (Huawei) with dual homing for MGC and it has combined local-transit functionality. It is possible to use PRI, SIP/VoIP, H.323/VoIP connections for fixed business users and provide local and long-distance transit of voice services. The local voice networks, constructed in 19 cities of all regions of Ukraine, provide customers with fixed voice services. Our local network in Kyiv is integrated into the telephone network and connected to seven transit and local nodes of telephone urban set ***("UTN")***. Similarly, Kyivstar's fixed network is connected on local level in other regional centers of Ukraine providing 47 connections to transit and local nodes. International transit of fixed voice services are provided by two international transit exchanges in Kyiv which are integrated with the existing Kyivstar mobile network. The network provides mobile and fixed customers with long-distance voice services and minimizes our costs of traffic.

We also have the separate fixed network of Golden Telecom Ukraine ("***GTU***"). It has three levels structure - local (class 5), long-distance and transit (class 4) and international. GTU fixed local voice networks, constructed in 25 cities throughout Ukraine, provide customers with fixed voice services. GTU's local network in Kyiv is integrated into the telephone network and connected to two transit and local nodes of UTN. Similarly, GTU's fixed network is connected on local level in other regional centers of Ukraine providing 25 connections to transit and local nodes. International transit of fixed voice services are provided by one international transit exchange in Kyiv. The network provides mobile and fixed customers with long-distance voice services and minimizes GTU costs of traffic.

In the future we plan to merge both Kyivstar and GTU fixed networks for providing of local, long-distance and international transit voice services.

Uzbekistan

Our subsidiary Buzton's network provides international telephony and Internet access through JSC Uzbektelecom. Buzton's network consists of 63 nodes situated all over Uzbekistan. The main technologies of access network are ADSL (14,152 ports) and FTTB (746 buildings). Our main line in Tashkent is based on fiber-optic equipment. The network also includes long-leased channels and local fiber-optic networks in Tashkent, Zarafshan and Uchkuduk.

Armenia

ArmenTel's fixed infrastructure covers all districts of Armenia with a full set of equipment (international gateway, digital-analog exchanges, Internet protocol digital subscriber line access multiplexers ("***DSLAMs***") copper wire access network, fiber-optic backbone network, data network). Its network consists of 126,960 ADSL ports and 138 exchanges of which 80 are digital. Our company provides interconnection with international operators and national mobile operators in Armenia. ArmenTel's CDMA Wireless Local Loop network is used to provide fixed telephone services to rural customers.

Kazakhstan

Our subsidiaries KZ-Trans and SA-Telecom provide a wide spectrum of fixed-line telecommunications services, including Internet access, ADSL, FTTB, WiFi, WiMax, VoIP, VPN and VSAT. KZ-Trans owns more than 6,260 kilometers of fiber optic main lines across Kazakhstan, which are based on Ericsson SDH and Huawei SDH/DWDM equipment. As of March 31, 2011 we had approximately17,800 subscribers connected via FTTB technology in Almaty, Astana, Dzhezkazgan, Taraz, Petropavlovsk and Karaganda.

FTTB Project

Our company is rolling out FTTB networks in Russia, Ukraine and the CIS. Technically, FTTB offers higher transmission speed, more bandwidth and better security compared to all existing xDSL and other quasi-broadband solutions. In Russia, where the local loop has not been unbundled and the quality of copper lines is generally poor, construction of fiber networks helps to create alternative high quality access to subscribers' apartments.

As of March 31, 2011, we had approximately 1.6 million subscribers connected to our FTTB network in Russia. The network operates in 102 cities across Russia (94) and the CIS (8). The acquisition of Cortec in 2008 strengthened our company's position in the broadband Internet market. We have the largest FTTB network in Moscow and the core broadband market in Russia. Our management has experience in an efficient rollout of fiber optic networks in densely populated metropolitan areas.

Intellectual Property

We rely on a combination of trademarks, service marks and domain name registrations, copyright protection and contractual restrictions to establish and protect our technologies, brand name, logos, marketing designs and Internet domain names. We have registered and applied to register certain trademarks and service marks in connection with our mobile telecommunications businesses. We have also registered and applied to register certain trademarks and service marks with the World Intellectual Property Organization in order to protect them in certain countries of the CIS.

Our registered trademarks and service marks include our brand name, logos and certain advertising features. Our copyrights are principally in the area of computer software for service applications developed in connection with our mobile and fixed-line network platform. We have copyrights to some of the designs we use in marketing and advertising our mobile services.

Properties

Kyivstar own a series of building consisting of 34,068 square meters that it owns at Degtyarivska, 53 in Kyiv. We use these buildings as an offices, print-center, sales center and car park. In addition, we own a set of buildings at Gagarina 103 in Dnipropetrovsk, consisting of 16,398 square meters, that we use as a switching center, garage and offices, a building at Vyshgorodska, 21 in Kyiv, consisting of 2,354 square meters, that we use as a switching center, a building at Bugaivska, 3 in Odesa, consisting of 8,600 square meters, that we use as administrative office and technical center, a building at Shelushkova, 96 in Zhytomyr, consisting of 1,966 square meters, that we use as a switching-office center, a building in Rovno, consisting of 1,426 square meters, that we use as a switching-office center, a building at Gorkogo, 84 in Chernigiv consisting of 1,177 square meters, that we use as switching-office center, a building at Keletska, 54B, consisting of 1,406 square meters, that we use as a switching-office center, a building at Gogolya, 413 in Cherkasy, consisting of 1,702 square meters (including garage), that we use as a switching-office center and garage. We also own office buildings in some of our regional license areas and lease space on an as-needed basis.

We own a series of five buildings consisting of approximately 24,000 square meters that we own at 10, Ulitsa 8 Marta in Moscow. We use these buildings as an administrative office, technical center warehouse and operating facility. In addition, we own a series of six buildings on Lesnoryadsky Pereulok in Moscow, constituting approximately 15,500 square meters, that are used as an administrative office, warehouse and operating facility. These buildings also house the main switches for our Moscow GSM-900/1800 network and our main and reserve IT centers. We also have offices at 4, Krasnoproletarskaya Street, in the center of Moscow. It consists of three leased administrative buildings of approximately 32,400 square meters. We also own a portion of a building in the center of Moscow on Ulitsa 1st Tverskaya Yamskaya consisting of approximately 3,000 square meters that we use as a subscriber service center, administrative and sales office. We also own office buildings in some of our regional license areas and lease space on an as-needed basis.

For a description of certain telecommunications equipment that we own, please see "—Equipment and Operations—Mobile Telecommunications Equipment and Operations—Mobile telecommunications network infrastructure" and "—Equipment and Operations—Fixed-line Telecommunications Equipment and Operations—Fixed-line telecommunications network infrastructure" above.

Legal Proceedings

KaR-Tel Litigation

Prior to our acquisition of KaR-Tel, in November 2003, KaR-Tel redeemed for an aggregate of 450,000.0 Kazakhstani tenge (or approximately US$3,100.0 based on the Kazakhstani tenge to U.S. dollar exchange rate as of December 31, 2003) the equity interests of Turkish companies, Rumeli Telecom A.S. and Telsim Mobil Telekomunikasyon Hizmetleri A.S. (the "***Former Shareholders"***), owning an aggregate of 60.0% of the equity interests in KaR-Tel, in accordance with an October 30, 2003 decision of the Review Panel of the Supreme Court of Kazakhstan. The decision was based on the finding that the Former Shareholders inflicted material damage on KaR-Tel by causing KaR-Tel to lose a valuable government tax concession and selling KaR-Tel obsolete and over-priced telecommunications equipment. The redemption process was initiated on April 15, 2002 by a repeated extraordinary general meeting of KaR-Tel shareholders reconvened by a shareholder owning 40.0% of the equity interests in KaR-Tel. In late August 2004, prior to our acquisition, we received letters from the Former Shareholders claiming that they continue to own such interests and stating that, without their approval, all KaR-Tel deals are illegal and invalid. The Former Shareholders stated in these letters that subsequent to such redemption, their respective managements were taken over by The Savings Deposit Insurance Fund (the "***Fund***"), a Turkish state agency responsible for collecting state claims arising from bank insolvencies. The Former Shareholders indicated in their letters that they were preparing to put their case before the International Center for the Solution of Investment Disputes ("***ICSID***"), an independent organization with links to the World Bank.

Based on information disclosed by ICSID, an action by the Former Shareholders against the Republic of Kazakhstan, the subject matter of which is "telecommunications enterprise," was filed in August 30, 2005. While we understand that this action does pertain to the Former Shareholders and their former interests in KaR-Tel, neither VimpelCom nor KaR-Tel is a party to this action. According to ICSID, the arbitration tribunal issued an award in favor of the Former Shareholders on July 29, 2008. Based on information in publicly available sources, the tribunal found that, among other things, the Republic of Kazakhstan expropriated the Former Shareholder's investment in KaR-Tel without complying with conditions set forth in the Bilateral Investment Treaty between the Republic of Kazakhstan and the Republic of Turkey. However, the tribunal's award did not address the validity of the decision of the Review Panel of the Supreme Court of Kazakhstan. The tribunal ordered the Republic of Kazakhstan to pay US$125.0 million plus interest to the Former Shareholders. According to ICSID, annulment proceedings were registered on November 7, 2008 and a decision of the appeal committee on the application for annulment was issued on March 25, 2010. Although the ICSID website does not provide any information about the appeal committee's decision, according to a copy of the decision obtained from a website that does not appear to be associated with ICSID, the appeal committee dismissed the Republic of Kazakhstan's appeal in its entirety. We cannot assure you that the Former Shareholders or other parties will not pursue any action against us or KaR-Tel in any forum or jurisdiction. If the Former Shareholders or other parties were to prevail in any such action, we could lose ownership of up to 60.0% of our interest in KaR-Tel, be required to reimburse the Former Shareholders for the value of their interests or otherwise suffer monetary and reputational or other damages that cannot currently be quantified.

On January 10, 2005, KaR-Tel received an "order to pay" ("***Order to Pay***") issued by the Fund in the amount of approximately US$4.9 billion at the exchange rate as of March 31, 2011 (stated as approximately Turkish lira 7.55 quadrillion and issued prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005). The Order to Pay, dated as of October 7, 2004, was delivered to KaR-Tel by the Bostandykski Regional Court of Almaty. The Order to Pay does not provide any information regarding the nature of, or basis for, the asserted debt, other than to state that it is a debt to the Turkish Treasury and the term for payment was May 6, 2004.

On January 17, 2005, KaR-Tel delivered to the Turkish consulate in Almaty a petition to the Turkish court objecting to the propriety of the order and requesting the Turkish court to cancel the Order to Pay and stay of execution proceedings in Turkey. The petition was assigned to the 4th Administrative Court in Turkey to be reviewed pursuant to applicable law.

On June 1, 2006, KaR-Tel received formal notice of the 4th Administrative Court's ruling that the stay of execution request was denied. KaR-Tel's Turkish counsel has advised KaR-Tel that the stay request is being adjudicated separately from the petition to cancel the Order to Pay. KaR-Tel submitted an appeal of the ruling with respect to the stay application.

KaR-Tel received the Fund's response to the petition in June 2006. In its response to KaR-Tel's petition, the Fund asserts, among other things, that the Order to Pay was issued in furtherance of its collection of approximately Turkish lira 7.55 quadrillion (prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005) (equivalent to approximately US$4.9 billion at the exchange rate as of March 31, 2011) in claims against the Uzan group of companies that were affiliated with the Uzan family in connection with the failure of T. Imar Bankasi, T.A.S. The Fund's response to KaR-Tel's petition asserts that the Uzan group of companies includes the Former Shareholders and KaR-Tel. In June 2006, KaR-Tel submitted a response to the Fund's defense in which it denied in material part the factual and legal assertions made by the Fund in support of the Order to Pay. In December 2008, KaR-Tel received the Fund's further response to KaR-Tel's petition. On December 11, 2008, KaR-Tel received a Decision of Territorial Court of Istanbul dated December 12, 2007, wherein the Court rejected KaR-Tel's appeal with respect to the stay of execution request.

On October 20, 2009, KaR-Tel filed with Sisli 3rd Court of the First Instance in Istanbul a claim to recognize in the Republic of Turkey the decision of the Almaty City Court of the Republic of Kazakhstan dated June 6, 2003 regarding, among other things, compulsory redemption of equity interests in KaR-Tel owned by Rumeli Telecom A.S., or Rumeli, and Telsim Mobil Telekomunikasyon Hizmetleri A.S. ("***Telsim***"), which was confirmed by the Civil Panel of the Supreme Court of the Republic of Kazakhstan on June 23, 2003, as amended by the resolution of the Review Panel of the Supreme Court of the Republic of Kazakhstan dated October 30, 2003 ("***Recognition Claim***"). On October 20, 2009, KaR-Tel also filed with the 4th Administrative Court of Istanbul a petition asking the Court to treat the recognition of the Kazakhstan court decision as a precedential issue and to stay the proceedings in relation to the order to pay.

On September 28, 2010, Sisli 3rd Court of the First Instance in Istanbul reviewed the Recognition Claim and ruled in favor of KaR-Tel recognizing the Kazakhstan Court judgements on the territory of the Republic of Turkey. The defendants, Rumeli and Telsim, have appealed the decision. KaR-Tel submitted its responses to such motion on appeal on January 20, 2011. The case is in appeal stage in 11th Civil Chamber of the Supreme Court and as of the date of this prospectus, no hearing on the appeal has been scheduled.

On October 25, 2010, the 4th Administrative Court of Istanbul reviewed KaR-Tel's petition to annul the Order to Pay and ruled in favor of KaR-Tel. The court recognized the Order to Pay as illegal and annulled it. The defendants have appealed the ruling. On February 18, 2011, KaR-Tel submitted its response to the motion on appeal and on April 20, 2011, the Fund submitted its reply to KaR-Tel's response. The appeal case has been sent to the relevant body on appeal proceedings, but as of the date of this prospectus, no hearing on the appeal has been scheduled.

There can be no assurance that claims targeting our ownership of KaR-Tel will not be brought by the Fund directly against us or our other subsidiaries or that KaR-Tel and/or OJSC VimpelCom or its other subsidiaries will not be required to pay amounts claimed to be owed on the basis of other claims made by the Fund. The adverse resolution of any other matters that may arise in connection with any other claims made by the Fund, could have a material adverse effect on our business, financial condition and results of operations, including an event of default under some or all of our outstanding indebtedness.

For more information on these risks, and other risks associated with our acquisition of KaR-Tel, refer to the section of this prospectus entitled "Risk Factors—Risks Related to Our Business—Claims by the former shareholders of Limited Liability Partnership KaR-Tel and/or the Turkish Savings Deposit Insurance Fund or others may result in increased liabilities and obligations, including possible defaults under our outstanding indebtedness, and deprive us of the value of our ownership interest in KaR-Tel."

Petition for Appraisal

On April 18, 2008, Global Undervalued Securities Fund, L.P. ("***Global Undervalued***") timely filed a petition in a Delaware court demanding appraisal of its 1,367,328 shares of Golden Telecom which it did not tender in the tender offer pursuant to which our company acquired Golden Telecom. On April 23, 2010, the court determined the fair value of Golden Telecom shares to be US$125.49 per share. Interest was to be applied for a period from February 28, 2008 to the date of payment. Golden Telecom filed a motion for reargument which was denied by the court and a final judgment was entered on May 27, 2010. Golden Telecom filed a timely notice of appeal and Petitioners filed a cross-appeal of the judgment in Delaware Supreme Court. We accrued a loss contingency in the amount of US$52.7 million in relation to cash rights for shares of Golden Telecom.

In June 2010, Golden Telecom and Global Undervalued entered into an agreement pursuant to which in July 2010, Golden Telecom paid to Global Undervalued US$165.5 million based on the US$105.00 per share tender offer price and interest, partially repaying the liability recorded as of June 30, 2010. Pursuant to the agreement, in July 2010 Golden Telecom deposited US$33.2 million into an escrow account. This escrowed amount was based on the difference between the US$105.00 per share tender offer price and the court-

determined US$125.49 fair value of each Golden Telecom plus interest thereon through December 31, 2010. On December 29, 2010, the Delaware Supreme Court rendered a final resolution of the appraisal litigation by affirming the April 23, 2010 decision valuing Golden Telecom shares at US$125.49 per share. Pursuant to the agreement between Golden Telecom and Global Undervalued, on January 13, 2011, the US$33.2 million in the escrow account was released to Global Undervalued to satisfy the remaining portion of appraisal judgment. On January 18, 2011, Golden Telecom paid Global Undervalued US$68,036.50, the amount of interest accrued from January 1, 2011 through January 13, 2011. As of January 18, 2011, the judgment in the appraisal litigation has been fully satisfied, resulting in a final conclusion to Global Undervalued's petition for appraisal.

FAS Litigation

Interconnection Arrangement Proceedings. In December 2009, the Russian anti-monopoly regulators commenced proceedings against us alleging violations of the Russian Federal Law "On Protection of Competition" by imposing unfair prices for interconnection with other operators. The penalty for such violations could have resulted in fines of up to 15.0% of the revenues derived from the relevant services. We ceased to conduct the activities that allegedly violated the law and the case was dismissed on September 22, 2010. FAS initiated administrative proceedings against us in relation to our alleged violations of the law on January 28, 2011. On April 5, 2011, FAS issued its decision that we were in violation of the law and subject to fines for such violations of approximately RUR 7.3 million (or approximately US$257.5 thousand as of April 5, 2011). On April 27, 2011, we appealed the FAS finding subjecting us to fines. We separately filed an appeal challenging the FAS decision. We filed a petition to join the two appeal cases, which was granted on June 3, 2011. A hearing on the joint cases is scheduled for July 22, 2011.

Roaming Tariff Proceedings. In March 2010, the FAS commenced proceedings against OJSC VimpelCom, MTS and MegaFon alleging violations of the Russian Federal Law "On Protection of Competition" relating to our pricing for interconnection and roaming services. On November 23, 2010, the FAS issued its decision that OJSC VimpelCom, MTS and MegaFon violated the Russian Federal Law "On Protection of Competition" with respect to the pricing of roaming services and ordered that OJSC VimpelCom stop such violations. In addition, OJSC VimpelCom was subject to fines of up to 15.0% of its roaming revenues in 2009. As a result, in September 2010, OJSC VimpelCom accrued a loss contingency in the Russian ruble equivalent of approximately US$2.4 million (at the March 31, 2011 exchange rate). On March 9, 2011 OJSC VimpelCom received the FAS decision imposing a fine of RUR 12.0 million (approximately US$0.4 million at the exchange rate as of March 9, 2011). OJSC VimpelCom did not challenge the decision and paid this fine in full.

Moscow Traffic Agreement Proceedings. In May 2010, the FAS concluded that OJSC VimpelCom's traffic agreement in Moscow violated anti-monopoly legislation. OJSC VimpelCom challenged the FAS findings and on March 21, 2011, the first instance court dismissed OJSC VimpelCom's claims. OJSC VimpelCom does not believe that it has violated Russian law and appealed the dismissal of its challenge of the FAS decision on April 26, 2011. On June 9, 2011, the appeal court dismissed OJSC VimpelCom's appeal. OJSC VimpelCom intends to appeal this decision. On March 9, 2011, OJSC VimpelCom received the FAS decision imposing a fine on OJSC VimpelCom related to FAS's finding of the violation of the anti-monopoly law legislation in the amount of RUR 10 million (approximately US$0.3 million at the exchange rate as of March 9, 2011). On April 19, 2011, OJSC VimpelCom appealed the fines to which it is subject. The proceedings were suspended pending the outcome of the decision in the underlying case. As of the date of this prospectus, OJSC VimpelCom has not received any information regarding the resumption of these proceedings.

Sky Mobile Litigation

Since November 2006, the Chief Executive Officer and directors of the Company have received several letters from OJSC Mobile TeleSystems ("***MTS***") and its representatives claiming that Sky Mobile's Kyrgyz telecom business and its assets were misappropriated from Bitel, an MTS affiliate, and demanding that we not purchase Sky Mobile, directly or indirectly, or participate or assist in the sale of Sky Mobile to any other entities. These letters have suggested that MTS will take any and all legal action necessary against our company in order to protect MTS's interest in Bitel and Bitel's assets. As of the date hereof, management is not aware of any pending legal action against our company in connection with this matter, except for the litigation against Sky Mobile discussed in the paragraph below.

Sky Mobile is a defendant in litigation in the Isle of Man. The litigation was brought by affiliates of MTS against Sky Mobile and affiliates of Altimo and alleges that the Kyrgyz judgment determining that an Altimo affiliate was the rightful owner of interest in the equity of Bitel prior to the asset sale between Sky Mobile and Bitel was fraudulent and that Bitel shares and Sky Mobile assets were misappropriated. The legal proceedings in this matter are pending. At this time the company is unable to assess the likelihood of the ultimate outcome of this litigation and its effect on our operating results and financial position.

For the risks related to matters involving Sky Mobile, see "Risk Factors—Risks Related to Our Business—We are subject to claims in connection with Sky Mobile."

Other Proceedings in Russia

Two lawsuits have been filed by the State Property Committee (Federal Agency for Management of the State Property) against Sovintel seeking eviction from the premises (approximately 4,000 square meters) at Krasnokazarmennya Street, where its Data Center and equipment are currently located. In substantiation of the claims, the plaintiff asserts that the lease agreement between Sovintel and FGUP VEI and the sublease agreements with other lessees are void, because they were entered into without consent from the owner (the State Property Committee) to lease and sublease such premises. Both of these lawsuits were dismissed and the period for appeal in each has expired. In case of adverse decisions of the court, eviction of Sovintel from the premises may cause interruption of the work of the equipment (fixed-line network) that could have a negative impact on the future results of operations of our company commencing the period when such interruption occurs.

Kazakhstan Antimonopoly Proceedings

On May 14, 2010, the KAA initiated an investigation into the alleged breach of antimonopoly laws of Kazakhstan by all three Kazakhstan GSM operators (KaR-Tel LLP (Beeline), GSM Kazakhstan OAO Kazakhtelecom LLP (TM KCell, Active), and Mobile Telecom Systems LLP (TM Neo)), claiming these operators had abused their dominant position by the way they determine the threshold (minimum) balances on consumers' accounts required for switching on and off roaming services (the "***Threshold Amounts***"). In addition, the KAA decided to investigate (jointly with FAS) possible breaches of Kazakhstan antimonopoly law by all three Kazakhstan GSM operators, including KaR-Tel, as well as their partner operators in the Russian Federation, for anticompetitive concerted actions, agreements for price maintenance and the use of per-minute billing. The KAA also proposed to the Ministry of Telecommunications and Information of Kazakhstan an earlier date for transfer to per-second billing for roaming services (the date determined by law is January 1, 2012), and to conduct an evaluation of roaming tariffs.

On June 21, 2010, the KAA completed its investigation related to the Threshold Amounts and alleged that all three Kazakhstan GSM operators abused their dominant position by establishing the Threshold Amounts and by switching off a consumer's roaming services when there is a negative balance on the consumer's account.

On July 3, 2010, the KAA initiated an administrative procedure with respect to all three Kazakhstan GSM operators, including KaR-Tel, and issued a protocol on administrative offence (the "***Protocol***"). The KAA filed a claim based on the Protocol with the Administrative Court. The KAA also decided to continue another part of the investigation with respect to concerted actions of Kazakhstan and Russian GSM mobile operators on establishing and/or preservation of tariffs (the "***Concerted Actions Investigation***"). On July 16, 2010, KaR-Tel filed a claim to recognize as illegal and annul the acts of the KAA that served as a procedural basis for the Protocol. On October 19, 2010, the Interregional Economic Court of Astana ruled in favor of KaR-Tel and recognized as illegal, null and void all acts of the KAA and its territorial branch, which served as the procedural basis for the Protocol. The KAA appealed this decision and on December 13, 2010 the Court of Appeals affirmed the October 19, 2010 decision in favor of KaR-Tel. On January 17, 2011, the Court of Cassation reviewed the cassation petition of the KAA and upheld the October 19, 2010 and December 13, 2010 decisions. The court's October 19, 2010 decision came into force on January 17, 2011, but is subject to appeal by the KAA for one year from that date.

On October 25, 2010, the KAA completed the Concerted Actions Investigation and reclassified alleged concerted actions of KaR-Tel and other Russian and Kazakhstan GSM operators into establishing of monopolistically high tariffs. On November 3, 2010, the KAA initiated an administrative procedure and issued a new protocol on administrative offence, according to which the KAA has found KaR-Tel and the other two Kazakhstan GSM operators liable for abuse of their dominant position on the market by way of establishing monopolistically high roaming tariffs ("***the New Protocol***"). As required under Kazakhstan law, the KAA has submitted the New Protocol to a Kazakh administrative court, and the court will decide on the merits and on applicable fines. While the company does not agree with the New Protocol and has challenged it, the ultimate resolution of this matter could result in a loss of up to KZT 9.9 billion (equivalent to approximately US$67.1 million at the exchange rate as of March 31, 2011) in excess of the amount accrued. On November 23, 2010, KaR-Tel filed a claim with the Astana Interregional Economic Court against the Agency requesting that the court recognize as illegal and to annul the acts of the Agency preceding the New Protocol. On February 24, 2011, the Interregional Economic Court of Astana ruled in favor of KaR-Tel and recognized as illegal, null and void the acts of the KAA. The court's decision entered into force on March 30, 2011 and is subject to appeal by the KAA for one year from that date.

Antitrust Proceedings in Ukraine

The UAMC is currently conducting an investigation of Kyivstar's and other mobile telecommunications operators' roaming charges and other tariffs. As a result of the investigation the UAMC may issue binding recommendations requiring mobile operators to take and/or refrain from certain actions and/or initiate a case investigation regarding violation of competition legislation.

If the UAMC finds that Kyivstar abused its dominance or was engaged in anticompetitive concerted practices, it could impose fines in the amount of up to 10.0% of revenues for the last financial year of the group of which Kyivstar is a member as well as in the amount of up to 300.0% of such group's profits received from the activities carried out in violation of competition legislation. In addition, a third party could bring an action for damages suffered as a result of such violation, which could amount to up to 200.0% of the damages suffered by such third party.

In addition, the UAMC is investigating an unfair competition case in relation to alleged distribution by Kyivstar of misleading information on its tariffs. For an unfair competition violation the UAMC could impose a fine in the amount of up to 5.0% of revenues for the last financial year of the group of which Kyivstar is a member. A third party could bring an action for damages suffered as a result of such violation.

On May 25, 2009, the UAMC adopted a decision determining that all mobile network operators in Ukraine, including Kyivstar, hold a dominant position in respect of interconnections that terminate on their respective networks. The implementation of this decision would have resulted in the requirement that operators holding a dominant position on their respective networks comply with the NCCR regulations governing the pricing regime for interconnection services. In June 2009, however, the decision was suspended in order to further review operators' objections and other implications of this decision. On June 24, 2010, the UAMC confirmed the initial decision which means that it is valid and the mobile operators, including Kyivstar, must comply with the NCCR regulations governing the pricing regime for interconnection services.

In addition, in June 2010, the UAMC initiated investigations on protection of economic competition in relation to international roaming tariffs charged by operators. On September 30, 2010, the UAMC issued a recommendation to all mobile operators to reduce international roaming tariffs. Kyivstar reduced its international roaming tariffs by 40.0% in order to comply with the recommendation.

Disputes regarding Interconnect Agreements

In October 2010, Ucomline filed a lawsuit against Kyivstar in the Commercial Court of Kyiv in which it sought a court decision that would obligate Kyivstar to enter into an interconnect agreement under conditions proposed by Ucomline. Kyivstar filed a counterclaim against Ucomline in the Commercial Court of Kyiv to oblige Ucomline to enter into an interconnect agreement under conditions proposed by Kyivstar. The dispute relates to determining rates for terminating fixed and international traffic from the Ucomline network on the Kyivstar network and terminating mobile traffic from the Kyivstar network on the Ucomline network. On December 29, 2010, the Commercial Court of Kyiv ruled in favor of Ucomline in full and in favor of Kyivstar's counterclaim in part and further ruled that the interconnect agreement between the parties should be made as provided in the court decision. On January 6, 2011, Kyivstar filed an appeal to the Kyiv Appeal Commercial Court. Kyivstar's appeal was dismissed on March 22, 2011 by the Kyiv Appeal Commercial Court and the decision of the Commercial Court of Kyiv was upheld in full. In April 2011 Kyivstar filed an appeal to the High Commercial Court of Ukraine where the matter is pending consideration.

On April 1, 2011, Kyivstar filed a lawsuit against Astelit in the Commercial Court of Kyiv to oblige Astelit to amend its current interconnect agreement with Kyivstar, as proposed by Kyivstar. On April 4, 2011 the Commercial Court of Kyiv returned the lawsuit of Kyivstar without consideration due to the fact that Kyivstar did not send the copies of its lawsuit to all known addresses of Astelit. Kyivstar did not agree with this decision of the Commercial Court of Kyiv and filed an appeal to the Kyiv Commercial Appeal Court, which, on May 10, 2011, made a decision in favor of Kyivstar and returned the case to the Commercial Court of Kyiv for due consideration on the merits of the case. Astelit in its turn did not agree with the decision of the Kyiv Commercial Appeal Court and filed an appeal to the High Commercial Court of Ukraine. As of the date of this prospectus, this case is currently pending consideration in the High Commercial Court of Ukraine.

At the same time, Astelit filed a counterclaim against Kyivstar in the Commercial Court of Kyiv to oblige Kyivstar to amend the interconnect agreement as proposed by Astelit. On May 27, 2011, the Commercial Court of Kyiv made a decision in favour of Astelit. Kyivstar did not agree with this decision of the Commercial Court of Kyiv and on June 6, 2011, filed an appeal to the Kyiv Commercial Appeal Court, where the matter is pending consideration.

For more detail regarding the lawsuits to which our company is a party and the matters discussed in this "—Legal Proceedings" section, please refer to the section of this prospectus entitled "Risk Factors—Risks Related to Our Business."

Management cannot make an estimate of the effects of the ultimate resolution of the unresolved matters described above on our consolidated financial statements. Other than the information disclosed above, to date, we have no provision in our accounts.

REGULATION OF TELECOMMUNICATIONS

General Regulatory Environment

We are generally subject to regulation governing the operation of our business activities. Such regulation typically takes the form of industry specific laws and regulations covering telecommunications services and general competition law applicable to all activities. The following section describes the regulatory framework and the key regulatory developments in Russia, Kazakhstan, Armenia, Uzbekistan and Ukraine. We are also subject to significant regulation in the other countries of the CIS in which we operate. However, because approximately 96.0% of our subscribers are located in Russia, Kazakhstan, Armenia, Uzbekistan and Ukraine as of March 31, 2011 and approximately 97.0% of our net operating revenues are derived from our operations in Russia, Kazakhstan, Armenia, Uzbekistan and Ukraine as of March 31, 2011, we do not believe that a discussion of the regulations of Tajikistan, Georgia, Kyrgyzstan, Cambodia or Laos is warranted or that such regulations are material to our business and results of operations.

Regulation of Telecommunications in Russia

The Federal law "On Communications" (the "***Communications Law***") came into effect on January 1, 2004 and is the principal legal act regulating the Russian telecommunications industry. The Communications Law sets forth general principles for the regulation of the telecommunications industry, including a description of the institutional framework for the federal government's involvement in the regulation, administration and operation of the telecommunications industry. The most important aspects of the Communications Law with respect to our business address the federal government's authority to:

- license communications service providers;
- allocate radio frequencies;
- certify telecommunications equipment;
- allocate numbering capacity;
- ensure fair competition and freedom of pricing; and
- conduct oversight of operators' compliance with the terms of their licenses and Russian law.

On March 3, 2006, certain amendments to the Communications Law were introduced, in particular legislation implementing calling party pays ("***CPP***"), which became effective on July 1, 2006. The CPP legislation prohibits mobile operators from charging their subscribers for incoming calls.

In order to establish and commercially launch a wireless telecommunications network, a company must receive, among other things:

- a license to provide mobile telephony services using a specific standard and band of radio frequency spectrum;
- permission to use radio frequency for its radio electronic devices, ("***REDs***");
- a decision on allocation of radio frequency bands;
- registration of its REDs and high frequency equipment;
- authorization to put into operation communications networks (including communications facilities); and
- a decision on allocation of numbering resources.

For the risks related to the regulation governing the operation of communications networks, see the section of this prospectus entitled "Risk Factors—Risks Related to Our Business—We face uncertainty regarding our frequency allocations, equipment permits and network registration, and we may experience limited spectrum capacity for providing wireless services."

On September 26, 2007, the Ministry of Information Technologies and Communications of the Russian Federation issued an order that designated ten additional pairs of access codes to long distance operators in Russia. This additional designation creates the potential for increased competition in the market for domestic and international long distance services in Russia if the new access codes are assigned to new operators.

On December 29, 2008, the Ministry of Communications and Mass Media (the "***Ministry***") issued an order which extended the quantity of the new access codes. According to this order the Ministry has the opportunity to assign access codes to other operators after they put in commission their international and long distance communications networks.

On November 27, 2009, the Custom Union Commission issued decision No. 132 stating that from January 1, 2010 the authorized state bodies of executive power of the Custom Union member-states (Russia, Belorussia, Kazakhstan) must issue licenses and permissions for export and import of goods included in the Joint List of goods which are prohibited or limited for importation or exportation by the Custom Union member-states. This Joint List includes radio electronic devices and high-frequency devices of the civil assignment (RED), i.e. base stations of mobile communications networks, radio relay stations, etc.

On December 27, 2009, the Federal Law "On Personal Data" was amended. The requirement to use cryptographic facilities while processing personal data was cancelled, and the period for bringing personal data informational systems into compliance with the Personal Data Protection Law was extended to 2011.

On February 14, 2010, the Federal Law "On Amendments to Some Legislative Acts of the Russian Federation in the Telecommunication Area" cancelled the requirement to register communications networks on the basis of a system plan.

On August 10, 2010 amendments to the Federal Law "On Enforcement Proceedings" and the Federal Law "On Court Bailiffs" entered into force. Bailiffs have received the right to request personal data if it is necessary for the purposes of enforcement proceedings.

On June 29, 2010, the Federal Law "On Amendments to Article 2 of the Communications Law" determined which communications facilities could be classified as especially dangerous and technically complicated.

On July 27, 2010, the Federal Law "On Amendments to Article 2 of the Communications Law", which became effective on October 29, 2010, extended the obligations of communication operators who provide television and radio broadcasting services by requiring that such operators broadcast obligatory tele- and radio channels without charging subscribers and broadcasters. This is an additional requirement for obtaining a license for these types of services.

The draft Federal Law No. 374483-5 "On Amendments to Article 24 of the Telecommunication Law" (concerning regulation of frequency bands allocation and frequency or frequency channels assignment) was adopted on February 23, 2011.

The draft Federal Law No. 405325-5 "On Amendments to Article 45 of the Telecommunication Law and to the Federal Law of Banks and Banking Operations" (concerning regulation of mobile payments) passed the first reading on October 6, 2010.

Russian Regulatory Authorities

The regulation in the telecommunications area in Russia is conducted by several governmental agencies. These agencies, whose functions are not often clearly defined, form a complex, multi-tier system of regulation and supervision that is subject to frequent revision.

The Ministry is currently the federal body with executive power to regulate the telecommunications industry. The Ministry has the authority to set policy and adopt regulations in the area of communications and make proposals to the President and the Russian Government on issuance of legal acts regarding certain key issues in the area of communications. The Ministry controls and coordinates the activity of the following entities: 1) the Federal Communications Agency ("***Rossvyaz***") 2) the Federal Agency on Press and Mass Media ("***Rospechat***") and 3) the Federal Supervisory Service for Communications, Information Technologies and Mass Media ("***Roskomnadzori***").

The primary function of Roskomnadzor is the licensing of activities in the area of telecommunications, issuing permissions for radio frequency use, control over telecommunications and information technologies, control over radiation of REDs and high frequency devices and the registration of REDs and high frequency devices.

The primary function of Rossvyaz relevant to our business is allocation of the numbering resources and certification in accordance with the established procedure.

Licensing to Provide Telecommunications Services and Radio Frequency Allocation

Under the Communications Law, the regulation of the Russian Government dated March 16, 2009 "On the Federal Supervisory Service for Communications, Information Technologies and Mass Media" and the regulation of the Russian Government dated January 12, 2006 "On Approval of the Regulations for Holding a Tender (Auction, Contest) for a License to Provide Communication Services", Roskomnadzor issues licenses to provide telecommunications services on the basis of an application from an eligible applicant or, when

applicable, on the basis of results of a tender or an auction. Licenses are generally issued for a term of three to twenty-five years and a legal entity or individual person can only render commercial telecommunications services upon issuance of a license.

Roskomnadzor has the right to renew an existing license upon application which may be rejected if, as of the date of submission of the application, the operator has been found to have violated the terms of the license and such violations have not been cured. The Communications Law also regulates the procedures for re-issuing a license in the case of a reorganization of the license holder or transfer of communications networks and means to other persons.

The Communications Law identifies a limited number of reasons pursuant to which licenses may be suspended by the licensing body, including identification of license violations, cancellation of permissions to use radio frequencies or failure to comply with the requirements of the notice issued by the licensing body within the cure period. Prior to suspension, the licensing body generally issues a warning that the license may be suspended if corrective action is not taken. The Communications Law also provides that a telecommunications license may be cancelled for certain reasons, upon a claim by an interested person or the licensing body, such as provision of inaccurate information when applying for the license, failure to eliminate the circumstances which caused the suspension of the license validity or failure to perform obligations undertaken when receiving the license. The licensing body can also terminate a license in a liquidation or winding up of the license holder.

Licenses issued prior to the enactment of the Communications Law and Regulation No. 87 of the Russian Government dated February 18, 2005 "On approval of the list of the types of communications services and the list of conditions included into licenses" ("***Regulation 87***"), generally contain a number of other detailed conditions, including a start-of-service date, requirements for adhering to technical standards and a schedule of the capacity of the network that the licensee must attain. These license conditions also require that the licensee's services, by specified dates, cover either (i) a specified percentage of the territory for which the license is issued or (ii) a specified number of cities within the territory for which the license is issued. Conditions in licenses issued after the enactment of Regulation 87 must include the period during which the licensee is entitled to provide the relevant services, the start-of-service date, and the territory in which the relevant services are to be provided, as well as certain other conditions depending on the type of the licensed activity, including information on the calculation of compulsory payments into the universal services fund, as described below.

In addition to obtaining a license, wireless telecommunications operators have to receive a permit for radio frequency usage for every radio transmitter they operate. The permit for radio frequency usage is issued by the Ministry on the basis of decisions of the State Radio Frequency Commission, which evaluates the electromagnetic compatibility of the REDs and coordinates the possibility of radio transmitters usage with the Defense Ministry, Federal Protective Service and the Federal Security Service of the Russian Federation. Under the Communications Law, permits for the use of radio frequencies are granted for ten years or a shorter period if such shorter period is indicated in the application. Radio frequency permit duration may be extended if by its ending no normative acts are adopted, which allow to use radio frequencies upon previous terms. Radio frequency allocation permission may be suspended or terminated for a number of reasons, including a failure to comply with the conditions which the allocation of frequency was subject to.

The Communications Law provides that the amount of annual payments for the use of the radio frequencies spectrum is to be set up by the Russian Government; however, it has not yet done it. Prior to enactment of further regulations, we continue to pay for the use of the radio frequencies spectrum on the basis of Government Regulation dated June 2, 1998 "On Introduction of Payments for the Use of Radio Frequency Spectrum", and the Government Regulation No. 895 dated August 6, 1998 "On Approval of Regulations on Payment for the Use of the Radio Frequency Spectrum in the Russian Federation", requiring all operators to pay an annual fee (set by the State Radio Frequency Commission and approved by the former Anti-Monopoly Ministry) for the use of their frequency spectrums. In addition, the Communications Law provides that the users of the radio frequency spectrum shall make a one-time payment and annual payments for the use of the spectrum to ensure control over radio frequencies, conversion of the radio frequencies spectrum and financing for the transfer of the operating REDs to other radio frequency bands. See also "Risk Factors—Risks Related to Our Business—We may be subject to increases in payments for frequency allocations under the terms of some of our licenses." The licenses to provide telecommunications services may be revoked in case of violation of the procedure of the abovementioned payments.

Universal Services Fund

The Communications Law provides for the establishment of a "universal service fund". All telecommunications operators are required to make compulsory payments to a "universal services fund," which was formed in order to compensate operators for losses from offering universal services in remote regions of

Russia. Operators must make quarterly payments to the universal services fund of 1.2% of its quarterly revenues from communications services provided to subscribers and other users in the public communications network. Amounts paid as value added tax are excluded from the calculation of revenues.

Equipment Certification

Pursuant to the Communications Law telecommunications equipment used in Russia requires confirmation of compliance with certain technical requirements in the area of telecommunications and information technologies and must be certified. The regulation of the Russian Government dated June 25, 2009 "On Approval of the List of the Communication Equipment Subject to Mandatory Certification" sets forth the types of communications equipment that is subject to mandatory certification. The Federal Communications Agency is responsible for confirming such compliance. The design, production, sale, use or import of encryption devices, which include some commonly-used digital wireless telephones, requires a license and equipment certification from the Federal Security Service.

The decision of the Russian Government No. 539 dated October 12, 2004 "On the Procedure for the Registration of Radio-Electronic Equipment and High-Frequency Devices" (as amended) approved a list of certain high-frequency equipment manufactured or used in the Russian Federation that requires special permission from Roskomnadzor. These permissions are specific to the entity that receives them and do not allow the use of the equipment by other parties.

Numbering Capacity

The regulation of the Russian Government dated July 13, 2004 "On Endorsing the Rules for Distribution and Use of Numeration Recourses of the Unified Electric Communication System of the Russian Federation" (as amended) specifies the procedures for allocating numbering capacity and the use of numbering recourses under the Communication Law. The Federal Communications Agency is responsible for allocating numbering resources and for determining whether such resources are limited, and, in cases stipulated by the Communications Law, the Federal Communications Agency may change the allocated numbering capacity or withdraw it in full or in part. Further, the Federal Communications Agency is responsible for re-issuance of decisions on allocation of numbering capacity if an operator is reorganized. Under the Communications Law, an operator is required to pay state duties for the allocation of numbering capacity and access codes for telecommunication services for signal point codes. The amount of these duties is established by Russian tax legislation.

A number of new regulations pertaining to certain aspects of the Russian federal numbering system were adopted. The two major areas affected by the regulations are as follows:

Numbering capacity usage in the "ABC" codes. Federal telephone numbers using the "ABC" code may be used by mobile subscribers only if they are registered as additional numbers under local communications services provisions. As these additional numbers can only be allocated to subscribers by the local network operators, all numbering capacity in the "ABC" code allocated under our GSM licenses were re-allocated under our license for local communications services. We entered into agreements for the provision of local and wireless communication services with new subscribers whom we provide the numbers in the "ABC" code. Part of our subscribers use the numbers of other fixed-line operators based on our agency agreements with such operators. For implementation of the agency scheme, we have had to enter into new subscriber agreements with certain subscribers in order to add the fixed-line operator as a party to such agreements.

Russian system and plan of numbering. A new system and plan of numbering was approved which materially changed the principles of numbering allocation and utilization in Russia. According to the new plan, only the following numbers in the "DEF" code are available for our company: 903, 905, 906, 909, 960-969, and 972-979.

For the risks related to the new numbering system, see the section of this prospectus entitled "Risk Factors—Risks Related to the Legal and Regulatory Environment in Russia, Ukraine and the CIS—We operate in an uncertain regulatory environment, which could cause compliance to become more complicated, burdensome and expensive and could result in our operating without all of the required permissions."

Pricing, Competition and Interconnections

The Communications Law generally provides that tariffs for telecommunications services may be negotiated between providers and users, although tariffs for some types of telecommunications services (e.g., provision of long distance telephone connections to fixed-line users or provision of local telephone connections

to fixed-line users) may be regulated by the federal government. Wireless telecommunications operators are free to set their own tariffs. However, the amendments to the Communications Law, which came into effect on July 1, 2006, provide that the users are not to pay for incoming calls.

Further, the Communications Law prohibits the use of a dominant position to hinder, limit or distort competition and it requires federal regulatory agencies to promote competition among telecommunications service providers. Under the Communications Law, an operator that, together with its affiliated entities, has at least 25.0% of the overall traffic in a certain geographic area or throughout the Russian Federation is considered an operator occupying a significant position in the communication network of general use, or Significant Operator. Significant Operators are subject to greater regulation by the Russian Government. At present, neither we nor our Russian subsidiaries are included in the register of subjects of natural monopolies. Therefore, neither we nor our Russian subsidiaries are subject to these regulations.

Amendments to the Communications Law have been proposed, which would result in the regulation of tariffs set by mobile operators for interconnection and transfer of traffic. According to the proposed amendments, an operator will be subject to such regulation if it, together with its affiliated persons, owns at least 25.0% of the installed capacity of the operational networks that are part of the public communications network and relate to the same type of communications services technology, such as communications networks using DEF codes, within a subject territory of the Russian Federation or throughout the Russian Federation.

Russian legislation also prohibits operators of public switched telephone networks to refuse to provide connections or discriminate between operators. However, a regional fixed line operator may charge different interconnection rates to different wireless telecommunications operators, subject to certain limitations.

Compliance with Government Surveillance System

The Communications Law provides that telecommunications may be intercepted only pursuant to a court order. Federal Law No. 144-FZ, dated August 12, 1995, "On Operational Investigative Activities," initiated a surveillance system, known as SORM, which is operated partly by the Federal Security Service, a government agency responsible for surveillance. SORM requires telecommunications providers to ensure that their networks are capable of allowing the government to monitor electronic traffic and requires telecommunications providers to finance the cost of additional equipment needed to make their systems compliant. Recent legislation extended access to electronic traffic to three other state agencies, including the tax authorities. Currently, we are in compliance with Russian law requirements related to SORM and, accordingly, certain government agencies are able to monitor electronic traffic on our network.

Interaction between telecommunications operators and the governmental authorities engaged in surveillance activities is governed by Regulation No. 538 of the Russian Government dated August 27, 2005, "On Approval of the Rules of Interaction between Telecommunications Operators and the Authorized Governmental Bodies Engaged in Surveillance Activities."

Regulation of Internet Services

Regulation 87 requires that an operator providing Internet services have a license for provision of telematic services and a license for transfer of data. The procedure of transfer of Internet traffic is not determined by normative acts. Although currently there is no comprehensive regulatory scheme directly applicable to Internet content, the Russian media has reported that the Russian State Duma has recently begun to consider the possibility of adopting legislation regarding Internet content.

Regulation of Telecommunications in Kazakhstan

The Law of the Republic of Kazakhstan No. 567-II "On Communications," dated July 5, 2004, in Kazakhstan (the "***Kazakhstan Communications Law***"), which came into effect on July 10, 2004, is the principal act regulating the telecommunications industry in Kazakhstan and sets forth general principles for the regulation of the telecommunications industry, the authority of each regulatory agency, the rules governing telecommunications networks' cooperation and consumer rights protections. Several additions to the Kazakhstan Communications Law that acted to stimulate competition in the sphere of domestic long distance ("***DLD***") and international long distance ("***ILD***") became effective as of January 1, 2006. In accordance with the Kazakhstan Communications Law, the government of Kazakhstan and certain other governmental agencies adopted a number of acts regulating specific aspects of the telecommunication industry, the most important of which are outlined in greater detail below. The Kazakhstan Communications Law was recently amended and uncertainty remains regarding any further developments in the Kazakhstan Communications Law.

The Kazakhstan Communications Law grants the Kazakh government broad authority with respect to the telecommunications industry in Kazakhstan. The most important aspects with respect to our business include the government's authority to:

- develop and implement government policy on frequency allocations,
- approve allocation of radio frequencies,
- approve qualification requirements for DLD and ILD operators,
- approve procedures for auctions of telecommunications licenses and approve the licensing terms, conditions and qualification requirements when granting telecommunications licenses, and
- set forth the procedures and payment amounts for the ability to provide services with the use of frequencies.

The participation of foreign capital in Kazakhstan's telecommunications market is limited by the Law of the Republic of Kazakhstan No. 233-I "On National Security" dated June 26, 1998 regulating national security. It is forbidden for foreign legal entities or individuals to control and operate fixed line networks, to create and operate telecommunications networks whose headquarters are located outside Kazakhstan and to obtain more than 10.0% of voting shares in a DLD or ILD operator without governmental consent. In addition, foreign legal entities or individuals are not allowed to possess, use, dispose of or control (directly or indirectly) more than 49.0% of the total voting shares of a DLD or ILD operator who possesses surface communication lines (cables, including fiber optic and radio-relay cables).

Kazakhstan Regulatory Authorities

Under the Kazakhstan Communications Law, the Ministry for Communications and Information (the "***MCI***"), is the central executive body authorized to implement state policy and governmental control with respect to telecommunications and to adopt relevant acts. The MCI acts in accordance with Governmental Decree No. 724427 "The Issues of the Ministry for Communications and Information", dated May 18, 2010. The MCI has adopted the following relevant rules: "On Providing Telecommunications Services," "On Providing Cellular Telecommunications Services" and "On Connecting Telecommunications Networks to the Public Telecommunications Network."

The primary functions of the MCI relevant to our business include:

- issuing permits for the use of radio frequencies in Kazakhstan,
- controlling the use of frequencies,
- issuing licenses to provide telecommunications services and overseeing compliance of issued licenses,
- determining the list of radio-electronic and high-frequency telecommunications equipment permitted to be used and/or imported into Kazakhstan,
- issuing (through its local subdivisions) permits for use of telecommunications equipment,
- disconnecting any unauthorized equipment;
- issuing data transfer licenses for provision of Internet services; and
- developing technical regulations in the field of informatization and telecommunications.

The Inter-Agency Commission on Radio Frequencies (the "***ICR***") is a consultative-advisory agency of the Kazakh government that provides recommendations on government policy regarding frequencies. The National Security Committee and certain other governmental defense bodies also maintain a level of control over the telecommunications industry as part of its investigative operations.

Licensing to Provide Telecommunications Services and Radio Frequency Allocation

Telecommunications services may only be rendered in Kazakhstan by a valid license holder authorized to provide the relevant services. In accordance with the Kazakhstan Communications Law, the MCI issues licenses to provide telecommunications services on the basis of an application form or, as required, the results of a competitive tender.

The MCI may refuse to grant a telecommunications license in the event that (i) frequencies are not available or there is a lack of numbering capacity, (ii) the requested type of activity is subject to an auction,

(iii) there is a risk to national security, or (iv) there are adverse health risks. The MCI may suspend a license if there is found to be (i) use of radio frequencies without a permit, (ii) violations of the licensing terms that can result in material damage, (iii) improper use of frequencies and (iv) failure to provide services under the license for a period of one year. A telecommunications license may be revoked only by a court ruling in specific cases provided by law.

On January 11, 2007 all licenses, including licenses for telecommunication services, became termless (perpetual) in accordance with the Law of the Republic of Kazakhstan No. 214-III "On Licensing".

The MCI, together with and subject to the approval of the Ministry of Defense, is responsible for allocating frequencies in Kazakhstan. Frequencies are allocated in accordance with a table establishing frequency allocations in the ranges of 3 kHz to 400 GHz for all types of radio-electronic equipment. The Kazakhstan Communications Law also provides for a schedule of frequency band development and use to be approved by the MCI in accordance with ICR's recommendations. Frequency allocations may be changed to accommodate the government's administration, defense or national security. In such cases, the Kazakhstan Communications Law provides for reimbursement of damages to be paid to the operator.

The Kazakhstan Communications Law requires that telecommunications equipment and radio-electronic and high-frequency equipment must be certified. Telecommunications equipment falls into two groups with regards to certification: (i) equipment that requires certification in Kazakhstan and (ii) equipment that may be used subject to a declaration of compliance issued by the manufacturer.

In March 2010, the Kazakhstan government issued a resolution amending the qualifications for international telecommunications services licenses to require that the licensee maintain ownership rights over the telecommunication line infrastructure through which the licensee provides services. These changes in the regulatory environment may have a material effect on the international telecommunications services market in Kazakhstan as there are currently a limited number of operators who own the infrastructure through which they provide services and the number of international telecommunications services operators is likely to be reduced overall.

Pricing, Competition and Interconnections

There are three central state bodies in Kazakhstan that control anti-monopoly legislation compliance in the telecommunications industry: (i) the MCI and (ii) the Kazakhstan Antimonopoly Authority (the "***KAA***") and (iii) the Agency for Regulation of Natural Monopolies.

The MCI's powers in the anti-monopoly area include the following: (a) regulating and controlling natural monopolies in the telecommunication industry, (b) regulating tariffs of the dominant market players and (c) procuring that there is no discrimination with respect to access to telecommunications services. Currently operators must obtain the MCI's approval for any increase of tariffs. The list of natural monopolies is determined in a governmental registry and approved, maintained and controlled by the Agency on the Regulation of Natural Monopolies.

The KAA oversees the maintenance of anti-monopoly legislation and regulates the market players holding dominant positions in the relevant market in Kazakhstan. As a general rule, to be recognized as a dominant player, an operator must control individually 35.0% or more of the relevant market. The list of dominant players is determined in a governmental registry and approved, maintained and controlled by the KAA. Currently, the list contains two wireless telecommunications operators, KaR-Tel and GSM Kazakhstan LLP, which operates under the brand name "K-Cell." Since December 2010, the KAA is also the authorized agency responsible for consumer protection.

The KAA may introduce additional regulations for dominant market players in accordance with the legislative requirements set forth in the Law No 112-IV "On Competition", dated December 15, 2008.

On December 25, 2008 a new law No. 112-IV "On Competition" was adopted. The law defines the regulatory basis for the protection of rights of market players and consumers from monopoly activity, anti-competition actions of state bodies and unfair competition. This law is intended to protect competition and its development. The law dated July 9, 1998 No 272-I "On natural monopolies and regulated markets" regulates activity in the spheres of natural monopolies, regulated markets, consumer rights, subjects of natural monopolies and subjects of regulated markets. This law regulates tariffs for the services by market players. In March 2010, the rules of tariff regulation were adjusted by introducing government regulation of prices.

Telecommunications tariffs of dominant market players are subject to governmental regulation, pursuant to Governmental Decree No. 1277, dated December 23, 2006. The Kazakhstan Communications Law states that tariffs must contain equal conditions for all telecommunications subscribers and must be based on reasonable and fair expenses.

In December 2010, an order of the MCI "Concerning Approving the Size of Tariffing" was amended to revise the length of the units by which tariffs are measured.

Beginning on January 1, 2006, telecommunications providers are no longer required to use the state-controlled fixed-line operator, Joint Stock Company "Kazakhtelecom," to interconnect between networks and are now permitted to interconnect directly with other operators in accordance with interconnect agreements. The structure of interconnect agreements is set by the MCI, and dominant operators are required to enter into an interconnect agreements with any operator requesting interconnection.

Provision of fixed-line services is a licensed activity in Kazakhstan. There are three types of licenses in for fixed-line services in Kazakhstan: (i) a local telecommunications services license permitting the provision of services within a certain city or locality; (ii) an inter-city telecommunications services license; and (iii) an international telecommunications services license. Under Kazakhstan Communications Law, only holders of international and inter-city telecommunications license are permitted to transit traffic and only holders of international telecommunications services license are entitled to enter into direct interconnect agreements with foreign operators. Interconnection between telecommunications operators in Kazakhstan is regulated by the government. A mandatory form of interconnect agreement for a dominant operator is issued by MCI in accordance with Kazakhstan Communications Law and respective Rules. In spring 2010, the Kazakhstan government amended the international telecommunications license qualification requirements with a new requirement providing that licensees maintain title ownership over telecommunication lines, which are included in the telecommunication networks of the licensee. This change in the regulatory environment is likely to have a material effect on the international services market in Kazakhstan.

In 2009, the Kazakhstan Communications Law was amended to require all mobile operators to keep a register of IMEI-codes (codes of individual customer mobile terminal), and to lock individual handsets with certain IMEI-code upon request from customers and public security authorities.

Regulation of Telecommunications in Armenia

General Regulatory Overview

The Republic of Armenia is currently transitioning its telecommunications sector from a monopoly dominated by ArmenTel, to a competitive developed market. Regulation of the Armenian telecommunications industry currently consists of the Law on Electronic Communications, dated July 8, 2005 (effective September 3, 2005), and other laws and decisions of the Commission on Regulation of Public Services of the Republic of Armenia (the "***Regulator***"), which is the national regulatory agency. The other relevant government body with respect to the telecommunications sector is the government of the Republic of Armenia the ("***Authorized Body***") (as described in more detail below).

The primary functions of the Law on Electronic Communications, which was drafted with the technical assistance and recommendations of the Word Bank, the International Telecommunications Union (the "***ITU***") and other international organizations, are to:

- ensure fair and open competition in the provision of electronic communications services, facilities and equipment;
- ensure the availability of electronic communications throughout the territory of the Republic of Armenia;
- protect the interests of providers and users of electronic communications services and operators of electronic communications networks;
- ensure effective regulation of the electronic communications sector, including effective enforcement of relevant laws and regulations, fair and efficient handling of customer complaints and efficient use of limited resources (which include, for example, radio spectrum, orbital slots and numbering capacity); and
- promote the development of the Armenian electronic communications industry by encouraging economically efficient investments in and use of infrastructure to provide electronic communications.

Armenian Regulatory Authorities

There are two relevant regulatory authorities in the Republic of Armenia with regards to the telecommunications sector: (i) the Authorized Body and (ii) the Regulator.

The Law on Electronic Communications, authorizes the Authorized Body, which is defined as the state administrative agency, to (i) determine policy regarding the development of the telecommunications sector, (ii) prepare general policy and objectives regarding the provision of universal services in Armenia and (iii) allocate particular portions of radio spectrum for specific types of use.

Pursuant to the Law on Electronic Communications, the primary functions of the Authorized Body that are relevant to our business include:

- adopting and modifying regulation containing the Armenian Table of Frequency Allocations, while the government establishes the procedure for frequency management coordination committee meetings and discussions;
- modifying the Armenian Table of Frequency Allocations to allocate radio spectrum for commercial use;
- detecting and locating radio emissions not in conformity with legislation;
- investigating and inspecting, when authorized by appropriate warrant, the use of radio transmission equipment;
- implementing Armenia's commitments to international treaties in the electronic communications sector, as appropriate;
- representing the Republic of Armenia in the ITU and other international telecommunications organizations;
- adopting technical standards; and
- issuing certifications authorizing production, import, installation or use of radio transmission equipment.

The Regulator is established under the Law on the Public Utility Regulator of the Republic of Armenia. The law defines the scope of the Regulator's authority and the structure and activities of the Regulator. It grants the Regulator's decisions full legal force with regard to separate operators and the telecommunications industry as a whole.

The primary functions of the Regulator that are relevant to our business include:

- implementing competition in the provision of public electronic communications services and networks;
- regulating public electronic communications networks and services;
- with respect to radio communication, allocating particular portions of the radio spectrum under its control for specific purposes; and
- adopting justified, fair and transparent resolutions that conform to laws and public interest and establishing procedures for implementation of resolutions.

The Regulator has adopted rules regulating the following: rendering VoIP services, publication of tariffs and conditions on rendering data transfer services and Internet access, granting radio frequency use authorizations, licensing of telecommunications networks and services, regulating national numbering plans, lease of local loops owned by fixed network operators with significant market power, providing international roaming services and regulating the exchange of data traffic between data transmission operators and Internet services providers.

Licensing to Provide Telecommunications Services and Radio Frequency Allocation.

In Armenia, the operation and management of the public electronic communication network, voice and mobile communication services, telegraphic communication services, data communication services connection to the Internet and television and radio broadcasting services are subject to licensing. A person may own and operate a public electronic communications network in Armenia only if that person holds an operator's license and a person may provide public electronic communications services only if that person holds either a provider's license or operator's license. Under the Law on Licensing, the grant of exclusive rights and privileges to one operator is prohibited.

Along with an operator's license, an operator must also have authorization to use radio frequencies in order to operate and provide an electronic communications network or service. The Regulator issues frequency authorizations to persons to use specific portions of the radio spectrum and is authorized to suspend or terminate

frequency authorizations in accordance with the relevant procedures. Following submission of an application by a licensee, the Regulator may renew the frequency authorization for a period equal to the period for which the original authorization was granted. The Regulator may also make a decision to limit the number of frequency authorizations based on availability of radio frequencies. If such a decision has been made, authorizations are awarded on the basis of competitive applications or auction. The Regulator also has the authority to adopt rules allowing (i) granting shared use of limited resources to multiple applicants, and (ii) auctioning of licenses or authorizations absent any limitation on resources if such auction is in the best interests of the people of Armenia.

Properly certified terminal equipment may be connected to the operator's public electronic communications network provided such connection does not cause physical or technical harm to the network. In accordance with the Law of the Republic of Armenia on Certification, only certificated equipment may be imported and connected. Certification is conducted by commercial organizations that have the required licenses.

Pricing, Competition and Interconnections

According to the Law on Protection of the Economic Competition (effective December 15, 2000), ArmenTel is considered a dominant operator of fixed telephony and international data transmission (IP transit) services.

All dominant operators must publish information concerning the location and available capacity of their line facilities in accordance with the requirements set by the Regulator (Law on Electronic Communications). Any dominant operator that owns a line facility must allow any other operator to lease the capacity of such line facility. Each operator shall, upon request, interconnect its public electronic communications network with the public electronic communications network of any other operator. Each dominant operator must provide interconnection for the provision of public electronic communications services and must submit an interconnection offer to the Regulator.

In the course of regulating prices, the Regulator must ensure that service providers recover a reasonable rate of return on the value of their investments directed to public services. This may include uneconomic or inefficient investments that are geared towards the advancement of technology or public policy. When determining the rate of return, the Regulator takes into consideration international benchmarks and features distinct to the Republic of Armenia.

The Regulator is responsible for determining the tariffs related to use of specific public electronic communications services provided by the dominant service providers and the Regulator may regulate with respect to tariffs on specific public electronic communication services provided by non-dominant service providers, provided such regulation is necessary to promote competition and the public interest. Tariffs on services of fixed communication are subject to regulation in accordance with a list prepared by the operator and reviewed and approved by the Regulator. Tariffs on services of mobile communication are not regulated with regard to calls made from fixed networks to mobile networks.

Subject to reasonable rates and conditions, an operator may provide physical collocation of its equipment with another operator or service provider, if it is necessary for interconnection with or access to its public electronic communications network. An operator may only provide for virtual collocation with another operator or service provider if another operator demonstrates that physical collocation is not practical for technical reasons or because of space limitations. Collocation includes provision of space, power and lights as well as cross connections between the collocated equipment and switches or loops designated by the collocating operator or service-provider. An operator may make available to any operator or service provider such public electronic communications network infrastructure, technology, information, facilities and functions as may be requested by such operator or service provider for the purpose of enabling them to provide services.

In February 2009, regulations on rendering mobile telecommunication services were adopted. These regulations determine, among other things, the order, terms and conditions of rendering and use of mobile telecommunication services, rights and obligations of mobile telecom networks operated by dominant operators and of customers, as well as their respective responsibilities.

On February 24, 2010 (effective March 1, 2010), the Regulator also approved interconnection tariffs for traffic exchanges between mobile networks and fixed networks using non-geographic codes. Further, on November 11, 2008, the Regulator adopted rules on disclosure of information as to an operator's network location, free line infrastructure capacity, and other technical regulations related to fixed telecommunication operators.

Regulation of Telecommunications in Uzbekistan

General Overview

The main statutes that govern the telecommunications industry in the Republic of Uzbekistan in relation to our company are the laws (i) "On Communications" No. 512-XII, dated January 13, 1992 (as amended); (ii) "On the Radio Frequency Spectrum," dated December 25, 1998; (iii) Protection of Consumers' Rights, dated April 26, 1996; (iv) Telecommunications, dated August 20, 1999; and (v) Licensing Certain Types of Business, dated May 25, 2000. These laws determine the general legal and economic basis for organizing communications systems, establishing rights and duties of a company in terms of ownership, use, disposal and management of communications equipment when setting up and operating communications networks and providing communications services.

The government authorities responsible for supervising the telecommunications industry in the Republic of Uzbekistan are the Republic of Uzbekistan Cabinet and a specially authorized telecommunications agency. In accordance with the Law on Telecommunications, dated August 20, 1999, businesses offering communications services in the Republic of Uzbekistan may be privately or publicly held by Uzbek or foreign national individuals or legal entities. All owners of telecommunications networks have equal rights and enjoy equal protection guaranteed by the law and the legislation imposes no restrictions on foreign investors.

Uzbek Regulatory Authorities

The Uzbek Agency for Communications and Information (the "***Agency***"), is the specially authorized state administration authority that is responsible for regulating the telecommunications industry in the Republic of Uzbekistan. The Agency is the successor to the Ministry of Communications, which ceased to exist in accordance with Presidential Decrees No. UP-1823, dated July 23, 1997 and No. UP-3358, dated December 9, 2003:

The Agency's powers are set out in the Telecommunications Law and may be supplemented by presidential decrees or cabinet decrees. Regulatory acts promulgated by the Agency within its terms of reference are binding on all individuals and legal entities. The Agency's primary functions relevant to our business include the following:

- drafting national programs for development of telecommunications,
- elaborating standards and rules for telecommunications,
- granting licenses to legal entities for telecommunications,
- regulating tariffs for certain types of telecommunications services and inter-network telecommunications links,
- organizing certification of telecommunications equipment, and
- drawing up numbering schemes and managing the numbering plan for telecommunications networks.

The Agency also issues licenses necessary to provide and operate Internet services.

The Agency's structure includes such organizations as the State Communications Inspectorate, the State Radio Frequency Committee, the Centre for Electromagnetic Compatibility, the Centre for Monitoring Mass Communications, and the Centre for Scientific and Marketing Research, among others.

The State Communications Inspectorate for State Supervision of Postal and Telecommunications Businesses (the "***Supervisory Body***") is responsible for monitoring compliance by telecommunications companies with license requirements and conditions.

Licensing to Provide Telecommunications Services and Radio Frequency Allocation

Legal entities and individuals conducting the following activities are subject to licensing: design, construction and operation and provision of telecommunications services for local networks, interurban networks, international networks, mobile telephony networks, paging networks, data transfer networks, and television and radio broadcasting networks. The Agency is responsible for granting licenses relating to the telecommunications industry. A license is also required in order to provide services in terrestrial communications (local, interurban and international networks).

The Agency may refuse to issue a license or renew an existing license if: (i) the applicant submits improperly drawn up documents or documents containing inaccurate information or misrepresentations or (ii) the

applicant fails to meet licensing requirements and conditions and tender conditions. Refusal to issue a license for other reasons, including the reason that it is inexpedient to do so, is prohibited. The Agency may suspend a license for no more than ten business days under certain conditions. A license can only be suspended for more than ten days pursuant to a court order.

The Agency has the authority to terminate a license by court order where the licensee (i) repeatedly breaches the license requirements and conditions, (ii) commits a single gross breach of the license requirements and conditions and (c) fails within the period specified by the licensing or supervisory body to remedy defects which entail license suspension. Upon a licensee's request for termination, expiry of the term or winding up of a licensed entity, the licensing authority may also terminate a license.

The Agency, the Ministry of Defense and the Cabinet's Government Communications Service all have the right to allocate radio frequencies to public and private operators. The Agency is the coordinating body authorized to resolve problems and implement state policy in communications, information and use of the radio frequency spectrum. The Ministry of Defense is responsible for monitoring and supervising the use of radio frequencies in order to secure the defense and security of the Republic of Uzbekistan and the Cabinet's Government Communications Service (the "***SPS***"), is responsible for supervising safe radio navigation for flights and the aeronautical mobile service in the radio bands allocated by the State Radio Frequency Committee (the "***GKRCh***").

Specific radio frequencies are granted to users in accordance with a national table of radio frequency allocation. The allocation of radio frequencies among users of the radio frequency spectrum may take place on the basis of a tender or the results of an auction. The radio frequency spectrum is allocated to users for a specific term as prescribed in the permit from the radio frequency authority or in the contract for use and use of the radio frequency spectrum must be paid for. Relations between the GKRCh and the Center for Scientific and Marketing Research (the "***TsEMS***") and radio frequency users arise on a contractual basis. The Agency may suspend or restrict the right to use radio frequencies in terms of time and/or geographical area. Since for commercial purposes radio frequencies are allocated, as a rule, on a secondary basis, then in case of withdrawal, suspension or restriction of the right to use the radio frequency spectrum no compensation is payable.

In accordance with the requirements of the Telecommunications Law, telecommunications equipment, including line-terminating apparatus, used in telecommunications networks within the Republic of Uzbekistan is subject to certification for compliance with established standards and technical specifications.

Pricing, Competition and Interconnection

Uzbek law provides that state policy for the prevention of monopolistic activity and unfair competition by businesses, state administrative authorities and also local state executive authorities is implemented by the State Committee for Demonopolization and Support of Competition and Entrepreneurship (the "***Antimonopoly Authority***"). In addition, the Agency is authorized, together with the Antimonopoly Authority, to monitor the work of businesses which are natural monopolies in the sphere of telecommunications.

A position is said to be dominant where a business or group of persons has a market share of 65.0% or more. If a business holds a market share of between 35 to 65.0%, it may be deemed to have a dominant position, subject to a determination by the Antimonopoly Authority's based on the size of market share, the stability of the business's market share, the share taken by competitors, ease of access to the market for new competitors and other criteria relevant to the given market. Currently no mobile network operator has been declared a monopolist or a business with a dominant position in the market for telecommunications services.

Under Uzbek law, mobile network operators may fix the tariffs for their telecommunications services independent of approval by the Ministry of Finance on the basis of analyzing the market.

Mobile network operators are permitted to arrange inter-connections (including with Uzbektelecom AK) for domestic traffic in accordance with contractual terms and conditions, although there are certain restrictions regarding international traffic. Pursuant to the requirements of Cabinet Decree No. 453, dated September 29, 2004 "Additional Measures for the Privatization of Uzbektelecom AK", communications operators are entitled to connect to international networks exclusively via the technical resources of Uzbektelecom AK.

In January 2009, the Agency approved general regulations on the provision of mobile services, which outline the rights and requirements for operators and subscribers. In September 2009, the Agency decree number 293, which prohibits the provision of services before a subscriber's personal data has been registered in the operator's database.

Regulation of Telecommunications in Ukraine

The Law of Ukraine "On Telecommunications" (the "***Telecommunications Law***"), which came into effect on December 23, 2003 and the Law of Ukraine "On Radio Frequency Resource" (the "***Frequency Law***") the revised version of which came into effect on August 3, 2004, are the principal legal acts regulating the Ukrainian telecommunications industry. The Telecommunications Law proposed the adoption of various regulations by the Ukrainian Government and other governmental authorities to supplement the legal framework of the telecommunications industry. As of November 17, 2010, a majority of the orders and regulations proposed by the Telecommunications Law and Frequency Law have been promulgated. The effective "Plan for Using the Radio Frequency Resource of Ukraine," which provides directions for the use of radio frequency resources, indicates particular frequency bands and allows for radio technologies, periods of operation and perspective technologies was adopted on June 9, 2006. In 2008-2009, the Cabinet of Ministers approved the changes to the above-mentioned plan which allow the implementation and usage in Ukraine of such radio technologies as mobile communication of third generation (UMTS) and technologies of broadband access to Internet WiMAX.

The Telecommunications Law sets forth general principles for the regulation of the telecommunications industry in Ukraine, including a description of the institutional framework for the government's involvement in the regulation, administration and operation of the telecommunications industry in Ukraine. The most important aspects of the Telecommunications Law with respect to our company address the government's authority to:

- license wireless (mobile) telecommunications service providers,
- allocate radio frequencies,
- certify telecommunications equipment,
- allocate numbering capacity,
- ensure fair competition and freedom of pricing, and
- conduct oversight of operators' compliance with the terms of their licenses and Ukrainian law.

In order to establish and commercially launch a wireless telecommunications network, a company must receive, among other things:

- a license to provide wireless (mobile) telephony services using a specific standard and band of radio frequency spectrum (the "***telecommunications license***");
- a license to use specified bands of radio frequency (the "***frequency license***") for its radio electronic devices (the "***RED***");
- certificates on electromagnetic compatibility and operating permits for its REDs; and
- a permit for allocation of numbering resources.

In addition, telecommunications operators and providers must use telecommunications equipment that is certified as complying with specified technical requirements.

Regulatory Authorities

According to the Telecommunications Law, the Cabinet of Ministers and the NCCR are the main governmental authorities managing the telecommunication industry.

The Cabinet of Ministers is responsible for forming general policy, ensuring equal rights for developing the forms of ownership, managing state owned assets and directing and coordinating ministries and other central governmental bodies in the area of telecommunications.

The NCCR is the main regulatory and controlling body in the area of telecommunications and use of radio frequencies and is authorized by the Telecommunications and Frequency Laws, as well as by the Cabinet of Ministers of Ukraine Resolution "On National Commission for Communications Regulation", dated July 25, 2007. The NCCR issues licenses for the provision of licensed telecommunications services and the use of radio frequencies, maintains registries of telecommunications operators and providers, allocates numbering capacity to telecommunications operators and controls the quality of telecommunications services.

Licensing to Provide Telecommunications Services and Radio Frequency Allocation

Fixed and wireless telephony services (including technical maintenance, operation of telecommunications network and lease of channels), technical maintenance and operations of television and radio networks and leases of local, intercity and international telecommunications channels to third parties are all subject to licensing. Additionally, the use of radio frequencies is subject to licensing. A frequency license includes the radio frequency bands allocated for carrying out a telecommunications activity, the list of regions where the radio frequencies may be used, dates of the exploitation of the frequency resource and the type of radio technology to be utilized.

Both telecommunications and frequencies licenses can be terminated upon (i) a licensee's request to terminate the license; (ii) inaccurate information in the license application documents; (iii) the transfer of the license to another legal entity or natural person for carrying out the licensed activity; (iv) the failure of the operator or provider of telecommunications services to implement an administrative order to cure breaches of the license terms; (v) a repeated breach by the licensee of license terms; (vi) an operator's repeated refusal to cooperate with the NCCR during inspections or attempts to prevent inspections; or (vii) annulment of state registration of the licensee.

Both telecommunications and frequencies licenses must be reissued if there is (i) a change in name of the license holder; (ii) a change of legal address; or (iii) a reorganization of a legal entity-business entity through a change of its organizational and legal form, transformation, merger or consolidation. In addition, a frequency license may be reissued if, among other things, the operator requests a reduction in the frequency bands or regions covered by the license or if the operator makes a joint application with another operator for re-allocation of frequencies.

Additionally, a frequency license will be cancelled if (i) the use of a radio frequency resource allocated by the license is not initiated by the licensee within the established period in the license; (ii) the licensee terminated use of the radio frequency resource, allocated by the license for a period that exceeds one year; or (iii) the licensee failed to fully implement the radio frequency resource, allocated by the license within the established period.

A telecommunications operator is required to pay a fee for the allocation of numbering capacity. Currently, the fee for obtaining one local telephone number for provision of fixed telephone services is 30 hryvnia (or approximately US$4.0) for Kyiv (amounts for other cities vary below 30 hryvnia depending on the population). Since September 1, 2007, the NCCR prohibited use of local telephone numbers in wireless networks.

Pricing, Competition and Interconnections

The Telecommunications Law allows telecommunications operators, including wireless service operators to establish tariffs (rates) for the telecommunications services provided to subscribers, with the exception of tariffs on universal services and data traffic channelling by telecommunications operators that occupy a significant position on the respective market. This provides for competition between Ukrainian wireless services operators. Ukrainian law requires operators to publish tariffs established by the operators themselves no less than seven calendar days prior to implementation of the tariff.

According to the Telecommunications Law, where a telecommunications operator sets prices on its services pursuant to hourly tariffs and makes settlements with consumers by certain units of time (e.g., minutes or seconds), it should take into account only full tariff units of time.

Applicable law currently does not establish a limitation on collecting payments for incoming calls (i.e., mandatory "calling party pays" system) by wireless services operators. A provision prohibiting collecting payments for incoming calls was adopted on November 21, 2002, but was later abolished after adoption of the Telecommunications Law. The main telecommunications operators have not come back to collecting payment for incoming calls, which was a widespread practice before November 2002.

Effective July 15, 2006, the NCCR introduced new tariffs for provision of voice services to fixed line subscribers. As a result of the tariff re-balancing policy, the tariffs for local calls and monthly fees increased and tariffs for DLD/ILD calls decreased. Effective November 1, 2006, the NCCR continued the tariff re-balancing process by increasing the tariffs for local calls and monthly fees and by decreasing the tariffs for fixed-to-mobile calls. On November 28, 2006, the Ukrainian Parliament approved the amendments to the Telecommunications Law which changed the list of the telecommunication service tariffs subject to the public regulation. Under new regulation, tariffs for DLD/ILD calls were excluded from the public regulation. The amendments also exclude fixed-to-mobile calls from the public tariff regulation. As a result of these changes, we expect increased competition from the incumbent operators in the DLD/ILD services market.

The Telecommunications Law regulates the interconnection of telecommunication networks, including the obligations of wireless service operators and providing conditions for the conclusion, modification and termination of interconnection agreements. On June 24, 2010, the UAMC reaffirmed its prior decision determining mobile operators that are deemed to hold a dominant position on the market and therefore, are subject to certain regulations, including regulations in relation to the technical, organizational and economic terms of the interconnection and tariff regulation.

Wireless services operators are not obligated to interconnect with a dominant operator in order to use its facilities for the "backbone" connection (trunk or intercity fixed network). As a rule, a telecommunications license permits an operator to deploy its own backbone network throughout the country.

Interconnection contracts and agreements between telecommunication operators in Ukraine and foreign telecommunication operators are governed by recommendations issued by the International Telecommunications Union.

Effective since April 13, 2009, the NCCR amended the licensing conditions for mobile operators (a specific regulation approved by the NCCR) by introducing additional requirements. In particular, mobile operators are now required to cover the territory specified in their licenses within the terms and according to the conditions specified in the licensing conditions. Another requirement is to suspend provision of telecom services to customers that use mobile handsets without registration of their IMEI-codes in the respective database. According to publicly available information, mobile operators presently do not suspend provision of telecom services to their customers using mobile handsets without registration of their IMEI-codes due to several reasons that inter alia include (i) absence of the required technical capabilities and equipment and/or (ii) peculiarities of the current legislative requirements (since the Ukrainian Telecommunications Law does not provide for such a reason for depriving a customer of a service).

In July 2010, telecommunication regulations also were amended to implement a so-called national roaming service giving subscribers the ability to allocate their numbers from one telecom network to another.

On January 6, 2011, the amendments to the Ukrainian Telecommunications Law came into effect and empowered the NCCR to determine telecommunications services markets, study the competitive environment in the telecommunications market and determine ex ante operators with significant market power. Therefore, the NCCR is authorized to determine ex ante operators with significant market power and regulate rates of their respective services. However, the NCCR will be able to exercise the referred powers only when the NCCR approves the procedure for determination of operators with significant market power and this procedure becomes effective. The NCCR has posted the relevant draft procedure on its website recently.

MANAGEMENT

Directors and Senior Management

The following tables set forth certain information with respect to the directors and executive officers of the Issuer and the Guarantor as of June 1, 2011.

The Issuer

Name[1]	Age	Title
Alexey A. Gavrilov[2]	33	Director
Per Hajem[3]	56	Director
Hendrik van Dalen[4]	59	Director
Jeffrey D. McGhie[4]	41	Director
Felix Saratovsky[4]	37	Director

(1) The registered business address of each of the individuals is Claude Debussylaan 13-15, (1082 MC) Amsterdam, the Netherlands.

(2) Altimo nominee.

(3) Telenor nominee.

(4) VimpelCom Ltd. nominee.

The Guarantor

Name[1]	Age	Title
Alexander V. Izosimov[2]	47	Chairman of Board of Directors
Alexey A. Gavrilov[3]	33	Director
Jeffrey McGhie[4]	41	Director
Kjell-Morten Johnsen[5]	43	Director
Hendrik van Dalen[4]	59	Director
Elena A. Shmatova[6]	52	General Director
Natalia V. Chumachenko[6]	39	Executive Vice President, Mass Market Development in Russia
Dmitry G. Kromskiy[6]	49	Vice President, Business Development in the CIS
Andrey E. Patoka[6]	41	Vice President, Business Development in Russia
Martin J. Furuseth[6]	57	Executive Vice President, Chief Strategy Officer, Russia
Marina A. Dumina[6]	52	Vice President, Legal
Mikhail V. Yakovlev[6]	57	Vice President, Organizational Development and Human Resources
Dmitry Y. Afinogenov[6]	49	Vice President, Chief Financial Officer
Olga N. Turischeva[6]	41	Vice President, Marketing and Business Development
Vladimir A. Filippov[6]	50	Vice President, IT and Technical, Russia
Marina V. Muravieva	40	Audit Commission Member

(1) The registered business address of each of the individuals is Open Joint Stock Company "Vimpel-Communications," 10 Ulitsa 8 Marta, Building 14, Moscow, Russian Federation 127083.

(2) Mr. Izosimov will resign from the board of directors of the Guarantor as soon as practicable following the termination of his employment with VimpelCom Ltd., effective as of June 30, 2011. He will be replaced by Khaled Bichara at the next Extraordinary General Meeting of the Shareholders of the Guarantor.

(3) Altimo nominee.

(4) VimpelCom Ltd. nominee.

(5) Telenor nominee.

(6) Member of the management committee.

There are no potential conflicts of interest between any duties of the members of the administrative, management or supervisory bodies of the Issuer or the Guarantor owed to the Issuer or the Guarantor and their own private interests and/or other duties.

Alexey A. Gavrilov has been a director of the Issuer since October 13, 2010 and of the Guarantor since October 12, 2010. Mr. Gavrilov has served as Vice President, Asset Management of LLC Altimo since 2005. From 2004 to 2005 he served as a Director of Strategic Planning in Sovintel (Golden Telecom). Mr. Gavrilov held various positions in YUKOS from 1999 until 2004. Mr. Gavrilov graduated with honors from the Faculty of World Economy of the Finance Academy under the Government of the Russian Federation and he has Ph.D. degree in Economics.

Per Hajem has been a director of the Issuer since October 13, 2010, and has served as Group Director of Tax (ad interim) since September 1, 2010. Mr. Hajem also holds the position of Senior Vice President in Telenor ASA, a position he has held since June 1, 2000. Prior to joining Telenor, he was a tax partner with Arthur Andersen. Prior to joining Arthur Andersen in 1985, Mr. Hajem held a senior tax consultant position with the Norwegian Central Tax Directorate. He has a law degree from the University of Oslo and is admitted to the Bar in Norway. Mr. Hajem is a member of the Norwegian Bar Association and the International Fiscal Association.

Hendrik van Dalen has been a director of the Issuer since October 13, 2010 and of the Guarantor since October 12, 2010. Mr. van Dalen has also served as Chief Financial Officer of VimpelCom Ltd. since September 1, 2010. Mr. van Dalen held the position of Chief Financial Officer and was a member of the board of directors of TNT N.V. from 2006 until 2010. From 2000 until 2006, Mr. van Dalen was a member of the Board of Management and Chief Finance Officer of Royal DSM N.V. He received a degree in Economy and Sociology from the Erasmus University in Rotterdam.

Jeffrey D. McGhie has been a director of the Issuer since October 13, 2010 and has served as General Counsel of VimpelCom Ltd. since August 2010. Mr. McGhie held the position of Vice President, General Counsel of the Guarantor from June 2007 until July 2010, and before that he served as the Guarantor's Chief Legal Officer beginning in March 2006. Prior to joining the Guarantor, he held the position of associate in the Moscow office of Akin Gump Strauss Hauer & Feld L.L.P. from September 2002 until December 2004, and counsel from January 2005 until March 2006. From December 1999 until August 2002, Mr. McGhie was an associate at Kirkland & Ellis in Chicago, Illinois. Mr. McGhie graduated with a B.A. in Russian from Brigham Young University in 1995 and received a J.D. magna cum laude and MBA from Indiana University (Bloomington) in 1999.

Felix Saratovsky has been a director of the Issuer since October 13, 2010 and has served as Deputy General Counsel of VimpelCom Ltd. since August 2010. Prior to joining VimpelCom Ltd., Mr. Saratovsky held the position of associate in the New York, Moscow and London offices of Akin, Gump, Strauss, Hauer & Feld L.L.P. from September 2001 to January 2007 and the position of counsel in the London office from January 2007 to August 2010. Mr. Saratovsky graduated with a B.A. with high honors from Wesleyan University in 1995 and received a J.D. from the University of Michigan Law School in May 2001.

Alexander V. Izosimov has been chairman of the board of directors of the Guarantor since November 10, 2010. He currently serves as President and Chief Executive Officer of VimpelCom Ltd. Mr. Izosimov served as the Guarantor's Chief Executive Officer and General Director from October 2003 until April 2009. From April 2009 to December 2009, Mr. Izosimov served as Non-Executive President of the Guarantor. Mr. Izosimov is currently the chairman of the board of directors of Kyivstar and serves on the boards of directors of MTG AB, GSM Association and Fund Dynasty. Prior to joining the Guarantor, Mr. Izosimov held senior positions with Mars, Inc. in Moscow and McKinsey & Company in Stockholm and London. Mr. Izosimov has a M.S. degree from the Moscow Aviation Institute and MBA from INSEAD.

Kjell-Morten Johnsen has been a director of the Guarantor since June 2007. Mr. Johnsen has been the Chief Executive Officer of Telenor d.o.o. Serbia since March 2009. Before his appointment in Serbia, Mr. Johnsen served as Senior Vice President of Telenor Central & Eastern Europe and Head of Telenor Russia from February 2006. From 2001 to 2006, Mr. Johnsen worked as Vice President of Telenor Networks with responsibility for Telenor ASA's fixed line activities in Russia and the CIS. From 1996 to 2000, Mr. Johnsen worked with Norsk Hydro, where he held executive positions both as country manager in Ukraine and as manager at the regional headquarters for the CIS, Africa and Latin America, which was based in Paris. Mr. Johnsen served as a member of Golden Telecom, Inc.'s board of directors from December 2003 to February 2008. He is currently President of the board for the Foreign Investors' Council in Serbia. Mr. Johnsen has a Master's degree in Business Administration in Strategic Management from the Norwegian School of Economics and Business Administration.

Elena A. Shmatova has served as General Director of the Guarantor and Head of VimpelCom Ltd.'s Russian business unit since June 2010. She served the Guarantor as Executive Vice President and Chief Financial Officer from October 2005 to June 2010, as Chief Financial Officer from January 2003 to October 2005, as Director of Treasury from March 2002 until January 2003 and as Financial Controller from December 1999 until March 2002. From 1992 until 1999, Ms. Shmatova served as Deputy Finance Director, Finance Director and Vice President of Finance at the Sprint Communications/GlobalOne Group of companies in Russia. Prior to 1992, Ms. Shmatova served as Financial Director of "Express Mail Service-Garantpost" and was an economist at the Ministry of Telecommunications of the USSR and the Center of International Accounting of the Ministry of Telecommunications of the USSR. Ms. Shmatova received a Bachelor's degree in Economics from the Moscow Telecommunications University and is a qualified expert in Economy and Planning.

Natalia V. Chumachenko has been serving as Executive Vice President, Mass Market Development in Russia since February 2011. She served as Vice President Regional Director of Moscow region from December 2008 to February 2011. In 2007, she started to serve as B2C Sales Director in the Russian Business Unit. In 2006, Ms. Chumachenko was promoted to Moscow region Sales Director. In October 2004, Ms. Chumachenko moved to VimpelCom headquarters from VimpelCom Voronezh's subsidiary "VimpelCom region" where she held the position of Head of the Direct Payments Department within the Sales Directorate. In VimpelCom Voronezh's subsidiary "VimpelCom region", she started to serve as Deputy Director on Commercial Issues in 2001. From November 1999 to September 2001, Ms. Chumachenko worked for OJSC "Center of Mobile Connection", a VimpelCom branch in Voronezh, where she progressed her career from a leading marketing expert to Commercial Director. In 2005, Ms. Chumachenko acquired a diploma Coach from the International Coaching Center "Door International". In 2001, she graduated from Voronezh State University with a degree in Management Studies. Ms. Chumachenko also graduated from Voronezh State Engineering and Construction Academy in 1994 with a degree in Engineering Systems and Constructions.

Dmitry G. Kromskiy has served as Head of the CIS business unit of VimpelCom Ltd. since June 2010. He has served as Vice President, CIS Business Development of the Guarantor since December 2009. Since January 2006, he has held the position of General Director of KaR-Tel. Starting in June 2007, he also served as Executive Director of the Guarantor responsible for the development of other acquired companies in the CIS. He came to the Guarantor in 2002 as the Central region director. Mr. Kromskiy has also headed several mobile operators in various regions of Russia and, from January 2001 until December 2002, he held the position of Vice President of Operations in the Moscow representative office of the American company MCT Corp. From July 1994 until May 1995 he worked in the Moscow representative office of Samsung Electronics, from May until October 1995 he worked at Telmos company, and from October 1995 until December 2000 he participated in establishing 12 regional mobile AMPS/DAMPS operators as part of Vostok Mobile B.V. Holding. Mr. Kromskiy graduated with a Master's degree in Automatics & Electronics from the Moscow Institute of Electronic Technology.

Andrey E. Patoka has served as Vice President, Business Development of the Guarantor in Russia since 2009. He has served as Deputy General Director and Senior Vice President for international and regional business at Golden Telecom since the Guarantor acquired Golden Telecom in 2008. In September 2003, Mr. Patoka headed the Regional Business Development Department of Sovintel. In March 2004, he became the Head of the Guarantor's International and Regional Business Development Department in Sovintel. In 1992, he started his career as Sales Manager of "Combellga". In 2002, he became Commercial Director and headed the Sales Department. Mr. Patoka graduated from Military Krasnoznamenny Institute of the Ministry of Defence with a Master's degree in Military Translation.

Martin Furuseth has served as Executive Vice President and Chief Strategy Officer of the Guarantor in Russia since January 2010. He served as Executive Vice President and Chief Marketing Officer of the Guarantor from January 2010 until December 2010. Before joining the Guarantor, Mr. Furuseth served as Vice President and Chief Operating Officer of Telenor ASA and Kyivstar in Ukraine where he was responsible for marketing, technical and general company strategy. From 2002 to 2003, he held the position of General Manager at Tech Data in Germany, the second largest IT distributor in Germany. Mr. Furuseth held different positions at Siemens, Compaq Computer GmbH, VIAG Intercom (later O2) in Germany, Telenor A.S., Digital Equipment Corporation and IBM. He graduated from the Norwegian School of Finance and Business Administration (NHH) Bergen with a Bachelor's degree in Business.

Marina A. Dumina joined the Guarantor as Vice President, Legal in June 2010. She is also a member of the board of directors of Golden Telecom, Inc. From 1998 to 2010, she worked in an international law firm Akin Gump Strauss Hauer & Feld L.L.P. Her sphere of expertise includes international litigation and investment projects in telecommunication, oil and other industries. Ms. Dumina participated in a number of projects in the securities and financial markets. In 2006, she became a partner at Akin Gump Strauss Hauer & Feld L.L.P. From 1993 to 1998, she worked as senior lawyer in the Moscow office of the international law firm Linklaters and Paines. Ms. Dumina graduated from the Moscow State Lumonosov University in 1980 with a specialization in international law.

Mikhail V. Yakovlev joined the Guarantor in April 1997. He has served as Vice President, Organizational Development and Human Resources of the Guarantor since November 1, 2010. He served as Regional Director of Central region from December 2005 to November 2010, as Commercial Director of Moscow region from July 2004 to December 2005, as Sales Director from August 1999 to July 2004 and as Commercial Director, Deputy General Director from April 1997 to August 1999. Simultaneously with the position of Commercial Director, Deputy General Director, Mr. Yakovlev in 1999 served as IT Director. From 1994 until 1997, Mr. Yakovlev served as General Director of Moscow Telecommunication Company (MTK).

Prior to 1994, Mr. Yakovlev served as Deputy Director of Communication and Satellite System Centre of Ministry of Sea Fleet. Mr. Yakovlev received a Bachelor's degree in Radiotechnique from the Moscow Telecommunications University.

Dmitry Y. Afinogenov has served as Vice President, Chief Financial Officer of the Guarantor since August 2010. Starting from 2002, he held various positions with the Guarantor from Regional Financial Controller to Chief Financial Officer for the CIS countries and international operations. From 1998 until 2002, Mr. Afinogenov worked as the Manager of Financial reporting in PepsiCo Holding Company. From 1993 until 1998, he held the positions of Chief Accountant and Financial Controller at Ernst & Young CIS Limited (Cyprus). Mr. Afinogenov graduated from the Moscow Telecommunications University with a Bachelor's degree in Engineering and Economics.

Olga N. Turischeva has served as Vice President, Marketing and Business Development of the Guarantor since December 2010. She served as Chief Executive Officer of Rambler Media Limited from April 2009 to August 2010. Ms. Turischeva served as Director of Beeline Ventures from July 2007 to April 2009 and as Marketing Director of Beeline from January 2001 until June 2007. From 1998 until 2000, Ms. Turischeva served as Marketing Director of BSH Bosch und Siemens Hausgeräte GmbH Moscow, Russia. Prior to 1998, Ms. Turischeva held senior positions at Merloni Elettrodomestici S.p.A. CIS, Baltic and East Europe Representative Office. Ms. Turischeva has a M.S. degree in Economics from the Moscow State University.

Vladimir A. Filippov has served as Vice President, IT & Technical Director, Russia of the Guarantor since January 2010. From June 2008 to January 2010, he served as Vice-President, IT. From April 2006 to June 2008, Mr. Filippov was a member of the Management Board, Chief Information Officer and Vice President, IT. He served as Vice President, IT from March 2005 to April 2006. From September 2003 to March 2005, Mr. Filippov served as Strategic Programs Director of the Guarantor. Previously, he had been acting as Deputy to the New Billing Program Director in the Guarantor's IT Department. Mr. Filippov graduated from the Moscow University of Physics and Engineering, Cybernetics Faculty with a degree in Applied Mathematics and Computer Software and has also completed an Advanced Management Program at Harvard Business School.

Marina V. Muravieva has been a member of the Guarantor's audit commission since December 8, 2010. Ms. Muravieva has been a Director of Internal Audit and Risk Management of the Guarantor since 2002 and is responsible for managing the internal audit function in Russia and CIS. From 2001 to 2002, Ms. Muravieva headed the Investment Department of the Guarantor. Prior to joining the Guarantor, she served as Financial Manager and Treasury Manager of Sprint, Global One Group of companies from 1993 to 2001. Ms. Muravieva graduated from the Faculty of Marketing and Management in Mechanical Engineering of the Moscow Institute of Aviation with degree in Engineering and Economics with a foreign language. She has been a certified internal auditor (CIA) since 2004 and is a member of the American Institute of Certified Public Accountants (AICPA).

Compensation

The Issuer

The Issuer did not pay any compensation to its directors in 2010.

The Guarantor

The Guarantor paid its directors, senior managers and audit commission members an aggregate of approximately US$18.7 million for services provided during 2010, excluding approximately US$0.5 million in stock-based compensation award payments.

In 2009, the Guarantor's board of directors adopted a stock appreciation rights plan for the Guarantor's senior managers and employees. The plan is administered by the Guarantor's General Director, and the Guarantor's board of directors determined the aggregate number of stock appreciation rights that were granted. Prior to completion of the VimpelCom Ltd. Transaction, a stock appreciation right, upon vesting, entitled the holder to receive a cash amount per stock appreciation right equal to any excess of the NYSE closing price of one of the Guarantor's ADSs on the exercise date over the price at which such stock appreciation right was granted, which was the higher of the NYSE closing price on the grant date or the average NYSE closing price over a period of 30 trading days prior to the grant date. In connection with the completion of the VimpelCom Ltd. Transaction and the delisting of the Guarantor's ADSs from the NYSE, as of April 21, 2010, the Guarantor's stock appreciation rights plan was amended to provide that the exercise price for stock appreciation right, upon vesting, relates to the NYSE closing price of a VimpelCom Ltd. ADS. The grant prices of the stock appreciation rights were not changed. The stock appreciation rights granted under the plan vest over a two-year period, as long as the Guarantor meets the plan's performance targets. In 2010, 71,200 stock appreciation rights were granted under the plan, 35,600 of which had vested as of December 31, 2010.

Senior managers and members of the Guarantor's audit commission are also eligible to participate in the Guarantor's 2000 stock option plan, as amended, and in the VimpelCom Ltd. 2010 stock option plan. For more information on these stock option plans, please see "—Share Ownership" below.

The Guarantor has entered into indemnification agreements with each of its directors, senior managers and members of its audit commission pursuant to which it has agreed to indemnify each of them for all losses, subject to certain limited conditions, incurred in connection with claims, suits or proceedings arising out of his or her performance of his or her duties as a director, senior manager or member of the Guarantor's audit commission.

VimpelCom Ltd. has obtained insurance on behalf of the VimpelCom Ltd. Group's senior managers, directors and members of the audit commission for liability arising out of their actions in their capacity as a senior manager, director or member of the Guarantor's audit commission.

The Guarantor does not have any pension, retirement or similar benefit plans available to its directors, senior managers or audit commission members.

As of December 31, 2010, none of the Issuer's or the Guarantor's directors or senior managers beneficially owned more than 1.0% of any class of its capital stock.

Board Practices

The Issuer

The management board of the Issuer is entrusted with the management of the Issuer. The management board currently has five members. Under the terms of the VimpelCom Ltd. Shareholders Agreement, Telenor and Altimo each has the right to nominate one candidate for election to the Issuer's management board. The Issuer's remaining three directors are nominated by the Chief Executive Officer of VimpelCom Ltd. and approved by the supervisory board of VimpelCom Ltd. The VimpelCom Ltd. Shareholders Agreement is expected to expire six months after June 10, 2011. For more information, see the section of this prospectus entitled "Risk Factors—Risks Related to Our Business—Litigation involving Telenor and Altimo, two of VimpelCom Ltd.'s largest shareholders, could lead to deterioration in their relationship and could have a material adverse effect on our business, financial condition, results of operations and prospects." Under the Issuer's articles of association, the management board is required to have five members, consisting of one member A, one member B and three members C. At least three members on the management board must be Dutch residents. Directors are appointed by the shareholders of the Issuer from a list of nominees, containing the names of at least two persons for each vacancy The members of the Issuer's current management board were elected by a decision of the sole shareholder, VimpelCom Amsterdam B.V., for an indefinite period starting from October 13, 2010. All resolutions of the management board must be adopted by more than half of the votes cast at the shareholder meeting. Currently, the member A is Mr. Gavrilov, the member B is Per Hajem, and the members C are Mr. Saratovsky, Mr. McGhie and Mr. Van Dalen. The Issuer has not entered into any service contracts with any of the current members of its management board providing for benefits upon termination of service.

The Guarantor

The supreme governing body of the Guarantor is the General Meeting of Shareholders which is empowered to decide on the issues expressly set forth in the Russian Federal Law on Joint Stock Companies and the Guarantor's charter, including election of the board of directors.

The Guarantor's board of directors currently consists of five persons. The members of its current board of directors were elected by the annual general meeting of shareholders held on April 26, 2011 and will serve until the next annual general meeting of shareholders unless the board in its entirety is terminated prior to the expiration of its term upon a decision of the Guarantor's shareholders. The Guarantor has not entered into any service contracts with any of its current directors providing for benefits upon termination of service.

On October 11, 2010, in connection with the completion of VimpelCom Ltd.'s acquisition of all of the Guarantor's outstanding share capital and the terms of the VimpelCom Ltd. Shareholders Agreement, the Guarantor's charter was amended to provide that its board consists of five members. Under the terms of the VimpelCom Ltd. Shareholders Agreement, Telenor and Altimo each has the right to nominate one candidate for election to the Guarantor's board of directors. The Guarantor's remaining three directors are nominated by the Chief Executive Officer of VimpelCom Ltd. and approved by the supervisory board of VimpelCom Ltd.

The Guarantor is required under Russian law and its charter to maintain an audit commission. The Guarantor's audit commission assists with oversight responsibility and reviews the Guarantor's financial reports, its systems of internal controls and its auditing, accounting and financial reporting processes. Under Russian law

and the Guarantor's charter, a member of the Guarantor's audit commission may not simultaneously serve as a member of the Guarantor's board of directors or hold a senior management position in the Guarantor. Under the Guarantor's Charter, the number of members of the audit commission shall be determined by the decision of the general meeting of shareholders. On December 7, 2010, the shareholders determined that the audit commission should consist of one person. The current member of the Guarantor's audit commission was elected at the April 26, 2011 annual general meeting of the Guarantor's shareholders and is expected to serve until the Guarantor's next annual general meeting of shareholders.

The Guarantor's management committee, which is chaired by the Guarantor's General Director, is an advisory body that assists the General Director with the management of the Guarantor's day-to-day activities. The management committee comprises certain key members of the Guarantor's senior management. Recommendations of the management committee remain subject to the approval or veto of the Guarantor's General Director.

Employees

As of March 31, 2011, we had approximately 41,815 employees in Russia, the CIS, the Ukraine and other countries. Of our 29,647 employees in Russia (including CIS and International headquarters, which is located in Moscow), we estimate that 113 are in executive and senior managerial positions, 10,751 are in engineering, construction and information technology, 6,079 are in sales, marketing and other commercial operations, 2,148 are in finance, administration and legal, 7,521 are in customer service, 561 are in site acquisitions, regional projects and security, 1,666 are in procurement and logistics and 808 in other support functions.

As of March 31, 2011, we had approximately 4,197 employees in Ukraine. Of these employees, we estimate that 540 are in executive and managerial positions, 826 are in engineering, construction and information technology, 499 are in sales, marketing and other commercial operations, 436 are in finance, administration and legal, 1,421 are in customer service, 207 are in site acquisitions, regional projects and security, 141 are in procurement and 127 are in other support functions.

As of March 31, 2011, we had approximately 1,818 employees in Kazakhstan. Of these employees, we estimate that eight are in executive and managerial positions, 634 are in engineering, construction and information technology, 555 are in sales, marketing and other commercial operations, 189 are in finance, administration and legal, 318 are in customer service, 21 are in site acquisitions, regional projects and security, 51 are in procurement and 42 are in other support functions.

In addition, as of March 31, 2011, we had a total of approximately 6,153 employees in Uzbekistan, Armenia, Tajikistan, Kyrgyzstan, Georgia, Cambodia and Laos.

The following chart sets forth the number of our employees at March 31, 2011 and at December 31, 2010, 2009 and 2008:

	At March 31, 2011	At December 31,		
		2010	2009	2008
Russia	29,647	30,059	27,165	28,146
Kazakhstan	1,818	1,815	1,786	2,042
Uzbekistan	1,232	1,244	1,277	1,425
Armenia	3,011	3,022	3,243	3,519
Ukraine	4,197	4,224	2,005	2,667
Tajikistan	385	390	357	346
Georgia	320	312	262	234
Kyrgyzstan	570	583	—	—
Cambodia	375	359	260	24
Laos	260	—	—	—
Total	**41,815**	**42,008**	**36,355**	**38,403**

We have not experienced any work stoppages and consider relations with our employees to be good.

Share Ownership

Historically, the Guarantor maintained a stock option plan (the "***2000 Stock Option Plan***"), under which it granted options to certain of its and its subsidiaries' affiliates, officers, employees, directors and consultants to acquire shares of common stock of the Guarantor. In connection with the completion of the VimpelCom Ltd. Transaction, as of April 21, 2010, the 2000 Stock Option Plan was transferred to VimpelCom Ltd. and options granted under the 2000 Stock Option Plan, as amended, allow grantees to acquire shares of VimpelCom Ltd.

common stock upon exercise of the options. Options are granted by VC ESOP N.V., an indirect wholly owned subsidiary of the Guarantor. The 2000 Stock Option Plan is administered by a committee appointed by the board of directors of VC ESOP N.V., which committee determines to whom options are granted under the plan, the number of options that are granted and the terms and conditions of option grants, including the exercise price per share. The committee appointed to administer the 2000 Stock Option Plan is currently comprised of the three directors who currently sit on the compensation committee of the supervisory board of VimpelCom Ltd.

On April 21, 2010, VimpelCom Ltd. adopted the VimpelCom 2010 stock option plan (the "***2010 Stock Option Plan***" and together with the 2000 Stock Option Plan, the "***Stock Option Plans***"), under which certain of the Guarantor's and the Guarantor's subsidiaries' affiliates, officers, employees, directors and consultants are eligible for grants of options to acquire shares of VimpelCom Ltd. common stock. Options under the 2010 Stock Option Plan may be granted by VimpelCom Ltd. or its affiliate. The 2010 Stock Option Plan is administered by the compensation committee of the Supervisory Board of VimpelCom Ltd., which committee determines to whom options are granted under the plan, the number of options that are granted and the terms and conditions of option grants, including the exercise price per share.

As of March 31, 2011, options to acquire approximately 4,172,173 shares of VimpelCom Ltd.'s common stock were outstanding under the Stock Option Plans, of which options in respect of approximately 3,677,420 shares of VimpelCom Ltd.'s common stock are currently exercisable or are exercisable within 60 days of March 31, 2011. The exercise prices of the options outstanding as of March 31, 2011, ranged from US$8.852 per share to US$27.04 per share. The options granted generally vest at varying rates over a two- or three-year period subject in some instances to the attainment of performance targets and vesting periods for certain employees will be accelerated if certain events specified in the Stock Option Plans occur. The options outstanding as of March 31, 2011 are exercisable until dates ranging from the present date to January 2015. If a plan participant ceases to be an employee of the Guarantor or any of its affiliates (other than due to death or disability or for cause) or ceases to otherwise be eligible to participate in the plan, the individual will generally have the right to exercise vested options upon the later to occur of (a) the date of expiration of his option agreement and (b) the end of the first open trading window period following the effective date of termination of employment. In case of death or permanent disability of a plan participant, his or her beneficiaries will automatically acquire the right to exercise those options that have vested prior to the plan participant's death or permanent disability for the earlier of (i) 190 days and 90 days in the event of death and permanent disability, respectively, and (ii) December 31, 2015, in the case of options granted under the 2000 Stock Option Plan, and December 31, 2020, in the case of options granted under the 2010 Stock Option Plan. If a plan participant ceases to be an employee of the Guarantor or any of our Guarantor's affiliates for cause, then the right to exercise options will terminate immediately unless waived by the stock option committee discussed above.

VimpelCom Ltd. Group

Under the VimpelCom Ltd. Group's corporate governance structure, certain significant corporate actions taken by the various VimpelCom Ltd. Group companies, including the Issuer and the Guarantor, require the prior ultimate approval of the VimpelCom Ltd. supervisory board. VimpelCom Ltd.'s bye-laws grant the VimpelCom Ltd. management board authority over certain other matters to be taken by VimpelCom Ltd. Group companies. Accordingly, the following tables set forth certain information with respect to the directors and executive officers of VimpelCom Ltd.

As of June 1, 2011, the members of VimpelCom Ltd.'s supervisory board and management board and other senior management were as follows:

Name[1]	Age	Position
Jo O. Lunder[2]	49	Chairman of Board of Directors
Jon Fredrik Baksaas[3]	56	Director
Mikhail M. Fridman[4]	47	Director
Dr. Hans Peter Kohlhammer[2]	64	Director
Oleg A. Malis[4]	36	Director
Leonid R. Novoselskiy[2]	41	Director
Alexey M. Reznikovich[4]	43	Director
Ole Bjørn Sjulstad[3]	49	Director
Jan Edvard Thygesen[3]	60	Director
Alexander V. Izosimov[5]	47	President and Chief Executive Officer
Henk van Dalen[5]	59	Chief Financial Officer
Khaled Bichara[5]	39	President and Chief Operating Officer
Jeffrey D. McGhie[5]	41	General Counsel
Elena A. Shmatova[5]	52	Head, Russia Business Unit
Igor V. Lytovchenko[5]	45	Head, Ukraine Business Unit
Dmitry G. Kromskiy[5]	49	Head, CIS Business Unit
Ahmed Abou Doma[5]	42	Group Executive Vice President and Head of the Asia and Africa Business Unit
Romano Righetti[5]	49	Head of the Group's Regulatory Board
Ossama Bessada[5]	39	Group Executive Vice President, Head of the Europe and North America Business Unit
Phillip Tohmé[5]	44	Group Chief Technology Officer
Anja Uitdehaag[5]	49	Group Director Human Resources

(1) The registered business address of each of the individuals is VimpelCom Ltd., Claude Debussylaan 13-15, (1082 MC), Amsterdam, the Netherlands.

(2) Audit Committee member.

(3) Telenor nominee.

(4) Altimo nominee.

(5) Management Board member.

VimpelCom Ltd. Supervisory Board

Jo Lunder has served as chairman of the board of directors and a member of the audit committee of VimpelCom Ltd. since April 2010. Mr. Lunder was a member of the Guarantor's board of directors from May 2002 until April 2010, and from October 2003 until June 2005, he served as chairman of the Guarantor's board of directors. From April 2001 until October 2003, Mr. Lunder served as the Guarantor's Chief Executive Officer, and from May 2001 until October 2003, he served as the Guarantor's General Director. From September 2000 until April 2001, Mr. Lunder served as the Guarantor's President and Chief Operating Officer. From May 2000 until September 2000, Mr. Lunder served as the Guarantor's first Deputy Chief Executive Officer and Chief Operating Officer. From September 1999 until April 2000, Mr. Lunder served as the Guarantor's Chief Operating Officer. From 1993 until August 1999, Mr. Lunder was employed in various capacities for Telenor and its affiliates, including as Chief Operating Officer of Telenor Mobile. From February 2005 to September 2007, Mr. Lunder served as Chief Executive Officer of Atea ASA, one of Europe's largest IT-infrastructure companies. Mr. Lunder has served as the Executive Vice President of FERD, one of Norway's largest privately-owned financial and industrial groups, since September 2007. In addition, Mr. Lunder currently serves as chairman of the board of the Aibel Group Ltd., the second largest Nordic oil and gas services company, chairman of the board of Elopak AS, the world's third largest liquid carton packaging company, chairman of the board of Swix Sport AS, a global supplier of winter clothing and skiing equipment, chairman of the board of Cigalep AS and of Pelagic Invest AS. Mr. Lunder is also a member of the board of Pronova BioPharma ASA. Mr. Lunder earned a B.A. degree from Oslo Business School and holds a MBA from Henley Management College in England. He has also attended the Management Training Program at the IMD in Switzerland.

Jon Fredrik Baksaas has been a director of VimpelCom Ltd. since April 2010. Mr. Baksaas has served as the President and Chief Executive Officer of Telenor ASA since June 2002, chairman of the board of directors of Telenor Mobile Holding AS since July 2002 and chairman of the board of Telenor Business Partner Invest AS since February 2001. Mr. Baksaas has been a member of the boards of Doorstep AS since July 2000, Svenska Handelsbanken AB since April 2003 and GSM Association since January 2009. He has also been a member of the Advisory Council of Det Norske Veritas since May 2004. Before joining Telenor in 1989, Mr. Baksaas

served as the Chief Financial Officer of Aker AS, Chief Financial Officer of Stolt-Nielsen Seaway and held finance-related positions in Det Norske Veritas in Norway and Japan. Mr. Baksaas holds a Master's of Science degree from the Norwegian School of Economics and Business Administration in Bergen, Norway, and additional qualifications from the International Institute for Executive Development in Lausanne, Switzerland.

Mikhail M. Fridman has been a director of VimpelCom Ltd. since April 2010. Mr. Fridman was a member of the board of directors of the Guarantor from July 2001 to April 2010. He currently serves as a member of the board of directors of OJSC Alfa-Bank, as well as Chairman of the Supervisory Board of Alfa Group Consortium, and Chairman of the Board of OJSC TNK—BP. Mr. Fridman also serves as a member of the Supervisory Board of X5 RETAIL GROUP N. V. He is a member of the Public Chamber of the Russian Federation. Since 1989, Mr. Fridman has taken an active role in managing the Alfa Group, which includes Alfa Finance Holdings S.A. (Alfa Bank, Alfa Capital Holdings Limited and Medpoint Limited), Alfa Eco Telecom (ALTIMO) and CJSC Trade House Perekriostok. In 1988, Mr. Fridman co-founded the Alfa-Foto cooperative. From 1986 until 1988, Mr. Fridman served as an engineer at Elektrostal Metallurgical Works. Mr. Fridman graduated with honors from the Faculty of Non-Ferrous Metals of the Moscow State Institute of Steel and Alloys in 1986.

Dr. Hans Peter Kohlhammer has been a director of VimpelCom Ltd. since April 2010. He is a member of VimpelCom Ltd.'s audit committee and nominating and corporate governance committee. Dr. Kohlhammer was a member of the board of directors of the Guarantor from June 2008 until April 2010. He was the founder and has been the Chief Executive Officer of KPC Kohlhammer Consulting, Munich, since August 2006. From 2003 to 2006, he was the Chief Executive Officer and Director General of the telecommunications company SITA SC, Geneva. From 2001 to 2003, he was the President and Chief Executive Officer of Grundig AG, Nuremberg. Dr. Kohlhammer has a doctorate degree in Mathematics from Bonn University (PhD).

Oleg A. Malis has been a director of VimpelCom Ltd. since April 2010. Mr. Malis served as a member of the board of directors of the Guarantor from June 2006 until April 2010. Since May 2006, Mr. Malis has served as a member of the board of directors of Turkcell Iletisim Hizmetleri A.S. and Turkcell Holding Anonim Sirketi. Mr. Malis has also served as a member of the board of directors of Cukurova Telecom Holdings Ltd. since 2005. He served as Senior Vice President of Altimo Holdings from 2005 to 2011. From November 2005 until February 2008, he served as a member of the board of directors of Golden Telecom. From 2003 to 2005, Mr. Malis held the office of Senior Vice President and Director of M&A at Golden Telecom. Prior to this time, Mr. Malis held leading positions at Corbina Telecom, a company which he co-founded in 1993. Mr. Malis graduated from the Moscow State Aviation Technological University, Faculty of Ergonomics in 1993.

Leonid R. Novoselskiy has been a director of VimpelCom Ltd. since April 2010. He is a member of VimpelCom Ltd.'s audit committee and nominating and corporate governance committee. Mr. Novoselskiy was a member of the Guarantor's board of directors from June 2006 until April 2010. He co-founded the Gradient Group, of which he is currently Director General of OOO "Managing Company "Gradient", in 1991 and has served in various position for the group since that time. Since September 2008, Mr. Novoselskiy has been a member of the board of directors of OJSC "Protek", one of the largest pharmaceutical distributors in Russia. Mr. Novoselsky graduated from the Moscow Institute of Steel and Alloys in 1993 and in 1999, received a MBA from the Wharton Business School (United States).

Alexey M. Reznikovich has been a director of VimpelCom Ltd. since April 2010. He was a member of the board of directors of the Guarantor from May 2002 until April 2010. Mr. Reznikovich has been Chief Executive Officer of LLC Altimo since June 2005 and Chief Executive Officer of Altimo Holdings and Investment since 2006. He has been a director of Alfa Group, Altimo Holdings's parent company, since 2002, with overall responsibility for business development and management supervision of the group's assets. Mr. Reznikovich was a director of Golden Telecom from May 2007 until February 2008. Mr. Reznikovich was formerly a director of OJSC VimpelCom, one of Russia's two largest mobile phone companies. He was also a director of Trading House Smirnov, the Russian drinks company; A1 Group, one of Russia's leading investment companies; Perekriostok Group, a leading Russian supermarket chain; and Russian Technologies, a venture capital fund concentrating on the development of promising Russian technology. Mr. Reznikovish founded EMAX, a business venture that develops Internet centers in Russia and has been a director of EMAX and of CAFEMAX, an Internet cafe chain, since February 2001. From December 1998 to 2000, Mr. Reznikovich was a partner at McKinsey & Co. Prior to his time at McKinsey, Mr. Reznikovich worked at Procter & Gamble in Italy and Transworld in the United States. He graduated from the Economics Faculty of the Moscow State University and received a MBA from Georgetown University (United States) and INSEAD (France).

Ole Bjørn Sjulstad has been a director of VimpelCom Ltd. since April 2010. Mr. Sjulstad was a member of the Guarantor's board of directors from June 2008 until April 2010. Mr. Sjulstad has served as Senior Vice President of Telenor ASA since 2000. He was Managing Director of Telenor Pte Ltd in Singapore from 2002

until 2004, Senior Vice President of Telenor Mobile Communications from 2004 until 2006 and Senior Vice President for Telenor's Asia region from 2006 until 2007. Since May 2007, he has served as Senior Vice President for Telenor's Central & Eastern European operations, and became Head of Telenor, Russia in April 2009. Mr. Sjulstad has also served on the board of directors of Telenor's affiliates in Thailand and Malaysia and on the board of Grameenphone Limited in Bangladesh from 2002 until 2009. Mr Sjulstad has degrees in Mechanical Engineering and Business Administration from the Kongsberg International Institute (Ingeniørhøgskole) and has completed the Program for Executive Development at IMD, Lausanne in October 2008.

Jan-Edvard Thygesen has been a director of VimpelCom Ltd. since April 2010. Mr. Thygesen has served as an Executive Vice President of Telenor since 1999. Since January 2006, he has served as Executive Vice President and Head of Telenor's Central & Eastern European operations, Chairman of Telenor East Invest AS and was a member of the Guarantor's board of directors from June 2008 until April 2010. Since joining Telenor in 1970, Mr. Thygesen has held various positions, including Chief Executive Officer of Sonofon, Chief Executive Officer of Telenor Nordic Mobile, Executive Vice President of Telenor Mobile AS, Chief Executive Officer of Telenor Invest AS, Executive Vice President of Telenor Bedrift AS and Chief Executive Officer of Telenor Networks AS. He also served as Chief Executive Officer of Esat Digifone, Ireland. He is presently serving as chairman of the boards of directors of Telenor Montenegro and Telenor d.o.o. in Serbia, in addition to serving as a director of the boards of Uninor in India and various other affiliates of Telenor. Mr. Thygesen holds a Master's of Science degree in Electronics and Telecommunications from the Norwegian Institute of Technology.

VimpelCom Ltd. Management Board

For biographical information on Mr. Izosimov, Mr. van Dalen, Mr. McGhie, Ms. Shmatova and Mr. Kromskiy, see "—Directors and Senior Management" above.

Ahmed Abou Doma has served as Group Executive Vice President and Head of the Asia and Africa Business Unit of VimpelCom Ltd. since May 2011. He has also served as Chief Executive Officer of OTH since May 2011. Previously, Mr. Abou Doma served as the Chief Executive Officer in Banglalink, a subsidiary of OTH in Bangladesh, from January 2009 to May 2011. Mr. Abou Doma held the position of Marketing Director in Mobinil, an Egyptian subsidiary of OTH from October 2003 to December 2008. He joined Mobinil in 1998 as a Market Development Manager and from 2000 until 2003, Mr. Abou Doma held the positions of Senior Market Manager for Planning and Development and Senior Manager for Market Strategy and Analysis. Before joining Mobinil, Mr. Abou Doma worked for IBM and Datum IDS. Mr. Abou Doma earned a B.S. in Electronics and Communication Engineering from Cairo University in 1992 and completed the International Executive Program at INSEAD Business School in Singapore and France.

Ossama Bessada has served as Group Executive Vice President, Head of the Europe and North America Business Unit of VimpelCom Ltd. since May 2011. He has also served as Chief Executive Officer of Wind Italy since April 2011. Mr. Bessada served as Chief Operating Officer of Wind Italy from April 2009 to April 2010 and Group Chief Commercial Officer of OTH from July 2006 to April 2009. Prior to this, Mr. Bessada was a Commercial Director of OTH from November 2005 to June 2006 and Group GSM Services Development Director of OTH from 2003 to 2005. Mr. Besada also served as the Commercial Director of Syriatel from 2001 to 2005 and served as the Marketing Director of Orascom Telecom Algeria, and OTH subsidiary, from 2002 to 2005. Mr. Besada holds a degree in Telecommunication Engineering and a Master's degree in Business Administration from the American University in Cairo.

Khaled Bichara has served as President and Chief Operating Officer of VimpelCom Ltd. since April 2011. Before joining VimpelCom Ltd., Mr. Bichara was the Group Chief Executive Officer of OTH. He has been a member of the board of directors of OTH since 2003. Mr. Bichara served as Chief Operating Officer of OTH from April 2009 to April 2011 and as Chief Operating Officer of Wind Italy from July 2007 to March 2009. Mr. Bichara earned a B.S. in Computer Science and a Master's degree in Business Administration from the American University in Cairo, where he is a member of the Advisory Board for the Computer Science and Engineering Department. In June 2005, Mr. Bichara pleaded guilty to a single felony count of making a false statement in an application to the United States Agency for International Development ("***USAID***"), was fined US$250 and paid a mandatory assessment of US$100. The charge against Mr. Bichara arose from the participation of LINKdotNET in a Commodity Import Program administered by the Egyptian Government and USAID which extends interest free loans to Egyptian businesses for the purchase of U.S. origin products. The loan extended to LINKdotNET was fully collateralized in U.S. dollars and no loss resulted from the transaction. The loan proceeds were used to purchase U.S. origin equipment and no money was diverted by Mr. Bichara for

personal use. Both Mr. Bichara and LINKdotNET believed they settled this matter administratively when, in 2003, LINKdotNET fully repaid the Commodity Import Program loan and agreed to a three year debarment from participating in USAID sponsored programs.

Igor Lytovchenko has headed the Ukraine business unit of VimpelCom Ltd. since April 2010. Mr. Lytovchenko was a co-founder and Chief Executive Officer of Kyivstar from November 1997 until April 2010. From 1992 to 1996, he was a director of Private Company LOTOS, Kyiv in Ukraine. Mr. Lytovchenko holds a Master's degree in History from Kyiv National Taras Shevchenko University of Kyiv, Ukraine and a Ph.D from the A.S. Popov Odessa National Academy of Telecommunications Odessa, Ukraine. He is a corresponding member of the Academy of Communications of Ukraine, member of the International Academy of Communications and a corresponding member of the International Infromatization Academy. He is a member of the Council of Entrepreneurs of Ukraine within the Cabinet of Ministers of Ukraine.

Romano Righetti has served as Head of the Group's Regulatory Board of VimpelCom Ltd. since May 2011. Mr. Righetti has served as Deputy Chief Operating Officer and Director of the Regulatory/Antitrust Affairs in the Institutional Relations Department of Wind Italy since 2006. From 2000 until 2006, Mr. Righetti served as Vice President of Telecom Italia S.p.A. as Director of International Regulatory/Antitrust Affairs and International Institutions. From February 1999 until August 1999, Mr. Righetti served as Head of the Regulation Department at AGCOM, *Italian NRA*, and from 1995 until February 1999 he served as General Director of the Ministry of Communications of Italy. From 1989 until 1994, Mr. Righetti was a partner in a consultancy firm (business planning and corporate evaluation) and an Adjunct Professor for Economics and Industrial Organisation at the Faculty of Engineering, Università La Sapienza di Roma. From 1986 until 1988, he was an auditor at Reconta Touche & Ross and from 1985 until 1986 he served as a Lieutenant (junior grade) in the Italian Guardia di Finanza as part of Italian compulsory military service. In 1984, Mr. Righetti graduated from the Libero Università Internazionale degli Studi Sociali Guido Carli with a degree in Economics and Commerce. He is a Qualified Chartered Accountant, registered at the Ordine dei Dottori Commercialisti (the eqivalent to the CPA), a member of the Italian Financial Analysts Association, and is also a Qualified Accountant Auditor.

Philip Tohmé has served as Group Chief Technology Officer of VimpelCom Ltd. since May 2011. Since January 2010, Mr. Tohmé served as Chief Technology Officer of Orascom. Mr. Tohmé joined Wind Italy and served as Network Director then Chief Technology Officer from 2006 until 2009. Mr. Tohmé served as Chief Operating Officer of Orascom Telecom Algeria from 2003 to 2004 and Technical Director of MobiNil, OTH's subsidiary in Egypt, from 2000 to 2002. Prior to joining the OTH group, Mr. Tohmé worked in several technical positions as part of the launch of mobile operators, MobilRom (Romania) from 1977 to 1999 and France Telecom Mobile Lebanon during 1995 and 1996. Mr. Tohmé earned a Bachelor's degree in Electrical Engineering from the American University of Beirut in 1989 and a Master's degree in Electrical Engineering from Virginia Polytechnic Institute and State University in 1991.

Anja Uitdehaag has served as Group Director Human Resources of VimpelCom Ltd. since January 2011. Before joining VimpelCom Ltd., Mrs. Uitdehaag served as Manager/Director Human Resources for Philip Morris International in Kazakhstan, Romania, Switzerland, the Caucuses, Ukraine, Indonesia, South Korea and the Netherlands from 1995 to 2010. Mrs. Uitdehaag received a degree in Human Resources Management from Rotterdam University.

Proposed Changes to VimpelCom Ltd. Supervisory Board and Management Board

On May 24, 2011, the VimpelCom Ltd. Supervisory Board decided to propose for appointment at VimpelCom Ltd.'s annual general meeting scheduled to take place on June 28, 2011 Augie K. Fabela II as a new unaffiliated director to replace Jo Lunder as the chairman of the VimpelCom Ltd. Supervisory Board and Kjell-Morten Johnsen as a new nominated director to replace Jon Fredrik Baksaas. In addition on May 14, 2011 the VimpelCom Ltd. Supervisory Board approved the appointment of Jo Lunder to replace Alexander Izosimov as Chief Executive Officer of VimpelCom Ltd, effective July 1, 2011. Biographical information for Mr. Fabela is provided below, while biographical information for Mr. Johnsen is above under "—Directors and Senior Management".

Augie K. Fabela II, a founder of the Guarantor, served as Chairman of the Guarantor until 2003. Mr. Fabela created the Beeline brand, which has been ranked as a Global 100 brand, and in 1996 he led the Guarantor to become the first Russian company to list its shares on the NYSE. In 2001 and 2002, Mr. Fabela brought both Telenor and Alfa Group into the Guarantor as strategic shareholders. In 2003, Mr. Fabela became Chairman Emeritus and in that position has served as a valued strategic advisor to the VimpelCom Ltd. Group. Mr. Fabela serves on several other boards and is engaged in leading various philanthropic and civic causes. In 1987, Mr. Fabela graduated with a Master's degree in International Policy Studies and a Bachelor's degree in International Relations from Stanford University.

MAJOR SHAREHOLDERS

The Issuer is a wholly owned subsidiary of VimpelCom Ltd., which owns through its subsidiary VimpelCom Amsterdam B.V. 100.0% of our issued and outstanding shares of capital stock. The following table sets forth information with respect to the beneficial ownership of VimpelCom Ltd. as of June 21, 2011 by each person who is known by us to beneficially own 5.0% or more of the common or preferred stock of VimpelCom Ltd. As of June 21, 2011, VimpelCom Ltd. had 1,628,199,135 issued and outstanding shares of common stock and 433,532,000 issued and outstanding shares of preferred stock. None of our major shareholders has different voting rights.

Shareholder	Number of VimpelCom Ltd. Common Shares	Percent of VimpelCom Ltd. Common Stock	Number of VimpelCom Ltd. Preferred Shares	Percent of VimpelCom Ltd. Voting Stock
Telenor East Holding II AS[1]	515,578,840	31.666%	—	25.007%
Altimo Coöperatief U.A.[2]	510,461,800	31.351%	4,932,000	24.998%
Weather Investments II S.à r.l[3]	305,803,396	18.782%	305,000,000	29.626%
Forrielite Limited[4]	—	—	123,600,000	5.995%

(1) As reported on Schedule 13D, Amendment No. 11, filed on June 3, 2011, by Telenor East Holdings II AS with the SEC, Telenor East Holdings II AS is the direct beneficial owner of 515,578,840 shares of VimpelCom Ltd. common stock, and Telenor ASA may be deemed to be the beneficial owner of the VimpelCom Ltd. commons stock held by Telenor East Holdings II AS. The common stock held by Telenor East Holding II AS represents 31.666% of VimpelCom Ltd.'s outstanding common stock and 25.007% of VimpelCom Ltd.'s outstanding voting stock.

(2) As reported on Schedule 13D, Amendment No. 4, filed on June 14, 2011, by Altimo Coöperatief, part of the Alfa Group Consortium, with the SEC, Altimo Coöperatief is the direct beneficial owner of, and Altimo Holdings may be deemed to be the beneficial owner of, 510,461,800 shares of VimpelCom Ltd. common stock and 4,932,000 shares of the VimpelCom Ltd. preferred stock. The common stock held by Altimo Coöperatief represents 31.351% of VimpelCom Ltd.'s outstanding common stock. The preferred stock held by Altimo Coöperatief represents 1.138% of VimpelCom Ltd.'s outstanding preferred stock and together with the common stock held by Altimo Coöperatief, 24.998% of VimpelCom Ltd.'s outstanding voting stock.

(3) As reported on Schedule 13D, filed on April 22, 2011, by Weather with the SEC, Weather is the direct beneficial owner of 305,803,396 shares of VimpelCom Ltd. common stock and 305,000,000 shares of VimpelCom Ltd. preferred stock. The common stock held by Weather represents 18.782% of VimpelCom Ltd.'s outstanding common stock. The preferred stock held by Weather II represents 70.352% of VimpelCom Ltd.'s outstanding preferred stock and together with the common stock held by Weather II, 29.696% of VimpelCom Ltd.'s outstanding voting stock.

(4) As reported on Schedule 13D filed on June 13, 2011 by Forrielite Limited ("***Forrielite***") with the SEC, Forrielite is the direct beneficial owner of, and Oleg Kiselev, through his control of Forrielite, may be deemed to be the beneficial owner of, 123,600,000 shares of VimpelCom Ltd. preferred stock. The preferred stock held by Forrielite represents 28.510% of VimpelCom Ltd's outstanding preferred stock and 5.995% of VimpelCom Ltd's outstanding voting stock.

Please see the sections of this prospectus entitled "Risk Factors—Risks Related to Our Business—A disposition by VimpelCom Ltd.'s strategic shareholders of their respective stakes in VimpelCom Ltd. or a change in control of VimpelCom Ltd. could harm our business" and "Risk Factors—Risks Related to Our Business—Litigation involving Telenor and Altimo, two of VimpelCom Ltd.'s largest shareholders, could lead to deterioration in their relationship and could have a material adverse effect on our business, financial condition, results of operations."

As reported on Schedule 13D, Amendment No. 53, filed on April 23, 2010, by Telenor ASA with the SEC, prior to April 21, 2010, Telenor ASA beneficially owned 33.6% of OJSC VimpelCom's outstanding common stock and 36.0% of OJSC VimpelCom's outstanding voting stock. According to Amendment No. 53, on April 21, 2010, Telenor East Invest AS completed the exchange of all of its OJSC VimpelCom shares (comprising 17,254,579 OJSC VimpelCom common shares, of which 1,916,725 shares were represented by OJSC VimpelCom ADSs) for 345,091,580 VimpelCom Ltd. common ADRs (each representing one share of VimpelCom Ltd. common stock) pursuant to the terms and conditions of the VimpelCom Ltd. Exchange Offers that were part of the VimpelCom Ltd. Transaction, as described in the section of this prospectus entitled "Business—Overview." As of that date, Telenor ASA ceased to beneficially own any shares of common or preferred stock of OJSC VimpelCom. In addition, as reported on Schedule 13D, filed on May 4, 2010, by Telenor with the SEC, on April 21, 2010, immediately upon completion of the VimpelCom Ltd. Exchange Offers, in exchange for shares in Kyivstar held by certain wholly owned subsidiaries of Telenor ASA and their affiliates, 170,487,260 common shares of VimpelCom Ltd. were transferred to Telenor Mobile Communications AS, a subsidiary of Telenor ASA. As a result, as reported on Schedule 13D, Amendment No. 1, filed on June 11, 2010, by Telenor ASA with the SEC, Telenor ASA may have been deemed at the time to be the beneficial owner of 39.6% of VimpelCom Ltd.'s outstanding common stock and 36.0% of VimpelCom Ltd.'s outstanding voting stock.

As reported on Schedule 13D, Amendment No. 44, filed on April 28, 2010, by Eco Telecom Limited with the SEC, prior to April 21, 2010, Eco Telecom Limited held 37.0% and 100.0% of OJSC VimpelCom's outstanding common stock and preferred stock, respectively, and 44.0% of its outstanding voting stock, and Altimo Holdings, CTF Holdings Limited and Crown Finance Foundation (all part of the Alfa Group Consortium) were deemed to be the beneficial owners of the shares of OJSC VimpelCom's common and preferred stock held for the account of Eco Telecom Limited. According to Amendment No. 44, on April 21, 2010, Eco Telecom Limited completed the exchange of all of its OJSC VimpelCom shares (comprising 18,964,799 OJSC VimpelCom common shares and 6,426,600 OJSC VimpelCom preferred shares) in exchange for 379,295,980 VimpelCom Ltd. common ADSs (each representing one share of VimpelCom Ltd. common stock) and 128,532,000 VimpelCom Ltd. preferred ADSs (each representing one share of VimpelCom Ltd. preferred stock) pursuant to the terms and conditions of the VimpelCom Ltd. Exchange Offers that were part of the VimpelCom Ltd. Transaction. In addition, as reported on Schedule 13D, filed on April 30, 2010, by Eco Telecom Limited with the SEC, on April 21, 2010, immediately upon completion of the VimpelCom Ltd. Exchange Offers Altimo Coöperatief received 131,152,700 common shares of VimpelCom Ltd. in exchange for shares in Kyivstar held by other members of the Alfa Group Consortium. As a result of these transfers and other transfers within the Alfa Group Consortium, as reported on Schedule 13D, Amendment No. 1, filed on June 1, 2010, by Eco Telecom Limited with the SEC, Eco Telecom Limited no longer has any beneficial ownership in VimpelCom Ltd. securities, and Altimo Coöperatief was at that time the direct beneficial owner of 39.2% of VimpelCom Ltd.'s outstanding common stock and 100.0% of VimpelCom Ltd.'s outstanding preferred stock, together representing 44.7% of VimpelCom Ltd.'s outstanding voting stock.

As part of the Wind Telecom Transaction, as further described in the section of this prospectus entitled "Business—History and Development", VimpelCom Ltd.'s shareholders approved the issuance by VimpelCom Ltd. of up to 325,639,827 common shares of VimpelCom Ltd. and of 305,000,000 convertible preferred shares of VimpelCom Ltd. and the related increase in the authorized share capital of VimpelCom Ltd. The new shares have the rights and are subject to the conditions set out in the VimpelCom Ltd. bye-laws and represent a 20.0% economic interest and a 30.6% voting interest in the enlarged VimpelCom Ltd. group on a fully diluted basis. As contemplated under the Wind Telecom Transaction and as reported on Schedule 13D, filed on April 22, 2011, by Weather with the SEC, Weather purchased 305,000,000 of VimpelCom Ltd.'s preferred shares and 325,639,827 of VimpelCom Ltd.'s common shares, 3,127,996 of which were immediately transferred to Dosantos Investments S.à r.l. and 16,708,435 of which were immediately transferred to TNT Holding S.à r.l. As a result, immediately following the transfers, Telenor East Holding II AS, Altimo Coöperatief and Weather held approximately 31.7%, 31.4% and 18.8% of VimpelCom Ltd.'s outstanding common stock, respectively, and 25.0%, 31.0% and 29.6% of VimpelCom Ltd.'s outstanding voting stock, respectively.

On June 6, 2011, Altimo announced that it had entered into an agreement to sell 123,600,000 preferred shares in VimpelCom Ltd. On June 10, 2011 VimpelCom Ltd. received a notice from Altimo that it has completed the sale of 123,600,000 preferred shares which reduced its voting rights in VimpelCom Ltd. to below 25.0% and as a result the VimpelCom Ltd. Shareholders Agreement will terminate six months following the date of such notice. For more information, please see the sections of this prospectus entitled "Risk Factors—Risks Related to Our Business—A disposition by VimpelCom Ltd.'s strategic shareholders of their respective stakes in VimpelCom Ltd. or a change in control of VimpelCom Ltd. could harm our business" and "Risk Factors—Risks Related to Our Business—Litigation involving Telenor and Altimo, two of VimpelCom Ltd.'s largest shareholders, could lead to deterioration in their relationship and could have a material adverse effect on our business, financial condition, results of operations and prospects." As reported on Schedule 13D filed on June 13, 2011 by Forrielite, Forrielite acquired 123,600,000 preferred shares of VimpelCom Ltd. Pursuant to Forrielite's 13D, the acquisition was undertaken for investment purposes and Oleg Kiselev, through his control of Forrielite, may be deemed to be the beneficial owner of the 123,600,000 preferred shares (representing approximately 6.0% of the voting shares of VimpelCom Ltd.) acquired by Forrielite.

Based on the holdings of our common stock and information from The Bank of New York, we estimate that as of June 6, 2011 approximately 17.0% of our common stock was held in the United States by The Bank of New York, as depositary on behalf of approximately 27,748 holders of VimpelCom ADSs.

CERTAIN TRANSACTIONS

Agreements with VimpelCom Ltd.

On May 25, 2010, following the completion of the VimpelCom Ltd. Exchange Offers, VimpelCom Ltd. commenced a squeeze out procedure to acquire the remaining shares of OJSC VimpelCom (including shares represented by ADSs) that it did not acquire in the VimpelCom Ltd. Exchange Offers. To finance the payment of the squeeze out purchase price, on July 9, 2010, VimpelCom Ltd. signed a one year bridge facility agreement with Barclays, BNP Paribas, Citi and The Royal Bank of Scotland plc in the amount of US$470.0 million (the "***Squeeze Out Loan Agreement***"). OJSC VimpelCom guaranteed all of VimpelCom Ltd.'s obligations under the Squeeze Out Loan Agreement pursuant to a guarantee dated August 23, 2010.

On October 8, 2010, VimpelCom Ltd. prepaid the full outstanding balance, including accrued interest, under the Squeeze Out Loan Agreement. The prepayment was funded in part by a sixty year loan from VimpelCom Finance B.V., a wholly owned subsidiary of OJSC VimpelCom, in the amount of US$467.5 million.

Each of OJSC Vimpelcom and Kyivstar have entered into a general services agreement with our parent company, VimpelCom Ltd., pursuant to which VimpelCom Ltd. will provide OJSC VimpelCom and Kyivstar with services, and OJSC VimpelCom will provide VimpelCom Ltd. with services, relating to the conduct of each of their respective businesses. Such services include, but are not limited to, general management, legal, regulatory, treasury, reporting, procurement strategy and implementation of special projects.

Through a series of intercompany transactions within the VimpelCom Ltd. Group, in September 2010, the Issuer issued the Original Intercompany Note to VimpelCom Ltd. in the approximate principal amount of US$16.7 billion. VimpelCom Ltd. subsequently transferred the Original Intercompany Note to VimpelCom Amsterdam B.V., which is the holder of the Original Intercompany Note as of the date of this prospectus and which directly owns 100% of the Issuer. For more information about the Original Intercompany Note, see "Risk Factors—Risks Related to Our Business—The Issuer's substantial New Intercompany Note held by VimpelCom Amsterdam B.V. will rank pari passu with the Notes until the Issuer's insolvency, when it becomes subordinated to the Notes, but until the Issuer's insolvency it may be prepaid in whole or in part, potentially diverting funds from payment of the Notes to payment of the New Intercompany Note or reducing the assets of the Issuer available upon insolvency for application to the Notes."

Agreements Related to the Wind Telecom Transaction

As part of the financing for the Wind Telecom Transaction, on April 12, 2011, OJSC VimpelCom signed the Russian Bank Loan for up to the Russian ruble equivalent of approximately US$2.5 billion (of which it borrowed US$2.0 billion) in connection with the Wind Telecom Transaction. In addition, OJSC VimpelCom borrowed US$1.5 billion under the Bond Loan, funded with the proceeds of loan participation notes issued by VIP Finance Ireland on February 2, 2011. OJSC VimpelCom used a portion of the proceeds from these two financings to fund the following three transactions:

(i) On April 29, 2011, OJSC VimpelCom loaned US$50.0 million to VimpelCom Ltd. under a US$100.0 million loan facility due December 13, 2012 with an interest rate of LIBOR plus 0.25%.

(ii) On April 29, 2011, OJSC VimpelCom loaned US$250.0 million to VimpelCom Amsterdam B.V. under a US$500.0 million loan facility due March 21, 2013 with an interest rate of LIBOR plus 0.25%. On May 17, 2011, VimpelCom Amsterdam B.V. repaid US$250.0 million of this loan.

(iii) On May 13, 2011, OJSC VimpelCom loaned approximately US$2.6 billion to VimpelCom Amsterdam Finance B.V. under a US$3.0 billion loan facility (comprising a US$2.7 billion term loan facility and a US$0.3 billion revolving loan facility, each due May 31, 2014 and with an interest rate of 8.72%). On May 20, 2011, VimpelCom Amsterdam Finance B.V. repaid US$52.8 million of this loan. Under the terms of the facility, OJSC VimpelCom may lend to VimpelCom Amsterdam Finance B.V. an additional US$442.8 million.

As of June 15, 2011, there was an aggregate of approximately US$2.3 billion outstanding under the Russian Bank Loan and US$1.5 billion under the Bond Loan.

In addition, in order to finance the Wind Telecom Transaction, on March 31, 2011, VimpelCom Amsterdam B.V. signed the Bridge Loan with a group of international banks (including Barclays Capital, BNP Paribas, Citibank, N.A., London Branch, ING Bank NV, HSBC Bank plc, The Royal Bank of Scotland plc and Citibank International plc (as ***"Agent"***)) in a principal amount of up to US$2.5 billion due March 31, 2012 (with a possible six month extension). The Bridge Loan bears interest at an annual interest rate of LIBOR plus a certain percentage, which increases from 0.85% to 3.0% at set times under the facility over the term of the loan. On

April 14, 2011, VimpelCom Amsterdam B.V. drew down on the Bridge Loan in the amount of US$2.2 billion. As of June 15, 2011, there was US$2.2 billion outstanding under this loan agreement. On March 31, 2011, OJSC VimpelCom signed an agreement with the Agent under which it guaranteed the obligations of VimpelCom Amsterdam B.V. under the Bridge Loan.

Certain Agreements with Alfa Group and Telenor

Registration Rights Agreement

A member of the Alfa Group, Telenor and OJSC VimpelCom entered into a registration rights agreement on May 30, 2001, which provided Alfa Group and Telenor with demand and piggyback registration rights with respect to OJSC VimpelCom's ADSs and shares of OJSC VimpelCom's common stock. Pursuant to the terms of the agreement, the rights and obligations of Alfa Group and Telenor, respectively, under the registration rights agreement, other than indemnification rights and obligations, terminated on December 22, 2010.

Kyivstar Shareholders Agreement

On January 30, 2004, Telenor, Storm LLC and Kyivstar entered into a shareholders' agreement. The shareholders agreement contained, among other things, provisions relating to the election of Kyivstar's board of directors, the conduct of the board of directors and general shareholders' meetings, and so called qualified majority provisions which specified the decisions of the board of directors requiring the votes of seven of the nine directors. The shareholders agreement also gave existing shareholders pre-emption rights, rights of first refusal, drag-along and tag-along rights and provided for restrictions on transfers by shareholders. In addition, the shareholders agreement restricted Kyivstar's ability to enter into certain credit transactions and imposed non-compete restrictions on Kyivstar's shareholders and their affiliates. The agreement was terminated as of December 22, 2010.

Agreements with Telenor and its Affiliates

Telenor Services Agreements

Since September 2005, OJSC VimpelCom has been a party to a general services agreement with Telenor, under which Telenor renders to OJSC VimpelCom or its affiliates services related to telecommunication operations, including management advisory services, training, technical assistance and network maintenance, industry information research and consulting, implementation support for special projects and other services as mutually agreed by Telenor and OJSC VimpelCom. OJSC VimpelCom pays Telenor an annual fee of US$0.5 million for the services. In addition, in the event that Telenor's personnel participate in any long-term engagements (defined as engagements lasting longer than five days) OJSC VimpelCom must pay to Telenor an additional service fee equal to the U.S. dollar equivalent of 8,000 Norwegian kroner per person for each day of work performed on the engagement. In each of 2008, 2009 and 2010, OJSC VimpelCom paid Telenor approximately US$0.6 million under this agreement. This agreement expired on December 1, 2010.

On June 19, 2009, Kyivstar entered into an agreement with LLC Miratech Corporation, a Telenor affiliate, regarding the outsourcing of IT professionals to Kyivstar. Payment provisions under this agreement provide for monthly payments in accordance with performed works. This agreement is valid until June 30, 2012.

On October 19, 2009, Kyivstar and Telenor entered into a services agreement pursuant to which Telenor provides assistance to Kyivstar in connection with the preparation of reports and presentations on the following issues: analysis of current spectrum utilization and future requirements; review of spectrum reframing options and possibilities; analysis of potential competitors, competitor 3G bid strategies, 3G license valuation, 3G license auction strategy and 3G equipment tender requirements; and preparation of Kyivstar's 3G roll-out plan and capital and operating expenditures requirements. The agreement expired on January 5, 2010.

Because the NCCR suspended its plans to hold a tender to auction one 3G license, on January 28, 2010, Kyivstar and Telenor entered into a new services agreement pursuant to which Telenor will provide services to Kyivstar in connection with the preparation of the updated (short-term) 3G roll-out plan for 2010 and (long-term) 3G roll-out plan for 2010 to 2022, capital and operating expenditures requirements, analysis of possible competitors' valuations and competitor 3G bid strategies and Kyivstar's strategy for a future 3G auctions. The agreement expired on June 30, 2010.

On January 28, 2010, Kyivstar and Telenor entered into a services agreement pursuant to which Telenor will provide assistance and services to Kyivstar in connection with the preparation of surveys, reports and systemized information on Kyivstar's business activities, financial condition and operations. The agreement expired on March 15, 2010.

Telenor Commission Agreements

On July 8, 2009, Kyivstar and Telenor entered into a commission agreement pursuant to which Kyivstar agreed to compensate Telenor for expenses borne by Telenor in connection with its verification services agreement with Ernst & Young Audit Services LLC. Under this verification services agreement, Ernst & Young Audit Services LLC provided various services, including verifying the accuracy of Kyivstar's conversion of its financial statements prepared under Ukrainian statutory standards into the IFRS and identifying potential errors in, and conducting assessments of, the revenues, taxes, property, plants and equipment, inventories and cash reported by Kyivstar to Telenor for consolidation purposes. This commission agreement terminated in accordance with its terms on October 1, 2009.

On November, 10, 2009, Kyivstar and Telenor entered into a commission agreement pursuant to which Telenor performed certain actions in its own name, but at the instruction and expense of Kyivstar, including notifying the members of Kyivstar's corporate governance bodies of the date and location of meetings and arranging and paying for travel and accommodation related to their participation in such meetings. The fee payable to Telenor under this commission agreement was 0.1% of the amount of its expenses incurred in connection with rendering services under this commission agreement. In addition, Kyivstar is required to reimburse Telenor for its expenses incurred in connection with this commission agreement. This commission agreement expired on December 31, 2010.

On January 28, 2010, Kyivstar and Telenor entered into two commission agreements pursuant to which Kyivstar agreed to compensate Telenor for expenses borne by Telenor in connection with the services initially rendered to Kyivstar by PricewaterhouseCoopers (Norway) and PricewaterhouseCoopers (Ukraine), pursuant to the relevant services agreements with Telenor. PricewaterhouseCoopers (Norway) provided services related to an efficiency review of Kyivstar's internal control department, as well as development and implementation of new internal control procedures for Kyivstar. PricewaterhouseCoopers (Ukraine) provided assistance to Kyivstar in connection with the improvement of existing internal control systems, budgeting methodology and financial closure processes. The commission agreements expired on April 30, 2010.

Telenor Consult AS Management Services Agreement

Kyivstar and Telenor Consult AS, a wholly owned subsidiary of Telenor, entered into a management services agreement, dated December 16, 2003, setting forth terms applicable to Telenor personnel assuming management positions with Kyivstar for more than three months, as well as other personnel seconded to Kyivstar by Telenor. The personnel provided to Kyivstar under the agreement remain Telenor employees, although the results of their work remain Kyivstar's property.

The management fee payable for services provided by Telenor executives is pre-agreed on a case-by-case basis for each individual executive. The agreement automatically terminates upon the earlier of the following: (i) Telenor ceases to be the major shareholder of Kyivstar, (ii) Kyivstar ceases to hold licenses required for the operation of all, or substantially all, of its business, or (iii) by notice by either party if the other party becomes insolvent or bankrupt or has materially breached the agreement. During 2008, 2009, 2010 and the first three months of 2011, no services were performed under this agreement and no fees were incurred or paid by Kyivstar.

Interconnection Agreements with Telenor Affiliates

Kyivstar has various interconnection, channel lease and roaming agreements with the following mobile operators that are Telenor affiliates: Grameen Phone Limited (Bangladesh), Sonofon Denmark, PANNON GSM (Hungary), DiGi Telecommunications (Malaysia), ProMonte (Montenegro), Telenor Mobile AS, Telenor Pakistan (PAK) Ltd., Telenor Serbia, Telenor Sverige AB (Sweden) and DTAC (Thailand).

Djuice License Agreement

Kyivstar licenses its 'djuice' brand from Djuice AS, a wholly owned Telenor subsidiary, pursuant to a license agreement entered into between Kyivstar and Djuice AS. The license agreement, dated December 5, 2006, which was amended and restated on December 23, 2009, is effective for a period of three years from January 1, 2010 to December 31, 2012 and provides for automatic extension for another year unless either party terminates it in accordance with its terms. The agreement provides for an annual license fee of €150,000 payable to Djuice AS yearly due on June 30th of the respective year. Upon the agreement's termination, Kyivstar must discontinue its use of the 'djuice' brand within six months of the termination date.

Agreements with Alfa Group and its Affiliates

AT Consulting Limited Services Agreements

On October 6, 2009, Kyivstar and AT Consulting Limited, an affiliate of Storm, entered into a services agreement pursuant to which AT Consulting Limited provides assistance to Kyivstar in connection with the preparation of reports and presentations on a number of matters including the following: detailed analysis of the mobile market and impact of macroeconomic crisis on market development, corporate strategy 2010-2012 for Kyivstar (summary of the main elements in the strategy plan; analysis of key challenges and opportunities; key strategic ambitions and choices; initiatives and actions; risk management; key financial figures and assumptions), segment oriented strategies for four business segments—mass market, youth, SME, LE, operational plans for marketing functions and marketing development KPI structure, comprehensive network strategy and network capex requirements analysis, IT strategy, fixed business strategy and development options based on roll-out speed and capex constraints, strategic and financial options development, including assessment of associated risk, development of annual risk assessment. The agreement terminated on January 5, 2010.

On January 28, 2010, Kyivstar and AT Consulting Limited entered into a services agreement pursuant to which AT Consulting Limited provided services to Kyivstar in connection with the preparation of reports and presentations on the following issues: analysis of the mobile market during 2010, Kyivstar's updated corporate strategy for 2010 to 2012, segment oriented strategies, fixed business strategy and development options and determination and assessment of risks. The agreement terminated on June 30, 2010.

On January 28, 2010, Kyivstar and AT Consulting Limited entered into a services agreement pursuant to which AT Consulting Limited provided services to Kyivstar related to the preparation of reports, surveys and systemized information on structure, business and operations. The agreement was terminated on March 15, 2010.

Service Obligation Agreement

In July 2006, OJSC VimpelCom entered into a service obligation agreement with a member of the Alfa Group for the provision of services to OJSC VimpelCom related to telecommunications operations, including management advisory services, technical assistance and maintenance of network systems and equipment, industry information research and consulting, training of personnel, support of implementation of certain projects, assignment of qualified personnel and other services. The annual fee for the services is the equivalent of US$0.5 million (paid in Russian rubles at a fixed exchange rate of 31.0 Russian rubles per U.S. dollar). The agreement specifies the rights and obligations of the parties to any intellectual property developed in connection with the agreement. In addition, in the event that the service provider's personnel participate in any long-term engagements (defined as engagements lasting longer than five days) OJSC VimpelCom must pay to the service provider an additional service fee equal to the U.S. dollar equivalent of 27,000 Russian rubles per person for each day of work performed on the engagement. In 2008, 2009 and 2010, OJSC VimpelCom paid Alfa Group approximately US$1.3 million, US$1.8 million and US$2.8 million, respectively, under this agreement. This agreement expired on December 1, 2010.

We maintain some of our bank accounts at Alfa Bank, which is part of the Alfa Group. From time to time, we also place time deposits with Alfa Bank. According to each entity's respective board of directors' approval, the established limit on the amount of Kyivstar's and OJSC VimpelCom's deposits and cash balances that may be held at Alfa Bank totals 20% of the deposit portfolio for Kyivstar and 20.0% of the OJSC VimpelCom group's total deposits and cash balance for OJSC VimpelCom. As of March 31, 2011, OJSC VimpelCom had balances at Alfa Bank of approximately US$90.5 million in current accounts. As of March 31, 2011, Kyivstar had balances at Alfa Bank of approximately US$78.5 million in current accounts.

OJSC VimpelCom currently has an agreement with Alfa Bank that allows it to send SMSs to our subscribers who also are clients of Alfa Bank. Alfa Bank and other entities within the Alfa Group are corporate clients of OJSC VimpelCom.

In addition, OJSC VimpelCom currently has an agreement with Alfa Bank, which will allow OJSC VimpelCom subscribers to recharge online their OJSC VimpelCom accounts using their bank card. This product was launched in December 2010 and currently no amounts have been paid to Alfa Bank under this agreement.

Alfa Strakhovaniye

Since February 2007, property and equipment and certain construction risks of OJSC VimpelCom and some of its subsidiaries have been covered by an insurance policy from Alfa Strakhovaniye, an Alfa Group subsidiary. Approximately 60.0% of the coverage has been reinsured by Alfa Strakhovaniye with a third party.

In February 2009, OJSC VimpelCom entered into an agreement with AlfaStrakhovanie PLC for provision of travel insurance to its employees in the amount of up to 18.5 million Russian rubles for the period from January 1, 2009 to February 28, 2013. In March 2009, OJSC VimpelCom entered into a collective insurance agreement with Alfa Strakhovaniye-Life for life insurance in the amount of up to approximately 4.6 million Russian rubles (VAT is not imposed) for the period from January 1, 2009 until February 28, 2011. In March 2009, OJSC VimpelCom entered into a collective insurance agreement with Alfa Strakhovaniye-Life for accidental insurance in the amount of approximately 24.3 million Russian rubles (VAT not imposed) for the period from January 1, 2009 until February 28, 2011.

Agreements with Firma Kurier

OJSC VimpelCom purchased bill delivery services from its affiliate Firma Kurier in the amount of approximately US$3.2 million, US$2.1 million, US$3.8 million and US$0.6 million in 2008, 2009, 2010 and the first three months of 2011, respectively.

Agreements with CSI Loyalty Partners Limited

CSI Loyalty Partners, OJSC VimpelCom's affiliate, provides subscriber loyalty programs to OJSC VimpelCom, and OJSC VimpelCom paid commissions to CSI Loyalty Partners for these services in the amount of approximately US$6.1 million, US$6.6 million, US$6.9 million and US$3.3 million in 2008, 2009, 2010 and the first three months of 2011, respectively.

Agreements with ZAO Rascom

OJSC VimpelCom provided its affiliate ZAO Rascom fixed telecommunication services and maintenance and support services in the amount of approximately US$1.3 million, US$1.0 million, US$1.1 million and US$0.3 million in 2008, 2009, 2010 and the first three months of 2011, respectively. Additionally, in 2008, 2009, 2010 and the first three months of 2011, OJSC VimpelCom rented domestic and international channels from ZAO Rascom and paid US$0.002 million, US$6.2 million, US$1.1 million and US$0.3 million, respectively, for these rentals.

Agreements with Euroset

OJSC VimpelCom has contracts with Euroset, which became an affiliate in October 2008, for services for acquisition of new subscribers and receipt of subscriber's payments. In total, OJSC VimpelCom paid to Euroset dealer commissions in the amount of approximately US$26.6 million, US$146.8 million, US$190.9 million and US$108.8 million in 2008, 2009, 2010 and the first three months of 2011, respectively, and a bonus for sales plan performance in the amount of approximately US$0.0 million, US$12.3 million, US$0.5 million and US$0.0 million in 2008, 2009, 2010 and the first three months of 2011, respectively.

Guarantees of Indebtedness

There have been no financial guarantees provided to or received by Kyivstar to or from any related party during 2008, 2009, 2010 and the first three months of 2011, except for the guarantees described below.

Kyivstar issued a suretyship in relation to the loan provided to Vimpelcom Ltd. by Barclays Capital, BNP Paribas, Citibank N.A. (London branch), Royal Bank of Scotland N.V and Citibank International PLC on July 9, 2010 in amount of US$470.0 million. The loan was repaid on October 8, 2010.

CTF Holdings Limited, an affiliate of Storm, has entered into a guarantee dated October 4, 2009 in favor of VimpelCom Ltd., Kyivstar, Storm and us, pursuant to which CTF Holdings Limited has guaranteed Altimo's performance of its indemnification obligations in respect of Storm under the Share Exchange Agreement in relation to the VimpelCom Ltd. Transaction between certain members of the Alfa Group and certain members of the Telenor Group, dated October 4, 2009 (the "***VimpelCom Ltd. SEA***"). CTF Holdings Limited's maximum aggregate liability under the guarantee is limited to US$500.0 million. The agreement terminates upon the earlier of agreement by all parties in writing or the expiration of the fifth anniversary of the closing of the Kyivstar share exchange that followed the VimpelCom Ltd. Transaction (as may be extended in accordance with the terms of the VimpelCom Ltd. SEA).

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which will be endorsed on each Note Certificate in definitive form (if issued) and will be attached and (subject to the provisions thereof) apply to the Global Note Certificates. Unless otherwise indicated, the text will be the same for the 2014 Notes, the 2017 Notes and the 2022 Notes.

The following paragraph applies in respect of the 2014 Notes:

The US$200,000,000 Floating Rate Guaranteed Notes due 2014 (the "**Notes**", which expression shall in these terms and conditions (the "**Conditions**"), unless the context otherwise requires, include any further notes issued pursuant to Condition 16 (*Further Issues*) and forming a single series therewith) of VimpelCom Holdings B.V. (the "**Issuer**") were authorised by a resolution of the board of directors of the Issuer dated June 23, 2011, and the Guarantee (as defined in Condition 2 (*Guarantee*) was authorised by a resolution of the board of directors of Open Joint Stock Company "Vimpel-Communications" (the "**Guarantor**") passed on June 15, 2011.

The following paragraph applies in respect of the 2017 Notes:

The US$500,000,000 6.2546 per cent. Guaranteed Notes due 2017 (the "**Notes**", which expression shall in these terms and conditions (the "**Conditions**"), unless the context otherwise requires, include any further notes issued pursuant to Condition 16 (*Further Issues*) and forming a single series therewith) of VimpelCom Holdings B.V. (the "**Issuer**") were authorised by a resolution of the board of directors of the Issuer dated June 23, 2011, and the Guarantee (as defined in Condition 2 (*Guarantee*) was authorised by a resolution of the board of directors of Open Joint Stock Company "Vimpel-Communications" (the "**Guarantor**") passed on June 15, 2011.

The following paragraph applies in respect of the 2022 Notes:

The US$1,500,000,000 7.5043 per cent. Guaranteed Notes due 2022 (the "**Notes**", which expression shall in these terms and conditions (the "**Conditions**"), unless the context otherwise requires, include any further notes issued pursuant to Condition 16 (*Further Issues*) and forming a single series therewith) of VimpelCom Holdings B.V. (the "**Issuer**") were authorised by a resolution of the board of directors of the Issuer dated June 23, 2011, and the Guarantee (as defined in Condition 2 (*Guarantee*) was authorised by a resolution of the board of directors of Open Joint Stock Company "Vimpel-Communications" (the "**Guarantor**") passed on June 15, 2011.

The Notes are constituted by, are subject to and have the benefit of, a trust deed (as amended or supplemented from time to time, the "**Trust Deed**") dated on or about June 29, 2011 between the Issuer, the Guarantor and BNY Mellon Corporate Trustee Services Limited as trustee (the "**Trustee**", which expression includes all persons from time to time appointed trustee or trustees under the Trust Deed). The Notes have the benefit of the Guarantee given by the Guarantor pursuant to the Trust Deed.

The following paragraph applies in respect of the 2014 Notes:

The Notes are the subject of an agency agreement dated June 29, 2011 (as amended or supplemented from time to time, the "**Agency Agreement**") among the Issuer, the Guarantor, The Bank of New York Mellon (Luxembourg) S.A., at its specified office in Luxembourg, as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon at its specified office in London, as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), The Bank of New York Mellon (Luxembourg) S.A., at its specified office in Luxembourg, The Bank of New York Mellon, New York Branch at its specified office in New York, each as transfer agent (each a "**Transfer Agent**" and together the "**Transfer Agents**", which expression includes any additional or successor transfer agent appointed from time to time in connection with the Notes) and each as paying agent (each a "**Paying Agent**" and together the "**Paying Agents**", which expressions include any additional or successor paying agent appointed from time to time in connection with the Notes), and The Bank of New York Mellon at its specified office in London, as calculation agent (the "**Calculation Agent**", which expression includes any successor calculation agent appointed from time to time in connection with the Notes) and the Trustee. References herein to the "**Agents**" are to the Registrar, any Transfer Agent, the Principal Paying Agent, any Paying Agent and the Calculation Agent and any reference to an "**Agent**" is to any one of them.

The following paragraph applies in respect of the 2017 Notes and the 2022 Notes:

The Notes are the subject of an agency agreement dated June 29, 2011 (as amended or supplemented from time to time, the "**Agency Agreement**") among the Issuer, the Guarantor, The Bank of New York Mellon (Luxembourg) S.A., at its specified office in Luxembourg, as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon at its specified office in London, as principal paying agent (the "**Principal Paying Agent**", which

expression includes any successor principal paying agent appointed from time to time in connection with the Notes), The Bank of New York Mellon (Luxembourg) S.A., at its specified office in Luxembourg, and The Bank of New York Mellon, New York Branch at its specified office in New York, each as transfer agent (each a "**Transfer Agent**" and together the "**Transfer Agents**", which expression includes any additional or successor transfer agent appointed from time to time in connection with the Notes) and each as paying agent (each a "**Paying Agent**" and together the "**Paying Agents**", which expressions include any additional or successor paying agent appointed from time to time in connection with the Notes) and the Trustee. References herein to the "**Agents**" are to the Registrar, any Transfer Agent, the Principal Paying Agent and any Paying Agent and any reference to an "**Agent**" is to any one of them.

Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The Noteholders are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Issuer, being at the date hereof Claude Debussylaan 13-15 (1082 MC) Amsterdam, the Netherlands, the registered office for the time being of the Trustee, being at the date hereof One Canada Square, London E14 5AL and at the Specified Offices (as defined in the Agency Agreement) of the Registrar, the Principal Paying Agent, any Transfer Agent and any Paying Agent. The initial Specified Offices of the initial Agents are set out below. Capitalised terms used but not defined in these Conditions shall have the respective meanings given to them in the Trust Deed.

1. **Form, Denomination and Status**

(a) *Form and denomination:* The Notes are in registered form in minimum denominations in aggregate principal amount of US$200,000 each and integral multiples of US$1,000 in excess thereof, without coupons attached.

(b) *Status:* The Notes constitute unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The Guarantee constitutes unsubordinated and (subject to Condition 4) unsecured obligations of the Guarantor. Subject to Condition 4, each of the Issuer and the Guarantor shall ensure that at all times the claims of the Noteholders against them under the Notes and the Guarantee, respectively, rank in right of payment at least *pari passu* with the claims of all their other unsecured and unsubordinated creditors save those whose claims are preferred by any mandatory operation of law.

2. **Guarantee**

The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the payment when due of all sums expressed to be payable by the Issuer under the Trust Deed and the Notes (the "**Guarantee**"). The Guarantor's obligations in respect of the Guarantee are contained in the Trust Deed.

3. **Register, Title and Transfers**

(a) *Register:* The Registrar will maintain outside the United Kingdom a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Title:* The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder.

(c) *Transfers:* Subject to Conditions 3(f) and (g) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed (including any certificates as to compliance with restrictions on transfer included therein), at the Specified Office of the Registrar or a Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the

authority of the individuals who have executed the form of transfer. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a Note Certificate in respect of the balance of the Notes will be issued to the transferor in accordance with Condition 3(d) below provided that no Notes will be issued in minimum denominations in aggregate principal amount of less than US$200,000.

(d) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with Condition 3(c) above, the Registrar will register the transfer in question and deliver a Note Certificate of a like principal amount to the Note(s) transferred to the relevant Holder at the Registrar's Specified Office or (as the case may be) the Specified Office of the Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "business day" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar and (if applicable) the Transfer Agents have their respective Specified Offices. In the case of the transfer of part only of the Notes, a Note Certificate in respect of the balance of the Notes not transferred will be so delivered or (at the risk and, if mailed at the request of the transferor otherwise than by ordinary uninsured mail, at the expense of the transferor) sent by mail to the transferor.

(e) *No charge:* The transfer of a Note will be effected without charge by or on behalf of the Issuer or the Registrar, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods:* Noteholders may not require transfers to be registered during the period beginning at close of business on the business day prior to the due date and ending on the due date for any payment of principal, at maturity or otherwise, premium, if any, or interest in respect of the Notes.

(g) *Regulations concerning transfers and registration:* All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar and/or any Transfer Agent to any Noteholder who requests in writing a copy of such regulations and will be available at the office of the Registrar in Luxembourg and the Transfer Agent in New York.

4. **Negative Pledge**

The Issuer and the Guarantor have each agreed in the Trust Deed that they shall not, and shall not permit any of their respective Subsidiaries to, create, Incur, assume or suffer to exist any Lien (other than Permitted Liens) on any asset now owned or hereafter acquired, or any income or profits therefrom, which secure any Indebtedness, unless the Notes or the Guarantee, as applicable, and any other sum owing hereunder and under the Trust Deed and the Guarantee are secured by a Lien equally and rateably with the Liens securing such other Indebtedness; provided that if such Indebtedness is Subordinated Indebtedness, the Lien securing such Indebtedness shall be subordinate or junior to the Lien securing the Notes or the Guarantee, as applicable, with the same relative priority as such Indebtedness shall have with respect to the Notes or the Guarantee.

5. **Interest**

The following provisions apply in respect of the 2014 Notes:

(a) *Interest Payment Dates*

The Notes bear interest from and including June 29, 2011 (the "**Issue Date**"). Such interest is payable quarterly in arrear on March 29, June 29, September 29 and December 29 in each year (each an "**Interest Payment Date**"), with the first Interest Payment Date falling on September 29, 2011, subject as provided in Condition 7 (*Payments*); provided, however, that, if any Interest Payment Date would otherwise fall on a date (the "**Scheduled Interest Payment Date**") which is not a Business Day:

(i) in the case of each Interest Payment Date other than the final Interest Payment Date, it will be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the day immediately preceding the Scheduled Interest Payment Date which is a Business Day; and

(ii) in the case of the final Interest Payment Date, it will be brought forward to the day immediately preceding the Scheduled Interest Payment Date which is a Business Day.

The period from and including the Issue Date to but excluding the first Interest Payment Date, and each successive period from and including an Interest Payment Date to but excluding the next succeeding Interest Payment Date, is called an "**Interest Period**".

(b) Interest Accrual

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation of the relevant Note Certificate, payment of principal is improperly withheld or refused, in which case interest will continue to accrue (before or after any judgment) from the due date for redemption to, but excluding, the date on which payment in full of the principal is made under the Notes.

(c) Rate of Interest

The rate of interest payable from time to time in respect of the Notes (the "**Rate of Interest**") will be determined on the basis of the following provisions:

(i) On each Interest Determination Date (as defined below), the Calculation Agent will determine the Screen Rate (as defined below) as at approximately 11.00 a.m. (London time) on that Interest Determination Date. The Rate of Interest for the Interest Period shall be the Screen Rate plus the Margin (as defined below).

(ii) If the Screen Rate is unavailable, the Calculation Agent will request the principal London office of each of the Reference Banks (as defined below) to provide the Calculation Agent with the rate at which deposits in U.S. dollars are offered by it to prime banks in the London interbank market for three months at approximately 11.00 a.m. (London time) on the Interest Determination Date in question and for a Representative Amount (as defined below). In such circumstances, the Rate of Interest for the Interest Period shall be, so long as at least two of the Reference Banks provide such rates, the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of such rates, as established by the Calculation Agent, plus the Margin.

(iii) If the Rate of Interest for that Interest Period cannot be determined in accordance with Condition 5(c)(ii) above, the Rate of Interest for that Interest Period will be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates quoted by four major banks in London (or failing London, by four major banks in New York City) selected by the Calculation Agent (and approved by the Issuer) at approximately 11.00 a.m. (London, or as appropriate, New York City time) on the first day of such Interest Period for loans in U.S. dollars to leading European banks for a period of three months commencing on the first day of such Interest Period and for a Representative Amount, plus the Margin. If the Rate of Interest cannot be determined in accordance with the above provisions, the Rate of Interest shall be determined as at the last preceding Interest Determination Date.

(iv) The Margin (the "**Margin**") in relation to the Notes is 4.00 per cent. per annum.

(v) In these Conditions, (except where otherwise defined), the expression:

(aa) "**Interest Determination Date**" means the second London Banking Day before the commencement of the Interest Period for which the Rate of Interest will apply;

(bb) "**London Banking Day**" means any day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London;

(cc) "**Reference Banks**" means four leading reference banks active in the London interbank market selected by the Calculation Agent at its discretion;

(dd) "**Representative Amount**" means, in relation to any quotation of a rate for which a Representative Amount is relevant, a deposit amount equivalent to the nominal amount for which a USD LIBOR rate is sought in the relevant market at the relevant time; and

(ee) "**Screen Rate**" means the rate for three-month deposits in U.S. dollars which appears on the page designated LIBOR01 on Reuters (or such replacement page on that service which displays the information).

(d) Determination of Rate of Interest and Interest Amount

The Calculation Agent shall, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date, but in no event later than the third Business Day thereafter (or, with respect to the first Interest Period, by no later than the third Business Day after the Issue Date), determine the US dollar amount payable in respect of interest on the principal amount of each Note (the "***Interest Amount***") for the relevant Interest Period. The Interest Amount shall be determined by applying the Rate of Interest to the principal amount of a Note, multiplying the sum by the actual number of days in the Interest Period concerned divided by 360 (and rounding the resultant figure to the nearest cent being rounded upwards).

(e) Publication of Rate of Interest and Interest Amount

The Calculation Agent shall cause the Rate of Interest and the Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Guarantor, the Trustee, the Principal Paying Agent and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 17 (*Notices*) as soon as possible after their determination, and in no event later than the second Business Day thereafter. The Interest Amount and the Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(f) Notifications, etc. to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Trustee, the Agents and all Noteholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer or the Noteholders shall attach to either: (a) the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition or (b) the Reference Banks or other banks (or any of them) in connection with their provision of an interest rate used in Condition 5(c)(ii) or (iii).

(g) Calculation Agent

The Issuer and the Guarantor shall procure that, so long as any of the Notes remains outstanding, there is at all times a Calculation Agent for the purposes of the Notes and the Issuer may terminate the appointment of the Calculation Agent. In the event of the appointed office of any person being unable or unwilling to continue to act as the Calculation Agent or failing duly to determine the Rate of Interest and the Interest Amount for any Interest Period, the Issuer shall appoint the office of another major bank engaged in the London interbank market to act in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed.

The following provisions apply in respect of the 2017 Notes:

The Notes bear interest from June 29, 2011 (the "**Issue Date**") at the rate of 6.2546 per cent. per annum (the "**Interest Rate**"), payable semi-annually in arrear on March 1 and September 1 in each year (each an "**Interest Payment Date**"); provided that the first payment of interest will be made on March 1, 2012 for the period from, and including, the Issue Date to, but excluding, March 1, 2012 subject as provided in Condition 7 (*Payments*).

Each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next (or first) Interest Payment Date is herein called an "**Interest Period**".

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation of the relevant Note Certificate, payment of principal is improperly withheld or refused, in which case interest will continue to accrue (before or after any judgment) from the due date for redemption to, but excluding, the date on which payment in full of the principal is made under the Notes.

The amount of interest payable in respect of each Note for any Interest Period shall be calculated by applying the Interest Rate to the principal amount of such Note, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). When interest is required to be calculated in respect of a period other than an Interest Period, it shall be calculated on the basis of a 360 day year consisting of 12 months of 30 days each, and in the case of an incomplete month, the actual number of days elapsed.

The following provisions apply in respect of the 2022 Notes:

The Notes bear interest from June 29, 2011 (the "**Issue Date**") at the rate of 7.5043 per cent. per annum (the "**Interest Rate**"), payable semi-annually in arrear on March 1 and September 1 in each year (each an "**Interest Payment Date**"); provided that the first payment of interest will be made on March 1, 2012 for the period from, and including, the Issue Date to, but excluding, March 1, 2012 subject as provided in Condition 7 (*Payments*).

Each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next (or first) Interest Payment Date is herein called an "**Interest Period**".

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation of the relevant Note Certificate, payment of principal is improperly withheld or refused, in which case interest will continue to accrue (before or after any judgment) from the due date for redemption to, but excluding, the date on which payment in full of the principal is made under the Notes.

The amount of interest payable in respect of each Note for any Interest Period shall be calculated by applying the Interest Rate to the principal amount of such Note, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). When interest is required to be calculated in respect of a period other than an Interest Period, it shall be calculated on the basis of a 360 day year consisting of 12 months of 30 days each, and in the case of an incomplete month, the actual number of days elapsed.

6. **Redemption and Purchase**

(a) *Final redemption:*

The following sentence applies in respect of the 2014 Notes:

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on June 29, 2014, subject as provided in Condition 7 (*Payments*).

The following sentence applies in respect of the 2017 Notes:

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on March 1, 2017, subject as provided in Condition 7 (*Payments*).

The following sentence applies in respect of the 2022 Notes:

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on March 1, 2022, subject as provided in Condition 7 (*Payments*).

(b) *Redemption by the Issuer for tax reasons:* The Notes may be redeemed by at the option of the Issuer in whole, but not in part, at any time, on giving not less than 25 days' notice to the Noteholders (which notice shall be irrevocable and shall specify a date for redemption) in accordance with Condition 17 (*Notices*) at the principal amount thereof, together with interest accrued and unpaid to (but excluding) the date fixed for redemption and any additional amounts in respect thereof pursuant to Condition 8 (*Taxation*), if, immediately before giving such notice, the Issuer satisfies the Trustee that: (1) it (or, if the Guarantee was called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of The Netherlands or the Russian Federation or any political or governmental subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after June 29, 2011 and (2) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due.

The Issuer shall deliver to the Trustee a certificate signed by two officers of the Issuer or the Guarantor stating that the Issuer is entitled to effect such redemption in accordance with this Condition 6(b).

The Trustee shall be entitled to accept any notice or certificate delivered by the Issuer or the Guarantor in accordance with this Condition 6(b) as sufficient evidence of the satisfaction of the applicable circumstances in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice given by the Issuer to the Noteholders as is referred to in this Condition 6(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6, subject as provided in Condition 7 *(Payments*).

(c) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 6(a) and 6(b).

(d) *Purchase:* The Issuer or the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

(e) *Cancellation:* All Notes so redeemed or purchased by the Issuer shall be cancelled and all Notes purchased by the Guarantor or any of the Issuer's or the Guarantor's Subsidiaries and surrendered to the Registrar, together with an authorisation addressed to the Registrar by the Guarantor or such Subsidiary, shall be cancelled. Upon any such cancellation by or on behalf of the Registrar, the principal amount of such Notes surrendered for cancellation shall be extinguished as of the date of such cancellation, together with accrued interest (if any) thereon, and no further payment shall be made or required to be made by the Issuer in respect of such Notes. Any Notes so cancelled may not be reissued.

(f) *Right to Compel Sale:* The Issuer may compel any beneficial owner of Notes initially sold pursuant to Rule 144A under the Securities Act to sell its interest in such Notes, or may sell such interest on behalf of such holder, if such holder of Notes is a U.S. person that is not a qualified institutional buyer (within the meaning of Rule 144A under the Securities Act).

7. **Payments**

(a) *Principal:* Payments of principal shall be made by dollar cheque or, upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the close of business on the business day before the due date for any such payment, by transfer to a dollar account maintained by the payee, upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificate(s) at the Specified Office of the Registrar in New York City and/or the Transfer Agent in Luxembourg.

(b) *Interest:* Payments of interest shall be made by dollar cheque or, upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the close of business on the business day before the due date for any such payment, by transfer to a dollar account maintained by the payee, and (in the case of interest payable on redemption in whole) upon presentation for surrender of the relevant Note Certificate(s) at the Specified Office of the Registrar in New York City and/or the Transfer Agent in Luxembourg.

(c) *Payments on business days:* Where payment is to be made by transfer to a dollar account, payment instructions (for value the due date for payment, or, if the due date for payment is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by dollar cheque, the cheque will be mailed (i) (in the case of payments of principal, premium, if any, and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of the Registrar and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 7 (*Payments*) arriving after the due date for payment or being lost in the mail. In this paragraph, "**business day**" means any day (other than a Saturday or Sunday) on which banks generally are open for business in London, Luxembourg, Mosow, Amsterdam and New York and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(d) *Partial payments:* If the Principal Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(e) *Record date:* Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the close of business in the place of the Specified Office of the Registrar on the business day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

8. **Taxation**

All payments of principal, premium, if any, and interest in respect of the Notes by or on behalf of the Issuer or under the Guarantee by the Guarantor shall be made to, or for the account of, each Holder free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature ("**Taxes**") imposed or levied by The Netherlands or the Russian Federation or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall, subject as provided below, pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been made or required to be made. No such additional amounts shall be payable in respect of any Note:

(a) held by a Holder which is liable for such Taxes in respect of such Note or the Guarantee by reason of its having some connection with The Netherlands or the Russian Federation other than the mere holding of such Note (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in The Netherlands or the Russian Federation); or

(b) for any Taxes, that are imposed or withheld by reason of the failure of the Holder of the Note to comply with a request of, or on behalf of, the Issuer addressed to the Holder to provide information concerning the nationality, residence or identity of such Holder or to make any declaration or similar claim or satisfy any information or reporting requirement, which is required or imposed by a statute, treaty, regulation, protocol, or administrative practice of The Netherlands or the Russian Federation as a precondition to exemption from all or part of such Taxes; or

(c) where (in the case of a payment of principal, premium, if any, or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after a Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days; or

(d) where such withholding or deduction is imposed or levied on a payment to an individual and is required to be made pursuant to European Union Council Directive 2003/48/EC (the "**European Union Directive**") or any other directive on the taxation of savings or any law implementing or complying with, or introduced in order to conform to, the European Union Directive; or

(e) presented for payment by or on behalf of a Holder who would be able to avoid such withholding or deduction by presenting the relevant Note Certificate to another Paying Agent in a Member State of the European Union.

In these Conditions, "**Relevant Date**" means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in London by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal, premium, or interest shall be deemed to include any additional amounts in respect of principal, premium, or interest (as the case may be) which may be payable under this Condition 8 or any undertaking given in addition to or in substitution of this Condition 8 pursuant to the Trust Deed.

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than (or in addition to) The Netherlands or the Russian Federation, references in these Conditions to The Netherlands or the Russian Federation shall be construed as including references to such other jurisdiction.

9. **Events of Default**

The Trustee may, at its discretion, and shall if so requested in writing by the holders of not less than one-quarter of the principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of holders of the Notes shall (subject to its rights under the Trust Deed to be indemnified and/or provided with security to its satisfaction) give notice to the Issuer and the Guarantor that the Notes are immediately due and repayable if any of the following events occurs (each an "**Event of Default**"):

(a) default in the payment of principal of the Notes, in the currency and in the manner provided herein, when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, and such defulat continues for a period of 7 calendar days or more;

(b) default in the payment of interest on the Notes, in the currency and in the manner provided herein, when the same becomes due and payable, and such default continues for a period of 15 calendar days or more;

(c) default in the performance of, or breaches of, any covenant or agreement of the Issuer or the Guarantor under these Conditions, the Guarantee or the Trust Deed (other than a default under Conditions 9(a) and 9(b) above) and such default or breach continues for a period of 30 consecutive calendar days after written notice by the Trustee;

(d) default on any Indebtedness of the Issuer, the Guarantor or any of the Significant Subsidiaries of the Guarantor with an aggregate principal amount in excess of US$75 million (or, to the extent non-U.S. dollar denominated, the U.S. dollar equivalent of such amount as of the date of such default) (i) resulting from the failure to pay principal or interest (in the case of interest default or a default in the payment of principal other than at its Stated Maturity, after the expiration of the originally applicable grace period) in an aggregate amount in excess of US$5 million (or, to the extent non-U.S. dollar denominated, the U.S. dollar equivalent of such amount as of the date of such default) when due or (ii) as a result of which the maturity of such Indebtedness has been accelerated prior to its Stated Maturity;

(e) any final judgment or order (not covered by insurance) for the payment of money in excess of US$75 million (or, to the extent non-U.S. dollar denominated, the U.S. dollar equivalent of such amount) in the aggregate for all such final judgments or orders against all such Persons (treating any deductibles, self-insurance or retention as not so covered) shall be rendered against the Issuer, the Guarantor or any Significant Subsidiary of the Guarantor and shall not be paid or discharged, and there shall be any period of 60 consecutive calendar days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$5 million (or, to the extent non-U.S. dollar denominated, the U.S. dollar equivalent of such amount) during which a stay of enforcement of such final judgment or order, by reason of a pending appeal or otherwise, shall not be in effect;

(f) any regulation, decree, consent, approval, licence or other authority necessary to enable the Issuer to enter into or perform its obligations under these Conditions or the Trust Deed or to enable the Guarantor to enter into or perform its obligations under the Guarantee or the Trust Deed or for the validity or enforceability thereof shall expire or be withheld, revoked or terminated or otherwise cease to remain in full force and effect or shall be modified in a manner which adversely affects any rights or claims of the Trustee or the Noteholders;

(g) it is, or will become, unlawful for the Issuer or the Guarantor to perform or comply with any of their respective obligations under or in respect of these Conditions, the Guarantee or the Trust Deed or any of such obligations shall become unenforceable or cease to be legal, valid and binding;

(h) a decree, judgment, or order by any Agency or a court of competent jurisdiction shall have been entered adjudging the Issuer, the Guarantor or any of the Significant Subsidiaries of the Guarantor as bankrupt or insolvent, or approving as properly filed a petition seeking reorganisation of the Issuer, the Guarantor or any of the Significant Subsidiaries of the Guarantor under any bankruptcy or similar law, and such decree or order shall have continued undischarged and unstayed for a period of 60 days; or a decree or order of a court of competent jurisdiction over the appointment of a receiver, liquidator, trustee, or assignee in bankruptcy or insolvency of the Issuer, the Guarantor or any of the Significant Subsidiaries of the Guarantor, or any substantial part of the assets or property of any such Person, or for the winding up or liquidation of the affairs of any such Person, shall have been entered, and such decree, judgment or order shall have remained in force undischarged and unstayed for a period of 60 days; or

(i) the Issuer, the Guarantor or any of the Significant Subsidiaries of the Guarantor shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganisation under any bankruptcy or similar law or similar statute, or shall consent to the filing of any such petition, or shall consent to the appointment of a custodian, receiver, liquidator, trustee or assignee in bankruptcy or insolvency of it or any substantial part of its assets or property, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or shall, within the meaning of any Bankruptcy Law, become insolvent, fail generally to pay its debts as they become due, or takes any corporate action in furtherance of or to facilitate, conditionally or otherwise, any of the foregoing.

Subject to the paragraph below, such notice being given to the Issuer, the Notes will immediately become due and repayable at their principal amount together with all accrued and unpaid interest.

If an Event of Default specified in Condition 9(h) or (i) occurs the Notes will be immediately due and repayable without any declaration, notice or other act on the part of the Trustee or the Noteholders all without diligence, presentment, demand of payment, protest or notice of any kind, which are expressly waived by the Issuer.

10. **Prescription**

Claims for principal, premium, if any, and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years, and claims for interest due other than on redemption shall become void unless made within five years, of the appropriate Relevant Date.

11. **Replacement of Note Certificates**

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer or Registrar may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

12. **Trustee and Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity relating to the Issuer or the Guarantor without accounting for any profit.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 8 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 8 (*Taxation*) pursuant to the Trust Deed.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders. Under the Agency Agreement, the Agents are entitled to be indemnified and relieved from certain responsibility in certain circumstances.

The initial Agents and their initial Specified Offices are listed below. Each of the Issuer and the Guarantor reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or principal paying agent or additional or successor other paying agents and transfer agents; provided, however, that the Issuer shall, at all time maintain a registrar outside the United Kingdom. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

The Agency Agreement provides that the Issuer may at any time, with the prior written approval of the Trustee, appoint a successor Registrar or Principal Paying Agent and/or additional or successor Paying Agents or Transfer Agents provided that the Issuer maintains (i) a Principal Paying Agent; (ii) for so long as the Notes are listed and/or admitted to trading on any stock exchange, a Paying Agent as may be required by the rules and regulations of such stock exchange; (iii) a Registrar having a Specified Office outside the United Kingdom; and (iv) a Paying Agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing the European Union Directive or any other directive regarding the taxation of savings or any law implementing or complying with, or introduced in order to conform to, the European Union Directive.

13. **Meetings of Noteholders; Modification and Waiver; Substitution**

(a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed or the subordination deed entered into on June 29, 2011 between the Issuer, the Trustee and VimpelCom Amsterdam B.V. (the "**Subordination Deed**"). Any such modification may be made if sanctioned by an Extraordinary Resolution (as defined in the Trust Deed). Such a meeting may be convened on no less than 14 days notice by the Trustee, the Issuer or by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the Notes then outstanding.

The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing more than half of the aggregate principal amount of the Notes then outstanding or, at any adjourned meeting, one or more persons holding or representing more than one quarter of the aggregate principal amount of the Notes then outstanding (and proposals at such meetings may only be sanctioned by one or more persons holding or representing more than half or one quarter, respectively, of the aggregate principal amount of the Notes then outstanding); provided, however, that certain proposals ("**Reserved Matters**") (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes, to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution, to alter the governing law of the Conditions or the Trust Deed or consent to the modification of any provision of the Subordination Deed) may only be sanctioned by all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing and in accordance with the provisions of the Trust Deed notified, in accordance with Condition 17 (*Notices*), to all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution if signed by or on behalf of such Noteholders that would be entitled to pass such resolution as if such resolution had been proposed at a duly convened and quorate meeting of Noteholders at which such Noteholders were present or duly represented. Once duly signed, such a resolution in writing shall take effect as an Extraordinary Resolution so long as at least 14 days have elapsed following the date of notification of such resolution to the Noteholders in accordance with Condition 17 (*Notices*). Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

Affiliated shareholders of the Issuer or the Guarantor who are also Noteholders shall not, by virtue of their votes alone, be allowed to pass certain Extraordinary Resolutions.

(b) *Modification and waiver:* The Trustee may, without the consent of the Noteholders, agree to any modification of the Notes or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders or which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any breach or proposed breach of the Notes or the Trust Deed by the Issuer or the Guarantor (other than a proposed breach or breach relating to a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders in accordance with Condition 17 (*Notices*) as soon as practicable thereafter.

(c) *Substitution:* The Trust Deed contains provisions under which the Issuer or the Guarantor may, without the consent of the Noteholders, transfer the obligations of the Issuer as principal debtor under the Trust Deed and the Notes or of the Guarantor under the Guarantee to a third party provided that certain conditions specified in the Trust Deed are fulfilled.

14. **Enforcement**

The Trustee may, at its discretion and without notice, institute such proceedings subject to Condition 1 (*Form, Denomination and Status*) as it thinks fit to enforce its rights under the Trust Deed and in respect of the Notes, but it shall not be bound to do so unless:

(a) it has been so directed by an Extraordinary Resolution or (in the case only of the occurrence of an Event of Default and provided, in each case, that such event is continuing) has been so requested in writing by the Holders of at least one-quarter in principal amount of the outstanding Notes; and

(b) it has been indemnified and/or prefunded and/or provided with security to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

No Noteholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

15. **Enforcement of limited provisions in the Subordination Deed**

The Trustee may institute such proceedings as it thinks fit to enforce its rights under the Subordination Deed following an Insolvency Event (as such term is defined in the Subordination Deed) in respect of the Issuer, but it shall not be bound to do so unless: (i) it has been so directed by an Extraordinary Resolution of the Noteholders; and (ii) it has been indemnified and/or prefunded and/or provided with security to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

16. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

17. **Notices**

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register and, so long as the Notes are listed on the Irish Stock Exchange, filed with the Companies Announcements Office of the Irish Stock Exchange. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

18. **Governing Law and Arbitration**

(a) *Governing law:* The Trust Deed, the Agency Agreement, the Notes and all other agreements entered into, and any non-contractual obligations arising out of or in connection therewith, are governed by, and shall be construed in accordance with, English law.

(b) *Arbitration:* Subject to Condition 18(c) and as provided in the Trust Deed, any dispute, controversy, claim or difference of whatever nature between the Issuer or, as the case may be, the Guarantor and any Noteholder (subject to Condition 14) howsoever arising out of or in connection with the Notes or the Guarantee, or any supplement, modifications or additions thereto (including any question regarding the subject matter, existence, negotiation, validity, termination or enforceability of such agreement and also including any non-contractual disputes or claims arising out of such agreement) (each a "**Dispute**") shall be finally and exclusively resolved by confidential arbitration under the Rules of Arbitration of the London Court of International Arbitration (the "**LCIA Rules**"), which rules are deemed to be incorporated by reference into this Condition 18(b) (save that any provision of the LCIA Rules which purports to exclude an individual from appointment to the arbitral tribunal on grounds of nationality shall not apply).

The procedure for arbitration will be as follows:

(1) The arbitral tribunal shall consist of three arbitrators.

(2) Each of the two parties shall be entitled to nominate one arbitrator for appointment by the LCIA Court in accordance with the LCIA Rules. In the event that either of the two parties fails to nominate an arbitrator within the time limits specified by the LCIA Rules, such arbitrator shall be appointed promptly by the LCIA Court. The third arbitrator, who shall be the chairman of the arbitral tribunal, shall be nominated jointly by the first two arbitrators within 14 days of the confirmation of the appointment of the second arbitrator, or in default of agreement, appointed by the LCIA Court.

(3) The seat of the arbitration shall be London, England and the language of the arbitration shall be English. Any award shall be issued in English. The jurisdiction of the English court shall be excluded under section 45 (*determination of preliminary point of law*) and 69 (*appeal on point of law*) of the Arbitration Act 1996.

(c) The Issuer hereby irrevocably agrees, and the Guarantor has irrevocably agreed in the Trust Deed, for the benefit of the Trustee and the Noteholders that at any time prior to the constitution of an arbitral tribunal pursuant to Condition 18(b), the Trustee or the Noteholder(s) (as the case may be and, in the case of the Noteholders subject to Condition 14) may, at their sole option, elect that any Dispute be determined by any court of competent jurisdiction, for which purposes:

(i) the Issuer and the Guarantor agree that the courts of England shall have non-exclusive jurisdiction to hear and determine any suit, action or proceedings relating to such Dispute ("**Proceedings**"), and to settle such Dispute and, for such purposes, irrevocably submit to the jurisdiction of such courts; and

(ii) the Issuer and the Guarantor irrevocably waives any objection which it might now or hereafter have to the jurisdiction of the courts of England to hear and determine any such Proceedings and to settle such Dispute, and agrees not to claim that any such court is not the most convenient or appropriate forum.

(d) The Issuer agrees, and the Guarantor has agreed in the Trust Deed, that the process by which any Proceedings in England are begun may be served on it by being delivered to Law Debenture Corporate Services Limited at Fifth Floor 100 Wood Street London EC2V 7EX, United Kingdom.

(e) The submission to the non-exclusive jurisdiction of the English courts in accordance with Condition 18(c)(i) hereof shall not, and shall not be construed so as to, limit the right of the Trustee or the Noteholders to commence Proceedings in any other court of competent jurisdiction.

(f) The Issuer consents, and the Guarantor has in the Trust Deed consented, generally in respect of any Disputes to the giving of any relief or the issue of any process in connection with such Disputes insofar as such relief or process is consistent with the parties' agreement to arbitrate and Condition 18(c), including, without limitation, the making, enforcement or execution against any property whatsoever, irrespective of its use or intended use, of any order or judgment which is made or given in such Disputes.

(g) To the extent that either the Issuer or the Guarantor may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, injunctive relief, attachment or other legal process (whether interim or final and whether in aid of execution, before judgement or otherwise) and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer, the Guarantor or their respective assets or revenues, the Issuer agrees, and the Guarantor has agreed in the Trust Deed, not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

19. **Definitions**

In these Conditions the following terms have the meaning given to them in this Condition 19:

"**Acquisition Facility**" means a syndicated or bilateral term loan credit facility entered into by the Issuer or the Guarantor (as the case may be) with a commercial lender or lenders or multilateral finance agency in connection with financing the acquisition by the Issuer or the Guarantor (as the case may be) or a Subsidiary thereof, or a merger by the Issuer or the Guarantor (as the case may be) or a Subsidiary thereof with, an entity whose total consolidated assets represent at least 25% of the Issuer's or the Guarantor's (as the case may be) total consolidated assets prior to such acquisition or merger, in each case as at the end of its most recently completed fiscal quarter, provided that such credit facility shall cease to be an Acquisition Facility if the proceeds thereof are applied towards anything other than in connection with the financing of such acquisition or merger;

"**Affiliate**" means, as applied to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling" "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; provided that beneficial ownership of 10% or more of the Voting Stock of a Person shall be deemed to be control;

"**Agency**" means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory person (whether autonomous or not);

"**Bankruptcy Law**" means (i) for purposes of the Issuer, any applicable bankruptcy, reorganisation or insolvency law in The Netherlands; (ii) for purposes of the Guarantor and any Significant Subsidiary of the Guarantor organised under the laws of the Russian Federation on the date hereof, the Federal Law No. 127-FZ "On Insolvency (Bankruptcy)", dated 26 October 2002, as may be amended from time to time, and any similar statute, regulation or provision of any other jurisdiction in which the Guarantor or such Significant Subsidiary is organised or conducting business; and (iii) for purposes of any Significant Subsidiary of the Guarantor organised outside of the Russian Federation, any applicable bankruptcy, reorganisation or insolvency law in its jurisdiction of incorporation;

"**Board of Directors**" means, as to any Person, the board of directors of such Person or any duly authorised committee thereof;

"**Business Day**" means any day (other than a Saturday or Sunday) on which banks generally are open for business in New York, Moscow, Amsterdam and London;

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's equity, including Preferred Stock of such Person, whether now outstanding or issued after the date hereof, including without limitation, all series and classes of such capital stock;

"**Capitalised Lease**" means, as applied to any Person, any lease of any property (whether real, personal or mixed) of which the discounted present value of the rental obligations of such Person as lessee, in conformity with GAAP or IFRS, as applicable, is required to be capitalised on the balance sheet of such Person;

"**Capitalised Lease Obligations**" means the capitalised amount of a Capitalised Lease determined in accordance with GAAP or IFRS, as applicable, and the amount of Indebtedness represented by such obligation will be the capitalised amount of such obligation at the time any determination thereof is to be made as determined in accordance with GAAP or IFRS, as applicable, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty;

"**Cash Equivalents**" means:

(1) any evidence of Indebtedness with a maturity of one year or less issued or directly and fully guaranteed or insured by an Approved Jurisdiction or any Agency or instrumentality thereof; provided that the full faith and credit of an Approved Jurisdiction (or similar concept under the laws of the relevant Approved Jurisdiction) is pledged in support thereof;

(2) current account balances, deposits, certificates of deposit, promissory notes, acceptances or money market deposits with a maturity of one year or less of (i) any institution having combined consolidated capital and surplus and undivided profits (or any similar capital concept) of not less than US$500 million (or the equivalent in another currency) as determined under GAAP, IFRS, other international accounting standards or the accounting standards of the country in which such institution is incorporated and as set forth in the most recent publicly available financial reports published by such institution or (ii) any Subsidiary of the Issuer or the Guarantor (as the case may be) duly organised and operating as a banking institution under the laws of Russia, Ukraine or any other jurisdiction in which the Issuer or the Guarantor (as the case may be) or their respective Subsidiaries conducts telecommunications business, of any banking or financial institution referred to under (i) above;

(3) current account balances, deposits, certificates of deposit, promissory notes, acceptances or money market deposits with a maturity of one year or less with any banking institution duly organised and operating under the laws of Russia, Ukraine or any other jurisdiction in which the Issuer or the Guarantor (as the case may be) or their respective Subsidiaries conducts telecommunications business, having combined capital and surplus and undivided profits (or any similar capital concept) of not less than US$100 million (or the equivalent in another currency) as determined under GAAP, IFRS, other international accounting standards or the accounting standards of the country in which such institution is incorporated and as set forth in the most recent publicly available financial reports published by such institution; provided, however, that the aggregate of such current account balances, deposits, certificates of deposit, promissory notes, acceptances or money market deposits with a maturity of one year or less may not exceed at any one time the aggregate of (x) US$25 million (or the equivalent in another currency) with any single such banking institution and (y) US$50 million (or the equivalent in another currency) with all such banking institutions;

(4) current account balances with any banking institution duly organised and operating under the laws of Russia, Ukraine or any other jurisdiction in which the Issuer or the Guarantor (as the case may be) or their respective Subsidiaries conducts telecommunications business, having combined capital and surplus and undivided profits (or any similar capital concept) of at least US$10 million (or the equivalent in another currency) but less than US$100 million (or the equivalent in another currency) as determined under GAAP, IFRS, other international accounting standards or the accounting standards of the country in which such institution is incorporated and as set forth in the most recent publicly available financial reports published by such institution; provided, however, that the aggregate of such current account balances may not exceed at any one time (x) US$15 million (or the equivalent in another currency) with any single such banking institution or (y) US$50 million (or the equivalent in another currency) with all such banking institutions; provided, further, that the Issuer or the Guarantor, as applicable, shall give (and not withdraw) instructions to any such banking institution with which the Issuer or the Guarantor (as the case may be) or any of their respective Subsidiaries has a current account balance in excess of US$1 million (or the equivalent in another currency) to transfer the balance in excess of such amount to a banking institution meeting the qualifications set forth in clause (2) or (3) of this definition no later than 10 Business Days from the date on which such current account balance exceeds US$1 million (or the equivalent in another currency);

(5) commercial paper with a maturity of one year or less issued by a corporation (other than an Affiliate of the Issuer or the Guarantor) organised under the laws of an Approved Jurisdiction and rated at least "A-1" by S&P or "P-1" by Moody's Investor Services, Inc.;

(6) repurchase agreements and reverse repurchase agreements relating to marketable direct obligations issued or unconditionally guaranteed by the government of an Approved Jurisdiction which obligations mature within one year from the date of acquisition; and

(7) interests in any money market funds at least 95% of the assets of which consist of Cash Equivalents of the type discussed in clauses (1) through (5).

For the avoidance of doubt, an Investment in an investment fund or trust which invests substantially all of its assets in Investments described above in this definition or which is itself rated at least "AAA" or "A-1" by S&P or "Aaa" or "P-1" by Moody's Investor Services, Inc. constitutes a Cash Equivalent. For the purposes of this definition of "Cash Equivalents", "Approved Jurisdiction" means the United States of America, Switzerland, Russia, Norway and any European Union Member State;

"**Currency Agreement**" means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement;

"**Fair Market Value**" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, (including a majority of the disinterested directors, if any) whose determination shall be conclusive if evidenced by a resolution of such Board of Directors.

"**GAAP**" means U.S. generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board ("**FASB**") or, if FASB ceases to exist, any successor thereto; provided, however, that for purposes of determining compliance with these Conditions, "**GAAP**" means such generally accepted accounting principles as in effect on the date hereof;

"**Guarantee**" means, for the purpose of the definitions of "Incur", "Indebtedness", "Investment" and "Trade Payables", any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term "**Guarantee**" shall not include endorsements for collection or deposit in the ordinary course of business. The term "**Guarantee**" used as a verb has a corresponding meaning;

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement;

"**IFRS**" means the International Financial Reporting Standards issued by the International Accounting Standards Board ("**IASB**") or, if IASB ceases to exist, any successor thereto;

"**Incur**" (or any derivative term thereof) means, with respect to any Indebtedness, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise; provided that neither the accrual of interest nor the accretion of original issue discount shall be considered an Incurrence of Indebtedness;

"**Indebtedness**" means, with respect to any Person at any date of determination (without duplication),

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, excluding Trade Payables and accrued current liabilities arising in the ordinary course of business;

(3) all obligations of such Person in respect of letters of credit or other similar instruments (including reimbursement obligations with respect thereto);

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property, assets or services (including, without limitation, any fees paid in connection with any mobile telecommunications licences), which purchase price is due more than six months after the earlier of the date of placing such property in service or taking delivery and title thereto or the completion of such services, except Trade Payables or other accrued liabilities arising in the ordinary course of business which are not overdue or which are being contested in good faith;

(5) all Capitalised Lease Obligations of such Person;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided that the amount of such Indebtedness shall be the lesser of:

(A) the Fair Market Value of such asset at such date of determination; and

(B) the amount of such Indebtedness;

(7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;

(8) to the extent not otherwise included in this definition, net obligations under Currency Agreements and Interest Rate Agreements; and

(9) the maximum redemption amount of any Redeemable Stock or the maximum redemption amount or principal amount of any security which any Redeemable Stock is convertible or exchangeable into in accordance with clause (3) of the definition of Redeemable Stock.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations as described above, the maximum liability upon the occurrence of the contingency giving rise to the obligation; provided:

(A) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortised portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP or IFRS, as applicable;

(B) that Indebtedness shall not include any liability for federal, state, local or other Taxes; and

(C) that Indebtedness shall not include obligations of any Persons (x) arising from the honouring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds in the ordinary course of business; provided that such obligations are extinguished within two Business Days of their incurrence unless covered by an overdraft line, (y) resulting from the endorsement of negotiable instruments for collection in the ordinary course of business and consistent with past business practices and (z) under stand-by letters of credit or guarantees to the extent collateralised by cash or Cash Equivalents;

"**Interest Rate Agreement**" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement;

"**Investment**" in any Person means any direct or indirect advance, loan or other extension of credit (including, without limitation, by way of Guarantee or similar arrangement; but excluding (i) advances to customers in the ordinary course of business that are, in conformity with GAAP or IFRS, as applicable, recorded

as accounts receivable on the balance sheet of the Issuer or the Guarantor (as the case may be) or any of their respective Subsidiaries, (ii) advances to suppliers (including advances to suppliers of equipment) and (iii) advance payments of federal, state, local or other Taxes and customs duties in the ordinary course of business that are, in conformity with GAAP or IFRS, as applicable, recorded as prepayments or other non current assets on the balance sheet of the Issuer or the Guarantor (as the case may be) or any of their respective Subsidiaries) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, bonds, notes, debentures or other similar instruments issued by, such Person;

"**Lien**" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof, any sale with recourse against the seller or any Affiliate of the seller, or any agreement to give any security interest);

"**Officer**" means, with respect to a Person, the Chairman of the Board of Directors, the General Director, the Chief Executive Officer, the President, the Chief Financial Officer, the Controller, the Treasurer or the General Counsel of such Person;

"**Permitted Liens**" means, with respect to the Issuer and its Subsidiaries, Permitted Issuer Liens or, with respect to the Guarantor and its Subsidiaries, Permitted Guarantor Liens, as the context may indicate or require;

"**Permitted Guarantor Liens**" means, in relation to a Lien of the Guarantor or a Subsidiary of the Guarantor (as the case may be):

(1) Liens securing the Notes;

(2) Liens granted by a Subsidiary of the Guarantor in favour of the Guarantor or another Subsidiary of the Guarantor, with respect to the property or assets, or any income or profits therefrom, of such Subsidiary;

(3) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, material men, repairmen or other similar Liens arising in the ordinary course of business;

(4) any Lien existing on the date of these Conditions;

(5) any Lien on any property or assets of any Person or on any property or assets of the Subsidiaries of such Person existing at the time such Person is merged or consolidated with or into the Guarantor or any of its Subsidiaries or into which the Guarantor or any of its Subsidiaries is merged or at the time such Person becomes a Subsidiary of the Guarantor or any of its Subsidiaries and not created in contemplation of such event; provided that no such Lien shall extend to any other property or assets of such Person or to any other property or assets of the Subsidiaries of such Person or the Guarantor or any of its Subsidiaries;

(6) any Lien existing on any property or assets prior to the acquisition thereof by the Guarantor or any of its Subsidiaries and not created in contemplation of such acquisition; provided that no such Lien shall extend to any other property or assets or any property or assets of the Guarantor or any of its Subsidiaries;

(7) any Lien on any property or assets securing Indebtedness of the Guarantor or any of its Subsidiaries Incurred or assumed for the purpose of financing all or part of the cost of acquiring, repairing or refurbishing such property or assets; provided that (i) no such Lien shall extend to any other property or assets of the Guarantor or any of its Subsidiaries other than the assets affixed thereto, and proceeds thereof, (ii) the aggregate principal amount of all Indebtedness secured by Liens under this sub-paragraph (7) on such property or assets does not exceed the purchase price of such property or assets and (iii) such Lien attaches to such property or assets concurrently with the repair or refurbishing thereof or within 180 days after the acquisition thereof;

(8) easements, rights-of-way, restrictions and any other similar charges or encumbrances incurred in the ordinary course of business and not interfering in any material respect with the business of the Guarantor or any of its Subsidiaries;

(9) Liens securing Hedging Obligations so long as any such Hedging Obligation is not speculative;

(10) Any extension, renewal or replacement of any Lien described in sub-paragraphs (1) through (9) above; provided that (i) such extension, renewal or replacement shall be no more restrictive in any material respect than the original Lien, (ii) the amount of Indebtedness secured by such Lien is not increased and (iii) if the property or assets securing the Indebtedness subject to such Lien are changed in connection with such refinancing, extension or replacement, the Fair Market Value of such property or assets is not increased;

(11) pledge of Capital Stock of the Guarantor in favour of a Subsidiary of the Guarantor in connection with the direct or indirect issuance by the Guarantor of securities convertible into or exchangeable for Capital Stock of the Guarantor;

(12) any additional Lien; provided that

(A) immediately after giving effect to such additional Lien, all the secured Indebtedness in the aggregate secured by all such Liens under this sub-paragraph 12 does not exceed 10% of the Guarantor's total consolidated assets as of the end of the most recently completed fiscal quarter; or

(B) to the extent such additional Lien secures Indebtedness incurred under an Acquisition Facility, immediately after giving effect to such additional Lien, all the secured Indebtedness in the aggregate secured by all such Liens under this sub-paragraph 12 does not exceed 20% of the Guarantor's total consolidated assets as of the end of the most recently completed fiscal quarter (determined on a pro forma basis taking into account the assets of the acquired or merged entity, to the extent so acquired or merged) and provided further that such additional Lien incurred under such Acquisition Facility shall cease to be permitted by this sub-paragraph 12(B) three months after the creation of such security (although, for the avoidance of doubt, such additional Lien may continue to be permitted under sub-paragraph 12(A), except that, if the merger or acquisition has completed, the Guarantor's total consolidated assets shall be determined as if the merger or acquisition shall have occurred as of the end of the most recently completed fiscal quarter),

in each case as determined in accordance with GAAP or IFRS, as applicable;

(13) pledges or deposits by such Person in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party or to secure public or statutory obligations of such Person or deposits or cash or Russian government bonds to secure bid, surety or appeal bonds to which such Person is a party, or for contested taxes or import or custom duties or for the payment of rent, in each case Incurred in the ordinary course of business;

(14) Liens imposed by law, and Liens in favour of customs authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods, in each case for sums not yet due or being contested in good faith by appropriate proceedings, if a reserve or other appropriate provision, if any, as shall be required by GAAP or IFRS, as applicable, shall have been made in respect thereof;

(15) Liens for Taxes, assessments or other governmental charges not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings provided reserves required pursuant to GAAP or IFRS, as applicable, have been taken on the books of the Guarantor or its Subsidiaries;

(16) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired; and

(17) Liens arising solely by virtue of any statutory or common law provision relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository institution; provided that (x) such deposit account is not a pledged cash collateral account and (y) such deposit account is not intended by the Guarantor or any of its Subsidiaries to provide collateral to the depository institution;

provided, further, except as set forth above, that no Lien on the property, income or assets of the Guarantor shall be a "Permitted Lien" other than a Lien arising by operation of law;

"**Permitted Issuer Liens**" means, in relation to a Lien of the Issuer or a Subsidiary of the Issuer (as the case may be):

(1) Liens securing the Notes;

(2) Liens granted by a Subsidiary of the Issuer in favour of the Issuer or another Subsidiary of the Issuer, with respect to the property or assets, or any income or profits therefrom, of such Subsidiary;

(3) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, material men, repairmen or other similar Liens arising in the ordinary course of business;

(4) any Lien existing on the date of these Conditions;

(5) any Lien on any property or assets of any Person or on any property or assets of the Subsidiaries of such Person existing at the time such Person is merged or consolidated with or into the Issuer or any of its Subsidiaries or into which the Issuer or any of its Subsidiaries is merged or at the time such Person becomes a Subsidiary of the Issuer or any of its Subsidiaries and not created in contemplation of such event; provided that no such Lien shall extend to any other property or assets of such Person or to any other property or assets of the Subsidiaries of such Person or the Issuer or any of its Subsidiaries;

(6) any Lien existing on any property or assets prior to the acquisition thereof by the Issuer or any of its Subsidiaries and not created in contemplation of such acquisition; provided that no such Lien shall extend to any other property or assets or any property or assets of the Issuer or any of its Subsidiaries;

(7) any Lien on any property or assets securing Indebtedness of the Issuer or any of its Subsidiaries Incurred or assumed for the purpose of financing all or part of the cost of acquiring, repairing or refurbishing such property or assets; provided that (i) no such Lien shall extend to any other property or assets of the Issuer or any of its Subsidiaries other than the assets affixed thereto, and proceeds thereof, (ii) the aggregate principal amount of all Indebtedness secured by Liens under this sub-paragraph (7) on such property or assets does not exceed the purchase price of such property or assets and (iii) such Lien attaches to such property or assets concurrently with the repair or refurbishing thereof or within 180 days after the acquisition thereof;

(8) easements, rights-of-way, restrictions and any other similar charges or encumbrances incurred in the ordinary course of business and not interfering in any material respect with the business of the Issuer or any of its Subsidiaries;

(9) Liens securing Hedging Obligations so long as any such Hedging Obligation is not speculative;

(10) Any extension, renewal or replacement of any Lien described in sub-paragraphs (1) through (9) above; provided that (i) such extension, renewal or replacement shall be no more restrictive in any material respect than the original Lien, (ii) the amount of Indebtedness secured by such Lien is not increased and (iii) if the property or assets securing the Indebtedness subject to such Lien are changed in connection with such refinancing, extension or replacement, the Fair Market Value of such property or assets is not increased;

(11) pledge of Capital Stock of the Issuer in favour of a Subsidiary of the Issuer in connection with the direct or indirect issuance by the Issuer of securities convertible into or exchangeable for Capital Stock of the Issuer;

(12) any additional Lien; provided that

(A) immediately after giving effect to such additional Lien, all the secured Indebtedness in the aggregate secured by all such Liens under this sub-paragraph 12 does not exceed 10% of the Issuer's total consolidated assets as of the end of the most recently completed fiscal quarter; or

(B) to the extent such additional Lien secures Indebtedness incurred under an Acquisition Facility, immediately after giving effect to such additional Lien, all the secured Indebtedness in the aggregate secured by all such Liens under this sub-paragraph 12 does not exceed 20% of the Issuer's total consolidated assets as of the end of the most recently completed fiscal quarter (determined on a pro forma basis taking into account the assets of the acquired or merged entity, to the extent so acquired or merged) and provided further that such additional Lien incurred under such Acquisition Facility shall cease to be permitted by this sub-paragraph 12(B) three months after the creation of such security (although, for the avoidance of doubt, such additional Lien may continue to be permitted under sub-paragraph 12(A), except that, if the merger or acquisition has completed, the Issuer's total consolidated assets shall be determined as if the merger or acquisition shall have occurred as of the end of the most recently completed fiscal quarter),

in each case as determined in accordance with GAAP or IFRS, as applicable;

(13) pledges or deposits by such Person in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party or to secure public or statutory obligations of such Person or deposits or cash or Russian government bonds to secure bid, surety or appeal bonds to which such Person is a party, or for contested taxes or import or custom duties or for the payment of rent, in each case Incurred in the ordinary course of business;

(14) Liens imposed by law, and Liens in favour of customs authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods, in each case for sums not yet due or being contested in good faith by appropriate proceedings, if a reserve or other appropriate provision, if any, as shall be required by GAAP or IFRS, as applicable, shall have been made in respect thereof;

(15) Liens for Taxes, assessments or other governmental charges not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings provided reserves required pursuant to GAAP or IFRS, as applicable, have been taken on the books of the Issuer or its Subsidiaries;

(16) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired; and

(17) Liens arising solely by virtue of any statutory or common law provision relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository institution; provided that (x) such deposit account is not a pledged cash collateral account and (y) such deposit account is not intended by the Issuer or any of its Subsidiaries to provide collateral to the depository institution;

provided, further, except as set forth above, that no Lien on the property, income or assets of the Issuer shall be a "Permitted Lien" other than a Lien arising by operation of law;

"**Person**" means any individual, corporation, partnership, joint venture, trust unincorporated organisation or government or any Agency or political subdivision thereof;

"**Preferred Stock**" means, with respect to any Person any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's preferred or preference equity, whether now outstanding or issued after June 29, 2011, including, without limitation, all series and classes of such preferred stock or preference stock;

"**Redeemable Stock**" means any class or series of Capital Stock of any Person that by its terms or otherwise is:

(1) required to be redeemed prior to the Stated Maturity of the Notes;

(2) redeemable at the option of the holder (other than in connection with a "Reorganisation" or a "Major Transaction" as such terms are defined in Article 15 and Article 78, respectively, of the Russian Federation Federal Law No. 208-FZ "On Joint Stock Companies", dated 26 December 1995, as such law may be amended, supplemented or modified from time to time or any successor statute or statutes thereof) of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes; or

(3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes;

"**Securities Act**" means the United States Securities Act of 1933, as amended;

"**Significant Subsidiary**" means:

(a) from time to time, any Subsidiary of the Issuer or the Guarantor, as applicable, that holds or has the right, title or interest to or in any telecommunications licence which licence is responsible for generating more than 10% of the consolidated revenues of the Issuer or the Guarantor, as the case may be, in accordance with GAAP or IFRS, as applicable; or

(b) from time to time, any Subsidiary of the Issuer or the Guarantor, as applicable, that, together with its Subsidiaries,

(i) for the most recent fiscal year of the Issuer or the Guarantor, as the case may be, accounted for more than 10% of the consolidated revenues of the Issuer or the Guarantor, as the case may be, in accordance with GAAP or IFRS, as applicable; or

(ii) as of the end of such fiscal year, was the owner of more than 10% of the consolidated assets of the Issuer or the Guarantor, as the case may be, in accordance with GAAP or IFRS, as applicable;

all as set forth on the most recently available consolidated financial statements of the Issuer or the Guarantor, as applicable, in accordance with GAAP or IFRS, as applicable for such fiscal year, but excluding on any date any Person who is no longer a Subsidiary of the Issuer or the Guarantor, as applicable, on such date;

"**Stated Maturity**" means:

(1) with respect to any Indebtedness, the date specified in such Indebtedness as the fixed date on which the final instalment of principal of such Indebtedness is due and payable; and

(2) with respect to any scheduled instalment of principal of or interest on any Indebtedness, the date specified in such Indebtedness as the fixed date on which such instalment is due and payable;

"**Subordinated Indebtedness**" means any Indebtedness of the Issuer or the Guarantor (whether outstanding on the date hereof or thereafter Incurred) which is expressly subordinate in right of repayment to the Notes pursuant to a written agreement;

"**Subsidiary**" means, with respect to any Person, (i) a corporation more than 50% of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is at the time, directly or indirectly, owned by such Person, by such Person and one or more Subsidiaries of such Person or by one or more Subsidiaries of such Person, or (ii) a partnership in which such Person or a Subsidiary of such Person is, at the time, a general partner of such partnership, or (iii) any other Person in which such Person, one or more Subsidiaries of such Person, or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination thereof has (x) over a 50% ownership interest or (y) the power to elect or direct the election of a majority of the directors, members of the board of directors or other governing body of such Person;

"**Tax**" or "**Taxes**" means any present or future tax, duty, levy, impost, assessment, or other governmental charge (including penalties, interest and other liabilities related thereto);

"**Taxing Authority**" means any government or political subdivision or territory or possession of any government or authority or Agency therein or thereof having the power to tax;

"**Trade Payables**" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or Guaranteed by any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services; and

"**Voting Stock**" means with respect to any Person, any class or classes of Capital Stock pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, management board, managers or trustees of such Person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

SUMMARY OF PROVISIONS OF THE NOTES WHILE IN GLOBAL FORM

The Global Note Certificates contain provisions which apply to the Notes in respect of which the Global Note Certificates are issued, some of which modify the effect of the "Terms and Conditions of the Notes" contained elsewhere in this prospectus. Terms defined in the "Terms and Conditions of the Notes" section of this prospectus have the same meanings as in the paragraphs below. The following is a summary of those provisions.

Meetings

The registered holder of each Global Note Certificate will be treated at any meeting of Noteholders as having one vote in respect of each US$1,000 principal amount of Notes for which the Global Note Certificates may be exchanged. The registered holder of each Global Note Certificate may grant (in accordance with the normal rules and operating procedures of DTC, Euroclear or Clearstream, Luxembourg, or any alternative clearing system, as appropriate) proxies and otherwise authorize persons with an interest in the Notes in respect of which such Global Note Certificate has been issued to take any action which such registered holder is entitled to take in respect of such meeting.

Purchase and Redemption

In the event of the purchase or redemption by or on behalf of the Issuer (or the Guarantor or any of the Issuer's or the Guarantor's subsidiaries, as the case may be) and cancellation of a part of a Global Note Certificate in accordance with Condition 6 of the Terms and Conditions of the Notes, the portion of the principal amount thereof so purchased, or redeemed, and cancelled shall be endorsed by or on behalf of the Registrar on behalf of the Issuer on the schedule to such Global Note Certificate, whereupon the principal amount thereof shall be reduced by the amount so purchased and cancelled and endorsed. Upon the purchase or redemption of the whole of a Global Note Certificate in accordance with Condition 6 of the Terms and Conditions of the Notes, such Global Note Certificate shall be surrendered to or to the order of the Registrar and cancelled. So long as the Notes are held on behalf of DTC, Euroclear or Clearstream, Luxembourg or any alternative clearing system, such purchases and redemptions will be made in accordance with the procedures of DTC, Euroclear or Clearstream, Luxembourg or any alternative clearing system, as appropriate.

Payment

Payments of interest in respect of Notes represented by a Global Note Certificate will be made without presentation or if no further payment of principal or interest is to be made in respect of the Notes, against presentation and surrender of such Global Note Certificate to or to the order of the Registrar. Upon any payment of principal, the amount so paid shall be endorsed by or on behalf of the Registrar on behalf of the Issuer on the schedule to the Global Note Certificate. Payment while the Notes are represented by Global Note Certificates will be made in accordance with the procedures of DTC, Euroclear or Clearstream, Luxembourg or any alternative clearing system.

Notices

So long as any of the Notes are represented by a Global Note Certificate and such Global Note Certificate is held on behalf of DTC, Euroclear or Clearstream, Luxembourg, or any alternative clearing system, notices to Noteholders may be given by delivery of the relevant notice to DTC, Euroclear or Clearstream, Luxembourg, or any alternative clearing system, for communication by it to entitled accountholders in substitution for notification as required by the "Terms and Conditions of the Notes." For so long as the Notes are listed on the Irish Stock Exchange and the guidelines of that exchange so require, notices shall also be filed with the Companies Announcements Office of the Irish Stock Exchange.

Transfers

Transfers of interests in the Notes will be effected through the records of DTC, Euroclear or Clearstream, Luxembourg or any alternative clearing system and their respective direct and indirect participants.

Trustee's Powers

In considering the interests of Noteholders in circumstances where the Global Note Certificates are being held on behalf of DTC, Euroclear or Clearstream, Luxembourg or any alternative clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances (a) have regard to such information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Global Note Certificates and (b) consider such interests on the basis that such accountholders were the Noteholders.

Prescription

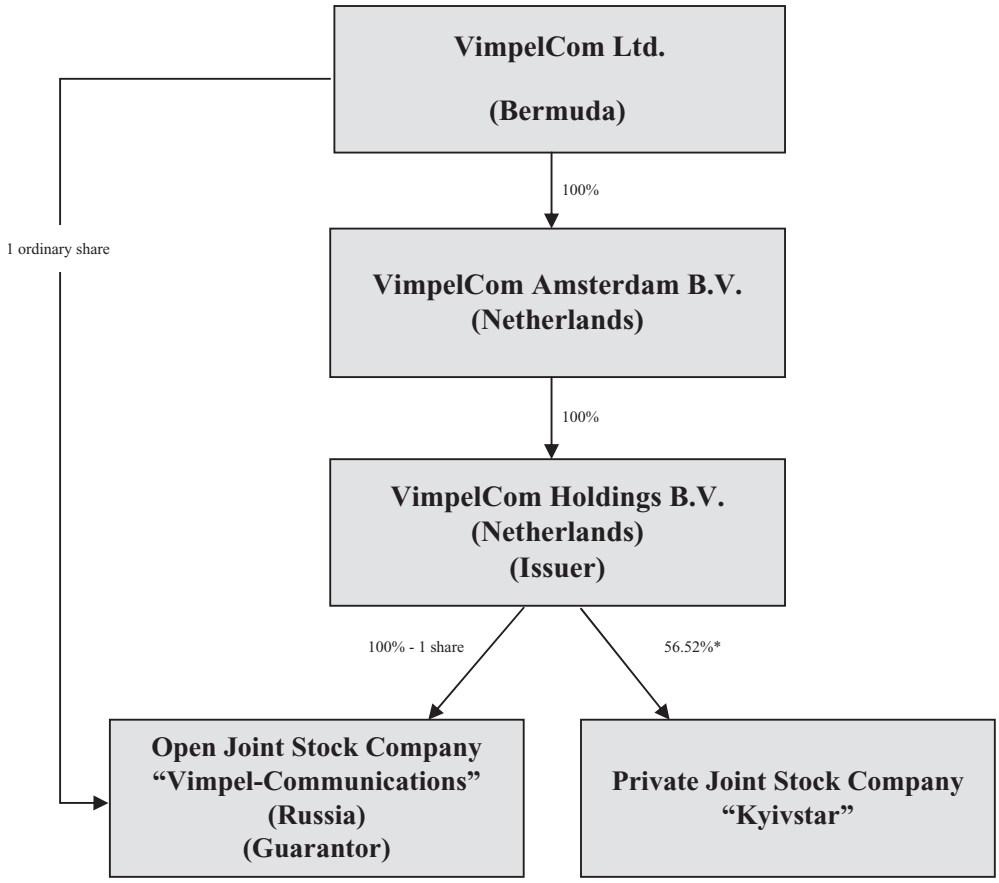
Claims against the Issuer and the Guarantor in respect of principal, premium, if any, and interest on the Notes while the Notes are represented by the Global Note Certificates will become void unless they are presented for payment within a period of 10 years (in the case of principal and premium) and five years (in the case of interest) from the appropriate Relevant Date.

DESCRIPTION OF THE ISSUER

The Issuer is incorporated for the purpose of engaging in holding and financing activities and was incorporated in the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), under the name VimpelCom Holdings B.V. on June 29, 2009. The corporate seat of the Issuer is at Amsterdam, the Netherlands. The registered office of the Issuer is Claude Debussylaan 13-15, 1082 MC, Amsterdam, the Netherlands and the telephone number is +31(0)20 7977 200. The Issuer has been registered with the trade register of the Chamber of Commerce in Amsterdam, the Netherlands under number 34345993.

Corporate structure

At the date of this prospectus, the authorized share capital of the Issuer consists of EUR 70,000,000 divided into 70,000,000 ordinary shares of par value EUR 1 each. At the date of this prospectus, a total of 15,099,998 shares have been issued and paid up. All issued ordinary shares are and will be in registered form, and no share certificates are or will be issued. The Issuer is a wholly-owned subsidiary of VimpelCom Amsterdam B.V. and a wholly-owned indirect subsidiary of VimpelCom Ltd. The diagram below shows a simplified corporate structure of the Issuer at the date hereof.



* The remaining 43.48% is held by Kyivstar. For more information on Kyivstar's ownership structure and anticipated changes, see the section of this prospectus entitled "Business—Organizational Structure."

Business

The principal objects of the Issuer are set forth in section 3 of its Articles of Association and permit the Issuer, *inter alia,* to (i) incorporate, participate in any way whatsoever in, to manage, to supervise businesses and companies; (ii) to finance businesses and companies; and (iii) to borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreements in connection with aforementioned activities. As such, the Issuer is, *inter alia*, authorized to issue the Notes and enter into the Trust Deeds and the other transaction documents to which it is or will be a party.

Financial Statements

The financial year of the Issuer ends on 31 December in each year. The Issuer has prepared standalone Dutch GAAP financial statements for the year ended December 31, 2010 in accordance with Dutch Civil Code and U.S. GAAP consolidated financial statements for the three months ended March 31, 2011 and 2010 and for the years ended December 31, 2010, 2009, 2008. The Issuer is as of April 21, 2010, the accounting successor to the Guarantor, and, accordingly, accounting data and disclosure related to the period prior to April 21, 2010 in its U.S. GAAP financial statements represent accounting data and disclosures of the Guarantor.

Each year, a copy of the annual accounts of the Issuer together with the annual report thereon is required to be prepared within five months following the end of the financial year, which period may be extended by six months by the general meeting of shareholders. The annual accounts must be audited, adopted by the general meeting of shareholders, and, within eight days following the adoption (and ultimately within 13 months following the financial year if the annual accounts are not adopted), the annual accounts together with the auditor's statement, the annual report and supplementary information must be filed with the Chamber of Commerce in Amsterdam. The annual accounts can be obtained from the Chamber of Commerce in Amsterdam and free of charge from the registered office of the Issuer. The Issuer does not have audited annual accounts for any period prior to the year ended December 31, 2010 because the Issuer did commence operations until April 2010.

The auditors of the Issuer are Ernst & Young Accountants LLP, who are chartered accountants (*register accountants*) and are members of the Koninklijk Nederlands Instituut van Registeraccountants (NIVRA) and registered auditors qualified to practice in the Netherlands, and Ernst & Young LLC are members of the Non-Profit partnership "Russian Audit Chamber" and are registered auditors qualified to practice in Russia.

Negative Total Equity

The Issuer's consolidated U.S. GAAP financial statements as of December 31, 2010 and March 31, 2011, show that the Issuer had negative total equity of US$4.9 billion and US$4.1 billion, respectively. The negative total equity position is mainly due to accounting rules applicable to the Issuer's acquisition of the assets and liabilities of OJSC VimpelCom, which was required to be accounted for as a transaction under common control whereby the assets and liabilities acquired were recorded on the Issuer's financial statements at their historical carrying value on OJSC VimpelCom's financial statements. If the assets and liabilities of OJSC VimpelCom were to be accounted for at their fair value, the consolidated total equity amount of the Issuer would be a positive amount.

The negative total equity of the Issuer does not indicate that it is insolvent or that it is unable to meet its obligations as they come due because the fair value of its assets is substantially greater than the carrying value reflected on its U.S. GAAP consolidated financial statements. The standalone (unconsolidated) financial statements of the Issuer prepared under Dutch GAAP indicate that the Issuer has US$6.1 billion of positive shareholders equity as of December 31, 2010 and March 31, 2011, reflecting the fair value of the assets and liabilities of OJSC VimpelCom and Kyivstar as of their respective acquisition dates and dividend income earned, less the obligation under the Original Intercompany Note.

The negative total equity in the Issuer's consolidated financial statements arises because the historical carrying value of the assets and liabilities of OJSC VimpelCom acquired by the Issuer was approximately US$5.6 billion as of the date of their acquisition by Vimpelcom Ltd. For accounting reasons, this is the approximate value of the assets and liabilities of OJSC VimpelCom on the consolidated financial statements of the Issuer. Because the Issuer was required, for tax reasons, to pay fair value for the OJSC VimpelCom shares under the arm's length principle, it made such payment by issuing the Original Intercompany Note in the approximate principal amount of US$16.7 billion plus a cash payment of EUR150,000. See "Risk Factors—Risks Related to Our Business—The Issuer's substantial New Intercompany Note held by VimpelCom Amsterdam B.V. will rank pari passu with the Notes until the Issuer's insolvency, when it becomes subordinated to the Notes, but until the Issuer's insolvency it may be prepaid in whole or in part, potentially diverting funds from payment of the Notes to payment of the New Intercompany Note or reducing the assets of the Issuer available upon insolvency for application to the Notes."

The difference between the value at which the OJSC VimpelCom assets and liabilities are recorded on the Issuer's consolidated financial statements and the liability under the Original Intercompany Note was approximately US$ 11.1 billion and this amount was recorded on the Issuer's consolidated U.S. GAAP statements of changes in equity. This amount was partially offset by other changes in equity in the financial statements of the Issuer, but resulted in the negative total equity amounts reflected on the Issuer's financial statements as of December 31, 2010 and March 31, 2011.

Miscellaneous

The Issuer may be appointed by the Dutch Central Bank (*De Nederlandsche Bank N.V.*) as a reporter pursuant to the regulation of February 4, 2003, issued by the Dutch Central Bank, implementing reporting instructions under the Act on the Financial Foreign Relations 1994 (*Wet financiële betrekkingen buitenland 1994*), and, if so appointed, the Issuer must file reports with the Dutch Central Bank for the benefit of the composition of the balance of payments for the Netherlands by the Dutch Central Bank.

As long as the Notes are listed on the Irish Stock Exchange, the Issuer will be subject to insider trading rules in the Netherlands pursuant to the Dutch Act on the Financial Supervision (*Wet op het financieel toezicht*) and the regulations promulgated thereunder.

TAX CONSIDERATIONS

The following is a general description of certain tax considerations relating to the Notes based on advice received. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their tax advisers as to the consequences of a purchase of Notes, including but not limited to the consequences of receipt of interest and of sale or redemption of the Notes. This summary is based upon the law in effect on the date of this document and is subject to any change in law that may take effect after such date. This summary does not seek to address the applicability of, and procedures in relation to, taxes levied by regions, municipalities or other non-federal legal authorities of Russia, nor does it seek to address the availability of double tax treaty relief.

Russian Taxation

General

The following is a summary of certain Russian tax considerations relevant to the purchase, ownership and disposition of the Notes, as well as concerning taxation of payments of interest on the Guarantees. The summary is based on the laws of Russia and the interpretations thereof by the Ministry of Finance and the Federal Tax Service (and its predecessor, the Russian Ministry of Taxes and Levies) as in effect on the date of this prospectus and is subject to changes that may come into effect after that date (possibly with retroactive effect). The summary does not seek to address the applicability of, or procedures in relation to, taxes levied by regions, municipalities or other non-federal level authorities of Russia, nor does the summary seek to address the availability of double tax treaty relief in respect of the Notes, or practical difficulties involved in obtaining such double tax treaty relief. Prospective investors should consult their own tax advisors regarding the tax consequences of investing in the Notes. No representation with respect to the Russian tax consequences to any particular Noteholder is made hereby.

Many aspects of Russian tax law are subject to significant uncertainty and lack interpretive guidance. Further, the substantive provisions of Russian tax law applicable to financial instruments (including the Notes) and to Noteholders and the interpretation and application of those provisions by the Russian tax authorities may be subject to more rapid and unpredictable change and inconsistency than in jurisdictions with more developed capital markets and tax systems. In particular, the interpretation and application of such provisions will in practice rest substantially with local tax inspectorates.

In practice, interpretation by different tax inspectorates may be inconsistent or contradictory and may result in the imposition of conditions, requirements or restrictions not provided for by the existing legislation. Similarly, in the absence of binding precedents court rulings on tax or related matters by different courts relating to the same or similar circumstances may also be inconsistent or contradictory.

For the purposes of this summary, a "non-resident Noteholder" means:

(i) a legal entity or organization, in each case not organized under Russian law, which holds and disposes of the Notes otherwise than through a permanent establishment (as defined under Russian tax law) in Russia; or

(ii) an individual actually present in the Russian Federation for an aggregate period of less than 183 calendar days (including days of arrival to Russia and departure from Russia) in any period comprising 12 consecutive months. Presence in Russia for tax residency purposes is not considered interrupted for an individual's short term departures (less than 6 month) from Russia for medical treatment or education in any period comprising 12 months.

For purposes of this summary, a "resident Noteholder" means any Noteholder (including any individual and any legal entity or organisation) who is not a non-Resident Noteholder.

Russian tax residency rules may be affected by an applicable double tax treaty. Based on published comments of the Russian authorities, it is anticipated that the Russian tax residency rules applicable to legal entities may change in the future.

The Russian tax treatment of payments under the Guarantees made by the Guarantor to the Issuer (or to the Trustee, as the case may be) may affect the Noteholders. See "—Taxation of Payment under the Guarantee" below.

Taxation of Payments on the Notes

Non-resident Noteholders. A non-resident Noteholder should not be subject to any Russian taxes on receipt from the Issuer of amounts payable in respect of principal of, or interest on, the Notes, subject to what is stated in "—Taxation of Payment under the Guarantee" below.

A non-resident Noteholder also generally should not be subject to any Russian taxes in respect of gains or other income realized on redemption, sale or other disposition of the Notes outside Russia, provided that the proceeds of such redemption, sale or other disposition of the Notes are not received from a source within Russia.

In the event that proceeds from a redemption, sale or other disposition of the Notes are received from a source within Russia, a non-resident Noteholder which is a legal entity or organization generally should not be subject to any Russian taxation in respect of such proceeds, although there is some uncertainty regarding the treatment of any part of such gain realized on sale or other disposal of the Notes that is attributable to accrued interest on the Notes. If the payment upon sale or other disposal of the Notes is received from within Russia, accrued interest may be distinguished from the total gain and taxed at the rate of 20 percent. The separate taxation of the interest accrued may create a tax liability in relation to interest even in a situation where there is a capital loss on the disposal of the Notes. Withholding tax on any part of the payment relating to interest may potentially be reduced or eliminated in accordance with the provisions of an applicable double taxation treaty depending on the tax residence of the non-resident Noteholder.

Non-resident Noteholders that are legal entities or organizations should consult their own tax advisors with respect to the tax consequences of the sale or other disposal of the Notes and of the receipt of proceeds from a source within Russia.

In the event that proceeds from a sale, redemption or disposal of the Notes are received from a source within Russia, a non-resident Noteholder who is an individual will generally be subject to Russian personal income tax at a rate of 30 percent on the gain from such disposal (the gain generally being calculated as the gross proceeds from such disposal less any available cost deduction, including the original purchase price of the Notes), subject to any available double tax treaty relief. According to Russian tax legislation, income received from a sale, exchange, redemption or other disposal of the Notes should be treated as having been received from a source within Russia if such sale, exchange, redemption or other disposal occurs in Russia. Russian tax law gives no clear indication as to how to identify the source of income received from a sale, exchange, redemption or other disposal of securities except that income received from the sale of securities "in Russia" will be treated as having been received from a source within Russia. The taxable base should be calculated in Roubles and, therefore, may be affected by changes in the exchange rate between the currency of acquisition of the Notes, the currency of disposal of the Notes and Roubles. The tax may be withheld at source of payment or, if the tax is not withheld, the non-resident Noteholder may be liable to declare its income in Russia and to pay the tax.

Additionally, acquisition of the Notes by a non-resident Noteholder who is an individual may constitute a taxable event pursuant to provisions of Russian tax legislation relating to the material benefit (deemed income) received by individuals as a result of acquisition of securities. If the acquisition price of the Notes is below the lower margin of fair market value calculated under a specific procedure for the determination of market prices of securities for tax purposes, the difference may be subject to the Russian personal income tax at the rate of 30 percent (which could be subject to reduction or elimination under an applicable double tax treaty).

As noted above with respect to the disposal of the Notes, under Russian tax legislation, taxation of income of non-resident Noteholders who are individuals will depend on whether this income would be qualified as received from Russian or non-Russian sources. Although Russian tax legislation does not contain any provisions on how the related material benefit should be sourced, the tax authorities may infer that such income should be considered as Russian source income if the Notes are purchased "in Russia". In the absence of any additional guidance as to what should be considered as a purchase of securities "in Russia", the Russian tax authorities may apply various criteria in order to determine the source of the related material benefit, including looking at the place of conclusion of the acquisition transaction, the location of the Issuer, or other similar criteria.

Non-resident Noteholders who are individuals should consult their own tax advisors with respect to the tax consequences of the purchase of the Notes, sale or other disposal of the Notes and of the receipt of proceeds from a source within Russia.

Tax Treaty Relief. The Russian Federation has concluded double tax treaties with a number of countries and honors some double tax treaties concluded by the former Union of Soviet Socialist Republics. These tax treaties may contain provisions that reduce or eliminate Russian tax due with respect to income received from a source within Russia by a non-resident Noteholder on disposition of the Notes. To obtain the benefit of such double tax treaty provisions, the Noteholder must comply with the certification, information, and reporting requirements in force in Russia. Currently a non-resident Noteholder which is a legal entity would need to provide the payer of income with a certificate of tax residence issued by the competent tax authority of the relevant treaty country in advance of the first payment of income in each calendar year. A non-resident Noteholder who is an individual must present to the tax authorities a tax residency certificate issued by the

competent authorities in his/her country of residence for tax purposes and a confirmation of the income received and an appropriate documentary proof of tax payments outside of Russia on income with respect to which treaty benefits are claimed as confirmed by the relevant foreign tax authorities. Due to uncertainties regarding the form and procedures for providing such documentary proof, individuals in practice may not be able to obtain tax treaty relief benefits on receipt of proceeds from a source within Russia and obtaining a refund can be extremely difficult.

Non-resident Noteholders should consult their own tax advisors regarding possible tax treaty relief and procedures for obtaining such relief with respect to any Russian taxes imposed on any payment received from the Notes.

Refund of Tax Withheld. Where double tax treaty relief is available, but Russian withholding tax on income has nevertheless been withheld by the source of payment, a non-resident Noteholder may file an application for the refund of such tax withheld within three years from the end of the tax period in which the tax was withheld.

In order to obtain a refund, a non-resident Noteholder would need to file with the Russian tax authorities, among other documents, an application form and a duly notarized, apostilled and translated certificate of tax residence issued by the competent tax authority of the relevant tax treaty country, as well as documents confirming receipt of income and withholding of Russian tax. In addition, a non-resident Noteholder who is an individual would need to provide appropriate documentary proof of tax payments made outside of Russia on income with respect to which tax refund is claimed. The supporting papers must be provided by such non-resident Noteholder within one year of the year to which the treaty benefits relate. The Russian tax authorities may, in practice, require a wide variety of documentation confirming the non-resident Noteholder's right to benefits under a double tax treaty. Such documentation, in practice, may not be explicitly required by the Russian tax law.

Obtaining a refund of Russian tax withheld may be a time-consuming process and can involve considerable practical difficulties. Non-resident Noteholders whether individuals or legal entities or organizations should consult their own tax advisors should they need to obtain refund of tax withheld on any payments from the Notes.

Resident Holders. Resident Noteholders are generally subject to all applicable Russian taxes in respect of the purchase of the Notes, income received on the Notes, including gains from a disposition of the Notes and interest received on the Notes. Resident Noteholders should consult their own tax advisors with respect to their tax position regarding the Notes.

Taxation of Payment under the Guarantee

Russian tax legislation in respect of withholding tax on guarantee payments to non-residents is complex and unclear. Non-resident Noteholders that are legal entities and organizations or individuals should consult their own tax advisors with respect to the tax consequences of the receipt of payments under the Guarantees, including applicability of any available double tax treaty relief.

Non-Resident Legal Entities and Organisations. The part of the guarantee payments representing interest on the Notes made by the Guarantor under the Guarantee, and to a lesser extent potentially to the whole amount of the payments, are likely to be characterized as Russian source income. Accordingly, such payments should be subject to withholding tax in Russia at a rate of 20 percent in the event that a payment under the Guarantee on the Notes is made to a non-resident Noteholder that is a legal entity or organization in each case not organized under Russian laws and which holds and disposes of the Notes otherwise than through a permanent establishment in Russia. This tax may be reduced or eliminated under any applicable double tax treaty.

Non-Resident Individuals. Where the recipients of a payment under the Guarantee are individuals who are non-residents of Russia, the full amount of the Guarantee payments may be subject to Russian withholding tax at the rate of 30 percent The withholding tax may be reduced or eliminated pursuant to the provisions of any applicable double tax treaty.

Availability of Double Tax Treaty Relief. Due to the practical difficulties in obtaining treaty relief in the case of payments under the Guarantee made by the Guarantor in favor of the Noteholders, Noteholders are unlikely to benefit from the provisions of any applicable double tax treaty with respect to any such payments. Therefore, there is a significant risk that the part of the Guarantee payments related to interest on any Notes and even potentially, the whole amount of payments, may be subject to Russian withholding tax at the rate of 20 percent, where the relevant Noteholders are legal entities and 30 percent, if the relevant holders of the Noteholders are individuals.

VAT on Payments under the Guarantee. Any payment under the Guarantee made by the Guarantor should not be subject to Russian value added tax.

Dutch Taxation

The following is a general summary and the tax consequences as described here may not apply to a Noteholder (as defined below). Any potential investor should consult such investor's tax advisor for more information about the tax consequences of acquiring, owning and disposing of Notes in such investor's particular circumstances.

This taxation summary solely addresses the principal Dutch tax consequences of the acquisition, ownership and disposal of Notes. It does not consider every aspect of taxation that may be relevant to a particular Noteholder under special circumstances or who is subject to special treatment under applicable law. Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. Where in this taxation summary the terms "the Netherlands" and "Dutch" are used, these refer solely to the European part of the Kingdom of the Netherlands. This summary assumes that the Issuer is organized, and that its business will be conducted, in the manner outlined in this prospectus. A change to such organizational structure or to the manner in which the Issuer conducts its business may invalidate the contents of this summary, which will not be updated to reflect any such change.

This summary is based on the tax law of the Netherlands (unpublished case law not included) as it stands at the date of this prospectus. The law upon which this summary is based is subject to change, perhaps with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change. This summary assumes that each transaction with respect to Notes is at arm's length.

Where in this Dutch taxation paragraph reference is made to a "Noteholder", that concept includes, without limitation:

(i) an owner of one or more Notes who in addition to the title to such Notes has an economic interest in such Notes;

(ii) a person who or an entity that holds the entire economic interest in one or more Notes;

(iii) a person who or an entity that holds an interest in an entity, such as a partnership or a mutual fund, that is transparent for Dutch tax purposes, the assets of which comprise one or more Notes, within the meaning of paragraphs (i) or (ii) above; or

(iv) a person who is deemed to hold an interest in Notes, as referred to under paragraphs (i) to (iii) above, pursuant to the attribution rules of article 2.14a, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), with respect to property that has been segregated, for example, in a trust or a foundation.

Withholding tax

All payments under the Notes may be made free from withholding or deduction of or for any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority of or in the Netherlands.

Taxes on Income and Capital Gains

Resident Noteholders. The summary set out in this section "—Taxes on Income and Capital Gains—Resident Noteholders" applies only to a Noteholder who is a "Dutch Individual" or a "Dutch Corporate Entity".

A Noteholder is a "Dutch Individual" if:

(i) such Noteholder is an individual; and

(ii) such Noteholder is resident, or deemed to be resident, in the Netherlands for Dutch income tax purposes, or has elected to be treated as a resident of the Netherlands for Dutch income tax purposes.

A Noteholder is a "Dutch Corporate Entity" if:

(i) it is a corporate entity (*lichaam*), including an association that is taxable as a corporate entity, that is subject to Dutch corporation tax;

(ii) it is resident, or deemed to be resident, in the Netherlands for Dutch corporation tax purposes;

(iii) it is not an entity that, although in principle subject to Dutch corporation tax, is, in whole or in part, specifically exempt from that tax; and

(iv) it is not an investment institution (*beleggingsinstelling*) as defined in the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

If a Noteholder is not an individual and if it does not satisfy any one or more of these tests, with the exception of the test in paragraph (ii) with regard to Dutch Corporate Entities above, its Dutch tax position is not discussed in this prospectus.

Dutch Individuals deriving profits or deemed to be deriving profits from an enterprise. Any benefits derived or deemed to be derived from Notes, including any gain realized on the disposal of Notes, by a Dutch Individual that are attributable to an enterprise from which such Dutch Individual derives profits, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net value of an enterprise, other than as a shareholder, are generally subject to Dutch income tax at progressive rates.

Dutch Individuals deriving benefits from miscellaneous activities. Any benefits derived or deemed to be derived from Notes, including any gain realized on the disposal of Notes, by a Dutch Individual that constitute benefits from miscellaneous activities (*resultaat uit overige werkzaamheden*) are generally subject to Dutch income tax at progressive rates.

Benefits derived from Notes by a Dutch Individual are taxable as benefits from miscellaneous activities if such Dutch Individual, or an individual who is a connected person in relation to such Dutch Individual as meant by article 3.91, paragraph 2, letter b, or c, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), has a substantial interest (*aanmerkelijk belang*) in the Issuer.

Generally, a person has a substantial interest in the Issuer if such person, either alone or, in the case of an individual, together with such person's partner (*partner*), if any, or pursuant to article 2.14a, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), owns or is deemed to own, directly or indirectly, either a number of shares representing five percent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer, or rights to acquire, directly or indirectly, shares, whether or not already issued, representing five percent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer or profit participating certificates (*winstbewijzen*) relating to five percent or more of the annual profits of the Issuer or to five percent or more of the liquidation proceeds of the Issuer.

A person who is entitled to the benefits from shares or profit participating certificates (for instance a holder of a right of usufruct) is deemed to be a holder of shares or profit participating certificates, as the case may be, and such person's entitlement to such benefits is considered a share or a profit participating certificate, as the case may be.

Furthermore, a Dutch Individual may, inter alia, derive, or be deemed to derive, benefits from Notes that are taxable as benefits from miscellaneous activities in the following circumstances:

(i) if such Dutch Individual investment activities go beyond the activities of an active portfolio investor, for instance in the case of use of insider knowledge (*voorkennis*) or comparable forms of special knowledge;

(ii) if such Dutch Individual makes Notes available or is deemed to make Notes available, legally or as a matter of fact, directly or indirectly, to certain parties as meant by articles 3.91 and 3.92 of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) under circumstances described there; or

(iii) if such Dutch Individual holds Notes, whether directly or indirectly, and any benefits to be derived from such Notes are intended, in whole or in part, as remuneration for activities performed by him or by a person who is a connected person in relation to him as meant by article 3.92b, paragraph 5, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

Other Dutch Individuals. If a Noteholder is a Dutch Individual whose situation has not been discussed before in this section "—Resident Noteholders", benefits from such Dutch Individual's Notes are taxed annually as a benefit from savings and investments (*voordeel uit sparen en beleggen*). Such benefit is deemed to be 4 percent per annum of such Dutch Individual's "yield basis" (*rendementsgrondslag*), generally to be determined at the beginning of the calendar year, to the extent that such yield basis exceeds the "exempt net asset amount" (*heffingvrij vermogen*) for the relevant year. The benefit is taxed at the rate of 30 percent The value of such Dutch Individual's Notes forms part of such Dutch Individual's yield basis. Actual benefits derived from such Dutch Individual's Notes, including any gain realized on the disposal of Notes, are not as such subject to Dutch income tax.

Attribution rule. Benefits derived or deemed to be derived from certain miscellaneous activities by, and yield basis for benefits from savings and investments of, a child or a foster child who is under eighteen years of age are attributed to the parent who exercises, or to the parents who exercise, authority over the child, irrespective of the country of residence of the child.

Dutch Corporate Entities. Any benefits derived or deemed to be derived from Notes, including any gain realized on the disposal thereof, that are held by a Dutch Corporate Entity are generally subject to Dutch corporation tax.

Non-Resident Noteholders

The summary set out in this section "—Non-resident Noteholders" applies only to a Noteholder who is a Non-Resident Noteholder.

A Noteholder will be considered a "Non-Resident Noteholder" if such Noteholder is neither resident, nor deemed to be resident, in the Netherlands for the purposes of Dutch income tax or corporation tax, as the case may be, and who, in the case of an individual, has not elected to be treated as a resident of the Netherlands for Dutch income tax purposes.

Individuals. A Non-Resident Noteholder who is an individual will not be subject to any Dutch taxes on income or capital gains in respect of any benefits derived or deemed to be derived from Notes, including any payment under Notes and any gain realized on the disposal of Notes, except if either of the following is applicable:

(i) such Non-Resident Noteholder derives profits from an enterprise, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net value of such enterprise, other than as a shareholder, such enterprise is either being managed in the Netherlands or carried on, in

whole or in part, through a permanent establishment or a permanent representative in the Netherlands, and such Noteholder's Notes are attributable to such enterprise; or

(ii) such Noteholder derives benefits or is deemed to derive benefits from Notes that are taxable as benefits from miscellaneous activities in the Netherlands (*resultaat uit overige werkzaamheden in Nederland*).

See the section "—Resident Noteholders—Dutch Individuals deriving benefits from miscellaneous activities" for a description of the circumstances under which the benefits derived from Notes may be taxable as benefits from miscellaneous activities, on the understanding that such benefits will be taxable in the Netherlands only if such activities are performed or deemed to be performed in the Netherlands.

Attribution rule. Benefits derived or deemed to be derived from certain miscellaneous activities by a child or a foster child who is under eighteen years of age are attributed to the parent who exercises, or to the parents who exercise, authority over the child, irrespective of the country of residence of the child.

Entities. A Non-Resident Noteholder other than an individual will not be subject to any Dutch taxes on income or capital gains in respect of any benefits derived or deemed to be derived from Notes, including any payment under Notes and any gain realized on the disposal of Notes, except if

(i) such Non-Resident Noteholder derives profits from an enterprise directly, or pursuant to a co-entitlement to the net value of such enterprise, other than as a holder of securities, such enterprise either being managed in the Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands, and its Notes are attributable to such enterprise; or

(ii) such Non-Resident Noteholder has a substantial interest in the Issuer (as described above under "—Individuals") or a deemed substantial interest in the Issuer.

A deemed substantial interest may be present if shares, profit participating certificates or rights to acquire shares in the Issuer are held by such person or deemed to be held by such person following the application of a non-recognition provision.

General. Subject to the above, a Non-Resident Noteholder will not be subject to income taxation in the Netherlands by reason only of the execution (*ondertekening*), delivery (*overhandiging*) and/or enforcement of the documents relating to the issue of Notes or the performance by the Issuer of its obligations under such documents or under the Notes.

Gift and inheritance taxes

If a Noteholder disposes of Notes by way of gift, in form or in substance, or if a Noteholder who is an individual dies, no Dutch gift tax or Dutch inheritance tax, as applicable, will be due, unless:

(i) the donor is, or the deceased was resident or deemed to be resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax, as applicable; or

(ii) the donor made a gift of Notes, then became a resident or deemed resident of the Netherlands, and died as a resident or deemed resident of the Netherlands within 180 days of the date of the gift.

For example, and without being exhaustive, an individual who has Dutch nationality is deemed to be resident in the Netherlands at the time of such individual's death or the making of the gift, if such individual resided in the Netherlands at any time during a period of ten years preceding the time of such individual's death or the time of the gift. In addition, as a further example, and without being exhaustive, any individual who has been resident in the Netherlands and who has made a gift within a period of one year after such individual has taken up residence outside the Netherlands, is deemed to be resident in the Netherlands at the time of the gift.

For purposes of the above, a gift of Notes made under a condition precedent (*opschortende voorwaarde*) is deemed to be made at the time the condition precedent is satisfied.

Turnover tax

No Dutch turnover tax will arise in respect of any payment in consideration for the issue of Notes or with respect to any payment by the relevant Issuer of principal or interest on Notes.

Other taxes and duties

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in the Netherlands in respect of or in connection with (i) the execution, delivery and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of Notes, (ii) the performance by the Issuer of its obligations under such documents or under the Notes, or (iii) the transfer of Notes, except that Dutch real property transfer tax (*overdrachtsbelasting*) may be due by a Noteholder if in satisfaction of all or part of any of its rights under the Notes, it acquires any asset, or an interest in any asset (*economische eigendom*), that qualifies as real property or as a right over real property situated in the Netherlands, for the purposes of Dutch real property transfer tax (*overdrachtsbelasting*).

United States Taxation

General

The following discussion summarizes certain U.S. federal income tax consequences relevant to the acquisition, ownership, disposition and retirement of the Notes by a Noteholder, and does not purport to be a complete analysis of all potential tax considerations. This discussion only applies to Notes that are held as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "***Code***"), and that are purchased in the initial offering at the initial offering price, by Noteholders. This discussion does not describe all of the U.S. federal income tax consequences that may be relevant to Noteholders in light of their particular circumstances or to Noteholders subject to special treatment under U.S. federal income tax law, such as financial institutions; tax-exempt organizations; insurance companies; real estate investment trusts; regulated investment companies; entities treated as partnerships for U.S. federal income tax purposes; traders or dealers in securities; persons holding Notes as part of a straddle, hedge, conversion transaction or other integrated transaction; or certain former citizens or residents of the United States. This summary also does not address tax consequences to U.S. Noteholders (as defined below) whose "functional currency" is not the U.S. dollar. Persons considering the purchase of Notes are urged to consult their tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction. Furthermore, this discussion does not describe the effect of U.S. federal estate and gift tax laws or the effect of any applicable foreign, state or local law.

This summary is based on the Code, Treasury regulations promulgated thereunder ("***Regulations***"), administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change (possibly with retroactive effect) or differing interpretations which could affect the tax consequences described herein. The Issuer has not and will not seek any rulings or opinions from the Internal Revenue Service (the "***IRS***") with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the acquisition, ownership or disposition of the Notes or that any such position would not be sustained.

U.S. Internal Revenue Circular 230 Disclosure

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, NOTEHOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF UNITED STATES FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY NOTEHOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) NOTEHOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

For purposes of this summary, a "U.S. Noteholder" is a beneficial owner of Notes, who is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation or other entity subject to tax as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States or any state thereof (including the District of Columbia);
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes, or (2) (a) the administration of which a U.S. court can exercise primary supervision over and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

A "Non-U.S. Noteholder" is a beneficial owner of Notes other than a U.S. Noteholder.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner will depend on the status of the partner and the activities of the partnership. A holder of Notes that is a partnership and partners in such partnership should consult their own tax advisors as to the tax consequences to them of acquiring, owning, disposing and retirement of Notes.

Interest

Interest paid on a Note (including any additional amounts paid by the Issuer to the Noteholders pursuant to "Terms and Conditions of the Notes—Taxation") generally will be taxable to a U.S. Noteholder as ordinary interest income when paid or accrued, in accordance with the U.S. Noteholder's method of accounting for U.S. federal income tax purposes.

Withholding and Payment of Additional Amounts

If any non-U.S. taxes are withheld with respect to interest payments on the Notes, a U.S. Noteholder would be required to include in income any additional amounts (as described under "Terms and Conditions of the Notes —Taxation") paid and any tax withheld from the interest payment, notwithstanding that such withheld tax is not in fact received by the U.S. Noteholder. A U.S. Noteholder may be eligible, subject to a number of limitations, for a deduction or U.S. foreign tax credit with respect to any non-U.S. tax withheld. Interest on the Notes will generally be treated as foreign source income for U.S. federal income tax purposes, and for purposes of certain limitations imposed on the United States foreign tax credit, generally will be considered passive income. The rules relating to U.S. foreign tax credits or deductions and the timing thereof are extremely complex and U.S. Noteholders should consult their own tax advisors with regard to the availability of a U.S. foreign tax credit or deduction and the application of the U.S. foreign tax credit limitations to their particular situations.

Subject to the discussion below under "—U.S. Backup Withholding Tax and Information Reporting," payments of interest on a Note to a Non-U.S. Noteholder generally will not be subject to U.S. federal income tax, unless such income is effectively connected with the conduct by such Non-U.S. Noteholder of a trade or business in the United States.

Sale, Exchange, Retirement or Other Disposition

Upon the sale, exchange, retirement or other disposition of a Note, a U.S. Noteholder generally will recognize capital gain or loss equal to the difference between the amount realized on the sale, exchange, retirement or other disposition (other than accrued but unpaid interest which will be taxable as ordinary income to the extent not yet included in income by the U.S. Noteholder) and the U.S. Noteholder's adjusted tax basis in such Note. A U.S. Noteholder's adjusted tax basis in a Note generally should equal the cost of the Note to such U.S. Noteholder.

Any capital gain or loss recognized on the disposition of a Note will generally be long-term capital gain or loss if the U.S. Noteholder has held the Note for more than one year. Long-term capital gain of a non-corporate U.S. Noteholder is generally subject to reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Any gain or loss realized by a U.S. Noteholder on the sale, exchange, retirement or other disposition of a Note generally will be treated as U.S. source income or loss, as the case may be. Subject to the discussion below under "—U.S. Backup Withholding Tax and Information Reporting," any capital gain realized by a Non-U.S. Noteholder upon the sale, exchange, retirement or other disposition of a Note generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Noteholder of a trade or business in the United States, or (ii) in the case of any gain realized by an individual Non-U.S. Noteholder, such Non-U.S. Noteholder is present in the United States for 183 days or more in the taxable year of such sale, exchange, retirement or other disposition and certain other conditions are met.

U.S. Backup Withholding Tax and Information Reporting

U.S. backup withholding tax and information reporting requirements apply to certain payments of principal of, and interest (including additional amounts, if any) on, Notes and to proceeds of dispositions of Notes, to certain non-corporate U.S. Noteholders. The payor currently will be required to withhold backup withholding tax from any such payment within the United States on a Note to a U.S. Noteholder (other than an "exempt recipient") if such U.S. Noteholder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding requirements. Backup withholding is not an additional tax.

Payments within the United States of principal and interest to a Non-U.S. Noteholder that is not a United States person will not be subject to backup withholding tax and information reporting requirements if an appropriate certification is provided by the Non-U.S. Noteholder to the payor and the payor does not have actual knowledge or reason to know that the certification is false.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a Noteholder's federal income tax liability, provided that the requisite procedures are followed and certain information is provided to the IRS.

In addition, individuals and, to the extent provided by Regulations or other guidance, certain U.S. entities that hold an interest in a "specified foreign financial asset" are required to attach certain information regarding such assets to their U.S. federal income tax returns for any year in which the aggregate value of all such assets held by such persons exceeds US$50,000. A "specified foreign financial asset" includes, among other things, any depository or custodial accounts at foreign financial institutions, and to the extent not held in an account at a financial institution, (1) stocks or securities issued by non-U.S. persons, and (2) any interest in a non U.S. entity. Penalties may be imposed for the failure to disclose such information regarding specified foreign financial assets. U.S. Noteholders should consult their tax advisors regarding the potential application of these rules to their ownership of a Note.

CERTAIN ERISA CONSIDERATIONS

Circular 230 Notice

The tax discussion contained in this document is not given in the form of a covered opinion within the meaning of Circular 230 issued by the U.S. Secretary of the Treasury. Thus, we are required to inform you that you cannot rely upon any advice contained in this document for the purpose of avoiding U.S. federal tax penalties. The tax discussion contained in this document was written to support the promotion or marketing of the transactions or matters described in this document. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The U.S. Employee Retirement Income Security Act of 1974, as amended ("***ERISA***"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "***ERISA Plans***") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended (the "***Code***"), prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "***Plans***")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any notes are acquired by a Plan with respect to which the Issuer, the Guarantor, the Lead Managers or any of their respective affiliates are a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire notes and the circumstances under which such decision is made. There can be no assurance that any exemption will be available with respect to any particular transaction involving the notes, or that, if an exemption is available, it will cover all aspects of any particular transaction. By its purchase of any notes, the purchaser thereof will be deemed to have represented and agreed either that: (i) it is not and for so long as it holds notes will not be (and is not acquiring the notes directly or indirectly with the assets of a person who is or while the notes are held will be) an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, State or local law, or non-U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the notes will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, State or local law, or non-U.S. law). Similarly, each transferee of any notes, by virtue of the transfer of such notes to such transferee, will be deemed to have represented and agreed either that: (i) it is not and for so long as it holds notes will not be (and is not acquiring the notes directly or indirectly with the assets of a person who is or while the notes are held will be) an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental, church or other employee benefit plan which is subject to any U.S. federal, State or local law, or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the notes will not result in a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental, church or other employee benefit plan, any such substantially similar federal, State or local law, or non-U.S. law).

Governmental plans and certain church and various other (including non-U.S.) plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to State or other federal or foreign laws that are substantially similar to ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any notes. The foregoing discussion is general in nature and not intended to be all inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA. The sale of notes to a Plan is in no respect a representation by the Lead Managers that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

FORM OF NOTES AND TRANSFER RESTRICTIONS

The following information relates to the form and transfer of the Notes. Terms defined in the section of this prospectus entitled "Terms and Conditions of the Notes" have the same meanings in the paragraphs below.

Form of Notes

All Notes will be in fully registered form, without interest coupons attached. The 2014 Notes offered and sold outside the United States in reliance on Regulation S (the "***Unrestricted 2014 Notes***") will be represented by interests in an Unrestricted Global 2014 Note Certificate, the 2017 Notes offered and sold outside the United States in reliance on Regulation S (the "***Unrestricted 2017 Notes***") will be represented by interests in an Unrestricted Global 2017 Note Certificate, and the 2022 Notes offered and sold outside the United States in reliance on Regulation S (the "***Unrestricted 2022 Notes***" and, together with the Unrestricted 2014 Notes and the Unrestricted 2017 Notes, the "***Unrestricted Notes***") will be represented by interests in an Unrestricted Global 2022 Note Certificate. References to an Unrestricted Global Note Certificate are to the Unrestricted Global 2014 Note Certificate, the Unrestricted Global 2017 Note Certificate and the Unrestricted Global 2022 Note Certificate. Each Unrestricted Global Note Certificate will be in fully registered form, without interest coupons attached, which will be deposited on or about the closing date of the Offer with a common depositary for Euroclear Bank and Clearstream, Luxembourg, and registered in the name of The Bank of New York Depository (Nominees) Limited, as nominee for such common depositary in respect of interests held through Euroclear or Clearstream, Luxembourg. Beneficial interests in the Unrestricted Global Note Certificate may at all times be held only through Euroclear or Clearstream, Luxembourg.

The 2014 Notes offered and sold in reliance on Rule 144A (the "***Restricted 2014 Notes***") will be represented by interests in a Restricted Global 2014 Note Certificate, the 2017 Notes offered and sold in reliance on Rule 144A (the "***Restricted 2017 Notes***") will be represented by interests in a Restricted Global 2017 Note Certificate, and the 2022 Notes offered and sold in reliance on Rule 144A (the "***Restricted 2022 Notes***" and, together with the Restricted 2014 Notes and the Restricted 2017 Notes, the "***Restricted Notes***") will be represented by interests in one or more Restricted Global 2022 Note Certificates. References to a Restricted Global Note Certificate are to the Restricted 2014 Global Note Certificate, the Restricted Global 2017 Note Certificate and the Restricted 2022 Global Note Certificates. Each Restricted Global Note Certificate will be in fully registered form, without interest coupons attached, which will be deposited on or about the closing date of the Offer with a custodian for, and registered in the name of Cede & Co., as nominee for, DTC. By acquisition of a beneficial interest in a Restricted Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that the purchaser is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the relevant Trust Deed. The Restricted Global Note Certificates (and any Note Certificates in definitive form issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of each such Note as set forth below and in the Trust Deeds. Beneficial interests in the Restricted Global Note Certificates may be held through DTC, Euroclear or Clearstream, Luxembourg.

Each Unrestricted Global Note Certificate will have an ISIN and a common code and each Restricted Global Note Certificate will have a CUSIP number, an ISIN and a common code.

Transfer Restrictions

Beneficial interests in each Global Note Certificate will be subject to certain restrictions on transfer set forth therein and in the Trust Deeds, and with respect to a Restricted Global Note Certificate, as set forth in Rule 144A and the Notes will bear the legends set forth thereon regarding such restrictions set forth below.

A beneficial interest in an Unrestricted Global Note Certificate may be transferred to a person who wishes to take delivery of such beneficial interest through a Restricted Global Note Certificate only in denominations greater than or equal to the minimum denominations applicable to interests in such Restricted Global Note Certificate and only upon receipt by the Registrar or any Agent of a written certification from the transferor (in the applicable form set out in the schedule to the Agency Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is purchasing for its own account or accounts as to which it exercises sole investment decision, is a qualified institutional buyer within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

A beneficial interest in a Restricted Global Note Certificate may also be transferred to a person who wishes to take delivery of such beneficial interest through an Unrestricted Global Note Certificate only upon

receipt by the Registrar or any Agent of a written certification from the transferor (in the form set out in the schedule to the Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Any beneficial interest in either a Restricted Global Note Certificate or an Unrestricted Global Note Certificate that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Note Certificate will, upon transfer, cease to be a beneficial interest in such Global Note Certificate and become a beneficial interest in the other Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Note Certificate for so long as such person retains such an interest.

The Notes are being offered and sold in the United States only to persons that are qualified institutional buyers within the meaning of Rule 144A and in reliance on Rule 144A. Because of the following restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

By purchasing Notes, such purchaser will be deemed to have made the following acknowledgments, representations to and agreements with the Issuer, the Guarantor and the Lead Managers:

(i) it acknowledges that:

- neither the Notes nor the Guarantees have been registered under the Securities Act or any other securities laws and the Notes are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and
- the Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph (v) below;

(ii) it acknowledges that this prospectus relates to an offering that is exempt from registration under the Securities Act and may not comply in important respects with the Securities and Exchange Commission rules that would apply to an offering document relating to a public offering of securities;

(iii) it represents that it is not an affiliate (as defined in Rule 144 under the Securities Act) of the Issuer or the Guarantor, that it is not acting on the Issuer's or the Guarantor's behalf and that either:

- it is a qualified institutional buyer (a "**QIB**") (as defined in Rule 144A under the Securities Act) and is purchasing Notes for its own account or for the account of another QIB, and it is aware that the Lead Managers are selling the Notes to it in reliance on Rule 144A; or
- it is not a person in the United States (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a person in the United States, and it is purchasing Notes in an offshore transaction in accordance with Regulation S;

(iv) it acknowledges that neither the Issuer, the Guarantor nor the Lead Managers nor any person representing the Issuer, the Guarantor or the Lead Managers has made any representation to it with respect to the Issuer, the Guarantor or the offering of the Notes, other than the information contained in this prospectus. It represents that it is relying only on this prospectus in making its investment decision with respect to the Notes;

(v) it represents that it is purchasing Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act. If it is a QIB who is in the United States, it agrees on its own behalf and on behalf of any investor account for which it is purchasing Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that until the end of the Resale Restriction Period (as defined below), the Notes may be offered, sold or otherwise transferred only:

(a) to the Issuer;

(b) to the Guarantor;

(c) for so long as the Notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a QIB that is purchasing for its own account or for the account of another QIB and to whom notice is given that the transfer is being made in reliance on Rule 144A;

(c) through offers and sales that occur outside the United States within the meaning of Regulation S under the Securities Act; and

(d) under any other available exemption from the registration requirements of the Securities Act;

(vi) it also acknowledges that:

- the above restrictions on resale will apply to holders of Restricted Notes from the Closing Date until the date that is one year after the later of the Closing Date and the last date that the Issuer, the Guarantor or any of their affiliates was the owner of the Notes or any predecessor of the Notes (the "**Resale Restriction Period**"), and will not apply after the Resale Restriction Period ends;
- the Issuer, the Guarantor and the Trustee reserve the right to require in connection with any offer, sale or other transfer of Notes before the Resale Restriction Period ends under clauses (v)(d) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Company and the Trustee; and
- each Restricted Global Note Certificate and Note Certificate in definitive form (if any) issued in exchange for an interest in a Restricted Global Note Certificate will contain a legend substantially to the following effect:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "**RESALE RESTRICTION TERMINATION DATE**") THAT IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER, THE GUARANTOR OR ANY AFFILIATE OF THE ISSUER OR THE GUARANTOR WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER, (B) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A (A "**QIB**") UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S, THE GUARANTOR'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/ OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

THE ISSUER HAS THE RIGHT TO REFUSE TO HONOR A TRANSFER OF AN INTEREST IN THIS NOTE TO A U.S. PERSON WHO IS NOT A QIB. EACH BENEFICIAL OWNER HEREOF REPRESENTS AND WARRANTS THAT FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN (1) IT IS NOT, AND IT IS NOT USING THE ASSETS OF, A BENEFIT PLAN INVESTOR AS DEFINED IN SECTION 3(42) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), (2) IT IS NOT AND IS NOT USING THE ASSETS OF A GOVERNMENTAL PLAN (AS DEFINED IN SECTION 3(32) OF ERISA), CHURCH PLAN (AS DEFINED IN SECTION 3(33) OF ERISA), OR NON-U.S. PLAN (AS DESCRIBED IN SECTION 4(B)(4) OF ERISA) SUBJECT TO LAWS WHICH ARE SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF ERISA OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, UNLESS THE PURCHASE AND HOLDING OF THIS NOTE WILL NOT VIOLATE SUCH SIMILAR LAW AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY NOTE OR INTEREST THEREIN TO ANY PERSON WITHOUT FIRST OBTAINING THE SAME FOREGOING REPRESENTATIONS, WARRANTIES AND COVENANTS FROM THAT PERSON."

"Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A."

(vii) it acknowledges that the Issuer, the Guarantor, the Trustee and the Lead Managers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. If it is purchasing any Notes as a fiduciary or agent for one or more investor accounts, it represents that you have sole investment discretion with respect to each of those accounts and that it has full power to make the above acknowledgments, representations and agreements on behalf of each account.

The purchaser understands and acknowledges that its purchase and holding of such Notes constitutes a representation and agreement by it that (1) either (i) it is not and for so long as it holds Notes will not be (and is not acquiring the Notes directly or indirectly with the assets of a person who is or while Notes are held will be) an employee benefit plan subject to the United States Employee Retirement Income Security Act of 1974, as amended ("***ERISA***"), a plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "***Code***"), an entity whose underlying assets include "plan assets" by reason of any such employee benefit plan's or plan's investment in that entity (each of the foregoing, a "***Plan***") or a governmental or other employee benefit plan, which is subject to any U.S. federal, state or local law or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code (an "***Alternative Plan***"); or (ii) its purchase and holding of the Notes will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of an Alternative Plan, any such substantially similar U.S. federal, state or local law, or non-U.S. law) and (2) it will not sell or otherwise transfer such Notes to any Plan otherwise than to a purchaser or transferee that is deemed to represent and agree with respect to its purchase and holding of such Notes to the same effect as the purchaser's representation and agreement set forth in this sentence.

Exchange of Interests in Global Note Certificates for Note Certificates

Exchange of interests in Notes represented by a Restricted Global Note Certificate, in whole but not in part, for Restricted Notes represented by individual Note Certificates in definitive form (the "***Restricted Note Certificates***") will not be permitted unless (i) DTC or a successor depositary notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to such Registered Global Note Certificate or ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility or cessation on the part of such depository, (ii) following a failure by the Issuer and the Guarantor to pay an amount in respect of any Notes within five days of the date on which such amount became due and payable in accordance with the Conditions or (iii) the Issuer or the Guarantor would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations which would not be suffered were the Notes evidenced by Restricted Note Certificates. Exchange of interests in Notes represented by an Unrestricted Global Note Certificate, in whole but not in part, for Unrestricted Notes represented by individual Note Certificates in definitive form (the "***Unrestricted Note Certificates***" and, together with the Restricted Note Certificates, the "***Note Certificates***") will not be permitted unless (i) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so, (ii) following a failure by the Issuer and the Guarantor to pay an amount in respect of any Notes within five days of the date on which such amount became due and payable in accordance with the Conditions or (iii) the Issuer or the Guarantor would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations which would not be suffered were the Notes evidenced by Unrestricted Note Certificates.

Exchange of interests in a Global Note Certificate, in whole or in part, for Note Certificates may be made if instructions have been given for the transfer of an interest in such Global Note Certificate to a person who would otherwise take delivery thereof in the form of an interest in the other Global Note Certificate where such other Global Note Certificate has been exchanged for Note Certificates.

In such circumstances, the relevant Global Note Certificate shall be exchanged for Note Certificates and the Issuer will, at the cost of the Issuer, failing whom the Guarantor, and against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Note Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders in accordance with the Conditions. A person having an interest in a Global Note Certificate must provide the Issuer and the Registrar with (i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Note Certificates and (ii) in the case of a Restricted Global Note Certificate only, a fully completed, signed certificate substantially to the effect that the exchanging

holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A or Regulation S, that the transfer is being made in compliance with the provisions of Rule 144A or Regulation S. Subject to the provisions of the relevant Agency Agreement, Note Certificates issued in exchange for a beneficial interest in a Restricted Global Note Certificate shall bear the legends applicable to transfers pursuant to Rule 144A, as set out above under "—Transfer Restrictions."

The holder of a Note, represented by a Note Certificate, may transfer such Note in accordance with the provisions of Condition 3 (*Register, Title and Transfers*).

Upon the transfer, exchange or replacement of a Restricted Note Certificate bearing the legend referred to under "—Transfer Restrictions" or upon specific request for removal of the legend on a Restricted Note Certificate, the Issuer will deliver only Restricted Note Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to any Agent a fully completed, signed certificate substantially to the effect that the transfer is being made in compliance with the provisions of Regulation S or Rule 144 (if applicable) or such evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Euroclear, Clearstream, Luxembourg and DTC Arrangements

So long as DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of their common depositary is the registered holder of a Global Note Certificate, DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note Certificate for all purposes under the relevant Agency Agreement and the Notes. Payments of principal, premium (if any), interest and additional amounts (if any) in respect of Global Note Certificates will be made to DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the registered holder thereof. None of the Issuer, the Guarantor, the Trustee, any Agent or the Lead Managers or any affiliate of any of them or any person by whom any of them is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Note Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Distributions of principal, premium (if any) and interest with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by Euroclear or Clearstream, Luxembourg from the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg customers in accordance with the relevant system's rules and procedures.

Holders of book-entry interests in the Notes through DTC will receive, to the extent received by DTC from the Principal Paying Agent, all distributions of principal, premium (if any) and interest with respect to book entry interests in the Notes from the Principal Paying Agent through DTC. Distribution in the United States will be subject to relevant United States tax laws and regulations.

Payments on the Notes will be paid to the holder shown on the Register on the close of business the business day before the due date for such payment so long as the Notes are represented by a Global Note Certificate, and on the close of business the business day before the due date for such payment if the Notes are in the form of Note Certificates (the "***Record Date***").

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Global Note Certificate to such persons may be limited. Because DTC, Euroclear and Clearstream, Luxembourg can only act on behalf of indirect participants, the ability of a person having an interest in a Global Note Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The holdings of book-entry interests in the Notes through DTC, Euroclear and Clearstream, Luxembourg will be reflected in the book-entry accounts of each such institution. As necessary, the Registrar will adjust the amounts of Notes on the Register for the accounts of (i) The Bank of New York Depository (Nominees) Limited and (ii) Cede & Co. to reflect the amounts of Notes held through Euroclear, Clearstream, Luxembourg and DTC, respectively. Beneficial ownership in the Notes will be held through financial institutions as direct and indirect participants in DTC, Euroclear and Clearstream, Luxembourg.

Beneficial interests in the Unrestricted Global Note Certificates and the Restricted Global Note Certificates will be in uncertificated book-entry form.

DTC Actions with respect to the Notes

The Issuer will direct DTC to take the following steps in connection with the Notes:

- to include, in lieu of the "GABS" marker or otherwise, the "GRLS" marker in the DTC 20-character security descriptor, and the 48-character additional descriptor for the Notes in order to indicate that sales are limited to qualified purchasers;
- to cause (i) each physical DTC delivery order ticket delivered by DTC to purchasers to contain the 20-character security descriptors and (ii) each DTC delivery order ticket delivered by DTC to purchasers in electronic form to contain the "GRLS" indicators and the related user manual for participants, which will contain a description of relevant restrictions;
- to send, on or prior to the closing date of this Offer, an "Important Notice" to all DTC participants in connection with this Offer of the Notes. the Issuer may instruct DTC from time to time (but not more frequently than every six months) to reissue the "Important Notice";
- to include in all "confirms" of trades of the Notes in DTC, CUSIP numbers with a "fixed field" attached to the CUSIP number that has the "GRLS" markers; and
- to deliver to the Issuer from time to time a list of all DTC participants holding an interest in the Notes.

Euroclear Actions with respect to the Notes

The Issuer will instruct Euroclear Bank S.A./N.V., as operator of the Euroclear, to take the following steps in connection with the Notes:

- to reference "144A" as part of the security name in the Euroclear securities database;
- in each daily securities balances report and daily transactions report to Euroclear participants holding positions in the Notes, to include "144A" in the securities name for the Notes; and
- to deliver to the Issuer from time to time, upon its request, a list of all Euroclear participants holding an interest in the Notes.

Clearstream, Luxembourg Actions with respect to the Notes

The Issuer will instruct Clearstream Luxembourg to take the following steps in connection with the Notes:

- to reference "144A" as part of the security name in the Clearstream, Luxembourg securities database;
- in each daily portfolio report and daily settlement report to Clearstream, Luxembourg participants holding positions in the Notes, to include "144A" in the securities name for the Notes; and
- to deliver to the Issuer from time to time, upon its request, a list of all Clearstream, Luxembourg, participants holding an interest in the Notes.

Bloomberg Screens, etc

The Issuer will from time to time request all third-party vendors to include appropriate legends regarding Rule 144A restrictions on the Notes on screens maintained by such vendors. Without limiting the foregoing, the Lead Managers will request that Bloomberg, L.P. include the following on each Bloomberg screen containing information about the securities as applicable:

- the bottom of the "Security Display" page describing the Notes should state: "Iss'd under 144A" and "GRLS";
- the "Security Display" page should have a flashing red indicator stating "Additional Note Pg";
- such indicator for the Notes should link to an "Additional Security Information" page, which should state that the Notes "are being offered in reliance on the exception from registration under Rule 144A of the Securities Act of 1933, as amended (the "***Securities Act***") to persons that are "qualified institutional buyers" as defined in Rule 144A under the Securities Act; and
- the "Disclaimer" pages for the Notes should state that the securities "have not been and will not be registered under the Securities Act of 1933, as amended."

CUSIP

Each "CUSIP" obtained for a Restricted Note will have an attached "fixed field" that contains "GRLS" and "144A" indicators.

Trading between Euroclear and Clearstream, Luxembourg Accountholders

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same Day Funds Settlement System.

Trading between DTC Seller and Euroclear or Clearstream, Luxembourg Purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in a Restricted Global Note Certificate to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in an Unrestricted Global Note Certificate (subject to such certification procedures as are provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12:00 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the custodian will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by such Restricted Global Note Certificate and (ii) increase the amount of Notes registered in the name of The Bank of New York Depository (Nominees) Limited and evidenced by such Unrestricted Global Note Certificate. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the ease may be, for credit to the relevant accountholder on the first business day following the settlement date. See above concerning the Record Date for payments of interest.

Trading between Euroclear or Clearstream, Luxembourg Seller and DTC Purchaser

When book-entry interests in Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder holding a beneficial interest in an Unrestricted Global Note Certificate to the account of a DTC participant wishing to purchase a beneficial interest in a Restricted Global Note Certificate (subject to such certification procedures as are provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg accountholder must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (i) transmit appropriate instructions to the custodian who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC participant and (ii) instruct the Registrar to (a) decrease the amount of Notes registered in the name of The Bank of New York Depository (Nominees) Limited and evidenced by such Unrestricted Global Note Certificate and (b) increase the amount of Notes registered in the name of the Cede & Co. and evidenced by such Restricted Global Note Certificate. See above concerning the Record Date for payments of interest.

Although the foregoing sets out the procedures of DTC, Euroclear and Clearstream, Luxembourg in order to facilitate the transfers of interests in the Notes among the participants of DTC, Euroclear and Clearstream, Luxembourg, none of DTC, Euroclear or Clearstream, Luxembourg is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Guarantor, the Trustee, any Agent the Lead Managers or any affiliate of any of them or any person by whom any of them is controlled for the purposes of the Securities Act, will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

SUBSCRIPTION AND SALE

The managers named below (the "***Lead Managers***") have agreed, subject to the satisfaction of the terms and conditions of the Subscription Agreement, dated June 24, 2011, by and among the Issuer, the Guarantor and the Lead Managers, to subscribe and pay for the Notes offered and sold in this Offer at the issue price of 100.0% of the principal amount of Notes. The Lead Managers are entitled to be released and discharged from their obligations under the Subscription Agreement in certain circumstances prior to the closing of the issue of the Notes.

	Aggregate Principal Amount of the 2014 Notes	Aggregate Principal Amount of the 2017 Notes	Aggregate Principal Amount of the 2022 Notes
Lead Manager			
Barclays Bank PLC	US$33,333,333	US$83,333,333	US$250,000,000
BNP Paribas	US$33,333,333	US$83,333,333	US$250,000,000
Citigroup Global Markets Limited	US$33,333,333	US$83,333,333	US$250,000,000
HSBC Bank plc	US$33,333,333	US$83,333,333	US$250,000,000
ING Bank N.V., London branch	US$33,333,333	US$83,333,333	US$250,000,000
The Royal Bank of Scotland plc	US$33,333,335	US$83,333,335	US$250,000,000
Total	**US$200,000,000**	**US$500,000,000**	**US$1,500,000,000**

The Subscription Agreement will provide that the obligation of the Lead Managers to purchase the Notes offered and sold in this Offer is subject to the satisfaction of conditions, including, among others, the delivery of legal opinions by legal counsel. In connection with this Offer, the Issuer and the Guarantor will agree that the Issuer, failing whom the Guarantor, will pay a combined management, underwriting and selling commission, based in part on the aggregate size of the deal, of US$8,100,000 to the Lead Managers and to reimburse certain of their expenses related to this Offer.

We have been advised by the Lead Managers that the Lead Managers propose to offer and sell the Notes in this Offer:

- within the United States, to persons whom they reasonably believe are both QIBs who can represent that (A) they are QIBs within the meaning of Rule 144A; (B) they are acting for their own account, or the account of one or more QIBs; and (C) they will provide notice of the transfer restrictions set forth in this prospectus to any subsequent transferees; and
- outside the United States, to persons other than U.S. persons, within the meaning of Regulation S under the Securities Act, in reliance on Regulation S under the Securities Act and in accordance with applicable law.

See the section of this prospectus entitled "Form of Notes and Transfer Restrictions."

The price at which the Notes are being sold may be changed at any time without notice. Any offer or sale of the Notes to QIBs in reliance on an exemption from registration pursuant to Rule 144A under the Securities Act will be made by broker dealers (including broker dealer affiliates of the Lead Managers) who are registered as such under the Exchange Act. Terms used above have the meanings assigned to them in Rule 144A or Regulation S under the Securities Act, as the case may be.

Each Lead Manager will acknowledge and agree that in connection with the sale of the Notes in this Offer made in reliance on Regulation S, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes within the United States or to, or for the account or benefit of, U.S. persons:

- as part of their distribution at any time; or
- otherwise, until 40 days after the later of the date of the commencement of the Offer and the closing of the Offer, and that it will send to each distributor, dealer or other person receiving a selling concession, fee or other remuneration to which they sell the Notes in reliance on Regulation S during the 40-day restricted period, a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

Offers and sales into the United States will be made through the required U.S. broker-dealer affiliates of the Lead Managers.

In addition, an offer or sale of the Notes within the United States or to or for the account or benefit of a U.S. person by a dealer (whether or not participating in the Offer) during the 40 day period referred to above, may violate the registration requirements of the Securities Act if such offer or sale is made other than to persons that are QIBs in reliance on an exemption from registration pursuant to Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act.

The Notes and the Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to the requirements of, the Securities Act. See the section of this prospectus entitled "Form of Notes and Transfer Restrictions."

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading its regulated market. However, the Issuer cannot assure you that an active public or other market will develop for the Notes or that a liquid trading market will exist for the Notes. The Issuer does not intend to list the Notes on any U.S. national securities exchange or to seek the admission thereof to trading on the Nasdaq National Market System. The Issuer and the Guarantor have been advised by the Lead Managers that the Lead Managers currently intend to make a market in the Notes. However, the Lead Managers are not obligated to do so and any market making activities with respect to the Notes may be discontinued at any time without notice in their sole discretion. No assurance can be given as to how liquid the trading markets for the Notes will be. In addition, any market making activities will be subject to the limits imposed by applicable securities laws, including the Securities Act and the Exchange Act.

Each of the Issuer and the Guarantor will agree in the Subscription Agreement that, for a period of 90 days after the date of this prospectus, neither the Issuer, the Guarantor nor any of their direct or indirect subsidiaries will, without the prior written consent of the Lead Managers, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any debt securities issued or guaranteed by the Issuer or the Guarantor or any subsidiary of the Issuer or the Guarantor and having a maturity of more than one year from the date of issue and that are listed or capable of being listed on a stock exchange, or any substantially similar securities issued by another entity either guaranteed by or in connection with a loan to the Issuer or the Guarantor, or similar structure.

Each of the Issuer and the Guarantor has agreed, jointly and severally, in the Subscription Agreement to indemnify the Lead Managers against certain liabilities incurred in connection with the issue of the Notes.

In connection with the issue of the Notes, the Lead Managers or persons acting on their behalf may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Lead Managers (or persons acting on their behalf) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the Offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of allotment of the Notes.

The Lead Managers have, directly and indirectly, provided investment and commercial banking or financial advisory services to the Issuer, the Guarantor and their affiliates, for which they have received customary fees and commissions and expect to provide these services to us and our affiliates in the future, for which they expect to receive customary fees and commissions.

United Kingdom

Each of the Lead Managers has represented and agreed that:

- it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "***FSMA***") with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor.

Ireland

Each of the Lead Managers has represented, warranted and agreed that:

- it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3), including, without limitation, Regulations 7 and 152 thereof or any codes of conduct issued in connection therewith, and the provisions of the Investor Compensation Act 1998;
- it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Central Bank Acts 1942-2010 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;

- it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Central Bank of Ireland; and
- it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank of Ireland.

The Russian Federation

Each of the Lead Managers has represented, warranted and agreed that it has not offered or sold or otherwise transferred any Notes as part of their initial distribution to or for the benefit of any persons (including legal entities) that are resident, organized, registered, established or having their usual residence or place of business in the Russian Federation or to any person located within the territory of the Russian Federation, except in compliance with Russian law.

Hong Kong

Each Lead Manager has represented, warranted and agreed that it has not offered or sold and will not offer or sell Notes in Hong Kong, by means of any document other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made under that ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap.32) of Hong Kong or which do not constitute an offer to the public within the meaning of that ordinance. Further, each Lead Manager has represented, warranted and agreed that it has not issued or had in its possession for the purposes of issue, and will not issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made under that ordinance.

Singapore

Each Lead Manager has acknowledged that this prospectus has not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Lead Manager has represented, warranted and agreed that it has not circulated or distributed, nor will it circulate or distribute, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes offered in this Offer, nor has it offered or sold, or caused such Notes to be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

GENERAL INFORMATION

1. The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The common code of the Unrestricted 2014 Notes is 064368397 and the ISIN is XS0643683971. The common code of the Restricted 2014 Notes is 064381911, the CUSIP number is 92718W AC3 and the ISIN is US92718WAC38. The common code of the Unrestricted 2017 Notes is 064317644 and the ISIN is XS0643176448. The common code of the Restricted 2017 Notes is 064368460, the CUSIP number is 92718W AA7 and the ISIN is US92718WAA71. The common code of the Unrestricted 2022 Notes is 064318322 and the ISIN is XS0643183220. The common code of the Restricted 2022 Notes is 064368486, the CUSIP number is 92718W AB5 and the ISIN is US92718WAB54.

2. So long as any of the Notes is outstanding and the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will promptly furnish, for the benefit of holders from time to time of Notes, upon request, to holders of Notes and prospective purchasers designated by any such holders, information required to be disclosed by subsection (d)(4) of Rule 144A (or any successor provision).

3. So long as any of the Notes is outstanding and a Guarantee is a "restricted security" within the meaning of Rule 144(a)(3) under the Securities Act, the Guarantor will promptly furnish, for the benefit of holders from time to time of the relevant Notes, upon request, to holders of Notes and prospective purchasers designated by any such holders, information required to be disclosed by subsection (d)(4) of Rule 144A (or any successor provision).

4. It is expected that the listing of the Notes on the Irish Stock Exchange and the admission of the Notes to trading on the Irish Stock Exchange's regulated market for listed securities will take place on or about June 29, 2011, subject to the issuance of the Global Note Certificates. Transactions will normally be effected for delivery on the third business day after the transaction.

5. For so long as any of the Notes are listed on the Irish Stock Exchange, copies of the following documents may be inspected at and are available free of charge in physical form at the registered office of the Issuer, the Guarantor and the specified office of the Principal Paying Agent in London during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

   - the deed of incorporation of the Issuer and articles of association of the Issuer;
   - a copy of the charter of the Guarantor (together with an English translation thereof);
   - the Agency Agreements;
   - the Trust Deeds, each of which include the forms of the Global Note Certificates and the Individual Note Certificates;
   - the Issuer's audited consolidated financial statements prepared in accordance with US GAAP for the years ended December 31, 2010, 2009 and 2008;
   - the Issuer's unaudited consolidated financial statements prepared in accordance with US GAAP for the three month periods ended March 31, 2011 and 2010;
   - the Issuer's audited standalone financial statements prepared in accordance with Dutch GAAP for the year ended December 31, 2010;
   - the Guarantor's audited consolidated financial statements prepared in accordance with U.S. GAAP for the years ended December 31, 2010, 2009 and 2008;
   - the Guarantor's unaudited consolidated financial statements prepared in accordance with U.S. GAAP for the three month periods ended March 31, 2011 and 2010;
   - the Guarantor's published non-consolidated financial statements prepared in accordance with Russian accounting principles for the years ended December 31, 2010, 2009 and 2008;
   - the Guarantor's published non-consolidated unaudited financial statements prepared in accordance with Russian accounting principles for the three month periods ended March 31, 2011 and 2010;
   - Kyivstar's audited consolidated financial statements prepared in accordance with IFRS for the years ended December 31, 2009, 2008 and 2007; and
   - the authorizations listed below.

   The Guarantor does not publish or otherwise make available its non-consolidated financial statements prepared in accordance with U.S. GAAP.

6. The issuance of the Notes and the Guarantees have been authorized by a decision of the Supervisory Board of the Issuer's parent, VimpelCom Ltd., dated February 22, 2011; the issuance of the Notes has been authorized by a decision of the Board of Directors of the Issuer dated June 23, 2011; and the issuance of the Guarantees has been authorized by a decision of the Board of Directors of the Guarantor dated June 15, 2011.

7. No consents, approvals, authorizations or orders of any regulatory authorities are required by the Issuer or the Guarantor under the laws of Ireland, the Russian Federation or the Netherlands for issuing the Notes or the giving of the Guarantees.

8. As of the date hereof, other than as disclosed in this prospectus, there has been no material adverse change in the prospects of the Guarantor since the date of its last published audited financial statements.

9. Other than as disclosed in this prospectus, there has been no significant change in the financial or trading position of the Issuer or the Guarantor which has occurred since the end of the last financial period for which either audited financial information or interim financial information has been published.

10. Since December 31, 2010, there has been no material adverse change in the financial position or prospects of the Issuer.

11. Since the date of incorporation of the Issuer, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

12. Other than as disclosed in this prospectus, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Guarantor is aware), during a period covering at least the previous 12 months, which may have, or have had in the recent past, significant effects on the Guarantor's financial position or profitability.

13. Other than as disclosed in this prospectus, in "Terms and Conditions of the Notes" and in "Form of Notes and Transfer Restrictions", there are no restrictions on transfers of the Notes.

14. The Notes have been rated "BB" by Standard & Poor's Ratings Services and "Ba3" by Moody's Investors Service. Standard & Poor's Ratings Services downgraded the Guarantor's long-term credit rating to "BB" from "BB+" on April 20, 2011, and Moody's Investors Service downgraded its corporate family rating from "Ba2" to "Ba3" on March 21, 2011. In announcing the downgrades, both agencies cited the increase in leverage resulting from the Wind Telecom Transaction. Each of the credit ratings issued by Standard & Poor's Rating Services are issued out of the Moscow branch of Standard & Poor's International Services, Inc. which is not established in the European Union and therefore has not applied for registration under the CRA Regulation. Standard & Poor's Rating Services entities that are established in the European Union have applied for registration under the CRA Regulation, although notification of the corresponding registration decision (including a decision regarding endorsement of non-European Union issued ratings by Standard & Poor's Ratings Services entities in the European Union) has not yet been provided by the relevant competent authorities. Moody's Investors Service is established in the European Union and has applied to be (but at the date of this publication, is not) registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

15. The Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Guarantees.

16. The approximate expenses in relation to the admission to trading of the Notes will be €5,000.

17. Ernst & Young Accountants LLP are chartered accountants (*registeraccountants*) and are members of the Koninklijk Nederlands Instituut van Registeraccountants (NIVRA) and registered auditors qualified to practice in the Netherlands. Ernst & Young LLC are members of the Non-Profit partnership "Russian Audit Chamber" and are registered auditors qualified to practice in Russia.

18. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent in connection with Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on its regulated market for the purposes of the Prospectus Directive.

19. The language of the prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

20. Any reference to websites in this prospectus is for information purposes only and such websites shall not form part of this document.

21. The Issuer is incorporated for the purpose of engaging in holding and financing activities and was incorporated in the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), under the name VimpelCom Holdings B.V. on June 29, 2009. The corporate seat of the Issuer is at Amsterdam, the Netherlands. The registered office of the Issuer is Claude Debussylaan 13-15, 1082 MC, Amsterdam, the Netherlands and the telephone number is +31(0)20 7977 200. The Issuer has been registered with the trade register of the Chamber of Commerce in Amsterdam, the Netherlands under number 34345993.

22. The Guarantor is an open joint stock company organized under the laws of the Russian Federation with the legal name Open Joint Stock Company "Vimpel-Communications." The Guarantor was registered in the Russian Federation on September 15, 1992 as a closed joint stock company and re-registered as an open joint stock company on July 28, 1993. On August 28, 2002, the Guarantor was re-registered as an open joint stock company under registration number 1027700166636. The Guarantor's registered offices are located at 10, Ulitsa 8-Marta, Building 14, Moscow, Russian Federation 127083. Its telephone number is +7 (495) 725 0700.

GLOSSARY OF TECHNICAL TERMS

"*ADSL*" means an asymmetric digital subscriber line.

"*AMPS*"—Advanced Mobile Phone System, an analog cellular system standard in the 800 MHz frequency band.

"*analog*"—Communications by transmission of continuously varying representations of the input signal, as compared to binary coding of words in digital transmission.

"*API*" means an open application programming interface.

"*base station*"—A fixed site with network equipment that is used for radio frequency communications with mobile stations, and is part of a cell, or a sector within a cell, and is connected to an MSC, an MTSO or other part of a mobile telecommunications system.

"*BSC*"—Base Station Controller. Network equipment designed to manage a small network of base stations.

"*CDMA*"—Code Division Multiple Access. A digital wireless transmission technology for use in mobile telephone communications, personal communications services and other mobile communications systems. CDMA is a spread spectrum technology in which calls are assigned a pseudo-random code to encode digital bit streams. The coded signals are then transmitted on a frequency between the end user and a cell site, where a base station processes them. CDMA allows more than one wireless user to simultaneously occupy a single radio frequency band with reduced interference.

"*CDMA 450*"—A 3G technology which uses CDMA 2000-1x air interface deployed in the 450 MHz range.

"*CDMA 2000-1x*"—A member of the family of 3G mobile telecommunications standards that use CDMA to send voice, data and signaling data between mobile phones and cell sites. It is the second generation of CDMA digital cellular, with double the voice traffic capacity of CDMA.

"*cell broadcast*"—A function of cellular networks that allows text messages to be broadcast to all mobile handsets in a given geographical area.

"*cell site*"—The entire infrastructure and radio equipment associated with a mobile telecommunications transmitting and receiving station, including the land, building, tower, antennas and electrical equipment.

"*cells*"—A discrete area within a mobile telecommunications system, which is equipped with transmitters, receivers and antennas and connected to switching gear and control equipment with a low-powered transmitter-receiver. Cell size varies depending on a number of factors, including terrain and capacity demands. By controlling transmission power, the radio frequencies assigned to one cell can be limited to the boundaries of that cell.

"*cellular system*"—A telephone system based on a grid of cells deployed at a specified frequency.

"*channel*"—A single path, either radio frequency or voice, for transmitting electrical signals.

"*circuit-based network*"—Also called a circuit-switched network. A network that establishes a dedicated circuit before communications can be transmitted. This circuit cannot be used for other means until the circuit is cancelled or closed and a new one created. If no actual communication is taking place in this circuit then the channel remains idle.

"*CLEC*" means competitive local exchange carriers that own and operate fully digital overlay networks in a number of major Russian cities.

"*combiner*"—A device which groups several inputs that are separated by space to form a single output.

"*CPP Principle*"—Calling Party Pays Principle. A service through which the originator of a call to a mobile phone is charged instead of the receiver.

"*CSD*"—Circuit Switched Date. The original form of data transmission developed for TDMA-based mobile phone systems like GSM.

"*D-AMPS*"—Digital Advanced Mobile Phone System. A standard for digital mobile telephone transmissions in the 800 MHz frequency band.

"*digital*"—A method of storing, processing and transmitting information through the use of distinct electronic or optical pulses that represent the binary digits 0 and 1. Digital transmission and switching technologies employ a sequence of discrete, distinct pulses to represent information, as opposed to the continuously variable analog signal.

"*DLD*" means domestic long distance.

"*DSL*"—Digital Subscriber Line. Digital data transmission over local telephone networks.

"*DSLAMs*" means digital subscriber line access multiplexers.

"*DWDM*" means dense wavelength division multiplexing equipment.

"*EDGE*"—Enhanced Data Rates for Global Evolution. An advanced technology that allows subscribers to connect to the Internet and send and receive data, including digital images, web pages and photographs, up to three times faster than an ordinary GSM/GPRS network.

"*fiber optic network*"—Transmission system utilizing small-diameter glass fibers through which light is transmitted.

"*Fixed Mobile Convergence*"—The ability to connect a mobile phone to fixed-line infrastructure enabling users to maintain one number, address book and voicemail bank, taking advantage of cheap, high-speed connectivity in their fixed-line home or office setting, while enjoying mobility.

"*FMTN*" means fixed mobile technological network.

"*FTTB*"—Fiber-to-the-building technology.

"*FTN*" means Federal Transit Network.

"*frequency*"—The number of cycles per second, measured in hertz, of a periodic oscillation or wave in radio propagation.

"*Gbit*"—A gigabit.

"*GPRS*"—General Packet Radio Services. A technology standard for high speed data transmission over GSM networks.

"*GSM*"—Global System for Mobile Communications. A standard for digital mobile telephone transmissions in the frequency bands of 900 MHz, 1800 MHz and 1900 MHz.

"*GSM-900*"—A GSM network in the 900 MHz frequency range.

"*GSM-1800*"—A GSM network in the 1800 MHz frequency range.

"*GSM-900/1800*"—A dual band GSM network in the 900 MHz and 1800 MHz frequency ranges.

"*GSM-1900*"—A GSM network in the 1900 MHz frequency range.

"*HSPA*"—High Speed Packet Access. A collection of mobile telephony protocols that extend and improve the performance of existing UMTS protocols.

"*HSDPA*"—High Speed Downlink Packet Access. A form of HSPA, which provides enhanced performance by using improved modulation and by refining the protocols by which handsets and base stations communicate.

"*ILD*" means international long distance.

"*IMPS*"—Instant Messaging and Presence Service. An instant messaging technology created specifically for mobile devices.

"*infrastructure*"—Fixed infrastructure equipment consisting of base stations, base station controllers, antennas, switches, management information systems and other equipment that receives, transmits and processes signals from and to subscriber equipment and/or between mobile telecommunications systems and the public switched telephone network.

"*interconnect*"—Any variety of hardware arrangements that permit the connection of telecommunications equipment to a communications common carrier network such as a public switched telephone network.

"*IP*"—Internet Protocol. A data-oriented protocol used for communicating data across a packet-switched network.

"*IP telephony*"—Internet Protocol telephony. The routing of voice conversations over the Internet or any other IP-based network. The voice data flows over a general-purpose packet-switched network, instead of traditional dedicated, circuit-switched telephony transmission lines.

"*IPVN*" means IP virtual private network.

"*ISDN*"—A circuit-switched telephone network system, which allows for digital transmission of voice and data over ordinary telephone wires, enhancing voice quality.

"*LAN*"—Local Area Network. A computer network covering a small geographic area.

"*LTE*" means long term evolution.

"*Mbit/s*"—A megabit per second.

"*M-Commerce*"—Mobile Commerce. Electronic commerce made through mobile devices. M-commerce can currently be used for purchases ranging from the sale of mobile phone ring-tones to location-based services.

"*MHz*"—Megahertz. A unit of measure of frequency; 1 MHz is equal to one million cycles per second.

"*microwave*"—Electromagnetic waves in radio frequencies above 890 MHz and below 20 GHz.

"*MMS*"—Multimedia Messaging Service. A mobile messaging service that allows the addition of photos, pictures and audio to text messages.

"*MPLS*" means multiprotocol label switching.

"*MVNOs*" means Mobile Virtual Network Operators.

"*M2M*" means machine-to-machine and refers to technologies that allow both wireless and wired systems to communicate with other devices of the same ability and includes technologies that allow data transmission between remote equipment.

"*network equipment*"—The fixed infrastructure consisting of base stations, base station controllers, mobile switching centers and related information processing control points that manages communications between the mobile unit and the public switched telephone network.

"*PBX*" means private branch exchange.

"*plesiochronous digital hierarchy*"—A technology for transporting data over digital transport equipment such as fiber optic and microwave radio systems.

"PSTN"—public switched telephone network.

"REDS"—radio electronic devices.

"*roaming*"—A service offered by wireless communications network operators which allows a subscriber to use his or her handset while in the service area of another carrier. Roaming requires an agreement between operators of different individual markets to permit customers of either operator to access the other's system.

"*SIM card*"—Subscriber Identity Module card. GSM subscriber data is contained on a SIM card, which can be transferred from one mobile telephone to another.

"*SMS*"—Short Messaging Service. Mobile messaging service which allows cellular customers to send and receive text messages.

"*spectrum*"—The range of electromagnetic frequencies available for use.

"*switch*"—The switch completes a call by connecting it to the wireline telephone network or another mobile telephone unit. Incoming calls are received by the switch, which instructs the appropriate cell to complete the communications link by radio signal between the cell's transmitter-receiver and the mobile telephone. The switch also records information on system usage and subscriber statistics.

"*TDMA*"—Time Division Multiple Access. A channel access method for shared medium networks, which makes it possible for multiple users to share the same frequency channel.

"*telephony*"—The process of converting sounds into electrical impulses for transmission over a connecting medium such as wires, fiber optics or microwave.

"*UMTS*"—Universal Mobile Telecommunications Services. UMTS is a type of 3G mobile telecommunications technology. It is a multi-function mobile system with wideband multimedia capabilities as well as present narrowband capabilities. UMTS will probably consist of a family of interworking networks, delivering the same new and innovative personal communication services to users regardless of used networks.

"*USB*"—Mobile Internet Service via Universal Serial Bus.

"*VoIP*"—Voice Over Internet Protocol. A protocol optimized for the transmission of voice through the Internet or other packet switched networks.

"VPN"—virtual private networks service.

"VSAT"—very small aperture terminal.

"*WAN*"—Wide Area Network. A computer network covering a large geographic area.

"*WAP*"—Wireless Application Protocol technology. A new advanced intelligent messaging service for digital mobile wireless devices and other mobile terminals that will allow users to see Internet content in special text format on special WAP-enabled GSM mobile wireless devices.

"*WiFi*"—Wireless Fidelity. See WLAN.

"*wireline telephone network*"—Conventional telephone system that uses wires or cables, rather than radio signals, to transmit information.

"*WLAN*"—Wireless local-area network, also known as wireless LAN. A network that uses high-frequency radio waves as its carrier to give a network connection to all users in the surrounding area. The backbone network usually uses cables, with one or more wireless access points connecting the wireless users to the wired network.

"*3G*"—Third generation wireless, the next generation of wireless communications. 3G wireless technologies allow for much higher transmission rates to wireless communications devices.

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Unaudited Condensed Consolidated Financial Statements

VimpelCom Holdings B.V.

For the three-month periods ended
March 31, 2011 and 2010

VIMPELCOM HOLDINGS B.V.

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VIMPELCOM HOLDINGS B.V.

UNAUDITED CONSOLIDATED BALANCE SHEET

	Note	March 31, 2011	December 31, 2010
		(In thousands of US dollars)	
Assets			
Current assets:			
Cash and cash equivalents		**$ 1,853,020**	$ 851,383
Trade accounts receivable, net of allowance for doubtful accounts		**542,837**	506,322
Inventory		**197,682**	137,413
Deferred income taxes		**90,364**	117,236
Input value added tax		**163,190**	136,273
Due from related parties		**125,527**	96,520
Short-term bank deposits		**592,409**	34,305
Other current assets		**335,433**	381,423
Total current assets		**3,900,462**	**2,260,875**
Property and equipment, net		**7,375,846**	6,933,076
Telecommunications licenses, net		**529,704**	562,931
Goodwill		**7,323,946**	7,003,714
Other intangible assets, net		**1,462,617**	1,481,800
Software, net		**612,456**	626,822
Investments in associates		**504,094**	446,130
Long term investment		**184,745**	215,568
Due from related party		**765,390**	509,405
Other non-current assets	**5**	**375,914**	360,731
Total assets		**$23,035,174**	**$20,401,052**
Liabilities, redeemable noncontrolling interest and equity			
Current liabilities:			
Accounts payable		**$ 946,802**	$ 957,864
Due to employees		**128,320**	105,233
Due to related parties		**23,326**	9,271
Accrued liabilities		**285,623**	199,534
Taxes payable		**302,570**	218,464
Customer advances, net of VAT		**435,900**	452,055
Customer deposits		**29,345**	33,835
Deferred income taxes		**34,847**	50,313
Short-term debt	**7**	**1,242,508**	1,162,444
Total current liabilities		**3,429,241**	**3,189,013**
Deferred income taxes		**635,737**	688,206
Long-term debt	**7**	**6,046,926**	4,498,861
Other non-current liabilities		**185,174**	184,133
Due to related parties	**1**	**16,289,102**	16,217,230
Total liabilities		**26,586,180**	**24,777,443**
Redeemable noncontrolling interest	**8**	**525,436**	522,076
Equity:			
Common stock (0.001 US$ nominal value per share), 15,099,998 shares authorized and issued (December 31, 2010: 15,099,998)		**20,195**	20,195
Additional paid-in capital		**0**	0
Retained earnings		**(3,739,836)**	(4,283,809)
Accumulated other comprehensive loss		**(315,556)**	(561,154)
Treasury stock, at cost, 10,478,608 shares of VimpelCom Ltd. common stock (December 31, 2010: 10,508,608)		**(215,474)**	(215,763)
Total VimpelCom shareholders' equity		**(4,250,671)**	**(5,040,531)**
Noncontrolling interest		**174,229**	142,064
Total equity		**(4,076,442)**	**(4,898,467)**
Total liabilities, redeemable noncontrolling interest and equity		**$23,035,174**	**$20,401,052**

VIMPELCOM HOLDINGS B.V.

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Three months ended March 31,	
	2011	**2010**
	(In thousands of US dollars, except share amounts)	
Operating revenues:		
Service revenues	$2,673,139	$2,202,629
Sales of equipment and accessories	66,133	26,579
Other revenues	3,588	1,920
Net operating revenues	2,742,860	2,231,128
Operating expenses:		
Service costs	625,172	501,588
Cost of equipment and accessories	82,408	26,350
Selling, general and administrative expenses	794,343	632,406
Depreciation	475,309	352,553
Amortization	100,665	66,694
Provision for doubtful accounts	12,908	18,643
Total operating expenses	2,090,805	1,598,234
Operating income	652,055	632,894
Other income and expenses:		
Interest income *(Including US$ 9,774 from related party, Vimpelcom Ltd, for three months ended March 31, 2011)*	24,865	11,546
Net foreign exchange gain	137,993	104,934
Interest expense *(Including US$ 71,872 from related party, Vimpelcom Amsterdam BV, for three months ended March 31, 2011, Note 1)*	(206,808)	(141,660)
Equity in net gain/(loss) of associates	55,588	(3,784)
Other expenses, net	(5,523)	(48,345)
Total other income and expenses	6,115	(77,309)
Income before income taxes	658,170	555,585
Income tax expense	96,186	153,049
Net income	561,984	402,536
Net income/(loss) attributable to the noncontrolling interest	19,036	10,166
Net income attributable to VimpelCom	$ 542,948	$ 392,370

VIMPELCOM HOLDINGS B.V.

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	March 31, 2011	March 31, 2010
	(In thousands of US dollars)	
Operating activities		
Net cash provided by operating activities	**$ 1,027,362**	**$ 803,279**
Investing activities		
Purchases of property and equipment	(478,020)	(144,113)
Purchases of intangible assets	(6,958)	(8,503)
Purchases of software	(61,953)	(57,379)
Proceeds from sale of property, plant and equipment	6,859	–
Acquisition of subsidiaries, net of cash acquired	(103,742)	–
Receipts from associates	12,500	–
Cash increase due to Sky Mobile consolidation	–	4,702
Loan granted	(251,056)	(5,044)
Net flow from (Investments in) deposits	(556,665)	225,743
Proceeds from sale of property, plant and equipment	–	–
Purchases of other assets, net	(5,781)	(8,051)
Net cash used in investing activities	**(1,444,816)**	7,355
Financing activities		
Proceeds from bank and other loans	1,500,000	203,227
Repayments of bank and other loans	(101,672)	(927,551)
Payments of fees in respect of debt issues	(7,122)	(83)
Purchase of noncontrolling interest in consolidated subsidiaries	(3,750)	(2,294)
Payment of dividends	–	(2,049)
Payment of dividends to noncontrolling interest	–	(7,874)
Other payments	–	–
Net cash (used in)/from financing activities	**1,387,456**	**(736,624)**
Effect of exchange rate changes on cash and cash equivalents	31,635	(8,646)
Net (decrease)/increase in cash and cash equivalents	**1,001,637**	**82,656**
Cash and cash equivalents at beginning of period	**851,383**	**1,446,949**
Cash and cash equivalents at end of period	**$ 1,853,020**	**$1,529,605**

	March 31, 2011	December 31, 2010
	(In thousands of US dollars)	
Supplemental cash flow information		
Cash paid during the period:		
Income tax	$ (102,980)	$ 175,208
Interest (net of amounts capitalized)	(39,350)	112,191
Non-cash activities:		
Equipment acquired under financing agreements	1,638	221
Accounts payable for property, equipment and other long-lived assets	412,948	138,899

VIMPELCOM HOLDINGS B.V.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AND COMPREHENSIVE INCOME

	Common Stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total equity attributable to VimpelCom	Noncontrolling interest	Total equity	Redeemable noncontrolling interest	Net income
	Shares	Amount									
Balances at December 31, 2010	**15,099,998**	**$20,195**	**$ –**	**$(4,283,810)**	**$(561,154)**	**$(215,763)**	**$(5,040,531)**	**$142,064**	**$(4,898,467)**	**$522,076**	**–**
Exercise of stock options		–	(24)			289	**265**		**265**		–
Stock based compensation accrual		–	(566)				**(566)**		**(566)**		–
Dividends declared		–	1,997				**1,997**		**1,997**		–
Acquisition of noncontrolling interests		–	(7,299)	(1,248)	(129)		**(8,676)**	3,670	**(5,006)**		–
Acquisition of new subsidiary		–	(391)				**(391)**	20,895	**20,594**		–
Accretion to redeemable non-controlling interest (*Note 8*)		–	6,283				**6,283**		**6,283**	(6,283)	–
Comprehensive income:											
Foreign currency translation adjustment		–	–	2,273	245,727		**248,000**	(1,883)	**246,117**		–
Net income/(loss)		–		542,948			**542,948**	9,393	**552,341**	**9,643**	**561,984**
Total accumulated comprehensive income (loss)		–	–	545,222	245,727	–	**790,949**	7,510	**798,458**	9,643	–
Balances at March 31, 2011	**$15,099,998**	**$20,195**	**$ –**	**$(3,739,836)**	**$(315,556)**	**$(215,474)**	**$(4,250,671)**	**$174,229**	**$(4,076,442)**	**$525,436**	**–**

VIMPELCOM HOLDINGS B.V.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AND COMPREHENSIVE INCOME—(Continued)

	Common Stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total equity attributable to VimpelCom	Noncontrolling interest	Total equity	Redeemable noncontrolling interest	Net income
	Shares	Amount									
Balances at December 31, 2009	**18,000**	**$27**	**$1,143,722**	**$4,074,492**	**$(488,277)**	**$(223,421)**	**$4,506,543**	**$ 1,966**	**$4,508,509**	**$508,668**	**–**
Exercise of stock options		–	12	–	–	15	**27**	–	**27**	–	–
Stock based compensation accrual		–	195	–	–	–	**195**	–	**195**	–	–
Dividends to noncontrolling interest		–	–	–	–	–	**–**	(33,476)	**(33,476)**	–	–
Consolidation of Variable interest entity		–	–	–	–	–	**–**	432,769	**432,769**	–	–
Accretion to redeemable non-controlling interest		–	8,651	–	–	–	**8,651**	–	**8,651**	(8,651)	–
Comprehensive income:											
Foreign currency translation adjustment		–	–	–	69,833	–	**69,833**	(945)	**68,888**	–	–
Net income/(loss)		–	–	392,370	–	–	**392,370**	(1,759)	**390,611**	11,925	402,536
Total accumulated comprehensive loss	–	–	–	392,370	69,833	–	**462,203**	(2,704)	**459,499**	11,925	–
Balances at March 31, 2010	**18,000**	**$27**	**$1,152,580**	**$4,466,862**	**$(418,444)**	**$(223,406)**	**$4,977,619**	**$398,555**	**$5,376,174**	**$511,942**	**–**

1. Description of Business

VimpelCom Holdings B.V. ("**VimpelCom**" or the "**Company**") was incorporated as a private company with limited liability under the laws of the Netherlands on June 29, 2009. VimpelCom Holdings B.V. was formed to hold the interests in Open Joint Stock Company "Vimpel-Communications" ("**OJSC VimpelCom**") and CJSC "Kyivstar G.S.M." ("**Kyivstar**"). VimpelCom Holdings B.V. is ultimately a wholly-owned subsidiary of VimpelCom Ltd.

In these notes, VimpelCom or the Company also refers to VimpelCom's consolidated subsidiaries and consolidated variable interest entities.

On April 21, 2010, VimpelCom Ltd. successfully completed an exchange offer ("**Exchange Offer**") for OJSC VimpelCom shares (including shares represented by American Depositary Shares ("**ADS**")), and acquired approximately 98% of OJSC VimpelCom's outstanding shares (including shares represented by ADSs). Therefore, effective April 21, 2010, OJSC VimpelCom became a subsidiary of VimpelCom Ltd.

On September 24, 2010 VimpelCom Ltd. and VimpelCom Holdings B.V. entered into the Share Transfer Agreement through which the shares in OJSC VimpelCom were transferred to VimpelCom Holding B.V. in exchange for a promissory note valued US$ 16,748,382 minus 150,000 euro. VimpelCom Holdings B.V. owes the amount of US$ 16,289,102, shown as due to related party to VimpelCom Amsterdam B.V. The promissory note will mature and be due and payable on September 24, 2014 and bears interest at a rate per annum based on One-Year US$-LIBOR plus 1%. As a result of the Exchange Offer VimpelCom Holdings B.V. acquired indirectly 100% of shares in Kyivstar. These shares were acquired from Altimo group companies ("**Altimo**") and Telenor group companies ("**Telenor**").

The acquisition of Kyivstar and the transfer of OJSC VimpelCom were accounted for as transactions under common control following to the provisions of ASC 805-50 therefore the assets and liabilities acquired and transferred were recorded at the historical carrying value as they are recorder in the parent's financial statements. Since VimpelCom Holdings B.V. is the accounting successor to OJSC VimpelCom, therefore accounting data and disclosures related to the period prior to April 21, 2010, represent accounting data and disclosures of OJSC VimpelCom. Information about the number of shares prior to April 21, 2010 has been adjusted to reflect the effect of the transfer of the shares of OJSC VimpelCom.

As of March 31, 2011 the Company has negative net equity mainly due to the fact that the liability under the promissory note is based on the fair value of OJSC VimpelCom shares while its assets and liabilities were measured at historical cost.

VimpelCom earns revenues by providing voice, data and other telecommunication services through a range of wireless, fixed and broadband internet services, as well as selling equipment and accessories. The Company operates telecommunications services in Russia, Kazakhstan, Ukraine, Armenia, Tajikistan, Uzbekistan, Georgia, Kyrgyzstan, Cambodia and Laos (*Note 24*) primarily under the "Beeline" brand name. VimpelCom has its headquarters based in Amsterdam, Netherlands. VimpelCom also has investments in an entity in Vietnam that launched its operations on July 20, 2009.

2. Basis of presentation and significant accounting policies

Basis of presentation

In these notes, "**VimpelCom**" or the "**Company**" refers to Vimpelcom Holdings B.V. its consolidated subsidiaries and its consolidated variable interest entities. VimpelCom is ultimately a wholly-owned subsidiary of VimpelCom Ltd.

The accompanying unaudited condensed consolidated financial statements of VimpelCom have been prepared in accordance with US GAAP for interim financial information.

In the opinion of VimpelCom's management, all adjustments (consisting of normal, recurring accruals) considered necessary for a fair presentation of financial position, results of operations and cash flow for the interim periods have been included. Operating results for the three-month period ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ended December 31, 2011. For further information, refer to VimpelCom's audited consolidated financial statements for the year ended December 31, 2010.

The balance sheet at December 31, 2010, presented herein has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by US GAAP for complete annual financial statements.

The accompanying financial statements have been presented in US dollars. Amounts are presented in thousands, except for share and per share amounts or unless otherwise indicated.

Property and equipment

Property and equipment is stated at historical cost. The Company depreciates property and equipment assets using the straight-line method, depreciation expense is recognized ratably over the estimated useful life of the asset.

The following categories with the associated useful lives are used:

Mobile telecommunications equipment	5 - 10 years
Fixed line telecommunication equipment	3 - 12 years
Masts (telecommunication equipment)	15 - 20 years
Fiber-optic equipment	9 - 20 years
Buildings and constructions	15 - 30 years
Electronic exchange devices	7 years
Office and measuring equipment, vehicles and furniture	3 - 10 years

Equipment acquired under capital leases is depreciated using the straight-line method over its estimated useful life or the lease term, whichever is shorter. Depreciation of these assets recorded under capital leases is included in "depreciation" in the statement of income. Capitalized leasehold improvement expenses for base station positions is depreciated using the straight-line method over the estimated useful life of seven years or the lease term, whichever is shorter.

Repair and maintenance costs are expensed as incurred. Interest costs are capitalized with respect to qualifying construction projects, the capitalization period begins when "qualifying expenditures" are made, development activities are underway and interest cost is being incurred**.**

Accumulated depreciation on property and equipment amounted to US$5,655,774 and US$5,024,525 as of March 31, 2011 and December 31, 2010, respectively.

Derivative Instruments and Hedging Activities

ASC 815-10, *Derivatives and Hedging*, requires companies to recognize all of their derivative instruments as either assets or liabilities in the consolidated balance sheet at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. The Company has not designated any of its derivative contracts as hedges, therefore all changes in the fair values of derivatives are reflected in the accompanying statements of income as other income/(expense) and net foreign exchange (loss)/gain items. Cash flows from derivative instruments are reported in the operating activities section in the statement of cash flows.

VimpelCom uses derivative instruments, including swaps, forward contracts and options to manage certain foreign currency and interest rate exposures. The Company views derivative instruments as risk management tools and does not use them for trading or speculative purposes.

The fair values of VimpelCom derivatives as of December 31, 2010 and March 31, 2011 were immaterial.

Revenue recognition

VimpelCom generates revenues from providing voice, data and other telecommunication services through a range of wireless, fixed and broadband internet services, as well as selling equipment and accessories. Service revenues include revenues from airtime charges from contract and prepaid subscribers, monthly contract fees, interconnect revenue, roaming charges and charges for value added services ("**VAS**"). Interconnect revenue is generated when the Company receives traffic from mobile or fixed subscribers of other operators and that traffic terminates on VimpelCom's network. Roaming revenues include both revenues from VimpelCom customers who roam outside of home country network and revenues from other wireless carriers for roaming by their customers on VimpelCom's network. VAS includes short messages ("**SMS**"), multimedia messages ("**MMS**"), caller number identification, call waiting, data transmission, mobile Internet, downloadable content and other services.

The content revenue relating to VAS is presented net of related costs when the Company acts as an agent of the content providers. VimpelCom charges subscribers a fixed monthly fee for the use of the service, which is recognized as revenue in the respective month.

Service revenue is generally recognized when the services (including VAS and roaming revenue) are rendered. Prepaid cards, used as a method of cash collection, are accounted for as customer advances for future services. Prepaid cards do not have expiration dates but are subject to statutory expiration periods, and unused balances are added to service revenue when cards expire. Also, VimpelCom uses E-commerce systems, retail offices and agent locations as channels for receiving customer payments. Revenues from mobile equipment sales, such as handsets, are recognized in the period in which the equipment is sold.

Revenue from Internet services is measured primarily by monthly fees and internet-traffic volume which has been not included in monthly fees. Revenue from service contracts is accounted for when the services are provided. Payments from customers for fixed-line equipment are not recognized as revenue until installation and testing of such equipment are completed and accepted by the customer. Domestic Long Distance/International Long Distance ("**DLD/ILD**") and zonal revenues are recorded gross or net depending on the contractual arrangements with the end-users. The Company recognizes DLD/ILD and zonal revenues from local operators net of payments to these operators for interconnection and agency fees when local operators establish end-user tariffs and assume credit risk.

Revenues are stated net of value-added tax and sales tax charged to customers.

In accordance with the provisions of ASC 605-10-S25-3, Revenue Recognition-Overall-SEC Recognition-Delivery and Performance, VimpelCom defers upfront telecommunications connection fees. The deferral of revenue is recognized over the estimated average subscriber life, which is from 15 to 30 months for mobile subscribers and from 4 to 9.5 years for fixed line subscribers. The Company also defers direct incremental costs related to connection fees for fixed line subscribers, in an amount not exceeding the revenue deferred.

Income taxes

For purposes of these interim condensed consolidated financial statements, VimpelCom recognizes tax expense on the basis of the expected effective tax rate for the financial year 2011. At the end of each interim period VimpelCom makes its best estimate of the effective tax rate expected to be applicable for the full fiscal year, with that rate being used to record income taxes on a current year-to-date basis. The effective tax rate reflects anticipated tax credits, non-deductible expenses and other permanent differences, adjustments and other valuation movements. Discrete events are included in the period in which they occur and are not included in the expected rate for the year.

The Company's effective income tax rate decreased during the three months ended March 31, 2011 as compared to the three months ended March 31, 2010 primarily due to decrease in US income taxes, as well as a decrease in the provision for uncertain tax positions under ASC740-10. The decrease is explained by recognition of previously unrecognized tax benefits due to lapse of statute of limitations.

Treasury stock

The Company accounts VimpelCom Ltd. shares held for the purposes of stock based compensation plan as treasury stock – a separate item of equity in the accompanying consolidated balance sheet.

Recent accounting pronouncements

In January 2010, FASB issued ASU 2010-06, Improving Disclosures about Fair Value Measurements, an amendment of ASC 820, Fair Value Measurements and Disclosures (formerly SFAS No. 157 *Fair Value Measurements*). ASU 2010-06 requires additional disclosures regarding assets and liabilities that are transferred between levels of the fair value hierarchy. ASU 2010-06 clarifies guidance pertaining to the level of disaggregation at which fair value disclosures should be made and the requirements to disclose information about the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2010, except for the requirement to separately disclosure purchases, sales, issuances, and settlements in the Level 3 rollforward, which becomes effective for fiscal years (and for interim periods within those fiscal years) beginning after December 15, 2010. The adoption of this statement expanded VimpelCom's disclosures relative to fair value measurements (Note 5).

In December 2010, FASB issued ASU 2010-29, Disclosure of supplementary pro forma information for business combinations, an amendment of ASC 805, Business Combinations. ASU 2010-29 specify that if a public entity presents comparative financial statements, revenue and earnings of the combined entity should be disclosed as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments in the ASU also expand the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. ASU 2010-29 is effective for business combinations consummated in fiscal years beginning on or after December 15, 2010. The adoption of this statement affect VimpelCom's disclosures relative to business combinations occurring starting January 1, 2011 (Note 2).

In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve common fair value measurement and disclosure requirements in U.S. GAAP and IFRS (an amendment of ASC 820, Fair value measurements). ASU 2011-04 results in common fair value measurement and disclosure requirements in U.S. GAAP and IFRS. Some of the amendments clarify the FASB intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011. The amendments are to be applied prospectively. The adoption of this statement will principally expand VimpelCom's disclosures relative to fair value measurements (Note 6).

3. Business combinations

Eltel

On January 21, 2011, VimpelCom acquired 100% of the share capital of Closed Joint Stock Company Eltel ("**Eltel**"), one of the leading alternative fixed-line providers in St. Petersburg, for the total cash consideration of RUR1,000 million (the equivalent to US$33,428 as of January 21, 2011).

The primarily reason for the acquisition was to enhance VimpelCom's presence in Saint-Petersburg telecommunication market (including through transport network) and to increase VimpelCom's local FTTB subscribers base.

The acquisition of Eltel is accounted for as a business combination under the "acquisition method", as defined by ASC 805. The acquisition method requires the cost of the purchase to be based on the fair value of the consideration on the acquisition date.

The fair values of consolidated identifiable assets and liabilities of "Eltel" as of January 21, 2011, were as follows:

US$	As of January 21, 2011
Cash and cash equivalents	387
Other current assets	1,443
Property and equipment	10,106
Customer Relationships (9 years weighted average remaining useful life)	4,282
Other assets	129
Goodwill	20,152
Total assets acquired	**36,499**
Current liabilities	(1,170)
Long-term liabilities	(1,901)
Total liabilities assumed	**(3,071)**
Total acquisition price	**33,428**

The excess of the purchase consideration over the fair value of the identifiable net assets of Eltel amounted to US$20,152 and was recorded as goodwill. The goodwill was assigned to the Russia fixed-line reportable segment and is expected to be realized from the potential of "business to business" telecommunication market development in the future, as well as synergies with VimpelCom's operations. This goodwill is not deductible for tax purposes. The direct transaction costs incurred in the transactions were treated as expenses under ASC 805 with no impact on goodwill.

The results of operations of Eltel were included in the accompanying consolidated financial statements from the acquisition date of January 21, 2011. Net operating revenues, operating income and net income attributable to VimpelCom of Eltel, before eliminating intercompany transactions, for the period from January 21, 2011 to March 31, 2011 were US$3,265, US$299 and US$188, respectively, in the accompanying consolidated statement of income.

Millicom Lao

On March 09, 2011 VimpelCom acquired 100% ownership interest in Millicom Holding Laos B.V. (Netherlands) which holds a 78% interest in Millicom Lao Co., Ltd. a cellular telecom operator with operations in the Lao PDR ("**Millicom Lao**"). The remaining 22% of Millicom Lao is owned by the Government of the Lao PDR, as represented by the Ministry of Finance.

The reason for the acquisition was gaining access to the new market of the Lao PDR.

The acquisition of Millicom Lao is accounted for as a business combination under the acquisition method, as defined by ASC 805. The acquisition method requires the cost of the purchase to be based on the fair value of the consideration as of the acquisition date.

The purchase price consideration was approximately US$88,000 including equity, repayment of debt, repayment of shareholder loan and intra-group indebtedness.

Purchase price allocation has not been finalized in accordance with ASC805 which allows measurement period not exceeding one year from the acquisition date to finalize the purchase price allocation. The provisional fair values are based on historic book amounts of Millicom Lao financial statements. The provisional fair values of consolidated identifiable assets and liabilities of Millicom Lao as of March 9, 2011, were as follows:

US$	March 9, 2011
Cash and cash equivalents	3,112
Other current assets	8,739
Property and equipment	48,350
Software	228
Goodwill	74,564
Other non-current assets	3,336
Total assets acquired	**138,329**
Current liabilities	(36,161)
Long-term liabilities	(12,638)
Total liabilities assumed	**(48,799)**
Non-controlling interest	(19,697)
Total acquisition price	**69,833**

The provisional fair values are based on individual financial statements of Millicom Lao adjusted for goodwill. The excess of the purchase consideration over the fair value of the identifiable net assets of Millicom Lao amounted to US$74,564 and was recorded as goodwill. The goodwill was assigned to the All other reportable segment and is expected to be realized from the potential development of telecommunication market in Laos as well as synergies with VimpelCom's operations in South-East Asia. This goodwill is not deductible for tax purposes. The direct transaction costs incurred in the transactions were treated as expenses under ASC 805 with no impact on goodwill.

Purchase price allocation has not been finalized due to insufficient time.

The results of operations of Millicom Lao were included in the accompanying consolidated financial statements from the acquisition date of March 9, 2011. Net operating revenue, operating income and net income attributable to VimpelCom of Millicom Lao, before eliminating intercompany transactions, for the period from March 9, 2011 to March 31, 2011 were US$2,357, US$477 and US$300, respectively, in the accompanying consolidated statement of income.

The following unaudited pro forma combined results of operations for VimpelCom give effect to the Eltel and Millicom Lao business combination as if it had occurred on January 1, 2010. These pro forma amounts are

provided for informational purposes only and do not purport to present the results of operations of VimpelCom had the transactions assumed therein occurred on or as of the date indicated, nor is it necessarily indicative of the results of operations which may be achieved in the future. The adjustments made to VimpelCom and Eltel and Millicom Lao combined results primarily include the elimination of intercompany transactions.

Unaudited	Three months ended March 31, 2011	Three months ended March 31, 2010
Pro forma net operating revenues	**2,750,647**	2,243,112
Pro forma net income attributable to VimpelCom	**544,699**	393,863

Acquisitions made after the balance sheet date are disclosed in Note 11.

4. Consolidated variable interest entities

Sotelco and VIP Finance Ireland Limited ("**VIP Finance**") are VimpelCom' variable interest entities for which VimpelCom is a primarily beneficiary and consolidates them.

VimpelCom is the primary beneficiary of Sotelco, Cambodia mobile operator, because it: (1) has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance – VimpelCom has 90% voting shares in Sotelco therefore VimpelCom has the power to direct the activates of the Sotelco that mostly significant to the entity's economic performance, and (2) has the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. Future development of Sotelco will be fully dependent upon VimpelCom's ability to finance it or guarantee the borrowings. The minority shareholder risk is limited by the price to be paid under option agreement. Per the agreement, the call option exercise price is determined at the fair value of the non-controlling interest.

The magnitude of Sotelco's impact on VimpelCom's financial position and performance may be illustrated by the following. As of March 31, 2011, the carrying amounts of Sotelco current assets and non-current assets were US$20,119 and US$138,520, and short-term liabilities and long-term liabilities were US$16,943 and US$195,003, respectively, before eliminating intercompany balances, in the accompanying consolidated balance sheet. Also, net operating revenue, operating loss and net loss attributable to VimpelCom of Sotelco, before eliminating intercompany transactions, for three months ended March 31, 2011 were US$7,650, US$7,597 and US$10,483, respectively, in the accompanying consolidated statement of income. Sotelco mainly generates cash outflows for investing activities as well as negative operating cash flows.

VIP Finance was established for the purpose of issuing asset backed securities, specifically to raise capital by the issue of debt securities and to use an amount equal to the proceeds of each such issuance to grant loans to VimpelCom. VIP Finance is only to be obligated to make payments of principal, premium (if any), interest and additional amounts (if any) to noteholders to the extent that VimpelCom makes payments to the VIP Finance's account of all principal, premium (if any), interest and additional amounts (if any) under the terms of the relevant loan agreements. VimpelCom is the primary beneficiary of VIP Finance because VimpelCom has the power to direct the activities that most significantly impact the VIP Finance' economic performance and has the obligation to absorb losses associated with the possible default with respect to principal and interest payments on notes.

There is no significant impact of VIP Finance consolidation on VimpelCom's financial position and performance, as well as on VimpelCom cash flows.

5. Loans granted to related parties

On March 16, 2011,VimpelCom through its subsidiary OJSC VimpelCom made an agreement to grant unsecured loan to VimpelCom Amsterdam B.V., the subsidiary of VimpelCom Ltd and the parent of VimpelCom Holdings B.V., in the amount of US$500,000. As of March 31, 2011, the principal amount of debt outstanding under this agreement was US$250,000. The amounts were fully granted as of April 29, 2011.

6. Fair value of financial instruments

VimpelCom measures financial assets and financial liabilities at fair value on a recurring basis.

VimpelCom did not have material securities which required fair value measurements as of March 31, 2011 and December 31, 2010.

As of March 31, 2011 and December 31, 2010, the fair value of fixed and floating rate bank loans (based on future cash flows discounted at current market rates) was as follows:

	March 31, 2011		December 31, 2010	
	Carrying value	Fair value	Carrying value	Fair value
Loans payable				
Eurobonds	$3,300,647	$3,655,743	$1,800,647	$2,029,085
UBS (Luxemburg) S. A.	784,764	880,304	784,764	859,792
Sberbank	1,462,100	1,470,347	1,427,495	1,434,188
Ruble Bonds	1,408,293	1,476,047	1,314,719	1,389,991
Loans receivable				
Crowell	233,897	205,640	231,431	195,411

These loans payable are recorded in long term debt except current portion, which is recorded in short term debt.

The loan granted to Crowell is recorded in other non-current assets.

The fair value of bank financing, equipment financing contracts and other financial instruments not included in the table above approximates carrying value.

The fair market value of financial instruments, including cash and cash equivalents, which are included in current assets and liabilities, accounts receivable and accounts payable approximates the carrying value of these items due to the short term nature of these amounts.

7. Short and long-term debt

VimpelCom finances its operations using a variety of lenders in order to minimize total borrowing costs and maximize financial flexibility. The Company continues to use bank debt, lines of credit and notes to fund operations, including capital expenditures.

The following table provides a summary of outstanding bank loans, equipment financing indebtedness, capital lease obligations and other debt as of:

	March 31, 2011	December 31, 2010
Bank loans, less current portion	**$5,877,342**	**$4,321,104**
Long-term portion of equipment financing	**169,584**	**177,757**
Total long-term debt	**$6,046,926**	**$4,498,861**
Bank loans, current portion	**$1,163,727**	**$1,091,758**
Short-term portion of equipment financing	**78,577**	**70,367**
Short-term portion of capital leases	**204**	**319**
Bank and other loans, current portion	**$1,242,508**	**$1,162,444**

On February 2, 2011, VIP Finance completed an offering of an aggregate principal amount of US$1,500,000 loan participation notes, split between five-year and 10-year tranches, for the sole purpose of funding loans in an aggregate principal amount of US$1,500,000 to VimpelCom. The five-year US$500,000 issue (the "**2016 Notes**") and related loan in the same principal amount bear interest at an annual rate of 6.493% payable semiannually and are due in February 2016. The 10-year US$1,000,000 issue (the "**2021 Notes**") and related loan in the same principal amount bear interest at an annual rate of 7.748% payable semiannually and are due in February 2021. Deferred financing costs relating to the 2016 Notes offering and 2021 Notes offering (which include gross issuance costs) comprised US$3,123 and US$5,152, respectively, and will be amortized over 5 and 10 years, respectively. As of March 31, 2011, the principal amount of debt outstanding under these notes was US$1,500,000.

8. Redeemable noncontrolling interest

The Company accounts for securities with redemption features that are not solely within the control of the issuer in accordance with ACS 480-10 – Distinguishing Liabilities from Equity ("ACS 480-10").

In June 2008, the Company modified its contractual arrangements with respect to the 25% noncontrolling interest in its subsidiary Limnotex, which is held by Crowell. The modified contractual arrangements contained embedded redemption features that could or will result in the noncontrolling interest being redeemable outside of the control of VimpelCom at various dates. Under the modified contractual arrangements as of December 31, 2008, Crowell could exercise a put option between January 1, 2010 and December 31, 2010, at a redemption amount of US$550,000 in the aggregate. Additionally, after the 2008 audited financial statements of KaR-Tel were issued, the Company had a call option on the noncontrolling interest for a redemption amount determined by a fair value-based pricing mechanism which should have been exercised on or before December 31, 2011.

In May 2009, the contractual arrangements related to the noncontrolling interest were further amended to extend the timing of the redeemable features embedded in the contractual arrangements. Under the amended contractual arrangements, Crowell may exercise a put option between January 1, 2013 and December 31, 2013, at a redemption amount of US$550,000 in the aggregate. Additionally, after the 2011 audited financial statements of KaR-Tel are issued, the Company may exercise a call option on the noncontrolling interest for a redemption amount determined by a fair value-based pricing mechanism and the call option must be exercised on a date which is after the issuance of the audited financial statements of KaR-Tel for the year ended December 31, 2014. As of March 31, 2011, the redemption amount of the redeemable noncontrolling interest based on this fair value-based pricing mechanism (as if the noncontrolling interest were currently redeemable) was US$674,807.

The Company classifies redeemable noncontrolling interest as temporary equity. The Company recorded it at its estimated fair value at the date of the change to its contractual arrangements with Crowell and then accreted to its redemption amount over the redemption term. The estimated fair value of the redeemable noncontrolling interest was calculated by discounting the future redemption amount of the noncontrolling interest from January 1, 2010 (the date on which the noncontrolling interest was first to become redeemable outside of VimpelCom's control (under the June 2008 modified contractual arrangements, prior to the May 2009 amendment)). The redeemable noncontrolling interest has been valued based on the terms of the put option because the fair value of the redemption amount that may be required under the put option exceeded the fair value of the redemption amount that may be required under the call option. If, in the future, the fair value of the redemption amount under the call option is greater, the redeemable noncontrolling interest will accrete to that amount. The redeemable noncontrolling interest is first credited with its share of earnings of the Company's subsidiary, Limnotex, and, to the extent that this is less than the required accretion, the difference is charged to additional paid-in capital. The charge to additional paid-in capital does not affect net income attributable to VimpelCom in the Company's income statement.

9. Segment information

Management analyzes the reportable segments separately because of different economic environments and stages of development in different geographical areas, requiring different investment and marketing strategies. Management does not analyze assets by reportable segments separately. The segment data for acquired operations are reflected herein from the date of their acquisitions.

The Management Board of VimpelCom Ltd. utilizes multiple views of data to measure segment performance. However, the dominant measurements are consistent with VimpelCom's consolidated financial statements and, accordingly, are reported on the same basis herein. Management evaluates the performance of its segments on a regular basis primarily based on revenue and operating income before depreciation, amortization and impairment loss ("Adjusted **OIBDA**"). Intersegment revenues are eliminated in consolidation. Intersegment revenues may be accounted for at amounts different from sales to unaffiliated companies. The accounting policies of the segments are the same as those of VimpelCom.

During 2010 the management was changing the structure of its internal organization and finally VimpelCom Ltd.'s Supervisory Board and management identified Russia mobile, Russia fixed line, CIS (including Georgia), Ukraine and All other reporting segments based on the business activities in different geographical areas.

All other category includes Asia mobile and head quarter expenses.

The comparative information for the three-month period ended March 31, 2010 was retrospectively adjusted.

Financial information by reportable segment for the three-month periods ended March 31, 2011 and 2010, respectively, is presented in the following tables.

Three months ended March 31, 2011:

	Russia Mobile	Russia Fixed line	CIS	Ukraine	All other	Total
Net operating revenues from external customers	1,710,726	337,850	328,126	356,214	9,944	**2,742,860**
Intersegment revenues	2,341	13,446	22,784	18,952	–	**57,523**
Adjusted OIBDA	778,444	89,972	159,609	204,047	(4,043)	**1,228,029**
Capital expenditures	273,586	60,060	72,821	46,400	3,562	**456,429**

Three months ended March 31, 2010:

	Russia Mobile	Russia Fixed line	CIS	Ukraine	All other	Total
Net operating revenues from external customers	1,601,141	311,213	278,940	35,407	4,427	**2,231,128**
Intersegment revenues	1,044	5,215	15,884	9,538	–	**31,681**
Adjusted OIBDA	820,533	90,607	139,640	10,107	(8,746)	**1,052,141**
Capital expenditures	100,537	23,563	32,262	6,035	16,934	**179,331**

The following table provides the reconciliation of consolidated Adjusted OIBDA to consolidated income before taxes for three months ended:

	31-Mar-11	31-Mar-10
Adjusted OIBDA	$1,228,029	$1,052,141
Depreciation	(475,309)	(352,553)
Amortization	(100,665)	(66,694)
Impairment loss	–	–
Operating income	652,055	632,894
Interest income	24,865	11,546
Net foreign exchange gain/(loss)	137,993	104,934
Interest expense	(206,808)	(141,660)
Equity in net gain/(loss) of associates	55,588	(3,784)
Other expenses, net	(5,523)	(48,345)
Income before income taxes	$ 658,170	$ 555,585

10. Commitments, contingencies and uncertainties

The imposition of currency exchange controls or other similar restrictions on currency convertibility in CIS countries and particularly in Uzbekistan could limit VimpelCom's ability to convert local currencies in a timely manner or at all. Recent developments in Kyrgyzstan (conditions of political instability and disorders) have severely affected the country's business and economic environment. Any such restrictions and these developments could have a material adverse effect on VimpelCom's business, financial condition, results of operations and title to assets owned by Sky Mobile, VimpelCom' Kyrgyzstan mobile operator and subsidiary. The continued success and stability of the economies of these countries will be significantly impacted by their respective governments' continued actions with regard to supervisory, legal and economic reforms.

The economy of countries where VimpelCom operates is vulnerable to market downturns and economic slowdowns elsewhere in the world. In 2011 the respective governments continued to take measures to support the economy in order to overcome the consequences of the global financial crisis. Despite some indications of recovery there continues to be uncertainty regarding further economic growth, access to capital and cost of capital, which could negatively affect the Company's future financial position, results of operations and business prospects.

While management believes it is taking appropriate measures to support the sustainability of VimpelCom's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Company's results and financial position in a manner not currently determinable.

In the ordinary course of business, VimpelCom may be party to various legal and tax proceedings, and subject to claims, certain of which relate to the developing markets and evolving fiscal and regulatory environments in which VimpelCom operates. In the opinion of management, VimpelCom's liability, if any, in all pending litigation, other legal proceeding or other matters, other than what is discussed in this Note, will not have a material effect upon the financial condition, results of operations or liquidity of VimpelCom.

VimpelCom's operations and financial position will continue to be affected by political developments in the countries in which VimpelCom operates including the application of existing and future legislation, telecom and tax regulations. These developments could have a significant impact on VimpelCom's ability to continue operations. VimpelCom does not believe that these contingencies, as related to its operations, are any more significant than those of similar enterprises in such countries.

Telecom licenses capital commitments

VimpelCom's ability to generate revenues in Russia is dependent upon the operation of the wireless telecommunications networks authorized under its various licenses. VimpelCom's GSM-900/1800 licenses that cover Moscow and the Moscow region, Central region, Volga region, Caucasus region, and the Siberia region have been reissued and under the new terms expire on April 28, 2013. The GSM-900/1800 licenses that cover the Northwest region, Urals and part of Far East region expire in 2011 – 2021 (the GSM-900/1800 license for Irkutsk region, excluding Ust-Ordynskiy Buryatskiy Autonomous Region, expires in 2011). As a result of the radio frequency contests conducted in April 2011, VimpelCom won 9 GSM 900/1800 licenses for the following 7 territories of the Far East Super-region: Koryakskiy Okrug of Kamchatka krai (GSM-1800); Chukotskiy Autonomous region (GSM 1800); Ust'-Ordynskiy okrug of Irkutsk region (GSM-900, GSM-1800); Evreyskaya Autonomous region (GSM-900, GSM-1800); Sakha Republic-Yakutiya (GSM-1800); Magadan region (GSM-1800); Primorskiy krai (GSM-1800). All these licenses expire in 2021 and were granted subject to certain capital commitments, main of which were the following: VimpelCom will have to begin providing services in certain urban areas, depending on population, by October 06, 2013, November 06, 2013, May 06, 2014 and May 06, 2011 and will have to build a certain number of base stations by the end of the second year, 2 years and 6 months, third year and 3 years and 6 months from the date of granting the license, respectively.

In April 2007, VimpelCom was awarded a license for the provision of "**3G**" mobile radiotelephony communications services for the entire territory of the Russian Federation that expires on May 21, 2017. The 3G license was granted subject to certain capital commitments. The three major conditions are that VimpelCom will have to build a certain number of base stations that support 3G standards and will have to start services provision by certain dates in each subject area of the Russian Federation, and also will have to build a certain number of base stations by the end of the third, fourth and fifth years from the date of granting of the license. To date all of these conditions are being fulfilled according to the indicated terms and schedule.

KaR-Tel owns a GSM-900 license to operate over the entire territory of Kazakhstan. The license expires in August 2013. In July 2008, the GSM-900 license was amended with the permission for KaR-Tel to render services in GSM-1800 standard and with the related commitment to cover cities with population of more than 1000 people by December 31, 2012.

On December 25, 2010, KaR-Tel received an amendment to the GSM license, which allows it to build and operate a cellular network in 3G (UMTS / WCDMA) standard. In accordance with the amendment KaR-Tel is bound by the following UMTS network coverage obligations: (i) cities of Astana and Almaty and all other cities constituting regional (oblast) centers (here and below – in terms of administrative territorial division) – not later than January 1, 2012; (ii) all other settlements having population of more than 50 000 – not later than January 1, 2013; (iii) all other settlements constituting district centers and towns with population of more than 10 000 – not later than January 1, 2015.

URS and GT LLC, VimpelCom's indirect Ukrainian subsidiaries own GSM licenses. CJSC "URS" owns a GSM-900 and 2 GSM-1800 licenses to operate over the entire territory of Ukraine, which expires in July 2021, October 2020 and December 2020 respectively. GT LLC owns three GSM-1800 licenses to operate over the nearly entire territory of Ukraine (except 3 regions), which expires in July 2014 and May 2021, respectively. In April 2009, the National Commission on Regulation of Telecommunication of Ukraine has amended its regulation establishing so-called "license terms" applicable to all mobile telecommunication network operators licensed in Ukraine.

Under the amendments, Ukrainian mobile telecommunication network operators are obliged to ensure radiofrequency coverage of 90% of cities within one year from the date of issue of respective mobile telecommunication services license, and 80% of all other settlements and major highways – within two years from the same date. In case respective license allows rendering mobile telecommunication services in several regions, each of these requirements shall be fulfilled in each region with an interval of not more than two months. These new capital commitments apply to URS and GT LLC. The commitments should be fully complied with in all regions licensed for use of radiofrequency corresponding to GSM 900/1800 standard as follows: URS – by August 2015 and GT LLC – by October 2014.

Sky Mobile owns a GSM-900/1800 license to operate over the entire territory of Kyrgyzstan which expires in May 2016 and a 3G (WCDMA/UMTS) license to operate over the entire territory of Kyrgyzstan, which is valid until October 2015. Under the 3G license, from the moment of receipt of corresponding permits to use radio-frequency bands Sky Mobile is primarily obliged to: (a) deploy 3G network in Chuy oblast within two years; (b) deploy 3G network over the entire territory of Kyrgyzstan within 5 years; (c) organize in 100 postal telegraph offices of KyrgyzPost located in the rural areas centers of public access with necessary computer equipment and access to Internet within 2 years.

Taxation

In the Russian Federation, VimpelCom's predominant market, there were many tax laws and related regulations introduced in previous periods as well as in 2010 and 2011 which were not always clearly written, and their interpretation is subject to the opinions of the local tax inspectors and officials of the Ministry of Finance. Instances of inconsistent opinions between local, regional and federal tax authorities and Ministry of Finance are not unusual. Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, VimpelCom has accrued tax liabilities based on management's best estimate.

Based on the audit of the tax records for 2009, the tax authorities issued a tax claim against the Company's subsidiary VC-Invest in the amount of RUR314 million (including RUR55 million in fines and penalties) which is approximately US$11,045 (including US$1,934 in fines and penalties) at the exchange rate as of March 31, 2011. The company did not agree with the claim, and filed a lawsuit. Court satisfied the lawsuit in all amount in the first instance. The tax inspectorate can appeal the court decision.

On March 31, 2011, VimpelCom received a report from the Russian tax authorities regards to tax audit for the period from 2007 to 2008. The amount of claims was RUR1,193 million which is approximately US$41,964 at the exchange rate as of March 31, 2011. The Company reserved RUR844 million under ASC 740-10 and ASC 450 which is approximately US$29,688 at the exchange rate as of March 31, 2010. The Company has appealed tax audit report in higher tax instance.

KaR-Tel litigation

On January 10, 2005, KaR-Tel received an "order to pay" ("**Order to Pay**") issued by The Savings Deposit Insurance Fund, a Turkish state agency responsible for collecting state claims arising from bank insolvencies (the "**Fund**"), in the amount of approximately US$4,910,250 at the exchange rate as of December 31, 2010 (stated as approximately Turkish lira 7.55 quadrillion and issued prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005). The Order to Pay, dated as of October 7, 2004, was delivered to KaR-Tel by the Bostandykski Regional Court of Almaty. The Order to Pay does not provide any information regarding the nature of, or basis for, the asserted debt, other than to state that it is a debt to the Turkish Treasury and the term for payment was May 6, 2004.

On January 17, 2005, KaR-Tel delivered to the Turkish consulate in Almaty a petition to the Turkish court objecting to the propriety of the order and requesting the Turkish court to cancel the Order to Pay and stay of execution proceedings in Turkey. The petition was assigned to the 4th Administrative Court in Turkey, and it should be reviewed pursuant to applicable law.

On June 1, 2006, KaR-Tel received formal notice of the 4th Administrative Court's ruling that the stay of execution request was denied. KaR-Tel's Turkish counsel has advised KaR-Tel that the stay request is being adjudicated separately from the petition to cancel the Order to Pay. KaR-Tel submitted an appeal of the ruling with respect to the stay application.

On June 1, 2006, KaR-Tel also received the Fund's response to its petition to cancel the order. In its response, the Fund asserts, among other things, that the order to pay was issued in furtherance of its collection of

approximately Turkish lira 7.55 quadrillion (prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005) in claims against the Uzan group of companies that were affiliated with the Uzan family in connection with the failure of T. Imar Bankasi, T.A.S. The Fund's response to KaR-Tel's petition claims that the Uzan group of companies includes KaR-Tel, Rumeli Telecom A.S. and Telsim Mobil Telekomunikasyon Hizmetleri A.S. Rumeli Telecom A.S. and Telsim Mobil Telekomunikasyon Hizmetleri A.S are Turkish companies that owned an aggregate 60% of the equity interests in KaR-Tel until their interests were redeemed by KaR-Tel in November 2003 in accordance with a decision of the Review Panel of the Supreme Court of Kazakhstan. In July 2006, KaR-Tel submitted its response, dated June 30, 2006, to the Fund's response via the Kazakh Ministry of Justice, to be forwarded to the 4th Administrative Court of Istanbul. In its response, KaR-Tel denied in material part the factual and legal assertions made by the Fund in support of the order to pay.

On December 11, 2008, KaR-Tel received a Decision of Territorial Court of Istanbul dated December 12, 2007, wherein the Court rejected KaR-Tel's appeal with respect to the stay of execution request.

On October 20, 2009, KaR-Tel filed with Sisli 3d Court of the First Instance in Istanbul a claim to recognize in the Republic of Turkey the decision of the Almaty City Court of the Republic of Kazakhstan dated June 6, 2003 regarding, among other things, compulsory redemption of equity interests in KaR-Tel owned by Rumeli Telecom A.S. and Telsim Mobil Telekomunikasyon Hizmetleri A.S., which was confirmed by the Civil Panel of the Supreme Court of the Republic of Kazakhstan on June 23, 2003, as amended by the resolution of the Review Panel of the Supreme Court of the Republic of Kazakhstan dated October 30, 2003 ("**Recognition Claim**"). On October 20, 2009, KaR-Tel also filed with the 4th Administrative Court of Istanbul a petition asking the Court to treat the recognition of the Kazakhstan court decision as a precedential issue and to stay the proceedings in relation to the order to pay.

On September 28, 2010, Sisli 3d Court of the First Instance in Istanbul reviewed the Recognition Claim and ruled in favor of KaR-Tel recognizing the Kazakhstan Court judgments on the territory of the Republic of Turkey. The court decision is appealable by defendants.

On October 25, 2010, the 4th Administrative Court of Istanbul reviewed KaR-Tel's petition to annul the Payment Order and has ruled in favor of KaR-Tel. The Court has recognized the Order to Pay as illegal and annulled it. The court decision has been appealed by the Fund. On February 18, 2011 KaR-Tel submitted its responses to the motion on appeal. On April 20, 2011, the Fund submitted its response to KaR-Tel's reply and appeal petition. The court file was sent by the Court to the Councel of State for the appeal proceedings.

As to the Recognition Claim, the defendants, Rumeli Telecom AS and Telsim Mobil Telekommunikasyon Hizmetleri AS, have appealed the decision of Sisli 3d Court of the First Instance in Istanbul, which has ruled in favor of KaR-Tel recognizing the Kazakhstan Court judgments on the territory of the Republic of Turkey. The Company submitted its responses to such motion on appeal on January 20, 2011. The court file was sent to the Supreme Court for the appeal proceedings.

The Company continues to believe that the Fund's claim is without merit, and KaR-Tel will take whatever further actions it deems necessary and appropriate to protect itself against the Fund's claim.

Sky Mobile Claim

Since November 2006, the Chief Executive Officer and directors of the Company have received several letters from OJSC Mobile TeleSystems ("**MTS**") and its representatives claiming that Sky Mobile's Kyrgyz telecom business and its assets were misappropriated from Bitel, an MTS affiliate, and demanding that the Company not purchase Sky Mobile, directly or indirectly, or participate or assist in the sale of Sky Mobile to any other entities. These letters have suggested that MTS will take any and all legal action necessary against the Company in order to protect MTS's interest in Bitel and Bitel's assets. As of the date hereof, management is not aware of any pending legal action against the Company in connection with this matter except for the litigation against Sky Mobile discussed in the paragraph below.

The Company started to consolidate Sky Mobile from January 1, 2010. Sky Mobile is a defendant in litigation in the Isle of Man. The litigation was brought by affiliates of MTS against Sky Mobile and affiliates of Altimo and alleges that the Kyrgyz judgment determining that an Altimo affiliate was the rightful owner of interest in the equity of Bitel prior to the asset sale between Sky Mobile and Bitel and that Bitel shares and Sky Mobile assets were misappropriated. The legal proceedings in this matter are pending. At this time the Company is unable to assess the likelihood of the ultimate outcome of this litigation and its effect on the Company's operating results and financial position.

The Anti-monopoly Claims Against OJSC VimpelCom

The Federal Anti-Monopoly Service of Russia ("FAS") started legal proceedings against VimpelCom, MTS and Megafon about their alleged violation of anti-monopoly legislation by charging artificially high prices for roaming services. On October 22, 2010, FAS released its conclusion that VimpelCom violated certain provisions in the Federal Law "On the Protection of Competition" in respect of its roaming services. On March 9, 2011, the Company received the decision of FAS on imposing on VimpelCom a fine in the amount of RUR12 million (approximately US$414 at the exchange rate as of March 9, 2011). The Company reserved for the full amount of this claim as of March 31, 2011.

In the complaint from OJSC MGTS, the FAS started legal proceedings against VimpelCom about its alleged violation of anti-monopoly legislation by tying counterparties with traffic agreements containing disadvantageous prices in Moscow. On May 19, 2010, FAS found the activities of VimpelCom to be in violation of anti-monopoly legislation. On March 9, 2011, the Company received the decision of FAS on imposing on VimpelCom a fine in the amount of RUR10 million (approximately US$345 at the exchange rate as of March 9, 2011). VimpelCom does not believe that it is in violation of the anti-monopoly legislation and intends to appeal the FAS decision. Thus, the Company does not have a reserve for this claim as of March 31, 2011.

The 1st Roaming Claim Against KaR-Tel: Threshold Amounts

On May 14, 2010, the Antimonopoly Agency of Kazakhstan ("**the Agency**") initiated an investigation of the alleged breach of antimonopoly laws of Kazakhstan by all three Kazakhstan GSM-operators (KaR-Tel, GSM Kazakhstan OAO Kazakhtelecom LLP (trademarks KCell, Active), and Mobile Telecom Systems LLP (trade mark Neo)), by abuse of dominant position through infringement of consumers' rights by way of determination of a threshold (minimal) amount of money on consumer's account required for rendering (switching on and off) roaming services ("**the Threshold Amounts**"). Further, the Agency decided to consider investigations, jointly with FAS, of Kazakhstan antimonopoly law breaches with respect to all three Kazakhstan GSM-operators, including KaR-Tel, as well as operator-partners in the Russian Federation on indications of anticompetitive concerted actions and agreements as to establishing and (or) price maintenance as well as use of per-minute step of tarification. The Agency also decided to make a proposal to the Ministry of Telecommunications and Information of Kazakhstan as to earlier transfer to per-second tarification for roaming services (date determined by law is January 1, 2012), and to conduct an evaluation of roaming tariffs.

On June 21, 2010, the Agency completed the part of its investigation related to the Threshold Amounts and alleged that all three Kazakhstan GSM-operators abused their dominant position through infringement of customers' lawful rights by way of establishing the Threshold Amounts.

On July 3, 2010, the Agency initiated an administrative procedure with respect to all the three Kazakhstan GSM operators, including KaR-Tel, and issued the protocol on administrative offence ("**the Protocol**"). The Agency filed with the Administrative Court a claim based on the Protocol. The Company estimates KaR-Tel's share of administrative fines amounting to KZT 11.6 billion (the equivalent to US$78,646 at the exchange rate as of July 3, 2010). KaR-Tel believes that the claim of the Agency is without merits and intends to protect its rights and lawful interest in courts of Kazakhstan. On July 16, 2010, KaR-Tel filed a claim to recognize as illegal and annul the acts of the Agency, which have served as a procedural basis for the Protocol.

On October 19, 2010, the Interregional Economic Court of Astana has ruled in favor of KaR-Tel and recognized as illegal, null and void all acts of the Agency and its territorial branch, which have served as procedural basis for the Protocol. The decision has not come into force and was appealable by the Agency. On November 15, 2010, KaR-Tel received copy of the Agency's appeal on the decision. On December 13, 2010, the Court of Appeals upheld the decision of October 19, 2010, in favor of KaR-Tel. On February 17, 2011, the Court of Cassation reviewed the cassation petition of the Agency and upheld both the decision of October 19, 2010 and the resolution of the Court of Appeals of December 13, 2010. As a result, the decision of October 19, 2010 that has recognized all acts of the Agency and its territorial branch, which have served as procedural basis for the Protocol, as illegal, null and void, has come into force. Although the decision has come into full force and effect, it is still subject to appeal by the Agency in supervisory appeal order within 1 year from the date of receipt by the Agency of the Resolution of the Court of Cassation. No provisions were made in relation to this case in the accompanying condensed consolidated financial statements.

The 2nd Roaming Claim Against KaR-Tel: Concerted Actions High Roaming Tariffs

The Agency has continued another part of its investigation – with respect to concerted actions of Kazakhstan and Russian GSM-mobile operators on establishing and/or preservation of tariffs (**"Concerted Actions Investigation"**). On October 25, 2010, the Agency completed the Concerted Actions Investigation and reclassified alleged concerted actions of KaR-Tel and other Russian and Kazakhstan GSM-operators into establishing monopolistically high tariffs. On November 3, 2010, the Agency initiated an administrative procedure and issued a new protocol on administrative offence, according to which the Agency has found KaR-Tel and the other two Kazakhstan GSM-operators liable for abuse of their dominant position on the market by way of establishing monopolistically high roaming tariffs ("**the New Protocol**"). Under Kazakhstan laws, the Agency has lodged the New Protocol into administrative court, and the court is to review the matter and to decide on the merits and on applicable fines.

On November 23, 2010, KaR-Tel filed a claim with Astana Interregional Economic Court against the Agency requesting the Court to recognize illegal and to annul acts of the Agency preceding the New Protocol. On February 24, 2011, the Interregional Economic Court of Astana has ruled in favor of KaR-Tel and recognized as illegal, null and void all acts of the Agency and its territorial branch, which have served as procedural basis for the Protocol. The decision was received on February 28, 2011. The decision of February 28, 2011 came into force on March 30, 2011. Although the decision has come into full force and effect, it is still subject to appeal by the Agency in supervisory appeal order within 1 year from the date of decision coming into force.

While the Company does not agree with the New Protocol and intends to challenge it, the ultimate resolution of this matter could result in a loss of KZT9.9 billion (equivalent to US$67,087 as of November 3, 2010) in excess of the amount accrued.

Russian Lawsuit on Sovintel Eviction

A lawsuit was filed by the State Property Committee (Federal Agency for Management of the State Property) against Sovintel seeking eviction from the premises (about 4,000 sq.m) at Krasnokazarmennaya Street, where its Data Center and equipment are currently located. In substantiation of its claim the plaintiff asserts that the lease agreements between Sovintel and several lessors are void, since they were entered into without a consent of the owner (the State Property Committee) to lease such premises. As a result of hearings on January 25, 2011, for part of premises leased from FGUP VEI the plaintiff's claim was dismissed (but may be appealed within 1 month) while for the remaining part of premises leased from other lessors were postponed until March 30, 2011. On March 30, 2011, this part of the plaintiff's claim was dismissed by the court as well. Both court decisions are appealable within 1 month after their issue. The first decision was not appealed while for the second decision the Company is not aware of appeals made.

Management evaluates the risk of an adverse outcome of this lawsuit as probable. No amounts have been accrued in these financial statements in relation to this claim due to immateriality, but in case of an adverse decision of the court, eviction of Sovintel from the premises may cause interruption of the work of the equipment (fixed-line network) that could have a negative impact on the future results of operations of the Company commencing the period when such interruption occurs.

Apple

On March 31, 2011, VimpelCom and Apple signed an amendment to the agreement to purchase iPhones. Under the amendment, 958,540 iPhone handsets (being the difference between 1,500,000 iPhone handsets per the original agreement and the amount actually purchased by the Company from Apple through March 31, 2011) should be purchased starting April 1, 2011 and before March 31, 2013, including 435,000 iPhone handsets to be purchased before March 31, 2012. If VimpelCom does not comply with newly agreed schedule and certain other terms of amendments, then according to the agreement it could become liable for the shortfall in orders of iPhone handsets that existed as of March 31, 2011, less any iPhone units actually purchased by VimpelCom after this date.

Guarantee in favour of VimpelCom Amsterdam B.V.

On March 31, 2011, VimpelCom Amsterdam B.V., a wholly-owned subsidiary of VimpelCom Ltd., signed a one year Bridge Facility Agreement (with the possible extension for 6 months), with six international banks: Barclays, BNP Paribas, Citi, RBS, ING and HSBC in the total amount of US$2,500,000. The Facility bears

annual interest at a rate of LIBOR plus 0.85% from (and including) the Signing Date to (but excluding) the date falling three months after the Signing Date; LIBOR plus 1.15% from (and including) the date falling three months after the Signing Date to (but excluding) the date falling six months after the Signing Date; LIBOR plus 1.75% from (and including) the date falling six months after the Signing Date to (but excluding) the date falling nine months after the Signing Date; LIBOR plus 2.25% from (and including) the date falling nine months after the Signing Date to (but excluding) the date falling twelve months after the Signing Date; LIBOR plus 3.0% (and including) the date falling 12 months after the Signing Date. On April 14, 2011, VimpelCom Amsterdam B.V drew down the loan in the amount of US$2,200,000. VimpelCom has guaranteed this Bridge Facility Agreement.

Euroset IPO

On March 22, 2011, Euroset announced its intention to proceed with an initial public offering ("**IPO**") of depository receipts on the London Stock Exchange. In April 2011, Euroset IPO was postponed, therefore, the Company is not able to assess the impact on its financial results at the moment.

11. Subsequent events

The Company evaluated subsequent events up to June 20, 2011, the date VimpelCom's financial Statements were available to be issued.

On April 26, 2011, VimpelCom signed a Facility Agreement with HSBC Bank PLC. This is a Russian ruble denominated Swedish export credit facility supported by EKN for the total amount of US$200,000 to be drawn down in rubles. The facility is to finance equipment and services provided to VimpelCom by Ericsson on a reimbursement basis. The facility bears interest at a rate of MosPRIME (Moscow indicative independent interbank offered rate) plus 1.05% p.a. On May 10, 2011, VimpelCom drew down RUR5,568 million (the equivalent to US$201,276 as of May 10, 2011).

On May 3, 2011, VimpelCom signed a Loan Facility Agreement with CISCO SYSTEMS FINANCE INTERNATIONAL. This is a Russian ruble denominated export credit facility for the total amount of RUR 1,350 million. The facility is to finance equipment provided to VimpelCom by CISCO on a reimbursement basis. The facility bears interest at a rate of 7.35% p.a. On May 19, 2011 VimpelCom drew down RUR1,350 million (the equivalent to US$48,134 as of May 19, 2011).

On April, 12, 2010, VimpelCom signed a seven-year loan agreement with Sberbank in the amount of US$2,500,000 with fixing of the ruble amount of the loan at exchange rate at the date of the drawdown. The loan bears interest at the rate of 9.0% per annum and matures on April 11, 2018. According to the provisions of the agreement, the rate may be increased in case of occurrence of certain events up to a maximum of 9.5%. On April 27, 2011, VimpelCom drew down the loan in the amount of RUR33,492 million (the equivalent to US$1,200,594 as of April 27, 2011). On May 11, 2011, VimpelCom drew down the loan in the amount of RUR22,498 million (the equivalent to US$807,407 as of May 11, 2011). On June 1, 2011, VimpelCom drew down an additional RUR 8,396 million (the equivalent to US$300,100 as of June 1, 2011).

On April 29, 2011, VimpelCom granted a US$50,000 loan to VimpelCom Ltd., VimpelCom's related party, in addition to US$37,000 granted on December 13, 2010.

On April 29, 2011, VimpelCom granted an additional US$250,000 loan to VimpelCom Amsterdam B.V., VimpelCom's related party (Note 5). On May 17, 2011, VimpelCom Amsterdam B.V repaid a $250,000 loan to VimpelCom which it borrowed on March 21, 2011. On June 8, 2011, VimpelCom granted a US$245,000 loan to VimpelCom Amsterdam B.V., VimpelCom's related party. Current loan amount outstanding is therefore $495,000.

On May 13, 2011, VimpelCom granted an unsecured loan to VimpelCom Amsterdam Finance B.V., VimpelCom's related party, in the total amount of US$2,610,000. On May 20, 2011, VimpelCom Amsterdam Finance B.V repaid part of this loan in the total amount US$52,820. Under the agreement, VimpelCom may grant an additional US$442,820.

On May 18, 2011, VimpelCom repaid US$265,800 of the promissory note to VimpelCom Amsterdam B.V.

Sky mobile 3G license (Note 10)

On April 5, 2011, Kyrgyzstan Government issued a Decree, according to which it considered as fully satisfied license obligation of Sky Mobile to organize centers of public access with necessary computer equipment and

access to Internet in 100 postal telegraph offices of KyrgyzPost located in the rural areas within 2 years and some other obligations assuming capital expenses in exchange for payment made by Sky Mobile of 50 million Kyrgyz soms to the state budget (equivalent to US$1,054 at the exchange rate as of April 5, 2011). Sky Mobile expects respective changes to be incorporated into the license agreement related to the 3G license.

Business Combinations

GTEL-Mobile

In April 2011, VimpelCom agreed with its local partner in Vietnam on a financing plan for GTEL-Mobile, that could result in the Company providing investments in total of up to US$500,000 through 2013. The Company has completed the first stage of the financing plan by paying US$196,000 for newly issued shares and thereby increasing its stake in GTEL-Mobile from 40% to 49%. All proceeds from this financing will be used for GTEL-Mobile development. In connection with this investment, the joint venture parties have also agreed that the Company will assume operational management of GTEL-Mobile.

Going forward the Company has agreed to invest another US$304,000 under this plan, which would increase its economic interest in GTEL-Mobile from 49% to 65%. The additional financing and equity increase are subject to satisfaction of certain performance targets by GTEL-Mobile and receipt of further regulatory approvals.

NTC

In May 2011, VimpelCom signed documents to acquire up to 100% of the shares of OJSC "New Telephone Company" ("**NTC**"), the leading telecommunications operator in Primorskiy region of Russia. The acquisition price is based on Enterprise Value of US$420,000. On June 7, 2011, VimpelCom acquired 89.99% of the shares. The Company expects to launch a mandatory tender offer under Russian law to acquire 10.00% of the remaining outstanding shares in July 2011. VimpelCom expects that the mandatory tender offer will be completed in the third quarter of 2011 and it will be followed by a squeeze out under Russian law of the remaining 0.01% of outstanding shares.

Consolidated Financial Statements

VimpelCom Holdings B.V.

Years ended December 31, 2010, 2009 and 2008

with Report of Independent Auditor

VimpelCom Holdings B.V.

Consolidated Financial Statements

Years ended December 31, 2010, 2009 and 2008

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Report of Independent Auditor

To: the Supervisory Board and the Shareholders of VimpelCom Holdings B.V.

We have audited the accompanying consolidated balance sheet of VimpelCom Holdings B.V. ('VimpelCom') as of December 31, 2010, and the related consolidated statements of income, shareholders' equity and comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of VimpelCom's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with United States Generally Accepted Auditing Standards ('US GAAS'). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of VimpelCom at December 31, 2010, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with US generally accepted accounting principles.

As discussed in Notes 2 and 3 to the consolidated financial statements, effective January 1, 2010 VimpelCom adopted the Financial Accounting Standard Board's Statement Number 167 (primarily codified in ASC 810-10, Consolidation-Overall).

/s/ Ernst & Young Accountants LLP

Rotterdam, The Netherlands
June 21, 2011

Report of Independent Auditor

The Board of Directors and Shareholders
Open Joint Stock Company "Vimpel-Communications"

We have audited the accompanying consolidated balance sheets of Open Joint Stock Company "Vimpel-Communications" ("**VimpelCom**") as of December 31, 2009 and 2008, and the related consolidated statements of income, shareholders' equity and comprehensive income and cash flows for each of the three years in the period ended December 31, 2009. These consolidated financial statements are the responsibility of VimpelCom's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of VimpelCom at December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with US generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2009 VimpelCom adopted the Financial Accounting Standards Board's Statement No. 160, Noncontrolling Interest in Consolidated Financial Statements (primarily codified in ASC 810-10, Consolidation-Overall) relating to the presentation and accounting for noncontrolling interest. As discussed in Note 2 to the consolidated financial statements, effective January 1, 2007, VimpelCom also adopted FASB Interpretation No.48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109, Accounting for Income Taxes (primarily codified in ASC 740-10, Income taxes—Overall).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), VimpelCom's internal control over financial reporting as of December 31, 2009, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 18, 2010, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLC

Moscow, Russia
March 18, 2010, except for Notes 22 and 24, as to which the date is January 21, 2011

VimpelCom Holdings B.V.

Consolidated Balance Sheets

	Note	December 31, 2010	December 31, 2009
		(In thousands of US dollars, except share amounts)	
Assets			
Current assets:			
Cash and cash equivalents	**5**	**$ 851,383**	$ 1,446,949
Trade accounts receivable, net of allowance for doubtful accounts		**506,322**	392,365
Inventory	**13**	**137,413**	61,919
Deferred income taxes	**18**	**117,236**	91,493
Input value added tax		**136,273**	96,994
Due from related parties	**20**	**96,520**	249,631
Short term deposits		**34,305**	406,856
Other current assets	**14**	**381,423**	220,401
Total current assets		**2,260,875**	2,966,608
Property and equipment, net	**8**	**6,933,076**	5,561,569
Telecommunications licenses, net	**9**	**562,931**	542,597
Goodwill	**10**	**7,003,714**	3,284,293
Other intangible assets, net	**9**	**1,481,800**	700,365
Software, net	**11**	**626,822**	448,255
Investments in associates	**12**	**446,130**	436,767
Due from related parties	**20**	**509,405**	1,101
Other non-current assets	**14**	**576,299**	790,986
Total assets		**$20,401,052**	$14,732,541
Liabilities, redeemable noncontrolling interest and equity			
Current liabilities:			
Accounts payable		**$ 957,864**	$ 545,690
Due to employees		**105,233**	113,368
Due to related parties	**20**	**9,271**	9,211
Accrued liabilities	**14**	**199,534**	314,987
Taxes payable		**218,464**	212,767
Customer advances, net of VAT		**452,055**	376,121
Customer deposits		**33,835**	28,386
Deferred income taxes	**18**	**50,313**	679
Short-term debt	**15**	**1,162,444**	1,813,141
Total current liabilities		**3,189,013**	3,414,350
Deferred income taxes	**18**	**688,206**	596,472
Long-term debt	**15**	**4,498,861**	5,539,906
Other non-current liabilities		**183,843**	164,010
Due to related parties	**20**	**16,217,520**	626
Total liabilities		**24,777,443**	9,715,364
Redeemable noncontrolling interest	**17**	**522,076**	508,668
Equity:			
Common stock (0.001 US$ nominal value per share), 15,099,998 shares authorized and issued (December 31, 2010: 18,000)		**20,195**	27
Additional paid-in capital		**0**	1,143,722
Retained earnings		**(4,283,809)**	4,074,492
Accumulated other comprehensive loss		**(561,154)**	(488,277)
Treasury stock, at cost, 10,508,608 shares of VimpelCom Ltd. common stock (December 31, 2009: 11,328,860)		**(215,763)**	(223,421)
Total VimpelCom shareholders' equity		**(5,040,531)**	4,506,543
Noncontrolling interest		**142,064**	1,966
Total equity		**(4,898,467)**	4,508,509
Total liabilities, redeemable noncontrolling interest and equity		**$20,401,052**	$14,732,541

The accompanying notes are an integral part of these consolidated financial statements.

VimpelCom Holdings B.V.

Consolidated Statements of Income

	Years ended December 31,		
	2010	**2009**	**2008**
	(In thousands of US dollars, except share amounts)		
Operating revenues:			
Service revenues	**10,291,333**	$ 8,580,815	$ 9,999,850
Sales of equipment and accessories	**193,814**	109,959	107,946
Other revenues	**27,653**	19,788	17,190
Total operating revenues	**10,512,800**	8,710,562	10,124,986
Revenue based tax	**–**	(7,660)	(8,054)
Net operating revenues	**10,512,800**	8,702,902	10,116,932
Operating expenses:			
Service costs	**2,251,474**	1,878,443	2,262,570
Cost of equipment and accessories	**216,944**	110,677	101,282
Selling, general and administrative expenses	**2,998,967**	2,389,998	2,838,508
Depreciation	**1,649,897**	1,393,431	1,520,184
Amortization	**427,764**	300,736	360,980
Impairment loss	**–**	–	442,747
Provision for doubtful accounts	**50,486**	51,262	54,711
Total operating expenses	**7,595,532**	6,124,547	7,580,982
Operating income	**2,917,268**	2,578,355	2,535,950
Other income and expenses:			
Interest income	**64,644**	51,714	71,618
Net foreign exchange loss	**(14,314)**	(411,300)	(1,142,276)
Interest expense	**(615,870)**	(598,531)	(495,634)
Equity in net gain/(loss) of associates	**53,189**	(35,763)	(61,020)
Other (expenses)/income, net	**(99,544)**	(32,114)	(17,404)
Total other income and expenses	**(611,895)**	(1,025,994)	(1,644,716)
Income before income taxes	**2,305,373**	1,552,361	891,234
Income tax expense	**609,479**	435,030	303,934
Net income	**1,695,894**	1,117,331	587,300
Net income/(loss) attributable to the noncontrolling interest	**44,984**	(4,499)	62,966
Net income attributable to VimpelCom	**$ 1,650,910**	$ 1,121,830	$ 524,334

The accompanying notes are an integral part of these consolidated financial statements.

VimpelCom Holdings B.V.

Consolidated Statements of Cash Flows

	Note	Years ended December 31, 2010	2009	2008
		(In thousands of US dollars)		
Operating activities				
Net income		**$ 1,695,894**	$ 1,117,331	$ 587,300
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation		**1,649,897**	1,393,431	1,520,184
Amortization		**427,764**	300,736	360,980
Impairment loss		**–**	–	442,747
(Gain)/loss from associates	**12**	**(53,189)**	35,763	61,020
Provision for deferred taxes	**18**	**(187,133)**	(19,541)	(92,654)
Loss on foreign currency translation		**14,314**	411,300	1,142,276
Provision for doubtful accounts	**19**	**50,486**	51,262	54,711
Stock-based compensation expense/(gain)	**21**	**2,239**	2,323	(121,890)
Loss from early debt redemption		**–**	19,063	–
Other adjustments		**2,264**	(380)	(5,078)
Changes in operating assets and liabilities:				
Trade accounts receivable		**72,260**	(57,452)	(240,629)
Inventory	**13**	**(48,945)**	64,927	(90,221)
Input value added tax		**(21,770)**	78,972	(103,941)
Other current assets		**(39,719)**	135,212	(415,735)
Accounts payable		**30,326**	(69,290)	281,725
Customer advances and deposits		**(4,167)**	(23,010)	75,098
Taxes payable and accrued liabilities		**100,523**	72,122	(34,035)
Net cash provided by operating activities		**$ 3,691,044**	3,512,769	3,421,858
Investing activities				
Purchases of property and equipment		**(1,432,153)**	(691,445)	(2,002,452)
Purchases of intangible assets		**(58,604)**	(15,685)	(75,012)
Purchases of software		**(263,595)**	(184,481)	(313,652)
Investments in associates		**–**	(12,500)	(491,265)
Payment for shares in Golden Telecom	**23**	**(143,569)**	–	–
Escrow cash deposit		**–**	–	200,170
Proceeds from sale of property, plant and equipment		**13,573**	–	–
Cash proceeds from Kyivstar acquisition	**3**	**167,176**	–	–
Acqusition of subsidiaries, net of cash acquired	**3**	**(52,165)**	–	(4,134,609)
Cash increase due to Sky Mobile consolidation	**3**	**4,702**	–	–
Loan granted		**(537,357)**	–	(350,000)
Loan receivable repayment		**22,910**	–	–
Investments deposits		**455,187**	(488,580)	43,179
Purchases of other assets, net		**(25,122)**	(40,799)	(53,575)
Net cash provided by/(used in) investing activities		**(1,849,017)**	(1,433,490)	(7,177,216)
Financing activities				
Proceeds from bank and other loans		**1,174,646**	1,270,248	6,209,392
Proceeds from sale of treasury stock		**–**	–	25,488
Repayments of bank and other loans		**(3,510,791)**	(2,432,862)	(721,222)
Payments of fees in respect of debt issues		**(5,068)**	(53,071)	(68,159)
Purchase of noncontrolling interest in consolidated subsidiaries		**(12,594)**	(18,198)	(992,825)
Payment of dividends		**–**	(315,644)	(587,302)
Payment of dividends to noncontrolling interest		**(72,370)**	(13,977)	–
Purchase of own shares		**–**	–	(114,476)
Net proceeds from employee stock options		**7,339**	18,142	–
Net cash (used in)/ from financing activities		**(2,418,838)**	(1,545,362)	3,750,896
Effect of exchange rate changes on cash and cash equivalents		**(18,755)**	(1,651)	(84,566)
Net (decrease)/increase in cash and cash equivalents		**(595,566)**	532,266	(89,028)
Cash and cash equivalents at beginning of period		**1,446,949**	914,683	1,003,711
Cash and cash equivalents at end of period		**$ 851,383**	$ 1,446,949	$ 914,683

VimpelCom Holdings B.V.

Consolidated Statements of Cash Flows—(Continued)

	Years ended December 31,		
	2010	**2009**	**2008**
	(In thousands of US dollars)		
Supplemental cash flow information Cash paid during the period:			
Income tax	$615,135	$428,761	$647,597
Interest (net of amounts capitalized)	538,928	532,012	362,081
Non-cash activities:			
Equipment acquired under financing agreements	4,930	–	2,726
Accounts payable for property, equipment and other long-lived assets	526,509	210,159	448,218
Non–cash discounts from suppliers of equipment	–	239	2,464
Issue of promissory notes	–	–	81,660

The accompanying notes are an integral part of these consolidated financial statements.

VimpelCom Holdings B.V.

Consolidated Statements of Changes in Equity and Comprehensive Income

Years ended December 31, 2010, 2009 and 2008

	Common Stock		Additional Paid-in Capital	Retained earnings	Accumulated Other Comprehensive income (loss)	Treasury stock	Total equity attributable to VimpelCom	Noncontrolling interest	Total equity	Redeemable noncontrolling interest	Net income
	Shares	Amount									
Balances at December 31, 2009	**18,000**	**$ 27**	**$ 1,143,722**	**$ 4,074,492**	**$(488,277)**	**$(223,421)**	**$ 4,506,543**	**$ 1,966**	**$ 4,508,509**	**$508,668**	**–**
Exercise of stock options	–	–	(319)	–	–	7,658	**7,339**	–	**7,339**		
Consolidation of Variable interest entity (Note 4)						–	**–**	437,988	437,988	–	
Stock based compensation accrual	–	–	1,115			–	**1,115**	–	1,115	–	
Acquisition of noncontrolling interests	–	–	14,787		(11,352)	–	**3,435**	(229,533)	**(226,098)**		
Accretion to redeemable non-controlling interest *(Note 6)*			(113)				**(113)**		**(113)**	113	
Dividends payment to noncontrolling interest						–	**–**	(35,920)	**(35,920)**	(37,500)	
Repurchase of controlling interest in OJSC VimpelCom and Kyivstar *(Note 1)*	15,081,998	20,169	(1,159,192)	(10,009,211)			(11,148,235)		(11,148,235)		
Foreign currency translation effect, net of tax	–		–		(61,525)	–	**(61,525)**	(26,626)	**(88,151)**		
Net income/(loss)	–	–	–	1,650,910	–	–	**1,650,910**	(5,811)	**1,645,099**	50,795	1,695,894
Total accumulated comprehensive income (loss)	–	–	–	1,650,910	(61,525)	–	**1,589,386**	(32,437)	1,556,948	50,795	
Balances at December 31, 2010	**15,099,998**	**$20,195**	**–**	**$ (4,283,809)**	**$(561,154)**	**$(215,763)**	**$ (5,040,531)**	**$ 142,064**	**$ (4,898,467)**	**$522,076**	

VimpelCom Holdings B.V.

Consolidated Statements of Changes in Equity and Comprehensive Income—(Continued)

	Common Stock		Additional Paid-in Capital	Retained earnings	Accumulated Other Comprehensive income (loss)	Treasury stock	Total equity attributable to VimpelCom	Noncontrolling interest	Total equity	Redeemable noncontrolling interest	Net income
	Shares	Amount									
Balances at December 31, 2008	**18,000**	**$27**	**$1,165,253**	**$3,271,878**	**$ (90,020)**	**$(239,649)**	**$4,107,489**	**$ 32,754**	**$4,140,243**	**$469,604**	**–**
Exercise of stock options	–	–	2,974	–	–	16,228	**19,202**	–	**19,202**	–	–
Stock based compensation accrual	–	–	1,766	–	–	–	**1,766**	–	**1,766**	–	–
Dividends to noncontrolling interest	–	–	–	–	–	–	**–**	(977)	**(977)**	(13,000)	–
Dividends declared	–	–	–	(319,216)	–	–	**(319,216)**	–	**(319,216)**	–	–
Acquisition of noncontrolling interests	–	–	3,598	–	(9,922)	–	**(6,324)**	(13,671)	**(19,995)**	–	–
Accretion to redeemable non-controlling interest *(Note 17)*	–	–	(29,869)	–	–	–	**(29,869)**	–	**(29,869)**	29,869	–
Comprehensive income:											
Foreign currency translation adjustment	–	–	–	–	(388,335)	–	**(388,335)**	10,554	**(377,781)**	–	–
Net income/(loss)	–	–	–	1,121,830	–	–	**1,121,830**	(26,694)	**1,095,136**	22,195	**1,117,331**
Total accumulated comprehensive loss	–	–	–	1,121,830	(388,335)	–	**733,495**	(16,140)	**717,355**	22,195	–
Balances at December 31, 2009	**18,000**	**$27**	**$1,143,722**	**$4,074,492**	**$(488,277)**	**$(223,421)**	**$4,506,543**	**$ 1,966**	**$4,508,509**	**$508,668**	**–**

VimpelCom Holdings B.V.

Consolidated Statements of Changes in Equity and Comprehensive Income—(Continued)

	Common Stock		Additional Paid-in Capital	Retained earnings	Accumulated Other Comprehensive income (loss)	Treasury stock	Total equity attributable to VimpelCom	Noncontrolling interest	Total equity	Redeemable noncontrolling interest	Net income
	Shares	Amount									
Balances at December 31, 2007	**18.000**	**$27**	**$1,413,468**	**$3,327,716**	**$ 801,243**	**$(130,668)**	**$5,411,786**	**$ 288,410**	**$5,700,196**	**$ –**	**$ –**
Sale of treasury stock – 40,568 shares	–	–	19,993	–	–	5,495	25,488	–	25,488	–	–
Purchase of treasury stock – 200,000 shares (Note 16)	–	–	–	–	–	(114,476)	(114,476)	–	(114,476)	–	–
Adoption of equity method of stock option plan accounting	–	–	12,030	–	–	–	12,030	–	12,030	–	–
Dividends declared	–	–	–	(580,172)	–	–	(580,172)	–	(580,172)	–	–
Initial measurement and recognition of redeemable noncontrolling interest (Note 17)	–	–	(278,825)	–	–	–	(278,825)	(154,257)	(433,082)	433,082	–
Acquisition of noncontrolling interests	–	–	–	–	–	–	–	(106,722)	(106,722)	–	–
Accretion to redeemable non-controlling interest (Note 17)	–	–	(1,413)	–	–	–	(1,413)	–	(1,413)	1,413	–
Comprehensive income:											
Foreign currency translation adjustment	–	–	–	–	(891,263)	–	(891,263)	(22,534)	(913,797)	–	–
Net income/(loss)	–	–	–	524,334	–	–	524,334	27,857	552,191	35,109	587,300
Total accumulated comprehensive loss	–	–	–	524,334	(891,263)	–	(366,929)	5,323	(361,606)	35,109	–
Balances at December 31, 2008	**18,000**	**$27**	**$1,165,253**	**$3,271,878**	**$ (90,020)**	**$(239,649)**	**$4,107,489**	**$ 32,754**	**$4,140,243**	**$469,604**	**–.**

The accompanying notes are an integral part of these consolidated financial statements

1. Description of Business

VimpelCom Holdings B.V. ("**VimpelCom**" or the "**Company**") was incorporated as a private company with limited liability under the laws of the Netherlands on on June 29, 2009. VimpelCom Holdings B.V. was formed to hold the interests in Open Joint Stock Company "Vimpel-Communications" ("**OJSC VimpelCom**") and CJSC "Kyivstar G.S.M." ("**Kyivstar**"). VimpelCom Holdings B.V. is ultimately a wholly-owned subsidiary of VimpelCom Amsterdam Ltd.

In these notes, VimpelCom or the Company also refers to VimpelCom's consolidated subsidiaries and consolidated variable interest entities.

On April 21, 2010, VimpelCom Ltd. successfully completed an exchange offer ("**Exchange Offer**") for OJSC VimpelCom shares (including shares represented by American Depositary Shares ("**ADS**")), and acquired approximately 98% of OJSC VimpelCom's outstanding shares (including shares represented by ADSs). Therefore, effective April 21, 2010, OJSC VimpelCom became a subsidiary of VimpelCom Ltd.

On May 25, 2010, VimpelCom Ltd. served a squeeze-out demand notice to OJSC VimpelCom demanding that the remaining shareholders of OJSC VimpelCom sell their shares to VimpelCom Ltd. The squeeze-out process was completed on August 6, 2010. As a result, VimpelCom Ltd. became the sole shareholder of OJSC VimpelCom. The increase in additional paid-in capital of US$30,637 represents the difference between the amount recorded as redeemable noncontrolling interest on April 21, 2010 and the amount of liability to noncontrolling shareholders in OJSC VimpelCom recorded on May 25, 2010 when a squeeze-out demand notice was served (Note 21). The difference resulted from a change in the Russian ruble to US dollar exchange rate.

September 24, 2010 VimpelCom Ltd. and VimpelCom Holdings B.V. entered into the Share Transfer Agreement through which the shares in OJSC VimpelCom were transferred to VimpelCom Holding B.V. in exchange for a promissory note valued US$ 16,748,382 minus 150,000 euro. VimpelCom Holdings B.V. owes the amount of US$ 16,217,230 to VimpelCom Amsterdam B.V. due to accrued interest amounted US$ 75,756 and repayment from the funds distributed by OJSC VimpelCom which amounted to US$ 612,500. The promissory note will mature and be due and payable on September 24, 2014 and bears interest at a rate per annum based on One-Year US$-LIBOR plus 1%. As a result of the Exchange Offer VimpelCom Holding B.V. acquired indirectly 100% of shares in Kyivstar. These shares were acquired from Altimo group companies ("**Altimo**") and Telenor group companies ("**Telenor**").

The acquisition of Kyivstar and the transfer of OJSC VimpelCom were accounted for as transactions under common control following to the provisions of ASC 805-50 therefore the assets and liabilities acquired and transferred were recorded at the historical carrying value as they are recorder in the parent's financial statemenets. Since VimpelCom Holdings B.V. is the accounting successor to OJSC VimpelCom., therefore accounting data and disclosures related to the period prior to April 21, 2010, represent accounting data and disclosures of OJSC VimpelCom. Information about the number of shares prior to April 21, 2010 has been adjusted to reflect the effect of the transfer of the shares of OJSC VimpelCom.

As of December 31, 2010 the Company has negative net equity mainly due to the fact that the liability under the Promissory Note is based on the fair value of OJSC VimpelCom shares while its assets and liabilities were measured at historical cost.

2. Basis of Presentation and Significant Accounting Policies

The accompanying financial statements have been presented in US dollars. Amounts are presented in thousands, except for share and per share (ADS) amounts or unless otherwise indicated.

Principles of Consolidation

The consolidated financial statements have been prepared in accordance with US GAAP and include VimpelCom and all companies in which VimpelCom directly or indirectly exercises control, which generally means that VimpelCom owns more than 50% of the voting rights in the company. Consolidation is also required when the Company is subject to a majority of the risk of loss or is entitled to receive a majority of the residual returns or both from a variable interest entity's activities.

All intercompany accounts and transactions within the Company have been eliminated from the consolidated financial statements.

Non-controlling interests are reported in the Consolidated Balance Sheets as a separate component of equity except for redeemable non-controlling interests which are reported outside of shareholders equity and represents the aggregate ownership interests in the subsidiaries that are held by owners other than the Company.

Investments in Associates

Investments in associated companies in which the Company exercises significant influence over the operations and financial policies, but does not control, are reported according to the equity method of accounting. Generally, the Company owns between 20 and 50 percent of such investments.

Business Combinations

VimpelCom accounts for its business acquisitions under the acquisition method of accounting. The total cost of an acquisition is allocated to the underlying assets, including intangible assets, and liabilities assumed based on their respective estimated fair values. Determining the fair value of assets acquired and liabilities assumed requires the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, license and other asset lives and market multiples, among other items. Fair value measurement is determined based on the assumptions market participants would use in pricing the asset (risk premiums and profit margins) inherent in pricing model and input data. The results of operations of acquired companies are included in the Consolidated Financial Statements from the date of acquisition.

Foreign Currency Translation

The reporting currency of VimpelCom is the US dollar. Therefore, the accompanying financial statements were translated into the reporting currency in accordance with ASC 830, Foreign Currency Matters, using the current rate method. Domestic and certain foreign subsidiaries of VimpelCom have their local currencies as their functional currency, and use the current rate method for translating their financial statements to US dollars.

The current rate method assumes that assets and liabilities measured in the functional currency are translated into US dollars at exchange rates prevailing on the balance sheet date; whereas revenues, expenses, gains and losses are translated into US dollars at historical exchange rates prevailing on the transaction dates. VimpelCom translates income statement amounts using the average exchange rates for the period. Translation adjustments resulting from the process of translating financial statements into US dollars are reported in accumulated other comprehensive income, a separate component of shareholders' equity.

Within the countries that VimpelCom operates, official exchange rates are determined daily by the respective countries' central bank. Market rates may differ from the official rates but the differences are, generally, within narrow parameters monitored by the respective countries' central bank.

Local currencies of certain of VimpelCom's foreign subsidiaries are not fully convertible currencies outside the territories of countries of their operations. The translation of ruble-, tenge-, hryvnia-, somoni-, sum-, dram-, riel and lari-denominated assets and liabilities into US dollars for the purposes of these financial statements does not indicate that VimpelCom could realize or settle the reported values of these assets and liabilities in US dollars. Likewise, it does not indicate that VimpelCom could return or distribute the reported US dollar value of capital to its shareholders.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates. Accounting policies such as valuation of stock based compensation, business combinations, assessing tangible and intangible asset impairments, and revenue recognition include estimates and assumptions that may have a material impact on the financial statements.

Cash and Cash Equivalents

VimpelCom considers all highly liquid investments with a remaining maturity of 90 days or less at the time of purchase to be cash equivalents. Cash equivalents are carried at cost which approximates fair value. Escrow cash was primarily related to cash held in escrow at a financial institution for the collateralization of certain payment

obligations that the Company has agreed to assume in the future. As of December 31, 2010, the balance on escrow cash was shown as restricted cash in other current assets (*Note 14*) in the accompanied balance sheet.

Trade Accounts Receivable and Doubtful Accounts

Accounts receivable are shown at their net realizable value which approximates their fair value. VimpelCom reviews the valuation of accounts receivable on a monthly basis. The allowance for doubtful accounts is estimated based on historical data and other relevant factors, such as a change in tariff plans from pre-paid to post-paid.

Inventory

Inventory consists of telephone handsets and accessories for sale, SIM and scratch cards, equipment for sale and others, and is stated at the lower of cost or market. Cost is computed using either the average cost method or a specific identification method.

Value Added Tax

Value Added Tax ("**VAT**") related to revenues is payable to the tax authorities on an accrual basis based upon invoices issued to customers or cash received. VAT incurred on purchases may be offset, subject to certain restrictions, against VAT related to revenues, or can be reclaimed in cash from the tax authorities under certain circumstances. VAT related to purchase transactions, which will be offset against VAT related to revenues within the following year, is recognized on the balance sheets on a gross basis. As of December 31, 2010, the VAT rate in the Netherlands was 19%, in Russia, Tajikistan and Georgia – 18%, in Kazakhstan and Kyrgyzstan it was 12%, and in Ukraine, Uzbekistan, and Armenia it was 20%.

Short Term Investments

Short-term investments represent investments in time deposits, which have original maturities in excess of three months but less than twelve months. These investments are accounted for at cost.

Property and Equipment

Property and equipment is stated at historical cost. The Company depreciates property and equipment assets using the straight-line method, depreciation expense is recognized ratably over the estimated useful life of the asset.

The following categories with the associated useful lives are used:

Mobile telecommunications equipment	5 - 10 years
Fixed line telecommunication equipment	3 - 12 years
Masts (telecommunication equipment)	15 - 20 years
Fiber-optic equipment	9 - 20 years
Buildings and constructions	15 - 30 years
Electronic exchange devices	7 years
Office and measuring equipment, vehicles and furniture	3 - 10 years

Equipment acquired under capital leases is depreciated using the straight-line method over its estimated useful life or the lease term, whichever is shorter. Depreciation of these assets recorded under capital leases is included in "depreciation" in the statement of income. Capitalized leasehold improvement expenses for base station positions is depreciated using the straight-line method over the estimated useful life of seven years or the lease term, whichever is shorter.

Repair and maintenance costs are expensed as incurred. Interest costs are capitalized with respect to qualifying construction projects, the capitalization period begins when "qualifying expenditures" are made, development activities are underway and interest cost is being incurred**.**

Software

Under the provision of ASC 350-40, Intangibles – Goodwill and Other – Internal-use Software VimpelCom capitalizes costs associated with software developed or obtained for internal use when both the preliminary project stage is completed and VimpelCom management has authorized further funding of the project which it

deems probable will be completed and used to perform the function intended. Capitalization of such costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose.

Research and development costs and other computer software maintenance costs related to software development are expensed as incurred. Capitalized software development costs are depreciated using the straight-line method over the expected life of the asset. VimpelCom does not have significant research and development costs.

Long-Lived Assets impairment

VimpelCom accounts for impairment of long-lived assets, except for goodwill, in accordance with the provisions of ASC 360-10, Property, Plant and Equipment – Overall . ASC 360-10 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Impairment indicators that do not result in the actual impairment of the asset may, however, result in modification of the useful economic life to a shorter period.

Telecommunication Licenses, Goodwill and Other Intangible Assets

VimpelCom has primarily acquired identifiable intangible assets through its acquisition of interests in various enterprises. Intangible assets consist primarily of telecommunication licenses, customer relationships, telephone line capacity, trademarks, goodwill and other intangible assets. VimpelCom capitalizes payments made to third party suppliers to acquire and renew telecommunication licenses, as well as access to and for use of telephone lines (telephone line capacity). Telephone line capacity is accounted for as intangible assets and is amortized on a straight-line basis over a period of useful life but not to exceed ten years. Telecommunication licenses are amortized on a straight-line basis within the estimated useful lives determined based on management's estimation of future economic benefits from these licenses. Customer relationships are amortized using pattern of consumption of economic benefit associated with them. Other intangible assets are amortized on a straight-line basis over their estimated useful lives, generally from four to ten years. In accordance with ASC 350-10, Intangibles – Goodwill and Other – Overall, VimpelCom continues to evaluate the amortization period for intangible assets with finite lives to determine whether events or circumstances warrant revised amortization periods.

For business combinations that occurred before December 31, 2008, goodwill represents the excess of consideration transferred over the fair value of the net assets acquired. For business combinations that occurred after December 31, 2008, goodwill represents the excess of consideration transferred, non-controlling interest and acquirer's previously held equity interest in the acquiree, measured at fair value on the acquisition date, over the fair values of the identifiable net assets acquired. Goodwill is not amortized, but tested for impairment at least annually. Additionally, goodwill is tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of an entity below its carrying value. These events or circumstances would include, but are not limited to, a significant change in the business climate, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of the business or other factors.

Goodwill impairment is evaluated using a two-step process. The first step involves a comparison of the estimated fair value of each of the Company's reporting units to its carrying values, including goodwill. In performing the first step, the Company determines the fair value of a reporting unit in accordance with ASC 820, *Fair Value Measurements and Disclosures*, using an income approach. When available and as appropriate, the Company uses comparative market multiples to corroborate discounted cash flows results. Determining fair value based on the income approach is based on the present value of estimated future cash flows from a market participant perspective, discounted at an appropriate risk-adjusted rate. The cash flows employed in the DCF analyses are based on the most recent views of the medium and long-term outlook for each reporting unit considering market development, penetration and competitive environment in each geographic location and sub sector (fixed line, internet and mobile segments). The discount rates used in the DCF analyses are intended to commensurate with the risks and uncertainty inherent in the respective businesses forecasts. The Company derives its discount rates by applying the capital asset pricing model (i.e., to estimate the cost of equity financing) and analyzing published rates for industries relevant to our reporting units (including public information about risks premiums, cost of debt as well as debt-to-equity structure).

If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired and the second step of the impairment test is not necessary. If the carrying amount of a reporting unit exceeds its estimated fair value, then the second step of the goodwill impairment test must be performed. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with its goodwill carrying amount to measure the amount of impairment, if any. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. In other words, the estimated fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the consideration transferred. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment is recognized in an amount equal to that excess.

Accounting for Assets Retirement Obligations

VimpelCom has certain legal obligations related to rented sites for base stations, which fall within the scope of ASC 410-20, Asset Retirement and Environmental Obligations – Asset Retirement Obligations. These legal obligations include obligations to remediate leased land and other locations on which base stations are located (*Note 14*).

Derivative Instruments and Hedging Activities

ASC 815-10, Derivatives and Hedging, requires companies to recognize all of their derivative instruments as either assets or liabilities in the consolidated balance sheet at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. The Company has not designated any of its derivative contracts as hedges, therefore all changes in the fair values of derivatives are reflected in the accompanying statements of income as other income/(expense) and net foreign exchange (loss)/gain items (*Note 7*).

Short-term deposits

Short-term deposits represent bank deposits carried at amounts of cash deposited with maturity dates within the twelve months ended December 31, 2011 except of deposits with an original maturity of 3 months or less at the time of purchase. Deposits can be withdrawn prior to the contractual maturity date. In case of early withdrawal interest rate will be decreased. As of December 31, 2010, the short-term deposits were recorded in other current assets in the amount of US$34,305.

Long-term deposits

Long-term deposits represent bank deposits carried at amounts of cash deposited with maturity dates after December 31, 2011. Deposits can be withdrawn prior to the contractual maturity date. In case of early withdrawal interest rate will be decreased. As of December 31, 2010, the long-term deposits were recorded in other non current assets in the amount of US$1,506.

Loans Receivable

Loans receivable are stated at the principal amount outstanding plus interest receivable accrued, adjusted for the allowance for loan losses, which are reflected in other assets.

Revenue Recognition

VimpelCom generates revenues from providing voice, data and other telecommunication services through a range of wireless, fixed and broadband internet services, as well as selling equipment and accessories. Service revenues include revenues from airtime charges from contract and prepaid subscribers, monthly contract fees, interconnect revenue, roaming charges and charges for value added services ("**VAS**"). Interconnect revenue is generated when the Company receives traffic from mobile or fixed subscribers of other operators and that traffic terminates on VimpelCom's network. Roaming revenues include both revenues from VimpelCom customers who roam outside of their home country network and revenues from other wireless carriers for roaming by their customers on VimpelCom's network. VAS includes short messages ("**SMS**"), multimedia messages ("**MMS**"),

caller number identification, call waiting, data transmission, mobile Internet, downloadable content and other services. The content revenue relating to VAS is presented net of related costs when the Company acts as an agent of the content providers. VimpelCom charges subscribers a fixed monthly fee for the use of the service, which is recognized as revenue in the respective month.

Service revenue is generally recognized when the services (including VAS and roaming revenue) are rendered. Prepaid cards, used as a method of cash collection, are accounted for as customer advances for future services. Prepaid cards do not have expiration dates but are subject to statutory expiration periods, and unused balances are added to service revenue when cards expire. Also, VimpelCom uses E-commerce systems, retail offices and agent locations as channels for receiving customer payments. Revenues from mobile equipment sales, such as handsets, are recognized in the period in which the equipment is sold.

Revenue from Internet services is measured primarily by monthly fees and internet-traffic volume which has not been included in monthly fees. Revenue from service contracts is accounted for when the services are provided. Payments from customers for fixed-line equipment are not recognized as revenue until installation and testing of such equipment are completed and accepted by the customer. Domestic Long Distance/International Long Distance ("**DLD/ILD**") and zonal revenues are recorded gross or net depending on the contractual arrangements with the end-users. The Company recognizes DLD/ILD and zonal revenues from local operators net of payments to these operators for interconnection and agency fees when local operators establish end-user tariffs and assume credit risk.

Revenues are stated net of value-added tax and sales tax charged to customers.

In accordance with the provisions of ASC 605-10-S25-3, Revenue Recognition-Overall-SEC Recognition-Delivery and Performance, VimpelCom defers upfront telecommunications connection fees. The deferral of revenue is recognized over the estimated average subscriber life, which is from 15 to 30 months for mobile subscribers and from 4 to 9.5 years for fixed line subscribers. The Company also defers direct incremental costs related to connection fees for fixed line subscribers, in an amount not exceeding the revenue deferred.

Advertising

VimpelCom expenses the cost of advertising as incurred. Advertising expense for the years ended December 31, 2010, 2009 and 2008 was US$199,170, US$157,808 and US$345,888, respectively.

Rent

VimpelCom leases office space and the land and premises where telecommunications equipment is installed. Operating lease agreements for premises where telecommunications equipment is installed typically contain automatic year-by-year renewal provisions which stipulate renewal to the extent that neither party indicates otherwise, our experience to date indicates that renewal rates are in excess of 99%. Rental agreements do not include contingent or escalation clauses based on operations.

Rent expense under all operating leases and rental contracts in 2010, 2009 and 2008 was US$449,013, US$363,884 and US$370,533, respectively.

Government Pension Fund

VimpelCom contributes to the state pension funds in the Russian Federation, Kazakhstan, Ukraine, Tajikistan, Uzbekistan, Kyrgyzstan and Armenia on behalf of its employees, contributions are expensed as incurred. Total contributions for the years ended December 31, 2010, 2009 and 2008 were US$65,060, US$44,670 and US$58,010, respectively.

Borrowing Costs

Borrowing costs include interest incurred on existing indebtedness and debt issuance costs. Interest costs associated with assets that require a period of time to get them ready for their intended use are capitalized and amortized over the related assets' estimated useful lives. VimpelCom capitalized interest in the cost of long lived assets in the amount of US$30,993, US$39,952 and US$43,939 in 2010, 2009 and 2008, respectively. Debt issuance costs are capitalized and amortized over the term of the respective borrowings using the effective interest method.

Interest income

The Company earns interest income from deposits in banks and from granting loans. Interest income is calculated and recognized based on applied interest rate and the amount deposited as well as principal amount of loan granted.

Income Taxes

VimpelCom computes and records income tax in accordance with ASC 740, Income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is recognized for deferred tax assets when it is considered more likely than not that the asset will not be recovered.

VimpelCom's policy is to recognize fines/penalties and interest related to income tax matters in accordance with ASC 740-10, Income taxes – Overall in income tax expense.

Concentration of Credit Risk

Trade accounts receivable consist of amounts due from subscribers for airtime usage and amounts due from dealers and subscribers for equipment sales. In certain circumstances, VimpelCom requires deposits as collateral for airtime usage. In addition, VimpelCom has introduced a prepaid service GSM network. Equipment sales are typically paid in advance of delivery, except for equipment sold to dealers on credit terms. VimpelCom's credit risk arising from its trade accounts receivable from subscribers is mitigated due to the large number of its active subscribers (subscribers in the registered subscriber base who were a party to a revenue generating activity in the past three months and remain in the base at the end of the reported period), of which approximately 94% subscribed to a prepaid service as of December 31, 2010 and, accordingly, do not give rise to credit risk. VimpelCom's credit risk arising from its trade accounts receivable from dealers is mitigated due to the large number of dealers. Management periodically reviews the history of payments and credit worthiness of the dealers. The Company also has receivables from other local and international operators from interconnect and roaming services provided to their customers, as well as receivables from customers using fixed-line services, such as business services, wholesale services and services to residents. Receivables from other operators for roaming services are settled through clearing houses.

VimpelCom holds available cash in bank accounts with financial institutions in countries of its operations. To manage credit risk associated with such cash holdings, VimpelCom allocates its available cash to a variety of local banks and local affiliates of international banks within the limits set forth by its treasury policy. Management periodically reviews the credit worthiness of the banks in which it deposits cash.

VAT is recoverable from the tax authorities via offset against VAT payable to the tax authorities on VimpelCom's revenue or direct cash receipts from the tax authorities. Management periodically reviews the recoverability of the balance of input value added tax and believes it is fully recoverable.

VimpelCom issues advances to a variety of vendors of property and equipment for its network development. The contractual arrangements with the most significant vendors provide for equipment financing in respect of certain deliveries of equipment (*Note 15*). VimpelCom periodically reviews the financial position of vendors and their compliance with the contract terms.

Accumulated Other Comprehensive Income

ASC 220, Comprehensive income, requires the reporting of comprehensive income in addition to net income. Comprehensive income is a more inclusive financial reporting methodology that includes the effects of all other non-shareholder changes in net assets.

Stock-Based Compensation

VimpelCom accounts for stock-based compensation plans in accordance with ASC 718-10, Compensation – Stock Compensation – Overall. Under ASC 718-10, companies must calculate and record the cost of equity instruments, such as stock options or restricted stock, awarded to employees for services received in the income statement. The cost of the equity instruments is to be measured based on the fair value of the instruments on the date they are granted (with certain exceptions) and is required to be recognized over the period during which the employees are required to provide services in exchange for the equity instruments.

The Company also has stock-based compensation in a form of cash settled stock appreciation rights ("**SARs**"). The cost of these instruments which are recorded as liabilities is remeasured based on fair value of the instruments on each reporting date and is required to be recognized over the period during which the employees are required to provide services in exchange for the equity-based compensation.

On December 24, 2008, VimpelCom modified its stock-based compensation programs (except for "phantom" plans and SARs). The modification required the programs to have equity classification, rather than liability classification. The modification was applied to all the options outstanding as of the modification date. In determination of fair value VimpelCom considered historical data on estimated life of the options, forfeiture rates and volatility since from employee's standpoint no changes to the amount of award were proposed. The historical stock based compensation provision accrued at the modification date in the amount of US$12,030 was reclassified from liability to equity and no gain or loss was recognized as of the modification date.

Government Regulations

The Company is subject to governmental regulation of tariffs in its Armenian fixed line business of its direct wholly owned subsidiary CJSC "ArmenTel". The Company has the right to seek tariff adjustments at the retail and wholesale level based on costs incurred. Governmental authorization of tariff adjustments is only necessary for those services that are under Governmental control.

The Company is subject to governmental control over tariffs in its Kazakhstan mobile telecom business of its consolidated subsidiary KaR-Tel Limited Liability Partnership ("**KaR-Tel"**), which is recognized as an entity having dominant position on the Kazakhstan market of mobile telecom. The Company has the right to make tariff adjustments, but is required by law to notify the antimonopoly state body of any increase of its tariffs and to justify the adjustments. The antimonopoly body is required to carry out an examination of tariff adjustments, on which it has been notified, and subject to results of such examination is empowered to prohibit increase of the tariffs.

No assets or liabilities have been recorded in the accompanying financial statements to recognize the effects of possible regulatory assets or liabilities, as allowed under ASC 980, Regulated Operations.

Litigation Accrual

VimpelCom is party to various legal and regulatory proceedings in the normal course of business with respect to certain matters. Except as described in *Note 24* VimpelCom does not believe that any legal or regulatory proceedings to which it is a party could have a material adverse impact on its business or prospects. VimpelCom evaluates the likelihood of an unfavorable outcome of the legal or regulatory proceedings to which it is a party in accordance with ASC 450, Contingencies and ASC 855-10-S99-2, Subsequent events – Overall – SEC Materials – Issuance of Financial Statements. These judgments are subjective based on the status of the legal or regulatory proceedings, the merits of its defenses and consultation with in-house and external legal counsel. The actual outcomes of these proceedings may differ from the Company's judgments.

Treasury stock

The Company accounts its own shares held by the Company as treasury stock – a separate item of equity in the accompanying consolidated balance sheet.

Recent Accounting Pronouncements

In June 2009, the FASB issued amendments to ASC 810-10, Consolidation-Overall. These amendments require an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. This statement is effective for both interim and annual periods as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009. The adoption of this statement required VimpelCom to consolidate LLC Sky Mobile ("**Sky Mobile**") as a variable interest entity starting January 1, 2010 (*Note 3*).

In October 2009, FASB issued ASU 2009-13, Revenue Recognition, codified in ASC 605-25, Revenue Recognition – Multiple Element Arrangement. ASU 2009-13 eliminates the use of the residual method of allocation and requires use of the relative-selling price method. ASU 2009-13 expands the disclosures required for multiple-element revenue arrangements. ASU 2009-13 is effective for both interim and annual periods as of

the beginning of reporting entity's first annual reporting period that begins after June 15, 2010 with earlier application permitted for full annual periods. VimpelCom adopted ASU 2009-13 since the January 1, 2010 by means of prospective application of its provisions. No changes in the units of accounting occurred as a result of the adoption of ASU 2009-13, no material changes in the pattern and timing of revenue recognition took place. The Company uses vendor specific evidence of selling price (VSOE), third-party evidence of selling price (TPE), or best estimate of selling price, as the basis for allocation of multiple element arrangement's considerations. The adoption of the ASU 2009-13 has not materially affected the financial statements in the period after the initial adoption, as the fair value of elements from multiple arrangements approximate their VSOE values and revenue from multiple arrangements is not significant.

In January 2010, FASB issued ASU 2010-02, Accounting and Reporting for Decreases in Ownership of a Subsidiary – a Scope Clarification. This update provides amendments to ASC 810-10, Consolidation – Overall to clarify the scope of the decrease in ownership provisions of ASC 810-10 and related guidance. ASU 2010-02 also clarifies that the decrease in ownership guidance does not apply to certain transactions even if they involve businesses. ASU 2010-02 expands the disclosures required for a business combinations achieved in stages and deconsolidation activity within the scope of ASC 810-10. ASU 2010-02 is effective for both interim and annual periods ending on or after December 15, 2009. The amendments are to be applied retrospectively to the first period that an entity adopted ASU 810-10, Consolidation – Overall. The adoption of this statement did not have an impact on VimpelCom's financial position, results of operations and disclosures relative to noncontrolling interests.

In January 2010, FASB issued ASU 2010-06, Improving Disclosures about Fair Value Measurements, an amendment of ASC 820, Fair Value Measurements and Disclosures. ASU 2010-06 requires additional disclosures regarding assets and liabilities that are transferred between levels of the fair value hierarchy. ASU 2010-06 clarifies guidance pertaining to the level of disaggregation at which fair value disclosures should be made and the requirements to disclose information about the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the requirement to separately disclosure purchases, sales, issuances, and settlements in the Level 3 rollforward, which becomes effective for fiscal years (and for interim periods within those fiscal years) beginning after December 15, 2010. The adoption of this statement expanded VimpelCom's disclosures relative to fair value measurements (Note 7).

In July 2010, FASB issued ASU 2010-20, Disclosure about credit quality of financing receivables and the allowances for credit losses, an amendment of ASC 310, Receivables. The ASU requires to provide extensive new disclosures about financing receivables, including credit risk exposures and the allowance for credit losses. Among other things are: a rollforward of the allowance for credit losses, credit quality information such as credit risk scores or external credit agency ratings, impaired loan information, modification information, nonaccrual and past due information. ASU 2010-20 is effective for interim and annual reporting periods ending on or after 15 December 2010. The adoption of this statement expanded VimpelCom's disclosures relative to long-term loans granted (Note 7).

In December 2010, FASB issued ASU 2010-28, when to perform Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts, an amendment of ASC 350, Intangibles – Goodwill and Other. The FASB concluded that when a reporting unit has a zero or a negative carrying amount and there are qualitative factors such as those in ASC 350 that indicate it is more likely than not that goodwill is impaired, it would be required to perform Step 2 of the impairment test that could affect financial statements by recognizing early goodwill impairment. ASU 2010-28 is effective for fiscal years, and interim periods within those years, beginning after 15 December 2010. The adoption of the amendment as of December 31, 2010 will not affect VimpelCom's financial statements.

In December 2010, FASB issued ASU 2010-29, Disclosure of supplementary pro forma information for business combinations, an amendment of ASC 805, Business Combinations. ASU 2010-29 specify that if a public entity presents comparative financial statements, revenue and earnings of the combined entity should be disclosed as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments in the ASU also expand the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. ASU 2010-29 is effective for business combinations consummated in fiscal years beginning on or after 15 December 2010. The adoption of this statement will affect VimpelCom's disclosures relative to business combinations occurring starting January 1, 2011.

3. Business Combinations and Purchases of Noncontrolling Interests

Kyivstar

On April 21, 2010, VimpelCom Holdings B.V. acquired 100% ownership interest in Kyivstar from the affiliates of Altimo and the affiliates of Telenor ASA in exchange for 301,653,080 VimpelCom Ltd common shares.

The reason for the acquisition was that management believed that it would be value creative and in the best interests of the Company's stakeholders.

The acquisition of Kyivstar by VimpelCom Holdings B.V. is accounted for as a business combination under the "acquisition method," as defined by ASC 805. The acquisition method requires the cost of the purchase to be based on the fair value of the consideration on the acquisition date.

The purchase price consideration was US$5,595,665, which was calculated based on the market value of OJSC VimpelCom shares on April 21, 2010 (US$18.55 per share).

The fair values of consolidated identifiable assets and liabilities of Kyivstar as of April 21, 2010, were as follows:

	As of April 21, 2010
Cash and cash equivalents	$ 167,177
Other current assets	206,430
Property and equipment	954,098
Licenses (5 years weighted average remaining useful life)	129,887
Customer Relationships (13 years weighted average remaining useful life)	815,763
Other intangible assets (15 years weighted average remaining useful life)	176,545
Software (2 years weighted average remaining useful life)	181,588
Goodwill	3,442,842
Other non-current assets	29,970
Total assets acquired	**6,104,300**
Current liabilities	159,814
Long-term liabilities	348,821
Total liabilities assumed	**508,635**
Total acquisition price	**$5,595,665**

The excess of the purchase consideration over the fair value of the identifiable net assets of Kyivstar amounted to US$ 3,442,842 and was recorded as goodwill. The goodwill was assigned to the Ukraine reportable segment and is expected to be realized from the potential of Ukrainian telecommunication market development in the future as well as synergies with VimpelCom's operations in Ukraine prior to the acquisition. This goodwill is not deductible for tax purposes. The direct transaction costs incurred in the transactions were treated as expenses under ASC 805 with no impact on goodwill.

The results of operations of Kyivstar were included in the accompanying consolidated financial statements from the acquisition date of April 21, 2010. Net operating revenue, operating income and net income attributable to VimpelCom of Kyivstar, before eliminating intercompany transactions, for the period from April 21, 2010 to December 31, 2010 were US$1,019,693, US$197,395 and US$219,594 in the accompanying consolidated statement of income.

Sky Mobile

On February 13, 2008, VimpelCom advanced to Crowell Investments Limited (**"Crowell"**), under a loan agreement as of February 11, 2008 (the **"Crowell Loan Agreement"**), a loan in the principal amount of US$350,000 and at the interest rate of 10%. The loan was secured by 25% of the shares of Limnotex Developments Limited (**"Limnotex"**).

The Crowell Loan Agreement was entered into after Crowell acquired the entire issued share capital of Menacrest Limited ("**Menacrest**"), which is the parent company of Sky Mobile, a mobile operator in

Kyrgyzstan, holding GSM and 3G licenses to operate over the entire territory of Kyrgyzstan *(Note 23).* Crowell granted the Company two call options (the "**Call Option Agreement**") over the entire issued share capital of Menacrest.

On May 29, 2009, VimpelCom agreed to amend the Crowell Loan Agreement in that the term of the loan facility was extended until February 11, 2014 and interest rate has been changed to be a fixed amount per annum starting from the effective date of the amendment. Also, the security interest granted by Crowell to VimpelCom over 25% of the shares of Limnotex was replaced by a security interest over 100% of the shares of Menacrest.

In accordance with ASC 810-10, Consolidation – Overall, VimpelCom analyzed these agreements to determine if the entities that are party to them were variable interest entities ("**VIE**") on both quantitative and qualitative basis. The Company concluded that Sky Mobile is a VIE. The Company did not consolidate Sky Mobile in 2008 and 2009 as they failed to meet the quantitative requirements of ASC 810-10 to be the primary beneficiary.

As a result of the adoption of FASB Statement No.167, an amendment of ASC 810-10, starting January 1, 2010 (*Note 1*) VimpelCom was considered the primary beneficiary of Sky Mobile because VimpelCom: (1) had the power to direct matters that most significantly impact the activities of the VIE through a management agreement ("**Management Agreement**") arranged between KaR-Tel Limited Liability Partnership ("**KaR-Tel"**), a consolidated subsidiary of VimpelCom, and Sky Mobile, and (2) had the right to receive benefits of the VIE that could potentially be significant to the VIE. The right was achieved through the price mechanism of the Call Option Agreement and through the agreement that all dividends declared and distributed by Sky Mobile and Menacrest should be transferred directly to VimpelCom as settlement of the outstanding loan and interest accrued due from Crowell.

The consolidation of Sky Mobile was accounted for as a business combination under ASC 805, Business Combinations. As the Company did not initially own any shares in Sky Mobile for the period from January 1, 2010 to October 19, 2010 all the equity of Sky Mobile for that period was classified as noncontrolling interest.

Under ASC 810-10, VimpelCom is required to initially measure the assets, liabilities and noncontrolling interest in Sky Mobile at their carrying amounts as of January 1, 2010. These carrying amounts are the amounts at which the assets, liabilities and noncontrolling interest would have been carried in the consolidated financial statements of VimpelCom if the amended standard had been effective at the date when VimpelCom first met the conditions to be the primary beneficiary under the amended standard, and the fair values of the assets, liabilities and noncontrolling interest of Sky Mobile had been initially measured at such a date. VimpelCom has determined that such a date was March 28, 2008, which was the date that the Management Agreement was concluded.

The values of consolidated identifiable assets and liabilities of Sky Mobile as of January 1, 2010, the date VimpelCom initially consolidated Sky Mobile due to the application of requirements of ASC 810-10 (*Note 1*), were as follows:

	As of the Effective Date of Consolidation
Cash and cash equivalents	$ 4,702
Other current assets	26,358
Property and equipment (5 years weighted average remaining useful life)	81,582
Licenses (6 years weighted average remaining useful life)	11,894
Other intangible assets	38,957
Goodwill	289,955
Other non-current assets	4,557
Total assets acquired	458,005
Current liabilities	(25,178)
Long-term liabilities	(7,520)
Total liabilities	(32,698)
Noncontrolling interest	$(425,307)

The recognized goodwill is expected to be realized from the potential of Kyrgyzstan telecommunication market development.

The fair value of non-controlling interest acquired was based on fair value of the entire business of Sky mobile acquired.

The results of operations of Sky Mobile were included in the accompanying consolidated statement of income from the effective consolidation date of January 1, 2010, as required by ASC 810-10.

On October 20, 2010, the Company exercised the first call option to acquire 50.1% of the issued share capital of Menacrest. The remaining 49.9% of Menacrest is owned by Crowell. On the same date the pledge over 100% of Menacrest shares was released by the Company and Management Agreement terminated.

The consideration for the 50.1% share capital of Menacrest was US$150,300, which has been set off against part of the debt of Crowell to the Company under the Crowell Loan Agreement. Additionally, as part of this transaction, the Company assumed long-term liabilities of US $53,957. The transaction was accounted for as an equity transaction with additional liabilities assumed. The difference between the fair value of loan forgiven and the carrying value of the non-controlling interest is recorded as a credit to additional paid in capital in the amount of US$25,060 and increase in accumulated other comprehensive loss in the amount of US$11,351.

The amount of revenue and net income attributable to VimpelCom of Sky Mobile since the acquisition date included in the consolidated statement for the year ended December 31, 2010 were US$112,900 and US$1,000, respectively.

The following unaudited pro forma combined results of operations for VimpelCom give effect to the Kyivstar and Sky Mobile business combination as if they had occurred on January 1, 2009. These pro forma amounts are provided for informational purposes only and do not purport to present the results of operations of VimpelCom had the transactions assumed therein occurred on or as of the date indicated, nor is it necessarily indicative of the results of operations which may be achieved in the future.

Unaudited	Year ended December 31, 2010	Year ended December 31, 2009
Pro forma total operating revenues	**$10,891,052**	$10,177,151
Pro forma net income attributable to VimpelCom	**1,694,993**	1,363,421

Foratec

On July 29, 2010, VimpelCom acquired 100% of the share capital of Closed Joint Stock Company Foratec Communication ("**Foratec**"), one of the leading alternative fixed-line providers in Urals region of Russia. The primary reason for the acquisition of Foratec was enhancing VimpelCom presence in Ural Region, including business services market. The total value of the transaction amounted to RUR1,120 million (the equivalent to US$37,096 as of July 29, 2010). The acquisition was recorded under the purchase method of accounting. The fair value of acquired identifiable net assets of Foratec amounted to US$13,381. The excess of the acquisition cost over the fair market value of the identifiable net assets amounted to US$23,715. This amount was recorded as goodwill, was mainly assigned to the Russia fixed reporting unit and is subject to annual impairment tests. The recognized goodwill is expected to be realized primarily from the synergies of combining of VimpelCom's and Foratec's regional operations.

Tacom

On July 30, 2010, VimpelCom increased its ownership interest in Limited Liability Company Tacom, a consolidated Tajikistan subsidiary of VimpelCom, from 80% to 90% by acquiring an additional 10% ownership interest for a total cash consideration of US$10,300. The transaction was accounted for as a decrease in noncontrolling interest and an increase in additional paid-in capital.

LLC Golden Telecom (Ukraine)

On December 30, 2009, VimpelCom increased its ownership interest in LLC Golden Telecom, a consolidated Ukrainian subsidiary of VimpelCom, from 80% to 100% by acquiring the 20% ownership interest it did not already own for a total cash consideration of US$18,200. The transaction was accounted for as a decrease in noncontrolling interest and an increase in additional paid-in capital.

4. Consolidated Variable Interest Entities

Sotelco

On July 16, 2008, VimpelCom through Ararima acquired an indirect 90% voting and economic interest in the Cambodian company Sotelco Ltd. ("**Sotelco**"), which holds a GSM 900/1800 license and related frequencies for the territory of Cambodia. The transaction was made through the purchase of 90% of Sotelco's parent company, Atlas Trade Limited (BVI) ("Atlas"), for US$28,000 from Altimo. The remaining 10% of Atlas are owned by a local partner, a Cambodian entrepreneur. VimpelCom has also acquired a call option to purchase the 10% interest of the local partner. The acquisition of Sotelco was accounted for as an asset acquisition of the telecom license. On acquisition, the Company allocated approximately US$41,646 to license, US$8,329 to deferred tax liability and US$5,100 to noncontrolling interest.

On May 18, 2009, Sotelco launched its mobile operations in Cambodia under VimpelCom's "Beeline" brand.

Based on analysis performed, management concluded that Sotelco is a variable interest entity (VIE) and that VimpelCom should consolidate these entity under the guidance of ASC 810-10.

VimpelCom is the primary beneficiary of Sotelco because it: (1) has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance – VimpelCom has 90% voting shares in Sotelco therefore VimpelCom has the power to direct the activates of the Sotelco that mostly significant to the entity's economic performance, and (2) has the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. Future development of Sotelco will be fully dependent upon VimpelCom's ability to finance it or guarantee the borrowings. The minority shareholder risk is limited by the price to be paid under option agreement. Per the agreement, the call option exercise price is determined at the fair value of the non-controlling interest.

The magnitude of Sotelco's impact on VimpelCom's financial position and performance may be illustrated by the following. As of December 31, 2010, the carrying amounts of Sotelco current assets and non-current assets were US$20,142 and US$139,816, and short-term liabilities and long-term liabilities were US$18,064 and US$184,719, respectively, before eliminating intercompany balances, in the accompanying consolidated balance sheet. Also, net operating revenue, operating loss and net loss attributable to VimpelCom of Sotelco, before eliminating intercompany transactions, for year ended December 31, 2010 were US$21,840, US$37,692 and US$47,025, respectively, in the accompanying consolidated statement of income. Sotelco mainly generates cash outflows for investing activities as well as negative operating cash flows.

VIP Finance Ireland Limited

VIP Finance Ireland Limited ("**VIP Finance**") was incorporated in Ireland as a private company with limited liability. The principal shareholder of VIP Finance is the Deutsche International Finance (Ireland) Limited. All shares are held under the terms of declarations of trust under which the relevant share trustee holds the issued shares on trust for a charity.

VIP Finance was established for the purpose of issuing asset backed securities, specifically to raise capital by the issue of debt securities and to use an amount equal to the proceeds of each such issuance to grant loans to VimpelCom.

The information on VIP Finance eurobonds issuance for the purpose of granting loans to VimpelCom may be found in Notes 15 and 24.

VIP Finance charges by way of security to BNY Corporate Trustee Services Limited, as trustee, its rights to principal, premium (if any), interest and additional amount (if any) under each of the loan agreements with VimpelCom (Notes 15, 24), other than certain reserved rights, as well as certain sums held in an account of VIP Finance relating to such loan agreement, and transfers certain of its administrative rights under each of the loan agreements to the Trustee upon the closing of the offering of the notes for the benefit of the holders of the relevant notes. The loans rank equal in right of payment with VimpelCom's other outstanding unsecured and unsubordinated indebtedness.

VIP Finance is only to be obligated to make payments of principal, premium (if any), interest and additional amounts (if any) to noteholders to the extent that VimpelCom makes payments to the VIP Finance's account of all principal, premium (if any) interest and additional amounts (if any) under the terms of the relevant loan agreements.

The Directors of VIP Finance expect that the present level of activity will be sustained for the foreseeable future.

VimpelCom has the power to direct the activities that most significantly impact the VIP Finance' economic performance and has the obligation to absorb losses associated with the possible default with respect to principal and interest payments on notes.

In accordance with ASC 810-10-25-38, VimpelCom consolidates VIP Finance as it is the primary beneficiary of VIP Finance.

There is no significant impact of VIP Finance consolidation on VimpelCom's financial position and performance, as well as on VimpelCom cash flows.

5. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31:

	2010	2009
US dollars	**$277,132**	$ 919,739
Russian rubles	**303,420**	361,344
Ukrainian Hryivna	**177,016**	3,952
Kazakhstan Tenge	**37,110**	37,391
Uzbekistan Sum	**34,453**	98,384
EURO	**17,222**	19,646
Armenian Dram	**2,741**	5,234
Other currencies	**2,289**	1,259
Total cash and cash equivalents	**$851,383**	$1,446,949

6. Derivative instruments

VimpelCom uses derivative instruments, including swaps, forward contracts and options to manage certain foreign currency and interest rate exposures. The Company views derivative instruments as risk management tools and does not use them for trading or speculative purposes. Derivatives are considered to be economic hedges, however all derivatives are accounted for on a fair value basis and the changes in fair value are recorded in the statement of income. Cash flows from derivative instruments are reported in operating activities section in the statement of cash flows. As described in Note 2, the Company adopted ASC 820-10, Fair Value Measurements and Disclosures – Overall on January 1, 2008. ASC 820-10, among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis.

ASC 820-10 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820-10 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company measures the fair value of derivatives on a recurring basis, using observable inputs (Level 2), such as LIBOR floating rates, which were 0.49781% and 0.28219% as of October 25, 2010 and December 31, 2009, respectively, using income approach with present value techniques.

The following table represents VimpelCom's derivatives as of December 31, 2010 and for the years ended December 31, 2010 and 2009:

Derivatives not designated as hedging instruments under ASC 815-10	Location of gain/(loss) recognized in income on derivative	For the year ended December 31, 2010	For the year ended December 31, 2009	For the year ended December 31, 2008
Interest rate exchange contracts	Other income/ (expense)	**$(444)**	$ (1,792)	$ (5,493)
	Interest expense	**–**	–	(3,153)
Foreign exchange contracts	Net foreign exchange (loss)/gain	**–**	(35,996)	120,102
Total derivatives not designated as hedging instruments under ASC 815-10		**$(444)**	$(37,788)	$111,456

	As of December 31, 2010		As of December 31, 2009	
	Liability derivatives		Liability derivatives	
Derivatives not designated as hedging instruments under ASC 815-10	Balance sheet location	Fair value	Balance sheet location	Fair value
Interest rate exchange contracts	Accrued liabilities	$–	Accrued liabilities	$1,163
Interest rate exchange contracts	Other non-current liabilities	–	Other non-current liabilities	3,961
Total derivatives not designated as hedging instruments under ASC 815-10		$–		$5,124

The disclosure of derivatives fair value is also provided in *Note 7*.

On October 27, 2007, Sovintel entered into a three-year Interest Rate Swap agreement with Citibank, N.A. London Branch, to reduce the volatility of cash flows in the interest payments for variable-rate debt in the amount of US$225,000. Pursuant to the agreement, Sovintel exchanged interest payments on a regular basis and paid a fixed rate equal to 4.355% in the event LIBOR floating rate is not greater than 5.4%, and otherwise Sovintel paid LIBOR floating rate. As of October 25, 2010, Sovintel fully exercised a SWAP under its Interest Rate SWAP agreement with Citibank.

On March 5, 2008, VimpelCom entered into an option agreement (zero-cost collar) with Deutsche Bank and received a right to purchase US dollars in the amount of US$643,620 for Russian rubles at a rate not higher than 26.84 Russian rubles per one US dollar in exchange for granting to Deutsche Bank a right to sell the same amount of US dollars to VimpelCom at a rate not lower than 23.50 Russian rubles per one US dollar. Options were exercisable at various dates ranging from August 2008 to March 2009 and were fully exercised as of March 31, 2009.

On October 3, 2008, VimpelCom entered into an option agreement (zero-cost collar) with Vneshtorgbank ("**VTB**") and received a right to purchase US dollars in the amount of US$851,813 for Russian rubles at a rate not higher than 33.15 Russian rubles per one US dollar in exchange for the granting to VTB a right to sell the same amount of US dollars to VimpelCom at rate not lower than 24.90 Russian rubles per one US dollar. Options were exercisable at various dates ranging from April 2009 to September 2009 and were fully exercised as of September 30, 2009.

In March 2009, VimpelCom entered into a series of forward agreements with BNP Paribas and Citibank to acquire US dollars in the amounts of US$101,134 and US$65,558, respectively, at rates ranging from 38.32 to 39.72 Russian rubles per one US dollar, to hedge its short-term US dollar-denominated liabilities due in the fourth quarter of 2009. These forward agreements were fully exercised as of December 31, 2009.

7. Fair Value of Financial Instruments

VimpelCom measures financial assets and financial liabilities at fair value on a recurring basis.

The following table provides the disclosure of fair value measurements separately for each major category of assets and liabilities measured at fair value.

	Fair Value Measurements as of December 31, 2010 Using				Fair Value Measurements as of December 31, 2009 Using			
Description	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total as of December 31, 2010	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total as of December 31, 2009
Interest rate exchange contracts	$–	$–	$–	$–	$–	$5,124	$–	$5,124
Total liabilities	$–	$–	$–	$–	$–	$5,124	$–	$5,124

As of December 31, 2010 and December 31, 2009, the fair value of fixed rate bank loans (based on future cash flows discounted at current market rates) was as follows:

	December 31, 2010		December 31, 2009	
	Carrying value	Fair value	Carrying value	Fair value
Loans payable				
Eurobonds	**$1,800,647**	**$2,029,085**	$1,800,647	$1,946,126
US$3,500 million Loan Facility	**–**	**–**	1,170,000	1,145,071
UBS (Luxemburg) S. A.	**784,764**	**859,792**	1,063,264	1,111,915
Sberbank	**1,427,495**	**1,434,188**	1,436,555	1,458,612
EUR600 million Loan Facility	**–**	**–**	632,371	636,793
Ruble Bonds	**1,314,719**	**1,389,991**	661,284	733,609
US$275 million Loan Facility	**–**	**–**	190,410	188,001
Loans receivable				
Crowell	**231,431**	**195,411**	401,737	324,652

These loans payable are recorded in long term debt except current portion, which is recorded in short term debt.

The loan granted to Crowell is recorded in other non-current assets.

The fair value of bank financing, equipment financing contracts and other financial instruments not included in the table above approximates carrying value.

The fair market value of financial instruments, including cash and cash equivalents, which are included in current assets and liabilities, accounts receivable and accounts payable approximates the carrying value of these items due to the short term nature of these amounts.

8. Property and Equipment

Property and equipment, at cost, consisted of the following at December 31:

	2010	2009
Telecommunications equipment	$ 8,710,281	$ 7,206,446
Land, buildings and constructions	586,663	335,675
Office and measuring equipment	948,869	769,097
Other equipment	399.774	370,192
	10,645,587	8,681,410
Accumulated depreciation	(5,026,736)	(3,730,395)
Equipment not installed and assets under construction	1,314,225	610,554
Total property and equipment, net	$ 6,933,076	$ 5,561,569

9. Telecommunications Licenses and Other Intangible Assets

Telecommunications licenses acquired directly by VimpelCom were initially recorded at cost. Telecommunications licenses acquired in business combinations were initially recorded at their fair value as of the acquisition date.

The total gross carrying value and accumulated amortization of VimpelCom's telecommunications licenses as of December 31, 2010 and 2009 were as follows:

	2010	2009
Telecommunications licenses, at cost	$1,414,897	$1,240,201
Accumulated amortization	(851,966)	(697,604)
Total telecommunications licenses, net	$ 562,931	$ 542,597

The total gross carrying value and accumulated amortization of VimpelCom's other intangible assets by major intangible asset class as of December 31, 2010 and December 31, 2009 was as follows:

	2010	2009
Telephone line capacity	$ 153,841	$ 149,077
Customer relationships	1,504,839	763,496
Other intangible assets	550,207	219,668
	2,208,887	1,132,241
Accumulated amortization	(727,087)	(431,876)
Total other intangible assets, net	1,481,800	$ 700,365

Amortization expense for all VimpelCom's intangible assets (telecommunications licenses and other intangible assets) for each of the succeeding five years is expected to be as follows:

2011	$468,789
2012	386,748
2013	236,868
2014	187,191
2015	153,992
Thereafter	611,143

10. Impairment of Goodwill and Long-Lived Assets

The Company has the following reporting units. The change in carrying amount of goodwill for the year ended December 31, 2009 and December 31, 2010 is presented below:

Reporting units	Balance as of December 31, 2008	Translation adjustment	Balance as of December 31, 2009	Acquisition	Translation adjustment	Balance as of December 31, 2010
Russia fixed line	$1,935,455	$ (55,366)	$1,880,089	$ 32,568	$(14,515)	**$1,898,142**
Russia mobile	749,978	(21,420)	728,558	–	(5,563)	**722,995**
Kazakhstan mobile	479,706	(88,845)	390,861	–	1,913	**392,774**
Uzbekistan mobile	154,061	–	154,061	–	–	**154,061**
Armenia mobile	134,552	(25,107)	109,445	–	4,112	**113,557**
Armenia fixed line	10,127	(1,911)	8,216	–	331	**8,547**
Tadjikistan mobile	13,063	–	13,063	–	–	**13,063**
Ukraine	–	–	–	3,442,843	(13,708)	**3,429,135**
Kyrgyzstan mobile	–	–	–	289,803	(18,363)	**271,440**
Total	$3,476,942	$(192,649)	$3,284,293	$3,765,214	$(45,793)	**$7,003,714**

Under provisions of ASC 350, Intangibles – Goodwill and Other, goodwill is tested annually for impairment or upon the occurrence of certain events or substantive changes in circumstances. In performing the first step ("Step 1") of the goodwill impairment test in accordance with ASC 350, the Company compared the carrying values of its reporting units to their estimated fair values. In determining the estimated fair values of the reporting units, the Company employed a Discounted Cash Flow ("DCF") analysis. Determining estimated fair values requires the application of significant judgment. The basis for VimpelCom's cash flow assumptions includes historical and forecasted revenue, operating costs and other relevant factors including estimated capital expenditures.

	2010	2009	2008
Discount rate (functional currency)	12.9% - 15.6%	14.6% - 16.0%	16.6% - 21.9%
Terminal growth rate	3% - 4.5%	3% - 3.5%	3% - 3.5%
Start of terminal growth period	7years - 10years	7 years-10 years	7 years-10 years

The Company estimates revenue growth rates for each reporting unit and each future year. These rates vary based on numerous factors, including size of market in particular country, GDP (Gross Domestic Product) and foreign currency projections, traffic growth, market share and others. In 2010, the Compound Annual Growth Rates ranged from negative 0.4% to positive 9.7% in comparison to a range of 3.7%-13.7% in 2009. In 2010 the average operating income margins ranged from 12.9% to 40.9% (in 2009 the average operating income margins ranged from 12.4 % to 37.1%).

The results of the DCF analyses were corroborated with other value indicators where available, such as the Company's market capitalization, comparable company earnings multiples and research analyst estimates. Management bases its fair value estimates on assumptions it believes to be reasonable, but which are unpredictable and inherently uncertain.

In 2010 and 2009, the results of this Step 1 process indicated that there was no impairment of goodwill as the estimated fair values of the reporting units exceeded the carrying values of their net assets.

In 2008, the results of this Step 1 process indicated that there was a potential impairment of goodwill in the Russia Fixed line and Ukraine Mobile reporting units, as the carrying values of the net assets of the reporting units exceeded their estimated fair values. As a result of the Step 2 analyses, as of December 31, 2008 the Company recorded goodwill impairments of US$315,049 and US$53,778 at the Russia Fixed and Ukraine Mobile reporting units, respectively.

To illustrate the magnitude of potential goodwill impairments relative to future changes in estimated fair values, had the fair values of the following material reporting units been hypothetically lower by the percentages listed below, the reporting unit book value would have exceeded fair value as of the impairment test date, October 1, 2010, by approximately the following amounts set forth in the table.

	10%	20%	30%
Russia Fixed	106,022	447,463	788,904
Armenia Mobile	–	14,268	36,495
Armenia Fixed line	–	5,720	33,372
Kyrgyzstan	–	20,105	64,109
Ukraine	–	439,343	1,078,550

If any of these cases were to occur, Step 2 of the goodwill impairment test would be required to be performed to determine the ultimate amount of impairment loss to record, if any.

As for the other reporting units, a change in fair value of 30% would not cause the reporting unit to fail Step 1.

An increase in the discount rate by one percentage point or a reduction in revenue growth by 10% would result in a decrease in the combined fair value of the reporting units as of impairment test date of approximately US$3,110,353 (or 9.1%) and US$2,160,916 (or 6.3%), respectively. For the reporting units discussed above, the relative decreases in fair value of reporting units as of the impairment test date would be:

	1% age Point Increase In Discount Rate	10% Decrease in Revenue Growth
Russia Fixed	10.9%	12.2%
Armenia Mobile	8.2%	8.8%
Armenia Fixed	7.1%	1.9%
Kyrgyzstan	7.4%	7.7%
Ukraine	9.3%	8.2%

Long Lived Assets

As a result of the goodwill impairments for the year ended December 31, 2008, the Company also tested the finite-lived intangible assets for impairment pursuant to the provisions of ASC 360-10, Property, Plant and Equipment – Overall. For the Russia Fixed reporting unit, the undiscounted future cash flows associated with the long-lived assets exceeded the carrying value of those assets, and thus there was no impairment. However, for the Ukraine Mobile reporting unit, because of the decrease in the expected future cash flows due to the projected decline in service revenues (relative to the Company's previous analyses), the Company concluded such assets were impaired, and an asset impairment of US$36,300 was recognized for the year ended December 31, 2008.

VimpelCom also decided to write-off the value of DVB-T/DVB-H licenses in the year ended December 31, 2008.

For the year ended December 31, 2009 no impairment indicators were noted and no loss was recognized. For the year ended December 2010 the Company identified impairment indicators of ArmenTel Fixed line's long-lived assets. As a result of impairment test the undiscounted future cash flows associated with the long-lived assets exceeded the carrying value of those assets, and thus there was no impairment.

11. Software

The total gross carrying value and accumulated amortization of VimpelCom's software as of December 31, 2010 and December 31, 2009 were as follows:

	2010	2009
Software, at cost	$ 1.905.292	$ 1,489,107
Accumulated depreciation	(1.278.470)	(1,040,852)
Total software, net	$ 626.822	$ 448,255

12. Investments in Associates

Investments in associates consisted of the following at December 31:

	Percentage of ownership	2010	2009
GTEL - Mobile (1)	40.0%	$223,275	$265,797
Euroset (2)	49.9%	190,462	140,095
Rascom (3)	54.0%	28,952	26,840
Others		3,441	4,035
Total		**$446,130**	**$436,767**

(1),(2) The following table shows the combined results of operations and financial position of Euroset and GTEL-Mobile:

	2010	2009	2008
Current assets	$ 552,981	$ 765,550	$1,063,151
Non-current assets	732,611	823,517	689,192
Current liabilities	1,038,315	1,167,541	1,508,505
Non-current liabilities	83,198	303,097	5,757
Net assets	164,079	118,429	238,081
Share of VimpelCom in net assets	36,646	2,869	52,899
Net sales	2,019,401	1,714,598	504,307
Gross profit	762,389	576,460	160,857
Net gain/(loss)	86,124	(90,295)	(116,337)
Net gain/(loss) attributable to VimpelCom	50,683	(39,185)	(58,497)

The difference between the share of VimpelCom in net assets of associates and the carrying amount of investments in associates primarily represents goodwill attributable to Euroset and expenses associated with investments in GTEL-Mobile.

(3) Investment in Rascom CJSC (**"Rascom"**) does not qualify for accounting under the consolidation method of accounting because the rights of the minority shareholder represent substantive participating rights, and as result, such rights overcome the presumption that the Company controls Rascom. Therefore, the Company accounts for this investment under the equity method. Equity in net income of Rascom for the years ended December 31, 2010, 2009 and 2008 was US$2,698, US$3,862 and US$2,176, respectively.

13. Inventory

Inventory consisted of the following at December 31:

	2010	2009
Telephone handsets and accessories for sale	$ 88,641	$20,255
SIM-Cards	13,853	17,572
Scratch cards	8,975	4,064
Info materials	4,350	3,257
Equipment for sale	1,592	8,886
Other inventory	20,002	7,885
Total	**$137,413**	**$61,919**

14. Supplemental Balance Sheet Information

Other current assets consisted of the following at December 31:

	2010	2009
Advances to suppliers	$167,438	$116,576
Prepaid taxes	51,600	9,989
Restricted cash (Note 23)	33,190	–
Software with a useful life shorter than one year	32,062	29,097
Roaming discounts	31,591	25,089
Deferred costs related to connection fees	16,505	6,505
Interest receivable	3,543	15,697
Other	45,494	17,448
Total other current assets	$381,423	$220,401

Other non-current assets consisted of the following at December 31:

	2010	2009
Loan granted to Crowell and related long-term interest accrued	**$231,431**	$395,792
Frequencies and permissions	**$114,840**	107,118
Prepayments to suppliers for long-lived assets	**$109,145**	23,904
Unamortized debt issue costs	**$ 41,724**	96,016
Deferred costs related to connection fees	**$ 26,903**	11,080
Long-term input VAT	**$ 8,723**	27,941
Long-term deposits	**$ 1,506**	78,880
Long-term advances	**$ –**	29,364
Other long-term assets	**$ 42,027**	20,891
Total other non-current assets	**$576,299**	$790,986

No allowances were accrued by the Company in relation to loan granted to Crowell. Management monitors the credit quality of this receivable by analyzing the assets and liabilities of Crowell. There is no information such as credit risk scores or external credit agency ratings for Crowell.

Long-term deposits represented bank deposits with maturity dates of more than twelve months.

Other current accrued liabilities consisted of the following at December 31:

	2010	2009
Interest payable	$ 65,438	$ 94,299
Short-term deferred revenue	46,904	28,713
Cash rights for shares of Golden Telecom *(Note 23)*	33,222	145,930
Accrued roaming rebates	31,562	11,494
Roaming litigations *(Note 23)*	11,840	–
Other accrued liabilities	10,568	34,551
Total current accrued liabilities	**$199,534**	**$314,987**

Cash rights for shares of Golden Telecom represents amount not paid to the previous shareholders of Golden Telecom as of December 31, 2009 and amount of liability not paid to the previous shareholders of Golden Telecom as of December 31, 2010 but deposited on an escrow account (reported in other current assets disclosed above) (*Note 3*).

Other non-current liabilities consisted of the following at December 31:

	2010	2009
FIN 48 provision, long-term portion	**$ 83,400**	$ 73,621
Asset retirement obligations	**47,387**	37,916
Long-term deferred revenue	**43,325**	35,766
Derivatives	**–**	3,961
Other non-current liabilities	**9,731**	12,746
Total other non-current liabilities	**$184,843**	$164,010

The following table summarizes the movement in asset retirement obligations for the years ended December 31, 2010 and December 31, 2009:

	2010	2009
Asset retirement obligations at the beginning of the reporting period	**$37,916**	$29,717
Liabilities incurred in the current period	**4,419**	3,900
Accretion expense	**2,831**	2,027
Increase as a result of changes in estimates	**2,323**	2,936
Foreign currency translation adjustment	**(102)**	(664)
Asset retirement obligations at the end of the reporting period	**$47,387**	$37,916

The accretion expense was included in depreciation in the accompanying consolidated statements of income.

15. Short and Long-Term Debt

VimpelCom finances its operations using a variety of lenders in order to minimize total borrowing costs and maximize financial flexibility. The Company continues to use bank debt, lines of credit and notes to fund operations, including capital expenditures.

The following table provides a summary of outstanding bank loans, equipment financing indebtedness, capital lease obligations and other debt as of:

	December 31, 2010	December 31, 2009
Bank loans, less current portion	**$4,321,104**	$5,356,655
Long-term portion of equipment financing	**177,757**	182,935
Long-term portion of capital leases	**–**	316
Total long-term debt	**$4,498,861**	$5,539,906
Bank loans, current portion	**$1,091,758**	$1,729,364
Short-term portion of equipment financing	**70,367**	79,830
Short-term portion of capital leases	**319**	3,947
Bank and other loans, current portion	**$1,162,444**	$1,813,141

Bank loans consisted of the following as of December 31:

	2010	2009
Eurobonds (1)	$ 1,800,647	$ 1,800,647
Sberbank (2)	1,429,477	1,436,555
Ruble Bonds (3)	1,313,789	661,284
UBS (Luxembourg) S.A. (4)	784,764	1,063,264
Citibank International plc (5)	28,287	44,740
US$3,500 million Loan Facility (Facility B) (6)	–	1,170,000
EUR600 million Loan Facility (7)	–	632,371
Svenska Handelsbanken AB (8)	–	57,671
US$275 million Loan Facility (9)	–	190,410
Standart Bank PLC – loan to URS (10)	–	20,000
Bayerische Hypo – und Vereinsbank AG (11)	–	9,001
Other loans	55,898	76
	$ 5,412,862	$ 7,086,019
Less current portion	(1,091,758)	(1,729,364)
Total long-term bank loans	$ 4,321,104	$ 5,356,655

(1) On April 30, 2008, VIP Finance completed an offering of an aggregate principal amount of US$2,000,000 loan participation notes, split equally between five-year and 10-year tranches, for the sole purpose of funding loans in an aggregate principal amount of US$2,000,000 to VimpelCom. The five-year US$1,000,000 issue (the "**2013 Notes**") and related loan in the same principal amount bear interest at an annual rate of 8.375% payable semiannually and are due in April 2013. The 10-year US$1,000,000 issue (the "**2018 Notes**") and related loan in the same principal amount bear interest at an annual rate of 9.125% payable semiannually and are due in April 2018. Deferred financing costs relating to the 2013 Notes offering and 2018 Notes offering (which include gross issuance costs) comprised US$8,027 and US$8,327 respectively and will be amortized over 5 and 10 years respectively.

In October 2009, VimpelCom repurchased an aggregate principal amount of US$199,353 of its US$1,000,000 8.375% 2013 Notes. The 2013 Notes were purchased with a 4.75% premium over the notes' nominal value. The payment for the repurchased notes also included accrued interest. Related effect in the amount of US$9,470 was recognized in "other expenses, net" in the statement of income.

(2) On February 14, 2008, VimpelCom signed a five year credit line with Sberbank in the amount of US$750,000, to be drawn down in Russian rubles at the exchange rate at the date of the draw down. The Company borrowed RUR17,886 million (equivalent to US$591,399 at the exchange rate as of December 31, 2009) during 2008. The interest rate for this credit line ranged from 9.5% to 11% per annum in 2008, from 11% to 13% per annum in 2009 and from 13% to 9.25% per annum in 2010. The interest rate for this credit line as of December 31, 2010 was 9.25% per annum. The amount of debt outstanding under this loan as of December 31, 2010 was US$586,883.

On March 10, 2009, VimpelCom signed a ruble-denominated loan agreement with Sberbank in the amount of RUR8,000 million (equivalent to US$223,855 at the exchange rate as of March 10, 2009). The loan agreement matures on December 27, 2011. On May 29, 2009, VimpelCom made a drawdown in the amount of RUR8,000 million (the equivalent to US$255,380 at the exchange rate as of May 29, 2009) under this loan agreement. The interest rate for this loan agreement ranged from 17.5% to 16.25% per annum in 2009 and from 16.25% to 9.0% per annum in 2010. The interest rate for this credit line as of December 31, 2010 was 9.0% per annum and the maximum rate set up by Sberbank was 9.25% per annum as of December 31, 2010. As of December 31, 2010, the principal amount of debt outstanding under this facility was RUR8,000 million (equivalent to US$262,494 at the exchange rate as of December 31, 2010).

On March 10, 2009, VimpelCom signed a loan agreement with Sberbank in the amount of US$250,000. The loan agreement's initial maturity was December 27, 2012. On May 29, 2009, VimpelCom made a drawdown in the amount of US$250,000 under this loan agreement. The interest rate for this loan agreement ranged from 12.0% to 11.0% per annum in 2009 and from 11.0% to 8.0% per annum in 2010. On December 23, 2010, VimpelCom fully repaid before maturity the outstanding balance under this loan agreement and no amount was outstanding as of December 31, 2010.

On August 28, 2009, VimpelCom signed a three and a half year loan agreement with Sberbank in the amount of RUR10,000 million (equivalent to US$316,051 at the exchange rate as of August 28, 2009). The loan agreement matures on April 30, 2013. On August 31, 2009, VimpelCom made a drawdown in the amount of RUR10,000 million (equivalent to US$316,769 at the exchange rate as of August 31, 2009) under this loan agreement. The interest rate for this loan agreement as of December 31, 2010 was 9.25% per annum. As of December 31, 2010, the principal amount of debt outstanding under this facility was RUR10,000 million (equivalent to US$328,117 at the exchange rate as of December 31, 2010).

On December 17, 2010, VimpelCom signed a five-year loan agreement with Sberbank in the amount of US$250,000 to be drawn down in Russian rubles at the exchange rate at the date of the drawdown. The loan bears interest at a rate of 8.75% per annum and matures on December, 16, 2015. On December 23, 2010, VimpelCom drew down the loan in the amount of RUR7,679.7 million and used the proceeds to fully repay before maturity the outstanding balance, including the accrued interest, under the loan agreement with Sberbank signed on March 10, 2009 in the amount of US$250,000. The interest rate for this loan agreement as of December 31, 2010 was 8.75% per annum. As of December 31, 2010, the principal amount of debt outstanding under this facility was US$251,983.

According to the amended provisions of all loan agreements with Sberbank described above, the maximum rate may be increased in case of occurrence of certain events. The interest rate can also be raised unilaterally by Sberbank upon 30 days' notice, in which case VimpelCom will have the right to prepay the loan in full without penalty at any time within 30 days after receipt of the notice. The maximum rate set up by Sberbank for loans agreements signed on February 14, 2008, March 10, 2009, August 28, 2009 and December 17, 2010 were 9.5%, 9.25%, 9.5% and 9.5% as of December 31, 2010, respectively.

(3) On July 25, 2008, VimpelCom issued Russian ruble-denominated bonds in an aggregate principal amount of RUR10,000 million (US$427,749 at exchange rate as of July 25, 2008). The bonds are due on July 19, 2013, and bondholders had a put option exercisable on January 26, 2010, at 100% of nominal value plus accrued interest. Interest is to be paid semiannually. The annual interest rate for the first three payment periods is 9.05%. VimpelCom will determine the annual interest rate for subsequent periods no later than seven business days before the third interest payment. On January 12, 2010, VimpelCom determined the interest rate for the fourth and subsequent payment periods at 9.25% per annum and on January 26, 2010 repurchased an aggregate principal amount of RUR6,059 million (or approximately US$201,345 at the exchange rate as of January 26, 2010) from bond holders who exercised their right to sell the bonds. As of February 24, 2010, the Company sold back in the market all repurchased bonds. The aggregate amount of debt outstanding under these bonds as of December 31, 2010 was RUR10,000 million (equivalent to US$328,117 at the exchange rate as of December 31, 2010).

On July 14, 2009, VimpelCom issued Russian ruble-denominated bonds in an aggregate principal amount of RUR10,000 million (the equivalent to US$302,483 at the exchange rate as of July 14, 2009). The bonds are due on July 8, 2014. Interest will be paid semiannually. The annual interest rate for the first four payment periods is 15.2%. VimpelCom will determine the annual interest rate for subsequent periods based on market conditions. Bond holders will have the right to sell their bonds to VimpelCom when the annual interest rate for subsequent periods is announced at the end of the fourth payment period. As of December 31, 2010, the aggregate principal amount of debt outstanding under these bonds was RUR10,000 million (equivalent to US$328,117 at the exchange rate as of December 31, 2010) which was reflected in short-term debt.

On October 19, 2010, VimpelCom issued Russian ruble-denominated bonds in an aggregate principal amount of RUR20,000 million which is the equivalent of approximately $655,000 at the exchange rate of Central Bank of Russia as of October 19, 2010. The bonds have a five-year maturity and bear an annual interest rate of 8.3%. Interest will be paid semiannually. No early redemption rights were granted. As of December 31, 2010, the aggregate principal amount of debt outstanding under these bonds was RUR20,000 million (equivalent to US$656,235 at the exchange rate as of December 31, 2010).

(4) Starting June 2004, VimpelCom entered into a series of loan agreements (the "**Loans**") with UBS (Luxembourg) S.A., ("**UBS**"), whereby various amounts were borrowed to finance operations and capital expenditures. UBS then completed a series of offerings of loan participation notes for the sole purpose of funding the loans to VimpelCom. The Notes are listed on the Luxembourg Stock Exchange and are without recourse to UBS.

In October 2009, VimpelCom completed the partial repurchase of an aggregate principal amount of US$115,236 of its US$300,000 8.375% Loan Participation Notes due 2011 with a 6.625% premium over the notes' nominal value. Related effect in the amount of US$7,634 was recognized in "other expenses, net" in the statement of income.

On May 22, 2006, UBS and VimpelCom entered into a Loan for US$600,000, and UBS issued 8.25% loan participation notes due 2016 (the "**2016 Notes**") for US$ 600,000. Deferred financing costs relating to the 2016 Notes offering (which includes gross issuance cost and the compensatory fee connected with the Exchange Offer) comprised US$28,421 and will be amortized over 10 years.

The following table outlines the amounts borrowed and the respective interest rates and due dates for each series of the Loans and the 2016 Loan.

Date Borrowed	Due Date	Payment Period	Amount Borrowed	Interest Rate	31-Dec-10	31-Dec-09
22-Oct-04	22-Oct-11	Semi-annually	$300,000	8.38%	$184,764	$ 184,764
11-Feb-05	11-Feb-10	Semi-annual	$300,000	8%	–	278,500
22-May-06	22-May-16	Semi-annually	$600,000	8.25%	600,000	600,000
Total					$784,764	$1,063,264

(5) On November 1, 2006, VimpelCom signed a six-year US$99,350 loan agreement. The loan bears interest at the rate of six-month London Interbank Offered Rate ("**LIBOR**") plus 0.1% per annum. The first tranche borrowed under this loan is to be repaid in twelve equal installments on a semiannual basis commencing on November 21, 2006. The second tranche borrowed under this loan is to be repaid in twelve equal installments on a semiannual basis commencing not later than May 6, 2007. The actual interest rate for this loan agreement as of December 31, 2010 was 0.56% per annum. The principal amount of debt outstanding under this loan as of December 31, 2010 was US$28,287.

(6) On February 8, 2008, VimpelCom entered into a loan agreement for an aggregate principal amount of US$3,500,000. The loan agreement included a US$1,500,000 bridge term loan facility ("**Facility A**") and a US$2,000,000 term loan facility ("**Facility B**"). Facility A was required to be refinanced within 12 months by an issuance of bonds or other form of financing, subject to market conditions. Facility B was required to be repaid in equal semiannual installments starting from the date falling 12 months after the signing date. Facility A bore interest at LIBOR plus a margin of 0.75% per annum. Facility B bore interest at LIBOR plus a margin of 1.5% per annum. On May 6, 2008, the Company fully repaid Facility A. On December 9, 2010, VimpelCom fully repaid before maturity the outstanding balance in the amount of US$400,000 under this Facility. There was no outstanding amount under this loan agreement as of December 31, 2010.

(7) On October 15, 2008, VimpelCom borrowed EUR476 million. In November and December 2008, the agreement was amended to increase the commitments by EUR75 million. The facility is required to be repaid in five equal semiannual installments starting from October 16, 2009. The rate of interest for the facility is EURIBOR plus 2.30% per annum.

On October 15, 2010, VimpelCom fully repaid before maturity the outstanding balance, including the accrued interest under this loan agreement in an aggregate amount of EUR333 million (equivalent to US$469,381 at the exchange rate as of October 15, 2010). There was no outstanding amount under this loan agreement as of December 31, 2010.

(8) On February 24, 2004, Svenska Handelsbanken AB provided a seven-year, US dollar denominated credit line of US$69,700 to VimpelCom under guarantee of the Swedish Export Credits Guarantee Board ("**EKN**"). The loan is to be repaid in fourteen equal installments, on a semiannual basis, commencing November 20, 2004. The loan bears interest at the rate of six-month LIBOR plus 0.325%, which is payable semiannually.

On November 3, 2005, VimpelCom signed a US$99,705 loan agreement with Svenska Handelsbanken AB under an EKN guarantee. The loan bears interest at LIBOR plus 0.325% per annum. Each tranche borrowed under this loan is to be repaid in fourteen equal installments on a semiannual basis commencing May 30, 2006.

In November 2010, VimpelCom fully repaid before maturity the outstanding balance, including the accrued interest, under the Amended and restated Agreement, dated February 24, 2004 and November 3, 2005, with Svenska Handelsbanken AB (publ) in the amount of US$69,700 and US$99,750, respectively. There was no outstanding amount under this credit line as of December 31, 2010.

(9) As of the date of VimpelCom's acquisition of Golden Telecom in 2008, Golden Telecom was a party to a five-year term facility agreement (the **"Facility Agreement"**). The Facility Agreement established an unsecured credit facility under which certain wholly owned subsidiaries of Golden Telecom, may borrow up to an aggregate of US$275,000. The Facility Agreement bears interest at a rate equal to LIBOR plus 1.5% per annum for the first twenty-four months and LIBOR plus 2% per annum thereafter and matures in January 2012. On October 27, 2010, VimpelCom fully repaid before maturity the outstanding balance, including the accrued interest, under this Facility Agreement, in an aggregate amount of US$126,968. There was no outstanding amount under this facility as of December 31, 2010.

(10) On March 26, 2007, URS signed a US$100,000 loan agreement. The facility bears interest at a rate of LIBOR plus 1.15%. On March 26, 2010, URS repaid the outstanding indebtedness under this loan facility. There was no outstanding amount under this loan facility as of December 31, 2010.

(11) On June 30, 2005, VimpelCom signed two unsecured loan agreements in an aggregate amount of US$59,000 with Bayerische Hypo- und Vereinsbank AG and Nordea Bank AB. The loans have identical terms and bear interest at LIBOR plus 0.35% per annum. The first loan is to be repaid in ten equal installments on a semiannual basis commencing November 7, 2005, and the second loan is to be repaid in ten equal installments on a semiannual basis commencing November 18, 2005. On May 18, 2010 and on May 6, 2010, VimpelCom repaid the outstanding indebtedness under these loan facilities. There was no outstanding amount under these loan facilities as of December 31, 2010.

On June 30, 2005, Vostok-Zapad Telecom signed a US$22,525 loan agreement with Bayerische Hypo- und Vereinsbank AG and Nordea Bank AB under ECA guarantee. The loan bears interest at LIBOR plus 0.35% per annum. The first tranche borrowed under this loan agreement is to be repaid in ten equal installments on a semiannual basis commencing November 16, 2005, and the second tranche is to be repaid in ten installments on a semiannual basis commencing April 18, 2006. On October 18, 2010, VimpelCom repaid the outstanding indebtedness under this loan facility. There was no outstanding amount under this loan facility as of December 31, 2010.

Equipment Financing Obligations

VimpelCom has entered into agreements with different equipment vendors for the purchase and installation of mobile telecommunications GSM network equipment. These agreements allow for the expenditures to be deferred similar to a long term debt agreement. The following table provides a summary of VimpelCom's material outstanding equipment financing indebtedness, including bank loans obtained for the purposes of financing equipment purchases.

Borrower	Vendor/Lender	Interest rate	Outstanding debt as of December 31,		Maturity date	Security
			2010	2009		
VimpelCom (1)	Unicredit - HVB	AB SEK Rate+0,75%	$124,103	$ 90,281	Semiannually, final June 15, 2016	EKN guarantee
VimpelCom (2)	HSBC	6 month MOSPRIME + 0.08%	35,380	46,717	Semiannually, September 28, 2007 – March 2014	EKN guarantee
VimpelCom (3)	Cisco	16%	26,031	42,571	Quarterly, 2012	Network equipment
KaR-Tel (4)	BayernLB (Hermes2)	6 month LIBOR + 0.38%	18,906	28,422	Semiannually, final – December 27, 2012	EHECA guarantee
Sotelco (5)	Huawei	6 month LIBOR+2,1%	26,932	19,351	Semiannually, June, 2016	VimpelCom guarantee, Sinosure guarantee
Unitel (6)	Huawei	8%	6,427	14,620	Various dates through 2008	Network equipment
ArmenTel (7)	BNP Paribas	6 month EURIBOR+0.9%	3,247	6,939	Various dates through 2010	None
ArmenTel (8)	Intracom SA	from 3 month EURIBOR + 1.5% to 12 month EURIBOR + 1.5% , 12 month LIBOR plus 1.5%	646	4,970	Various dates through 2011	None
KaR-Tel (9)	Citibank International Plc	6 month LIBOR +0.25%, 6 month LIBOR +0.30%	–	4,462	Semiannually, January 24, 2007 - August 28, 2011	VimpelCom guarantee
Tacom (10)	Huawei	8%	1,537	351	Various dates through 2008	Network equipment
KaR-Tel (11)	HVB	6 month LIBOR +0.2%, 6 month LIBOR +0.4%	–	–	Semiannually, final – December 21, 2011	ATF Bank guarantee
ArmenTel (12)	ZTE	3 month EURIBOR +1.5%	2,292	–	Various dates through 2012	None
Other			2,623	4,081		
Total equipment financing			$248,124	$262,765		
Less current portion			(70,367)	(79,830)		
Long-term equipment financing			$177,757	$182,935		

Our short term debt primarily represents the short term portions of our long-term loans and equipment financing agreements. The weighted average rate for total debt outstanding as of December 31, 2010 and December 31, 2009 was 8.97% and 8.17 % per annum, respectively.

Future payments under bank loans, equipment financing and capital lease agreements and other debt are as follows:

2011	$1,162,444
2012	461,809
2013	1,490,206
2014	117,705
2015	818,322
Thereafter	1,610,820
Total	$5,661,306

16. Equity

The authorized share capital of the Company consists of 70,000,000 shares of 1 euro nominal value each. The issued and paid-up capital as at December 31, 2010 consists of 15,099,998 shares of 1 euro nominal each, all of which are fully paid.

The Company has adopted the Amended and Restated VimpelCom 2000 Stock Option Plan (the "2000 Plan") and the VimpelCom 2010 Stock Option Plan (the "2010 Plan" and together with the 2000 Plan, the "Plans"). The 2000 Plan and the 2010 Plan state that the maximum aggregate number of shares (ADS) of VimpelCom Ltd. authorized to be issued which are 21,000,000 (adjusted to VimpelCom Ltd. shares, Note 22) and 7,000,000, respectively (Note 2).

The shares held by VC ESOP N.V., a subsidiary of VimpelCom, (10,508,608 VimpelCom Ltd. shares and 11,328,867 VimpelCom Ltd. shares as of December 31, 2010 and 2009, respectively) were treated as treasury shares in the accompanying consolidated financial statements (Note 2).

17. Redeemable noncontrolling interest

The Company accounts for securities with redemption features that are not solely within the control of the issuer in accordance with EITF Topic D-98, Classification and Measurement of Redeemable Securities (codified as ACS 480-10 – Distinguishing Liabilities from Equity ("ACS 480-10")).

In June 2008, the Company modified its contractual arrangements with respect to the 25% noncontrolling interest in its subsidiary Limnotex Developments Limited ("Limnotex"), which is held by Crowell Investments Limited ("Crowell"). The modified contractual arrangements contained embedded redemption features that could or will result in the noncontrolling interest being redeemable outside of the control of VimpelCom at various dates. Under the modified contractual arrangements as of December 31, 2008, Crowell could exercise a put option between January 1, 2010 and December 31, 2010, at a redemption amount of US$550,000 in the aggregate. Additionally, initially after the 2008 audited financial statements of KaR-Tel were issued, the Company had a call option on the noncontrolling interest for a redemption amount determined by a fair value-based pricing mechanism which should have been exercised on or before December 31, 2011.

In May 2009, the contractual arrangements related to the noncontrolling interest were further amended to extend the timing of the redeemable features embedded in the contractual arrangements. Under the amended contractual arrangements, Crowell may exercise its put option between January 1, 2013 and December 31, 2013, at a redemption amount of US$550,000 in the aggregate. Additionally, after the 2011 audited financial statements of KaR-Tel are issued, the Company has a call option on the noncontrolling interest for a redemption amount determined by a fair value-based pricing mechanism which must be exercised on a date which is after the issuance of the audited financial statements of KaR-Tel for the year ended December 31, 2014. As of December 31, 2010, the redemption amount of the redeemable noncontrolling interest based on this fair value-based pricing mechanism (as if the noncontrolling interest were currently redeemable) was US$674,807.

The Company classifies redeemable noncontrolling interest as temporary equity. The Company recorded it at its estimated fair value at the date of the change to its contractual arrangements with Crowell and then accreted to its redemption amount over the redemption term. The estimated fair value of the redeemable noncontrolling interest was calculated by discounting the future redemption amount of the noncontrolling interest from January 1, 2010 (the date on which the noncontrolling interest was first to become redeemable outside of VimpelCom's control (under the June 2008 modified contractual arrangements, prior to the May 2009 amendment)). The redeemable noncontrolling interest has been valued based on the terms of the put option because the fair value of the redemption amount that may be required under the put option exceeded the fair value of the redemption amount that may be required under the call option. If, in the future, the fair value of the redemption amount under the call option is greater, the redeemable noncontrolling interest will accrete to that amount. The redeemable noncontrolling interest is first credited with its share of earnings of the Company's subsidiary, Limnotex, and, to the extent that this is less than the required accretion, the difference is charged to additional paid-in capital. The charge to additional paid-in capital does not affect net income attributable to VimpelCom in the Company's income statement.

18. Income Taxes

VimpelCom and its subsidiaries file their tax returns as prescribed by the tax laws of the jurisdictions in which they operate. The provision for income taxes varies from the amount computed by applying the statutory rate to income before taxes (The Netherlands – 25% due to certain tax benefits allowed under applicable tax legislation, the non-deductibility of certain expenses and income (loss) being generated in jurisdictions having different tax rates (Russia – 20%, Kazakhstan – 20%, Ukraine and Tajikistan – 25%, Armenia – 20%, Georgia – 15%, Kyrgyzstan – 10%, in Uzbekistan there is a complex income tax regime, that results in an effective rate of approximately 17% (18% prior to January 1, 2010)). Income tax exemptions relate primarily to accumulated tax losses, which may be carried forward for use against future taxable income. However, tax losses do not have an effect on Income Tax Rate (unless reserved by a valuation allowance). Non-deductible expenses consist primarily of tax effect of intragroup dividends, legal, consulting, representational and other expenses in excess of allowable limits.

Income tax expense consisted of the following for the years ended December 31:

	2010	2009	2008
Current income taxes	$ 796,612	$454,571	$396,588
Deferred taxes	(187,133)	(19,541)	(92,654)
	$ 609,479	$435,030	$303,934

A reconciliation of the total amounts of income before income taxes, current income tax expense/(benefit) and deferred income tax expense/(benefit), for the three years ended December 31, 2010 are presented in the table below:

	Years ended December 31,		
	2010	2009	2008
Income before income taxes			
Russia	**$2,131,257**	$1,567,237	$1,084,510
USA	**(40,123)**	7,047	2,261
Kazakhstan	**250,666**	146,999	207,838
Ukraine	**141,258**	(96,156)	(405,905)
Netherlands	**(85,626)**	–	–
Other	**(92,059)**	(72,766)	2,530
Total	**$2,305,373**	$1,552,361	$ 891,234
Current income tax expense/(benefit)			
Russia	**$ 485,373**	$ 375,898	$ 308,952
USA	**46,770**	(1,759)	2,329
Kazakhstan	**65,561**	59,398	65,929
Ukraine	**137,183**	1,502	2,307
Netherlands	**32,251**	–	–
Other	**29,474**	19,532	17,071
Total	**$ 796,612**	$ 454,571	$ 396,588
Deferred income tax expense/(benefit)			
Russia	**$ (34,074)**	$ 15,497	$ (821)
USA	**(76)**	(918)	(23)
Kazakhstan	**(9,138)**	(17,501)	(65,987)
Ukraine	**(162,923)**	(3,907)	(23,257)
Netherlands	**25,000**	–	–
Other	**(5,922)**	(12,712)	(2,566)
Total	**$ (187,133)**	$ (19,541)	$ (92,654)

A reconciliation between the income tax expense reported in the accompanying consolidated financial statements and income before taxes multiplied by The Netherlands statutory tax rate of 25% for the year ended December 31, 2010 and Russian Federation statutory tax rate of 20% and 24% for the years ended December 31, 2009 and December 31, 2008, respectively (prior to acquisition of OJSC VimpelCom by VimpelCom), is as follows:

	2010	2009	2008
Income tax expense computed on income before taxes at statutory tax rate	$ 593.265	$310,472	$ 213,896
Effect of goodwill impairment	–	–	89,056
Effect of deductible temporary differences not recognized as measured by the change in valuation allowance	22.659	33,133	58,871
Effect of non-deductible expenses	39.965	45,698	42,515
Tax effect of intragroup dividends	83.533	27,904	–
Effect of tax claims	19.712	15,841	15,738
Taxable capital contribution	–	1,818	14,875
Effect of different tax rates in different jurisdictions	(123.473)	(3,843)	8,768
Effect of group restructuring	46.862	–	–
Effect of change in statutory Income tax rate	(62.701)	6,519	(137,762)
Other	(10.342)	(2,512)	(2,023)
Income tax expense reported in the accompanying consolidated financial statements	$ 609.479	$435,030	$ 303,934

VimpelCom has the following significant balances for income tax losses carried forward as of December 31, 2010 and December 31, 2009, respectively:

Jurisdiction	Balance as of 31.12.2010	Balance as of 31.12.2009	Period for carry-forward
Urkaine	$211.939	$219,401	Carry-forward rule is set up annually by legislation. The rule as of the end of 2010 - period not limited in time
Russia	509.192	126,609	2011-2021
Georgia	77.490	72,502	2011-2015
Cambodia	75.900	34,990	Carry-forward tax loss is five year by legislation in the Cambodian tax law. The period for set-off is from 2011-2015 for unused tax losses.
Cyprus	21.232	13,388	Not limited in time
Belgium	35.924	29,284	Not limited in time
Netherlands	6.695	13,858	2013-2017
Kazakhstan	1.570		2011-2020
USA	39.992	37,382	2019-2029
Tadjikistan	–	7,941	2011-2012
Total	**$979.934**	**$555,355**	

For financial reporting purposes, a valuation allowance has been recognized to reflect management's estimate for realization of the deferred tax assets. Valuation allowances are provided when it is more likely than not that some or all of the deferred tax assets will not be realized in the future. These evaluations are based on expectations of future taxable income and reversals of the various taxable temporary differences.

The reconciliation of the total amounts of unrecognized tax benefit, including fines/penalties and interest, for the three years ended December 31, 2010 are presented in the table below:

Balance as of December 31, 2007	$ 45,080
Increases as a result of business combinations	11,389
Increase of tax positions taken during the current period	43,719
Decrease of tax positions taken during the current period	(2,648)
Increase of tax positions taken during a prior period	30,139
Decrease of tax positions taken during a prior period	(42,875)
Decrease as a result of resolution through litigation	(16,176)
Foreign currency translation adjustment	(10,257)
Balance as of December 31, 2008	58,371
Increase of tax positions taken during the current period	27,504
Decrease of tax positions taken during the current period	(8,878)
Increase of tax positions taken during a prior period	21,654
Decrease of tax positions taken during a prior period	(16,526)
Foreign currency translation adjustment	(2,426)
Balance as of December 31, 2009	79,699
Increase of tax positions taken during the current period	18,932
Decrease of tax positions taken during the current period	(344)
Increase of tax positions taken during a prior period	41,424
Decrease of tax positions taken during a prior period	(18,182)
Foreign currency translation adjustment	(592)
Balance as of December 31, 2010	$120,937

The amount of total unrecognized tax benefit as of December 31, 2010 and December 31, 2009, includes US$105,666 and US$67,977, respectively, of unrecognized tax benefits that, if recognized, would affect the effective income tax rate in any future periods.

The Company accrued additional fines/penalties and interest of US$4,957 and US$5,941 respectively, for the year ended December 31, 2010 and US$7,505 and US$5,948, respectively, for the year ended December 31, 2009. The total amounts of fines/penalties and interest recognized in the consolidated balance sheet as of December 31, 2010 comprised US$14,950 and US$9,992, respectively. As of December 31, 2009, the Company had accrued US$12,439 and US$5,784 for the potential payment of fines/penalties and interest, respectively.

The Russian tax inspectorate has completed its examination of OJSC VimpelCom's tax filings for the years 2005-2006 (*Note 23*). The court hearings related to the tax inspectorate claims resulting from the examination of tax years 2005-2006 were finalized in 2010,and didn't change the amount of the unrecognized income tax benefits.

The total amount of unrecognized tax benefit that could significantly increase or decrease within 12 months due to lapse of statutory limitation term comprised US$45,514 and US$7,817 as of December 31, 2010 and December 31, 2009, respectively.

Due to the fact that, subject to certain legal issues, the years 2007-2008 remain open to a repeated examination by the tax authorities in Russia and the years 2009-2010 remain open to first examination by the tax authorities in Russia, the Company considers the tax years from 2007 through 2010 to be open in Russia. VimpelCom's subsidiary in Uzbekistan are subject to income tax examinations for the tax years 2008 through 2010; the subsidiary in Georgia is subject to income tax examination for the tax years 2004 through 2010, the subsidiaries in Kazakhstan, Tajikistan, Armenia and Ukraine are subject to income tax examination for the tax years 2010, subsidiary in Kyrgyzstan is under tax review for years 2009-2010. Management is unable to reliably predict the outcome of any tax examinations and the materiality of their impact on VimpelCom's consolidated financial statements, if any.

The following deferred tax balances were calculated by applying the presently enacted statutory tax rate applicable to the period in which the temporary differences between the carrying amounts and tax base of assets and liabilities are expected to reverse. The amounts reported in the accompanying consolidated financial statements at December 31 consisted of the following:

	2010	2009
Deferred tax assets:		
Current		
Accrued operating and interest expenses, including gain from derivatives	$ 88,780	$ 58,516
Deferred revenue	46,965	32,661
Bad debts assets	9,245	9,120
Loss carry-forwards	25,096	10,070
Non-current		
Accrued operating and interest expenses	8,174	17,707
Non-current assets	7,013	3,870
Deferred revenue	7,032	–
Loss carry-forwards	192,872	113,030
	385,177	244,975
Valuation allowance	(206,023)	(116,108)
	179,154	128,867
Deferred tax liabilities:		
Current		
Undistributed retained earnings of subsidiaries	49,985	19,037
Accrued operating and interest expenses	1,663	–
Deferred revenue	274	–
Bad debts provision	–	516
Non-current		
Property and equipment	395,177	378,087
Telecommunication licenses	72,306	89,018
Customer relationships and other intangible assets	270,663	125,111
Other non-current assets	9,625	21,852
	799,694	633,621
Net deferred tax liabilities	620,539	504,754
Add current deferred tax assets	117,236	91,493
Add non-current deferred tax assets	744	904
Less current deferred tax liability	(50,313)	(679)
Total long-term net deferred tax liability	$ 688,206	$ 596,472

At December 31, 2010, undistributed earnings of VimpelCom's foreign (outside of the Netherlands) subsidiaries indefinitely invested amounted to approximately US$10,561,130 and domestic subsidiaries where tax-free distribution is available amounted to US$140,344. Determination of the amount of unrecognized deferred taxes related to these undistributed earnings is not practical.

19. Valuation and Qualifying Accounts

The following summarizes the changes in the allowance for doubtful accounts for the years ended December 31, 2010, 2009 and 2008:

Balance as of December 31, 2007	$ 49,104
Provision for bad debts	64,559
Accounts receivable written off	(78,761)
Foreign currency translation adjustment	(2,958)
Balance as of December 31, 2008	31,944
Provision for bad debts	56,160
Accounts receivable written off	(19,048)
Foreign currency translation adjustment	(9,986)
Balance as of December 31, 2009	59,070
Provision for bad debts	57,086
Accounts receivable written off	(48,570)
Foreign currency translation adjustment	2,582
Balance as of December 31, 2010	**$ 70,168**

The provision for bad debts included in the accompanying consolidated statements of income is net of related value-added taxes of US$8,515, US$4,898 and US$9,848 for the years ended December 31, 2010, 2009 and 2008, respectively.

20. Related Party Transactions

The Company from time to time enters into certain transactions with its shareholders and their affiliates and other related parties.

The following table summarizes the significant transactions and balances with related parties:

	2010	2009	2008
Revenue from Alfa	$ 18,734	$ 19,584	$ 10,377
Revenue from Telenor	4,942	3,474	3,221
Revenue from associates	99,566	40,600	9,622
Revenue from other related parties	9,878	36,169	3,934
	$ 133,120	**$ 99,827**	**$ 27,154**
Services from Alfa	$ 6,535	$ 6,128	$ 9,122
Services from Telenor	4,264	2,049	3,264
Services from associates	202,126	131,812	35,900
Services from other related parties	9,932	70,685	5,039
	$ 222,857	**$210,674**	**$ 53,325**
Interest expense to Vimpelcom Amsterdam B.V.	75,756	0	0
Interest income from Vimpelcom Ltd	8,719	0	0
Accounts receivable from Alfa	$ 1,388	$ 3,352	$ 3,536
Accounts receivable from Telenor	2,287	377	396
Accounts recievable from Vimpelcom Ltd	8,719	0	0
Accounts receivable from associates	82,410	236,729	163,871
Accounts receivable from other related parties	716	9,173	393
	$ 95,520	**$249,631**	**$168,196**
Non-current account receivable from associates	4,905	1,040	2,059
Non-current account receivable from Vimpelcom Ltd	504,500	0	0
Accounts payable to Alfa	$ 152	$ 301	$ 434
Accounts payable to Telenor	2,410	272	106
Accounts payable to Vimpelcom Ltd	3,636		
Accounts payable to associates	2,560	1,880	5,248
Accounts payable to other related parties	513	6,758	1,704
	$ 9,271	**$ 9,211**	**$ 7,492**
Long-term account payable to Vimpelcom Amsterdam B.V. (Note 1)	16,217,230		
Long-term account payable to associates	290	626	667
	$16,217,520	**$ 626**	**$ 667**
Other gain from related parties	35		

Outstanding balances and transactions with Alfa relate to operations with VimpelCom's shareholder Eco Telecom, its consolidated subsidiaries, its direct owners and their consolidated subsidiaries. In particular, VimpelCom has contracts with Alfa Insurance to provide the Company with property and equipment liability insurance; the General Service Agreement with Altimo for provision of general management, legal and regulatory services, treasury services, finance and reporting services as well as tax services. The Company also has contracts to provide fixed telecommunication service to Eco Telecom and its subsidiaries.

VimpelCom maintains bank accounts in Alfa Bank, which are used for payroll and other payments in the ordinary course of business. The balances in these bank accounts were US$8,780 and US$176,500 at December 31, 2010 and 2009, including US$2,953 and US$75,000 of short-term deposits, respectively.

Outstanding balances and transactions with Telenor relate to operations with VimpelCom's shareholder Telenor East Invest AS, its consolidated subsidiaries, its direct owners and their consolidated subsidiaries. In particular, VimpelCom has roaming contracts with ProMonte Montenegro, DTAC/UCOM Thailand, Telenor Serbia, Telenor Mobil AS Norway, Pannon GSM Telecommunications Ltd. Hunga, Telenor Mobile Sweden Norway; the General Agreement for provision of personnel and General Services Agreement for provision of general management, legal and regulatory services, treasury services, finance and reporting services as well as tax services with Telenor Russia AS. VimpelCom also has a contract to provide fixed telecommunication service to Telenor Mobile Holding AS Norway.

Outstanding balances and transactions with Vimpelcom Amsterdam and Vimpelcom Ltd relate to operations with the parent companies. There is a loan from Vimpelcom Amsterdam related to the purchase of OJSC Vimpelcom (Note 1). The accrued interest is included in the loan. Vimpelcom Ltd (ultimate parent) has a loan from OJSC Vimpelcom of USD 504,500.

Outstanding balances and transactions with associates relate to operations with VimpelCom's equity investees (Note 12). Euroset transactions included from the acquisition date (Note 3) mainly represent dealer commission payments for the acquisition of new subscribers and commission for payments receipts. Operations with associates also include purchase of bill delivery services from Firma Kurier. VimpelCom also has a contract to provide fixed telecommunication service with ZAO Rascom.

Outstanding balances and transactions with other related parties primarily relate to operations with Sky Mobile (*Note 3*) for the years ended December 31, 2009 and 2008 and to operations with TNS + Limited Liability Partnership ("**TNS+**"). The Company had contracts with Sky Mobile for providing mobile telecommunication services, including roaming activity, and had Management Agreement (Note 3). For TNS+, operations included purchasing from TNS+ services on transportation of fixed telecommunication traffic.

21. Stock based compensation plan

As discussed in *Note 16*, VimpelCom Ltd. has adopted the Plans.

The Plans are administered by a Committee ("**Committee**"), which, as of December 31, 2010, consisted of the Compensation Committee of VimpelCom Ltd.'s Supervisory Board. The Committee has the power to determine the terms and conditions of grants under the Plan, including the number of options to be granted, the exercise price and the vesting schedule.

Effective upon the closing of the Exchange Offer on April 21, 2010 (*Note 1*), the 2000 Plan was modified by substituting VimpelCom shares with shares of VimpelCom Ltd. As a result, each option (the "**VimpelCom Option**") to purchase one share of the common stock of VimpelCom that was outstanding and unexercised as of immediately prior to the closing of the Exchange Offer was deemed to be exchanged for 20 options (the "**VimpelCom Ltd. Options**"), each to purchase one Common Share of VimpelCom Ltd., with an exercise price per VimpelCom Ltd. Option equal to the exercise price of each VimpelCom Option, divided by 20. All the information presented in this Note related to the period prior to April 21, 2010 was recast accordingly.

The options granted by OJSC VimpelCom prior to completion of the Exchange Offer on April 21, 2010, are governed by the 2000 Plan (previously adopted by OJSC VimpelCom), with certain adjustments as were necessary to cause the 2000 Plan to apply to VimpelCom Ltd.'s common shares. All the information presented in this Note related to the period prior to April 21, 2010 was recast accordingly. Upon the Exchange Offer, 111,660 stock options of participants who left VimpelCom before April 21, 2010 were converted into SARs and forfeited as of December 31, 2010.

In 2010, VimpelCom Ltd.'s Board adopted the 2010 Plan for the issue of stock options to directors, senior managers and other employees of VimpelCom Ltd. and its subsidiaries, including VimpelCom. An option, upon vesting, entitles the holder to purchase one common share of the Company at the price determined by the Committee.

In June 2010, the Committee approved the issuance of up to 1,250,000 options to senior managers of VimpelCom Ltd. and its subsidiaries, including VimpelCom. The exercise price is ranging from US$15.14 to US$16.65 per option. These options generally vest over three years subject to achievement of key performance indicators.

In December 2010, 2,855,000 options were approved by the Committee to be issued under the 2010 Plan with the exercise price of US$16.74 per option.

Except for the options granted under Committee approval on June 2010, the options granted under the Plans generally vest at varying dates over two years. If certain events provided for in the Plans and the agreement relating to each option grant occur, the vesting period for certain employees is accelerated. VimpelCom recognizes compensation cost separately for each vesting tranche for awards subject to graded vesting. The total fair values of shares vested during the years ended and as of December 31, 2010, 2009 and 2008 were of US$499, US$3,416 and US$5,683, respectively. The number of options exercised during 2010 was 720,260 and the amount paid to employees was US$4,064. The number of options exercised during 2009 was 1,943,420 and

the amount paid to employees was US$15,276. The number of shares converted for the 1,259,400 options exercised during 2008 was 811,360 and share-based liabilities paid to employees were US$25,487. Amounts of liabilities paid were equal to intrinsic value of options exercised as of exercise date.

The amount of compensation expense or gain in respect of the Plans included in the accompanying consolidated statements of operations was US$1,442 expense, US$2,333 expense and US$121,890 gain in the years ended December 31, 2010, 2009 and 2008, respectively. As of December 31, 2010, the total compensation cost related to non-vested awards not yet recognized is US$633 and the weighted-average period over which it is expected to be recognized is 0.9 years.

The fair value of the options has been estimated using a Black Scholes option pricing model. The fair value of each grant is estimated on the date of grant (or date of modification). In estimating the fair value, the Company used the following significant assumptions. Expected term of the options was determined based on analysis of historical behavior of stock option participants. Expected volatility of VimpelCom's shares was estimated based on the historical volatility of the shares on the New York Stock Exchange over the period equal to the expected life of the option granted and other factors. The dividend yield was included into the model based on last dividend payment. The risk free rate was determined using the rate on Russian Government Bonds, having a remaining term to maturity equal to the expected life of the options, approximated where applicable. Forfeiture rate was determined as an average for the historic experience for all grants.

In 2009, VimpelCom's Board of Directors (the "**Board**") adopted a SARs plan for senior managers and employees. Following the completion of the Exchange Offer, the plan was modified to provide that it will be administered by OJSC VimpelCom's CEO and the OJSC VimpelCom Board of Directors determines the aggregate number of SARs that may be granted. A SAR, upon vesting, entitles the holder to receive a cash amount per SAR equal to any excess of the NYSE closing price of a VimpelCom Ltd. American depositary share on the exercise date over the price at which such SAR was granted. In 2009, the Board authorized the granting of 2,266,000 SARs.

On November 26, 2009, and on January 18, 2010, 2,050,760 and 71,200 of SAR's, respectively, were granted, 50% of which become vested on June 1, 2010 and 50% become vested on June 1, 2011 if the growth of KPIs exceeds certain parameters in 2009 as compared to 2008. If this condition is not met, 100% of SARs granted vest on June 1, 2011 if the growth of KPIs exceeds certain parameters in 2010 as compared to 2009. Also, upon the Exchange Offer, 111,660 stock options of participants who left VimpelCom before April 21, 2010 were converted into SARs and were forfeited as of December 31, 2010. The plan is accounted for using a Black Scholes model with the assumptions that are used in calculation of the fair value of the stock option plan and is classified in liabilities in the balance sheet. As of December 31, 2010, an aggregate of 1,590,660 SARs were outstanding, 777,320 of which are currently redeemable or will become redeemable within 60 days of the financial statement date. As of December 31, 2010, the liability related to SARs amounted to US$4,493. The amount of expense included in the accompanying income statement in connection with SARs was US$2,783.

The following table summarizes the activity for the Plans and SARs:

	Number of Options (units)			Number of SARs (units)	
	2010	2009	2008	2010	2009
Options/SARs outstanding, beginning of year	**6,601,000**	11,445,940	9,196,500	**2,016,440**	–
Options/SARs transferred to parent company	**(538,140)**	–	–	**(151,200)**	–
Options/SARs granted or converted from ESOP	**231,200**	1,815,000	4,460,000	**182,860**	2,050,760
Options/SARs exercised	**(720,260)**	(1,943,420)	(1,259,400)	**(115,160)**	–
Options/SARs modified or converted to SARs	**(111,660)**	(3,630,000)	–	**–**	–
Options/SARs forfeited	**(1,136,647)**	(1,086,520)	(951,160)	**(342,280)**	(34,320)
Options/SARs outstanding, end of year	**4,325,493**	6,601,000	11,445,940	**1,590,660**	2,016,440
Options/SARs fully vested and exercisable, end of year	**3,785,740**	5,487,320	5,290,320	**777,320**	–

No stock options expired in the years ended December 31, 2010, 2009 or 2008.

The following table summarizes the weighted-average exercise prices of options and SARs for the year ended December 31, 2010. The grant-date fair-value for options in the table below was based on the assumptions used as of the modification date (December 24, 2008, *Note 2*).

	Stock Options Plan 2000	Stock Options Plan 2010	SARs
The number of options/SARs outstanding, beginning of year	6,601,000	–	2,016,440
Weighted-average exercise price of options/SARs outstanding, US$ per option/SAR	17.5	–	13.1
Weighted-average grant-date fair value at the beginning of the year, US$ per option/SAR	1.4	–	11.8
Options transferred to parent company	(538,140)	–	(151,200)
The number of options/SARs granted or converted from ESOP	31,200	200,000	182,860
Weighted-average exercise price of options/SARs granted, US$ per option/SAR	13.1	16.7	19.4
Weighted-average grant-date fair value of options/SARs granted during the year, US$ per option/SAR	11.0	6.3	6.0
The number of options/SARs exercised	(720,260)	–	(115,160)
Weighted-average exercise price of options/SARs exercised, US$ per option/SAR	9.0	–	13.1
The total intrinsic value of options/SARs exercised (or share units converted)	4,381.1	–	239.9
The number of options/SARs forfeited/modified/converted to SARs	(1,181,640)	(66,667)	(342,280)
Weighted-average exercise price of options/SARs forfeited, US$ per option/SAR	18.6	16.7	15.0
Weighted-average grant-date fair value of options/SARs forfeited during the year, US$ per option/SAR	1.2	5.5	9.0
The number of options/SARs outstanding, end of year	4,192,160	133,333	1,590,660
Weighted-average exercise price of options/SARs outstanding, US$ per option/SAR	18.7	16.7	13.4
Weighted-average grant-date fair value at the end of the year, US$ per option/SAR	1.2	6.6	11.7
Weighted-average remaining contractual life (years)	1.0	3.4	5.0
The aggregate intrinsic value of options/SARs outstanding	804	–	2,997
Out of the options/SARs outstanding at the end of the year			
The number of options/SARs fully vested and exercisable	3,785,740	–	777,320
Weighted-average exercise price of options/SARs fully vested and exercisable, US$ per option/SAR	19.0	–	13.4
Weighted-average remaining contractual life (years)	0.9	–	5.0
The aggregate intrinsic value of options/SARs fully vested and exercisable	804	–	1,457
The number of options/SARs nonvested at the beginning of the year	1,113,680	–	2,016,440
Weighted-average grant-date fair value of options/SARs nonvested at the beginning of the year, US$ per option/SAR	0.7	–	13.1
The number of options/SARs vested during the year	435,300	66,667	1,004,140
Weighted-average grant-date fair value of options/SARs vested during the year, US$ per option/SAR	1.0	5.5	10.6
The number of options/SARs nonvested at the end of the year	406,420	133,333	813,340
Weighted-average grant-date fair value of options/SARs nonvested at the end of the year, US$ per option/SAR	0.7	6.6	11.9
The total fair value of shares vested during the year ended and as of December 31, 2009	449	–	2,453

The weighted-average grant-date fair values of options granted in 2009 and 2008 were US$1.4 and US$8 per option, respectively.

The following table illustrates the major assumptions of the Black Scholes model for the options and SARs for the years ended December 31:

	2010	2009	2008
Expected volatility	39% – 107%	92% – 138%	91% – 184%
The weighted-average expected term (in years)	1.6	1.8	0.8
Expected dividend yield	2.2% – 3.9%	0% – 2.2%	1.80%
Risk free interest rate	4.8% – 5.9%	7.0% – 9.77%	7.6% – 11.8%
Forfeiture rate	7.21%	6.20%	5.40%

In addition to the Plans and SARs, prior to completion of the Exchange Offer non-executive members of the Board participated in a "phantom" stock plan, pursuant to which they each received up to a maximum of 20,000 phantom ADSs per year with an additional 10,000 phantom ADSs granted to the chairman of the Board and 10,000 phantom ADSs granted to each director for serving as head of any official committee of the Board, provided that the amount paid to a director upon redemption may not exceed US$3.00 per phantom ADS per year of each one-year term served by the director. The number of phantom ADSs granted to each director was set by the Board. The phantom ADSs may be redeemed for cash on the date the director ceases to be a director; provided, however, that directors who are re-elected to the Board may redeem such phantom ADSs related to a previous period of his/her service as a director at any time from the date of his or her re-election to the date he or she is no longer a director. As of December 31, 2010, an aggregate of 130,000 phantom ADSs were outstanding under the phantom stock plan, of which 130,000 are currently redeemable or will become redeemable within 60 days of the financial statement date at prices per phantom ADS ranging from US$11.99 to US$31.63. As of December 31, 2010 and December 31, 2009, the liability related to the phantoms amounted to US$76 and US$4,195, respectively. The amount of expense included in the consolidated income statement in connection with phantom ADS granted to members of the Board was US$1,890 and US$655 gain for the years ended December 31, 2009 and December 31, 2010, respectively. Upon the completion of the Exchange Offer, each member of the Board who was appointed to the VimpelCom Ltd. Supervisory Board waived his right to all phantom ADSs and received an equal number of substitute VimpelCom Ltd. phantom American depositary shares. The substitute phantom American depositary shares are subject to the VimpelCom Ltd. phantom stock plan, which is substantially similar to the Company's phantom stock plan but relates to VimpelCom Ltd. American depositary shares. As of December 31, 2010, only one member of the Board participated in the Company's phantom stock plan.

VimpelCom's senior managers are also eligible to receive phantom ADSs in an amount approved by the Committee. The Committee determines the aggregate amount of phantom ADSs that may be granted to senior managers in each calendar year. In 2008, 2009 and 2010, the Committee authorized the granting of, 800,000, 820,000 and nil phantom ADSs, respectively. As of December 31, 2010, an aggregate of 186,666 phantom ADSs were outstanding, of which 186,666 are currently redeemable or will become redeemable within 60 days of the financial statement date at a price per phantom ADS US$9.92. As of December 31, 2010, the liability related to the phantom ADSs amounted to US$1,009. The amount of expense included in the accompanying income statement in connection with phantom ADS granted to senior managers were US$476 gain, US$2,480 expense and US$721 gain for the years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively.

22. Segment Information

Management analyzes the reportable segments separately because of different economic environments and stages of development in different geographical areas, requiring different investment and marketing strategies. Management does not analyze assets by reportable segments separately. The segment data for acquired operations are reflected herein from the date of their acquisitions.

The Management Board of VimpelCom utilizes multiple views of data to measure segment performance. However, the dominant measurements are consistent with VimpelCom's consolidated financial statements and, accordingly, are reported on the same basis herein. Management evaluates the performance of its segments on a regular basis primarily based on revenue and operating income before depreciation, amortization and impairment loss ("Adjusted **OIBDA**"). Intersegment revenues are eliminated in consolidation. Intersegment revenues may be accounted for at amounts different from sales to unaffiliated companies. The accounting policies of the segments are the same as those of VimpelCom.

Starting from April 21, 2010, the date of Exchange Offer completion, and during 2010 management was assessing the structure of its internal organization. Starting October 1, 2010, VimpelCom defined Russia mobile, Russia fixed line, CIS, (including Georgia) and Ukraine as our operating segments based on the business activities in different geographical areas.

All other category includes Asia mobile and head quarter expenses.

The comparative information for the years ended December 31, 2009 and December 31, 2008 was retrospectively adjusted.

Financial information by reportable segment for the years ended December 31, 2010, 2009 and 2008 is presented in the following tables.

Year ended December 31, 2010:

	Russia Mobile	Russia Fixed line	CIS	Ukraine	All other	Total
Net operating revenues from external customers	$6.814.868	$1.299.698	$1.266.591	$1.109.821	$ 21.822	**$10.512.800**
Intersegment revenues	11.100	35.933	87.359	75.551	18	**209.961**
Adjusted OIBDA	3.395.788	379.834	637.774	632.783	(51.250)	**4.994.929**
Capital expenditures	1.359.211	197.803	437.369	189.342	40.714	**2.224.439**

Year ended December 31, 2009:

	Russia Mobile	Russia Fixed line	CIS	Ukraine	All other	Total
Net operating revenues from external customers	$6,165,879	$1,257,659	$1,110,381	$163,314	$ 5,669	**$8,702,902**
Intersegment revenues	4,238	20,041	45,513	39,742	–	**109,534**
Adjusted OIBDA	3,287,920	408,183	578,362	36,163	(38,106)	**4,272,522**
Capital expenditures	482,517	136,954	106,916	19,811	67,939	**814,137**

Year ended December 31, 2008:

	Russia Mobile	Russia Fixed line	CIS	Ukraine	All other	Total
Net operating revenues from external customers	$7,357,941	$1,239,242	$1,263,383	$256,366	$ –	**$10,116,932**
Intersegment revenues	3,365	18,555	20,527	24,247	–	**66,694**
Adjusted OIBDA	3,922,086	287,495	628,968	22,055	(743)	**4,859,861**
Capital expenditures	1,439,911	347,929	589,833	185,422	7,749	**2,570,844**

The following table provides the breakdown of net operating revenues from external customers by mobile and fixed line services:

	fixed line	mobile	total
Net operating revenues from external customers for the year ended December 31, 2010	**$1,464,541**	**$9,048,259**	**$10,512,800**
Net operating revenues from external customers for the year ended December 31, 2009	1,435,476	7,267,426	8,702,902
Net operating revenues from external customers for the year ended December 31, 2008	1,464,313	8,652,619	10,116,932

These business activities include the following operations: mobile primarily include activities for the providing of wireless telecommunication services to the Company's subscribers and other operators, while fixed line primarily include all activities for providing wireline telecommunication services, broadband and consumer Internet. VimpelCom provides both mobile and fixed line services in Russia, Ukraine and CIS while the All other segment is only represented by mobile services.

The following table provides the reconciliation of consolidated Adjusted OIBDA to consolidated income before taxes for the years ended:

	December 31, 2010	December 31, 2009	December 31, 2008
Adjusted OIBDA	**$ 4.994.929**	$ 4,272,522	$ 4,859,861
Depreciation	**(1.649.897)**	(1,393,431)	(1,520,184)
Amortization	**(427.764)**	(300,736)	(360,980)
Impairment loss	**–**	–	(442,747)
Operating income	**2.917.268**	2,578,355	2,535,950
Interest income	**64.644**	51,714	71,618
Net foreign exchange gain/(loss)	**(14.314)**	(411,300)	(1,142,276)
Interest expense	**(615.870)**	(598,531)	(495,634)
Equity in net gain/(loss) of associates	**53.189**	(35,763)	(61,020)
Other expenses, net	**(99.544)**	(32,114)	(17,404)
Income before income taxes	**$ 2.305.373**	$ 1,552,361	$ 891,234

In Russia, Kazakhstan and Ukraine, VimpelCom's revenues from external customers amounted to US$8,114,565, US$723,931 and US$1,109,821, respectively, for the year ended December 31, 2010 and US$7,423,538, US$651,443, US$163,314 and US$8,597,183, US$740,378 US$256,366, for the years ended December 31, 2009 and 2008, respectively. Long-lived assets, represented by property and equipment, net, amounted to US$4,456,039, US$500,371 and US$1,126,358, and US$4,150,322, US$423,672 and US$263,652 as of December 31, 2010 and 2009, respectively. Consolidated long-lived assets amounted to US$6,935,287 and US$5,561,569 as of December 31, 2010 and 2009, respectively.

23. Commitments, Contingencies and Uncertainties

The imposition currency of exchange controls or other similar restrictions on currency convertibility in CIS countries and particularly in Uzbekistan could limit VimpelCom's ability to convert local currencies in a timely manner or at all. Recent developments in Kyrgyzstan (conditions of political instability and disorders) have severely affected the country's business and economic environment. Any such restrictions and these developments could have a material adverse effect on VimpelCom's business, financial condition, results of operations and title to assets owned by Sky Mobile (Note 3). The continued success and stability of the economies of these countries will be significantly impacted by their respective governments' continued actions with regard to supervisory, legal and economic reforms.

The economy of countries where VimpelCom operates is vulnerable to market downturns and economic slowdowns elsewhere in the world. In 2010 the respective governments continued to take measures to support the economy in order to overcome the consequences of the global financial crisis. Despite some indications of recovery there continues to be uncertainty regarding further economic growth, access to capital and cost of capital, which could negatively affect the Company's future financial position, results of operations and business prospects.

While management believes it is taking appropriate measures to support the sustainability of VimpelCom's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Company's results and financial position in a manner not currently determinable.

In the ordinary course of business, VimpelCom may be party to various legal and tax proceedings, and subject to claims, certain of which relate to the developing markets and evolving fiscal and regulatory environments in which VimpelCom operates. In the opinion of management, VimpelCom's liability, if any, in all pending litigation, other legal proceeding or other matters, other than what is discussed in this Note, will not have a material effect upon the financial condition, results of operations or liquidity of VimpelCom.

VimpelCom's operations and financial position will continue to be affected by political developments in the countries in which VimpelCom operates including the application of existing and future legislation, telecom and tax regulations. These developments could have a significant impact on VimpelCom's ability to continue operations. VimpelCom does not believe that these contingencies, as related to its operations, are any more significant than those of similar enterprises in such countries.

Telecom Licenses Capital Commitments

VimpelCom's ability to generate revenues in Russia is dependent upon the operation of the wireless telecommunications networks authorized under its various licenses. VimpelCom's GSM-900/1800 licenses that cover Moscow and the Moscow region, Central region, Volga region, Caucasus region, and the Siberia region have been reissued and under the new terms expire on April 28, 2013. The GSM-900/1800 licenses that cover the Northwest region, Urals and part of Far East region expire in 2011 – 2015 (the GSM-900/1800 license for Irkutsk region, excluding Ust-Ordynskiy Buryatskiy Autonomous Region, expires in 2011).

In April 2007, VimpelCom was awarded a license for the provision of "**3G**" mobile radiotelephony communications services for the entire territory of the Russian Federation that expires on May 21, 2017. The 3G license was granted subject to certain capital commitments. The three major conditions are that VimpelCom will have to build a certain number of base stations that support 3G standards and will have to start services provision by certain dates in each subject area of the Russian Federation, and also will have to build a certain number of base stations by the end of the third, fourth and fifth years from the date of granting of the license. To date all of these conditions have been fulfilled according to the indicated terms and schedule.

KaR-Tel owns a GSM-900 license to operate over the entire territory of Kazakhstan. The license expires in August 2013. In July 2008, the GSM-900 license was amended with the permission for KaR-Tel to render services in GSM-1800 standard and with the related commitment to cover cities with population of more than 1000 people by December 31, 2012.

On December 25, 2010, KaR-Tel received an amendment to the GSM license, which allows it to build and operate a cellular network in 3G (UMTS / WCDMA) standard. In accordance with the amendment KaR-Tel is bound by the following UMTS network coverage obligations: (i) cities of Astana and Almaty and all other cities constituting regional (oblast) centers (here and below – in terms of administrative territorial division) – not later than January 1, 2012; (ii) all other settlements having population of more than 50 000 – not later than January 1, 2013; (iii) all other settlements constituting district centers and towns with population of more than 10 000 – not later than January 1, 2015.

URS and GT LLC, VimpelCom's indirect Ukrainian subsidiaries own GSM licenses. CJSC "URS" owns a GSM-900 and 2 GSM-1800 licenses to operate over the entire territory of Ukraine, which expires in July 2021, October 2020 and December 2020 respectively. GT LLC owns three GSM-1800 licenses to operate over the nearly entire territory of Ukraine (except 3 regions), which expires in July 2014 and May 2021, respectively. In April 2009, the National Commission on Regulation of Telecommunication of Ukraine has amended its regulation establishing so-called "license terms" applicable to all mobile telecommunication network operators licensed in Ukraine.

Under the amendments, Ukrainian mobile telecommunication network operators are obliged to ensure radiofrequency coverage of 90% of cities within one year from the date of issue of respective mobile telecommunication services license, and 80% of all other settlements and major highways – within two years from the same date. In case respective license allows rendering mobile telecommunication services in several regions, each of these requirements shall be fulfilled in each region with an interval of not more than two months. These new capital commitments apply to URS and GT LLC. The commitments should be fully complied with in all regions licensed for use of radiofrequency corresponding to GSM 900/1800 standard as follows: URS – by August 2015 and GT LLC – by October 2014.

Kyivstar, the Company's subsidiary, met the license terms applicable to all the mobile telecommunication network operators licensed in Ukraine according to the Regulations of the National Commission on Regulation of Telecommunication of Ukraine amended in April 2009 in respect to the minimal mobile network coverage requirements. The existing network coverage is sufficient for minimal network coverage requirements and no material capital expenditures are reasonably expected to be incurred with regards to coverage requirements.

Sky Mobile owns a GSM-900/1800 license to operate over the entire territory of Kyrgyzstan which expires in May 2016 and a 3G (WCDMA/UMTS) license to operate over the entire territory of Kyrgyzstan, which is valid until October 2015. Under the 3G license, from the moment of receipt of corresponding permits to use radio-frequency bands Sky Mobile is primarily obliged to: (a) deploy 3G network in Chuy oblast within two years; (b) deploy 3G network over the entire territory of Kyrgyzstan within 5 years; (c) organize in 100 postal telegraph offices of KyrgyzPost located in the rural areas centers of public access with necessary computer equipment and access to Internet within 2 years; (d) reimburse costs required to clear radio-frequency range from existing radio-electronic equipment in the amount of up to KGS200 million (equivalent to US$4,255 at the exchange rate as of December 31, 2010).

Taxation

In the Russian Federation, VimpelCom's predominant market, there were many tax laws and related regulations introduced in previous periods as well as in 2010 which were not always clearly written, and their interpretation is subject to the opinions of the local tax inspectors and officials of the Ministry of Finance. Instances of inconsistent opinions between local, regional and federal tax authorities and Ministry of Finance are not unusual. Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, VimpelCom has accrued tax liabilities based on management's best estimate.

On June 30, 2008, the Company received a final decision of the Russian tax inspectorate's audit of VimpelCom's tax filings for financial years 2005 and 2006. According to the final decision, VimpelCom owed an additional RUR1,251 million in taxes (including RUR49 million in fines and penalties), which is approximately US$41,047 (including US$1,608 in fines and penalties) at the exchange rate as of December 31, 2010. VimpelCom appealed the tax inspectorate's final decision and court satisfied lawsuit in all amount. The tax inspectorate cannot appeal the court decision.

On April 30, 2009, the Company's subsidiary – Sovintel – received a final decision of the Russian tax inspectorate's audit of its tax filings for financial years 2006 and 2007. According to the final decision, Sovintel owed an additional RUR324 million in taxes (including RUR36 million in fines and penalties), which is approximately US$10,631 (including US$1,181 in fines and penalties) at the exchange rate as of December 31, 2010. Sovintel disagreed with the tax inspectorate's decision and has filed a lawsuit in the Russian Arbitration courts. The court satisfied Sovintel's lawsuit partly in the amount of RUR112 million (including RUR7 million in fines and penalties) which is approximately US$3,675 (including US$229 in fines and penalties) at the exchange rate as of December 31, 2010. The tax inspectorate cannot appeal the court decision.

The tax authorities won the amount of RUR212 million (including RUR29 million in fines and penalties) in the Court of Cassation, which is approximately US$6,956 (including US$951 in fines and penalties) at the exchange rate as of December 31, 2010, which was paid in all amount. The Company appealed court decision in the Supreme Arbitration Court of the Russian Federation. The Supreme Arbitration Court of the Russian Federation dismissed an appeal. The Company has no right to appeal this decision.

Based on the audit of the tax records for 2009, the tax authorities issued a tax claim against the Company's subsidiary VC-Invest in the amount of RUR314 million (including RUR55 million in fines and penalties) which is approximately US$10,303 (including US$1,805 in fines and penalties) at the exchange rate as of December 31, 2010. The company did not agree with the claim, and filed a lawsuit. Court satisfied lawsuit in all amount in the first instance. The tax inspectorate can appeal the court decisions.

On January 21, 2011, VimpelCom received a report from the tax authorities regards to tax audit for the period from 2007 to 2008. The amount of claims was RUR1,191 million which is approximately US$39,078 at the exchange rate as of December 31, 2010 The Company reserved RUR844 million for ASC 740-10 and ASC 450 which is approximately US$27,693 at the exchange rate as of December 31, 2010. The Company will appeal tax audit report in court in all amount.

KaR-Tel

On January 10, 2005, KaR-Tel received an "order to pay" (**"Order to Pay"**) issued by The Savings Deposit Insurance Fund, a Turkish state agency responsible for collecting state claims arising from bank insolvencies (the **"Fund"**), in the amount of approximately US$4,910,250 at the exchange rate as of December 31, 2010 (stated as approximately Turkish lira 7.55 quadrillion and issued prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005). The Order to Pay, dated as of October 7, 2004, was delivered to KaR-Tel by the Bostandykski Regional Court of Almaty. The Order to Pay does not provide any information regarding the nature of, or basis for, the asserted debt, other than to state that it is a debt to the Turkish Treasury and the term for payment was May 6, 2004.

On January 17, 2005, KaR-Tel delivered to the Turkish consulate in Almaty a petition to the Turkish court objecting to the propriety of the order and requesting the Turkish court to cancel the Order to Pay and stay of execution proceedings in Turkey. The petition was assigned to the 4th Administrative Court in Turkey, and it should be reviewed pursuant to applicable law.

On June 1, 2006, KaR-Tel received formal notice of the 4th Administrative Court's ruling that the stay of execution request was denied. KaR-Tel's Turkish counsel has advised KaR-Tel that the stay request is being adjudicated separately from the petition to cancel the Order to Pay. KaR-Tel submitted an appeal of the ruling with respect to the stay application.

On June 1, 2006, KaR-Tel also received the Fund's response to its petition to cancel the order. In its response, the Fund asserts, among other things, that the order to pay was issued in furtherance of its collection of approximately Turkish lira 7.55 quadrillion (prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005) in claims against the Uzan group of companies that were affiliated with the Uzan family in connection with the failure of T. Imar Bankasi, T.A.S. The Fund's response to KaR-Tel's petition claims that the Uzan group of companies includes KaR-Tel, Rumeli Telecom A.S. and Telsim Mobil Telekomunikasyon Hizmetleri A.S. Rumeli Telecom A.S. and Telsim Mobil Telekomunikasyon Hizmetleri A.S are Turkish companies that owned an aggregate 60% of the equity interests in KaR-Tel until their interests were redeemed by KaR-Tel in November 2003 in accordance with a decision of the Review Panel of the Supreme Court of Kazakhstan. In July 2006, KaR-Tel submitted its response, dated June 30, 2006, to the Fund's response via the Kazakh Ministry of Justice, to be forwarded to the 4th Administrative Court of Istanbul. In its response, KaR-Tel denied in material part the factual and legal assertions made by the Fund in support of the order to pay.

On December 11, 2008, KaR-Tel received a Decision of Territorial Court of Istanbul dated December 12, 2007, wherein the Court rejected KaR-Tel's appeal with respect to the stay of execution request.

On October 20, 2009, KaR-Tel filed with Sisli 3d Court of the First Instance in Istanbul a claim to recognize in the Republic of Turkey the decision of the Almaty City Court of the Republic of Kazakhstan dated June 6, 2003 regarding, among other things, compulsory redemption of equity interests in KaR-Tel owned by Rumeli Telecom A.S. and Telsim Mobil Telekomunikasyon Hizmetleri A.S., which was confirmed by the Civil Panel of the Supreme Court of the Republic of Kazakhstan on June 23, 2003, as amended by the resolution of the Review Panel of the Supreme Court of the Republic of Kazakhstan dated October 30, 2003 ("**Recognition Claim**"). On October 20, 2009, KaR-Tel also filed with the 4th Administrative Court of Istanbul a petition asking the Court to treat the recognition of the Kazakhstan court decision as a precedential issue and to stay the proceedings in relation to the order to pay.

On September 28, 2010, Sisli 3d Court of the First Instance in Istanbul reviewed the Recognition Claim and ruled in favor of KaR-Tel recognizing the Kazakhstan Court judgments on the territory of the Republic of Turkey. The court decision is appealable by defendants.

On October 25, 2010, the 4th Administrative Court of Istanbul reviewed KaR-Tel's petition to annul the Payment Order and has ruled in favor of KaR-Tel. The Court has recognized the Order to Pay as illegal and annulled it. The court decision has been appealed by the Fund. On February 18, 2011 KaR-Tel submitted its responses to the motion on appeal.

As to the Recognition Claim, the defendants, Rumeli Telecom AS and Telsim Mobil Telekommunikasyon Hizmetleri AS, have appealed the decision of Sisli 3d Court of the First Instance in Istanbul, which has ruled in favor of KaR–Tel recognizing the Kazakhstan Court judgments on the territory of the Republic of Turkey. The Company submitted its responses to such motion on appeal on January 20, 2011. The court file will be sent to the Supreme Court for the appeal proceedings.

The Company continues to believe that the Fund's claim is without merit, and KaR-Tel will take whatever further actions it deems necessary and appropriate to protect itself against the Fund's claim.

MTS claim

Since November 2006, the Chief Executive Officer and directors of the Company have received several letters from OJSC Mobile TeleSystems ("**MTS**") and its representatives claiming that Sky Mobile's Kyrgyz telecom business and its assets were misappropriated from Bitel, an MTS affiliate, and demanding that the Company not purchase Sky Mobile, directly or indirectly, or participate or assist in the sale of Sky Mobile to any other entities. These letters have suggested that MTS will take any and all legal action necessary against the Company in order to protect MTS's interest in Bitel and Bitel's assets. As of the date hereof, management is not aware of any pending legal action against the Company in connection with this matter except for the litigation against Sky Mobile discussed in the paragraph below.

The Company started to consolidate Sky Mobile from January 1, 2010 (*Notes 2 and 3)*. Sky Mobile is a defendant in litigation in the Isle of Man. The litigation was brought by affiliates of MTS against Sky Mobile and affiliates of Altimo and alleges that the Kyrgyz judgment determining that an Altimo affiliate was the rightful owner of interest in the equity of Bitel prior to the asset sale between Sky Mobile and Bitel and that Bitel shares and Sky Mobile assets were misappropriated. The legal proceedings in this matter are pending. At this time the Company is unable to assess the likelihood of the ultimate outcome of this litigation and its effect on the Company's operating results and financial position.

The anti-monopoly claims against OJSC VimpelCom

The Federal Anti-Monopoly Service of Russia ("**FAS**") started legal proceedings against VimpelCom, MTS and Megafon about their alleged violation of anti-monopoly legislation by charging artificially high prices for roaming services. On October 22, 2010, FAS released its conclusion that VimpelCom violated certain provisions in the Federal Law "On the Protection of Competition" in respect of its roaming services. On March 09, 2011, the Company received the decision of FAS on imposing on VimpelCom a fine in the amount of RUR12 million (approximately US$414 at the exchange rate as of March 9, 2011). The Company reserved for the full amount of this claim as of December 31, 2010.

In the complaint from OJSC MGTS, the FAS started legal proceedings against VimpelCom about its alleged violation of anti-monopoly legislation by tying counterparties with traffic agreements containing disadvantageous prices in Moscow. On May 19, 2010, FAS found the activities of VimpelCom to be in violation of anti-monopoly legislation. On March 9, 2011, the Company received the decision of FAS on imposing on VimpelCom a fine in the amount of RUR10 million (approximately US$345 at the exchange rate as of March 9, 2011). VimpelCom does not believe that it is in violation of the anti-monopoly legislation and intends to appeal the FAS decision. Thus, the Company does not have a reserve for this claim as of December 31, 2010.

Golden Telecom shareholder claim

On April 18, 2008, Global Undervalued Securities Master Fund, L.P. ("**Global Undervalued**"), timely filed a petition in a Delaware court demanding appraisal of its approximately 1.4 million shares of Golden Telecom which it did not tender in the tender offer pursuant to which VimpelCom acquired Golden Telecom. On April 23, 2010, the court determined the fair value of Golden Telecom shares to be US$125.49 per share. Interest was applied for a period from February 28, 2008 to the date of payment. VimpelCom accrued an additional loss contingency in the amount of US$52,733 in relation to cash rights for shares of Golden Telecom. These amounts were included in "other expenses, net" for the year ended December 31, 2010 in the accompanying consolidated statements of income.

In June 2010, Golden Telecom and Global Undervalued entered into an agreement pursuant to which in July 2010 Golden Telecom paid to Global Undervalued US$165,542 based on the US$105.00 per share tender offer price and interest, partially repaying the liability. Pursuant to the agreement, in July 2010 Golden Telecom deposited US$33,190 into an escrow account, reflecting it in other current assets as of December 31, 2010.

Golden Telecom, Inc. filed a notice of appeal. Petitioners in the case have since filed a cross-appeal of the judgment. All payments already made remain subject to the final resolution of this matter and Golden Telecom may be required to make additional payments to Global Undervalued should the court rule in favor of Global Undervalued's cross-appeal.

At the hearings of December 8, 2010 the court heard cross-appeals. In December 2010, the decision of the court of first instance was upheld, the judgment is final. The defendant paid the plaintiff the remaining part of the amount of the claim in 2011. The case is closed.

The 1st Roaming Claim Against KaR-Tel: Threshold amounts

On May 14, 2010, the Antimonopoly Agency of Kazakhstan ("**the Agency**") initiated an investigation of the alleged breach of antimonopoly laws of Kazakhstan by all three Kazakhstan GSM-operators (KaR-Tel, GSM Kazakhstan OAO Kazakhtelecom LLP (trademarks KCell, Active), and Mobile Telecom Systems LLP (trade mark Neo)), by abuse of dominant position through infringement of consumers' rights by way of determination of a threshold (minimal) amounts of money on consumer's account required for rendering (switching on and off) roaming services ("**the Threshold Amounts**"). Further, the Agency decided to consider investigations, jointly with FAS, of Kazakhstan antimonopoly law breaches with respect to all the three Kazakhstan GSM-operators,

including KaR-Tel, as well as operators-partners in the Russian Federation on indications of anticompetitive concerted actions and agreements as to establishing and (or) price maintenance as well as use of per-minute step of tarification. The Agency also decided to make a proposal to the Ministry of Telecommunications and Information of Kazakhstan as to earlier transfer to per-second tarification for roaming services (date determined by law is January 1, 2012), and to conduct an evaluation of roaming tariffs.

On June 21, 2010, the Agency completed the part of its investigation related to the Threshold Amounts and alleged that all three Kazakhstan GSM-operators abused their dominant position through infringement of customers' lawful rights by way of establishing the Threshold Amounts, being establishing of minimal amounts on user's account to switch on roaming services for prepaid and postpaid users in off-line roaming, and switching off roaming services when a user occurs negative balance on the consumer's account.

On July 3, 2010, the Agency initiated an administrative procedure with respect to all the three Kazakhstan GSM operators, including KaR-Tel, and issued the protocol on administrative offence ("**the Protocol**"). The Agency filed with the Administrative Court a claim based on the Protocol. The Company estimates KaR-Tel's share of administrative fines amounting to KZT11.6 billion (the equivalent to US$78,646 at the exchange rate as of July 3, 2010). KaR-Tel believes that the claim of the Agency is without merits and intends to protect its rights and lawful interest in courts of Kazakhstan. On July 16, 2010, KaR-Tel filed a claim to recognize as illegal and annul the acts of the Agency, which have served as a procedural basis for the Protocol.

On October 19, 2010 the Interregional Economic Court of Astana has ruled in favor of KaR-Tel and recognized as illegal, null and void all acts of the Agency and its territorial branch, which have served as procedural basis for the Protocol. The decision has not come into force and was appealable by the Agency. On November 15, 2010, KaR-Tel received copy of the Agency's appeal on the decision. On December 13, 2010 the Court of Appeals upheld the decision of October 19, 2010 in favor of KaR-Tel LLP. On February 17, 2011 the Court of Cassation reviewed the cassation petition of the Agency and upheld both the decision of October 19, 2010 and the resolution of the Court of Appeals of December 13, 2010. As a result, the decision of October 19, 2010 that has recognized all acts of the Agency and its territorial branch, which have served as procedural basis for the Protocol, as illegal, null and void, has come into force. Although the decision has come into full force and effect, it is still subject to appeal by the Agency in supervisory appeal order within 1 year from the date of receipt by the Agency of the Resolution of the Court of Cassation. No provisions were made in relation to this case in the accompanying condensed consolidated financial statements.

The 2nd Roaming Claim Against KaR-Tel: Concerted actions/high roaming tariffs

The Agency has continued another part of investigation – with respect to concerted actions of Kazakhstan and Russian GSM-mobile operators on establishing and/or preservation of tariffs (**"Concerted Actions Investigation"**). On October 25, 2010, the Agency completed the Concerted Actions Investigation and reclassified alleged concerted actions of KaR-Tel and other Russian and Kazakhstan GSM-operators into establishing monopolistically high tariffs. On November 3, 2010, the Agency initiated an administrative procedure and issued a new protocol on administrative offence, according to which the Agency has found KaR-Tel and the other two Kazakhstan GSM-operators liable for abuse of their dominant position on the market by way of establishing monopolistically high roaming tariffs ("**the New Protocol**"). Under Kazakhstan laws, the Agency has lodged the New Protocol into administrative court, and the court is to review the matter and to decide on the merits and on applicable fines.

On November 23, 2010, KaR-Tel LLP filed a claim with Astana Interregional Economic Court against the Agency requesting the Court to recognize illegal and to annul acts of the Agency preceding the New Protocol. The Court has accepted the claim for judicial review and on January 14, 2011 has conducted pre-hearing meeting. On February 16, 2011, the Court conducted hearing, according to which it will continue further judicial review of the claim. On March 3, 2011, KaR-Tel received a decision of the Court, which recognized illegal and annulled the acts of the Agency preceding the New Protocol. The decision was issued on February 28, 2011 and is subject to appeal by the Agency. While the Company does not agree with the New Protocol and intends to challenge it, the ultimate resolution of this matter could result in a loss of KZT9.9 billion (equivalent to US$67,087 as of November 3, 2010) in excess of the amount accrued.

Russian Lawsuit on Sovintel Eviction

A lawsuit was filed by the State Property Committee (Federal Agency for Management of the State Property) against Sovintel seeking eviction from the premises (about 4,000 sq.m) at Krasnokazarmennaya Street, where its

Data Center and equipment are currently located. In substantiation of its claim the plaintiff asserts that the lease agreements between Sovintel and several lessors are void, since they were entered into without a consent of the owner (the State Property Committee) to lease such premises. As a result of hearings on January 25, 2011, for part of premises leased from FGUP VEI the plaintiff's claim was dismissed (but may be appealed within 1 month) while for the remaining part of premises leased from other lessors were postponed until March 30, 2011. On March 30, 2011, this part of the plaintiff's claim was dismissed by the court as well. Both court decisions are appealable within 1 month after their issue. The first decision was not appealed while for the second decision the Company is not aware of appeals made.

Management evaluates the risk of an adverse outcome of this lawsuit as probable. No amounts have been accrued in these financial statements in relation to this claim due to immateriality, but in case of an adverse decision of the court, eviction of Sovintel from the premises may cause interruption of the work of the equipment (fixed-line network) that could have a negative impact on the future results of operations of the Company commencing the period when such interruption occurs.

Operating Lease Commitments

Operating lease commitments for each of the succeeding five years is expected to be as follows:

2011	$ 103.887
2012	82.782
2013	69.707
2014	58.985
2015	56.391
Thereafter	177.031
Total	$ 548.783

Other Commitments

On August 13, 2008, the Company entered into an agreement with Apple Sales International ("**Apple**") to purchase 1.5 million IPhone handsets under the quarterly purchase installments over a two year period beginning with commercial launch in the fourth quarter 2008. In 2010, 2009 and 2008, the Company made 10.9%, 0.5% and 12.0%, respectively of its total purchase installment contemplated by the agreement.

24. Subsequent Events

The Company evaluated subsequent events up to June 20, 2011, the date VimpelCom's Financial Statements were issued.

Apple

On March 31, 2011, VimpelCom and Apple signed an amendment to the agreement to purchase IPhones (Note 24, Other Commitments). Under the amendment, 958,540 iPhone handsets (being the difference between 1,500,000 iPhone handsets per the original agreement and the amount actually purchased by the Company from Apple through March 31, 2011) should be purchased starting April 1, 2011 and before March 31, 2013, including 435,000 iPhone handsets to be purchased before March 31, 2012. If VimpelCom does not comply with newly agreed schedule and certain other terms of amendments, then according to the agreement it could become liable for the shortfall in orders of iPhone handsets that existed as of March 31, 2011, less any iPhone units actually purchased by VimpelCom after this date.

Borrowings and Notes issue

On February 2, 2011, VIP Finance completed an offering of an aggregate principal amount of US$1,500,000 loan participation notes, split equally between five-year and 10-year tranches, for the sole purpose of funding loans in an aggregate principal amount of US$1,500,000 to VimpelCom. The five-year US$500,000 issue (the "**2016 Notes**") and related loan in the same principal amount bear interest at an annual rate of 6.493% payable semiannually and are due in February 2016. The 10-year US$1,000,000 issue (the "**2021 Notes**") and related loan in the same principal amount bear interest at an annual rate of 7.748% payable semiannually and are due in February 2021. Deferred financing costs relating to the 2016 Notes offering and 2021 Notes offering (which include gross issuance costs) comprised US$3,123 and US$5,152 respectively and will be amortized over 5 and 10 years respectively.

On April 26, 2011 VimpelCom signed a Facility Agreement with HSBC Bank PLC. This is a Russian ruble denominated Swedish export credit facility supported by EKN for the total amount of US$200,000 to be drawn down in rubles. The facility is to finance equipment and services provided to VimpelCom by Ericsson on a reimbursement basis. The facility bears interest at a rate of MosPRIME (Moscow indicative independent interbank offered rate) plus 1.05% p.a. On May, 10 VimpelCom drew down the loan in the amount of RUR5,568 million (equivalent to US$201,276 as of May 10, 2011).

On May 3, 2011 VimpelCom signed a Loan Facility Agreement with CISCO SYSTEMS FINANCE INTERNATIONAL. This is a Russian ruble denominated Irish export credit facility for total amount of RUR 1,350 million. The facility is to finance equipment provided to VimpelCom by CISCO on a reimbursement basis. The facility bears interest at a rate of 7.35% p.a. On May 19, 2011 VimpelCom drew down RUR1,350 million (the equivalent to US$48,134 as of May 19, 2011).

On April, 12, 2010, VimpelCom signed a seven-year loan agreement with Sberbank in the amount of US$2,500,000 with fixing of the ruble amount of the loan at exchange rate at the date of the drawdown. The loan bears interest at the rate of 9.0% per annum and matures on April 11, 2018. According to the provisions of the agreement, the rate may be increased in case of occurrence of certain events up to a maximum of 9.5%. On April, 27, 2011 VimpelCom drawdown the loan in the amount of RUR 33,492 million (the equivalent to US$1,200,594 as of April 27, 2011). On May 11, 2011, VimpelCom drew down the loan in the amount of RUR22,498 million (the equivalent to US$807,407 as of May 11, 2011). On June 1, 2011, VimpelCom drew down an additional RUR 8,396 million (the equivalent to US$300,100 as of June 1, 2011).

Guarantee in favour of VimpelCom Amsterdam B.V.

On March 31, 2011, VimpelCom Amsterdam B.V., VimpelCom's parent and related party, signed a one year Bridge Facility Agreement (with the possible extension for 6 months), with six international banks: Barclays, BNP Paribas, Citi, RBS, ING and HSBC in the total amount of US$2,500,000. The Facility bears annual interest at a rate of LIBOR plus 0.85% from (and including) the Signing Date to (but excluding) the date falling three months after the Signing Date; LIBOR plus 1.15% from (and including) the date falling three months after the Signing Date to (but excluding) the date falling six months after the Signing Date; LIBOR plus 1.75% from (and including) the date falling six months after the Signing Date to (but excluding) the date falling nine months after the Signing Date; LIBOR plus 2.25% from (and including) the date falling nine months after the Signing Date to (but excluding) the date falling twelve months after the Signing Date; LIBOR plus 3.0% (and including) the date falling 12 months after the Signing Date. On April 14, 2011, VimpelCom Amsterdam B.V drew down the loan in the amount of US$2,200,000. VimpelCom has guaranteed this Bridge Facility Agreement.

Loans granted

On April 29, 2011, VimpelCom granted a US$50,000 loan to VimpelCom Ltd., VimpelCom's related party, in addition to US$37,000 granted on December 13, 2010.

On March 16, 2011, VimpelCom through its subsidiary OJSC VimpelCom made an agreement to grant unsecured loan to VimpelCom Amsterdam B.V., the subsidiary of VimpelCom Ltd and the parent of VimpelCom Holdings B.V., in the amount of US$500,000. As of March 31, 2011, the principal amount of debt outstanding under this agreement was US$250,000. On April 29, 2011, VimpelCom granted an additional US$250,000 loan to VimpelCom Amsterdam B.V. On May 17, 2011, VimpelCom Amsterdam B.V repaid part of this loan in the total amount US$250,000.

On May 13, 2011, VimpelCom granted an unsecured loan to VimpelCom Amsterdam Finance B.V., VimpelCom's related party, in the total amount of US$2,610,000. On May 20, 2011, VimpelCom Amsterdam Finance B.V repaid part of the this loan in the total amount US$52,820. Under the agreement, VimpelCom may grant additional US$442,820.

On April 29, 2011, VimpelCom granted an additional US$250,000 loan to VimpelCom Amsterdam B.V., VimpelCom's related party. On May 17, 2011, VimpelCom Amsterdam B.V repaid a $250,000 loan to VimpelCom which it borrowed on March 21, 2011. On June 8, 2011, VimpelCom granted a US$245,000 loan to VimpelCom Amsterdam B.V., VimpelCom's related party. Current loan amount outstanding is therefore $495,000.

Promissory Note

On May 18, 2011, VimpelCom repaid US$265,800 of the promissory note to VimpelCom Amsterdam.

Acquisitions

Eltel

On January 21, 2011 VimpelCom acquired 100% of the share capital of Closed Joint Stock Company Eltel ("**Eltel**"), one of the leading alternative fixed-line providers in St. Petersburg, for the total consideration of RUR1,000 million (the equivalent to US$33,428 as of January 21, 2011).

The primarily reason for the acquisition was to enhance VimpelCom's presence in Saint-Petersburg telecommunication market (including through transport network) and to increase VimpelCom's local FTTB (Fiber-To-The-Building) subscribers base.

The acquisition of Eltel is accounted for as a business combination under the "acquisition method", as defined by ASC 805. The acquisition method requires the cost of the purchase to be based on the fair value of the consideration on the acquisition date.

The fair values of consolidated identifiable assets and liabilities of "Eltel" as of January 21, 2011, were as follows:

	As of January 21, 2011
Cash and cash equivalents	387
Other current assets	1,443
Property and equipment	10,106
Customer Relationships (9 years weighted average remaining useful life)	4,282
Other assets	129
Goodwill	20,152
Total assets acquired	**36,499**
Current liabilities	(1,170)
Long-term liabilities	(1,901)
Total liabilities assumed	**(3,071)**
Total acquisition price	**33,428**

The excess of the purchase consideration over the fair value of the identifiable net assets of Eltel amounted to US$20,152 and was recorded as goodwill. The goodwill was assigned to the Russia fixed-line reportable segment and is expected to be realized from the potential of "business to business" telecommunication market development in the future, as well as synergies with VimpelCom's operations. This goodwill is not deductible for tax purposes. The direct transaction costs incurred in the transactions were treated as expenses under ASC 805 with no impact on goodwill.

Millicom Lao

On March 9, 2011 VimpelCom acquired 100% ownership interest in Millicom Holding Laos B.V. (Netherlands) which holds a 78% interest in Millicom Lao Co., Ltd. a cellular telecom operator with operations in the Lao PDR ("**Millicom Lao**"). The remaining 22% of Millicom Lao is owned by the Government of the Lao PDR, as represented by the Ministry of Finance.

The reason for the acquisition was gaining access to the new market of the Lao PDR. The acquisition of Millicom Lao is accounted for as a business combination under the acquisition method, as defined by ASC 805. The acquisition method requires the cost of the purchase to be based on the fair value of the consideration as of the acquisition date.

The purchase price consideration was approximately US$88,000 including equity, repayment of debt, repayment of shareholder loan and intra-group indebtedness.

The provisional fair values of consolidated identifiable assets and liabilities of Millicom Lao as of March 9, 2011, were as follows:

	March 9, 2011
Cash and cash equivalents	3,112
Other current assets	8,739
Property and equipment	48,350
Software	228
Goodwill	74,564
Other non-current assets	3,336
Total assets acquired	**138,329**
Current liabilities	(36,161)
Long-term liabilities	(12,638)
Total liabilities assumed	(48,799)
Non-controlling interest	(19,697)
Total acquisition price	**69,833**

The provisional fair values are based on individual financial statements of Millicom Lao adjusted for goodwill. The excess of the purchase consideration over the fair value of the identifiable net assets of Millicom Lao amounted to US$74,564 and was recorded as goodwill. The goodwill was assigned to the All other reportable segment and is expected to be realized from the potential development of telecommunication market in Laos as well as synergies with VimpelCom's operations in South-East Asia. This goodwill is not deductible for tax purposes. The direct transaction costs incurred in the transactions were treated as expenses under ASC 805 with no impact on goodwill.

Purchase price allocation has not been finalized due to insufficient time.

G-Tel mobile

In April 2011, VimpelCom has agreed with its local partner in Vietnam on a financing plan for GTEL-Mobile, that could result in the Company providing investments in total of up to US$500,000 through 2013. The Company has completed the first stage of the financing plan by paying US$196,000 for newly issued shares and thereby increasing its stake in GTEL-Mobile from 40% to 49%. All proceeds from this financing will be used for GTEL-Mobile development. In connection with this investment, the joint venture parties have also agreed that the Company will assume operational management of GTEL-Mobile.

Going forward the Company has agreed to invest another US$304,000 under this plan, which would increase its economic interest in GTEL-Mobile from 49% to 65%. The additional financing and equity increase are subject to satisfaction of certain performance targets by GTEL-Mobile and receipt of further regulatory approvals.

NTC

In May 2011, VimpelCom signed documents to acquire up to 100% of the shares of OJSC "New Telephone Company" ("**NTC**"), the leading telecommunications operator in Primorskiy region of Russia. The acquisition price is based on Enterprise Value of US$420,000. On June 7, 2011,VimpelCom acquired 89.99% of the shares. The Company expects to launch a mandatory tender offer under Russian law to acquire 10.00% of the remaining outstanding shares in July 2011. VimpelCom expects that the mandatory tender offer will be completed in the third quarter of 2011 and it will be followed by a squeeze out under Russian law of the remaining 0.01% of outstanding shares.

Euroset IPO

On March 22, 2011, Euroset (Note 12) announced its intention to proceed with an initial public offering ("**IPO**") of depository receipts on the London Stock Exchange. In April 2011, Euroset IPO was postponed, therefore, the Company is not able to assess the impact on its financial results at the moment.

Sky mobile 3G license (Note 23)

On April 5, 2011, Kyrgyzstan Government issued a Decree, according to which it considered as fully satisfied license obligation of Sky Mobile to organize centers of public access with necessary computer equipment and access to Internet in 100 postal telegraph offices of KyrgyzPost located in the rural areas within 2 years and some other obligations assuming capital expenses in exchange for payment made by Sky Mobile of 50 million Kyrgyz soms to the state budget (equivalent to US$1,054 at the exchange rate as of April 5, 2011). Sky Mobile expects respective changes to be incorporated into the license agreement related to the 3G license.

VimpelCom Holdings B.V., Amsterdam

Annual report 2010

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Director's report

VimpelCom Holdings B.V., Amsterdam

Director's report

The management herewith submits the Annual Report of VimpelCom Holdings B.V. ('the Company') for the financial year ended December 31, 2010.

The Company

The Company was incorporated as a private company ('besloten vennootschap') with limited liability under Dutch law by notarial deed executed on June 29, 2009 by H.J. Portengen, civil law notary in Rotterdam.

The Company has its statutory seat and its principal place of business in Amsterdam.

The Company is registered at the Trade Register of the Chamber of Commerce in Amsterdam under number 34.34.5993.

Activities

In accordance with Article 3 of its Articles of Association the principal activities of the Company are the participation in and management and financing of the other business undertakings.

Employees

The Company did not have any employees up and until December 31, 2010.

Financial instruments

Our policy is to manage the risks we are exposed to, but not limited to the market risk (including currency risk, fair value, interest and price risk), credit risk, liquidity risk and cash flow interest rate risk. Our strategy is to systematically monitor and understand the impact of changing market conditions on our result and cash flow and to initiate preventive actions when required.

Result

During the period under review, the Company recorded a profit of US$531,317,000, which is set out in detail in the attached profit and loss account.

Subsequent events

No material subsequent events have occurred to date that would affect the annual accounts.

Future developments

The management does not envisage any major changes in the activities of the Company during the forthcoming financial year.

Amsterdam, April 4, 2011

A.A. Gavrilov
Director A
(appointed October 13, 2010)

P. Hajem
Director B
(appointed October 13, 2010)

F. Saratovsky
Director C
(appointed October 13, 2010)

J.D. Mc Ghie
Director C
(appointed October 13, 2010)

C.H. van Dalen
Director C
(appointed October 13, 2010)

Financial statements

VimpelCom Holdings B.V., Amsterdam

Company balance sheet as at December 31, 2010
(after appropriation of profit)

Assets

	2010	2009
	(In thousands of US$)	
Fixed assets		
Financial fixed assets(1)	22,343,814	–
Current assets		
Receivables(2)	2	–
Cash at bank and in hand	402	5,788
	404	5,788
Total assets	22,344,218	5,788

VimpelCom Holdings B.V., Amsterdam

Shareholders' equity and liabilities

	2010	2009
	(In thousands of US$)	
Shareholders' equity(3)		
Issued and paid-up share capital	20,177	26
Share premium account	5,575,453	–
Legal and statutory reserves	18	(1)
Other reserves	531,312	(5)
	6,126,960	20
Long-term liabilities(4)	16,217,230	–
Current liabilities(5)	28	5,768
Total shareholders' equity and liabilities	22,344,218	5,788

VimpelCom Holdings B.V., Amsterdam

Company profit and loss account for 2010

	2010	2009
	(In thousands of US$)	
Other operating expenses	56	4
Total operating expenses	56	4
Operating income	(56)	(4)
Financial income and expense(6)	531,391	(1)
Profit/(loss) before taxation	531,335	(5)
Income taxes	(18)	–
Net profit/(loss)	531,317	(5)

VimpelCom Holdings B.V., Amsterdam

Accounting policies used for the company financial statements

General

The company financial statements have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. The financial statements were prepared on April 4, 2011.

Basis of consolidation

Pursuant to Section 408, Paragraph 1 Part 9 of Book 2 of the Dutch Civil Code no consolidated balance sheet and profit and loss account have been prepared.

Foreign currency translation

The financial statements are prepared in US$, the functional and presentation currency of the group. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions denominated in foreign currencies are initially carried at the functional exchange rates ruling at the date of transaction. Monetary balance sheet items denominated in foreign currencies are translated at the functional exchange rates ruling at the balance sheet date. Non-monetary balance sheet items that are measured at historical cost in a foreign currency are translated at the functional exchange rates ruling at the date of transaction. Non-monetary balance sheet items that are measured at current value are translated at the functional exchange rates ruling at the date of valuation.

Exchange differences arising on the settlement or translation of monetary items denominated in foreign currencies are taken to the profit and loss account, with the exception of exchange differences resulting from net investments in foreign activities, or from loans taken out to finance or effectively hedge net investments in foreign activities. These exchange differences are taken directly to the foreign currency translation reserve. The foreign currency translation reserve is included under the legal reserves.

Exchange differences arising on the translation of non-monetary balance sheet items denominated in foreign currencies that are carried at current value are taken directly to the revaluation reserve, provided the changes in value of the non-monetary items are likewise taken directly to reserves.

Offsetting

Assets and liabilities are only offset in the financial statements if and to the extent that:

- an enforceable legal right exists to offset the assets and liabilities and settle them simultaneously; and
- the positive intention is to settle the assets and liabilities on a net basis or simultaneously.

Financial assets

Participating interests

Pursuant to Section 389, Paragraph 9 and Section 408, Part 9 of Book 2 of the Dutch Civil Code, the participating interests are valued at cost or lower market value.

Taxes

A deferred tax liability is recognised for all taxable temporary differences. A deferred tax asset is recognised for all deductible temporary differences and carry-forward losses, to the extent that it is probable that future taxable profit will be available for set-off.

The Company together with its Dutch group company VimpelCom Amsterdam B.V. constitutes a fiscal unit. Taxes are settled within this fiscal unit as if each company was an independent taxable entity.

Taxes are calculated on the result disclosed in the profit and loss account, taking account of tax-exempt items and partly or completely non-deductible expenses.

Income

Interest

Interest income is recognised pro rata in the profit and loss account, taking into account the effective interest rate for the asset concerned, provided the income can be measured and the income is probable to be received.

Dividend

Dividends are recognised in the profit and loss account if the group is entitled to them and the dividends are probable to be received.

Expenses

General

Expenses are determined with due observance of the aforementioned accounting policies and allocated to the financial year to which they relate. Foreseeable and other obligations as well as potential losses arising before the financial year-end are recognised if they are known before the financial statements are prepared and provided all other conditions for forming provisions are met.

Interest

Interest is allocated to successive financial reporting periods in proportion to the outstanding principal. Premiums and discounts, are treated as annual interest charges so that the effective interest rate, together with the interest payable on the loan, is recognised in the profit and loss account, with the amortised cost of the liabilities being recognised in the balance sheet. Period interest charges and similar charges are recognised in the year in which they fall due.

Workforce

The average number of staff employed by the Company in 2010 was 0 (2009: 0).

VimpelCom Holdings B.V., Amsterdam

Notes to the company balance sheet

	2010
	(In thousands of US$)
Financial fixed assets (1)	
Participating interests in Kyivstar G.S.M. CJSC	5,595,432
Participating interests in OJSC Vimpel-Communications	16,748,382
Balance as at December 31	22,343,814

Subsequent to the Share Exchange Offer dated as of October 4, 2009, VimpelCom Holdings B.V. acquired on April 21, 2010 100% of the shares (indirectly) in Kyivstar. These shares were acquired from Altimo group companies and from Telenor group companies.

On September 24, 2010, VimpelCom Ltd. contributed all its shares in OJSC VimpelCom (except for one) into VimpelCom Holdings B.V. in exchange for a Promissory Note valued at US$16,748,382 thousands minus €150,000.

Related parties

(Ultimate) parent company

VimpelCom Ltd. (registered office located in Amsterdam) is the ultimate Dutch parent company of VimpelCom Holdings B.V., and includes the financial data of VimpelCom Holdings B.V., in its consolidated financial statements, copies of which are available at cost from the head office of VimpelCom Ltd. in Amsterdam.

Non-consolidated companies and equity interests

Name	Registered office	Interest in equity
Kyivstar G.S.M. CJSC	Kiev	100%
OJSC Vimpel-Communications	Moscow	100%

With respect to the equity interest in Kyivstar: 56.52% of the shares in Kyivstar are held by VimpelCom Holdings B.V. The remaining 43.48% shares are held by a 100% subsidiary of VimpelCom Holdings B.V., Storm LLC until March 15, 2011, per which date Storm LLC was merged into Kyivstar and consequently Kyivstar currently holds 43.48% shares in its own capital.

With respect to OJSC Vimpel-Communications: one share is held by VimpelCom Ltd.

Receivables (2)

The total amount of receivables has a remaining term less than one year.

Shareholders' equity (3)

	Issued and paid-up capital	Share premium account	Legal and statutory reserves	Other reserves	Total
			(In thousands of US$)		
Balance as at January 1, 2010	26	–	(1)	(5)	20
Issued and paid during 2010	20,170	5,575,453	–	–	5,595,623
Currency adjustment	(19)	–	19	–	–
Profit appropriation	–	–	–	531,317	531,317
Balance as at December 31, 2010	20,177	5,575,453	18	531,312	6,126,960

The authorised share capital of the Company consists of 70,000,000 shares of €1 nominal value each. The issued and paid-up capital as at December 31, 2010 consists of 15,099,998 shares of €1 nominal value each, all of which are fully paid.

In accordance with Article 373, Paragraph 5 Part 9 of Book 2 of the Dutch Civil Code the issued and paid-up capital is translated into US$ at the rate of exchange ruling at the balance sheet date (€1 = US$1.3362).

The Legal and statutory reserves consist of a currency translation reserve.

	> 5 years	> 1 year	Total
		(In thousands of US$)	
Long-term liabilities (4)			
Promissory note	–	16,217,230	16,217,230

The Promissory Note is the result of the Share Transfer Agreement dated September 24, 2010 between VimpelCom Ltd. and VimpelCom Holdings B.V. through which agreement the shares in OJSC VimpelCom were transferred to VimpelCom Holdings B.V. VimpelCom Holdings B.V. owes the amount of US$16,217,230 to VimpelCom Amsterdam B.V. The Promissory Note will mature and be due and payable on September 24, 2014 and bears interest at a rate per annum based on One-Year US$-LIBOR plus 1% (2010: 1.78169%).

	2010
	(In thousands of US$)
Current liabilities (5)	
Intercompany VimpelCom Amsterdam B.V.	18
Accrued accounting and audit fees	10
Balance as at December 31	28

Arrangements not shown in the balance sheet

Fiscal unity

VimpelCom Holdings B.V., forms part of a fiscal unity for corporate income tax purposes of VimpelCom Amsterdam B.V., which makes the group jointly and severally liable for tax liabilities of the fiscal unity.

VimpelCom Holdings B.V., Amsterdam

Notes to the company profit and loss account

	2010	2009
	(In thousands of US$)	
Financial income and expense (6)		
Proceeds received from participating interests not valued using the net asset value method	619,406	–
Other interest income and similar income	167	–
Interest expense promissory note relating to group companies	(81,545)	–
Interest expense and similar charges relating to other related parties	(7)	(2)
Exchange gain/(loss)	(6,630)	1
	531,391	(1)

Other information

VimpelCom Holdings B.V., Amsterdam

Other information

Articles of Association provisions governing profit appropriation

Profit is appropriated in accordance with Article 18 of the Articles of Association, which states that the profits are placed at the disposal of the General Meeting of Shareholders.

Proposed appropriation of profit for 2010

In accordance with Article 18 of the Articles of Association the profit shall be at the disposal of the General Meeting of Shareholders.

The Board of Management proposes to add the result to the other reserves.

Independent auditor's report

To: the Board of Management and the Supervisory Board of VimpelCom Holdings B.V.

Report on the financial statements

We have audited the accompanying financial statements 2010 of VimpelCom Holdings B.V., Amsterdam, which comprise the company balance sheet as at December 31, 2010, the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the director's report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of VimpelCom Holdings B.V., as at December 31, 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

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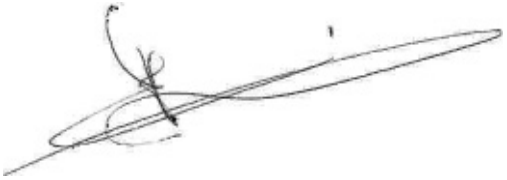
Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the director's report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the director's report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Rotterdam, April 4, 2011

Ernst & Young Accountants LLP



C.Th. Reckers

Unaudited Condensed Consolidated Financial Statements

Open Joint Stock Company "Vimpel-Communications"
(a wholly-owned subsidiary of VimpelCom Ltd.)

For the three-month periods ended March 31, 2011 and 2010

OPEN JOINT STOCK COMPANY "VIMPEL-COMMUNICATIONS"
(a wholly-owned subsidiary of VimpelCom Ltd.)

Unaudited condensed consolidated financial statements

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OPEN JOINT STOCK COMPANY "VIMPEL-COMMUNICATIONS"
(a wholly-owned subsidiary of VimpelCom Ltd.)

UNAUDITED CONSOLIDATED BALANCE SHEETS

	Note	March 31, 2011	December 31, 2010
		(In thousands of US dollars, except share amounts)	
Assets			
Current assets:			
Cash and cash equivalents		**$ 1,525,265**	$ 650,557
Trade accounts receivable, net of allowance for doubtful accounts		**517,987**	473,799
Inventory		**190,416**	128,745
Deferred income taxes		**63,510**	84,914
Input value added tax		**163,190**	136,271
Due from related parties		**135,998**	104,791
Short-term bank deposits		**592,409**	34,305
Other current assets		**354,760**	403,950
Total current assets		**3,543,535**	**2,017,332**
Property and equipment, net		**6,507,152**	6,027,051
Telecommunications licenses, net		**435,749**	459,577
Goodwill		**3,894,079**	3,574,579
Other intangible assets, net		**610,506**	610,188
Software, net		**495,530**	492,191
Investments in associates		**504,094**	446,130
Non-Current due from related party		**765,390**	509,405
Other non-current assets		**555,638**	570,711
Total assets		**$17,311,673**	**$14,707,164**
Liabilities, redeemable noncontrolling interest and equity			
Current liabilities:			
Accounts payable		**$ 900,083**	$ 922,017
Due to employees		**123,325**	84,099
Due to related parties		**29,284**	13,317
Accrued liabilities		**244,718**	177,416
Taxes payable		**239,947**	166,481
Customer advances, net of VAT		**363,766**	368,537
Customer deposits		**29,345**	27,452
Deferred income taxes		**20,575**	25,314
Short-term debt *(including related parties in the amount of US$502,513)*		**1,738,610**	1,658,438
Total current liabilities		**3,689,653**	**3,443,071**
Deferred income taxes		**493,679**	517,703
Long-term debt		**6,046,926**	4,498,861
Other non-current liabilities		**170,033**	173,438
Total liabilities		**10,400,291**	**8,633,073**
Redeemable noncontrolling interest		**525,436**	522,076
Equity:			
Convertible voting preferred stock (0.001 US$ nominal value per share), 128,532,000 shares authorized; 128,532,000 shares issued and outstanding		**–**	–
Common stock (0.001 US$ nominal value per share), 2,000,000,000 shares authorized; 51,281,022 shares issued (December 31, 2010: 1,302,559,308); 51,281,022 shares outstanding (December 31, 2010: 1,291,232,105)		**92**	92
Additional paid-in capital		**1,164,217**	1,164,337
Retained earnings		**5,551,379**	4,996,522
Accumulated other comprehensive loss		**(288,497)**	(535,237)
Treasury stock, at cost, 10,478,608 shares of VimpelCom Ltd. common stock (December 31, 2010: 10,508,608)		**(215,474)**	(215,763)
Total VimpelCom shareholders' equity		**6,211,717**	**5,409,951**
Noncontrolling interest		**174,229**	142,064
Total equity		**6,385,946**	**5,552,015**
Total liabilities, redeemable noncontrolling interest and equity		**$17,311,673**	**$14,707,164**

The accompanying notes are an integral part of these consolidated financial statements.

OPEN JOINT STOCK COMPANY "VIMPEL-COMMUNICATIONS"
(a wholly-owned subsidiary of VimpelCom Ltd.)

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Three months ended March 31,	
	2011	**2010**
	(In thousands of US dollars)	
Operating revenues:		
Service revenues	**$2,358,045**	$2,202,629
Sales of equipment and accessories	**65,211**	26,579
Other revenues	**3,366**	1,920
Net operating revenues	**2,426,622**	2,231,128
Operating expenses:		
Service costs	**595,820**	501,588
Cost of equipment and accessories	**80,302**	26,350
Selling, general and administrative expenses	**706,779**	632,406
Depreciation	**373,021**	352,553
Amortization	**71,503**	66,694
Provision for doubtful accounts	**13,503**	18,643
Total operating expenses	**1,840,928**	1,598,234
Operating income	**585,694**	632,894
Other income and expenses:		
Interest income	**20,032**	11,546
Net foreign exchange gain	**137,608**	104,934
Interest expense	**(134,643)**	(141,660)
Equity in net gain/(loss) of associates	**55,588**	(3,784)
Other expenses, net	**(3,359)**	(48,345)
Total other income and expenses	**75,226**	(77,309)
Income before income taxes	**660,920**	555,585
Income tax expense	**87,027**	153,049
Net income	**573,893**	402,536
Net income attributable to the noncontrolling interest	**19,036**	10,166
Net income attributable to VimpelCom	**$ 554,857**	$ 392,370

The accompanying notes are an integral part of these consolidated financial statements.

OPEN JOINT STOCK COMPANY "VIMPEL-COMMUNICATIONS"
(a wholly-owned subsidiary of VimpelCom Ltd.)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Three months ended March 31, 2011	2010
		(In thousands of US dollars)	
Operating activities			
Net cash provided by operating activities		**$ 866,353**	$ 803,279
Investing activities			
Purchases of property and equipment		**(446,389)**	(144,113)
Purchases of intangible assets		**(6,958)**	(8,503)
Purchases of software		**(58,597)**	(57,379)
Acquisition of subsidiaries, net of cash acquired		**(103,742)**	–
Receipts from associates		**12,500**	–
Cash increase due to Sky Mobile consolidation		**–**	4,702
Loan granted		**(251,056)**	(5,044)
Proceeds from withdrawal of deposits		**(556,665)**	225,743
Proceeds from sale of property, plant and equipment		**6,725**	–
Purchases of other assets, net		**(5,781)**	(8,051)
Net cash from / (used in) investing activities		**(1,409,963)**	7,355
Financing activities			
Proceeds from bank and other loans		**1,500,000**	203,227
Repayments of bank and other loans		**(101,672)**	(927,551)
Payments of fees in respect of debt issues		**(7,122)**	(83)
Purchase of noncontrolling interest in consolidated subsidiaries		**(3,750)**	(2,294)
Payment of dividends		**–**	(2,049)
Payment of dividends to noncontrolling interest		**–**	(7,874)
Net cash from / (used in) financing activities		**1,387,456**	(736,624)
Effect of exchange rate changes on cash and cash equivalents		**30,862**	8,646
Net increase in cash and cash equivalents		**874,708**	82,656
Cash and cash equivalents at beginning of period		**650,557**	1,446,949
Cash and cash equivalents at end of period		**$ 1,525,265**	$1,529,605
Supplemental cash flow information Cash paid during the period:			
Income tax		**$ 136,640**	$ 175,208
Interest (net of amounts capitalized)		**39,350**	112,191
Non-cash activities:			
Equipment acquired under financing agreements		**1,638**	221
Accounts payable for property, equipment and other long-lived assets		**$ 393,182**	$ 138,899

The accompanying notes are an integral part of these consolidated financial statements.

OPEN JOINT STOCK COMPANY "VIMPEL-COMMUNICATIONS"
(a wholly-owned subsidiary of VimpelCom Ltd.)

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AND COMPREHENSIVE INCOME

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total equity attributable to VimpelCom	Noncontrolling interest	Total equity	Redeemable noncontrolling interest	Net income
					(in thousands of US dollars)					
Balances at December 31, 2010	**$92**	**$1,164,337**	**$4,996,522**	**$(535,237)**	**$(215,763)**	**$5,409,951**	**$142,064**	**$5,552,015**	**$522,076**	**–**
Exercise of stock options	–	(23)	–	–	289	266	–	266	–	–
Stock based compensation accrual	–	(566)	–	–	–	(566)	–	(566)	–	–
Dividends from parent company	–	1,997	–	–	–	1,997	–	1,997	–	–
Dividends declared	–	–	–	–	–	–	–	–	–	–
Dividends to noncontrolling interest	–	–	–	–	–	–	–	–	–	–
Acquisition of noncontrolling interests	–	(7,420)	–	(129)	–	(7,549)	3,670	(3,879)	–	–
Acquisition of new subsidiaries	–	(391)	–	–	–	(391)	20,985	20,594	–	–
Accretion to redeemable non-controlling interest (*Note 17*)	–	6,283	–	–	–	6,283	–	6,283	(6,283)	–
Comprehensive income:										
Foreign currency translation adjustment	–	–	–	246,869	–	246,869	(1,883)	244,986	–	–
Net income/(loss)	–	–	554,857	–	–	554,857	9,393	564,250	9,643	573,893
Total accumulated comprehensive income (loss)	–	–	554,857	246,869	–	801,726	7,510	809,236	9,643	–
Balances at March 31, 2011	**$92**	**$1,164,217**	**$5,551,379**	**$(288,497)**	**$(215,474)**	**$6,211,717**	**$174,229**	**$6,385,946**	**$525,436**	**–**

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total equity attributable to VimpelCom	Noncontrolling interest	Total equity	Redeemable noncontrolling interest	Net income
Balances at December 31, 2009	**$92**	**$1,143,657**	**$4,074,492**	**$(488,277)**	**$(223,421)**	**$4,506,543**	**$ 1,966**	**$4,508,509**	**$508,668**	**–**
Exercise of stock options	–	12	–	–	15	27	–	27	–	–
Stock based compensation accrual	–	195	–	–	–	195	–	195	–	–
Dividends to noncontrolling interest	–	–	–	–	–	–	(33,476)	(33,476)	–	–
Consolidation of Variable interest entity	–	–	–	–	–	–	432,769	432,769	–	–
Accretion to redeemable non-controlling interest	–	8,651	–	–	–	8,651	–	8,651	(8,651)	–
Comprehensive income:										
Foreign currency translation adjustment	–	–	–	69,833	–	69,833	(945)	68,888	–	–
Net income/(loss)	–	–	392,370	–	–	392,370	(1,759)	390,611	11,925	402,536
Total accumulated comprehensive loss	–	–	392,370	69,833	–	462,203	(2,704)	459,499	11,925	–
Balances at March 31, 2010	**$92**	**$1,152,515**	**$4,466,862**	**$(418,444)**	**$(223,406)**	**$4,977,619**	**$398,555**	**$5,376,174**	**$511,942**	**–**

The accompanying notes are an integral part of these consolidated financial statements.

1. Basis of presentation and significant accounting policies

Basis of presentation

In these notes, "**VimpelCom**" or the "**Company**" refers to Open Joint Stock Company "Vimpel-Communications", its consolidated subsidiaries and its consolidated variable interest entities. VimpelCom is a wholly-owned subsidiary of VimpelCom Ltd.

The accompanying unaudited condensed consolidated financial statements of VimpelCom have been prepared in accordance with US GAAP for interim financial information.

In the opinion of VimpelCom's management, all adjustments (consisting of normal, recurring accruals) considered necessary for a fair presentation of financial position, results of operations and cash flow for the interim periods have been included. Operating results for the three-month period ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ended December 31, 2011. For further information, refer to VimpelCom's audited consolidated financial statements for the year ended December 31, 2010.

The balance sheet at December 31, 2010, presented herein has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by US GAAP for complete annual financial statements.

The accompanying financial statements have been presented in US dollars. Amounts are presented in thousands, except for share and per share amounts or unless otherwise indicated.

Property and equipment

Property and equipment is stated at historical cost. The Company depreciates property and equipment assets using the straight-line method, depreciation expense is recognized ratably over the estimated useful life of the asset.

The following categories with the associated useful lives are used:

Mobile telecommunications equipment	7 - 9 years
Fixed line telecommunication equipment	3 - 12 years
Masts (telecommunication equipment)	20 years
Fiber-optic equipment	9 - 10 years
Buildings and constructions	20 years
Electronic exchange devices	7 years
Office and measuring equipment, vehicles and furniture	5 - 10 years

Equipment acquired under capital leases is depreciated using the straight-line method over its estimated useful life or the lease term, whichever is shorter. Depreciation of these assets recorded under capital leases is included in "depreciation" in the statement of income. Capitalized leasehold improvement expenses for base station positions is depreciated using the straight-line method over the estimated useful life of seven years or the lease term, whichever is shorter.

Repair and maintenance costs are expensed as incurred. Interest costs are capitalized with respect to qualifying construction projects, the capitalization period begins when "qualifying expenditures" are made, development activities are underway and interest cost is being incurred**.**

Accumulated depreciation on property and equipment amounted to US$5,363,132 and US$4,792,828 as of March 31, 2011 and December 31, 2010, respectively.

Short-term deposits

Short-term deposits represent bank deposits carried at amounts of cash deposited with maturity dates within the twelve months period ended December 31, 2011 except of deposits with an original maturity of 3 months or less at the time of purchase. Deposits can be withdrawn prior to the contractual maturity date. In case of early withdrawal interest rate will be decreased. As of March 31, 2011 and December 31, 2010, the short-term deposits amounted to US$592,409 and US$34,305, respectively.

Long-term deposits

Long-term deposits represent bank deposits carried at amounts of cash deposited with maturity dates after December 31, 2011. Deposits can be withdrawn prior to the contractual maturity date. In case of early withdrawal interest rate will be decreased. As of March 31, 2011 and December 31, 2010, the long-term deposits were recorded in other non-current assets in the amount of nil and US$1,479, respectively.

Revenue recognition

VimpelCom generates revenues from providing voice, data and other telecommunication services through a range of wireless, fixed and broadband internet services, as well as selling equipment and accessories. Service revenues include revenues from airtime charges from contract and prepaid subscribers, monthly contract fees, interconnect revenue, roaming charges and charges for value added services ("**VAS**"). Interconnect revenue is generated when the Company receives traffic from mobile or fixed subscribers of other operators and that traffic terminates on VimpelCom's network. Roaming revenues include both revenues from VimpelCom customers who roam outside of home country network and revenues from other wireless carriers for roaming by their customers on VimpelCom's network. VAS includes short messages ("**SMS**"), multimedia messages ("**MMS**"), caller number identification, call waiting, data transmission, mobile Internet, downloadable content and other services. The content revenue relating to VAS is presented net of related costs when the Company acts as an agent of the content providers. VimpelCom charges subscribers a fixed monthly fee for the use of the service, which is recognized as revenue in the respective month.

Service revenue is generally recognized when the services (including VAS and roaming revenue) are rendered. Prepaid cards, used as a method of cash collection, are accounted for as customer advances for future services. Prepaid cards do not have expiration dates but are subject to statutory expiration periods, and unused balances are added to service revenue when cards expire. Also, VimpelCom uses E-commerce systems, retail offices and agent locations as channels for receiving customer payments. Revenues from mobile equipment sales, such as handsets, are recognized in the period in which the equipment is sold.

Revenue from Internet services is measured primarily by monthly fees and internet-traffic volume which has been not included in monthly fees. Revenue from service contracts is accounted for when the services are provided. Payments from customers for fixed-line equipment are not recognized as revenue until installation and testing of such equipment are completed and accepted by the customer. Domestic Long Distance/International Long Distance ("**DLD/ILD**") and zonal revenues are recorded gross or net depending on the contractual arrangements with the end-users. The Company recognizes DLD/ILD and zonal revenues from local operators net of payments to these operators for interconnection and agency fees when local operators establish end-user tariffs and assume credit risk.

Revenues are stated net of value-added tax and sales tax charged to customers.

In accordance with the provisions of ASC 605-10-S25-3, Revenue Recognition-Overall-SEC Recognition-Delivery and Performance, VimpelCom defers upfront telecommunications connection fees. The deferral of revenue is recognized over the estimated average subscriber life, which is from 15 to 30 months for mobile subscribers and from 4 to 9.5 years for fixed line subscribers. The Company also defers direct incremental costs related to connection fees for fixed line subscribers, in an amount not exceeding the revenue deferred.

Income taxes

For purposes of these interim condensed consolidated financial statements, VimpelCom recognizes tax expense on the basis of the expected effective tax rate for the financial year 2011. At the end of each interim period VimpelCom makes its best estimate of the effective tax rate expected to be applicable for the full fiscal year, with that rate being used to record income taxes on a current year-to-date basis. The effective tax rate reflects anticipated tax credits, non-deductible expenses and other permanent differences, adjustments and other valuation movements. Discrete events are included in the period in which they occur and are not included in the expected rate for the year.

The Company's effective income tax rate decreased during the three months ended March 31, 2011 as compared to the three months ended March 31, 2010 primarily due to decrease in US income taxes, as well as a decrease in the provision for uncertain tax positions under ASC740-10. The decrease is explained by recognition of previously unrecognized tax benefits due to lapse of statute of limitations.

Treasury stock

The Company accounts VimpelCom Ltd. shares held for the purposes of stock based compensation plan as treasury stock – a separate item of equity in the accompanying consolidated balance sheet.

Recent accounting pronouncements

In January 2010, FASB issued ASU 2010-06, Improving Disclosures about Fair Value Measurements, an amendment of ASC 820, Fair Value Measurements and Disclosures (formerly SFAS No. 157 *Fair Value Measurements*). ASU 2010-06 requires additional disclosures regarding assets and liabilities that are transferred between levels of the fair value hierarchy. ASU 2010-06 clarifies guidance pertaining to the level of disaggregation at which fair value disclosures should be made and the requirements to disclose information about the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2010, except for the requirement to separately disclosure purchases, sales, issuances, and settlements in the Level 3 rollforward, which becomes effective for fiscal years (and for interim periods within those fiscal years) beginning after December 15, 2010. Vimpelcom did not have material items which required fair value measurements as of March 31, 2011 and December 31, 2010.

In December 2010, FASB issued ASU 2010-28, when to perform Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts, an amendment of ASC 350, *Intangibles – Goodwill and Other*. The FASB concluded that when a reporting unit has a zero or a negative carrying amount and there are qualitative factors such as those in ASC 350 that indicate it is more likely than not that goodwill is impaired, it would be required to perform Step 2 of the impairment test. Vimpelcom adopted ASU 2010-28 starting from January 1, 2011. The adoption did not affect VimpelCom's financial statements.

In December 2010, FASB issued ASU 2010-29, Disclosure of supplementary pro forma information for business combinations, an amendment of ASC 805, Business Combinations. ASU 2010-29 specify that if a public entity presents comparative financial statements, revenue and earnings of the combined entity should be disclosed as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments in the ASU also expand the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. ASU 2010-29 is effective for business combinations consummated in fiscal years beginning on or after December 15, 2010. The adoption of this statement affect VimpelCom's disclosures relative to business combinations occurring starting January 1, 2011 (Note 2).

In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs (an amendment of ASC 820, Fair value measurements). ASU 2011-04 results in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Some of the amendments clarify the FASB intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011. The amendments are to be applied prospectively. Vimpelcom did not have material items which required fair value measurements as of March 31, 2011 and December 31, 2010.

2. Business combinations

Eltel

On January 21, 2011, VimpelCom acquired 100% of the share capital of Closed Joint Stock Company Eltel ("**Eltel**"), one of the leading alternative fixed-line providers in St. Petersburg, for the total cash consideration of RUR1,000 million (the equivalent to US$33,428 as of January 21, 2011).

The primarily reason for the acquisition was to enhance VimpelCom's presence in Saint-Petersburg telecommunication market (including through transport network) and to increase VimpelCom's local FTTB (Fiber-To-The-Building) subscribers base.

The acquisition of Eltel is accounted for as a business combination under the "acquisition method", as defined by ASC 805. The acquisition method requires the cost of the purchase to be based on the fair value of the consideration on the acquisition date.

The fair values of consolidated identifiable assets and liabilities of "Eltel" as of January 21, 2011, were as follows:

	As of January 21, 2011
Cash and cash equivalents	387
Other current assets	1,443
Property and equipment	10,106
Customer Relationships (9 years weighted average remaining useful life)	4,282
Other assets	129
Goodwill	20,151
Total assets acquired	**36,499**
Current liabilities	(1,170)
Long-term liabilities	(1,901)
Total liabilities assumed	**(3,071)**
Total acquisition price	**33,428**

The excess of the purchase consideration over the fair value of the identifiable net assets of Eltel amounted to US$20,151 and was recorded as goodwill. The goodwill was assigned to the Russia fixed-line reportable segment and is expected to be realized from the potential of "business to business" telecommunication market development in the future, as well as synergies with VimpelCom's operations. This goodwill is not deductible for tax purposes. The direct transaction costs incurred in the transactions were treated as expenses under ASC 805 with no impact on goodwill.

The results of operations of Eltel were included in the accompanying consolidated financial statements from the acquisition date of January 21, 2011. Net operating revenues, operating income and net income attributable to VimpelCom of Eltel, before eliminating intercompany transactions, for the period from January 21, 2011 to March 31, 2011 were US$3,265, US$299 and US$188, respectively, in the accompanying consolidated statement of income.

Millicom Lao

On March 9, 2011 VimpelCom acquired 100% ownership interest in Millicom Holding Laos B.V. (Netherlands) which holds a 78% interest in Millicom Lao Co., Ltd. a cellular telecom operator with operations in the Lao PDR ("**Millicom Lao**"). The remaining 22% of Millicom Lao is owned by the Government of the Lao PDR, as represented by the Ministry of Finance.

The reason for the acquisition was gaining access to the new market of the Lao PDR.

The acquisition of Millicom Lao is accounted for as a business combination under the acquisition method, as defined by ASC 805. The acquisition method requires the cost of the purchase to be based on the fair value of the consideration as of the acquisition date.

The purchase price consideration was approximately US$88,000 including equity, repayment of debt, repayment of shareholder loan and intra-group indebtedness.

The provisional fair values of consolidated identifiable assets and liabilities of Millicom Lao as of March 9, 2011, were as follows:

	March 9, 2011
Cash and cash equivalents	3,112
Other current assets	8,739
Property and equipment	48,350
Software	228
Goodwill	74,564
Other non-current assets	3,336
Total assets acquired	**138,329**
Current liabilities	36,161
Long-term liabilities	12,638
Total liabilities assumed	**48,799**
Non-controlling interest	19,697
Total acquisition price	**69,833**

The provisional fair values are based on individual financial statements of Millicom Lao adjusted for goodwill. The excess of the purchase consideration over the fair value of the identifiable net assets of Millicom Lao amounted to US$74,564 and was recorded as goodwill. The goodwill was assigned to the All other reportable segment and is expected to be realized from the potential development of telecommunication market in Laos as well as synergies with VimpelCom's operations in South-East Asia. This goodwill is not deductible for tax purposes. The direct transaction costs incurred in the transactions were treated as expenses under ASC 805 with no impact on goodwill.

Purchase price allocation has not been finalized due to insufficient time.

The results of operations of Millicom Lao were included in the accompanying consolidated financial statements from the acquisition date of March 9, 2011. Net operating revenue, operating income and net income attributable to VimpelCom of Millicom Lao, before eliminating intercompany transactions, for the period from March 9, 2011 to March 31, 2011 were US$2,357, US$477 and US$300, respectively, in the accompanying consolidated statement of income.

The following unaudited pro forma combined results of operations for VimpelCom give effect to the Eltel and Millicom Lao business combination as if it had occurred on January 1, 2010. These pro forma amounts are provided for informational purposes only and do not purport to present the results of operations of VimpelCom had the transactions assumed therein occurred on or as of the date indicated, nor is it necessarily indicative of the results of operations which may be achieved in the future. The adjustments made to VimpelCom and Eltel and Millicom Lao combined results primarily include the elimination of intercompany transactions.

Unaudited	Three months ended March 31, 2011	Three months ended March 31, 2010
Pro forma net operating revenues	$2,434,409	$2,243,112
Pro forma net income attributable to VimpelCom	$ 556,035	$ 393,863

GTEL-Mobile

In April 2011, VimpelCom agreed with its local partner in Vietnam on a financing plan for GTEL-Mobile, that could result in the Company providing investments in total of up to US$500,000 through 2013. The Company has completed the first stage of the financing plan by paying US$196,000 for newly issued shares and thereby increasing its stake in GTEL-Mobile from 40% to 49%. All proceeds from this financing will be used for GTEL-Mobile development. In connection with this investment, the joint venture parties have also agreed that the Company will assume operational management of GTEL-Mobile.

Going forward the Company has agreed to invest another US$304,000 under this plan, which would increase its economic interest in GTEL-Mobile from 49% to 65%. The additional financing and equity increase are subject to satisfaction of certain performance targets by GTEL-Mobile and receipt of further regulatory approvals.

NTC

In May 2011, VimpelCom signed documents to acquire up to 100% of the shares of OJSC "New Telephone Company" ("**NTC**"), the leading telecommunications operator in Primorskiy region of Russia. The acquision price is based on Enterprise Value of US$420,000. VimpelCom expects to acquire 90% of NTC shares within 4 weeks after the date of signing the documents. Immediately following the acquisition of 90% of NTC shares, VimpelCom will launch a mandatory tender offer to acquire the remaining 10% of the outstanding NTC shares. Completion of the tender offer is expected to occur in the third quarter of 2011.

3. Consolidated variable interest entities

Sotelco and VIP Finance Ireland Limited ("**VIP Finance**") are VimpelCom' variable interest entities for which VimpelCom is a primarily beneficiary and consolidates them.

VimpelCom is the primary beneficiary of Sotelco, Cambodia mobile operator, because it: (1) has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance – VimpelCom has 90% voting shares in Sotelco therefore VimpelCom has the power to direct the activates of the Sotelco that mostly significant to the entity's economic performance, and (2) has the obligation to absorb losses

of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. Future development of Sotelco will be fully dependent upon VimpelCom's ability to finance it or guarantee the borrowings. The minority shareholder risk is limited by the price to be paid under option agreement. Per the agreement, the call option exercise price is determined at the fair value of the non-controlling interest.

The magnitude of Sotelco's impact on VimpelCom's financial position and performance may be illustrated by the following. As of March 31, 2011, the carrying amounts of Sotelco current assets and non-current assets were US$20,119 and US$138,520, and short-term liabilities and long-term liabilities were US$16,943 and US$195,003, respectively, before eliminating intercompany balances, in the accompanying consolidated balance sheet. Also, net operating revenue, operating loss and net loss attributable to VimpelCom of Sotelco, before eliminating intercompany transactions, for three months ended March 31, 2011 were US$7,650, US$7,597 and US$10,483, respectively, in the accompanying consolidated statement of income. Sotelco mainly generates cash outflows for investing activities as well as negative operating cash flows.

VIP Finance was established for the purpose of issuing asset backed securities, specifically to raise capital by the issue of debt securities and to use an amount equal to the proceeds of each such issuance to grant loans to VimpelCom. VIP Finance is only to be obligated to make payments of principal, premium (if any), interest and additional amounts (if any) to noteholders to the extent that VimpelCom makes payments to the VIP Finance's account of all principal, premium (if any), interest and additional amounts (if any) under the terms of the relevant loan agreements. VimpelCom is the primary beneficiary of VIP Finance because VimpelCom has the power to direct the activities that most significantly impact the VIP Finance' economic performance and has the obligation to absorb losses associated with the possible default with respect to principal and interest payments on notes.

There is no significant impact of VIP Finance consolidation on VimpelCom's financial position and performance, as well as on VimpelCom cash flows.

4. Loans granted to related parties

On March 16, 2011, VimpelCom made an agreement to grant unsecured loan to VimpelCom Amsterdam B.V., the subsidiary of VimpelCom Ltd and the parent of VimpelCom Holdings B.V., in the amount of US$500,000. As of March 31, 2011, the principal amount of debt outstanding under this agreement was US$250,000.

5. Fair value of financial instruments

VimpelCom measures financial assets and financial liabilities at fair value on a recurring basis.

VimpelCom did not have material securities which required fair value measurements as of March 31, 2011 and December 31, 2010.

As of March 31, 2011 and December 31, 2010, the fair value of fixed rate bank loans (based on future cash flows discounted at current market rates) was as follows:

	March 31, 2011		December 31, 2010	
	Carrying value	Fair value	Carrying value	Fair value
Loans payable				
Eurobonds	**$3,300,647**	**$3,655,743**	$1,800,647	$2,029,085
UBS (Luxemburg) S. A.	**784,764**	**880,304**	784,764	859,792
Sberbank	**1,462,100**	**1,470,347**	1,427,495	1,434,188
Ruble Bonds	**1,408,293**	**1,476,047**	1,314,719	1,389,991
Kyivstar	**502,513**	**493,832**	502,405	490,472
Loans receivable				
Crowell	**$ 233,897**	**$ 205,640**	$ 231,431	$ 195,411

These loans payable are recorded in long term debt except current portion, which is recorded in short term debt.

The loan granted to Crowell is recorded in other non-current assets.

The fair value of bank financing, equipment financing contracts and other financial instruments not included in the table above approximates carrying value.

The fair market value of financial instruments, including cash and cash equivalents, which are included in current assets and liabilities, accounts receivable and accounts payable approximates the carrying value of these items due to the short term nature of these amounts.

6. Short and long-term debt

VimpelCom finances its operations using a variety of lenders in order to minimize total borrowing costs and maximize financial flexibility. The Company continues to use bank debt, lines of credit and notes to fund operations, including capital expenditures.

The following table provides a summary of outstanding bank loans, equipment financing indebtedness, capital lease obligations and other debt as of:

	March 31, 2011	December 31, 2010
Bank loans, less current portion	**$5,877,342**	$4,321,104
Long-term portion of equipment financing	**169,584**	177,757
Long-term portion of capital leases	**–**	–
Total long-term debt	**$6,046,926**	$4,498,861
Bank loans, current portion	**$1,659,829**	$1,587,752
Short-term portion of equipment financing	**78,577**	70,367
Short-term portion of capital leases	**204**	319
Total short-term debt	**$1,738,610**	$1,658,438

On February 2, 2011, VIP Finance completed an offering of an aggregate principal amount of US$1,500,000 loan participation notes, split between five-year and 10-year tranches, for the sole purpose of funding loans in an aggregate principal amount of US$1,500,000 to VimpelCom. The five-year US$500,000 issue (the "**2016 Notes**") and related loan in the same principal amount bear interest at an annual rate of 6.493% payable semiannually and are due in February 2016. The 10-year US$1,000,000 issue (the "**2021 Notes**") and related loan in the same principal amount bear interest at an annual rate of 7.748% payable semiannually and are due in February 2021. Deferred financing costs relating to the 2016 Notes offering and 2021 Notes offering (which include gross issuance costs) comprised US$3,123 and US$5,152, respectively, and will be amortized over 5 and 10 years, respectively. As of March 31, 2011, the principal amount of debt outstanding under these notes was US$1,500,000.

7. Redeemable noncontrolling interest

The Company accounts for securities with redemption features that are not solely within the control of the issuer in accordance with ACS 480-10 – Distinguishing Liabilities from Equity ("ACS 480-10").

In June 2008, the Company modified its contractual arrangements with respect to the 25% noncontrolling interest in its subsidiary Limnotex, which is held by Crowell. The modified contractual arrangements contained embedded redemption features that could or will result in the noncontrolling interest being redeemable outside of the control of VimpelCom at various dates. Under the modified contractual arrangements as of December 31, 2008, Crowell could exercise a put option between January 1, 2010 and December 31, 2010, at a redemption amount of US$550,000 in the aggregate. Additionally, after the 2008 audited financial statements of KaR-Tel were issued, the Company had a call option on the noncontrolling interest for a redemption amount determined by a fair value-based pricing mechanism which should have been exercised on or before December 31, 2011.

In May 2009, the contractual arrangements related to the noncontrolling interest were further amended to extend the timing of the redeemable features embedded in the contractual arrangements. Under the amended contractual arrangements, Crowell may exercise a put option between January 1, 2013 and December 31, 2013, at a redemption amount of US$550,000 in the aggregate. Additionally, after the 2011 audited financial statements of KaR-Tel are issued, the Company may exercise a call option on the noncontrolling interest for a redemption amount determined by a fair value-based pricing mechanism and the call option must be exercised on a date which is after the issuance of the audited financial statements of KaR-Tel for the year ended December 31, 2014. As of March 31, 2011, the redemption amount of the redeemable noncontrolling interest based on this fair value-based pricing mechanism (as if the noncontrolling interest were currently redeemable) was US$674,807.

The Company classifies redeemable noncontrolling interest as temporary equity. The Company recorded it at its estimated fair value at the date of the change to its contractual arrangements with Crowell and then accreted to its redemption amount over the redemption term. The estimated fair value of the redeemable noncontrolling interest was calculated by discounting the future redemption amount of the noncontrolling interest from January 1, 2010 (the date on which the noncontrolling interest was first to become redeemable outside of VimpelCom's control (under the June 2008 modified contractual arrangements, prior to the May 2009 amendment)). The redeemable noncontrolling interest has been valued based on the terms of the put option because the fair value of the redemption amount that may be required under the put option exceeded the fair value of the redemption amount that may be required under the call option. If, in the future, the fair value of the redemption amount under the call option is greater, the redeemable noncontrolling interest will accrete to that amount. The redeemable noncontrolling interest is first credited with its share of earnings of the Company's subsidiary, Limnotex, and, to the extent that this is less than the required accretion, the difference is charged to additional paid-in capital. The charge to additional paid-in capital does not affect net income attributable to VimpelCom in the Company's income statement.

8. Segment information

Management analyzes the reportable segments separately because of different economic environments and stages of development in different geographical areas, requiring different investment and marketing strategies. Management does not analyze assets by reportable segments separately. The segment data for acquired operations are reflected herein from the date of their acquisitions.

The Management Board of VimpelCom Ltd. utilizes multiple views of data to measure segment performance. However, the dominant measurements are consistent with VimpelCom's consolidated financial statements and, accordingly, are reported on the same basis herein. Management evaluates the performance of its segments on a regular basis primarily based on revenue and operating income before depreciation, amortization and impairment loss ("Adjusted **OIBDA**"). Intersegment revenues are eliminated in consolidation. Intersegment revenues may be accounted for at amounts different from sales to unaffiliated companies. The accounting policies of the segments are the same as those of VimpelCom.

During 2010 the management was changing the structure of its internal organization and finally VimpelCom Ltd.'s Supervisory Board and management identified Russia mobile, Russia fixed line, CIS (including Georgia), Ukraine and All other reporting segments based on the business activities in different geographical areas.

All other category includes Asia mobile and head quarter expenses.

The comparative information for the three-month period ended March 31, 2010 was retrospectively adjusted.

Financial information by reportable segment for the three-month periods ended March 31, 2011 and 2010, respectively, is presented in the following tables.

Three months ended March 31, 2011:

	Russia Mobile	Russia Fixed line	CIS	Ukraine	All other	Total
Net operating revenues from external customers	1,710,728	340,942	328,126	36,832	9,994	**2,426,622**
Intersegment revenues	2,339	10,354	22,784	3,955	13	**39,446**
Adjusted OIBDA	778,444	89,972	159,609	6,235	(4,042)	**1,030,218**
Capital expenditures	273,586	60,060	72,821	429	3,562	**410,458**

Three months ended March 31, 2010:

	Russia Mobile	Russia Fixed line	CIS	Ukraine	All other	Total
Net operating revenues from external customers	1,601,141	311,213	278,940	35,407	4,427	**2,231,128**
Intersegment revenues	1,044	5,215	15,884	9,538	–	**31,681**
Adjusted OIBDA	820,533	90,607	139,640	10,107	(8,746)	**1,052,141**
Capital expenditures	100,537	23,563	32,262	6,035	16,934	**179,331**

The following table provides the reconciliation of consolidated Adjusted OIBDA to consolidated income before taxes for three months ended:

	March 31, 2011	March 31, 2010
Adjusted OIBDA	**$1,030,218**	$1,052,141
Depreciation	**(373,021)**	(352,553)
Amortization	**(71,503)**	(66,694)
Operating income	**585,694**	632,894
Interest income	**20,032**	11,546
Net foreign exchange gain/(loss)	**137,608**	104,934
Interest expense	**(134,643)**	(141,660)
Equity in net gain/(loss) of associates	**55,588**	(3,784)
Other expenses, net	**(3,359)**	(48,345)
Income before income taxes	**$ 660,920**	$ 555,585

The following table provides the breakdown of net operating revenues from external customers into mobile and fixed line services:

	fixed line	mobile	total
Net operating revenues from external customers for three months ended March 31, 2011	**389,404**	**2,037,218**	**2,426,622**
Net operating revenues from external customers for three months ended March 31, 2010	349,843	1,881,285	2,231,128

In Russia, Kazakhstan and Ukraine, VimpelCom's revenues from external customers amounted to US$2,051,670, US$183,106 and US$36,832 for the three-months ended March 31, 2011 and US$1,912,354, US$156,446 and US$35,407 for the three months ended March 31, 2010, respectively. Long-lived assets, represented by property and equipment, net, in Russia, Kazakhstan and Ukraine, amounted to US$4,864,625, US$501,205 and US$211,536, respectively, as of March 31, 2011 and US$4,456,039, US$500,371 and US$220,076, respectively, as of December 31, 2010. Consolidated long-lived assets amounted to US$6,507,152 and US$6,027,051 as of March 31, 2011 and December 31, 2010 respectively.

9. Commitments, contingencies and uncertainties

The imposition of currency exchange controls or other similar restrictions on currency convertibility in CIS countries and particularly in Uzbekistan could limit VimpelCom's ability to convert local currencies in a timely manner or at all. Recent developments in Kyrgyzstan (conditions of political instability and disorders) have severely affected the country's business and economic environment. Any such restrictions and these developments could have a material adverse effect on VimpelCom's business, financial condition, results of operations and title to assets owned by Sky Mobile, VimpelCom' Kyrgyzstan mobile operator and subsidiary. The continued success and stability of the economies of these countries will be significantly impacted by their respective governments' continued actions with regard to supervisory, legal and economic reforms.

The economy of countries where VimpelCom operates is vulnerable to market downturns and economic slowdowns elsewhere in the world. In 2011 the respective governments continued to take measures to support the economy in order to overcome the consequences of the global financial crisis. Despite some indications of recovery there continues to be uncertainty regarding further economic growth, access to capital and cost of capital, which could negatively affect the Company's future financial position, results of operations and business prospects.

While management believes it is taking appropriate measures to support the sustainability of VimpelCom's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Company's results and financial position in a manner not currently determinable.

In the ordinary course of business, VimpelCom may be party to various legal and tax proceedings, and subject to claims, certain of which relate to the developing markets and evolving fiscal and regulatory environments in

which VimpelCom operates. In the opinion of management, VimpelCom's liability, if any, in all pending litigation, other legal proceeding or other matters, other than what is discussed in this Note, will not have a material effect upon the financial condition, results of operations or liquidity of VimpelCom.

VimpelCom's operations and financial position will continue to be affected by political developments in the countries in which VimpelCom operates including the application of existing and future legislation, telecom and tax regulations. These developments could have a significant impact on VimpelCom's ability to continue operations. VimpelCom does not believe that these contingencies, as related to its operations, are any more significant than those of similar enterprises in such countries.

Telecom licenses capital commitments

VimpelCom's ability to generate revenues in Russia is dependent upon the operation of the wireless telecommunications networks authorized under its various licenses. VimpelCom's GSM-900/1800 licenses that cover Moscow and the Moscow region, Central region, Volga region, Caucasus region, and the Siberia region have been reissued and under the new terms expire on April 28, 2013. The GSM-900/1800 licenses that cover the Northwest region, Urals and part of Far East region expire in 2011 – 2021 (the GSM-900/1800 license for Irkutsk region, excluding Ust-Ordynskiy Buryatskiy Autonomous Region, expires in 2011). As a result of the radio frequency contests conducted in April 2011, VimpelCom won 9 GSM 900/1800 licenses for the following 7 territories of the Far East Super-region: Koryakskiy Okrug of Kamchatka krai (GSM-1800); Chukotskiy Autonomous region (GSM 1800); Ust'-Ordynskiy okrug of Irkutsk region (GSM-900, GSM-1800); Evreyskaya Autonomous region (GSM-900, GSM-1800); Sakha Republic-Yakutiya (GSM-1800); Magadan region (GSM-1800); Primorskiy krai (GSM-1800). All these licenses expire in 2021 and were granted subject to certain capital commitments, main of which were the following: VimpelCom will have to begin providing services in certain urban areas, depending on population, by October 06, 2013, November 06, 2013, May 06, 2014 and May 06, 2018. and will have to build a certain number of base stations by the end of the second year, 2 years and 6 months, third year and 3 years and 6 months from the date of granting the license, respectively.

In April 2007, VimpelCom was awarded a license for the provision of "**3G**" mobile radiotelephony communications services for the entire territory of the Russian Federation that expires on May 21, 2017. The 3G license was granted subject to certain capital commitments. The three major conditions are that VimpelCom will have to build a certain number of base stations that support 3G standards and will have to start services provision by certain dates in each subject area of the Russian Federation, and also will have to build a certain number of base stations by the end of the third, fourth and fifth years from the date of granting of the license. To date all of these conditions are being fulfilled according to the indicated terms and schedule.

KaR-Tel owns a GSM-900 license to operate over the entire territory of Kazakhstan. The license expires in August 2013. In July 2008, the GSM-900 license was amended with the permission for KaR-Tel to render services in GSM-1800 standard and with the related commitment to cover cities with population of more than 1000 people by December 31, 2012.

On December 25, 2010, KaR-Tel received an amendment to the GSM license, which allows it to build and operate a cellular network in 3G (UMTS / WCDMA) standard. In accordance with the amendment KaR-Tel is bound by the following UMTS network coverage obligations: (i) cities of Astana and Almaty and all other cities constituting regional (oblast) centers (here and below – in terms of administrative territorial division) – not later than January 1, 2012; (ii) all other settlements having population of more than 50 000 – not later than January 1, 2013; (iii) all other settlements constituting district centers and towns with population of more than 10 000 – not later than January 1, 2015.

URS and GT LLC, VimpelCom's indirect Ukrainian subsidiaries own GSM licenses. CJSC "URS" owns a GSM-900 and 2 GSM-1800 licenses to operate over the entire territory of Ukraine, which expires in July 2021, October 2020 and December 2020 respectively. GT LLC owns three GSM-1800 licenses to operate over the nearly entire territory of Ukraine (except 3 regions), which expires in July 2014 and May 2021, respectively. In April 2009, the National Commission on Regulation of Telecommunication of Ukraine has amended its regulation establishing so-called "license terms" applicable to all mobile telecommunication network operators licensed in Ukraine.

Under the amendments, Ukrainian mobile telecommunication network operators are obliged to ensure radiofrequency coverage of 90% of cities within one year from the date of issue of respective mobile

telecommunication services license, and 80% of all other settlements and major highways – within two years from the same date. In case respective license allows rendering mobile telecommunication services in several regions, each of these requirements shall be fulfilled in each region with an interval of not more than two months. These new capital commitments apply to URS and GT LLC. The commitments should be fully complied with in all regions licensed for use of radiofrequency corresponding to GSM 900/1800 standard as follows: URS – by August 2015 and GT LLC – by October 2014.

Sky Mobile owns a GSM-900/1800 license to operate over the entire territory of Kyrgyzstan which expires in May 2016 and a 3G (WCDMA/UMTS) license to operate over the entire territory of Kyrgyzstan, which is valid until October 2015. Under the 3G license, from the moment of receipt of corresponding permits to use radio-frequency bands Sky Mobile is primarily obliged to: (a) deploy 3G network in Chuy oblast within two years; (b) deploy 3G network over the entire territory of Kyrgyzstan within 5 years; (c) organize in 100 postal telegraph offices of KyrgyzPost located in the rural areas centers of public access with necessary computer equipment and access to Internet within 2 years.

Taxation

In the Russian Federation, VimpelCom's predominant market, there were many tax laws and related regulations introduced in previous periods as well as in 2010 and 2011 which were not always clearly written, and their interpretation is subject to the opinions of the local tax inspectors and officials of the Ministry of Finance. Instances of inconsistent opinions between local, regional and federal tax authorities and Ministry of Finance are not unusual. Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, VimpelCom has accrued tax liabilities based on management's best estimate.

Based on the audit of the tax records for 2009, the tax authorities issued a tax claim against the Company's subsidiary VC-Invest in the amount of RUR314 million (including RUR55 million in fines and penalties) which is approximately US$11,045 (including US$1,934 in fines and penalties) at the exchange rate as of March 31, 2011. The company did not agree with the claim, and filed a lawsuit. Court satisfied the lawsuit in all amount in the first instance. The tax inspectorate can appeal the court decision.

On March 31, 2011, VimpelCom received a report from the Russian tax authorities regards to tax audit for the period from 2007 to 2008. The amount of claims was RUR1,193 million which is approximately US$41,964 at the exchange rate as of March 31, 2011. The Company reserved RUR844 million under ASC 740-10 and ASC 450 which is approximately US$29,688 at the exchange rate as of March 31, 2011. The Company has appealed tax audit report in higher tax instance.

KaR-Tel litigation

On January 10, 2005, KaR-Tel received an "order to pay" ("**Order to Pay**") issued by The Savings Deposit Insurance Fund, a Turkish state agency responsible for collecting state claims arising from bank insolvencies (the "**Fund**"), in the amount of approximately US$4,910,250 at the exchange rate as of December 31, 2010 (stated as approximately Turkish lira 7.55 quadrillion and issued prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005). The Order to Pay, dated as of October 7, 2004, was delivered to KaR-Tel by the Bostandykski Regional Court of Almaty. The Order to Pay does not provide any information regarding the nature of, or basis for, the asserted debt, other than to state that it is a debt to the Turkish Treasury and the term for payment was May 6, 2004.

On January 17, 2005, KaR-Tel delivered to the Turkish consulate in Almaty a petition to the Turkish court objecting to the propriety of the order and requesting the Turkish court to cancel the Order to Pay and stay of execution proceedings in Turkey. The petition was assigned to the 4th Administrative Court in Turkey, and it should be reviewed pursuant to applicable law.

On June 1, 2006, KaR-Tel received formal notice of the 4th Administrative Court's ruling that the stay of execution request was denied. KaR-Tel's Turkish counsel has advised KaR-Tel that the stay request is being adjudicated separately from the petition to cancel the Order to Pay. KaR-Tel submitted an appeal of the ruling with respect to the stay application.

On June 1, 2006, KaR-Tel also received the Fund's response to its petition to cancel the order. In its response, the Fund asserts, among other things, that the order to pay was issued in furtherance of its collection of

approximately Turkish lira 7.55 quadrillion (prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005) in claims against the Uzan group of companies that were affiliated with the Uzan family in connection with the failure of T. Imar Bankasi, T.A.S. The Fund's response to KaR-Tel's petition claims that the Uzan group of companies includes KaR-Tel, Rumeli Telecom A.S. and Telsim Mobil Telekomunikasyon Hizmetleri A.S. Rumeli Telecom A.S. and Telsim Mobil Telekomunikasyon Hizmetleri A.S are Turkish companies that owned an aggregate 60% of the equity interests in KaR-Tel until their interests were redeemed by KaR-Tel in November 2003 in accordance with a decision of the Review Panel of the Supreme Court of Kazakhstan. In July 2006, KaR-Tel submitted its response, dated June 30, 2006, to the Fund's response via the Kazakh Ministry of Justice, to be forwarded to the 4th Administrative Court of Istanbul. In its response, KaR-Tel denied in material part the factual and legal assertions made by the Fund in support of the order to pay.

On December 11, 2008, KaR-Tel received a Decision of Territorial Court of Istanbul dated December 12, 2007, wherein the Court rejected KaR-Tel's appeal with respect to the stay of execution request.

On October 20, 2009, KaR-Tel filed with Sisli 3d Court of the First Instance in Istanbul a claim to recognize in the Republic of Turkey the decision of the Almaty City Court of the Republic of Kazakhstan dated June 6, 2003 regarding, among other things, compulsory redemption of equity interests in KaR-Tel owned by Rumeli Telecom A.S. and Telsim Mobil Telekomunikasyon Hizmetleri A.S., which was confirmed by the Civil Panel of the Supreme Court of the Republic of Kazakhstan on June 23, 2003, as amended by the resolution of the Review Panel of the Supreme Court of the Republic of Kazakhstan dated October 30, 2003 ("**Recognition Claim**"). On October 20, 2009, KaR-Tel also filed with the 4th Administrative Court of Istanbul a petition asking the Court to treat the recognition of the Kazakhstan court decision as a precedential issue and to stay the proceedings in relation to the order to pay.

On September 28, 2010, Sisli 3d Court of the First Instance in Istanbul reviewed the Recognition Claim and ruled in favor of KaR-Tel recognizing the Kazakhstan Court judgments on the territory of the Republic of Turkey. The court decision is appealable by defendants.

On October 25, 2010, the 4th Administrative Court of Istanbul reviewed KaR-Tel's petition to annul the Payment Order and has ruled in favor of KaR-Tel. The Court has recognized the Order to Pay as illegal and annulled it. The court decision has been appealed by the Fund. On February 18, 2011 KaR-Tel submitted its responses to the motion on appeal. On April 20, 2011, the Fund submitted its response to KaR-Tel's reply and appeal petition. The court file was sent by the Court to the Councel of State for the appeal proceedings.

As to the Recognition Claim, the defendants, Rumeli Telecom AS and Telsim Mobil Telekommunikasyon Hizmetleri AS, have appealed the decision of Sisli 3d Court of the First Instance in Istanbul, which has ruled in favor of KaR–Tel recognizing the Kazakhstan Court judgments on the territory of the Republic of Turkey. The Company submitted its responses to such motion on appeal on January 20, 2011. The court file was sent to the Supreme Court for the appeal proceedings.

The Company continues to believe that the Fund's claim is without merit, and KaR-Tel will take whatever further actions it deems necessary and appropriate to protect itself against the Fund's claim.

MTS Claim

Since November 2006, the Chief Executive Officer and directors of the Company have received several letters from OJSC Mobile TeleSystems ("**MTS**") and its representatives claiming that Sky Mobile's Kyrgyz telecom business and its assets were misappropriated from Bitel, an MTS affiliate, and demanding that the Company not purchase Sky Mobile, directly or indirectly, or participate or assist in the sale of Sky Mobile to any other entities. These letters have suggested that MTS will take any and all legal action necessary against the Company in order to protect MTS's interest in Bitel and Bitel's assets. As of the date hereof, management is not aware of any pending legal action against the Company in connection with this matter except for the litigation against Sky Mobile discussed in the paragraph below.

The Company started to consolidate Sky Mobile from January 1, 2010. Sky Mobile is a defendant in litigation in the Isle of Man. The litigation was brought by affiliates of MTS against Sky Mobile and affiliates of Altimo and alleges that the Kyrgyz judgment determining that an Altimo affiliate was the rightful owner of interest in the equity of Bitel prior to the asset sale between Sky Mobile and Bitel and that Bitel shares and Sky Mobile assets

were misappropriated. The legal proceedings in this matter are pending. At this time the Company is unable to assess the likelihood of the ultimate outcome of this litigation and its effect on the Company's operating results and financial position.

The Anti-monopoly Claims Against OJSC VimpelCom

In the complaint from OJSC MGTS, the FAS started legal proceedings against VimpelCom about its alleged violation of anti-monopoly legislation by tying counterparties with traffic agreements containing disadvantageous prices in Moscow. On May 19, 2010, FAS found the activities of VimpelCom to be in violation of anti-monopoly legislation. On March 9, 2011, the Company received the decision of FAS on imposing on VimpelCom a fine in the amount of RUR10 million (approximately US$345 at the exchange rate as of March 9, 2011). VimpelCom did not believe that it was in violation of the anti-monopoly legislation and filed a notice of appeal challenging the FAS decision which found VimpelCom to be in violation of anti-monopoly legislation. On March 21, 2011, the court dismissed the petition. On April 26, 2011, the Company filed a writ of appeal challenging the decision.

An appeal of the decision imposing a fine on the Company has been submitted to the Arbitration Court of Moscow. On April 19, 2011, the court placed a stay on the proceedings until the judgment of the court of first instance enters into legal force (until the writ of appeal challenging the decision is reviewed). The Company did not reserve this claim as of March 31, 2011.

The 1st Roaming Claim Against KaR-Tel: Threshold Amounts

On May 14, 2010, the Antimonopoly Agency of Kazakhstan ("**the Agency**") initiated an investigation of the alleged breach of antimonopoly laws of Kazakhstan by all three Kazakhstan GSM-operators (KaR-Tel, GSM Kazakhstan OAO Kazakhtelecom LLP (trademarks KCell, Active), and Mobile Telecom Systems LLP (trade mark Neo)), by abuse of dominant position through infringement of consumers' rights by way of determination of a threshold (minimal) amount of money on consumer's account required for rendering (switching on and off) roaming services ("**the Threshold Amounts**"). Further, the Agency decided to consider investigations, jointly with FAS, of Kazakhstan antimonopoly law breaches with respect to all three Kazakhstan GSM-operators, including KaR-Tel, as well as operator-partners in the Russian Federation on indications of anticompetitive concerted actions and agreements as to establishing and (or) price maintenance as well as use of per-minute step of tarification. The Agency also decided to make a proposal to the Ministry of Telecommunications and Information of Kazakhstan as to earlier transfer to per-second tarification for roaming services (date determined by law is January 1, 2012), and to conduct an evaluation of roaming tariffs.

On June 21, 2010, the Agency completed the part of its investigation related to the Threshold Amounts and alleged that all three Kazakhstan GSM-operators abused their dominant position through infringement of customers' lawful rights by way of establishing the Threshold Amounts.

On July 3, 2010, the Agency initiated an administrative procedure with respect to all the three Kazakhstan GSM operators, including KaR-Tel, and issued the protocol on administrative offence ("**the Protocol**"). The Agency filed with the Administrative Court a claim based on the Protocol. The Company estimates KaR-Tel's share of administrative fines amounting to KZT 11.6 billion (the equivalent to US$78,646 at the exchange rate as of July 3, 2010). KaR-Tel believes that the claim of the Agency is without merits and intends to protect its rights and lawful interest in courts of Kazakhstan. On July 16, 2010, KaR-Tel filed a claim to recognize as illegal and annul the acts of the Agency, which have served as a procedural basis for the Protocol.

On October 19, 2010, the Interregional Economic Court of Astana has ruled in favor of KaR-Tel and recognized as illegal, null and void all acts of the Agency and its territorial branch, which have served as procedural basis for the Protocol. The decision has not come into force and was appealable by the Agency. On November 15, 2010, KaR-Tel received copy of the Agency's appeal on the decision. On December 13, 2010, the Court of Appeals upheld the decision of October 19, 2010, in favor of KaR-Tel. On February 17, 2011, the Court of Cassation reviewed the cassation petition of the Agency and upheld both the decision of October 19, 2010 and the resolution of the Court of Appeals of December 13, 2010. As a result, the decision of October 19, 2010 that has recognized all acts of the Agency and its territorial branch, which have served as procedural basis for the Protocol, as illegal, null and void, has come into force. Although the decision has come into full force and effect,

it is still subject to appeal by the Agency in supervisory appeal order within 1 year from the date of receipt by the Agency of the Resolution of the Court of Cassation. No provisions were made in relation to this case in the accompanying condensed consolidated financial statements.

The 2nd Roaming Claim Against KaR-Tel: Concerted Actions High Roaming Tariffs

The Agency has continued another part of its investigation – with respect to concerted actions of Kazakhstan and Russian GSM-mobile operators on establishing and/or preservation of tariffs (**"Concerted Actions Investigation"**). On October 25, 2010, the Agency completed the Concerted Actions Investigation and reclassified alleged concerted actions of KaR-Tel and other Russian and Kazakhstan GSM-operators into establishing monopolistically high tariffs. On November 3, 2010, the Agency initiated an administrative procedure and issued a new protocol on administrative offence, according to which the Agency has found KaR-Tel and the other two Kazakhstan GSM-operators liable for abuse of their dominant position on the market by way of establishing monopolistically high roaming tariffs ("**the New Protocol**"). Under Kazakhstan laws, the Agency has lodged the New Protocol into administrative court, and the court is to review the matter and to decide on the merits and on applicable fines.

On November 23, 2010, KaR-Tel filed a claim with Astana Interregional Economic Court against the Agency requesting the Court to recognize illegal and to annul acts of the Agency preceding the New Protocol. On February 24, 2011, the Interregional Economic Court of Astana has ruled in favor of KaR-Tel and recognized as illegal, null and void all acts of the Agency and its territorial branch, which have served as procedural basis for the Protocol. The decision was received on February 28, 2011. The decision of February 28, 2011 came into force on March 30, 2011. Although the decision has come into full force and effect, it is still subject to appeal by the Agency in supervisory appeal order within 1 year from the date of decision coming into force.

While the Company does not agree with the New Protocol and successfully has challenged the acts, on which the New Protocol is based, the court decision may be appealed, and the ultimate resolution of this matter could result in a loss of KZT9.9 billion (equivalent to US$67,948 as of March 31, 2011) in excess of the amount accrued.

Russian Lawsuit on Sovintel Eviction

A lawsuit was filed by the State Property Committee (Federal Agency for Management of the State Property) against Sovintel seeking eviction from the premises (about 4,000 sq.m) at Krasnokazarmennaya Street, where its Data Center and equipment are currently located. In substantiation of its claim the plaintiff asserts that the lease agreements between Sovintel and several lessors are void, since they were entered into without a consent of the owner (the State Property Committee) to lease such premises. As a result of hearings on January 25, 2011, for part of premises leased from FGUP VEI the plaintiff's claim was dismissed while for the hearing regarding the remaining part of premises leased from other lessors was postponed until March 30, 2011. On March 30, 2011, this part of the plaintiff's claim was dismissed by the court as well. Both court decisions are appealable within 1 month after their issue. The first decision was not appealed while for the second decision the Company is not aware of appeals made.

Management evaluates the risk of an adverse outcome of this lawsuit as probable. No amounts have been accrued in these financial statements in relation to this claim due to immateriality, but in case of an adverse decision of the court, eviction of Sovintel from the premises may cause interruption of the work of the equipment (fixed-line network) that could have a negative impact on the future results of operations of the Company commencing the period when such interruption occurs.

Apple

On March 31, 2011, VimpelCom and Apple signed an amendment to the agreement to purchase IPhones. Under the amendment, 958,540 iPhone handsets (being the difference between 1,500,000 iPhone handsets per the original agreement and the amount actually purchased by the Company from Apple through March 31, 2011) should be purchased starting April 1, 2011 and before March 31, 2013, including 435,000 iPhone handsets to be purchased before March 31, 2012. If VimpelCom does not comply with newly agreed schedule and certain other terms of amendments, then according to the agreement it could become liable for the shortfall in orders of iPhone handsets that existed as of March 31, 2011, less any iPhone units actually purchased by VimpelCom after this date.

Guarantee in favour of VimpelCom Amsterdam B.V.

On March 31, 2011, VimpelCom Amsterdam B.V., a wholly-owned subsidiary of VimpelCom Ltd., signed a one year Bridge Facility Agreement (with the possible extension for 6 months), with six international banks: Barclays, BNP Paribas, Citi, RBS, ING and HSBC in the total amount of US$2,500,000. The Facility bears annual interest at a rate of LIBOR + 0.85% from (and including) the Signing Date to (but excluding) the date falling three months after the Signing Date; LIBOR + 1.15% from (and including) the date falling three months after the Signing Date to (but excluding) the date falling six months after the Signing Date; LIBOR + 1.75% from (and including) the date falling six months after the Signing Date to (but excluding) the date falling nine months after the Signing Date; LIBOR + 2.25% from (and including) the date falling nine months after the Signing Date to (but excluding) the date falling twelve months after the Signing Date; LIBOR + 3.0% (and including) the date falling 12 months after the Signing Date. On April 14, 2011, VimpelCom Amsterdam B.V drew down the loan in the amount of US$2,200,000. VimpelCom has guaranteed this Bridge Facility Agreement.

Euroset IPO

On March 22, 2011, Euroset (Note 12) announced its intention to proceed with an initial public offering ("**IPO**") of depository receipts on the London Stock Exchange. In April 2011, Euroset IPO was postponed, therefore, the Company is not able to assess the impact on its financial results at the moment.

10. Subsequent events

The Company evaluated subsequent events up to June 1, 2011, the date VimpelCom's financial statements were available to be issued.

On April 26, 2011, VimpelCom signed a Facility Agreement with HSBC Bank PLC. This is a Russian ruble denominated Swedish export credit facility supported by EKN for the total amount of US$200,000 to be drawn down in rubles. The facility is to finance equipment and services provided to VimpelCom by Ericsson on a reimbursement basis. The facility bears interest at a rate of MosPRIME (Moscow indicative independent interbank offered rate) plus 1.05% p.a. On May 10, 2011, VimpelCom drew down RUR5,568 million (the equivalent to US$201,276 as of May 10, 2011).

On May 3, 2011, VimpelCom signed a Loan Facility Agreement with CISCO SYSTEMS FINANCE INTERNATIONAL. This is a Russian ruble denominated export credit facility for the total amount of RUR 1,350 million. The facility is to finance equipment provided to VimpelCom by CISCO on a reimbursement basis. The facility bears interest at a rate of 7.35% p.a.

On May 19, 2011 VimpelCom drew down RUR1,350 million (the equivalent to US$48,134 as of May 19, 2011).

On April, 12, 2010, VimpelCom signed a seven-year loan agreement with Sberbank in the amount of US$2,500,000 with the drawdown in Russian rubles at the exchange rate at the date of the drawdown. The loan bears interest at the rate of 9.0% per annum and matures on April 11, 2018. According to the provisions of the agreement, the maximum rate may be increased in case of occurrence of certain events up to 9.5%. On April 27, 2011, VimpelCom drew down the loan in the amount of RUR33,492 million (the equivalent to US$1,200,594 as of April 27, 2011). On May 11, 2011, VimpelCom drew down the loan in the amount of RUR22,498 million (the equivalent to US$807,407 as of May 11, 2011).

The amounts under the loan to VimpelCom Amsterdam B.V. (Note 4) were fully granted as of April 29, 2011 and on May 17, 2011, VimpelCom Amsterdam B.V repaid part of this loan in the total amount US$250,000.

On May 13, 2011, VimpelCom granted an unsecured loan to VimpelCom Amsterdam Finance B.V., a subsidiary of VimpelCom Ltd., in the total amount of US$2,610,000. On May 20, 2011, VimpelCom Amsterdam Finance B.V repaid part of the this loan in the total amount US$52,820. Under the agreement, VimpelCom may grant additional US$442,820.

Dividends

On April 26, 2011, the Annual General Meeting of Shareholders of the Company approved (i) an annual dividend payment based on 2010 results in the amount of 155.00 rubles (the equivalent to 5.54 US Dollars as of April 26,

2011) per common share (for a total amount of RUR7,948.56 million (the equivalent to US$283,950 as of April 26, 2011) for all common registered shares in the aggregate); and (ii) an annual dividend payment to holders of preferred shares based on 2010 results in the amount of 0.025 kopecks (the equivalent to 0.00001 US Dollars as of April 26, 2011) per preferred type A registered share (for a total amount of 1,606.00 rubles (the equivalent to 57 US Dollars as of April 26, 2011) for all preferred type A registered shares in the aggregate). In accordance with Russian tax legislation, VimpelCom withheld a tax from the dividend payment in the amount of RUR397.43 million (the equivalent to US$14,197 as of April 26, 2011).

Sky mobile 3G license (Note 9)

On April 5, 2011, Kyrgyzstan Government issued a Decree, according to which it considered as fully satisfied license obligation of Sky Mobile to organize centers of public access with necessary computer equipment and access to Internet in 100 postal telegraph offices of KyrgyzPost located in the rural areas within 2 years and some other obligations assuming capital expenses in exchange for payment made by Sky Mobile of 50 million Kyrgyz soms to the state budget (equivalent to US$1,054 at the exchange rate as of April 5, 2011). Sky Mobile expects respective changes to be incorporated into the license agreement related to the 3G license.

Consolidated Financial Statements

Open Joint Stock Company "Vimpel-Communications"
(a wholly-owned subsidiary of VimpelCom Ltd.)

Years ended December 31, 2010, 2009 and 2008 with Report of Independent Auditors

Open Joint Stock Company "Vimpel-Communications"
(a wholly-owned subsidiary of VimpelCom Ltd.)

Consolidated Financial Statements

Years ended December 31, 2010, 2009 and 2008

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Report of Independent Auditors

The Board of Directors and Shareholders
OJSC Vimpel-Communications

We have audited the accompanying consolidated balance sheets of Open Joint Stock Company Vimpel-Communications (a wholly-owned subsidiary of VimpelCom Ltd.) ("**VimpelCom**") as of December 31, 2010 and 2009, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of VimpelCom's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of VimpelCom at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

As discussed in Notes 2 and 3 to the consolidated financial statements, effective January 1, 2010 VimpelCom adopted the Financial Accounting Standard Board's Statement No. 167 (primarily codified in ASC 810-10, Consolidation-Overall).

/s/ Ernst & Young LLC

May 10, 2011

Open Joint Stock Company "Vimpel-Communications"
(a wholly-owned subsidiary of VimpelCom Ltd.)

Consolidated Balance Sheets

	Note	December 31, 2010	December 31, 2009
		(In thousands of US dollars, except share amounts)	
Assets			
Current assets:			
Cash and cash equivalents	5	**$ 650,557**	$ 1,446,949
Trade accounts receivable, net of allowance for doubtful accounts		**473,799**	392,365
Inventory	13	**128,745**	61,919
Deferred income taxes		**84,914**	91,493
Input value added tax		**136,271**	96,994
Due from related parties	20	**104,791**	249,631
Other current assets	14	**438,255**	627,257
Total current assets		**2,017,332**	2,966,608
Property and equipment, net	8	**6,027,051**	5,561,569
Telecommunications licenses, net	9	**459,577**	542,597
Goodwill	10	**3,574,579**	3,284,293
Other intangible assets, net	9	**610,188**	700,365
Software, net	11	**492,191**	448,255
Investments in associates	12	**446,130**	436,767
Non-current due from related party	20	**509,405**	1,101
Other non-current assets	14	**570,711**	790,986
Total assets		**$14,707,164**	$14,732,541
Liabilities, redeemable noncontrolling interest and equity			
Current liabilities:			
Accounts payable		**$ 922,017**	$ 545,690
Due to employees		**84,099**	113,368
Due to related parties	20	**13,317**	9,211
Accrued liabilities	14	**177,416**	314,987
Taxes payable		**166,481**	212,767
Customer advances, net of VAT		**368,537**	376,121
Customer deposits		**27,452**	28,386
Deferred income taxes		**25,314**	679
Short-term debt *(including related parties in the amount of US$502,405)*	15	**1,658,438**	1,813,141
Total current liabilities		**3,443,071**	3,414,350
Deferred income taxes		**517,703**	596,472
Long-term debt	15	**4,498,861**	5,539,906
Other non-current liabilities	14	**173,438**	164,636
Commitments, contingencies and uncertainties	23	**–**	–
Total liabilities		**8,633,073**	9,715,364
Redeemable noncontrolling interest	17	**522,076**	508,668
Equity:			
Convertible voting preferred stock (.005 rubles nominal value per share), 10,000,000 shares authorized; 6,426,600 shares issued and outstanding		**–**	–
Common stock (.005 rubles nominal value per share), 90,000,000 shares authorized; 51,281,022 shares issued (December 31, 2009: 51,281,022); 51,281,022 shares outstanding (December 31, 2009: 50,714,579)		**92**	92
Additional paid-in capital		**1,164,337**	1,143,657
Retained earnings		**4,996,522**	4,074,492
Accumulated other comprehensive loss		**(535,237)**	(488,277)
Treasury stock, at cost, 10,508,608 shares of VimpelCom Ltd. common stock (December 31, 2009: 11,328,860)		**(215,763)**	(223,421)
Total VimpelCom shareholders' equity		**5,409,951**	4,506,543
Noncontrolling interest		**142,064**	1,966
Total equity		**5,552,015**	4,508,509
Total liabilities, redeemable noncontrolling interest and equity		**$14,707,164**	$14,732,541

The accompanying notes are an integral part of these consolidated financial statements.

Open Joint Stock Company "Vimpel-Communications"
(a wholly-owned subsidiary of VimpelCom Ltd.)

Consolidated Statements of Income

	Notes	Years ended December 31, 2010	2009	2008
		(In thousands of US dollars)		
Operating revenues:				
Service revenues		**$9,363,638**	$ 8,580,815	$ 9,999,850
Sales of equipment and accessories		**190,520**	109,959	107,946
Other revenues		**16,251**	19,788	17,190
Total operating revenues		**9,570,409**	8,710,562	10,124,986
Revenue based tax		**–**	(7,660)	(8,054)
Net operating revenues		**9,570,409**	8,702,902	10,116,932
Operating expenses:				
Service costs		**2,163,720**	1,878,443	2,262,570
Cost of equipment and accessories		**209,696**	110,677	101,282
Selling, general and administrative expenses		**2,755,135**	2,389,998	2,838,508
Depreciation		**1,397,889**	1,393,431	1,520,184
Amortization		**276,280**	300,736	360,980
Impairment loss		**–**	–	442,747
Provision for doubtful accounts	19	**47,797**	51,262	54,711
Total operating expenses		**6,850,517**	6,124,547	7,580,982
Operating income		**2,719,892**	2,578,355	2,535,950
Other income and expenses:				
Interest income		**49,267**	51,714	71,618
Net foreign exchange loss		**(9,337)**	(411,300)	(1,142,276)
Interest expense		**(533,974)**	(598,531)	(495,634)
Equity in net gain/(loss) of associates	12	**53,189**	(35,763)	(61,020)
Other expenses, net		**(87,403)**	(32,114)	(17,404)
Total other income and expenses		**(528,258)**	(1,025,994)	(1,644,716)
Income before income taxes		**2,191,634**	1,552,361	891,234
Income tax expense	18	**572,454**	435,030	303,934
Net income		**1,619,180**	1,117,331	587,300
Net income/(loss) attributable to the noncontrolling interest		**42,444**	(4,499)	62,966
Net income attributable to VimpelCom		**$1,576,736**	$ 1,121,830	$ 524,334

The accompanying notes are an integral part of these consolidated financial statements.

Open Joint Stock Company "Vimpel-Communications"
(a wholly-owned subsidiary of VimpelCom Ltd.)

Consolidated Statements of Changes in Equity and Comprehensive Income
Years ended December 31, 2010, 2009 and 2008

	Common stock amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total equity attributable to VimpelCom	Noncontrolling interest	Total equity	Redeemable noncontrolling interest	Net income
					(In thousands of US dollars)					
Balances at December 31, 2009	**$ 92**	**$1,143,657**	**$4,074,492**	**$(488,277)**	**$(223,421)**	**$4,506,543**	**$ 1,966**	**$4,508,509**	**$508,668**	**$ –**
Exercise of stock options	–	(319)	–	–	7,658	**7,339**	–	**7,339**	–	–
Stock based compensation accrual	–	1,114	–	–	–	**1,114**	–	**1,114**	–	–
Dividends from parent company	–	5,211	–	–	–	**5,211**	–	**5,211**	–	–
Dividends declared	–	–	(654,706)	–	–	**(654,706)**		**(654,706)**	–	–
Dividends to noncontrolling interest	–	–	–	–	–	**–**	(35,919)	**(35,919)**	(37,500)	–
Acquisition of noncontrolling interests	–	14,787	–	(11,351)	–	**3,436**	(228,905)	**(225,469)**	–	–
Consolidation of Variable interest entity (*Note 4*)	–	–	–	–	–	**–**	437,988	**437,988**	–	–
Accretion to redeemable non-controlling interest (*Note 17*)	–	(113)	–	–	–	**(113)**	–	**(113)**	113	–
Comprehensive income:										
Foreign currency translation adjustment	–	–	–	(35,609)	–	**(35,609)**	(24,715)	**(60,324)**		–
Net income/(loss)	–	–	1,576,736	–	–	**1,576,736**	(8,351)	**1,568,385**	50,795	**1,619,180**
Total accumulated comprehensive income (loss)	–	–	1,576,736	(35,609)	–	**1,541,127**	(33,066)	**1,508,061**	50,795	–
Balances at December 31, 2010	$ 92	$1,164,337	$4,996,522	$(535,237)	$(215,763)	**$5,409,951**	$ 142,064	**$5,552,015**	$522,076	$ –

	Common stock amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total equity attributable to VimpelCom	Noncontrolling interest	Total equity	Redeemable noncontrolling interest	Net income
Balances at December 31, 2008	**$ 92**	**$1,165,188**	**$3,271,878**	**$ (90,020)**	**$(239,649)**	**$4,107,489**	**$ 32,754**	**$4,140,243**	**$469,604**	**$ –**
Exercise of stock options	–	2,974	–	–	16,228	**19,202**	–	**19,202**	–	–
Stock based compensation accrual	–	1,766	–	–	–	**1,766**	–	**1,766**	–	–
Dividends to noncontrolling interest	–	–	–	–	–	**–**	(977)	**(977)**	(13,000)	–
Dividends declared	–	–	(319,216)	–	–	**(319,216)**	–	**(319,216)**	–	–
Acquisition of noncontrolling interests	–	3,598	–	(9,922)	–	**(6,324)**	(13,671)	**(19,995)**	–	–
Accretion to redeemable non-controlling interest (*Note 17*)	–	(29,869)	–	–	–	**(29,869)**	–	**(29,869)**	29,869	–
Comprehensive income:										
Foreign currency translation adjustment	–	–	–	(388,335)	–	**(388,335)**	10,554	**(377,781)**	–	–
Net income/(loss)	–	–	1,121,830	–	–	**1,121,830**	(26,694)	**1,095,136**	22,195	1,117,331
Total accumulated comprehensive loss	–	–	1,121,830	(388,335)	–	**733,495**	(16,140)	**717,355**	22,195	–
Balances at December 31, 2009 restated (*Note 1*)	**$ 92**	**$1,143,657**	**$4,074,492**	**$(488,277)**	**$(223,421)**	**$4,506,543**	**$ 1,966**	**$4,508,509**	**$508,668**	**$ –**

Open Joint Stock Company "Vimpel-Communications"
(a wholly-owned subsidiary of VimpelCom Ltd.)

Consolidated Statements of Changes in Equity and Comprehensive Income—(Continued)

	Common stock amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total equity attributable to VimpelCom	Noncontrolling interest	Total equity	Redeemable noncontrolling interest	Net income
					(In thousands of US dollars)					
Balances at December 31, 2007	**$92**	**$1,413,403**	**$3,327,716**	**$ 801,243**	**$(130,668)**	**$5,411,786**	**$ 288,410**	**$5,700,196**	**$ –**	**$ –**
Sale of treasury stock – 40,568 shares	–	19,993	–	–	5,495	**25,488**	–	**25,488**	–	–
Purchase of treasury stock – 200,000 shares (*Note 16*)	–	–	–	–	(114,476)	**(114,476)**	–	**(114,476)**	–	–
Adoption of equity method of stock option plan accounting	–	12,030	–	–	–	**12,030**	–	**12,030**	–	–
Dividends declared	–	–	(580,172)	–	–	**(580,172)**	–	**(580,172)**	–	–
Initial measurement and recognition of redeemable noncontrolling interest (*Note 17*)	–	(278,825)	–	–	–	**(278,825)**	(154,257)	**(433,082)**	433,082	–
Acquisition of noncontrolling interests	–	–	–	–	–	**–**	(106,722)	**(106,722)**	–	–
Accretion to redeemable non-controlling interest (*Note 17*)	–	(1,413)	–	–	–	**(1,413)**	–	**(1,413)**	1,413	–
Comprehensive income:										
Foreign currency translation adjustment	–	–	–	(891,263)	–	**(891,263)**	(22,534)	**(913,797)**	–	–
Net income/(loss)	–	–	524,334		–	**524,334**	27,857	**552,191**	35,109	**587,300**
Total accumulated comprehensive loss	–	–	524,334	(891,263)	–	**(366,929)**	5,323	**(361,606)**	35,109	–
Balances at December 31, 2008 restated (*Note 1*)	**$92**	**$1,165,188**	**$3,271,878**	**$ (90,020)**	**$(239,649)**	**$4,107,489**	**$ 32,754**	**$4,140,243**	**$469,604**	**$ –**

The accompanying notes are an integral part of these consolidated financial statements.

Open Joint Stock Company "Vimpel-Communications"
(a wholly-owned subsidiary of VimpelCom Ltd.)

Consolidated Statements of Cash Flows

	Note	Years ended December 31, 2010	2009	2008
		(In thousands of US dollars)		
Operating activities				
Net income		**$ 1,619,180**	$ 1,117,331	$ 587,300
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation		**1,397,889**	1,393,431	1,520,184
Amortization		**276,280**	300,736	360,980
Impairment loss		**–**	–	442,747
(Gain)/loss from associates	12	**(53,189)**	35,763	61,020
Provision for deferred taxes	18	**(56,855)**	(19,541)	(92,654)
Loss on foreign currency translation		**9,337**	411,300	1,142,276
Provision for doubtful accounts	19	**47,797**	51,262	54,711
Stock-based compensation expense/(gain)	21	**2,239**	2,323	(121,890)
Loss from early debt redemption		**–**	19,063	–
Other adjustments		**(660)**	(380)	(5,078)
Changes in operating assets and liabilities:				
Trade accounts receivable		**43,058**	(57,452)	(240,629)
Inventory	13	**(50,288)**	64,927	(90,221)
Input value added tax		**(21,770)**	78,972	(103,941)
Other assets		**(144,885)**	135,212	(415,735)
Accounts payable		**33,938**	(69,290)	281,725
Customer advances and deposits		**(8,822)**	(23,010)	75,098
Taxes payable and accrued liabilities		**(47,643)**	72,122	(34,035)
Net cash provided by operating activities		**3,045,606**	3,512,769	3,421,858
Investing activities				
Purchases of property and equipment		**(1,318,343)**	(691,445)	(2,002,452)
Purchases of intangible assets		**(58,604)**	(15,685)	(75,012)
Purchases of software		**(226,684)**	(184,481)	(313,652)
Acquisition of subsidiaries, net of cash acquired	3	**(52,165)**	–	(4,134,609)
Investments in associates		**–**	(12,500)	(491,265)
Payment for shares in Golden Telecom	23	**(143,569)**	–	–
Cash increase due to Sky Mobile consolidation	3	**4,702**	–	–
Escrow cash deposit		**–**	–	200,170
Loan granted		**(537,357)**	–	(350,000)
Loan receivable repayment		**22,910**	–	–
Investments in deposits		**455,187**	(488,580)	43,179
Proceeds from sale of property, plant and equipment		**11,492**	–	–
Purchases of other assets net		**(25,122)**	(40,799)	(53,575)
Net cash used in investing activities		**(1,867,553)**	(1,433,490)	(7,177,216)
Financing activities				
Proceeds from bank and other loans		**1,678,953**	1,270,248	6,209,392
Proceeds from sale of treasury stock		**–**	–	25,488
Repayments of bank and other loans		**(2,898,291)**	(2,432,862)	(721,222)
Payments of fees in respect of debt issues		**(5,068)**	(53,071)	(68,159)
Net proceeds from employee stock options		**7,339**	18,142	–
Purchase of noncontrolling interest in consolidated subsidiaries		**(12,594)**	(18,198)	(992,825)
Payment of dividends		**(654,170)**	(315,644)	(587,302)
Payment of dividends to noncontrolling interest		**(72,370)**	(13,977)	–
Purchase of treasury stock		**–**	–	(114,476)
Net cash (used in)/from financing activities		**(1,956,201)**	(1,545,362)	3,750,896
Effect of exchange rate changes on cash and cash equivalents		**(18,244)**	(1,651)	(84,566)
Net (decrease)/increase in cash and cash equivalents		**(796,392)**	532,266	(89,028)
Cash and cash equivalents at beginning of period		**1,446,949**	914,683	1,003,711
Cash and cash equivalents at end of period		**$ 650,557**	$ 1,446,949	$ 914,683

Open Joint Stock Company "Vimpel-Communications"
(a wholly-owned subsidiary of VimpelCom Ltd.)

Consolidated Statements of Cash Flows—(Continued)

	Note	Years ended December 31, 2010	2009	2008
		(In thousands of US dollars)		
Supplemental cash flow information				
Cash paid during the period:				
Income tax		**$609,840**	**$428,761**	**$647,597**
Interest (net of amounts capitalized)		538,460	532,012	362,081
Non-cash activities:				
Equipment acquired under financing agreements		4,930	–	2,726
Accounts payable for property, equipment and other long-lived assets		519,380	210,159	448,218
Non-cash discounts from suppliers of equipment		–	239	2,464
Issue of promissory notes		–	–	81,660

The accompanying notes are an integral part of these consolidated financial statements.

OPEN JOINT STOCK COMPANY "VIMPEL-COMMUNICATIONS"
(a wholly-owned subsidiary of VimpelCom Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts presented are in thousands of US dollars unless otherwise indicated)

1. Description of business

Open Joint Stock Company "Vimpel-Communications" was registered in the Russian Federation on September 15, 1992 as a closed joint stock company, re-registered as an open joint stock company on July 28,1993 and began full-scale commercial operations in June 1994. On November 20,1996, Open Joint Stock Company "Vimpel-Communications" completed an initial public offering of its common stock on the New York Stock Exchange (**"NYSE"**) through the issuance of American Depositary Shares (**"ADS"**). On May 14, 2010, OJSC VimpelCom ADS were delisted from the NYSE.

In these notes, **"VimpelCom"** or the **"Company"** refers to Open Joint Stock Company "Vimpel-Communications" and its consolidated subsidiaries.

On April 21, 2010, VimpelCom Ltd. successfully completed an exchange offer (**"Exchange Offer"**) for VimpelCom shares (including shares represented by ADSs), and acquired approximately 98% of VimpelCom's outstanding shares (including shares represented by ADSs). Therefore, effective April 21, 2010, VimpelCom is a subsidiary of VimpelCom Ltd. After the completion of the offer, the affiliates of Altimo Holdings & Investments Limited (**"Altimo"**) contributed to VimpelCom Ltd's subsidiary VimpelCom Holdings 99.99% of their ownership interests in Storm LLC, which in turn owns 43.5% of outstanding shares in Closed Joint Stock Company "Kyivstar G.S.M." (**"Kyivstar"**), one of the leading providers of mobile telecommunications services in Ukraine, in exchange for 6,557,635 VimpelCom Holdings common shares, and to VimpelCom Ltd. 0.01% of their ownership interests in Storm LLC in exchange for 13,120 VimpelCom Ltd. common shares. Affiliates of Telenor ASA (**"Telenor"**) contributed their Kyivstar's shares (56.5% of equity) to VimpelCom Holdings in exchange for 8,524,363 VimpelCom Holdings shares. Affiliates of Altimo and affiliates of Telenor subsequently exchanged their shares in VimpelCom Holdings for shares in VimpelCom Ltd.

On May 25, 2010, VimpelCom Ltd. served a squeeze-out demand notice to VimpelCom demanding that the remaining shareholders of VimpelCom sell their shares to VimpelCom Ltd. The squeeze-out process was completed on August 6, 2010 and VimpelCom Ltd. became the sole shareholder of VimpelCom.

VimpelCom Ltd. ADSs began trading on the New York Stock Exchange ("NYSE") on April 22, 2010.

VimpelCom earns revenues by providing voice, data and other telecommunication services through a range of wireless, fixed and broadband internet services, as well as selling equipment and accessories. The Company operates telecommunications services in Russia, Kazakhstan, Ukraine, Armenia, Tajikistan, Uzbekistan, Georgia, Kyrgyzstan, Cambodia and Laos *(Note 24)* primarily under the "Beeline" brand name. VimpelCom also has investments in an entity in Vietnam that launched its operations on July 20, 2009.

2. Basis of presentation and significant accounting policies

Basis of presentation

Effective since September 15, 2009, the Financial Accounting Standards Board (**"FASB"**) Accounting Standards Codification (**"ASC"**) became the only source of authoritative US generally accepted accounting principles **("US GAAP")** recognized by FASB. ASC supersedes all then-existing non-SEC accounting and reporting standards. The adoption of ASC resulted in modifications of accounting and reporting references with codification in ASC.

VimpelCom maintains its records and prepares its financial statements in accordance with Russian accounting and tax legislation and US GAAP. VimpelCom's foreign subsidiaries maintain their accounting records in accordance with local accounting and tax legislation and US GAAP. The accompanying consolidated financial statements differ from the financial statements issued by the individual companies for statutory purposes. The principal differences relate to: (1) revenue recognition; (2) recognition of interest expense and other operating expenses; (3) valuation and depreciation of property and equipment; (4) foreign currency translation; (5) deferred income taxes; (6) capitalization and amortization of telephone line capacity; (7) valuation allowances for unrecoverable assets; (8) business combinations, (9) consolidation and accounting for subsidiaries, and (10) stock based compensation.

The accompanying financial statements have been presented in US dollars. Amounts are presented in thousands unless otherwise indicated.

Principles of consolidation

The consolidated financial statements have been prepared in accordance with US GAAP and include VimpelCom and all companies in which VimpelCom directly or indirectly exercises control, which generally means that VimpelCom owns more than 50% of the voting rights in the company. Consolidation is also required when the Company is subject to a majority of the risk of loss or is entitled to receive a majority of the residual returns or both from a variable interest entity's activities.

All intercompany accounts and transactions within the Company have been eliminated from the consolidated financial statements.

Non-controlling interests are reported in the Consolidated Balance Sheets as a separate component of equity and represents the aggregate ownership interests in the subsidiaries that are held by owners other than the Company.

Investments in associates

Investments in associated companies in which the Company exercises significant influence over the operations and financial policies, but does not control, are reported according to the equity method of accounting. Generally, the Company owns between 20 and 50 percent of such investments.

Business combinations

VimpelCom accounts for its business acquisitions under the acquisition method of accounting. The total cost of an acquisition is allocated to the underlying assets, including intangible assets, and liabilities assumed based on their respective estimated fair values. Determining the fair value of assets acquired and liabilities assumed requires the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, license and other asset lives and market multiples, among other items. Fair value measurement is determined based on the assumptions market participants would use in pricing the asset (risk premiums and profit margins) inherent in pricing model and input data. The results of operations of acquired companies are included in the Consolidated Financial Statements from the date of acquisition.

Foreign currency translation

The reporting currency of VimpelCom is the US dollar. Therefore, the accompanying financial statements were translated into the reporting currency in accordance with ASC 830, *Foreign Currency Matters,* using the current rate method. Domestic and certain foreign subsidiaries of VimpelCom have their local currencies as their functional currency, and use the current rate method for translating their financial statements to US dollars.

The current rate method assumes that assets and liabilities measured in the functional currency are translated into US dollars at exchange rates prevailing on the balance sheet date; whereas revenues, expenses, gains and losses are translated into US dollars at historical exchange rates prevailing on the transaction dates. VimpelCom translates income statement amounts using the average exchange rates for the period. Translation adjustments resulting from the process of translating financial statements into US dollars are reported in accumulated other comprehensive income, a separate component of shareholders' equity.

Within the countries that VimpelCom operates, official exchange rates are determined daily by the respective countries' central bank. Market rates may differ from the official rates but the differences are, generally, within narrow parameters monitored by the respective countries' central bank.

Local currencies of certain of VimpelCom's foreign subsidiaries are not fully convertible currencies outside the territories of countries of their operations. The translation of ruble-, tenge-, hryvnia-, somoni-, sum-, dram-, riel and lari-denominated assets and liabilities into US dollars for the purposes of these financial statements does not indicate that VimpelCom could realize or settle the reported values of these assets and liabilities in US dollars. Likewise, it does not indicate that VimpelCom could return or distribute the reported US dollar value of capital to its shareholders.

Use of estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates. Accounting policies such as valuation of stock based compensation, business combinations, assessing tangible and intangible asset impairments, and revenue recognition include estimates and assumptions that may have *a* material impact on the financial statements.

Cash and cash equivalents

VimpelCom considers all highly liquid investments with a remaining maturity of 90 days or less at the time of purchase to be cash equivalents. Cash equivalents are carried at cost which approximates fair value. Escrow cash was primarily related to cash held in escrow at a financial institution for the collateralization of certain payment obligations that the Company has agreed to assume in the future. As of December 31, 2010, the balance on escrow cash was shown as restricted cash in other current assets *(Note 14)* in the accompanied balance sheet.

Trade accounts receivable and doubtful accounts

Accounts receivable are shown at their net realizable value which approximates their fair value. VimpelCom reviews the valuation of accounts receivable on a monthly basis. The allowance for doubtful accounts is estimated based on historical data and other relevant factors, such as a change in tariff plans from pre-paid to post-paid.

Inventory

Inventory consists of telephone handsets and accessories for sale, SIM and scratch cards, equipment for sale and others, and is stated at the lower of cost or market. Cost is computed using either the average cost method or a specific identification method.

Input value added tax

Value Added Tax (**"VAT"**) related to revenues is payable to the tax authorities on an accrual basis based upon invoices issued to customers or cash received. VAT incurred on purchases may be offset, subject to certain restrictions, against VAT related to revenues, or can be reclaimed in cash from the tax authorities under certain circumstances. VAT related to purchase transactions, which will be offset against VAT related to revenues within the following year, is recognized on the balance sheets on a gross basis. As of December 31, 2010, the VAT rate in Russia, Tajikistan and Georgia was 18%, in Kazakhstan and Kyrgyzstan it was 12%, and in Ukraine, Uzbekistan, and Armenia it was 20%.

Short term investments

Short-term investments represent investments in time deposits, which have original maturities in excess of three months but less than twelve months. These investments are accounted for at cost.

Property and equipment

Property and equipment is stated at historical cost. The Company depreciates property and equipment assets using the straight-line method, depreciation expense is recognized ratably over the estimated useful life of the asset.

The following categories with the associated useful lives are used:

Mobile telecommunications equipment	7 - 9 years
Fixed line telecommunication equipment	3 - 12 years
Masts (telecommunication equipment)	20 years
Fiber-optic equipment	9 - 10 years
Buildings and constructions	20 years
Electronic exchange devices	7 years
Office and measuring equipment, vehicles and furniture	5 - 10 years

Equipment acquired under capital leases is depreciated using the straight-line method over its estimated useful life or the lease term, whichever is shorter. Depreciation of these assets recorded under capital leases is included in "depreciation" in the statement of income. Capitalized leasehold improvement expenses for base station positions is depreciated using the straight-line method over the estimated useful life of seven years or the lease term, whichever is shorter.

Repair and maintenance costs are expensed as incurred. Interest costs are capitalized with respect to qualifying construction projects, the capitalization period begins when "qualifying expenditures" are made, development activities are underway and interest cost is being incurred.

Software

Under the provision of ASC 350-40, *Intangibles – Goodwill and Other – Internal-use Software* VimpelCom capitalizes costs associated with software developed or obtained for internal use when both the preliminary project stage is completed and VimpelCom management has authorized further funding of the project which it deems probable will be completed and used to perform the function intended. Capitalization of such costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose.

Research and development costs and other computer software maintenance costs related to software development are expensed as incurred. Capitalized software development costs are depreciated using the straight-line method over the expected life of the asset. VimpelCom does not have significant research and development costs.

Long-lived assets impairment

VimpelCom accounts for impairment of long-lived assets, except for goodwill, in accordance with the provisions of ASC 360-10, *Property, Plant and Equipment – Overall.* ASC 360-10 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Impairment indicators that do not result in the actual impairment of the asset may, however, result in modification of the useful economic life to a shorter period.

Telecommunication licenses, goodwill and other intangible assets

VimpelCom has primarily acquired identifiable intangible assets through its acquisition of interests in various enterprises. Intangible assets consist primarily of telecommunication licenses, customer relationships, telephone line capacity, trademarks, goodwill and other intangible assets. VimpelCom capitalizes payments made to third party suppliers to acquire and renew telecommunication licenses, as well as access to and for use of telephone lines (telephone line capacity). Telephone line capacity is accounted for as intangible assets and is amortized on a straight-line basis for a period of useful life but not over ten years. Telecommunication licenses are amortized on a straight-line basis within the estimated useful lives determined based on the management estimation of future economic benefits from these licenses. Customer relationships are amortized using pattern of consumption of economic benefit associated with them. Other intangible assets are amortized on a straight-line basis over their estimated useful lives, generally from four to ten years. In accordance with ASC 350-10, *Intangibles – Goodwill and Other – Overall,* VimpelCom continues to evaluate the amortization period for intangible assets with finite lives to determine whether events or circumstances warrant revised amortization periods.

For business combinations that occurred before December 31, 2008, goodwill represents the excess of consideration transferred over the fair value of the net assets acquired. For business combinations that occurred after December 31, 2008, goodwill represents the excess of consideration transferred, non-controlling interest and acquirer's previously held equity interest in the acquiree, measured at fair value on the acquisition date, over the fair values of the identifiable net assets acquired. Goodwill is not amortized, but tested for impairment at least annually. Additionally, goodwill is tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of an entity below its carrying value. These events or circumstances would include, but are not limited to, a significant change in the business climate, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of the business or other factors.

Goodwill impairment is evaluated using a two-step process. The first step involves a comparison of the estimated fair value of each of the Company's reporting units to its carrying values, including goodwill. In performing the first step, the Company determines the fair value of a reporting unit in accordance with ASC 820, *Fair Value Measurements and Disclosures,* using an income approach. When available and as appropriate, the Company uses comparative market multiples to corroborate discounted cash flows results. Determining fair value based on the income approach is based on the present value of estimated future cash flows from a market participant perspective, discounted at an appropriate risk-adjusted rate. The cash flows employed in the DCF analyses are based on the most recent views of the medium and long-term outlook for each reporting unit considering market development, penetration and competitive environment in each geographic location and sub sector (fixed line, internet and mobile segments). The discount rates used in the DCF analyses are intended to commensurate with the risks and uncertainty inherent in the respective businesses forecasts. The Company derives its discount rates by applying the capital asset pricing model (i.e., to estimate the cost of equity financing) and analyzing published rates for industries relevant to our reporting units (including public information about risks premiums, cost of debt as well as debt-to-equity structure).

If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired and the second step of the impairment test is not necessary. If the carrying amount of a reporting unit exceeds its estimated fair value, then the second step of the goodwill impairment test must be performed. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with its goodwill carrying amount to measure the amount of impairment, if any. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. In other words, the estimated fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the consideration transferred. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment is recognized in an amount equal to that excess.

Accounting for assets retirement obligations

VimpelCom has certain legal obligations related to rented sites for base stations, which fall within the scope of ASC 410-20, *Asset Retirement and Environmental Obligations – Asset Retirement Obligations.* These legal obligations include obligations to remediate leased land and other locations on which base stations are located *(Note 14).*

Derivative instruments and hedging activities

ASC 815-10, *Derivatives and Hedging,* requires companies to recognize all of their derivative instruments as either assets or liabilities in the consolidated balance sheet at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. The Company has not designated any of its derivative contracts as hedges, therefore all changes in the fair values of derivatives are reflected in the accompanying statements of income as other income/(expense) and net foreign exchange (loss)/gain items *(Note 7).*

Short-term deposits

Short-term deposits represent bank deposits carried at amounts of cash deposited with maturity dates within the twelve months ended December 31, 2011 except of deposits with an original maturity of 3 months or less at the time of purchase. Deposits can be withdrawn prior to the contractual maturity date. In case of early withdrawal interest rate will be decreased. As of December 31,2010, the short term deposits were recorded in other current assets in the amount of US$34,305.

Long-term deposits

Long-term deposits represent bank deposits carried at amounts of cash deposited with maturity dates after December 31, 2011. Deposits can be withdrawn prior to the contractual maturity date. In case of early withdrawal interest rate will be decreased. As of December 31, 2010, the long term deposits were recorded in other non current assets in the amount of US$1,479.

Loans receivable

Loans receivable are stated at the principal amount outstanding plus interest receivable accrued, adjusted for the allowance for loan losses, which are reflected in other assets.

Revenue recognition

VimpelCom generates revenues from providing voice, data and other telecommunication services through a range of wireless, fixed and broadband internet services, as well as selling equipment and accessories. Service revenues include revenues from airtime charges from contract and prepaid subscribers, monthly contract fees, interconnect revenue, roaming charges and charges for value added services (**"VAS"**). Interconnect revenue is generated when the Company receives traffic from mobile or fixed subscribers of other operators and that traffic terminates on VimpelCom's network. Roaming revenues include both revenues from VimpelCom customers who roam outside of home country network and revenues from other wireless carriers for roaming by their customers on VimpelCom's network. VAS includes short messages (**"SMS"**), multimedia messages (**"MMS"**), caller number identification, call waiting, data transmission, mobile Internet, downloadable content and other services. The content revenue relating to VAS is presented net of related costs when the Company acts as an agent of the content providers. VimpelCom charges subscribers a fixed monthly fee for the use of the service, which is recognized as revenue in the respective month.

Service revenue is generally recognized when the services (including VAS and roaming revenue) are rendered. Prepaid cards, used as a method of cash collection, are accounted for as customer advances for future services. Prepaid cards do not have expiration dates but are subject to statutory expiration periods, and unused balances are added to service revenue when cards expire. Also, VimpelCom uses E-commerce systems, retail offices and agent locations as channels for receiving customer payments. Revenues from mobile equipment sales, such as handsets, are recognized in the period in which the equipment is sold.

Revenue from Internet services is measured primarily by monthly fees and internet-traffic volume which has been not included in monthly fees. Revenue from service contracts is accounted for when the services are provided. Payments from customers for fixed-line equipment are not recognized as revenue until installation and testing of such equipment are completed and accepted by the customer. Domestic Long Distance/International Long Distance **("DLD/ILD")** and zonal revenues are recorded gross or net depending on the contractual arrangements with the end-users. The Company recognizes DLD/ILD and zonal revenues from local operators net of payments to these operators for interconnection and agency fees when local operators establish end-user tariffs and assume credit risk.

Revenues are stated net of value-added tax and sales tax charged to customers.

In accordance with the provisions of ASC 605-10-S25-3, *Revenue Recognition-Overall-SEC Recognition-Delivery and Performance,* VimpelCom defers upfront telecommunications connection fees. The deferral of revenue is recognized over the estimated average subscriber life, which is from 15 to 30 months for mobile subscribers and from 4 to 9.5 years for fixed line subscribers. The Company also defers direct incremental costs related to connection fees for fixed line subscribers, in an amount not exceeding the revenue deferred.

Advertising

VimpelCom expenses the cost of advertising as incurred. Advertising expense for the years ended December 31, 2010, 2009 and 2008 was US$182,388, US$157,808 and US$345,888, respectively.

Rent

VimpelCom leases office space and the land and premises where telecommunications equipment is installed. Operating lease agreements for premises where telecommunications equipment is installed typically contain automatic year-by-year renewal provisions which stipulate renewal to the extent that neither party indicates otherwise, our experience to date indicates that renewal rates are in excess of 99%. Rental agreements do not include contingent or escalation clauses based on operations.

Rent expense under all operating leases and rental contracts in 2010, 2009 and 2008 was US$423,582, US$363,884 and US$370,533, respectively.

Government pension fund

VimpelCom contributes to the state pension funds in the Russian Federation, Kazakhstan, Ukraine, Tajikistan, Uzbekistan, Kyrgyzstan and Armenia on behalf of its employees, contributions are expensed as incurred. Total contributions for the years ended December 31, 2010, 2009 and 2008 were US$52,572, US$44,670 and US$58,010, respectively.

Borrowing costs

Borrowing costs include interest incurred on existing indebtedness and debt issuance costs. Interest costs associated with assets that require a period of time to get them ready for their intended use are capitalized and amortized over the related assets' estimated useful lives. VimpelCom capitalized interest in the cost of long lived assets in the amount of US$30,993, US$39,952 and US$43,939 in 2010, 2009 and 2008, respectively. Debt issuance costs are capitalized and amortized over the term of the respective borrowings using the effective interest method.

Interest income

The Company earns interest income from deposits in banks and from granting loans. Interest income is calculated and recognized based on applied interest rate and the amount deposited as well as principal amount of loan granted.

Income taxes

VimpelCom computes and records income tax in accordance with ASC 740, *Income Taxes.* Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is recognized for deferred tax assets when it is considered more likely than not that the asset will not be recovered.

VimpelCom's policy is to recognize fines and penalties (interest) related to income tax matters in accordance with ASC 740-10, *Income Taxes – Overall* in income tax expense.

Concentration of credit risk

Trade accounts receivable consist of amounts due from subscribers for airtime usage and amounts due from dealers and subscribers for equipment sales. In certain circumstances, VimpelCom requires deposits as collateral for airtime usage. In addition, VimpelCom has introduced a prepaid service GSM network. Equipment sales are typically paid in advance of delivery, except for equipment sold to dealers on credit terms. VimpelCom's credit risk arising from its trade accounts receivable from subscribers is mitigated due to the large number of its active subscribers (subscribers in the registered subscriber base who were a party to a revenue generating activity in the past three months and remain in the base at the end of the reported period), of which approximately 95% subscribed to a prepaid service as of December 31, 2010 and, accordingly, do not give rise to credit risk. VimpelCom's credit risk arising from its trade accounts receivable from dealers is mitigated due to the large number of dealers. Management periodically reviews the history of payments and credit worthiness of the dealers. The Company also has receivables from other local and international operators from interconnect and roaming services provided to their customers, as well as receivables from customers using fixed-line services, such as business services, wholesale services and services to residents. Receivables from other operators for roaming services are settled through clearing houses.

VimpelCom holds available cash in bank accounts with financial institutions in countries of its operations. To manage credit risk associated with such cash holdings, VimpelCom allocates its available cash to a variety of local banks and local affiliates of international banks within the limits set forth by its treasury policy. Management periodically reviews the credit worthiness of the banks in which it deposits cash.

VAT is recoverable from the tax authorities via offset against VAT payable to the tax authorities on VimpelCom's revenue or direct cash receipts from the tax authorities. Management periodically reviews the recoverability of the balance of input value added tax and believes it is fully recoverable.

VimpelCom issues advances to a variety of vendors of property and equipment for its network development. The contractual arrangements with the most significant vendors provide for equipment financing in respect of certain deliveries of equipment *(Note 15).* VimpelCom periodically reviews the financial position of vendors and their compliance with the contract terms.

Accumulated other comprehensive income

ASC 220, *Comprehensive Income,* requires the reporting of comprehensive income in addition to net income. Comprehensive income is a more inclusive financial reporting methodology that includes the effects of all other non-shareholder changes in net assets.

Stock-based compensation

VimpelCom accounts for stock-based compensation plans in accordance with ASC 718-10, *Compensation – Stock Compensation – Overall.* Under ASC 718-10, companies must calculate and record the cost of equity instruments, such as stock options or restricted stock, awarded to employees for services received in the income statement. The cost of the equity instruments is to be measured based on the fair value of the instruments on the date they are granted (with certain exceptions) and is required to be recognized over the period during which the employees are required to provide services in exchange for the equity instruments.

The Company also has stock-based compensation in a form of cash settled stock appreciation rights (**"SARs"**). The cost of these instruments which are recorded as liabilities is remeasured based on fair value of the instruments on each reporting date and is required to be recognized over the period during which the employees are required to provide services in exchange for the equity-based compensation.

On December 24, 2008, VimpelCom modified its stock-based compensation programs (except for "phantom" plans and SARs). The modification required the programs to have equity classification, rather than liability classification. The modification was applied to all the options outstanding as of the modification date. In determination of fair value VimpelCom considered historical data on estimated life of the options, forfeiture rates and volatility since from employee's standpoint no changes to the amount of award were proposed. The historical stock based compensation provision accrued at the modification date in the amount of US$12,030 was reclassified from liability to equity and no gain or loss was recognized as of the modification date.

Government regulations

The Company is subject to governmental regulation of tariffs in its Armenian fixed line business of its direct wholly owned subsidiary CJSC "ArmenTel". The Company has the right to seek tariff adjustments at the retail and wholesale level based on costs incurred. Governmental authorization of tariff adjustments is only necessary for those services that are under Governmental control.

The Company is subject to governmental control over tariffs in its Kazakhstan mobile telecom business of its consolidated subsidiary KaR-Tel Limited Liability Partnership (**"KaR-Tel"**), which is recognized as an entity having dominant position on the Kazakhstan market of mobile telecom. The Company has the right to make tariff adjustments, but is required by law to notify the antimonopoly state body of any increase of its tariffs and to justify the adjustments. The antimonopoly body is required to carry out an examination of tariff adjustments, on which it has been notified, and subject to results of such examination is empowered to prohibit increase of the tariffs.

No assets or liabilities have been recorded in the accompanying financial statements to recognize the effects of possible regulatory assets or liabilities, as allowed under ASC 980, *Regulated Operations.*

Litigation accrual

VimpelCom is party to various legal and regulatory proceedings in the normal course of business with respect to certain matters. Except as described in *Note 23* VimpelCom does not believe that any legal or regulatory proceedings to which it is a party could have a material adverse impact on its business or prospects. VimpelCom evaluates the likelihood of an unfavorable outcome of the legal or regulatory proceedings to which it is a party in accordance with ASC 450, *Contingencies* and ASC 855-10-S99-2, *Subsequent Events – Overall – SEC Materials – Issuance of Financial Statements.* These judgments are subjective based on the status of the legal or regulatory proceedings, the merits of its defenses and consultation with in-house and external legal counsel. The actual outcomes of these proceedings may differ from the Company's judgments.

Treasury stock

The Company accounts for VimpelCom Ltd. shares which are kept by the Company for the purposes of Amended and Restated Stock Options Plan (the **"Plan")** as treasury stock – a separate item of equity in the accompanying consolidated balance sheet.

Recent accounting pronouncements

In June 2009, the FASB issued amendments to ASC 810-10, *Consolidation – Overall.* These amendments require an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. This statement is effective for both interim and annual periods as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009. The adoption of this statement required VimpelCom to consolidate LLC Sky Mobile (**"Sky Mobile"**) as a variable interest entity starting January 1, 2010 *(Note 3).*

In October 2009, FASB issued ASU 2009-13, *Revenue Recognition,* codified in ASC 605-25, *Revenue Recognition – Multiple Element Arrangement.* ASU 2009-13 eliminates the use of the residual method of allocation and requires use of the relative-selling price method. ASU 2009-13 expands the disclosures required for multiple-element revenue arrangements. ASU 2009-13 is effective for both interim and annual periods as of the beginning of reporting entity's first annual reporting period that begins after June 15, 2010 with earlier application permitted for full annual periods. VimpelCom adopted ASU 2009-13 as of January 1, 2010 by means of prospective application of its provisions. No changes in the units of accounting occurred as a result of the adoption of ASU 2009-13, no material changes in the pattern and timing of revenue recognition took place. The Company uses vendor specific evidence of selling price (VSOE), third-party evidence of selling price (TPE), or best estimate of selling price, as the basis for allocation of multiple element arrangement's considerations. The adoption of the ASU 2009-13 has not materially affected the financial statements in the period after the initial adoption, as the fair value of elements from multiple arrangements approximate their VSOE values and revenue from multiple arrangements is not significant.

In January 2010, FASB issued ASU 2010-02, *Accounting and Reporting for Decreases in Ownership of a Subsidiary – a Scope Clarification.* This update provides amendments to ASC 810-10, *Consolidation – Overall* to clarify the scope of the decrease in ownership provisions of ASC 810-10 and related guidance. ASU 2010-02 also clarifies that the decrease in ownership guidance does not apply to certain transactions even if they involve businesses. ASU 2010-02 expands the disclosures required for a business combinations achieved in stages and deconsolidation activity within the scope of ASC 810-10. ASU 2010-02 is effective for both interim and annual periods ending on or after December 15, 2009. The amendments are to be applied retrospectively to the first period that an entity adopted ASU 810-10, *Consolidation – Overall.* The adoption of this statement did not have an impact on VimpelCom's financial position, results of operations and disclosures relative to noncontrolling interests.

In January 2010, FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements,* an amendment of ASC 820, *Fair Value Measurements and Disclosures.* ASU 2010-06 requires additional disclosures regarding assets and liabilities that are transferred between levels of the fair value hierarchy. ASU 2010-06 clarifies guidance pertaining to the level of disaggregation at which fair value disclosures should be made and the requirements to disclose information about the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the requirement to separately disclosure purchases, sales, issuances, and settlements in the Level 3 rollforward, which becomes effective for fiscal years (and for interim periods within those fiscal years) beginning after December 15, 2010. The adoption of this statement expanded VimpelCom's disclosures relative to fair value measurements *(Note 7).*

In July 2010, FASB issued ASU 2010-20, *Disclosure* about credit quality of financing receivables and the allowances for credit losses, an amendment of ASC 310, *Receivables.* The ASU requires to provide extensive new disclosures about financing receivables, including credit risk exposures and the allowance for credit losses. Among other things are: a rollforward of the allowance for credit losses, credit quality information such as credit risk scores or external credit agency ratings, impaired loan information, modification information, nonaccrual and past due information. ASU 2010-20 is effective for interim and annual reporting periods ending on or after December 15, 2010. The adoption of this statement expanded VimpelCom's disclosures relative to long-term loans granted *(Note 7).*

In December 2010, FASB issued ASU 2010-28, when to perform Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts, an amendment of ASC 350, *Intangibles – Goodwill and Other.* The FASB concluded that when a reporting unit has a zero or a negative carrying amount and there are qualitative factors such as those in ASC 350 that indicate it is more likely than not that goodwill is impaired, it would be required to perform Step 2 of the impairment test. ASU 2010-28 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The adoption of the amendment as of January 1, 2011, will not affect VimpelCom's financial statements.

In December 2010, FASB issued ASU 2010-29, *Disclosure* of supplementary pro forma information for business combinations, an amendment of ASC 805, *Business Combinations.* ASU 2010-29 specify that if a public entity presents comparative financial statements, revenue and earnings of the combined entity should be disclosed as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments in the ASU also expand the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. ASU 2010-29 is effective for business combinations consummated in fiscal years beginning on or after December 15, 2010. The adoption of this statement will affect VimpelCom's disclosures relative to business combinations occurring starting January 1, 2011.

3. Business combinations and purchases of noncontrolling interest

Sky Mobile

On February 13, 2008, VimpelCom advanced to Crowell Investments Limited (**"Crowell"**), under a loan agreement as of February 11, 2008 (the **"Crowell Loan Agreement"**), a loan in the principal amount of US$350,000 and at the interest rate of 10%. The loan was secured by 25% of the shares of Limnotex Developments Limited (**"Limnotex"**).

The Crowell Loan Agreement was entered into after Crowell acquired the entire issued share capital of Menacrest Limited (**"Menacrest"**), which is the parent company of Sky Mobile, a mobile operator in Kyrgyzstan, holding GSM and 3G licenses to operate over the entire territory of Kyrgyzstan *(Note 23).* Crowell granted the Company two call options (the **"Call Option Agreement"**) over the entire issued share capital of Menacrest.

On May 29, 2009, VimpelCom agreed to amend the Crowell Loan Agreement in that the term of the loan facility was extended until February 11, 2014 and interest rate has been changed to be a fixed amount per annum starting from the effective date of the amendment. Also, the security interest granted by Crowell to VimpelCom over 25% of the shares of Limnotex was replaced by a security interest over 100% of the shares of Menacrest.

In accordance with ASC 810-10, *Consolidation – Overall,* VimpelCom analyzed these agreements to determine if the entities that are party to them were variable interest entities (**"VIE"**) on both quantitative and qualitative basis. The Company concluded that Sky Mobile is a VIE. The Company did not consolidate Sky Mobile in 2008 and 2009 as they failed to meet the quantitative requirements of ASC 810-10 to be the primary beneficiary.

As a result of the adoption of FASB Statement No.167, an amendment of ASC 810-10, starting January 1, 2010 *(Note 2)* VimpelCom was considered the primary beneficiary of Sky Mobile because VimpelCom: (1) had the power to direct matters that most significantly impact the activities of the VIE through a management agreement (**"Management Agreement"**) arranged between KaR-Tel Limited Liability Partnership (**"KaR-Tel"**), a consolidated subsidiary of VimpelCom, and Sky Mobile, and (2) had the right to receive benefits of the VIE that could potentially be significant to the VIE. The right was achieved through the price mechanism of the Call Option Agreement and through the agreement that all dividends declared and distributed by Sky Mobile and Menacrest should be transferred directly to VimpelCom as settlement of the outstanding loan and interest accrued due from Crowell.

The consolidation of Sky Mobile was accounted for as a business combination under ASC 805, *Business Combinations.* As the Company did not initially own any shares in Sky Mobile for the period from January 1, 2010 to October 19, 2010 all the equity of Sky Mobile for that period was classified as noncontrolling interest.

Under ASC 810-10, VimpelCom is required to initially measure the assets, liabilities and noncontrolling interest in Sky Mobile at their carrying amounts as of January 1, 2010. These carrying amounts are the amounts at which the assets, liabilities and noncontrolling interest would have been carried in the consolidated financial statements of VimpelCom if the amended standard had been effective at the date when VimpelCom first met the conditions to be the primary beneficiary under the amended standard, and the fair values of the assets, liabilities and noncontrolling interest of Sky Mobile had been initially measured at such a date. VimpelCom has determined that such a date was March 28, 2008, which was the date that the Management Agreement was concluded.

The values of consolidated identifiable assets and liabilities of Sky Mobile as of January 1, 2010, the date VimpelCom initially consolidated Sky Mobile due to the application of requirements of ASC 810-10 *(Note 2),* were as follows:

	As of the effective date of consolidation
Cash and cash equivalents	$ 4,702
Other current assets	26,358
Property and equipment (5 years weighted average remaining useful life)	81,582
Licenses (6 years weighted average remaining useful life)	11,894
Other intangible assets	38,957
Goodwill	289,955
Other non-current assets	4,557
Total assets acquired	**458,005**
Current liabilities	(25,178)
Long-term liabilities	(7,520)
Total liabilities	**(32,698)**
Noncontrolling interest	**$(425,307)**

The recognized goodwill is expected to be realized from the potential of Kyrgyzstan telecommunication market development.

The fair value of non-controlling interest acquired was based on fair value of the entire business of Sky Mobile acquired.

The results of operations of Sky Mobile were included in the accompanying consolidated statement of income from the effective consolidation date of January 1, 2010, as required by ASC 810-10.

On October 20, 2010, the Company exercised the first call option to acquire 50.1% of the issued share capital of Menacrest. The remaining 49.9% of Menacrest is owned by Crowell. On the same date the pledge over 100% of Menacrest shares was released by the Company and Management Agreement terminated.

The consideration for the 50.1% share capital of Menacrest was US$150,300, which has been set off against part of the debt of Crowell to the Company under the Crowell Loan Agreement. Additionally, as part of this transaction, the Company assumed long-term liabilities of US $53,957. The transaction was accounted for as an equity transaction with additional liabilities assumed. The difference between the fair value of loan forgiven and the carrying value of the non-controlling interest is recorded as a credit to additional paid in capital in the amount of US$25,060 and increase in accumulated other comprehensive loss in the amount of US$11,351.

The amount of revenue and net income attributable to VimpelCom of Sky Mobile since the acquisition date included in the consolidated statement of income for the year ended December 31, 2010 were US$112,900 and US$1,000, respectively.

The following unaudited pro forma combined results of operations for VimpelCom give effect to the Sky Mobile business combination as if it had occurred on January 1, 2009. These pro forma amounts are provided for informational purposes only and do not purport to present the results of operations of VimpelCom had the transactions assumed therein occurred on or as of the date indicated, nor is it necessarily indicative of the results of operations which may be achieved in the future.

Unaudited	Year ended December 31, 2009
Pro forma total operating revenues	$8,809,553
Pro forma net income/(loss) attributable to VimpelCom	$1,121,830

Foratec

On July 29, 2010, VimpelCom acquired 100% of the share capital of Closed Joint Stock Company Foratec Communication (**"Foratec"**), one of the leading alternative fixed-line providers in Urals region of Russia. The primary reason for the acquisition of Foratec was enhancing VimpelCom presence in Ural Region, including business services market. The total value of the transaction amounted to RUR1.120 million (the equivalent to US$37,096 as of July 29, 2010). The acquisition was recorded under the purchase method of accounting. The fair value of acquired identifiable net assets of Foratec amounted to US$13,381. The excess of the acquisition cost over the fair market value of the identifiable net assets amounted to US$23,715. This amount was recorded as goodwill, was assigned to the Russia fixed reporting unit and is subject to annual impairment tests. The recognized goodwill is expected to be realized primarily from the synergies of combining VimpelCom's and Foratec's regional operations.

Tacom

On July 30, 2010, VimpelCom increased its ownership interest in Limited Liability Company Tacom, a consolidated Tajikistan subsidiary of VimpelCom, from 80% to 90% by acquiring an additional 10% ownership interest for a total cash consideration of US$10,300. The transaction was accounted for as a decrease in noncontrolling interest and an increase in additional paid-in capital.

LLC Golden Telecom (Ukraine)

On December 30, 2009, VimpelCom increased its ownership interest in LLC Golden Telecom, a consolidated Ukrainian subsidiary of VimpelCom, from 80% to 100% by acquiring the 20% ownership interest it did not already own for a total cash consideration of US$18,200. The transaction was accounted for as a decrease in noncontrolling interest and an increase in additional paid-in capital.

4. Consolidated variable interest entities

Sotelco

On July 16, 2008, VimpelCom through Ararima acquired an indirect 90% voting and economic interest in the Cambodian company Sotelco Ltd. (**"Sotelco"**), which holds a GSM 900/1800 license and related frequencies for the territory of Cambodia. The transaction was made through the purchase of 90% of Sotelco's parent company, Atlas Trade Limited (BVI) ("Atlas"), for US$28,000 from Altimo. The remaining 10% of Atlas are owned by a local partner, a Cambodian entrepreneur. VimpelCom has also acquired a call option to purchase the 10% interest of the local partner. The acquisition of Sotelco was accounted for as an asset acquisition of the telecom license. On acquisition, the Company allocated approximately US$41,646 to license, US$8,329 to deferred tax liability and US$5,100 to noncontrolling interest.

On May 18, 2009, Sotelco launched its mobile operations in Cambodia under VimpelCom's "Beeline" brand.

Based on analysis performed, management concluded that Sotelco is a variable interest entity (VIE) and that VimpelCom should consolidate this entity under the guidance of ASC 810-10.

VimpelCom is the primary beneficiary of Sotelco because it: (1) has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance – VimpelCom has 90% voting shares in Sotelco therefore VimpelCom has the power to direct the activates of the Sotelco that mostly significant to the entity's economic performance, and (2) has the obligation to absorb losses of the entity that

could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. Future development of Sotelco will be fully dependent upon VimpelCom's ability to finance it or guarantee the borrowings. The minority shareholder risk is limited by the price to be paid under option agreement. Per the agreement, the call option exercise price is determined at the fair value of the non-controlling interest.

The magnitude of Sotelco's impact on VimpelCom's financial position and performance may be illustrated by the following. As of December 31, 2010, the carrying amounts of Sotelco current assets and non-current assets were US$20,142 and US$139,816, and short-term liabilities and long-term liabilities were US$18,064 and US$184,719, respectively, before eliminating intercompany balances, in the accompanying consolidated balance sheet. Also, net operating revenue, operating loss and net loss attributable to VimpelCom of Sotelco, before eliminating intercompany transactions, for year ended December 31, 2010 were US$21,840, US$37,692 and US$47,025, respectively, in the accompanying consolidated statement of income. Sotelco mainly generates cash outflows for investing activities as well as negative operating cash flows.

VIP Finance Ireland Limited

VIP Finance Ireland Limited (**"VIP Finance"**) was incorporated in Ireland as a private company with limited liability. The principal shareholder of VIP Finance is the Deutsche International Finance (Ireland) Limited. All shares are held under the terms of declarations of trust under which the relevant share trustee holds the issued shares on trust for a charity.

VIP Finance was established for the purpose of issuing asset backed securities, specifically to raise capital by the issue of debt securities and to use an amount equal to the proceeds of each such issuance to grant loans to VimpelCom.

The information on VIP Finance eurobonds issuance for the purpose of granting loans to VimpelCom may be found in *Notes 15* and *24.*

VIP Finance charges by way of security to BNY Corporate Trustee Services Limited, as trustee, its rights to principal, premium (if any), interest and additional amount (if any) under each of the loan agreements with VimpelCom *(Notes 15, 24),* other than certain reserved rights, as well as certain sums held in an account of VIP Finance relating to such loan agreement, and transfers certain of its administrative rights under each of the loan agreements to the Trustee upon the closing of the offering of the notes for the benefit of the holders of the relevant notes. The loans rank equal in right of payment with VimpelCom's other outstanding unsecured and unsubordinated indebtedness.

VIP Finance is only to be obligated to make payments of principal, premium (if any), interest and additional amounts (if any) to noteholders to the extent that VimpelCom makes payments to the VIP Finance's account of all principal, premium (if any) interest and additional amounts (if any) under the terms of the relevant loan agreements.

The Directors of VIP Finance expect that the present level of activity will be sustained for the foreseeable future.

VimpelCom has the power to direct the activities that most significantly impact the VIP Finance' economic performance and has the obligation to absorb losses associated with the possible default with respect to principal and interest payments on notes.

In accordance with ASC 810-10-25-38, VimpelCom consolidates VIP Finance as it is the primary beneficiary of VIP Finance.

There is no significant impact of VIP Finance consolidation on VimpelCom's financial position and performance, as well as on VimpelCom cash flows.

5. Cash and cash equivalents

Cash and cash equivalents consisted of the following at December 31:

	2010	2009
Russian rubles	**$303,257**	$ 361,344
US dollars	**253,979**	919,739
Kazakhstan Tenge	**37,110**	37,391
Uzbekistan Sum	**34,453**	98,384
Ukrainian Hryivna	**10,602**	3,952
EURO	**6,127**	19,646
Armenian Dram	**2,741**	5,234
Other currencies	**2,288**	1,259
Total cash and cash equivalents	**$650,557**	**$1,446,949**

6. Derivative instruments

VimpelCom uses derivative instruments, including swaps, forward contracts and options to manage certain foreign currency and interest rate exposures. The Company views derivative instruments as risk management tools and does not use them for trading or speculative purposes. Derivatives are considered to be economic hedges, however all derivatives are accounted for on a fair value basis and the changes in fair value are recorded in the statement of income. Cash flows from derivative instruments are reported in operating activities section in the statement of cash flows. As described in *Note 2,* the Company adopted ASC 820-10, *Fair Value Measurements and Disclosures – Overall* on January 1, 2008. ASC 820-10, among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis.

ASC 820-10 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820-10 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company measures the fair value of derivatives on a recurring basis, using observable inputs (Level 2), such as LIBOR floating rates, which were 0.49781% and 0.28219% as of October 25, 2010 and December 31, 2009, respectively, using income approach with present value techniques.

The following table represents VimpelCom's derivatives as of December 31, 2010 and for the years ended December 31, 2010 and 2009:

Derivatives not designated as hedging instruments under ASC 815-10	Location of gain/(loss) recognized in income on derivative	For the year ended December 31, 2010	For the year ended December 31, 2009	For the year ended December 31, 2008
Interest rate exchange contracts	Other income/ (expense)	**$(444)**	$ (1,792)	$ (5,493)
	Interest expense	**–**	–	(3,153)
Foreign exchange contracts	Net foreign exchange (loss)/gain	**–**	(35,996)	120,102
Total derivatives not designated as hedging instruments under ASC 815-10		**$(444)**	$(37,788)	$111,456

Derivatives not designated as hedging instruments under ASC 815-10	As of December 31, 2010 Liability derivatives		As of December 31, 2009 Liability derivatives	
	Balance sheet location	Fair value	Balance sheet location	Fair value
Interest rate exchange contracts	Accrued liabilities	$ –	Accrued liabilities	$1,163
Interest rate exchange contracts	Other non-current liabilities	–	Other non-current liabilities	3,961
Total derivatives not designated as hedging instruments under ASC 815-10		$ –		$5,124

The disclosure of derivatives fair value is also provided in *Note 7.*

On October 27, 2007, Sovintel entered into a three-year Interest Rate Swap agreement with Citibank, N.A. London Branch, to reduce the volatility of cash flows in the interest payments for variable-rate debt in the amount of US$225,000. Pursuant to the agreement, Sovintel exchanged interest payments on *a* regular basis and paid a fixed rate equal to 4.355% in the event LIBOR floating rate is not greater than 5.4%, and otherwise Sovintel paid LIBOR floating rate. As of October 25, 2010, Sovintel fully exercised a SWAP under its Interest Rate SWAP agreement with Citibank.

On March 5, 2008, VimpelCom entered into an option agreement (zero-cost collar) with Deutsche Bank and received a right to purchase US dollars in the amount of US$643,620 for Russian rubles at a rate not higher than 26.84 Russian rubles per one US dollar in exchange for granting to Deutsche Bank a right to sell the same amount of US dollars to VimpelCom at a rate not lower than 23.50 Russian rubles per one US dollar. Options were exercisable at various dates ranging from August 2008 to March 2009 and were fully exercised as of March 31, 2009.

On October 3, 2008, VimpelCom entered into an option agreement (zero-cost collar) with Vneshtorgbank (**"VTB"**) and received a right to purchase US dollars in the amount of US$851,813 for Russian rubles at a rate not higher than 33.15 Russian rubles per one US dollar in exchange for the granting to VTB a right to sell the same amount of US dollars to VimpelCom at rate not lower than 24.90 Russian rubles per one US dollar. Options were exercisable at various dates ranging from April 2009 to September 2009 and were fully exercised as of September 30, 2009.

In March 2009, VimpelCom entered into a series of forward agreements with BNP Paribas and Citibank to acquire US dollars in the amounts of US$101,134 and US$65,558, respectively, at rates ranging from 38.32 to 39.72 Russian rubles per one US dollar, to hedge its short-term US dollar-denominated liabilities due in the fourth quarter of 2009. These forward agreements were fully exercised as of December 31, 2009.

7. Fair value of financial instruments

VimpelCom measures financial assets and financial liabilities at fair value on a recurring basis.

The following table provides the disclosure of fair value measurements separately for each major category of assets and liabilities measured at fair value.

Description	Fair value measurements as of December 31, 2010 Using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total as of December 31, 2010	Fair value measurements as of December 31, 2009 Using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total as of December 31, 2009
Interest rate exchange contracts (*Note 3*) . . .	$ –	$ –	$ –	$ –	$ –	$5,124	$ –	$5,124
Total liabilities	$ –	$ –	$ –	$ –	$ –	$5,124	$ –	$5,124

As of December 31, 2010 and December 31, 2009, the fair value of fixed rate bank loans (based on future cash flows discounted at current market rates) was as follows:

	December 31, 2010		December 31, 2009	
	Carrying value	Fair value	Carrying value	Fair value
Loans payable				
Eurobonds	**$1,800,647**	**$2,029,085**	$1,800,647	$1,946,126
US$3,500 million Loan Facility	**–**	**–**	1,170,000	1,145,071
UBS (Luxemburg) S. A.	**784,764**	**859,792**	1,063,264	1,111,915
Sberbank	**1,427,495**	**1,434,188**	1,436,555	1,458,612
EUR600 million Loan Facility	**–**	**–**	632,371	636,793
Ruble Bonds	**1,314,719**	**1,389,991**	661,284	733,609
US$275 million Loan Facility	**–**	**–**	190,410	188,001
Kyivstar *(Notes 15, 20)*	**502,405**	**490,472**	–	–
Loans receivable				
Crowell	**$ 231,431**	**$ 195,411**	$ 401,737	$ 324,652

These loans payable are recorded in long term debt except current portion, which is recorded in short term debt.

The loan granted to Crowell is recorded in other non-current assets.

The fair value of bank financing, equipment financing contracts and other financial instruments, as well as a loan granted to VimpelCom Ltd. *(Note 20)* not included in the table above approximates carrying value.

The fair market value of financial instruments, including cash and cash equivalents, which are included in current assets and liabilities, accounts receivable and accounts payable approximates the carrying value of these items due to the short term nature of these amounts.

8. Property and equipment

Property and equipment, at cost, consisted of the following at December 31:

	2010	2009
Telecommunications equipment	**$ 7,899,071**	$ 7,206,446
Land, buildings and constructions	**369,770**	335,675
Office and measuring equipment	**899,185**	769,097
Other equipment	**399,772**	370,192
	9,567,798	8,681,410
Accumulated depreciation	**(4,792,828)**	(3,730,395)
Equipment not installed and assets under construction	**1,252,081**	610,554
Total property and equipment, net	**$ 6,027,051**	$ 5,561,569

9. Telecommunications licenses and other intangible assets

Telecommunications licenses acquired directly by VimpelCom were initially recorded at cost. Telecommunications licenses acquired in business combinations were initially recorded at their fair value as of the acquisition date.

The total gross carrying value and accumulated amortization of VimpelCom's telecommunications licenses as of December 31, 2010 and 2009 were as follows:

	2010	2009
Telecommunications licenses, at cost	**$1,285,338**	$1,240,201
Accumulated amortization	**(825,761)**	(697,604)
Total telecommunications licenses, net	**$ 459,577**	$ 542,597

The total gross carrying value and accumulated amortization of VimpelCom's other intangible assets by major intangible asset class as of December 31, 2010 and December 31, 2009 was as follows:

	2010	2009
Telephone line capacity	**$ 153,841**	$ 149,077
Customer relationships	**692,450**	763,496
Other intangible assets	**374,366**	219,668
	1,220,657	1,132,241
Accumulated amortization	**(610,469)**	(431,876)
Total other intangible assets, net	**$ 610,188**	$ 700,365

Amortization expense for all VimpelCom's intangible assets (telecommunications licenses and other intangible assets) for each of the succeeding five years is expected to be as follows:

2011	$289,163
2012	252,533
2013	132,342
2014	98,665
2015	77,627
Thereafter	219,435

10. Impairment of goodwill and long-lived assets

The Company has the following reporting units. The change in carrying amount of goodwill for the year ended December 31, 2009 and December 31, 2010 is presented below:

Reporting units	Balance as of December 31, 2008	Translation adjustment	Balance as of December 31, 2009	Acquisition	Translation adjustment	Balance as of December 31, 2010
Russia fixed line	$1,935,455	$ (55,366)	**$1,880,089**	$ 32,569	$(14,515)	**$1,898,143**
Russia mobile	749,978	(21,420)	**728,558**	–	(5,563)	**722,995**
Kazakhstan mobile	479,706	(88,845)	**390,861**	–	1,913	**392,774**
Uzbekistan mobile	154,061	–	**154,061**	–	–	**154,061**
Armenia mobile	134,552	(25,107)	**109,445**	–	4,112	**113,557**
Armenia fixed line	10,127	(1,911)	**8,216**	–	331	**8,547**
Tadjikistan mobile	13,063	–	**13,063**	–	–	**13,063**
Kyrgyzstan mobile	–	–	**–**	289,803	(18,364)	**271,439**
Total	$3,476,942	$(192,649)	**$3,284,293**	$322,372	$(32,086)	**$3,574,579**

Under provisions of ASC 350, *Intangibles – Goodwill and Other,* goodwill is tested annually for impairment or upon the occurrence of certain events or substantive changes in circumstances. In performing the first step ("Step 1") of the goodwill impairment test in accordance with ASC 350, the Company compared the carrying values of its reporting units to their estimated fair values. In determining the estimated fair values of the reporting units, the Company employed a Discounted Cash Flow ("DCF") analysis. Determining estimated fair values requires the application of significant judgment. The basis for VimpelCom's cash flow assumptions includes historical and forecasted revenue, operating costs and other relevant factors including estimated capital expenditures.

	2010	2009	2008
Discount rate (functional currency)	12.9% - 15.6%	14.6% - 16.0%	16.6% - 21. 9%
Terminal growth rate	3% - 3.5%	3% - 3.5%	3% - 3.5%
Start of terminal growth period	7 years - 8 years	7 years - 10 years	7 years - 10 years

The Company estimates revenue growth rates for each reporting unit and each future year. These rates vary based on numerous factors, including size of market in particular country, GDP (Gross Domestic Product) and foreign currency projections, traffic growth, market share and others. In 2010, the Compound Annual Growth Rates ranged from negative 0.4% to growth by 9.7% in comparison to range of 3.7% – 13.7% in 2009. In 2010 the average operating income margins ranged from 12.9% to 36.4% (in 2009 the average operating income margins ranged from 12.4% to 37.1%).

The results of the DCF analyses were corroborated with other value indicators where available, such as the Company's market capitalization, comparable company earnings multiples and research analyst estimates. Management bases its fair value estimates on assumptions it believes to be reasonable, but which are unpredictable and inherently uncertain.

In 2010 and 2009, the results of this Step 1 process indicated that there was no impairment of goodwill as the estimated fair values of the reporting units exceeded the carrying values of their net assets.

In 2008, the results of this Step 1 process indicated that there was a potential impairment of goodwill in the Russia Fixed line and Ukraine Mobile reporting units, as the carrying values of the net assets of the reporting units exceeded their estimated fair values. As a result of the Step 2 analyses, as of December 31, 2008 the Company recorded goodwill impairments of US$315,049 and US$53,778 at the Russia Fixed and Ukraine Mobile reporting units, respectively.

To illustrate the magnitude of potential goodwill impairments relative to future changes in estimated fair values, had the fair values of the following material reporting units been hypothetically lower by the percentages listed below, the reporting unit book value would have exceeded fair value as of impairment test date, October 1, 2010, approximately by the following amounts set forth in the table.

	10%	20%	30%
Russia Fixed	106,022	447,463	788,904
Armenia Mobile	–	14,268	36,495
Armenia Fixed line	–	5,720	33,372
Kyrgyzstan	–	20,105	64,109

If any of these cases were to occur, Step 2 of the goodwill impairment test would be required to be performed to determine the ultimate amount of impairment loss to record, if any.

Long lived assets

As a result of the goodwill impairments for the year ended December 31, 2008, the Company also tested the finite-lived intangible assets for impairment pursuant to the provisions of ASC 360-10, *Property, Plant and Equipment – Overall.* For the Russia Fixed reporting unit, the undiscounted future cash flows associated with the long-lived assets exceeded the carrying value of those assets, and thus there was no impairment. However, for the Ukraine Mobile reporting unit, because of the decrease in the expected future cash flows due to the projected decline in service revenues (relative to the Company's previous analyses), the Company concluded such assets were impaired, and an asset impairment of US$36,300 was recognized for the year ended December 31, 2008.

VimpelCom also decided to write-off the value of DVB-T/DVB-H licenses in the year ended December 31, 2008.

For the year ended December 31, 2009 no impairment indicators were noted and no loss was recognized. For the year ended December 2010 the Company identified impairment indicators of ArmenTel Fixed line's long-lived assets. As a result of impairment test the undiscounted future cash flows associated with the long-lived assets exceeded the carrying value of those assets, and thus there was no impairment.

11. Software

The total gross carrying value and accumulated amortization of VimpelCom's software as of December 31, 2010 and December 31, 2009 were as follows:

	2010	2009
Software, at cost	**$ 1,692,450**	$ 1,489,107
Accumulated depreciation	**(1,200,259)**	(1,040,852)
Total software, net	**$ 492,191**	$ 448,255

12. Investments in associates

Investments in associates consisted of the following at December 31:

	Percentage of ownership	2010	2009
GTEL-Mobile(1)	40.0%	**$223,275**	$265,797
Euroset(2)	49.9%	**190,462**	140,095
Rascom(3)	54.0%	**28,952**	26,840
Others		**3,441**	4,035
Total		**$446,130**	$436,767

(1),(2) The following table shows the combined results of operations and financial position of Euroset and GTEL-Mobile Joint Stock Company (**"GTEL-Mobile"**):

	2010	2009	2008
Current assets	**$ 552,981**	$ 765,550	$1,063,151
Non-current assets	**732,611**	823,517	689,192
Current liabilities	**1,038,315**	1,167,541	1,508,505
Non-current liabilities	**83,198**	303,097	5,757
Net assets	**164,079**	118,429	238,081
Share of VimpelCom in net assets	**36,646**	2,869	52,899
Net sales	**2,019,401**	1,714,598	504,307
Gross profit	**762,389**	576,460	160,857
Net gain/(loss)	**86,124**	(90,295)	(116,337)
Net gain/(loss) attributable to VimpelCom	**50,683**	(39,185)	(58,497)

The difference between the share of VimpelCom in net assets of associates and the carrying amount of investments in associates primarily represents goodwill attributable to Euroset and expenses associated with investments in GTEL-Mobile.

(3) Investment in Rascom CJSC (**"Rascom"**) does not qualify for accounting under the consolidation method of accounting because the rights of the minority shareholder represent substantive participating rights, and as result, such rights overcome the presumption that the Company controls Rascom. Therefore, the Company accounts for this investment under the equity method. Equity in net income of Rascom for the years ended December 31, 2010, 2009 and 2008 was US$2,698, US$3,862 and US$2,176, respectively.

13. Inventory

Inventory consisted of the following at December 31:

	2010	2009
Telephone handsets and accessories for sale	**$ 88,641**	$20,255
SIM-Cards	**12,774**	17,572
Equipment for sale	**1,592**	8,886
Info materials	**4,350**	3,257
Scratch cards	**3,055**	4,064
Other inventory	**18,333**	7,885
Total inventory	**$128,745**	$61,919

14. Supplemental balance sheet information

Other current assets consisted of the following at December 31:

	2010	2009
Advances to suppliers	**$164,272**	$116,576
Prepaid taxes	**51,550**	9,989
Short-term investments	**36,511**	406,856
Restricted cash *(Note 23)*	**33,222**	–
Software with a useful life shorter than one year	**32,062**	29,097
Roaming discounts	**31,539**	25,089
Deferred costs related to connection fees	**15,041**	6,505
Interest receivable	**2,547**	15,697
Other	**71,511**	17,448
Total other current assets	**$438,255**	$627,257

Short-term investments represent bank deposits carried at amounts of cash deposited with maturity dates within the year ended December 31, 2011. Deposits can be withdrawn prior to the contractual maturity date. In case of early withdrawal interest rate will be decreased.

Other non-current assets consisted of the following at December 31:

	2010	2009
Loan granted to Crowell and related long-term interest accrued *(Note 3)*	**$231,431**	$395,792
Frequencies and permissions	**114,840**	107,118
Prepayments to suppliers for long-lived assets	**109,145**	23,904
Unamortized debt issue costs	**41,724**	96,016
Deferred costs related to connection fees	**26,903**	11,080
Long-term input VAT	**8,723**	27,941
Long-term deposits	**1,479**	78,880
Long-term advances	**–**	29,364
Other long-term assets	**36,466**	20,891
Total other non-current assets	**$570,711**	$790,986

No allowances were accrued by the Company in relation to loan granted to Crowell. Management monitors the credit quality of this receivable by analyzing the assets and liabilities of Crowell. There is no information such as credit risk scores or external credit agency ratings for Crowell.

As of December 31, 2010, long-term deposits represented bank deposits with maturity dates of more than twelve months.

Other current accrued liabilities consisted of the following at December 31:

	2010	2009
Interest payable	**$ 65,438**	$ 94,299
Short-term deferred revenue	**40,529**	28,713
Cash rights for shares of Golden Telecom *(Note 23)*	**33,222**	145,930
Roaming discounts	**17,059**	11,494
Roaming litigations *(Note 23)*	**11,840**	–
Other accrued liabilities	**9,328**	34,551
Total current accrued liabilities	**$177,416**	$314,987

Cash rights for shares of Golden Telecom represents amount not paid to the previous shareholders of Golden Telecom as of December 31, 2009 and amount of liability not paid to the previous shareholders of Golden Telecom as of December 31, 2010 but deposited on an escrow account (reported in other current assets disclosed above) *(Note 23).*

Other non-current liabilities consisted of the following at December 31:

	2010	2009
FIN 48 provision, long-term portion	**$ 83,400**	$ 73,621
Asset retirement obligations	**44,136**	37,916
Long-term deferred revenue	**43,325**	35,766
Derivatives	**–**	3,961
Other non-current liabilities	**2,577**	13,372
Total other non-current liabilities	**$173,438**	$164,636

The following table summarizes the movement in asset retirement obligations for the years ended December 31, 2010 and December 31, 2009:

	2010	2009
Asset retirement obligations at the beginning of the reporting period	**$37,916**	$29,717
Liabilities incurred in the current period	**1,168**	3,900
Accretion expense	**2,831**	2,027
Increase as a result of changes in estimates	**2,323**	2,936
Foreign currency translation adjustment	**(102)**	(664)
Asset retirement obligations at the end of the reporting period	**$44,136**	$37,916

The accretion expense was included in depreciation in the accompanying consolidated statements of income.

15. Short and long-term debt

VimpelCom finances its operations using a variety of lenders in order to minimize total borrowing costs and maximize financial flexibility. The Company continues to use bank debt, lines of credit and notes to fund operations, including capital expenditures.

The following table provides a summary of outstanding bank loans, equipment financing indebtedness, capital lease obligations and other debt as of:

	December 31, 2010	December 31, 2009
Bank loans, less current portion	**$4,321,104**	$5,356,655
Long-term portion of equipment financing	**177,757**	182,935
Long-term portion of capital leases	**–**	316
Total long-term debt	**$4,498,861**	$5,539,906
Bank loans, current portion	**$1,587,752**	$1,729,364
Short-term portion of equipment financing	**70,367**	79,830
Short-term portion of capital leases	**319**	3,947
Bank and other loans, current portion	**$1,658,438**	$1,813,141

Bank loans consisted of the following as of December 31:

	2010	2009
Eurobonds(1)	**$ 1,800,647**	$ 1,800,647
Sberbank(2)	**1,429,477**	1,436,555
Ruble Bonds(3)	**1,313,789**	661,284
UBS (Luxembourg) S.A.(4)	**784,764**	1,063,264
Kyivstar Loan(5)	**502,405**	–
Citibank International plc(6)	**28,287**	44,740
US$3,500 million Loan Facility (Facility B)(7)	**–**	1,170,000
EUR600 million Loan Facility(8)	**–**	632,371
Svenska Handelsbanken AB(9)	**–**	57,671
US$275 million Loan Facility(10)	**–**	190,410
Standart Bank PLC – loan to URS(11)	**–**	20,000
Bayerische Hypo- und Vereinsbank AG(12)	**–**	9,001
Other loans	**49,486**	76
	$ 5,908,855	$ 7,086,019
Less current portion	**(1,587,752)**	(1,729,364)
Total long-term bank loans	**$ 4,321,103**	$ 5,356,655

(1) On April 30, 2008, VIP Finance completed an offering of an aggregate principal amount of US$2,000,000 loan participation notes, split equally between five-year and 10-year tranches, for the sole purpose of funding loans in an aggregate principal amount of US$2,000,000 to VimpelCom. The five-year US$1,000,000 issue (the **"2013 Notes"**) and related loan in the same principal amount

bear interest at an annual rate of 8.375% payable semiannually and are due in April 2013. The 10-year US$1,000,000 issue (the **"2018 Notes"**) and related loan in the same principal amount bear interest at an annual rate of 9.125% payable semiannually and are due in April 2018. Deferred financing costs relating to the 2013 Notes offering and 2018 Notes offering (which include gross issuance costs) comprised US$8,027 and US$8,327 respectively and will be amortized over 5 and 10 years respectively.

In October 2009, VimpelCom repurchased an aggregate principal amount of US$199,353 of its US$1,000,000 8.375% 2013 Notes. The 2013 Notes were purchased with a 4.75% premium over the notes' nominal value. The payment for the repurchased notes also included accrued interest. Related effect in the amount of US$9,470 was recognized in "other expenses, net" in the statement of income.

(2) On February 14, 2008, VimpelCom signed a five year credit line with Sberbank in the amount of US$750,000, to be drawn down in Russian rubles at the exchange rate at the date of the draw down. The Company borrowed RUR17,886 million (equivalent to US$591,399 at the exchange rate as of December 31, 2009) during 2008. The interest rate for this credit line ranged from 9.5% to 11% per annum in 2008, from 11% to 13% per annum in 2009 and from 13% to 9.25% per annum in 2010. The interest rate for this credit line as of December 31, 2010 was 9.25% per annum. The amount of debt outstanding under this loan as of December 31, 2010 was US$586,883.

On March 10, 2009, VimpelCom signed a ruble-denominated loan agreement with Sberbank in the amount of RUR8,000 million (equivalent to US$223,855 at the exchange rate as of March 10, 2009). The loan agreement matures on December 27, 2011. On May 29, 2009, VimpelCom made a drawdown in the amount of RUR8,000 million (the equivalent to US$255,380 at the exchange rate as of May 29, 2009) under this loan agreement. The interest rate for this loan agreement ranged from 17.5% to 16.25% per annum in 2009 and from 16.25% to 9.0% per annum in 2010. The interest rate for this credit line as of December 31, 2010 was 9.0% per annum and the maximum rate set up by Sberbank was 9.25% per annum as of December 31, 2010. As of December 31, 2010, the principal amount of debt outstanding under this facility was RUR8.000 million (equivalent to US$262,494 at the exchange rate as of December 31, 2010).

On March 10, 2009, VimpelCom signed a loan agreement with Sberbank in the amount of US$250,000. The loan agreement's initial maturity was December 27, 2012. On May 29, 2009, VimpelCom made a drawdown in the amount of US$250,000 under this loan agreement. The interest rate for this loan agreement ranged from 12.0% to 11.0% per annum in 2009 and from 11.0% to 8.0% per annum in 2010. On December 23, 2010, VimpelCom fully repaid before maturity the outstanding balance under this loan agreement and no amount was outstanding as of December 31, 2010.

On August 28, 2009, VimpelCom signed a three and a half year loan agreement with Sberbank in the amount of RUR10,000 million (equivalent to US$316,051 at the exchange rate as of August 28, 2009). The loan agreement matures on April 30, 2013. On August 31, 2009, VimpelCom made a drawdown in the amount of RUR10,000 million (equivalent to US$316,769 at the exchange rate as of August 31, 2009) under this loan agreement. The interest rate for this loan agreement as of December 31, 2010 was 9.25% per annum. As of December 31, 2010, the principal amount of debt outstanding under this facility was RUR10,000 million (equivalent to US$328,117 at the exchange rate as of December 31, 2010).

On December 17, 2010, VimpelCom signed a five-year loan agreement with Sberbank in the amount of US$250,000 to be drawn down in Russian rubles at the exchange rate at the date of the drawdown. The loan bears interest at a rate of 8.75% per annum and matures on December 16, 2015. On December 23, 2010, VimpelCom drew down the loan in the amount of RUR7,679.7 million and used the proceeds to fully repay before maturity the outstanding balance, including the accrued interest, under the loan agreement with Sberbank signed on March 10, 2009 in the amount of US$250,000. The interest rate for this loan agreement as of December 31, 2010 was 8.75% per annum. As of December 31, 2010, the principal amount of debt outstanding under this facility was US$251,983.

According to the amended provisions of all loan agreements with Sberbank described above, the maximum rate may be increased in case of occurrence of certain events. The interest rate can also be adjusted unilaterally by Sberbank upon 30 days' notice, in which case VimpelCom will have the right to prepay the loan in full without penalty at any time within 30 days after receipt of the notice. The maximum rate set up by Sberbank for loans agreements signed on February 14, 2008, March 10, 2009, August 28, 2009 and December 17, 2010 were 9.5%, 9.25%, 9.5% and 9.5% as of December 31, 2010, respectively.

(3) On July 25, 2008, VimpelCom issued Russian ruble-denominated bonds in an aggregate principal amount of RUR10,000 million (US$427,749 at exchange rate as of July 25, 2008). The bonds are due on July 19, 2013, and bondholders had a put option exercisable on January 26, 2010, at 100% of nominal value plus accrued interest. Interest is to be paid semiannually. The annual interest rate for the first three payment periods is 9.05%. VimpelCom will determine the annual interest rate for subsequent periods no later than seven business days before the third interest payment. On January 12, 2010, VimpelCom determined the interest rate for the fourth and subsequent payment periods at 9.25% per annum and on January 26, 2010 repurchased an aggregate principal amount of RUR6,059 million (or approximately US$201,345 at the exchange rate as of January 26, 2010) from bond holders who exercised their right to sell the bonds. As of February 24, 2010, the Company sold back in the market all repurchased bonds. The aggregate amount of debt outstanding under these bonds as of December 31, 2010 was RUR10,000 million (equivalent to US$328,117 at the exchange rate as of December 31, 2010).

On July 14, 2009, VimpelCom issued Russian ruble-denominated bonds in an aggregate principal amount of RUR10,000 million (the equivalent to US$302,483 at the exchange rate as of July 14, 2009). The bonds are due on July 8, 2014. Interest will be paid semiannually. The annual interest rate for the first four payment periods is 15.2%. VimpelCom will determine the annual interest rate for subsequent periods based on market conditions. Bond holders will have the right to sell their bonds to VimpelCom when the annual interest rate for subsequent periods is announced at the end of the fourth payment period. As of December 31, 2010, the aggregate principal amount of debt outstanding under these bonds was RUR10,000 million (equivalent to US$328,117 at the exchange rate as of December 31, 2010) which was reflected in short-term debt.

On October 19, 2010, VimpelCom issued Russian ruble-denominated bonds in an aggregate principal amount of RUR20,000 million which is the equivalent of approximately $655,000 at the exchange rate of Central Bank of Russia as of October 19, 2010. The bonds have a five-year maturity and bear an annual interest rate of 8.3%. Interest will be paid semiannually. No early redemption rights were granted. As of December 31, 2010, the aggregate principal amount of debt outstanding under these bonds was RUR20.000 million (equivalent to US$656,235 at the exchange rate as of December 31, 2010).

(4) Starting June 2004, VimpelCom entered into a series of loan agreements (the **"Loans"**) with UBS (Luxembourg) S.A. (**"UBS"**), whereby various amounts were borrowed to finance operations and capital expenditures. UBS then completed a series of offerings of loan participation notes for the sole purpose of funding the loans to VimpelCom. The Notes are listed on the Luxembourg Stock Exchange and are without recourse to UBS.

In October 2009, VimpelCom completed the partial repurchase of an aggregate principal amount of US$115,236 of its US$300,000 8.375% Loan Participation Notes due 2011 with a 6.625% premium over the notes' nominal value. Related effect in the amount of US$7,634 was recognized in "other expenses, net" in the statement of income.

On May 22, 2006, UBS and VimpelCom entered into a Loan for US$600,000, and UBS issued 8.25% loan participation notes due 2016 (the **"2016 Notes"**) for US$600,000. Deferred financing costs relating to the 2016 Notes offering (which includes gross issuance cost and the compensatory fee connected with the Exchange Offer) comprised US$28,421 and will be amortized over 10 years.

The following table outlines the amounts borrowed and the respective interest rates and due dates for each series of the Loans and the 2016 Loan.

Date borrowed	Due date	Payment period	Amount borrowed	Interest rate	December 31, 2010	December 31, 2009
October 22, 2004	October 22, 2011	Semi-annually	$300,000	8.38%	**$184,764**	$ 184,764
February 11, 2005	February 11, 2010	Semi-annual	$300,000	8%	**–**	278,500
May 22, 2006	May 22, 2016	Semi-annually	$600,000	8.25%	**600,000**	600,000
Total					**$784,764**	$1,063,264

(5) On November 23, 2010, VimpelCom's wholly owned subsidiary Ukrainian Radio Systems CJSC (**"URS"**) and VimpelCom's related party Kyivstar entered into a financial support agreement pursuant to which Kyivstar granted a one-year interest-free loan to URS in the amount of UAH4.000 million (equivalent to approximately US$502,405 as of December 31, 2010).

(6) On November 1, 2006, VimpelCom signed a six-year US$99,350 loan agreement. The loan bears interest at the rate of six-month London Interbank Offered Rate (**"LIBOR"**) plus 0.1% per annum. The first tranche borrowed under this loan is to be repaid in twelve equal installments on a semiannual basis commencing on November 21, 2006. The second tranche borrowed under this loan is to be repaid in twelve equal installments on a semiannual basis commencing not later than May 6, 2007. The actual interest rate for this loan agreement as of December 31, 2010 was 0.56% per annum. The principal amount of debt outstanding under this loan as of December 31, 2010 was US$28,287.

(7) On February 8, 2008, VimpelCom entered into a loan agreement for an aggregate principal amount of US$3,500,000. The loan agreement included a US$1,500,000 bridge term loan facility (**"Facility A"**) and a US$2,000,000 term loan facility (**"Facility B"**). Facility A was required to be refinanced within 12 months by an issuance of bonds or other form of financing, subject to market conditions. Facility B was required to be repaid in equal semiannual installments starting from the date falling 12 months after the signing date. Facility A bore interest at LIBOR plus a margin of 0.75% per annum. Facility B bore interest at LIBOR plus a margin of 1.5% per annum. On May 6, 2008, the Company fully repaid Facility A. On December 9, 2010, VimpelCom fully repaid before maturity the outstanding balance in the amount of US$400,000 under this Facility. There was no outstanding amount under this loan agreement as of December 31, 2010.

(8) On October 15, 2008, VimpelCom borrowed EUR476 million. In November and December 2008, the agreement was amended to increase the commitments by EUR75 million. The facility is required to be repaid in five equal semiannual installments starting from October 16, 2009. The rate of interest for the facility is EURIBOR plus 2.30% per annum.

On October 15, 2010, VimpelCom fully repaid before maturity the outstanding balance, including the accrued interest under this loan agreement in an aggregate amount of EUR333 million (equivalent to US$469,381 at the exchange rate as of October 15, 2010). There was no outstanding amount under this loan agreement as of December 31, 2010.

(9) On February 24, 2004, Svenska Handelsbanken AB provided a seven-year, US dollar denominated credit line of US$69,700 to VimpelCom under guarantee of the Swedish Export Credits Guarantee Board (**"EKN"**). The loan is to be repaid in fourteen equal installments, on a semiannual basis, commencing November 20, 2004. The loan bears interest at the rate of six-month LIBOR plus 0.325%, which is payable semiannually.

On November 3, 2005, VimpelCom signed a US$99,705 loan agreement with Svenska Handelsbanken AB under an EKN guarantee. The loan bears interest at LIBOR plus 0.325% per annum. Each tranche borrowed under this loan is to be repaid in fourteen equal installments on a semiannual basis commencing May 30, 2006.

In November 2010, VimpelCom fully repaid before maturity the outstanding balance, including the accrued interest, under the Amended and restated Agreement, dated February 24, 2004 and November 3, 2005, with Svenska Handelsbanken AB (publ) in the amount of US$69,700 and US$99,750, respectively. There was no outstanding amount under this credit line as of December 31, 2010.

(10) As of the date of VimpelCom's acquisition of Golden Telecom in 2008, Golden Telecom was a party to a five-year term facility agreement (the **"Facility Agreement"**). The Facility Agreement established an unsecured credit facility under which certain wholly owned subsidiaries of Golden Telecom, may borrow up to an aggregate of US$275,000. The Facility Agreement bears interest at a rate equal to LIBOR plus 1.5% per annum for the first twenty-four months and LIBOR plus 2% per annum thereafter and matures in January 2012. On October 27, 2010, VimpelCom fully repaid before maturity the outstanding balance, including the accrued interest, under this Facility Agreement, in an aggregate amount of US$126,968. There was no outstanding amount under this facility as of December 31, 2010.

(11) On March 26, 2007, URS signed a US$100,000 loan agreement. The facility bears interest at a rate of LIBOR plus 1.15%. On March 26, 2010, URS repaid the outstanding indebtedness under this loan facility. There was no outstanding amount under this loan facility as of December 31, 2010.

(12) On June 30, 2005, VimpelCom signed two unsecured loan agreements in an aggregate amount of US$59,000 with Bayerische Hypo- und Vereinsbank AG and Nordea Bank AB. The loans have identical terms and bear interest at LIBOR plus 0.35% per annum. The first loan is to be repaid in ten equal installments on a semiannual basis commencing November 7, 2005, and the second loan is to be repaid in ten equal installments on a semiannual basis commencing November 18, 2005. On May 18, 2010 and on May 6, 2010, VimpelCom repaid the outstanding indebtedness under these loan facilities. There was no outstanding amount under these loan facilities as of December 31,2010.

On June 30, 2005, Vostok-Zapad Telecom signed a US$22,525 loan agreement with Bayerische Hypo- und Vereinsbank AG and Nordea Bank AB under ECA guarantee. The loan bears interest at LIBOR plus 0.35% per annum. The first tranche borrowed under this loan agreement is to be repaid in ten equal installments on a semiannual basis commencing November 16, 2005, and the second tranche is to be repaid in ten installments on a semiannual basis commencing April 18, 2006. On October 18, 2010, VimpelCom repaid the outstanding indebtedness under this loan facility. There was no outstanding amount under this loan facility as of December 31, 2010.

Equipment financing obligations

VimpelCom has entered into agreements with different equipment vendors for the purchase and installation of mobile telecommunications GSM network equipment. These agreements allow for the expenditures to be deferred similar to a long term debt agreement. The following table provides a summary of VimpelCom's material outstanding equipment financing indebtedness, including bank loans obtained for the purposes of financing equipment purchases.

Borrower	Vendor/ Lender	Interest rate	Outstanding debt as of December 31,		Maturity date	Security
			2010	2009		
VimpelCom(1)	Unicredit - HVB	AB SEK Rate +0.75%	**$124,103**	$ 90,281	Semiannually, final June 15, 2016	EKN guarantee
VimpelCom(2)	HSBC	6 month MOSPRIME +0.08%	**35,380**	46,717	Semiannually, September 28, 2007 – March 2014	EKN guarantee
VimpelCom(3)	Cisco	16%	**26,031**	42,571	Quarterly, 2012	Network equipment
KaR-Tel(4)	BayemLB (Hermes2)	6 month LIBOR +0.38%	**18,906**	28,422	Semiannually, final – December 27, 2012	EHECA guarantee
Sotelco(5)	Huawei	6 month LIBOR +2.1%	**26,932**	19,351	Semiannually, June, 2016	VimpelCom guarantee, Sinosure guarantee
Unitel(6)	Huawei	8%	**6,427**	14,620	Various dates through 2008	Network equipment
ArmenTel(7)	BNP Paribas	6 month EURIBOR+0.9% from 3 month EURIBOR +1.5% to 12 month	**3,247**	6,939	Various dates through 2010	None
ArmenTel(8)	Intracom SA	EURIBOR +1.5%, 12 month LIBOR +1.5%	**646**	4,970	Various dates through 2011	None
KaR-Tel(9)	Citibank International Plc	6 month LIBOR +0.25%, 6 month LIBOR +0.30%	**–**	4,462	Semiannually, January 24, 2007 – August 28, 2011	VimpelCom guarantee
Tacom(10)	Huawei	8%	**1,537**	351	Various dates through 2008	Network equipment
KaR-Tel(11)	HVB	6 month LIBOR +0.2%, 6 month LIBOR +0.4%	**–**	–	Semiannually, final – December 21, 2011	ATF Bank guarantee
ArmenTel(12)	ZTE	3 month EURIBOR +1.5%	**2,292**	–	Various dates through 2012	None
Other			**2,623**	4,081		
Total equipment financing			**248,124**	262,765		
Less current portion			**(70,367)**	(79,830)		
Long-term equipment financing			**$177,757**	$182,935		

Our short term debt primarily represents the short term portions of our long-term loan and equipment financing agreements. The weighted average rate for total debt outstanding as of December 31, 2010 and December 31, 2009 was 8.24% and 8.17% per annum, respectively.

Future payments under bank loans, equipment financing and capital lease agreements and other debt are as follows:

2011	$1,658,438
2012	461,809
2013	1,490,206
2014	117,705
2015	818,321
Thereafter	1,610,820
Total	**$6,157,299**

16. Equity

In 1996, VimpelCom issued 6,426,600 shares of preferred stock. As of December 31, 2010 all of the shares of preferred stock were owned by VimpelCom Holdings B.V., the subsidiary of VimpelCom's parent, VimpelCom Ltd. Each share of preferred stock entitles its holder to (i) one vote, (ii) to receive a fixed dividend of .001 ruble per share per year and (iii) to receive a fixed liquidation value of .005 Russian rubles per share in the event of VimpelCom's liquidation, to the extent there are sufficient funds available. As of December 31, 2010, the official exchange rate was 30.4769 rubles per 1 US dollar. Each share of preferred stock is convertible into one share of common stock at any time after June 30, 2016, at the election of the holder upon payment to VimpelCom of a conversion premium equal to 100% of the market value of one share of common stock at the time of conversion.

On April 21, 2010, VimpelCom Ltd. successfully completed the Exchange Offer for VimpelCom shares (including shares represented by ADSs), and acquired approximately 98% of VimpelCom's outstanding shares (including shares represented by ADSs). On August 6, 2010, VimpelCom Ltd. completed the squeeze-out process for the remaining shares and became the sole shareholder of VimpelCom *(Note 1).*

VimpelCom Ltd. has adopted the Amended and Restated VimpelCom 2000 Stock Option Plan (the "2000 Plan") and the VimpelCom 2010 Stock Option Plan (the "2010 Plan" and together with the 2000 Plan, the "Plans"). The 2000 Plan and the 2010 Plan state the maximum aggregate number of shares (ADS) of VimpelCom Ltd. authorized to be issued which are 21,000,000 (adjusted to VimpelCom Ltd. shares, *Note 21)* and 7,000,000, respectively *(Note 21).* The directors, senior managers and other employees of VimpelCom and VimpelCom Ltd. may participate in the Plans.

The shares held by VC ESOP N.V., a subsidiary of VimpelCom, (10,508,608 VimpelCom Ltd. shares and 11,328,867 VimpelCom Ltd. shares as of December 31, 2010 and 2009, respectively) were treated as treasury shares in the accompanying consolidated financial statements *(Note 2).*

At the Annual General Shareholders Meeting held on June 9, 2008 the shareholders approved payment of a cash annual dividend to holders of common registered shares in the amount of 270.01 Russian rubles per common share of VimpelCom stock, or approximately US$0.57 per ADS based on the Russian Central Bank exchange rate as of June 9, 2008 based upon the results of the 2007 fiscal year, amounting to a total of RUR13.85 billion (or approximately US$587,580 based on the Russian Central Bank exchange rate as of June 9, 2008). In accordance with Russian tax legislation, VimpelCom withheld a tax of up to 15% on the dividend amount, which was approximately RUR1.9 billion (or approximately US$79,080 based on the Russian Central Bank exchange rate as of June 9, 2008).

On December 17, 2009, the Extraordinary General Meeting of Shareholders of the Company approved an interim dividend payment based on the operating results for the nine months ended September 30, 2009 in the amount of RUR190.13 per common share of VimpelCom common stock (the equivalent to US$0.31 per ADS at the exchange rate as of December 17, 2009), amounting to a total of approximately RUR9.75 billion (the equivalent to US$322,873 at the exchange rate as of December 17, 2009). In accordance with Russian tax legislation, VimpelCom is required to withhold a tax of up to 15% on dividend payments which was approximately RUR1.3 billion (or approximately US$43,465 based on the Russian Central Bank exchange rate as of December 17, 2009).

On December 7, 2010, the Extraordinary General Meeting of Shareholders of the Company approved an interim dividend payment based on the operating results for the nine months ended September 30, 2010 in the amount of 394.00 rubles (the equivalent to US$12.6 as of December 7, 2010) per common share (for a total of RUR20,204.7 million (the equivalent to US$645,792 as of December 7, 2010) for all common registered shares in the aggregate); and (ii) to pay in cash dividends to holders of preferred registered shares of type "A" based on operating results for the nine months ended September 30, 2010 in the amount of 0.075 kopeck (the equivalent to US$0.002 as of December 7, 2010) per preferred share. In accordance with Russian tax legislation, VimpelCom is required to withhold a tax of 5% on dividend payments.

Each outstanding share of VimpelCom's common stock entitles its holder to participate in shareholders meetings, to receive dividends in such amounts as have been validly approved by shareholders, and in the event of VimpelCom's liquidation, to receive part of VimpelCom's assets to the extent there are sufficient funds available.

In accordance with Russian legislation, VimpelCom can distribute all profits as dividends or invest them into the operations. Dividends may only be declared from accumulated undistributed and unreserved earnings as shown

in the Russian statutory financial statements, not out of amounts previously transferred to reserves. Transfers to reserves have been insignificant through December 31, 2010. As of December 31, 2010, VimpelCom's retained earnings distributable under Russian legislation were US$3,112,570 *(non-audited),* at the official year-end exchange rate.

17. Redeemable noncontrolling interest

The Company accounts for securities with redemption features that are not solely within the control of the issuer in accordance with EITF Topic D-98, *Classification and Measurement of Redeemable Securities* (codified as ACS 480-10 – *Distinguishing Liabilities from Equity* ("ACS 480-10")).

In June 2008, the Company modified its contractual arrangements with respect to the 25% noncontrolling interest in its subsidiary Limnotex Developments Limited ("Limnotex"), which is held by Crowell Investments Limited ("Crowell"). The modified contractual arrangements contained embedded redemption features that could or will result in the noncontrolling interest being redeemable outside of the control of VimpelCom at various dates. Under the modified contractual arrangements as of December 31, 2008, Crowell initially could exercise a put option between January 1, 2010 and December 31, 2010, at a redemption amount of US$550,000 in the aggregate. Additionally, initially after the 2008 audited financial statements of KaR-Tel were issued, the Company had a call option on the noncontrolling interest for a redemption amount determined by a fair value-based pricing mechanism which should have been exercised on or before December 31, 2011.

In May 2009, the contractual arrangements related to the noncontrolling interest were further amended to extend the timing of the redeemable features embedded in the contractual arrangements. Under the amended contractual arrangements, Crowell may exercise a put option between January 1, 2013 and December 31, 2013, at a redemption amount of US$550,000 in the aggregate. Additionally, after the 2011 audited financial statements of KaR-Tel are issued, the Company has a call option on the noncontrolling interest for a redemption amount determined by a fair value-based pricing mechanism which must be exercised on a date which is after the issuance of the audited financial statements of KaR-Tel for the year ended December 31, 2014. As of December 31, 2010, the redemption amount of the redeemable noncontrolling interest based on this fair value-based pricing mechanism (as if the noncontrolling interest were currently redeemable) was US$674,807.

The Company classifies redeemable noncontrolling interest as temporary equity. The Company recorded it at its estimated fair value at the date of the change to its contractual arrangements with Crowell and then accreted to its redemption amount over the redemption term. The estimated fair value of the redeemable noncontrolling interest was calculated by discounting the future redemption amount of the noncontrolling interest from January 1, 2010 (the date on which the noncontrolling interest was first to become redeemable outside of VimpelCom's control (under the June 2008 modified contractual arrangements, prior to the May 2009 amendment)). The redeemable noncontrolling interest has been valued based on the terms of the put option because the fair value of the redemption amount that may be required under the put option exceeded the fair value of the redemption amount that may be required under the call option. If, in the future, the fair value of the redemption amount under the call option is greater, the redeemable noncontrolling interest will accrete to that amount. The redeemable noncontrolling interest is first credited with its share of earnings of the Company's subsidiary, Limnotex, and, to the extent that this is less than the required accretion, the difference is charged to additional paid-in capital. The charge to additional paid-in capital does not affect net income attributable to VimpelCom in the Company's income statement.

18. Income taxes

VimpelCom and its subsidiaries file their tax returns as prescribed by the tax laws of the jurisdictions in which they operate. The provision for income taxes varies from the amount computed by applying the statutory rate to income before taxes (Russia – 20% (24% before January 1, 2009), due to certain tax benefits allowed under applicable tax legislation, the non-deductibility of certain expenses and income (loss) being generated in jurisdictions having different tax rates, Kazakhstan – 20% (30% before January 1, 2009), Ukraine and Tajikistan – 25%, Armenia – 20%, Georgia – 15%, Kyrgyzstan – 10%, in Uzbekistan there is a complex income tax regime, that results in an effective rate of approximately 17% (18% prior to January 1, 2010)). Income tax exemptions relate primarily to accumulated tax losses, which may be carried forward for use against future taxable income. However, tax losses do not have an effect on Income Tax Rate (unless reserved by a valuation allowance). Non-deductible expenses consist primarily of tax effect of intragroup dividends, legal, consulting, representational and other expenses in excess of allowable limits.

Income tax expense consisted of the following for the years ended December 31:

	2010	2009	2008
Current income taxes	**$629,310**	$454,571	$396,588
Deferred taxes	**(56,855)**	(19,541)	(92,654)
Total income tax expense	**$572,454**	$435,030	$303,934

A reconciliation of the total amounts of income before income taxes, current income tax expense/(benefit) and deferred income tax expense/(benefit), for the three years ended December 31, 2010 are presented in the table below:

	Years ended December 31,		
	2010	2009	2008
Income before income taxes			
Russia	**$2,131,257**	$1,567,237	$1,084,510
USA	**(40,123)**	7,047	2,261
Kazakhstan	**250,666**	146,999	207,838
Ukraine	**(58,109)**	(96,156)	(405,905)
Other	**(92,057)**	(72,766)	2,530
Total	**$2,191,634**	$1,552,361	$ 891,234
Current income tax expense/(benefit)			
Russia	**$ 485,373**	$ 375,898	$ 308,952
USA	**46,770**	(1,759)	2,329
Kazakhstan	**65,561**	59,398	65,929
Ukraine	**2,132**	1,502	2,307
Other	**29,474**	19,532	17,071
Total	**$ 629,310**	$ 454,571	$ 396,588
Deferred income tax expense/(benefit)			
Russia	**$ (34,074)**	$ 15,497	$ (821)
USA	**(76)**	(918)	(23)
Kazakhstan	**(9,138)**	(17,501)	(65,987)
Ukraine	**(7,645)**	(3,907)	(23,257)
Other	**(5,922)**	(12,712)	(2,566)
Total	**$ (56,855)**	$ (19,541)	$ (92,654)

A reconciliation between the income tax expense reported in the accompanying consolidated financial statements and income before taxes multiplied by the Russian Federation statutory tax rate of 20% for the year ended December 31, 2010 and 2009 and 24% for the year ended December 31, 2008, is as follows:

	2010	2009	2008
Income tax expense computed on income before taxes at Russian statutory tax rate	**$437,140**	$310,472	$ 213,896
Effect of goodwill impairment	**–**	–	89,056
Effect of deductible temporary differences not recognized as measured by the change in valuation allowance	**15,993**	33,133	58,871
Effect of non-deductible expenses	**32,591**	45,698	42,515
Tax effect of intragroup dividends	**29,706**	27,904	–
Effect of tax claims	**19,712**	15,841	15,738
Taxable capital contribution	**–**	1,818	14,875
Effect of different tax rates in different jurisdictions	**830**	(3,843)	8,768
Effect of group restructuring	**46,862**	–	–
Effect of change in statutory Income tax rate	**1,100**	6,519	(137,762)
Other	**(11,480)**	(2,512)	(2,023)
Income tax expense reported in the accompanying consolidated financial statements	**$572,454**	$435,030	$ 303,934

VimpelCom has the following significant balances for income tax losses carried forward as of December 31, 2010 and December 31, 2009, respectively:

Jurisdiction	Balance as of December 31, 2010	Balance as of December 31, 2009	Period for carry-forward
Urkaine	**$211,939**	$219,401	Carry-forward rule is set up annually by legislation. The rule as of the end of 2010 - period not limited in time
Russia	**509,192**	126,609	2011-2021
Georgia	**77,490**	72,502	2011-2015
USA	**39,992**	37,382	2019-2029
Belgium	**35,924**	29,284	Not limited in time
Netherlands	**6,695**	13,858	2013-2017
Cyprus	**21,232**	13,388	Not limited in time
Kazakhstan	**1,570**	–	2011-2020
Tadjikistan	**–**	7,941	2011-2012
Cambodia	**75,900**	34,990	Carry-forward tax loss is five year by legislation in the Cambodian tax law. The period for set-off is from 2011-2015 for unused tax losses.
Total	**$979,934**	$555,355	

For financial reporting purposes, a valuation allowance has been recognized to reflect management's estimate for realization of the deferred tax assets. Valuation allowances are provided when it is more likely than not that some or all of the deferred tax assets will not be realized in the future. These evaluations are based on expectations of future taxable income and reversals of the various taxable temporary differences.

The reconciliation of the total amounts of unrecognized tax benefit, including fines and penalties (interest), for the three years ended December 31, 2010 are presented in the table below:

Balance as of December 31, 2007	**$ 45,080**
Increases as a result of business combinations	11,389
Increase of tax positions taken during the current period	43,719
Decrease of tax positions taken during the current period	(2,648)
Increase of tax positions taken during a prior period	30,139
Decrease of tax positions taken during a prior period	(42,875)
Decrease as a result of resolution through litigation	(16,176)
Foreign currency translation adjustment	(10,257)
Balance as of December 31, 2008	**58,371**
Increase of tax positions taken during the current period	27,504
Decrease of tax positions taken during the current period	(8,878)
Increase of tax positions taken during a prior period	21,654
Decrease of tax positions taken during a prior period	(16,526)
Foreign currency translation adjustment	(2,426)
Balance as of December 31, 2009	**79,699**
Increase of tax positions taken during the current period	18,932
Decrease of tax positions taken during the current period	(344)
Increase of tax positions taken during a prior period	41,424
Decrease of tax positions taken during a prior period	(18,182)
Foreign currency translation adjustment	(592)
Balance as of December 31, 2010	**$120,937**

The amount of total unrecognized tax benefit as of December 31, 2010 and December 31, 2009, includes US$105,666 and US$67,977, respectively, of unrecognized tax benefits that, if recognized, would affect the effective income tax rate in any future periods.

The Company accrued additional fines/penalties and interest of US$4,957 and US$5,941 respectively, for the year ended December 31, 2010 and US$7,505 and US$5,948, respectively, for the year ended December 31,

2009. The total amounts of fines/penalties and interest recognized in the consolidated balance sheet as of December 31, 2010 comprised US$14,950 and US$9,992, respectively. As of December 31, 2009, the Company had accrued US$12,439 and US$5,784 for the potential payment of fines/penalties and interest, respectively.

The Russian tax inspectorate has completed its examination of VimpelCom's tax filings for the years 2005-2006 *(Note 23)*. The court hearings related to the tax inspectorate claims resulting from the examination of tax years 2005-2006 were finalized in 2010, and didn't change the amount of the unrecognized income tax benefits.

The total amount of unrecognized tax benefit that could significantly increase or decrease within 12 months due to lapse of statutory limitation term comprised US$45,514 and US$7,817 as of December 31, 2010 and December 31, 2009, respectively.

Due to the fact that, subject to certain legal issues, the years 2007-2008 remain open to a repeated examination by the tax authorities in Russia and the years 2009-2010 remain open to first examination by the tax authorities in Russia, the Company considers the tax years from 2007 through 2010 to be open in Russia. VimpelCom's subsidiary in Uzbekistan are subject to income tax examinations for the tax years 2008 through 2010; the subsidiary in Georgia is subject to income tax examination for the tax years 2004 through 2010, the subsidiaries in Kazakhstan, Tajikistan, Armenia and Ukraine are subject to income tax examination for the tax years 2010, subsidiary in Kyrgyzstan is under tax review for years 2009-2010. Management is unable to reliably predict the outcome of any tax examinations and the materiality of their impact on VimpelCom's consolidated financial statements, if any.

The following deferred tax balances were calculated by applying the presently enacted statutory tax rate applicable to the period in which the temporary differences between the carrying amounts and tax base of assets and liabilities are expected to reverse. The amounts reported in the accompanying consolidated financial statements at December 31 consisted of the following:

	2010	2009
Deferred tax assets:		
Current		
Accrued operating and interest expenses, including gain from derivatives	**$ 72,732**	$ 58,516
Deferred revenue	**27,657**	32,661
Bad debts assets	**9,245**	9,120
Loss carry-forwards	**25,096**	10,070
Non-current		
Accrued operating and interest expenses	**8,174**	17,707
Non-current assets	**5,526**	3,870
Deferred revenue	**7,032**	–
Loss carry-forwards	**186,206**	113,030
	341,668	244,975
Valuation allowance	**(199,357)**	(116,108)
	142,311	128,867
Deferred tax liabilities:		
Current		
Undistributed retained earnings of subsidiaries	**24,985**	19,037
Accrued operating and interest expenses	**(1,351)**	–
Deferred revenue	**274**	–
Bad debts provision	**–**	516
Non-current		
Property and equipment	**398,160**	378,087
Telecommunication licenses	**56,879**	89,018
Customer relationships and other intangible assets	**111,099**	125,111
Other non-current assets	**9,625**	21,852
	599,671	633,621
Net deferred tax liabilities	**457,360**	504,754
Add current deferred tax assets	**84,914**	91,493
Add non-current deferred tax assets	**743**	904
Less current deferred tax liability	**(25,314)**	(679)
Total long-term net deferred tax liability	**$ 517,703**	$ 596,472

At December 31, 2010, undistributed earnings of VimpelCom's foreign (outside of Russian Federation) subsidiaries indefinitely invested amounted to approximately US$1,005,820 and domestic subsidiaries where tax-free distribution is available amounted to US$140,344. Determination of the amount of unrecognized deferred taxes related to these undistributed earnings is not practical.

19. Valuation and qualifying accounts

The following summarizes the changes in the allowance for doubtful accounts for the years ended December 31, 2010, 2009 and 2008:

Balance as of December 31, 2007	**$ 49,104**
Provision for bad debts	64,559
Accounts receivable written off	(78,761)
Foreign currency translation adjustment	(2,958)
Balance as of December 31, 2008	**31,944**
Provision for bad debts	56,160
Accounts receivable written off	(19,048)
Foreign currency translation adjustment	(9,986)
Balance as of December 31, 2009	**59,070**
Provision for bad debts	56,292
Accounts receivable written off	(48,570)
Foreign currency translation adjustment	2,582
Balance as of December 31, 2010	**$ 69,374**

The provision for bad debts included in the accompanying consolidated statements of income is net of related value-added taxes of US$8,495, US$4,898 and US$9,848 for the years ended December 31, 2010, 2009 and 2008, respectively.

20. Related party transactions

The Company from time to time enters into certain transactions with its shareholders and their affiliates and other related parties.

The following table summarizes the significant transactions and balances with related parties:

	2010	2009	2008
Revenue from Alfa	**$ 11,152**	$ 19,584	$ 10,377
Revenue from Telenor	**2,350**	3,474	3,221
Revenue from Kyivstar	**21,949**	26,145	3,358
Revenue from associates	**99,566**	40,600	9,622
Revenue from other related parties	**9,878**	10,024	576
Total	**$144,895**	$ 99,827	$ 27,154
Services from Alfa	**$ 6,073**	$ 6,128	$ 9,122
Services from Telenor	**2,647**	2,049	3,264
Services from Kyivstar	**77,609**	60,905	4,269
Services from associates	**202,773**	131,812	35,900
Services from other related parties	**10,040**	9,780	770
Total	**$299,142**	$210,674	$ 53,325
Interest income from VimpelCom LTD	**$ 8,719**	$ –	$ –
Accounts receivable from Alfa	**$ 1,513**	$ 3,352	$ 3,536
Accounts receivable from Telenor	**2,412**	377	396
Accounts receivable from Kyivstar	**8,955**	1,473	393
Accounts receivable from associates	**82,509**	236,729	163,871
Accounts receivable from other related parties	**9,403**	7,700	–
Total	**$104,792**	$249,631	$168,196
Non-current account receivable from associates	**4,905**	1,040	2,059
Long-term loan granted to VimpelCom Ltd.	**504,500**	–	–
Total	**$509,405**	$ 1,040	$ 2,059
Accounts payable to Alfa	**$ 27**	$ 301	$ 434
Accounts payable to Telenor	**1,101**	272	106
Accounts payable to Kyivstar	**4,731**	5,395	1,704
Accounts payable to associates	**4,164**	1,880	5,248
Accounts payable to other related parties	**3,294**	1,363	–
Total	**$ 13,317**	$ 9,211	$ 7,492
Short-term debt from Kyivstar *(Note 15)*	**$502,405**	$ –	$ –
Long-term account payable to associates	**290**	626	666

Outstanding balances and transactions with Alfa relate to operations with VimpelCom Ltd's shareholder Eco Telecom, its consolidated subsidiaries, its direct owners and their consolidated subsidiaries. In particular, VimpelCom has contracts with Alfa Insurance to provide the Company with property and equipment liability insurance; had the General Service Agreement with Altimo for provision of legal and personnel services. The Company also has contracts to provide fixed telecommunication service to Eco Telecom and its subsidiaries.

VimpelCom maintains bank accounts in Alfa Bank, which are used for payroll and other payments in the ordinary course of business. The balances in these bank accounts were US$8,780 and US$176,500 at December 31, 2010 and 2009, including US$2,953 and US$75,000 of short-term deposits, respectively.

Outstanding balances and transactions with Telenor relate to operations with VimpelCom Ltd.'s shareholder Telenor East Invest AS, its consolidated subsidiaries, its direct owners and their consolidated subsidiaries. In particular, VimpelCom has roaming contracts with ProMonte Montenegro, DTAC/UCOM Thailand, Telenor Serbia, Telenor Mobil AS Norway, Pannon GSM Telecommunications Ltd. Hunga, Telenor Mobile Sweden

Norway; and had the General Agreement for provision of personnel and General Services Agreement with Telenor Russia AS. VimpelCom also has a contract to provide fixed telecommunication service to Telenor Mobile Holding AS Norway.

Outstanding balances and transactions with associates relate to operations with VimpelCom's equity investees *(Note 12).* Euroset transactions included from the acquisition date *(Note 12)* mainly represent dealer commission payments for the acquisition of new subscribers and commission for payments receipts. Operations with associates also include purchase of bill delivery services from Firma Kurier. VimpelCom also has a contract to provide fixed telecommunication service with ZAO Rascom.

Outstanding balances and transactions with other related parties primarily relate to operations with Sky Mobile *(Note 3)* for the years ended December 31, 2009 and 2008 and to operations with TNS + Limited Liability Partnership ("**TNS+**"). The Company had contracts with Sky Mobile for providing mobile telecommunication services, including roaming activity, and had Management Agreement *(Note 3).* For TNS+, operations included purchasing from TNS+ services on transportation of fixed telecommunication traffic.

Outstanding balances and transactions with Kyivstar (wholly owned by VimpelCom Ltd., *Note 1)* represent balances from contracts with Kyivstar for providing and purchasing telecommunication services, including roaming activity, and loan agreement *(Note 15).*

On October 7, 2010, VimpelCom Ltd. signed a sixty years regular Loan Agreement with VimpelCom Finance B.V., the Company's subsidiary. Under this agreement, VimpelCom Finance B.V. granted a loan of US$467,500 to VimpelCom Ltd.

The regular Loan Agreement bears annual interest at a rate of 3 Months USD LIBOR + 750 bp per annum for the initial period from (and including) the signing date till 31 December 2010 (and including), after the date December 31, 2010 at a rate of 12 Months USD LIBOR + 750 bp per annum. The interest shall be due if VimpelCom Ltd. has positive net income in the respective interest period. The interest shall be payable at the end of the month of May following the end of relevant interest period. The loan shall expire on the last date of the financial year during which the 60th anniversary date shall have occurred being not earlier than December 31, 2070.

21. Stock based compensation plan

As discussed in *Note 16,* VimpelCom Ltd. has adopted the Plans.

The Plans are administered by a Committee ("**Committee**"), which, as of December 31, 2010, consisted of the Compensation Committee of VimpelCom Ltd.'s Supervisory Board. The Committee has the power to determine the terms and conditions of grants under the Plan, including the number of options to be granted, the exercise price and the vesting schedule.

Effective upon the closing of the Exchange Offer on April 21, 2010 *(Note 1),* the 2000 Plan was modified by substituting VimpelCom shares with shares of VimpelCom Ltd. As a result, each option (the "**VimpelCom Option**") to purchase one share of the common stock of VimpelCom that was outstanding and unexercised as of immediately prior to the closing of the Exchange Offer was deemed to be exchanged for 20 options (the "**VimpelCom Ltd. Options**"), each to purchase one Common Share of VimpelCom Ltd., with an exercise price per VimpelCom Ltd. Option equal to the exercise price of each VimpelCom Option, divided by 20. All the information presented in this Note related to the period prior to April 21, 2010 was recast accordingly.

The options granted by OJSC VimpelCom prior to completion of the Exchange Offer on April 21, 2010, are governed by the 2000 Plan (previously adopted by OJSC VimpelCom), with certain adjustments as were necessary to cause the 2000 Plan to apply to VimpelCom Ltd.'s common shares. All the information presented in this Note related to the period prior to April 21, 2010 was recast accordingly. Upon the Exchange Offer, 111,660 stock options of participants who left VimpelCom before April 21, 2010 were converted into SARs and forfeited as of December 31, 2010.

In 2010, VimpelCom Ltd.'s Board adopted the 2010 Plan for the issue of stock options to directors, senior managers and other employees of VimpelCom Ltd. and its subsidiaries, including VimpelCom. An option, upon vesting, entitles the holder to purchase one common share of the Company at the price determined by the Committee.

In June 2010, the Committee approved the issuance of up to 1,250,000 options to senior managers of VimpelCom Ltd. and its subsidiaries, including VimpelCom. The exercise price is ranging from US$15.14 to US$16.65 per option. These options generally vest over three years subject to achievement of key performance indicators.

In December 2010, 2,855,000 options were approved by the Committee to be issued under the 2010 Plan with the exercise price of US$16.74 per option.

Except for the options granted under Committee approval on June 2010, the options granted under the Plans generally vest at varying dates over two years. If certain events provided for in the Plans and the agreement relating to each option grant occur, the vesting period for certain employees is accelerated. VimpelCom recognizes compensation cost separately for each vesting tranche for awards subject to graded vesting. The total fair values of shares vested during the years ended and as of December 31, 2010, 2009 and 2008 were of US$499, US$3,416 and US$5,683, respectively. The number of options exercised during 2010 was 720,260 and the amount paid to employees was US$4,064. The number of options exercised during 2009 was 1,943,420 and the amount paid to employees was US$15,276. The number of shares converted for the 1,259,400 options exercised during 2008 was 811,360 and share-based liabilities paid to employees were US$25,487. Amounts of liabilities paid were equal to intrinsic value of options exercised as of exercise date.

The amount of compensation expense or gain in respect of the Plans included in the accompanying consolidated statements of operations was US$1,442 expense, US$2,333 expense and US$121,890 gain in the years ended December 31, 2010, 2009 and 2008, respectively. As of December 31, 2010, the total compensation cost related to non-vested awards not yet recognized is US$633 and the weighted-average period over which it is expected to be recognized is 0.9 years.

The fair value of the options has been estimated using a Black Scholes option pricing model. The fair value of each grant is estimated on the date of grant (or date of modification). In estimating the fair value, the Company used the following significant assumptions. Expected term of the options was determined based on analysis of historical behavior of stock option participants. Expected volatility of VimpelCom's shares was estimated based on the historical volatility of the shares on the New York Stock Exchange over the period equal to the expected life of the option granted and other factors. The dividend yield was included into the model based on last dividend payment. The risk free rate was determined using the rate on Russian Government Bonds, having a remaining term to maturity equal to the expected life of the options, approximated where applicable. Forfeiture rate was determined as an average for the historic experience for all grants.

In 2009, VimpelCom's Board of Directors (the "**Board**") adopted a SARs plan for senior managers and employees. Following the completion of the Exchange Offer, the plan was modified to provide that it will be administered by the VimpelCom Ltd.'s CEO and the Committee determines the aggregate number of SARs that may be granted. A SAR, upon vesting, entitles the holder to receive a cash amount per SAR equal to any excess of the NYSE closing price of a VimpelCom Ltd. American depositary share on the exercise date over the price at which such SAR was granted. In 2009, the Board authorized the granting of 2,266,000 SARs.

On November 26, 2009, and on January 18, 2010, 2,050,760 and 71,200 of SAR's, respectively, were granted, 50% of which become vested on June 1, 2010 and 50% become vested on June 1, 2011 if the growth of KPIs exceeds certain parameters in 2009 as compared to 2008. If this condition is not met, 100% of SARs granted vest on June 1, 2011 if the growth of KPIs exceeds certain parameters in 2010 as compared to 2009. Also, upon the Exchange Offer, 111,660 stock options of participants who left VimpelCom before April 21, 2010 were converted into SARs and were forfeited as of December 31, 2010. The plan is accounted for using a Black Scholes model with the assumptions that are used in calculation of the fair value of the stock option plan and is classified in liabilities in the balance sheet. As of December 31, 2010, an aggregate of 1,590,660 SARs were outstanding, 777,320 of which are currently redeemable or will become redeemable within 60 days of the financial statement date. As of December 31, 2010, the liability related to SARs amounted to US$4,493. The amount of expense included in the accompanying income statement in connection with SARs was US$2,783.

The following table summarizes the activity for the Plans and SARs:

	Number of Options (units)			Number of SARs (units)	
	2010	**2009**	**2008**	**2010**	**2009**
Options/SARs outstanding, beginning of year	**6,601,000**	11,445,940	9,196,500	**2,016,440**	–
Options/SARs transferred to parent company	**(538,140)**	–	–	**(151,200)**	–
Options/SARs granted or converted from ESOP	**231,200**	1,815,000	4,460,000	**182,860**	2,050,760
Options/SARs exercised	**(720,260)**	1,943,420)	(1,259,400)	**(115,160)**	–
Options/SARs modified or converted to SARs	**(111,660)**	(3,630,000)	–	**–**	–
Options/SARs forfeited	**(1,136,647)**	(1,086,520)	(951,160)	**(342,280)**	(34,320)
Options/SARs outstanding, end of year	**4,325,493**	6,601,000	11,445,940	**1,590,660**	2,016,440
Options/SARs fully vested and exercisable, end of year	**3,785,740**	5,487,320	5,290,320	**777,320**	–

No stock options expired in the years ended December 31, 2010, 2009 or 2008.

The following table summarizes the weighted-average exercise prices of options and SARs for the year ended December 31, 2010. The grant-date fair-value for options in the table below was based on the assumptions used as of the modification date (December 24, 2008, *Note* 2).

	Stock Options Plan 2000	Stock Options Plan 2010	SARs
The number of options/SARs outstanding, beginning of year	6,601,000	–	2,016,440
Weighted-average exercise price of options/SARs outstanding, US$ per option/SAR	17.5	–	13.1
Weighted-average grant-date fair value at the beginning of the year, US$ per option/SAR	1.4	–	11.8
Options transferred to parent company	(538,140)	–	(151,200)
The number of options/SARs granted or converted from ESOP	31,200	200,000	182,860
Weighted-average exercise price of options/SARs granted, US$ per option/SAR	13.1	16.7	19.4
Weighted-average grant-date fair value of options/SARs granted during the year, US$ per option/SAR	11.0	6.3	6.0
The number of options/SARs exercised	(720,260)	–	(115,160)
Weighted-average exercise price of options/SARs exercised, US$ per option/SAR	9.0	–	13.1
The total intrinsic value of options/SARs exercised (or share units converted)	4,381.1	–	239.9
The number of options/SARs forfeited/modified/converted to SARs	(1,181,640)	(66,667)	(342,280)
Weighted-average exercise price of options/SARs forfeited, US$ per option/SAR	18.6	16.7	15.0
Weighted-average grant-date fair value of options/SARs forfeited during the year, US$ per option/SAR	1.2	5.5	9.0
The number of options/SARs outstanding, end of year	4,192,160	133,333	1,590,660
Weighted-average exercise price of options/SARs outstanding, US$ per option/SAR	18.7	16.7	13.4
Weighted-average grant-date fair value at the end of the year, US$ per option/SAR	1.2	6.6	11.7
Weighted-average remaining contractual life (years)	1.0	3.4	5.0
The aggregate intrinsic value of options/SARs outstanding	804	–	2,997
Out of the options/SARs outstanding at the end of the year			
The number of options/SARs fully vested and exercisable	3,785,740	–	777,320
Weighted-average exercise price of options/SARs fully vested and exercisable, US$ per option/SAR	19.0	–	13.4
Weighted-average remaining contractual life (years)	0.9	–	5.0
The aggregate intrinsic value of options/SARs fully vested and exercisable	804	–	1,457
The number of options/SARs nonvested at the beginning of the year	1,113,680	–	2,016,440
Weighted-average grant-date fair value of options/SARs nonvested at the beginning of the year, US$ per option/SAR	0.7	–	13.1
The number of options/SARs vested during the year	435,300	66,667	1,004,140
Weighted-average grant-date fair value of options/SARs vested during the year, US$ per option/SAR	1.0	5.5	10.6
The number of options/SARs nonvested at the end of the year	406,420	133,333	813,340
Weighted-average grant-date fair value of options/SARs nonvested at the end of the year, US$ per option/SAR	0.7	6.6	11.9
The total fair value of shares vested during the year ended and as of December 31, 2009	449	–	2,453

The weighted-average grant-date fair values of options granted in 2009 and 2008 were US$1.4 and US$8 per option, respectively.

The following table illustrates the major assumptions of the Black Scholes model for the options and SARs for the years ended December 31:

	2010	2009	2008
Expected volatility	39% – 107%	92% – 138%	91% – 184%
The weighted-average expected term (in years)	1.6	1.8	0.8
Expected dividend yield	2.2% – 3.9%	0% – 2.2%	1.80%
Risk free interest rate	4.8% – 5.9%	7.0% – 9.77%	7.6% – 11.8%
Forfeiture rate	7.21%	6.20%	5.40%

In addition to the Plans and SARs, prior to completion of the Exchange Offer non-executive members of the Board participated in a "phantom" stock plan, pursuant to which they each received up to a maximum of 20,000 phantom ADSs per year with an additional 10,000 phantom ADSs granted to the chairman of the Board and 10,000 phantom ADSs granted to each director for serving as head of any official committee of the Board, provided that the amount paid to a director upon redemption may not exceed US$3.00 per phantom ADS per year of each one-year term served by the director. The number of phantom ADSs granted to each director was set by the Board. The phantom ADSs may be redeemed for cash on the date the director ceases to be a director; provided, however, that directors who are re-elected to the Board may redeem such phantom ADSs related to a previous period of his/her service as a director at any time from the date of his or her re-election to the date he or she is no longer a director. As of December 31, 2010, an aggregate of 130,000 phantom ADSs were outstanding under the phantom stock plan, of which 130,000 are currently redeemable or will become redeemable within 60 days of the financial statement date at prices per phantom ADS ranging from US$11.99 to US$31.63. As of December 31, 2010 and December 31, 2009, the liability related to the phantoms amounted to US$76 and US$4,195, respectively. The amount of expense included in the consolidated income statement in connection with phantom ADS granted to members of the Board was US$1,890 and US$655 gain for the years ended December 31, 2009 and December 31, 2010, respectively. Upon the completion of the Exchange Offer, each member of the Board who was appointed to the VimpelCom Ltd. Supervisory Board waived his right to all phantom ADSs and received an equal number of substitute VimpelCom Ltd. phantom American depositary shares. The substitute phantom American depositary shares are subject to the VimpelCom Ltd. phantom stock plan, which is substantially similar to the Company's phantom stock plan but relates to VimpelCom Ltd. American depositary shares. As of December 31, 2010, only one member of the Board participated in the Company's phantom stock plan.

VimpelCom's senior managers are also eligible to receive phantom ADSs in an amount approved by the Committee. The Committee determines the aggregate amount of phantom ADSs that may be granted to senior managers in each calendar year. In 2008, 2009 and 2010, the Committee authorized the granting of, 800,000, 820,000 and nil phantom ADSs, respectively. As of December 31, 2010, an aggregate of 186,666 phantom ADSs were outstanding, of which 186,666 are currently redeemable or will become redeemable within 60 days of the financial statement date at a price per phantom ADS US$9.92. As of December 31, 2010, the liability related to the phantom ADSs amounted to US$1,009. The amount of expense included in the accompanying income statement in connection with phantom ADS granted to senior managers were US$476 gain, US$2,480 expense and US$721 gain for the years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively.

22. Segment information

Management analyzes the reportable segments separately because of different economic environments and stages of development in different geographical areas, requiring different investment and marketing strategies. Management does not analyze assets by reportable segments separately. The segment data for acquired operations are reflected herein from the date of their acquisitions.

The Management Board of VimpelCom Ltd. utilizes multiple views of data to measure segment performance. However, the dominant measurements are consistent with VimpelCom's consolidated financial statements and, accordingly, are reported on the same basis herein. Management evaluates the performance of its segments on a regular basis primarily based on revenue and operating income before depreciation, amortization and impairment loss ("Adjusted **OIBDA**"). Intersegment revenues are eliminated in consolidation. Intersegment revenues may be accounted for at amounts different from sales to unaffiliated companies. The accounting policies of the segments are the same as those of VimpelCom.

Starting from April 21, 2010, the date of completion of the Exchange Offer, and during 2010 the management was changing the structure of its internal organization and finally VimpelCom Ltd.'s Supervisory Board and management identified Russia mobile, Russia fixed line, CIS (including Georgia), Ukraine and All other reporting segments based on the business activities in different geographical areas.

All other category includes Asia mobile and head quarter expenses.

The comparative information for the years ended December 31, 2009 and December 31, 2008 was retrospectively adjusted.

Financial information by reportable segment for the years ended December 31, 2010, 2009 and 2008 is presented in the following tables.

Year ended December 31, 2010:

	Russia Mobile	Russia Fixed line	CIS	Ukraine	All other	Total
Net operating revenues from external customers	$6,817,624	$1,305,953	$1,266,591	$158,419	$ 21,822	**$9,570,409**
Intersegment revenues	8,345	29,679	87,359	29,503	18	**154,904**
Adjusted OIBDA	3,395,786	379,534	637,774	29,529	(48,562)	**4,394,061**
Capital expenditures	1,359,211	197,803	437,369	48,421	40,714	**2,083,518**

Year ended December 31, 2009:

	Russia Mobile	Russia Fixed line	CIS	Ukraine	All other	Total
Net operating revenues from external customers	$6,165,879	$1,257,659	$1,110,381	$163,314	$ 5,669	**$8,702,902**
Intersegment revenues	4,238	20,041	45,513	39,742	–	**109,534**
Adjusted OIBDA	3,287,920	408,183	578,362	36,163	(38,106)	**4,272,522**
Capital expenditures	482,517	136,954	106,916	19,811	67,939	**814,137**

Year ended December 31, 2008:

	Russia Mobile	Russia Fixed line	CIS	Ukraine	All other	Total
Net operating revenues from external customers	$7,357,941	$1,239,242	$1,263,383	$256,366	$ –	**$10,116,932**
Intersegment revenues	3,365	18,555	20,527	24,247	–	**66,694**
Adjusted OIBDA	3,922,086	287,495	628,968	22,055	(743)	**4,859,861**
Capital expenditures	1,439,911	347,929	589,833	185,422	7,749	**2,570,844**

The following table provides the breakdown of net operating revenues from external customers by mobile and fixed line services:

	Fixed line	Mobile	Total
Net operating revenues from external customers for the year ended December 31, 2010	**$1,470,796**	**$8,099,613**	**$ 9,570,409**
Net operating revenues from external customers for the year ended December 31, 2009	1,435,476	7,267,426	8,702,902
Net operating revenues from external customers for the year ended December 31, 2008	1,464,313	8,652,619	10,116,932

These business activities include the following operations: mobile primarily include activities for the providing of wireless telecommunication services to the Company's subscribers and other operators, while fixed line primarily include all activities for providing wireline telecommunication services, broadband and consumer Internet. VimpelCom provides both mobile and fixed line services in Russia, Ukraine and CIS while All other segment is only represented by mobile services.

The following table provides the reconciliation of consolidated Adjusted OIBDA to consolidated income before taxes for the years ended:

	December 31, 2010	December 31, 2009	December 31, 2008
Adjusted OIBDA	**$ 4,394,061**	$ 4,272,522	$ 4,859,861
Depreciation	**(1,397,889)**	(1,393,431)	(1,520,184)
Amortization	**(276,280)**	(300,736)	(360,980)
Impairment loss	**–**	–	(442,747)
Operating income	**2,719,892**	2,578,355	2,535,950
Interest income	**49,267**	51,714	71,618
Net foreign exchange gain/(loss)	**(9,337)**	(411,300)	(1,142,276)
Interest expense	**(533,974)**	(598,531)	(495,634)
Equity in net gain/(loss) of associates	**53,189**	(35,763)	(61,020)
Other expenses, net	**(87,403)**	(32,114)	(17,404)
Income before income taxes	**$ 2,191,634**	$ 1,552,361	$ 891,234

In Russia, Kazakhstan and Ukraine, VimpelCom's revenues from external customers amounted to US$8,123,577, US$723,931 and US$158,419, respectively, for the year ended December 31, 2010, US$7,423,538, US$651,443 and US$163,314, respectively, for the year ended December 31, 2009, and US$8,597,183, US$740,378 and US$256,366 for the year ended December 31, 2008. Long-lived assets, represented by property and equipment, net, in Russia, Kazakhstan and Ukraine, amounted to US$4,456,039, US$500,371 and US$220,076, respectively, as of December 31, 2010 and US$4,150,322, US$423,672 and US$263,652, respectively, as of December 31, 2009. Consolidated long-lived assets amounted to US$6,027,051 and US$5,561,569 as of December 31, 2010 and 2009, respectively.

23. Commitments, contingencies and uncertainties

The imposition of currency exchange controls or other similar restrictions on currency convertibility in CIS countries and particularly in Uzbekistan could limit VimpelCom's ability to convert local currencies in a timely manner or at all. Recent developments in Kyrgyzstan (conditions of political instability and disorders) have severely affected the country's business and economic environment. Any such restrictions and these developments could have a material adverse effect on VimpelCom's business, financial condition, results of operations and title to assets owned by Sky Mobile *(Note 3)*. The continued success and stability of the economies of these countries will be significantly impacted by their respective governments' continued actions with regard to supervisory, legal and economic reforms.

The economy of countries where VimpelCom operates is vulnerable to market downturns and economic slowdowns elsewhere in the world. In 2010 the respective governments continued to take measures to support the economy in order to overcome the consequences of the global financial crisis. Despite some indications of recovery there continues to be uncertainty regarding further economic growth, access to capital and cost of capital, which could negatively affect the Company's future financial position, results of operations and business prospects.

While management believes it is taking appropriate measures to support the sustainability of VimpelCom's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Company's results and financial position in a manner not currently determinable.

In the ordinary course of business, VimpelCom may be party to various legal and tax proceedings, and subject to claims, certain of which relate to the developing markets and evolving fiscal and regulatory environments in which VimpelCom operates. In the opinion of management, VimpelCom's liability, if any, in all pending litigation, other legal proceeding or other matters, other than what is discussed in this Note, will not have a material effect upon the financial condition, results of operations or liquidity of VimpelCom.

VimpelCom's operations and financial position will continue to be affected by political developments in the countries in which VimpelCom operates including the application of existing and future legislation, telecom and tax regulations. These developments could have a significant impact on VimpelCom's ability to continue operations. VimpelCom does not believe that these contingencies, as related to its operations, are any more significant than those of similar enterprises in such countries.

Telecom licenses capital commitments

VimpelCom's ability to generate revenues in Russia is dependent upon the operation of the wireless telecommunications networks authorized under its various licenses. VimpelCom's GSM-900/1800 licenses that cover Moscow and the Moscow region, Central region, Volga region, Caucasus region, and the Siberia region have been reissued and under the new terms expire on April 28, 2013. The GSM-900/1800 licenses that cover the Northwest region, Urals and part of Far East region expire in 2011 – 2015 (the GSM-900/1800 license for Irkutsk region, excluding Ust-Ordynskiy Buryatskiy Autonomous Region, expires in 2011).

In April 2007, VimpelCom was awarded a license for the provision of "**3G**" mobile radiotelephony communications services for the entire territory of the Russian Federation that expires on May 21, 2017. The 3G license was granted subject to certain capital commitments. The three major conditions are that VimpelCom will have to build a certain number of base stations that support 3G standards and will have to start services provision by certain dates in each subject area of the Russian Federation, and also will have to build a certain number of base stations by the end of the third, fourth and fifth years from the date of granting of the license. To date all of these conditions have been fulfilled according to the indicated terms and schedule.

KaR-Tel owns a GSM-900 license to operate over the entire territory of Kazakhstan. The license expires in August 2013. In July 2008, the GSM-900 license was amended with the permission for KaR-Tel to render services in GSM-1800 standard and with the related commitment to cover cities with population of more than 1000 people by December 31, 2012.

On December 25, 2010, KaR-Tel received an amendment to the GSM license, which allows it to build and operate a cellular network in 3G (UMTS / WCDMA) standard. In accordance with the amendment KaR-Tel is bound by the following UMTS network coverage obligations: (i) cities of Astana and Almaty and all other cities constituting regional (oblast) centers (here and below – in terms of administrative territorial division) – not later than January 1, 2012; (ii) all other settlements having population of more than 50 000 – not later than January 1, 2013; (iii) all other settlements constituting district centers and towns with population of more than 10 000 – not later than January 1, 2015.

URS and GT LLC, VimpelCom's indirect Ukrainian subsidiaries own GSM licenses. CJSC "URS" owns a GSM-900 and 2 GSM-1800 licenses to operate over the entire territory of Ukraine, which expires in July 2021, October 2020 and December 2020 respectively. GT LLC owns three GSM-1800 licenses to operate over the nearly entire territory of Ukraine (except 3 regions), which expires in July 2014 and May 2021, respectively. In April 2009, the National Commission on Regulation of Telecommunication of Ukraine has amended its regulation establishing so-called "license terms" applicable to all mobile telecommunication network operators licensed in Ukraine.

Under the amendments, Ukrainian mobile telecommunication network operators are obliged to ensure radio frequency coverage of 90% of cities within one year from the date of issue of respective mobile telecommunication services license, and 80% of all other settlements and major highways – within two years from the same date. In case respective license allows rendering mobile telecommunication services in several regions, each of these requirements shall be fulfilled in each region with an interval of not more than two months. These new capital commitments apply to URS and GT LLC. The commitments should be fully complied with in all regions licensed for use of radiofrequency corresponding to GSM 900/1800 standard as follows: URS – by August 2015 and GT LLC – by October 2014.

Sky Mobile owns a GSM-900/1800 license to operate over the entire territory of Kyrgyzstan which expires in May 2016 and a 3G (WCDMA/UMTS) license to operate over the entire territory of Kyrgyzstan, which is valid until October 2015. Under the 3G license, from the moment of receipt of corresponding permits to use radio-frequency bands Sky Mobile is primarily obliged to: (a) deploy 3G network in Chuy oblast within two years; (b) deploy 3G network over the entire territory of Kyrgyzstan within 5 years; (c) organize in 100 postal telegraph offices of KyrgyzPost located in the rural areas centers of public access with necessary computer equipment and access to Internet within 2 years; (d) reimburse costs required to clear radio-frequency range from existing radio-electronic equipment in the amount of up to KGS200 million (equivalent to US$4,255 at the exchange rate as of December 31, 2010).

Taxation

In the Russian Federation, VimpelCom's predominant market, there were many tax laws and related regulations introduced in previous periods as well as in 2010 which were not always clearly written, and their interpretation is subject to the opinions of the local tax inspectors and officials of the Ministry of Finance. Instances of inconsistent opinions between local, regional and federal tax authorities and Ministry of Finance are not unusual. Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, VimpelCom has accrued tax liabilities based on management's best estimate.

On June 30, 2008, the Company received a final decision of the Russian tax inspectorate's audit of VimpelCom's tax filings for financial years 2005 and 2006. According to the final decision, VimpelCom owed an additional RUR1,251 million in taxes (including RUR49 million in fines and penalties), which is approximately US$41,047 (including US$1,608 in fines and penalties) at the exchange rate as of December 31, 2010. VimpelCom appealed the tax inspectorate's final decision and court satisfied the lawsuit in all amount. The tax inspectorate cannot appeal the court decision.

On April 30, 2009, the Company's subsidiary – Sovintel – received a final decision of the Russian tax inspectorate's audit of its tax filings for financial years 2006 and 2007. According to the final decision, Sovintel owed an additional RUR324 million in taxes (including RUR36 million in fines and penalties), which is approximately US$10,631 (including US$1,181 in fines and penalties) at the exchange rate as of December 31, 2010. Sovintel disagreed with the tax inspectorate's decision and has filed a lawsuit in the Russian Arbitration court. The court satisfied Sovintel's lawsuit partly in the amount of RUR112 million (including RUR7 million in fines and penalties) which is approximately US$3,675 (including US$229 in fines and penalties) at the exchange rate as of December 31, 2010. The tax inspectorate cannot appeal the court decision.

The tax authorities won the amount of RUR212 million (including RUR29 million in fines and penalties) in the Court of Cassation, which is approximately US$6,956 (including US$951 in fines and penalties) at the exchange rate as of December 31, 2010, which was paid in all amount. The Company appealed court decision in the Supreme Arbitration Court of the Russian Federation. The Supreme Arbitration Court of the Russian Federation dismissed the appeal. The Company has no right to appeal this decision.

Based on the audit of the tax records for 2009, the tax authorities issued a tax claim against the Company's subsidiary VC-lnvest in the amount of RUR314 million (including RUR55 million in fines and penalties) which is approximately US$10,303 (including US$1,805 in fines and penalties) at the exchange rate as of December 31, 2010. The company did not agree with the claim, and filed a lawsuit. Court satisfied the lawsuit in all amount in the first instance. The tax inspectorate can appeal the court decision.

On January 21, 2011, VimpelCom received a report from the tax authorities regards to tax audit for the period from 2007 to 2008. The amount of claims was RUR1,191 million which is approximately US$39,078 at the exchange rate as of December 31, 2010. The Company reserved RUR844 million under ASC 740-10 and ASC 450 which is approximately US$27,693 at the exchange rate as of December 31, 2010. The Company will appeal tax audit report in court in all amount.

KaR-Tel

On January 10, 2005, KaR-Tel received an "order to pay" ("**Order to Pay**") issued by The Savings Deposit Insurance Fund, a Turkish state agency responsible for collecting state claims arising from bank insolvencies (the "**Fund**"), in the amount of approximately US$4,910,250 at the exchange rate as of December 31, 2010 (stated as approximately Turkish lira 7.55 quadrillion and issued prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005). The Order to Pay, dated as of October 7, 2004, was delivered to KaR-Tel by the Bostandykski Regional Court of Almaty. The Order to Pay does not provide any information regarding the nature of, or basis for, the asserted debt, other than to state that it is a debt to the Turkish Treasury and the term for payment was May 6, 2004.

On January 17, 2005, KaR-Tel delivered to the Turkish consulate in Almaty a petition to the Turkish court objecting to the propriety of the order and requesting the Turkish court to cancel the Order to Pay and stay of execution proceedings in Turkey. The petition was assigned to the 4th Administrative Court in Turkey, and it should be reviewed pursuant to applicable law.

On June 1, 2006, KaR-Tel received formal notice of the 4th Administrative Court's ruling that the stay of execution request was denied. KaR-Tel's Turkish counsel has advised KaR-Tel that the stay request is being adjudicated separately from the petition to cancel the Order to Pay. KaR-Tel submitted an appeal of the ruling with respect to the stay application.

On June 1, 2006, KaR-Tel also received the Fund's response to its petition to cancel the order. In its response, the Fund asserts, among other things, that the order to pay was issued in furtherance of its collection of approximately Turkish lira 7.55 quadrillion (prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005) in claims against the Uzan group of companies that were affiliated with the Uzan family in connection with the failure of T. Imar Bankasi, T.A.S. The Fund's response to KaR-Tel's petition claims that the Uzan group of companies includes KaR-Tel, Rumeli Telecom A.S. and Telsim Mobil Telekomunikasyon Hizmetleri A.S. Rumeli Telecom A.S. and Telsim Mobil Telekomunikasyon Hizmetleri A.S are Turkish companies that owned an aggregate 60% of the equity interests in KaR-Tel until their interests were redeemed by KaR-Tel in November 2003 in accordance with a decision of the Review Panel of the Supreme Court of Kazakhstan. In July 2006, KaR-Tel submitted its response, dated June 30, 2006, to the Fund's response via the Kazakh Ministry of Justice, to be forwarded to the 4th Administrative Court of Istanbul. In its response, KaR-Tel denied in material part the factual and legal assertions made by the Fund in support of the order to pay.

On December 11, 2008, KaR-Tel received a Decision of Territorial Court of Istanbul dated December 12, 2007, wherein the Court rejected KaR-Tel's appeal with respect to the stay of execution request.

On October 20, 2009, KaR-Tel filed with Sisli 3rd Court of the First Instance in Istanbul a claim to recognize in the Republic of Turkey the decision of the Almaty City Court of the Republic of Kazakhstan dated June 6, 2003 regarding, among other things, compulsory redemption of equity interests in KaR-Tel owned by Rumeli Telecom A.S. and Telsim Mobil Telekomunikasyon Hizmetleri A.S., which was confirmed by the Civil Panel of the Supreme Court of the Republic of Kazakhstan on June 23, 2003, as amended by the resolution of the Review Panel of the Supreme Court of the Republic of Kazakhstan dated October 30, 2003 ("**Recognition Claim**"). On October 20, 2009, KaR-Tel also filed with the 4th Administrative Court of Istanbul a petition asking the Court to treat the recognition of the Kazakhstan court decision as a precedential issue and to stay the proceedings in relation to the order to pay.

On September 28, 2010, Sisli 3rd Court of the First Instance in Istanbul reviewed the Recognition Claim and ruled in favor of KaR-Tel recognizing the Kazakhstan Court judgments on the territory of the Republic of Turkey. The court decision is appealable by defendants.

On October 25, 2010, the 4th Administrative Court of Istanbul reviewed KaR-Tel's petition to annul the Payment Order and has ruled in favor of KaR-Tel. The Court has recognized the Order to Pay as illegal and annulled it. The court decision has been appealed by the Fund. On February 18, 2011 KaR-Tel submitted its responses to the motion on appeal. On April 20, 2011, the Fund submitted its response to KaR-Tel's reply and appeal petition. The court file will be sent by the Court to the Councel of State for the appeal proceedings.

As to the Recognition Claim, the defendants, Rumeli Telecom AS and Telsim Mobil Telekommunikasyon Hizmetleri AS, have appealed the decision of Sisli 3d Court of the First Instance in Istanbul, which has ruled in favor of KaR-Tel recognizing the Kazakhstan Court judgments on the territory of the Republic of Turkey. The Company submitted its responses to such motion on appeal on January 20, 2011. The court file was sent to the Supreme Court for the appeal proceedings.

The Company continues to believe that the Fund's claim is without merit, and KaR-Tel will take whatever further actions it deems necessary and appropriate to protect itself against the Fund's claim.

MTS claim

Since November 2006, the Chief Executive Officer and directors of the Company have received several letters from OJSC Mobile TeleSystems ("**MTS**") and its representatives claiming that Sky Mobile's Kyrgyz telecom business and its assets were misappropriated from Bitel, an MTS affiliate, and demanding that the Company not purchase Sky Mobile, directly or indirectly, or participate or assist in the sale of Sky Mobile to any other entities. These letters have suggested that MTS will take any and all legal action necessary against the Company in order to protect MTS's interest in Bitel and Bitel's assets. As of the date hereof, management is not aware of any pending legal action against the Company in connection with this matter except for the litigation against Sky Mobile discussed in the paragraph below.

The Company started to consolidate Sky Mobile from January 1, 2010 *(Notes 2 and 3).* Sky Mobile is a defendant in litigation in the Isle of Man. The litigation was brought by affiliates of MTS against Sky Mobile and affiliates of Altimo and alleges that the Kyrgyz judgment determining that an Altimo affiliate was the rightful owner of interest in the equity of Bitel prior to the asset sale between Sky Mobile and Bitel and that Bitel shares and Sky Mobile assets were misappropriated. The legal proceedings in this matter are pending. At this time the Company is unable to assess the likelihood of the ultimate outcome of this litigation and its effect on the Company's operating results and financial position.

The anti-monopoly claims against OJSC VimpelCom

The Federal Anti-Monopoly Service of Russia ("**FAS**") started legal proceedings against VimpelCom, MTS and Megafon about their alleged violation of anti-monopoly legislation by charging artificially high prices for roaming services. On October 22, 2010, FAS released its conclusion that VimpelCom violated certain provisions in the Federal Law "On the Protection of Competition" in respect of its roaming services. On March 9, 2011, the Company received the decision of FAS on imposing on VimpelCom a fine in the amount of RUR12 million (approximately US$414 at the exchange rate as of March 9, 2011). The Company reserved for the full amount of this claim as of December 31, 2010. The fine was fully paid by the Company.

In the complaint from OJSC MGTS, the FAS started legal proceedings against VimpelCom about its alleged violation of anti-monopoly legislation by tying counterparties with traffic agreements containing disadvantageous prices in Moscow. On May 19, 2010, FAS found the activities of VimpelCom to be in violation of anti-monopoly legislation. On March 9, 2011, the Company received the decision of FAS on imposing on VimpelCom a fine in the amount of RUR10 million (approximately US$345 at the exchange rate as of March 9, 2011). VimpelCom did not believe that it was in violation of the anti-monopoly legislation and filed a notice of appeal challenging the FAS decision which found VimpelCom to be in violation of anti-monopoly legislation. On March 21, 2011, the court dismissed the petition. On April 26, 2011, the Company filed a writ of appeal challenging the decision.

An appeal of the decision imposing a fine on the Company has been submitted to the Arbitration Court of Moscow. On April 19, 2011, the court placed a stay on the proceedings until the judgment of the court of first instance enters into legal force (until the writ of appeal challenging the decision is reviewed). The Company did not reserve this claim as of December 31, 2010.

Golden telecom shareholder claim

On April 18, 2008, Global Undervalued Securities Master Fund, L.P. ("**Global Undervalued**"), timely filed a petition in a Delaware court demanding appraisal of its approximately 1.4 million shares of Golden Telecom which it did not tender in the tender offer pursuant to which VimpelCom acquired Golden Telecom. On April 23, 2010, the court determined the fair value of Golden Telecom shares to be US$125.49 per share. Interest was applied for a period from February 28, 2008 to the date of payment. VimpelCom accrued an additional loss contingency in the amount of US$52,733 in relation to cash rights for shares of Golden Telecom. These amounts were included in "other expenses, net" for the year ended December 31, 2010 in the accompanying consolidated statements of income.

In June 2010, Golden Telecom and Global Undervalued entered into an agreement pursuant to which in July 2010 Golden Telecom paid to Global Undervalued US$165,542 based on the US$105.00 per share tender offer price and interest, partially repaying the liability. Pursuant to the agreement, in July 2010 Golden Telecom deposited US$33,222 into an escrow account, reflecting it in other current assets as of December 31, 2010.

Golden Telecom, Inc. filed a notice of appeal. Petitioners in the case have since filed a cross-appeal of the judgment. All payments already made remain subject to the final resolution of this matter and Golden Telecom may be required to make additional payments to Global Undervalued should the court rule in favor of Global Undervalued's cross-appeal.

At the hearings of December 8, 2010 the court heard cross-appeals. In December 2010, the decision of the court of first instance was upheld, the judgment is final. The defendant paid the plaintiff the remaining part of the amount of the claim in 2011. The case is closed.

The 1st roaming claim against KaR-Tel: threshold amounts

On May 14, 2010, the Antimonopoly Agency of Kazakhstan ("**the Agency**") initiated an investigation of the alleged breach of antimonopoly laws of Kazakhstan by all three Kazakhstan GSM-operators (KaR-Tel, GSM Kazakhstan OAO Kazakhtelecom LLP (trademarks KCell, Active), and Mobile Telecom Systems LLP (trade mark Neo)), by abuse of dominant position through infringement of consumers' rights by way of determination of a threshold (minimal) amount of money on consumer's account required for rendering (switching on and off) roaming services ("**the Threshold Amounts**"). Further, the Agency decided to consider investigations, jointly with FAS, of Kazakhstan antimonopoly law breaches with respect to all three Kazakhstan GSM-operators, including KaR-Tel, as well as operator-partners in the Russian Federation on indications of anticompetitive concerted actions and agreements as to establishing and (or) price maintenance as well as use of per-minute step of tarification. The Agency also decided to make a proposal to the Ministry of Telecommunications and Information of Kazakhstan as to earlier transfer to per-second tarification for roaming services (date determined by law is January 1, 2012), and to conduct an evaluation of roaming tariffs.

On June 21, 2010, the Agency completed the part of its investigation related to the Threshold Amounts and alleged that all three Kazakhstan GSM-operators abused their dominant position through infringement of customers' lawful rights by way of establishing the Threshold Amounts.

On July 3, 2010, the Agency initiated an administrative procedure with respect to all the three Kazakhstan GSM operators, including KaR-Tel, and issued the protocol on administrative offence ("**the Protocol**"). The Agency filed with the Administrative Court a claim based on the Protocol. The Company estimates KaR-Tel's share of administrative fines amounting to KZT 11.6 billion (the equivalent to US$78,646 at the exchange rate as of July 3, 2010). KaR-Tel believes that the claim of the Agency is without merits and intends to protect its rights and lawful interest in courts of Kazakhstan. On July 16, 2010, KaR-Tel filed a claim to recognize as illegal and annul the acts of the Agency, which have served as a procedural basis for the Protocol.

On October 19, 2010, the Interregional Economic Court of Astana has ruled in favor of KaR-Tel and recognized as illegal, null and void all acts of the Agency and its territorial branch, which have served as procedural basis for the Protocol. The decision has not come into force and was appealable by the Agency. On November 15, 2010, KaR-Tel received copy of the Agency's appeal on the decision. On December 13, 2010, the Court of Appeals upheld the decision of October 19, 2010, in favor of KaR-Tel. On February 17, 2011, the Court of Cassation reviewed the cassation petition of the Agency and upheld both the decision of October 19, 2010 and the resolution of the Court of Appeals of December 13, 2010. As a result, the decision of October 19, 2010 that has recognized all acts of the Agency and its territorial branch, which have served as procedural basis for the Protocol, as illegal, null and void, has come into force. Although the decision has come into full force and effect, it is still subject to appeal by the Agency in supervisory appeal order within 1 year from the date of receipt by the Agency of the Resolution of the Court of Cassation. No provisions were made in relation to this case in the accompanying condensed consolidated financial statements.

The 2nd roaming claim against KaR-Tel: concerted actions high roaming tariffs

The Agency has continued another part of its investigation – with respect to concerted actions of Kazakhstan and Russian GSM-mobile operators on establishing and/or preservation of tariffs ("**Concerted Actions Investigation**"). On October 25, 2010, the Agency completed the Concerted Actions Investigation and reclassified alleged concerted actions of KaR-Tel and other Russian and Kazakhstan GSM-operators into establishing monopolistically high tariffs. On November 3, 2010, the Agency initiated an administrative procedure and issued a new protocol on administrative offence, according to which the Agency has found KaR-Tel and the other two Kazakhstan GSM-operators liable for abuse of their dominant position on the market by way of establishing monopolistically high roaming tariffs ("**the New Protocol**"). Under Kazakhstan laws, the Agency has lodged the New Protocol into administrative court, and the court is to review the matter and to decide on the merits and on applicable fines.

On November 23, 2010, KaR-Tel filed a claim with Astana Interregional Economic Court against the Agency requesting the Court to recognize illegal and to annul acts of the Agency preceding the New Protocol. On February 24, 2011, the Interregional Economic Court of Astana has ruled in favor of KaR-Tel and recognized as illegal, null and void all acts of the Agency and its territorial branch, which have served as procedural basis for the Protocol. The decision was received on February 28, 2011. The decision of February 28, 2011 came into

force on March 30, 2011. Although the decision has come into full force and effect, it is still subject to appeal by the Agency in supervisory appeal order within 1 year from the date of decision coming into force.

Russian lawsuit on Sovintel eviction

A lawsuit was filed by the State Property Committee (Federal Agency for Management of the State Property) against Sovintel seeking eviction from the premises (about 4,000 sq.m) at Krasnokazarmennaya Street, where its Data Center and equipment are currently located. In substantiation of its claim the plaintiff asserts that the lease agreements between Sovintel and several lessors are void, since they were entered into without a consent of the owner (the State Property Committee) to lease such premises. As a result of hearings on January 25, 2011, for part of premises leased from FGUP VEI the plaintiff's claim was dismissed while for the hearing regarding the remaining part of premises leased from other lessors was postponed until March 30, 2011. On March 30, 2011, this part of the plaintiff's claim was dismissed by the court as well. Both court decisions are appealable within 1 month after their issue.

Management evaluates the risk of an adverse outcome of this lawsuit as probable. No amounts have been accrued in these financial statements in relation to this claim due to immateriality, but in case of an adverse decision of the court, eviction of Sovintel from the premises may cause interruption of the work of the equipment (fixed-line network) that could have a negative impact on the future results of operations of the Company commencing the period when such interruption occurs.

Operating lease commitments

Operating lease commitments for each of the succeeding five years is expected to be as follows:

2011	$ 83,111
2012	73,663
2013	64,462
2014	56,861
2015	54,688
Thereafter	157,789
Total	**$490,574**

Other commitments

On August 13, 2008, the Company entered into an agreement with Apple Sales International ("**Apple**") to purchase 1.5 million IPhone handsets under the quarterly purchase installments over a two year period beginning with commercial launch in the fourth quarter 2008. In 2010, 2009 and 2008, the Company made 10.9%, 0.5% and 12.0%, respectively, of its total purchase installment contemplated by the agreement.

24. Subsequent events

The Company evaluated subsequent events up to May 10, 2011, the date VimpelCom's Financial Statements were issued.

Apple

On March 31, 2011, VimpelCom and Apple signed an amendment to the agreement to purchase IPhones *(Note 23,* Other Commitments). Under the amendment, 958,540 iPhone handsets (being the difference between 1,500,000 iPhone handsets per the original agreement and the amount actually purchased by the Company from Apple through March 31, 2011) should be purchased starting April 1, 2011 and before March 31, 2013, including 435,000 iPhone handsets to be purchased before March 31, 2012. If VimpelCom does not comply with newly agreed schedule and certain other terms of amendments, then according to the agreement it could become liable for the shortfall in orders of iPhone handsets that existed as of March 31, 2011, less any iPhone units actually purchased by VimpelCom after this date.

Borrowings and notes issue

On February 2, 2011, VIP Finance completed an offering of an aggregate principal amount of US$1,500,000 loan participation notes, split between five-year and 10-year tranches, for the sole purpose of funding loans in an aggregate principal amount of US$1,500,000 to VimpelCom. The five-year US$500,000 issue (the "**2016 Notes**") and related loan in the same principal amount bear interest at an annual rate of 6.493% payable semiannually and are due in February 2016. The 10-year US$1,000,000 issue (the "**2021 Notes**") and related loan in the same principal amount bear interest at an annual rate of 7.748% payable semiannually and are due in February 2021. Deferred financing costs relating to the 2016 Notes offering and 2021 Notes offering (which include gross issuance costs) comprised US$3,123 and US$5,152, respectively, and will be amortized over 5 and 10 years, respectively.

On April 26, 2011, VimpelCom signed a Facility Agreement with HSBC Bank PLC. This is a Russian ruble denominated Swedish export credit facility supported by EKN for the total amount of US$200,000 to be drawn down in rubles. The facility is to finance equipment and services provided to VimpelCom by Ericsson on a reimbursement basis. The facility bears interest at a rate of MosPRIME (Moscow indicative independent interbank offered rate) plus 1.05% p.a. On May 10, 2011, VimpelCom draw down RUR 5,568 million (the equivalent to US$201,276 as of May 10, 2011).

On May 3, 2011, VimpelCom signed a Loan Facility Agreement with CISCO SYSTEMS FINANCE INTERNATIONAL. This is a Russian ruble denominated Irish export credit facility for the total amount of RUR 1,350 million (the equivalent to US$49,087 as of May 3, 2011). The facility is to finance equipment provided to VimpelCom by CISCO on a reimbursement basis. The facility bears interest at a rate of 7.35% p.a.

On April 12, 2010, VimpelCom signed a seven-year loan agreement with Sberbank in the amount of US$2,500,000 with the following drawdown in Russian rubles at the exchange rate at the date of the drawdown. The loan bears interest at the rate of 9.0% per annum and matures on April 11, 2018. According to the provisions of the agreement, the maximum rate may be increased in case of occurrence of certain events up to 9.5%. On April 27, 2011, VimpelCom drew down the loan in the amount of RUR 33,492 million (the equivalent to US$1,200,585 as of April 27, 2011).

On March 31, 2011, VimpelCom Holdings B.V., an indirect wholly-owned subsidiary of VimpelCom Ltd. and the immediate parent of VimpelCom, signed a one year Bridge Facility Agreement (with the possible extension for 6 months), with six international banks: Barclays, BMP Paribas, Citi, RBS, ING and HSBC in the total amount of US$2,500,000. The Facility bears annual interest at a rate of LIBOR + 0.85% from (and including) the Signing Date to (but excluding) the date falling three months after the Signing Date; LIBOR + 1.15% from (and including) the date falling three months after the Signing Date to (but excluding) the date falling six months after the Signing Date; LIBOR + 1.75% from (and including) the date falling six months after the Signing Date to (but excluding) the date falling nine months after the Signing Date; LIBOR + 2.25% from (and including) the date falling nine months after the Signing Date to (but excluding) the date falling twelve months after the Signing Date; LIBOR + 3.0% (and including) the date falling 12 months after the Signing Date. On April 14, 2011, VimpelCom Holding B.V. drew down the loan in the amount of US$2,200,000. VimpelCom has guaranteed this Bridge Facility Agreement.

Loan to VimpelCom Amsterdam B.V.

On March 16, 2011 VimpelCom made an agreement to grant unsecured loan to VimpelCom Amsterdam B.V., the subsidiary of VimpelCom Ltd and the parent of VimpelCom Holdings B.V., in the amount of US$500,000. The amounts were fully granted as of April 29, 2011.

Acquisitions

Eltel

On January 21, 2011, VimpelCom acquired 100% of the share capital of Closed Joint Stock Company Eltel ("**Eltel**"), one of the leading alternative fixed-line providers in St. Petersburg, for the total consideration of RUR1,000 million (the equivalent to US$33,428 as of January 21, 2011).

Millicom Lao

On March 9, 2011, VimpelCom completed acquisition of Millicom Holding Laos B.V. (Netherlands) which holds a 78% interest in Millicom Lao Co., Ltd. a cellular telecom operator with operations in the Lao PDR ("**Millicom Lao**"). The remaining 22% of Millicom Lao is owned by the Government of the Lao PDR, as represented by the Ministry of Finance. The purchase price for the acquisition is approximately US$88,000 including equity, repayment of debt, repayment of shareholder loan and intra-group indebtedness. The determination of provisional values of the identifiable assets and liabilities of Millicom Lao has not been finalized due to insufficient time.

GTEL-Mobile

In April 2011, VimpelCom agreed with its local partner in Vietnam on a financing plan for GTEL-Mobile, that could result in the Company providing investments in total of up to US$500,000 through 2013. The Company has completed the first stage of the financing plan by paying US$196,000 for newly issued shares and thereby increasing its stake in GTEL-Mobile from 40% to 49%. All proceeds from this financing will be used for GTEL-Mobile development. In connection with this investment, the joint venture parties have also agreed that the Company will assume operational management of GTEL-Mobile.

Going forward the Company has agreed to invest another US$304,000 under this plan, which would increase its economic interest in GTEL-Mobile from 49% to 65%. The additional financing and equity increase are subject to satisfaction of certain performance targets by GTEL-Mobile and receipt of further regulatory approvals.

NTC

In May 2011, VimpelCom has signed documents to acquire up to 100% of the shares of OJSC "New Telephone Company" ("**NTC**"), the leading telecommunications operator in Primorskiy region of Russia. The acquision price is based on Enterprise Value of US$420,000 VimpelCom expects to acquire 90% of NTC shares within 4 weeks after the date of signing the documents. Immediately following the acquisition of 90% of NTC shares, VimpelCom will launch a mandatory tender offer to acquire the remaining 10% of the outstanding NTC shares. Completion of the tender offer is expected to occur in the third quarter of 2011.

Euroset IPO

On March 22, 2011, Euroset *(Note 12)* announced its intention to proceed with an initial public offering ("**IPO**") of depository receipts on the London Stock Exchange. In April 2011, Euroset IPO was postponed, therefore, the Company is not able to assess the impact on its financial results at the moment.

URS' sale of assets

In February 2011, the Company approved the sale of network for internet access with the carrying value of approximately US$36,000 from URS to Kyivstar. This network was reflected in other current assets in the accompanied balance sheet as of December 31, 2010.

Dividends

On April 26, 2011, the Annual General Meeting of Shareholders of the Company approved (i) an annual dividend payment based on 2010 results in the amount of 155.00 rubles (the equivalent to 5.54 US Dollars as of April 26, 2011) per common share (for a total amount of RUR7,948.56 million (the equivalent to US$283,950 as of April 26, 2011) for all common registered shares in the aggregate) within 60 days of approval of the corresponding decision; and (ii) an annual dividend payment to holders of preferred shares based on 2010 results in the amount of 0.025 kopecks (the equivalent to 0.00001 US Dollars as of April 26, 2011) per preferred type A registered share (for a total amount of 1,606 rubles (the equivalent to 57 US Dollars as of April 26, 2011) for all preferred type A registered shares in the aggregate) within 60 days of approval of the corresponding decision. In accordance with Russian tax legislation, VimpelCom is required to withhold a tax of 5% on dividend payments to VimpelCom Holdings B.V.

Forward agreement

In April 2011, VimpelCom entered into a short-term forward currency exchange agreement on conversion of Russian rubles into US Dollars at exchange rate of 28.1225 for a total amount of US$800,000 with settlement date in May 2011.

Closed Joint Stock Company Kyivstar G.S.M.

Consolidated Financial Statements

As at 31 December 2009, 2008 and 2007 with Report of Independent Auditors

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Report of Independent Auditors

TO THE MANAGEMENT OF CLOSED JOINT STOCK COMPANY KYIVSTAR G.S.M.

We have audited the accompanying consolidated statements of financial position of Closed Joint Stock Company Kyivstar G.S.M. and its subsidiary (hereinafter together referred to as "the Group") as at 31 December 2009, 2008 and 2007, and the related consolidated statements of comprehensive income, statements of changes in equity, and cash flow statements for the years then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Group's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group at 31 December 2009, 2008 and 2007, and the consolidated results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Ernst & Young Audit Services LLC

1 March 2010

CLOSED JOINT STOCK COMPANY KYIVSTAR G.S.M.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended 31 December 2009, 2008 and 2007

	Notes	2009	2008	2007
		(in thousands of Ukrainian Hryvnia)		
Revenues	8	11,590,538	12,711,111	10,923,716
Costs of materials and traffic charges	8	(2,091,274)	(2,142,745)	(1,820,424)
Salaries and personnel costs	8	(935,249)	(786,954)	(644,000)
Other operating expenses	8	(2,136,650)	(2,267,021)	(2,034,040)
Other income		25,850	59,616	2,233
Other expenses	8	(82,467)	(52,834)	(53,632)
Depreciation and amortisation	8	(1,754,174)	(1,635,566)	(1,486,732)
Impairment losses	8	(118,069)	(83,636)	(79,182)
		4,498,505	5,801,971	4,807,939
Finance income	8	529,958	1,023,585	244,152
Finance costs	8	(38,079)	(190,505)	(304,234)
Foreign exchange (loss)/gain, net		(45,510)	298,447	22,704
Profit before tax		4,944,874	6,933,498	4,770,561
Income tax expense	9	(1,259,477)	(1,860,045)	(1,248,662)
Profit for the year		3,685,397	5,073,453	3,521,899
Total comprehensive income for the year, net of tax		3,685,397	5,073,453	3,521,899
Earnings per share, UAH	31	344.84	474.71	329.54

Signed and authorised for release on behalf of Closed Joint Stock Company Kyivstar G.S.M. on 1 March 2010:

President	Igor Lytovchenko
Chief Financial Officer	Andrew Simmons
Deputy Chief Financial Officer/ Chief Accountant	Lesya Samoylovich

The accompanying notes form an integral part of the consolidated financial statements.

CLOSED JOINT STOCK COMPANY KYIVSTAR G.S.M.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2009, 2008 and 2007

	Notes	2009	2008	2007
		(in thousands of Ukrainian Hryvnia)		
ASSETS				
Non-current assets				
Property, plant and equipment	10	6,349,031	6,883,797	6,603,393
Intangible assets	11	1,080,566	1,205,023	1,390,421
Derivative financial instrument	22	–	–	969
Other non-current assets	12	56,858	88,599	147,654
Deferred tax asset	9	307,140	110,934	241,424
		7,793,595	8,288,353	8,383,861
Current assets				
Inventories		64,489	58,330	52,290
Trade and other receivables	13	595,702	628,244	292,640
Derivative financial instrument	22	–	37,014	–
Prepaid income tax		899,492	5,776	–
Prepaid taxes, other than income tax	14	587	38,305	8,970
Prepayments	15	78,362	57,070	110,015
Deferred expenses	17	77,912	93,227	107,606
Short-term deposits	18	–	3,063,312	764,338
Cash and cash equivalents	19	1,210,394	5,068,369	4,611,689
		2,926,938	9,049,647	5,947,548
Assets of disposal group classified as held for sale	30	–	90,267	170,268
		2,926,938	9,139,914	6,117,816
TOTAL ASSETS		10,720,533	17,428,267	14,501,677
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital	20	656,499	656,499	656,499
Retained earnings		8,322,298	11,136,901	9,523,448
		8,978,797	11,793,400	10,179,947
Non-current liabilities				
Interest-bearing loans and borrowings	21	51,192	–	–
Employee benefit liability	23	42,231	19,798	17,561
		93,423	19,798	17,561
Current liabilities				
Interest-bearing loans and borrowings	21	694	985,055	2,280,436
Derivative financial instrument	22	–	–	7,513
Employee benefit liability	23	3,896	4,453	1,469
Deferred revenue	24	614,519	730,331	848,532
Provisions	25	14,666	4,891	3,325
Income tax payable		–	34,848	103,853
Taxes payable, other than income tax	26	134,546	92,300	90,963
Dividends payable to equity holders of the parent	20	–	2,905,653	–
Trade and other payables	27	568,486	530,997	671,560
Advances received	28	136,198	121,453	133,030
Other current liabilities	29	175,308	205,088	163,488
		1,648,313	5,615,069	4,304,169
TOTAL EQUITY AND LIABILITIES		10,720,533	17,428,267	14,501,677

The accompanying notes form an Integral part of the consolidated financial statements.

CLOSED JOINT STOCK COMPANY KYIVSTAR G.S.M.

CONSOLIDATED CASH FLOW STATEMENTS

For the years ended 31 December 2009, 2008 and 2007

	Notes	2009	2008	2007
		(in thousands of Ukrainian Hryvnia)		
Operating activities				
Profit before tax		4,944,874	6,933,498	4,770,561
Non-cash adjustments to reconcile profit before tax to net cash flows:				
Depreciation of property, plant and equipment	8	1,337,770	1,232,665	1,144,943
Impairment of property, plant and equipment and intangible assets	8	118,069	83,636	79,182
Amortisation of intangible assets	8	416,404	402,901	341,789
Loss on disposal of property, plant and equipment, intangible assets and assets, classified as held for sale		68,622	3,719	48,507
Interest income	8	(528,065)	(992,763)	(231,042)
Interest expense related to bank loans	8	34,381	172,012	285,636
Other finance costs	8	3,698	18,493	18,598
Gain on derivative financial instrument	8	(1,893)	(30,822)	(13,110)
Movements in provisions and defined employee benefit liability		31,651	6,787	11,488
Unrealised foreign exchange loss		40,789	205,253	19,343
Working capital adjustments:				
(Increase)/decrease in inventories		(6,159)	(6,040)	10,537
Increase in trade and other receivables and prepayments		(82,134)	(123,995)	(9,685)
Decrease/(increase) in short-term deposits		3,063,312	(2,298,974)	(764,338)
Decrease in deferred expenses		15,315	14,379	29,447
Decrease in trade and other payables and taxes payable, other than income tax		132,610	(24,597)	(84,342)
(Decrease)/increase in deferred revenue		(115,812)	(118,201)	33,685
Increase/(decrease) in advances received		14,745	(11,577)	39,865
(Decrease)/increase in other liabilities		(29,780)	42,935	78,382
		9,458,397	5,509,309	5,809,446
Interest received		675,546	866,534	216,736
Interest paid		(70,648)	(232,111)	(215,959)
Income taxes paid		(2,384,247)	(1,804,335)	(1,289,957)
Net cash flows from operating activities		7,679,048	4,339,397	4,520,266
Investing activities				
Purchase of property, plant and equipment		(1,212,587)	(1,631,654)	(1,609,496)
Purchase of intangible assets		(234,501)	(294,016)	(449,804)
Proceeds from sale of property, plant and equipment and assets of disposal group classified as held for sale		215,681	88,400	3,602
Net cash flows used in investing activities		(1,231,407)	(1,837,270)	(2,055,698)
Financing activities				
Dividends paid to equity holders of the parent		(9,134,787)	(543,996)	–
Withholding tax paid on dividends		(260,214)	(10,351)	–
Repayment of loans and borrowings		(973,130)	(1,777,464)	(393,900)
Payment of financial fees		(3,698)	(16,331)	(18,035)
Proceeds arising on derivative financial instrument		32,664	6,546	–
Payments arising on derivative financial instrument		–	(10,568)	(20,550)
Net cash flows used in financing activities		(10,339,165)	(2,352,164)	(432,485)
Net (decrease)/increase in cash and cash equivalents		(3,891,524)	149,963	2,032,083
Net foreign exchange difference		33,549	306,717	(19,343)
Cash and cash equivalents as at 1 January	19	5,068,369	4,611,689	2,598,949
Cash and cash equivalents as at 31 December	19	1,210,394	5,068,369	4,611,689

The accompanying notes form an integral part of the consolidated financial statements.

CLOSED JOINT STOCK COMPANY KYIVSTAR G.S.M.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2009, 2008 and 2007

	Attributable to the equity holders of the parent		
	Share capital (Note 20)	**Retained earnings**	**Total equity**
	(in thousands of Ukrainian Hryvnia)		
Balance at 1 January 2007	656,499	6,001,549	6,658,048
Profit for the year	–	3,521,899	3,521,899
Total comprehensive income for the year, net of tax	–	3,521,899	3,521,899
Balance at 31 December 2007	656,499	9,523,448	10,179,947
Profit for the year	–	5,073,453	5,073,453
Total comprehensive income for the year, net of tax	–	5,073,453	5,073,453
Dividends declared (Note 20)	–	(3,460,000)	(3,460,000)
Balance at 31 December 2008	656,499	11,136,901	11,793,400
Profit for the year	–	3,685,397	3,685,397
Total comprehensive income for the year, net of tax	–	3,685,397	3,685,397
Dividends declared (Note 20)	–	(6,500,000)	(6,500,000)
Balance at 31 December 2009	656,499	8,322,298	8,978,797

The accompanying notes form an integral part of the consolidated financial statements.

CLOSED JOINT STOCK COMPANY KYIVSTAR G.S.M.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2009, 2008 and 2007

(in thousands of Ukrainian Hryvnia)

1. Corporate information

Closed Joint Stock Company Kyivstar G.S.M. (hereinafter referred to as 'Kyivstar G.S.M.' or 'the Company') was established and registered on 3 September 1997 under the laws of Ukraine. The Company is involved in the design, construction and operating of a dedicated cellular telecommunications network and provides a wide range of mobile communication services in Ukraine.

In 1997, Kyivstar was granted a 900 MHz (GSM) cellular license for operation in Ukraine, which was reissued and amended in 2001, authorizing it to provide services using both 900 MHz (GSM) and 1800 MHz (GSM) frequency ranges throughout the territory of Ukraine. Kyivstar also holds 900 MHz (GSM) and 1800 MHz (GSM) cellular licenses for operations in defined regions of Ukraine and provides GSM 1800 services in those regions. These licenses give Kyivstar the right to operate using the GSM standard for up to 15 years from the commencement of operations. In addition, Kyivstar was granted other licenses that give it the right to develop and operate wireless, long distance and local wire networks, and a data transfer network throughout the country. Most of these licenses are valid for a 10 to 15 year period from the grant date.

The Company began commercial operations on 9 December 1997 in Kyiv. Currently, it operates through 6 branches located in Kyiv, Dnipropetrovsk, Odessa, Kharkiv, Lviv and Simferopol.

The Company's registered legal address is at 51, Chervonozoryanyy Av., Kyiv, 03110, Ukraine. The Company's head office and principal place of business is at 53, Degtyarivska St., Kyiv, 03113, Ukraine.

As at 31 December 2009, 2008 and 2007 the Company's shareholders and their respective declared interests were as follows:

	2009		2008		2007	
	Interest	Number of shares	Interest	Number of shares	Interest	Number of shares
Telenor Mobile Communications AS (Norway)	56.52%	6,040,255	56.52%	6,040,255	56.52%	6,040,258
Storm LLC (Ukraine)	43.48%	4,647,124	43.48%	4,647,124	43.48%	4,647,127
Other shareholders	less than 0.01%	10	less than 0.01%	10	less than 0.01%	4
	100.00%	10,687,389	100.00%	10,687,389	100.00%	10,687,389

The Company has one wholly owned subsidiary – Joint Stock Company 'Staravto', which was established in order to provide transportation services to the Company. The Company and its subsidiary are hereinafter together referred to as 'the Group'.

2. Operating environment, risks and economic conditions in Ukraine

The Ukrainian economy while deemed to be of market status, continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, high inflation and the existence of currency controls which cause the national currency to be illiquid outside of Ukraine. The stability of the Ukrainian economy will be significantly impacted by the Government's policies and actions with regard to administrative, legal, and economic reforms. As a result, operations in Ukraine involve risks that are not typical for developed markets.

The Ukrainian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in considerable instability in the capital markets, significant deterioration in the liquidity of banks, much tighter credit conditions where credit is available, and significant devaluation of the national currency against major currencies. Furthermore, in the fourth quarter of 2008, international agencies began to downgrade the country's credit ratings. Whilst the Ukrainian Government is introducing various stabilisation measures aimed at providing liquidity and supporting debt refinancing for Ukrainian banks, there continues to be uncertainty regarding access to capital and its cost for the Group and its counterparties. These factors could affect the Group's financial position, results of operations and business prospects.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

3. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments measured at fair value, and certain financial instruments measured in accordance with the requirements of IAS 39 *Financial instruments: recognition and measurement*.

These consolidated financial statements are presented in thousands of Ukrainian Hryvnia ('UAH') and all values are rounded off to the nearest thousand except when otherwise indicated.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiary. The subsidiary's financial statements are prepared as at the same reporting date as the Company's, using consistent accounting policies.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

4. Changes in accounting policies

The Group transitioned to IFRS on 1 January 2005. In accordance with IFRS 1, the Group applied the same accounting policies throughout all periods presented in its first IFRS consolidated financial statements prepared as at 31 December 2007. Therefore, accounting policies used by the Group throughout 2007 comply with each IFRS effective at the reporting date for its first IFRS consolidated financial statements (i.e., as at 31 December 2007).

In addition, the Group has early adopted the following IFRS and IFRIC interpretation since 1 January 2005, the date of the Group's transition to IFRS:

- *IAS 23 Borrowing Costs (Revised)* effective 1 January 2009
- *IFRIC 13 Customer Loyalty Programmes* effective 1 July 2008

The principal effects of adopting these IFRS and IFRIC are as follows:

IAS 23 Borrowing Costs (Revised)

The IASB issued an amendment to IAS 23 in April 2007. The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Therefore, the Group capitalises borrowing costs on qualifying assets with a commencement date on or after 1 January 2005.

IFRIC 13 Customer Loyalty Programmes

The IFRIC issued IFRIC 13 in June 2007. This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed.

Improvements to IFRSs

In May 2008 IASB issued the first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The Group has early adopted the following amendments to standards since 1 January 2005:

- *IAS 16 Property, Plant and Equipment:*

Replace the term 'net selling price' with 'fair value less costs to sell'. The Group amended its accounting policy accordingly, which did not result in any change in the financial position and performance.

- *IAS 23 Borrowing Costs*:

The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method in accordance with IAS 39. The Group has amended its accounting policy accordingly, which did not result in any change in its financial position and performance.

- *IAS 36 Impairment of Assets*:

When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required, when the discounted cash flows are used to estimate 'value in use'. This amendment had no immediate impact on the financial statements of the Group because the recoverable amount of its cash generating units was estimated using 'value in use'.

The accounting policies adopted by the Group throughout 2008 are consistent with those of 2007 financial year except as follows:

In 2008 the Group has adopted the following IFRIC interpretations. Adoption of these revised interpretations did not have an effect on the financial performance or position of the Group.

- *IFRIC 11 IFRS 2 – Group and Treasury Share Transactions*
- *IFRIC 12 – Service Concession Arrangements*
- *IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The principal effects of these changes are as follows:

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

The Group has adopted IFRIC Interpretation 11 insofar as it applies to consolidated financial statements. This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The Group amended its accounting policy accordingly. The Group has not issued instruments caught by this interpretation.

IFRIC 12 – Service Concession Arrangements

The IFRIC issued IFRIC 12 in November 2006. This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has no impact on the Group.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC Interpretation 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 *Employee Benefits*. The Group amended its accounting policy accordingly. The Group's defined benefit plans are unfunded, therefore, the adoption of this interpretation had no impact on the financial position or performance of the Group.

The accounting policies adopted by the Group in 2009 are consistent with those of 2008 financial year except as follows:

The Group has adopted the following new and amended IFRSs and IFRIC interpretations since 1 January 2009:

- *IFRS 2 Share-based Payment: Vesting Conditions and Cancellations* effective 1 January 2009

- *IFRS 7 Financial Instruments: Disclosures* effective 1 January 2009
- *IAS 1 Presentation of Financial Statements (Revised)* effective 1 January 2009
- *IFRS 8 Operating Segments* effective 1 January 2009
- *IAS 32 Financial Instruments: Presentation* and *IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation* effective 1 January 2009
- Amendments to *IFRS 1 First-time Adoption of International Financial Reporting Standards* and *IAS 27 Consolidated and Separate Financial Statements* effective 1 January 2009
- *IFRIC 9 Remeasurement of Embedded Derivatives* and *IAS 39 Financial Instruments: Recognition and Measurement* effective for periods ending on or after 30 June 2009
- *IFRIC 15 Agreement for the Construction of Real Estate* effective 1 January 2009
- *IFRIC 16 Hedges of a Net Investment in a Foreign Operation* effective 1 October 2008
- Improvements to IFRSs

IFRS 2 Share-based Payment – Vesting Conditions and Cancellations

The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position of performance of the Group.

IFRS 7 Financial instruments: Disclosures

The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value and liquidity risk disclosures prepared by the Group are not significantly impacted by the amendments.

IAS 1 Presentation of Financial Statements (Revised)

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

IFRS 8 Operating segments

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The adoption of this Standard by the Group did not result in additional disclosures as the Group's structure is non-complex and it has only one reportable segment, which is the Company's network taken as a whole.

IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or performance of the Group, as the Group has not issued such instruments.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements

The amendments to IFRS 1 allow an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the statement of comprehensive income in the separate financial statements. The new requirements did not have an impact on the consolidated financial statements of the Group.

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement

The amendments to IFRIC 9 and IAS 39 were issued in March 2009 and are effective for annual periods ending on or after 30 June 2009. The amendments require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. The adoption of these amendments did not result in changes in presentation and disclosures as the Group did not have contracts caught by this interpretation.

IFRIC 15 Agreement for the Construction of Real Estate

IFRIC 15 clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. IFRIC 15 did not have an impact on the consolidated financial statements.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The adoption of IFRIC 16 did not have an impact on the financial statements, because the Company does not have investments in foreign operations.

Improvements to IFRSs

In May 2008 and April 2009 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments by the Group since 1 January 2009 resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

IAS 1 Presentation of Financial Statements:

Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group amended its accounting policy accordingly and analysed whether the management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the consolidated statement of financial position.

IAS 38 Intangible Assets:

Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities.

The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed. The Group reassessed the useful lives of its intangible assets and concluded that the straight-line method was still appropriate.

IAS 39 Financial Instruments: Recognition and Measurement:

Changes in circumstances relating to derivatives do not result in reclassifications. Therefore, when circumstances related to derivatives change, they may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. The amendments removed the reference in IAS 39 to a 'segment', when determining whether an instrument qualifies as a hedge. The amendments also require the use of the revised effective interest rate, when remeasuring a debt instrument on the cessation of fair value hedge accounting. This amendment has no impact on the consolidated financial statements of the Group.

IFRS 7 Financial Instruments: Disclosures:

Removal of the reference to 'total interest income' as a component of finance costs.

IAS 10 Events after the Reporting Period:

Clarification that dividends declared after the end of the reporting period are not obligations.

IAS 18 Revenue:

The Board has added guidance to determine whether an entity is acting as a principal or as an agent. There is no effective date of this amendment, hence, it is effective from the date the amendments were issued. The adoption of this amendment by the Group resulted in changes to the accounting policies, but did not have any effect on the financial position or performance of the Group.

IAS 19 Employee Benefits:

Revised the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment. Deleted the reference to the recognition of contingent liabilities to ensure consistency with IAS 37.

The amendments to the following standards below did not have any impact on the accounting policies, financial position or performance of the Group.

IAS 8 Accounting Policies, Change in Accounting Estimates and Errors:

Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.

IAS 16 Property, Plant and Equipment:

Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.

IAS 18 Revenue:

Replacement of the term 'direct costs' with 'transaction costs' as defined in IAS 39.

IAS 20 Accounting for Government Grants and Disclosures of Government Assistance:

Loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Also, revised various terms used to be consistent with other IFRS.

IAS 27 Consolidated and Separate Financial Statements:

When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

IAS 28 Investment in Associates:

If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.

IAS 29 Financial Reporting in Hyperinflationary Economies:

Revised the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Also, revised various terms used to be consistent with other IFRS.

IAS 31 Interests in Joint Ventures:

Required disclosures when investments in jointly controlled entities are accounted for at fair value through profit and loss. If a joint venture is accounted for at fair value, the only disclosure requirements of IAS 31 are those relating to the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expenses.

IAS 34 Interim Financial Reporting:

Earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33.

IAS 40 Investment Property:

Revision of the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Also, revised the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability.

IAS 41 Agriculture:

Removed the reference to the use of a pre-tax discount rate to determine fair value. Removed the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Also, replaced of the term ‘point-of-sale costs’ with ‘costs to sell’.

5. Summary of significant accounting policies

Functional and presentation currencies

The functional and presentation currency of each of the Group’s entities is Ukrainian Hryvnia.

Foreign currency translation

Transactions denominated in currencies other than the relevant functional currency (foreign currencies) are initially recorded in the functional currency at the rate in effect at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional-currency rate of exchange in effect at the reporting date. Non-monetary items that were measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair values were determined. The resulting gains and losses are recognised in the statement of comprehensive income.

Revenue recognition and measurement

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes. These taxes are regarded as collected on behalf on the authorities.

Revenues primarily comprise sales of:

- Services: revenue from air time charges, interconnection fees, periodic fees, subscription and connection fees, roaming, value added services;
- Customer equipment: telephony handsets, modems, etc.

Air time revenue

The Company earns air time revenue by providing its prepaid and post-paid subscribers with access to the cellular network and routing their calls through the network and its roaming partners' networks.

Revenue from interconnection

Revenue from interconnection represents the revenue earned for the termination of calls from other telecommunications service providers' networks on the Company's network.

Air time and interconnection revenue is recognised in the period when the respective service is rendered.

Periodic fees

Periodic fees include fees for subscription to new tariff plans and fees for supplementary subscriptions used by subscribers in particular period, such as periodic fees for subscription to voicemail, itemised invoice etc.

Periodic fees are recognised in the period, when the respective service is rendered.

Connection and one-time subscription fees

Connection fees are paid by subscribers for the first time activation of network service. Revenues from connection are deferred and recognised over the periods that the fees are earned, which is the expected period of the customer relationship and approximates 3 years. The expected period of the customer relationship is based on the past history of churn and expected development of the Company.

One-time subscription fees mainly consist of one-time fees for various supplementary subscriptions and also include change of subscription type and transfer of subscriptions from one location to another. One time subscription fees that are linked to other elements in a way that the commercial effect cannot be understood without reference to the other transactions are deferred and recognised over the periods that the fees are earned, which is the subscription validity period or, in case of no validity period, the expected period of the customer relationship, which approximates 3 years.

Roaming revenues

Roaming revenues include roaming revenues from the services provided to the Company's subscribers in the networks of its roaming partners and roaming revenues from access to the services provided by the Company in its network to subscribers of the Company's roaming partners. Roaming revenues are recognised in the period, when the respective services are rendered.

Value added services

Value added services include revenues from outgoing SMS and MMS, circuit of switched data and packet switched data (WAP, GPRS, EDGE etc.) Revenues from value added services are recognised in the period, when the respective services are rendered.

Sales of telephony handsets and modems

Revenues from sales of handsets and modems are normally recognised, when the related significant risks and rewards are transferred to the buyer.

Discounts

Discounts are often provided in the form of cash discount, free or discounted products or services delivered by the Company or by external parties. Discounts are recorded on a systematic basis over the period the discount is earned. Cash discounts or free products are recorded as revenue reductions. Free products or services delivered by external parties are recorded as expenses.

Presentation

Where the Company's role in a transaction is a principal, revenue is recognised on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customer, after trade discounts, with any related expenditure charged as an operating cost. Where the Company's role in a transaction is that of an agent, revenue is recognised on a net basis and represents the margin earned. The evaluation of whether the Company is acting as principal or agent is based on an evaluation of the substance of the transaction, the responsibility for providing the goods or services and setting prices and the underlying financial risk and rewards.

Interest income

Interest income is recognised as interest accrued (using the effective interest method). Interest income is included in finance income in the statement of comprehensive income.

Deferred revenue

Cellular service revenue is recognised on the basis of actual airtime usage by the end customer. Unused time on sold prepaid cards is recognised as deferred revenue until the related services have been provided to the subscribers or the prepaid card has expired.

Loyalty programs

Customer loyalty credits are accounted for as a separate component of the sales transaction, in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred, based on estimated number of award credits that will actually be earned by the customer. This is then recognised as revenue over the period that the award credits are redeemed.

Costs related to connection fees

Initial direct costs incurred in earning connection fees are deferred over the same period as the connection revenue, limited to the amount of the deferred connection fees. Costs incurred consist primarily of the costs of the start pakages and dealers' bonuses. In some cases costs associated with connection fees exceed the respective connection revenues and the amount of connection costs exceeding the amount of deferred connection fees is expensed.

Advertising costs, marketing and sales commissions

Advertising costs, marketing and sales commissions are expensed as incurred, unless they form part of the costs that are deferred in relation to deferral of connection fees as described above. Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs are capitalised. Depreciation is calculated to reduce the cost of assets, other than land, to their estimated residual value, if any, over their estimated useful lives. Depreciation commences, when the assets are ready for their intended use.

Repair and maintenance is expensed as incurred. If new parts are capitalised, replaced parts are derecognised and any remaining net book value is recorded to operating profit (loss) as loss on disposal.

When the expected cost for the decommissioning of the asset after its use is material to the financial statements, the present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for the provision is met.

Depreciation is calculated on a straight-line basis over the estimated remaining useful life of the asset as follows:

Asset category	Useful life (years)
Local, regional & trunk networks	20
Mobile telephone network and switches	3-15
Radio installations	7
Buildings	15-30
Corporate administrative assets	3-4

Depreciation method, estimated useful life and residual value are evaluated at least annually and adjusted prospectively, if appropriate. Residual value is estimated to be zero for most assets, except for vehicles, which are included in corporate administrative assets, that the Group does not expect to use for the assets' whole economic life. Changes in estimates are accounted for prospectively. Depreciation commences on the first day of the month following the date of putting the item into operation. Freehold land is not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognised.

Assets held under finance leases and leasehold improvements are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Construction in progress

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment. Construction in progress is not depreciated.

Uninstalled equipment

Uninstalled equipment represents equipment purchased by the Group, but not yet put into operation. Uninstalled equipment is not depreciated.

Land

Freehold land to which the Group has due legal title is included in the Group's statement of financial position at its historical cost. Freehold land is not depreciated.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The evaluation is based on the substance of the transaction. However, situations that individually would normally lead the Group to classify a lease as a finance lease is if the lease term is more than 75 percent of the estimated economic life or the present value of the minimum lease payments exceeds 90 percent of the fair value of the leased asset.

The Group may enter into an arrangement that does not take the legal form of a lease but conveys a right to use an asset in return for a payment or series of payments. Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset; and (b) the arrangement conveys a right to use the asset.

The Group as lessee

Property and equipment acquired by way of finance lease is capitalised and carried at the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and

impairment losses. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and incentives to enter into an operating lease are also amortised on a straight-line basis over the lease term. Prepaid lease payments made on entering into operating leases or acquiring leaseholds are amortised over the lease term in accordance with the pattern of benefits provided and included in the line item 'depreciation and amortisation' in the statement of comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Intangible assets

Intangible assets acquired are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of comprehensive income in the period, in which the expenditure is incurred.

Intangible assets with finite useful lives are amortised over the useful economic lives. Useful lives and amortisation method for intangible assets is reviewed at least annually, and adjusted prospectively if appropriate.

Amortisation is provided using the straight-line basis over the estimated useful lives of the related assets as follows:

Asset category	Useful life (years)
Licences	10-15
Network and billing software	5

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised as other expenses in the statement of comprehensive income.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the statement of comprehensive income.

A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In identifying whether cash inflows from an asset (or group of assets) are largely independent of the cash inflows from other assets (or group of assets), the management considers various factors including how management monitors the entity's operations (such as by product or service lines, businesses, geographical areas). Based on the specifics of the Group's operations, the management has identified that the Group has one cash generating unit, which is the Company's network as a whole.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and cash equivalents, short-term deposits, trade and other receivables, loans, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or perurchasing in the near term. This category includes derivative financial instrument entered into by the Group that does not meet the hedge accounting criteria as defined by IAS 39. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance cost in the statement of comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are integral part of the effective interest rate. The amortisation is included in finance income in the statement of comprehensive income.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity, when the Group has the positive intention and ability to hold them to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest rate method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Amortised cost is

calculated by taking into account any discount or premium on acquisition and fee or costs that are integral part of the effective interest rate. The amortisation is included in finance income in the statement of comprehensive income.

The Group did not have any held-to-maturity investments during the years ended 31 December 2009, 2008 and 2007.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is recognised in the statement of comprehensive income in finance costs and removed from the available-for-sale reserve.

When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to held to maturity is permitted only when the entity has the ability and intent to hold until maturity the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to the statement of comprehensive income.

Financial liabilities

Initial recognition

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities mainly include trade and other payables, loans and borrowings, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39.

Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are integral part of effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deductions for transaction costs. For financial instruments where there is no active market, fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured is provided in Note 34.

Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the statement of comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If an instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit and loss – is removed from other comprehensive income and recognised in impairment losses. Impairment losses on equity investments are not reversed through profit and loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as a part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

Derecognition of financial instruments

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement? and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Employee benefits

The Group makes defined contributions to the State Pension fund at the relevant statutory rates in force during the year, based on gross salary payments; such an expense is charged in the period when the related salaries are earned.

In addition to the above, employees of the Group are entitled to jubilee and post-employment benefits.

Jubilee benefits are paid out on occasion of anniversary, while post-employment benefits are paid out as a one-off benefit upon retirement. The amount of those benefits depends on the tenure with the Company and the average salary. The benefits payable under these arrangements are unfunded.

The expected cost of providing employee benefits is determined annually using the projected unit credit actuarial valuation method to calculate the net present value of benefit obligations at the reporting date. The balance of employee benefit obligations equals discounted payments to be made in the future and accounts for staff turnover and relates to the period to the reporting date. Demographic information and information on staff turnover are based on historical data.

Gains and losses resulting from the use of actuarial valuation methodologies to calculate post-employment benefits are recognised when the cumulative unrecognised actuarial gains or losses for the plan at the end of the previous reporting period exceed 10% of defined benefit obligation at that date. These gains or losses are recognised as income or expense over the expected average remaining working lives of the employees participating in the plan. Any actuarial gains or losses relating to jubilee benefits are recognised in the statement of comprehensive income in the period in which they arise.

The past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognised reduced by past service cost not yet recognised.

Taxes

Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added tax

Revenues, expenses and assets are recognised net of the amount of value-added tax ("VAT") except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of expense item as applicable; and
- receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is disclosed in the notes to the consolidated statement of financial position.

Current/non-current classification

An asset/liability is classified as current, when it is expected to be realised (settled) or is intended for sale or consumption within twelve months after the reporting date. Other assets/liabilities are classified as non-current. Financial instruments are classified based on expected life, except for the trading instruments, and consistent with the underlying hedged item. Deferred revenues and respective costs of connection are classified as current.

Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of consolidated cash flow statement, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent assets and liabilities

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the financial statements unless it is probable that an outflow of economic resources will be required to settle the obligation and it can be reasonably estimated. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Inventories

Inventories are valued at the lower of cost or net realisable value for items that will be sold as a separate product. Inventories that will be sold as part of a transaction with several components, which the Group expects to earn net income from, are valued at cost even if the selling price of the inventory is below cost price. Cost is determined using the FIFO method.

Events after the reporting date

Events after the reporting date that provide additional information on the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes when material.

6. Critical accounting judgements and key sources of estimation uncertainty

Key sources of estimation uncertainty – critical accounting estimates

Certain amounts included in or affecting the consolidated financial statements and related disclosures must be estimated, requiring management to make assumptions with respect to values or conditions which cannot be known with certainty at the time the consolidated financial statements are prepared.

A 'critical accounting estimate' is one, which is both important to the portrayal of the Group's financial condition and results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Management evaluates such estimates on an ongoing basis, based upon historical results and experience, consultation with experts, trends and other methods, which management considers reasonable in the particular circumstances, as well as the forecasts as to how these might change in the future. However, uncertainty about these estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Revenue recognition

The main part of the Group's revenues is based on usage of services, such as traffic or periodic subscriptions. The Company has many subscribers and offers a number of different services with different price plans. The Company provides discounts of various types, often in connection with different campaigns. Some revenues are

recorded in the statement of financial position as deferred revenue, e.g. some connection and one-time subscription fees, which means that the management has to estimate the average customer relationship period.

Employee benefits

The cost of long-term employee benefits and other post employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and future pension increases. All assumptions are reviewed at each reporting date. In determining the discount rate, the management considers the market yields on government bonds extrapolated for the period of payments.

The turnover rate is calculated based on the past experience. Further details about the assumptions used are given in Note 23.

Provision for decommissioning

In determining the carrying value of the provision for decommissioning associated with future dismantling of base stations from leased sites the Group has to make assumptions and estimates in relation to discount rates, probability of prolongation of operating lease agreements, the expected cost to dismantle and remove the base stations from the sites and the expected timing of those costs. All assumptions are reviewed at each reporting date.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Please refer to Note 9 for additional information on the Group's tax position.

Depreciation and amortisation

Depreciation and amortisation methods are based on management estimates of the expected useful life of property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortisation or depreciation charges. Technological developments are difficult to predict and the Group's views on the trends and pace of development may change over time. Some of the assets and technologies, in which the Group invested several years ago, are still in use and provide the basis for the new technologies. The useful lives of property, plant and equipment and intangible assets are reviewed at least annually taking into consideration the factors mentioned above and all other important factors. In case of significant changes in estimated useful lives, depreciation and amortisation charges are adjusted prospectively.

Impairment of non-financial assets

The Group has made significant investments in property, plant and equipment and intangible assets. These assets are tested, as described, for impairment annually or when circumstances indicate there may be a potential impairment. Factors considered important which could trigger an impairment evaluation include the following: significant fall in market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of assets or the strategy for the Group's overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use, significant negative industry or economic trends and significant cost overruns in the development of assets.

Estimating recoverable amounts of assets must in part be based on management's evaluations, including determining appropriate cash generating units, estimates of future performance, revenue generating capacity of the assets, assumptions of the future market conditions and the success in marketing of new products and services. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods.

Legal proceedings, claims and regulatory discussions

The Group is a subject to various legal proceedings and claims including regulatory discussions, the outcomes of which are subject to significant uncertainty. Management evaluates, among other factors, the degree of probability of an unfavourable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require to increase or decrease the amount to be accrued for any matter or accrue for a matter that has not been previously accrued because it was not considered probable or a reasonable estimate could not be made.

7. IFRSs and IFRIC Interpretations not yet effective

The Group has not adopted the following IFRS and IFRIC interpretations published but not yet effective. Adoption of these standards and interpretations will not have any effect on the financial performance or position of the Group. They will however give rise to additional disclosures, including revisions to accounting policies.

- *IFRS 3R Business Combinations* and *IAS 27R Consolidated and Separate Financial Statements*
- *IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
- Amendments to *IFRS 2 Share-based payment – Group Cash – settled Share-based Payment Transactions*
- *IFRS 9 Financial Instruments*
- *IAS 24 Related Party Disclosures (Revised)*
- IFRS for Small and Medium Sized Entities
- Amendment to *IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters*
- Amendment to *IFRIC 14 IAS 19: Prepayments of a Minimum Funding Requirement*
- *IFRIC 17 Distributions of Non-cash Assets to Owners*
- *IFRIC 18 Transfers of Assets from Customers*
- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments*
- Certain improvements to IFRS's issued by IASB in its omnibus of amendments

IFRS 3R Business Combinations** and **IAS 27R Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investment in Associates* and IAS 31 *Interests in Joint Ventures*. The changes by IFRS 3R and IAS 27R will affect future acquisitions or loss of control. The standards may be early applied. However, the Group does not intend to take advantage of this possibility.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

Amendments to IFRS 2 Share-based Payment – Group Cash – settled Share-based Payment Transactions

The amendments were issued in June 2009 and are effective for annual periods beginning on or after 1 January 2010. The amendments clarify the accounting for group cash-settled share-based payment transactions. Specifically, an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amended standard clarifies that in IFRS 2 a 'group' has the same meaning as in IAS 27, that is, it includes only a parent and its subsidiaries. The Group expects that the amended standard will not have any effect on financial position or performance of the Group as the Group did not enter into such transactions.

IFRS 9 Financial Instruments

In November 2009 the IASB has issued IFRS 9, which provides guidance on the classification and measurement of financial assets. Publication of this IFRS represents the completion of the first part of a three-part project to replace IAS 39 *Financial Instruments: Recognition and Measurement* with a new standard – IFRS 9 *Financial Instruments*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing many different impairment methods in IAS 39. The effective date for mandatory adoption of IFRS 9 is for annual periods beginning on or after 1 January 2013. The Group expects that the new standard may have effect on the classification and measurement of its financial assets, however, the exact amount of potential effect have not yet been quantified.

IAS 24 Related Party Disclosures (Revised)

In November 2009 the IASB replaced IAS 24 *Related Party Disclosures* with a new version. The IASB believes the revised standard simplifies the disclosure requirements for government-related entities by focusing disclosures on significant transactions, and clarifies the definition of a related party. The revised standard is effective for annual periods beginning on or after 1 January 2011. The revised standard will not result in additional disclosures as the Company is not a subsidiary of a government-related entities.

IFRS for Small and Medium Sized Entities (IFRS SMEs)

IFRS for SMEs is designed to meet the needs and capabilities of small and medium-sized entities. The standard is intended to be less complex as compared to the full IFRSs as many principles are simplified and significantly fewer disclosures are required. The new standard will not result in any changes to the Group's consolidated financial statements as the Group is not small or medium-sized entity.

Amendment to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters

The amendment, which was issued in January 2010, provides relief to first-time adopters of IFRSs from providing the additional disclosures introduced by the recent amendments to IFRS 7. As a result, first-time adopters receive the same transition provisions provided to current IFRS preparers. This amendment is effective for financial years beginning on or after 1 July 2010, with early application is permitted. The amendment will not result in any changes to the consolidated financial statements as the Group is not a first-time adopter.

Amendment to IFRIC 14 IAS 19: Prepayments of a Minimum Funding Requirement

Amendment to IFRIC 14 IAS 19 was issued in November 2009 and becomes effective for financial years beginning on or after 1 July 2011 with early application permitted. The amendment applies in the limited circumstances when an entity is a subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. This amendment will have no impact on the financial position or performance of the Group, as the Group's employee benefit plans are unfunded.

IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC 17 was issued in November 2008 and becomes effective for financial years beginning on or after 1 July 2009 with early application permitted. This interpretation should be applied prospectively. IFRIC 17 provides guidance on accounting for distributions of non-cash assets to owners. As such it provides guidance on when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability and the consequences of doing so. IFRIC 17 will have no impact on the financial position or performance of the Group, as the Group does not distribute non-cash assets to its owners.

IFRIC 18 Transfers of Assets from Customers

IFRIC 18 was issued in January 2009 and becomes effective for financial years beginning on or after 1 July 2009 with early application permitted, provided valuations were obtained at the date those transfers occurred. This interpretation should be applied prospectively. IFRIC 18 provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services or to do both. The interpretation clarifies the circumstances in which the definition of an asset is met, the recognition of the asset and its measurement on initial recognition, the identification of the separately identifiable services, the recognition of revenue and the accounting for transfers of cash from customers. IFRIC 18 will have no impact on the financial position or performance of the Group, as the Group does not receive assets from customers.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19, which was published in November 2009, provides guidance on how to account for the extinguishment of financial liability by the issuance of equity instruments. These transactions are often referred to as debt-for-equity swaps. IFRIC 19 includes the following guidance: (i) the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability; (ii) the equity instruments issued are measured at their fair value; (ii) the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity's profit and loss for the period.

IFRIC 19 becomes effective for financial years beginning on or after 1 July 2010 with early application permitted.

Improvements to IFRS

In May 2008 the IASB issued first omnibus of amendments to its standards primarily with a view to removing inconsistencies and clarifying wording. The Group has not yet adopted the following amendments to standards and anticipates that this change will have no material effect on the consolidated financial statements:

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*:

This amendment is effective for annual periods commencing 1 July 2009. The amendment clarifies that when a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under IFRS 5, even when the entity retains non-controlling interest in the subsidiary after the sale.

In April 2009 the IASB issued second omnibus edition of amendments to its standards, majority of which are effective for annual periods beginning on or after 1 January 2010, unless stated otherwise. The Group has not yet adopted the following amendments to standards and anticipates that these changes will have no material effect on the consolidated financial statements:

- *IFRS 2 Share-based payment*:

The amendment is effective for annual periods beginning on or after 1 July 2009. It clarifies that the contribution of a business on formation of joint venture and combinations under common control are not within the scope of IFRS 2.

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*:

The amendment clarifies that the disclosures required in respect of non-current assets, disposal groups classified as held for sale, or discontinued operations are only those set out in IFRS 5.

- *IFRS 8 Operating segments*:

Segment assets and liabilities need only be reported when those assets and liabilities are included in measures used by the chief operating decision maker.

- *IAS 1 Presentation of Financial Statements*:

The terms of liability that could at anytime result in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- *IAS 7 Statement of Cash Flows*:

Only expenditure that results in a recognised asset can be classified as cash flow from investing activities.

- *IAS 17 Leases*:

The specific guidance on classifying land as lease has been removed so that only the general guidance remains.

- *IAS 36 Impairment of Assets*:

The largest unit permitted for allocating goodwill acquired in a business combination is the operating segment defined in IFRS 8 before aggregation for reporting purposes.

- *IAS 38 Intangible Assets*:

If an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of intangibles as a single asset provided that the individual assets have similar useful lives. In addition, the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination are not restrictive on the methods that can be used. These amendments are effective for annual periods commencing on or after 1 July 2009.

- *IAS 39 Financial Instruments: Recognition and Measurement*:

The changes include conditions for assessment of loan prepayment penalties as embedded derivatives, scope exemption for business combination contract for derivative contracts, where further actions still have to be taken and cash flow hedge accounting.

- *IFRIC 9 Reassessment of Embedded Derivatives*:

Clarification that IFRIC 9 does not apply to possible reassessment at the date of acquisition to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture. These amendments are effective for annual periods commencing on or after 1 July 2009.

- *IFRIC 16 Hedges of a Net Investment in a Foreign Operation*:

Qualifying hedging instruments may be held by an entity within the Group, provided the designation, documentation and effectiveness requirements of IAS 39 are met. These amendments are effective for annual periods commencing on or after 1 July 2009.

8. Revenues and expenses

Revenues

	2009	2008	2007
Air time charges	6,194,401	7,212,434	6,330,195
Interconnection revenue	2,417,416	2,696,400	2,213,091
Periodic fees	1,445,167	1,225,790	916,981
Value added services	790,614	872,544	816,846
Roaming and access to network	329,594	230,840	185,952
Roaming revenue (subscribers)	183,072	214,048	199,159
Connection and one-time subscription fees	146,521	207,967	225,601
Fixed lines	25,613	17,241	10,980
Other revenue	58,140	33,847	24,911
	11,590,538	12,711,111	10,923,716

Air time charges include revenue from providing prepaid and post-paid subscribers with access to the cellular network and routing their calls through the network.

Interconnection includes revenues earned for the termination of calls from other telecommunications service providers' networks on the Company's network.

Periodic fees include periodic fees for subscription to new tariff plans and periodic fees for supplementary subscriptions such as periodic subscription to voicemail, itemised invoice etc.

Value added services include outgoing SMS and MMS, circuit of switched data and packet switched data (WAP, GPRS, EDGE etc.).

Roaming and access to network includes revenue from services provided to subscribers of other operators and termination of incoming calls.

Roaming revenue (subscribers) includes revenue from services provided to the Company's subscribers within the networks of the Company's roaming partners.

Connection and one-time subscription fees consist of revenues from initial connection and one-time fees for supplementary subscriptions, which are realised in the current period, and also include change of subscription type and transfer of subscriptions from one location to another.

Fixed lines include revenue from fixed network operations.

Costs of materials and traffic charges

	2009	2008	2007
Interconnection	1,727,902	1,779,840	1,471,901
Cost of materials	192,269	169,392	183,881
Roaming expenses	168,745	188,565	157,795
Leased line costs	2,358	4,948	6,847
	2,091,274	2,142,745	1,820,424

Salaries and personnel costs

	2009	2008	2007
Salaries and holiday pay	709,737	609,723	508,359
Social security taxes	157,491	133,782	105,962
Medical insurance	37,901	25,772	13,451
Training	8,243	14,056	8,462
Other personnel costs	21,877	3,621	7,766
	935,249	786,954	644,000

The average number of employees of the Group in 2009 was 4,331 (2008: 5,311, 2007: 4,885).

Other operating expenses

	2009	2008	2007
Repair and maintenance	780,987	654,395	424,018
Marketing and sales commission	412,980	597,840	753,991
Operating leases of land and buildings	285,787	225,181	154,593
Advertising	224,747	392,754	446,865
Local taxes and VAT	119,919	124,244	41,436
Consultancy fees and external personnel	94,953	52,107	30,201
Insurance	79,298	61,029	60,989
Bad debts	32,116	22,720	13,650
License and research fees	25,701	28,981	21,234
Materials and supplies	24,415	35,178	25,565
Business trip expenses	17,680	31,491	25,398
Postage, freight, distribution and telecommunication	14,776	12,756	11,869
Bank charges	9,622	9,335	6,445
Other operating expenses	13,669	19,010	17,786
	2,136,650	2,267,021	2,034,040

Other expenses

	2009	2008	2007
Loss on disposal of property, plant and equipment and intangible assets	68,622	50,026	48,507
Contributions and donations	3,543	2,743	4,628
Other expenses	10,302	65	497
	82,467	52,834	53,632

Amortisation, depreciation and impairment losses

Details of amortisation, depreciation and impairment losses are as follows:

	Property, plant and equipment			Intangible assets		
	2009	2008	2007	2009	2008	2007
Depreciation and amortisation	1,337,770	1,232,665	1,144,943	416,404	402,901	341,789
Impairment losses	115,743	83,636	79,182	2,326	–	–
	1,453,513	1,316,301	1,224,125	418,730	402,901	341,789

In 2009 the Group recognised impairment losses on property, plant and equipment in amount of UAH 206,333 thousand (2008: UAH 83,636 thousand, 2007: UAH 79,182 thousand), based on internal indications of impairment for various individual components of network equipment, as the Group did not plan to use this equipment in future. Assets identified as no longer in use were written down to their recoverable amounts, usually zero.

In addition, in 2009 the Group recognised reversal of impairment losses in respect of network equipment in amount of UAH 90,590 thousand (2008: nil, 2007: nil) as a result of changes in tariff policies and respective plans for future usage of previously impaired network equipment in accordance with adjusted capital expenditure budgets for 2010.

Finance income

	2009	2008	2007
Interest income	528,065	992,763	231,042
Total interest income	528,065	992,763	231,042
Net gain on financial instrument at fair value through profit and loss	1,893	30,822	13,110
	529,958	1,023,585	244,152

Finance costs

	2009	2008	2007
Interest expenses related to bank loans	42,519	191,348	303,017
Total interest expenses	42,519	191,348	303,017
Other finance costs	3,698	18,493	18,598
	46,217	209,841	321,615
Less – interest capitalised	(8,138)	(19,336)	(17,381)
	38,079	190,505	304,234

9. Income tax

The Group's income was subject to taxation in Ukraine only. During the years ended 31 December 2009, 2008 and 2007 Ukrainian corporate income tax was levied on taxable income less allowable expenses at a rate of 25%.

The major components of income tax expense for the year ended 31 December 2009, 2008 and 2007 are:

	2009	2008	2007
Current income tax charge	1,455,683	1,729,555	1,329,705
Deferred tax related to origination and reversal of temporary differences	(196,206)	130,490	(81,043)
Income tax expense	1,259,477	1,860,045	1,248,662

Reconciliations between tax expense and the product of accounting profit multiplied by the tax rate for the years ended 31 December 2009, 2008 and 2007, are as follows:

	2009	2008	2007
Profit before tax	4,944,874	6,933,498	4,770,561
Income tax at statutory rate of 25%	1,236,219	1,733,375	1,192,640
Non-tax deductible expenses	43,100	78,071	56,022
Reassessment of temporary differences	(19,842)	48,599	–
Income tax expense	1,259,477	1,860,045	1,248,662

Deferred tax assets and liabilities relate to the following items in 2009:

	31-Dec-09	Charged to Statement of comprehensive income	31-Dec-08
Deferred tax liabilities:			
Property, plant and equipment and intangible assets(i)	–	(68,672)	68,672
Deferred expenses(iii)	19,478	(3,829)	23,307
Prepayments(iii)	16,969	(1,342)	18,311
Derivative financial instrument(iv)	–	(9,254)	9,254
Trade and other payables(v)	–	(8,990)	8,990
Trade and other receivables(v)	1,706	1,706	–
	38,153	(90,381)	128,534
Deferred tax assets:			
Property, plant and equipment and intangible assets(i)	99,748	99,748	–
Trade and other receivables(v)	–	(13,272)	13,272
Other current liabilities(v)	2,309	(4,431)	6,740
Employee benefits(v)	11,532	5,470	6,062
Advances received and deferred revenue(iii)	187,678	(25,716)	213,394
Inventories(ii)	2,979	2,979	–
Trade and other payables(v)	41,047	41,047	–
	345,293	105,825	239,468
Net deferred tax asset	307,140	196,206	110,934

Deferred tax assets and liabilities relate to the following items in 2008:

	31-Dec-08	Charged to Statement of comprehensive income	31-Dec-07
Deferred tax liabilities:			
Property, plant and equipment and intangible assets(i)	68,672	28,935	39,737
Deferred expenses(iii)	23,307	(3,594)	26,901
Prepayments(iii)	18,311	2,849	15,462
Inventories(ii)	–	(595)	595
Derivative financial instrument(iv)	9,254	9,254	–
Trade and other payables(v)	8,990	8,546	444
	128,534	45,395	83,139
Deferred tax assets:			
Trade and other receivables(v)	13,272	3,452	9,820
Other current liabilities(v)	6,740	(32,864)	39,604
Employee benefits(v)	6,062	1,305	4,757
Advances received and deferred revenue(iii)	213,394	(55,352)	268,746
Derivative financial instrument(iv)	–	(1,636)	1,636
	239,468	(85,095)	324,563
Net deferred tax asset	110,934	(130,490)	241,424

Deferred tax assets and liabilities relate to the following items in 2007:

	31-Dec-07	Charged to Statement of comprehensive Income	31-Dec-06
Deferred tax liabilities:			
Property, plant and equipment and intangible assets(i)	39,737	(27,068)	66,805
Deferred expenses(iii)	26,901	(7,362)	34,263
Prepayments(iii)	15,462	6,743	8,719
Inventories(ii)	595	316	279
Interest-bearing loans and borrowings(iv)	–	(23,150)	23,150
Trade and other payables(v)	444	444	–
	83,139	(50,077)	133,216
Deferred tax assets:			
Trade and other receivables(v)	9,820	8,559	1,261
Other current liabilities(v)	39,604	9,883	29,721
Employee benefits(v)	4,757	2,040	2,717
Trade and other payables (v)	–	(117)	117
Advances received and deferred revenue(iii)	268,746	20,240	248,506
Derivative financial instrument(iv)	1,636	(9,639)	11,275
	324,563	30,966	293,597
Net deferred tax asset	241,424	81,043	160,381

The nature of the temporary differences is as follows:

(i) Property, plant and equipment and intangible assets – differences in depreciation and amortisation patterns and estimates of the remaining useful lives, differences in capitalisation principles;

(ii) Inventories – differences in inventories measurement basis and the periods of recognition;

(iii) Advances received and deferred revenue, prepayments and deferred expenses – differences in period of recognition;

(iv) Interest-bearing borrowings and derivative financial instrument – differences in measurement basis (cost vs. fair values or amortised cost);

(v) Other liabilities and receivables – differences in measurement and recognition principles.

10. Property, plant and equipment

The movement of property, plant and equipment is as follows:

	Local, regional & trunk networks	Mobile telephone network and switches	Radio installations	Buildings	Land	Corporate administrative assets	Construction in progress, uninstalled and dismantled equipment(iii)	Total
Cost:								
At 1 January 2007	457,132	3,716,258	2,250,856	235,066	13,759	407,068	1,365,773	8,445,912
Additions(i)	8,430	23,592	92,516	814	1,347	12,016	1,653,251	1,791,966
Disposals	(91)	(3,357)	(8,271)	(167)	(29)	(6,235)	(95,283)	(113,433)
Transfers and reclassifications(ii)	107,817	678,429	(70,169)	209,438	28	65,643	(1,250,416)	(259,230)
At 31 December 2007	573,288	4,414,922	2,264,932	445,151	15,105	478,492	1,673,325	9,865,215
Additions(i)	6,684	39,393	10,207	341	88,182	15,594	1,504,354	1,664,755
Disposals	–	(5,043)	(11,125)	–	–	(14,092)	(143,714)	(173,974)
Transfers and reclassifications(ii)	98,948	567,417	118,029	276,440	117	86,719	(1,149,173)	(1,503)
At 31 December 2008	678,920	5,016,689	2,382,043	721,932	103,404	566,713	1,884,792	11,354,493
Additions(i)	3,160	18,502	9,593	–	248	6,920	969,000	1,007,423
Disposals	(32)	(45,173)	(19,180)	(2,568)	–	(7,629)	(640,963)	(715,545)
Transfers and reclassifications(ii)	90,076	324,833	109,989	230,228	352	105,053	(901,535)	(41,004)
At 31 December 2009	772,124	5,314,851	2,482,445	949,592	104,004	671,057	1,311,294	11,605,367
Accumulated depreciation and impairment losses:								
At 1 January 2007	39,971	1,054,144	620,628	26,090	–	190,019	278,075	2,208,927
Depreciation charge for the year	22,899	599,055	318,014	24,582	–	99,060	81,333	1,144,943
Impairment (Note 8)	–	–	–	–	–	–	79,182	79,182
Disposals	(21)	(1,533)	(3,641)	(167)	–	(3,757)	(73,149)	(82,268)
Transfers and reclassifications(ii)	(7,001)	(116,700)	(79,738)	1,322	–	(12,710)	125,865	(88,962)
At 31 December 2007	55,848	1,534,966	855,263	51,827	–	272,612	491,306	3,261,822
Depreciation charge for the year	31,667	645,837	307,132	50,800	–	111,137	86,092	1,232,665
Impairment (Note 8)	–	–	–	–	–	–	83,636	83,636
Disposals	–	(4,385)	(1,823)	–	–	(6,081)	(106,994)	(119,283)
Transfers and reclassifications(ii)	(30)	(76,777)	(67,085)	(1,078)	–	(3,763)	160,589	11,856
At 31 December 2008	87,485	2,099,641	1,093,487	101,549	–	373,905	714,629	4,470,696
Depreciation charge for the year	35,604	696,412	322,888	78,883	–	125,818	78,165	1,337,770
Impairment (Note 8)	–	–	–	–	–	–	115,743	115,743
Disposals	(21)	(34,825)	(13,979)	(1,003)	–	(4,237)	(586,354)	(640,419)
Transfers and reclassifications(ii)	2	(53,872)	(34,813)	1,790	–	(48,435)	107,874	(27,454)
At 31 December 2009	123,070	2,707,356	1,367,583	181,219	–	447,051	430,057	5,256,336

	Local, regional& trunk networks	Mobile telephone network and switches	Radio installations	Buildings	Land	Corporate administrative assets	Construction in progress, uninstalled and dismantled equipment(iii)	Total
Net book value:								
At 1 January 2007	417,161	2,662,114	1,630,228	208,976	13,759	217,049	1,087,698	6,236,985
At 31 December 2007	517,440	2,879,956	1,409,669	393,324	15,105	205,880	1,182,019	6,603,393
At 31 December 2008	591,435	2,917,048	1,288,556	620,383	103,404	192,808	1,170,163	6,883,797
At 31 December 2009	649,054	2,607,495	1,114,862	768,373	104,004	224,006	881,237	6,349,031

(i) The amount of borrowing costs capitalised for the year ended 31 December 2009 comprised UAH 8,138 thousand (2008: UAH 19,336 thousand, 2007: UAH 17,381 thousand) (Note 8). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 10.46 % for 2009 (2008: 10.03%, 2007: 9.16 %).

(ii) In 2009, 2008 and 2007 equipment identified for exchange under buy-back agreement with Ericsson AB was reclassified from property, plant and equipment to assets held for sale and vice versa (Note 30).

(iii) Temporarily dismantled equipment is continued to be depreciated over the estimated remaining useful life.

11. Intangible assets

The movement of intangible assets is as follows:

	Licenses	Network and billing software	Total
Cost:			
At 1 January 2007	385,840	1,724,195	2,110,035
Additions	1,335	435,466	436,801
Disposals	–	(50,988)	(50,988)
At 31 December 2007	387,175	2,108,673	2,495,848
Additions	22,563	201,020	223,583
Disposals	–	(19,248)	(19,248)
At 31 December 2008	409,738	2,290,445	2,700,183
Additions	2,008	292,265	294,273
Disposals	–	(18,264)	(18,264)
At 31 December 2009	411,746	2,564,446	2,976,192
Accumulated amortisation and impairment losses:			
At 1 January 2007	128,151	665,531	793,682
Amortisation charge for the year	25,715	316,074	341,789
Disposals	–	(30,044)	(30,044)
At 31 December 2007	153,866	951,561	1,105,427
Amortisation charge for the year	22,242	380,659	402,901
Disposals	–	(13,168)	(13,168)
At 31 December 2008	176,108	1,319,052	1,495,160
Amortisation charge for the year	21,091	395,313	416,404
Impairment (Note 8)	–	2,326	2,326
Disposals	–	(18,264)	(18,264)
At 31 December 2009	197,199	1,698,427	1,895,626

	Licenses	Network and billing software	Total
Net book value:			
At 1 January 2007	257,689	1,058,664	1,316,353
At 31 December 2007	233,309	1,157,112	1,390,421
At 31 December 2008	233,630	971,393	1,205,023
At 31 December 2009	214,547	866,019	1,080,566

12. Other non-current assets

Other non-current assets as at 31 December were as follows:

	2009	2008	2007
Prepayments for property, plant and equipment	48,725	79,815	135,726
Prepayments for intangible assets	597	3,486	6,872
Other non-current assets	7,536	5,298	5,056
	56,858	88,599	147,654

13. Trade and other receivables

Trade and other receivables consisted of the following as at 31 December:

	2009	2008	2007
Trade receivables – interconnection and access to network	330,770	234,202	181,176
Trade receivables – roaming	97,019	94,242	38,479
Accounts receivable – for assets sold under buy-back agreement	86,220	62,012	–
Trade receivables – subscribers	68,335	52,956	49,923
Trade receivables – dealers for prepaid cards and packages	68,283	88,810	35,318
Interest receivable	2,113	149,594	23,365
Trade receivables – dealers for post-paid subscribers' advances	166	314	1,093
Other receivables	19,650	10,965	18,954
	672,556	693,095	348,308
Allowance for doubtful accounts	(76,854)	(64,851)	(55,668)
	595,702	628,244	292,640

Trade and other receivables, net of allowance for impairment as at 31 December were denominated in the following currencies:

	2009	2008	2007
UAH	364,159	259,879	126,051
USD	117,652	243,137	91,254
EUR	113,891	125,228	75,335
	595,702	628,244	292,640

As at 31 December 2009, 2008 and 2007 trade and other receivables are non-interest bearing and are settled in the normal course of business.

14. Prepaid taxes, other than income tax

Prepaid taxes, other than income tax consisted of the following as at 31 December:

		2009	2008	2007
Prepayments to State Pension Fund for mobile services	(i)	–	31,407	8,276
Withholding tax prepaid		–	5,590	–
Other taxes prepaid		587	1,308	694
		587	38,305	8,970

(i) The Law "On mandatory contribution to the Pension Fund" establishes a 7.5% contribution for mandatory state pension insurance on the price of mobile services. The subscribers of mobile services are defined as payers of this contribution, while the providers of mobile services act as their tax agents. The Company includes 7.5% surcharge in the price of its mobile services and pays contributions to State Pension Fund.

In 2009 Company has changed the scheme of its settlements with the State Pension Fund from prepayments to post-payment (Note 26).

15. Prepayments

Prepayments as at 31 December were denominated in the following currencies:

	2009	2008	2007
UAH	78,283	56,867	104,967
EUR	79	162	3,871
USD	–	33	1,173
RUR	–	8	4
	78,362	57,070	110,015

16. Reconciliation of allowance accounts

The reconciliation of changes in allowance accounts is as follows:

	Trade and other receivables	Prepayments	Total
As at 1 January 2007	45,520	–	45,520
Charge for the year	13,607	43	13,650
Utilised	(3,271)	–	(3,271)
Unused amounts reversed	(188)	–	(188)
As at 31 December 2007	55,668	43	55,711
Charge for the year	21,196	1,524	22,720
Utilised	(10,301)	–	(10,301)
Unused amounts reversed	(1,712)	–	(1,712)
As at 31 December 2008	64,851	1,567	66,418
Charge for the year	32,116	–	32,116
Utilised	(12,218)	–	(12,218)
Unused amounts reversed	(7,894)	(1,052)	(8,946)
As at 31 December 2009	76,855	515	77,370

17. Deferred expenses

As at 31 December deferred expenses consisted of the following:

		2009	2008	2007
Deferred connection costs	(i)	68,052	78,954	86,486
Deferred costs of start packages and scratch-cards	(ii)	9,860	14,273	21,120
		77,912	93,227	107,606

(i) As at 31 December 2009, 2008 and 2007 deferred connection costs mainly consisted of costs of start packages and dealers' bonuses for connection of new subscribers, limited to the amount of deferred connection fees.

(ii) Deferred costs of start packages and scratch-cards represent costs of start packages and scratch-cards sold to dealers, but not yet activated by subscribers.

The movement in deferred connection costs is as follows:

	2009	2008	2007
At 1 January	78,954	86,486	137,053
Deferred during the year	38,659	58,250	48,489
Released to the statement of comprehensive income	(49,561)	(65,782)	(99,056)
At 31 December	68,052	78,954	86,486

18. Short-term deposits

Short-term deposits are made for various periods of between three months and one year depending on the Group's immediate cash requirements.

As at 31 December short-term deposits split by currency, contractual maturity and interest rate earned was as follows:

Currency	Contractual maturity	Interest rate p.a.	2008	2007
UAH	6 months	12-18.50%	1,325,000	600,000
USD	6 months	8.75-13.20%	1,456,070	138,370
EUR	6 months	8.50-13%	282,242	25,968
			3,063,312	764,338

19. Cash and cash equivalents

Cash and cash equivalents consisted of the following as at 31 December:

	2009	2008	2007
Short-term deposits	1,073,322	4,964,457	4,185,223
Cash at bank	137,051	103,889	426,444
Cash on hand	21	23	22
	1,210,394	5,068,369	4,611,689

As at 31 December cash on hand and cash at bank were denominated in the following currencies:

	2009	2008	2007
UAH	128,367	88,187	415,597
USD	4,614	11,548	8,960
EUR	4,091	4,177	1,909
	137,072	103,912	426,466

As at 31 December short-term deposits split by contractual maturity, currency and interest rate earned was as follows:

Currency	Maturity date	Interest rate p.a.	2009	2008	2007
UAH	0-30 days	6-36%	40,000	235,000	170,000
	31-60 days	4.25-36%	140,000	2,085,000	1,600,000
	61-92 days	4-28%	–	1,810,000	1,455,007
			180,000	4,130,000	3,225,007
USD	0-30 days	3.80-6.50%	127,760	–	16,160
	31-60 days	4-12.50%	340,121	245,630	666,600
	61-92 days	5.50-12.25%	–	266,420	76,760
			467,881	512,050	759,520
EUR	0-30 days	6-10%	130,518	–	5,935
	31-60 days	5-13%	294,923	113,982	–
	61-92 days	3.50-16%	–	208,425	194,761
			425,441	322,407	200,696
			1,073,322	4,964,457	4,185,223

20. Share capital

As at 31 December 2009, 2008 and 2007 the authorised and fully paid share capital comprised 10,687,389 ordinary shares at a par value of UAH 50 each.

As at 31 December 2009, 2008 and 2007 share capital is stated at consideration received. Consideration received differs from share capital at par for the amount of UAH 122,130 thousand being the foreign exchange difference, which arose before 1 May 2004, when the Company's functional currency was US dollar.

On 16 December 2008 the General Meeting of the Shareholders of the Company approved distribution of the profits for the years of 2004 and 2005 in amount of UAH 3,460,000 thousand among the shareholders in the form of dividends pro rata to the number of shares held by them (UAH 323.75 per share). In 2008 the Company paid out cash dividends to its shareholders in amount of UAH 543,996 thousand, net of withholding tax.

On 1 June 2009 the General Meeting of the Shareholders of the Company approved partial distribution of the profits for the years of 2006 and 2007 in amount of UAH 4,600,000 thousand among the shareholders in the form of dividends pro rata to the number of shares held by them (UAH 430.41 per share).

On 1 September 2009 the General Meeting of the Shareholders of the Company approved the distribution of profit for the years 2006, 2007 and 2008 in the amount of UAH 1,900,000 thousand among the shareholders in the form of dividends pro rata to the number of shares held by them. According to the decision of the General Meeting of the Shareholders of the Company the profit to be distributed in the form of dividends in the amount of UAH 1,900,000 thousand consists of final dividends for the years of 2006 and 2007 in the amount of UAH 1,736,000 thousand (UAH 162.43 per share) and partial dividends for the year of 2008 in the amount of UAH 164,000 thousand (UAH 15.35 per share).

In 2009 the Company fully paid dividends approved to its shareholders in cash, net of withholding tax.

According to the requirements of Ukrainian tax legislation withholding tax is paid to the state budget at the moment, when dividends are paid to the shareholders. At the same time the Company is required to make prepayments for income tax in amount of 25% of dividends paid. Prepayments for income tax made at the moment of dividends payments, which have not yet been set off against current income tax liabilities, were included into the balance of prepaid income tax in the Group's consolidated statement of financial position as at 31 December 2009.

21. Interest-bearing loans and borrowings

Interest-bearing loans and borrowings consisted of the following as at 31 December:

	2009	2008	2007
Current			
Interest-bearing borrowings from Dresdner Bank (USD-denominated)	–	956,232	2,214,021
Interest accrued	694	28,823	66,415
	694	985,055	2,280,436
Non-Current			
Interest-bearing borrowings from Dresdner Bank (USD-denominated)	51,192	–	–
	51,192	–	–
Total interest-bearing loans and borrowings	51,886	985,055	2,280,436

As at 31 December effective interest rate and currency split for interest-bearing loans and borrowings was as follows:

Bank	Currency	Effective interest rate	2009	2008	2007
Dresdner bank	USD	Fixed Rate 7.75%-12.22%	51,886	985,055	2,280,436
			51,886	985,055	2,280,436

As at 31 December 2007 the Company's loans obtained from Dresdner bank comprised the following:

- Loan of USD 266,420 thousand (UAH 1,345,421 thousand) bearing interest at 10.375% per annum with initial maturity on 17 August 2009;
- Loan of USD 172,000 thousand (UAH 868,600 thousand) bearing interest at 7.75% per annum with initial maturity on 27 April 2012.

During 2007-2008, several amendments to the above loan agreements with Dresdner Bank were signed, whereby the Company agreed to pay on demand at any time up to and including 17 August 2009 all or any part of the principal loan together with accrued but unpaid interest thereon. In return the Company received an extension under the covenants, provided by the loan agreements. In particular, the Company was granted permission to submit audited IFRS consolidated financial statements as at 31 December 2006, 2007 and 2008 and for the years then ended by 17 August 2009.

In 2008 the Company repaid loans in amount of USD 314,234 thousand (UAH 1,777,464 thousand).

In the consolidated statement of financial position as at 31 December 2008 and 2007 the outstanding balances of the abovementioned loans and interest accrued thereon were presented as current interest-bearing loans and stated at their nominal amounts.

Since the early demand feature of the abovementioned amendments ceased to be effective after 17 August 2009, as at 31 December 2009 the outstanding balance of loan due to Dresdner bank with initial maturity on 27 April 2012 was classified as a non-current liability.

During the year ended 31 December 2009 the Company repaid part of the loans in amount of USD 117,775 thousand (UAH 973,130 thousand).

The Dresdner bank loan agreements contained numerous affirmative, financial and negative covenants and restrictions. In the event that the Company breached any covenant or was not in compliance with any of the restrictions, the lender had the right, at its discretion, to claim immediate repayment of indebtedness under the

respective loan agreement. Among other restrictions, contained in the loan agreements, the most significant were as follows:

- the Company was required to maintain adequate insurance covering losses and risks in such amounts that are prudent and customary in the business in which it was engaged;
- the Company was restricted in making investments; merging or consolidating; or declaring and paying dividends in the amount greater than 75% of the net income for the period;
- the Company should not create, issue, incur, assume, guarantee or in any manner become directly or indirectly liable with respect to any debt, other than permitted debt, unless the ratio of total outstanding consolidated debt to annualised consolidated cash flows, as defined in the loan agreement, is less than 5 to 1.

The Company complied with these requirements.

22. Derivative financial instrument

The derivative financial instrument as at 31 December was classified as follows:

	2008	2007
Non-current assets		
Fair value of derivative financial instrument	–	969
	–	969
Current assets		
Fair value of derivative financial instrument	30,565	–
Interest accrued on derivative financial instrument	6,449	–
	37,014	–
Current liabilities		
Interest accrued on derivative financial instrument	–	(7,513)
	–	(7,513)
	37,014	(6,544)

On 12 October 2004, the Company entered into a 'pay floating – receive fixed' interest rate swap agreement with Citibank N.A. for the nominal amount of USD 266,420 thousand effective until 17 August 2009 to manage the risk of changes in the fair value of one of the loans received from Dresdner Bank.

The interest rate swap agreement was designated by the Company as a fair value hedge and was accounted for as such till February 2007, when the instrument ceased to be effective in achieving offsetting changes in fair value attributable to the hedged risk.

In 2009, 2008 and 2007 the net change in fair value of interest rate swap was recognised in finance income (Note 8).

23. Employee benefit liability

The Group, pursuant to the terms of personnel motivation programme, has established post-employment benefit pension plan, covering substantially all of its employees, who achieve regular pension age and retire from the Group companies. In addition, the Group pays jubilee benefits to its employees.

Employee benefit liability as at 31 December consisted of the following:

	2009	2008	2007
Post-employment defined benefit liability	21,851	13,177	8,763
Jubilee payments	24,276	11,074	10,267
	46,127	24,251	19,030
Less: Current portion	(3,896)	(4,453)	(1,469)
Defined employee benefit liability – non-current portion	42,231	19,798	17,561

Post-employment defined employee benefits

As at 31 December 2009 4,080 employees (2008: 4,412 employees, 2007: 4,147 employees) were entitled to benefits under post-employment defined employee benefits.

Changes in the present value of the defined benefit obligation as at 31 December were as follows:

	2009	2008	2007
Defined benefit obligation at 1 January	12,634	13,856	8,789
Interest cost	953	2,162	562
Current service cost	8,316	2,099	3,435
Benefits paid	(595)	–	(64)
Actuarial loss (gain) for the year	19,032	(5,483)	1,134
Defined benefit obligation at 31 December	40,340	12,634	13,856
Unrecognised actuarial gain/(loss)	(18,489)	543	(5,093)
Defined benefit liability at 31 December	21,851	13,177	8,763
Classified as			
Defined benefit liability – current portion	1,324	2,636	336
Defined benefit liability – non-current	20,527	10,541	8,427
Benefit expense			
Interest cost	953	2,162	562
Current service cost	8,316	2,099	3,435
Net actuarial losses recognised in the year	–	153	129
Total expenses recognised in the statement of comprehensive income	9,269	4,414	4,126

Net benefit expense was included into Salaries and personnel costs, except for interest cost charged to Finance costs.

	2009	2008	2007
Benefit liability			
Net liability at 1 January	13,177	8,763	4,700
Benefits expense	9,269	4,414	4,127
Benefits paid	(595)	–	(64)
Net liability at 31 December	21,851	13,177	8,763

Jubilee payments

As at 31 December 2009 3,744 employees were entitled to jubilee benefits (2008: 4,344 employees, 2007: 3,963 employees).

	2009	2008	2007
Present value of unfunded obligations	24,276	11,074	10,267
Classified as			
Benefit liability – current portion	2,572	1,817	1,133
Benefit liability – non-current	21,704	9,257	9,134

The principal assumptions used in determining the post-employment defined employee benefits are shown below:

	2009	2008	2007
Discount rate	7.55%	15.60%	6.40%
Future benefit increases	12.46%	17.00%	12.15%

	2009	2008	2007	2006	2005
Defined benefit obligation at 31 December	40,340	12,634	13,856	8,789	1,773
Experience adjustment	(1,230)	(549)	965	299	(472)

24. Deferred revenue

As at 31 December deferred revenue consisted of the following:

		2009	2008	2007
Deferred revenue – dealers and subscribers	(i)	446,178	524,754	575,233
Deferred connection and one-time subscription fees	(ii)	134,231	173,240	248,645
Customer loyalty programs	(iii)	34,110	32,337	24,654
		614,519	730,331	848,532

(i) Deferred revenue – dealers – represents deferred revenue from unused time on prepaid cards, which were sold to dealers, but have not yet been activated by subscribers. Deferred revenue – dealers is recognised in the statement of financial position until the prepaid cards have been activated by subscribers or the prepaid card has expired. Deferred revenue – subscribers – mainly consists of deferred revenue from unused time on prepaid cards, which were activated by subscribers. Deferred revenue – subscribers is recognised as revenue in the statement of comprehensive income on the basis of actual airtime usage by subscribers.

(ii) Deferred connection and one-time subscription fees – mainly consist of fees for initial connection to the network and one-off payments for subscription to additional services. Deferred connection and subscription fees are recognised in the statement of comprehensive income over the periods that the fees are earned.

(iii) Customer loyalty programs – represent various loyalty programs, established by the Company, whereby enrolled subscribers are eligible for bonuses, which may then be used for discount on future calls or purchase of mobile handsets.

The movements in deferred connection and subscription fees are as follows:

	2009	2008	2007
At 1 January	173,240	248,645	300,172
Deferred during the year	107,512	132,562	174,074
Released to the statement of comprehensive income	(146,521)	(207,967)	(225,601)
At 31 December	134,231	173,240	248,645

25. Provisions

The movement in provisions is as follows:

		2009	2008	2007
At 1 January		4,891	3,325	–
Arising during the year	(i),(ii)	9,775	4,891	3,325
Unused amounts reversed	(ii)	–	(3,325)	–
At 31 December		14,666	4,891	3,325

(i) As at 31 December 2008 the Group recognised provision in amount of UAH 4,891 thousand in respect of legal proceeding against the Company initiated by its counterparty in respect of consulting services provided by the counterparty, but not accepted by the Company. The management believes that the risk of loss of the case is probable. As at 31 December 2009 the Group updated the amount of the provision in order to reflect an increase in the original amount of claim against the Group.

(ii) As at 31 December 2007 the Group recognised provision in respect of potential penalties, which might have arisen on VAT paid to certain suppliers at 20% rate on purchase of assets and services in amount of UAH 3,325 thousand. As at 31 December 2008 the management revised its estimates in respect of provision for potential penalties and considered that the risk of accrual for penalties on VAT paid to those suppliers by the tax authorities was remote and the respective provision was reversed. However, as at 31 December 2009 the Group assessed the risk of accrual for penalties of similar nature by the tax authorities upon the next tax review as probable and recognised provision for potential penalties of UAH 9,682 thousand.

26. Taxes payable, other than income tax

Taxes payable, other than income tax consisted of the following as at 31 December:

	2009	2008	2007
VAT payable	108,921	90,155	88,554
Pension fund for mobile services	22,224	–	–
Miscellaneous other taxes	3,401	2,145	2,409
	134,546	92,300	90,963

27. Trade and other payables

As at 31 December trade and other payables consisted of the following:

	2009	2008	2007
Software	146,308	89,425	163,244
Equipment and construction works	118,821	233,641	275,788
Accounts payable for roaming	90,076	44,040	33,504
Professional fees	88,294	47,700	60,164
Dealers	32,249	32,876	42,690
Content services	22,215	20,494	19,618
Interconnection	16,231	10,781	19,724
Rent	15,785	12,829	13,422
Handsets	8,790	10,082	3,978
Insurance	941	1,538	508
Due to employees	50	41	165
Other payables	28,726	27,550	38,755
	568,486	530,997	671,560

As at 31 December trade and other payables were denominated in the following currencies:

	2009	2008	2007
UAH	328,454	386,113	327,352
USD	154,411	111,288	306,818
EUR	85,074	31,987	37,390
RUR	547	1,007	–
GBP	–	602	–
	568,486	530,997	671,560

As at 31 December 2009, 2008 and 2007 trade and other payables are non-interest bearing and settled in the normal course of business.

28. Advances received

As at 31 December advances received consisted of the following:

	2009	2008	2007
Advances received from subscribers	102,286	100,068	103,456
Advances received from partners	28,161	13,990	21,763
Advances received from dealers	5,215	6,495	7,510
Other advances received	536	900	301
	136,198	121,453	133,030

As at 31 December 2009, 2008 and 2007 advances received were denominated in UAH.

29. Other current liabilities

As at 31 December other current liabilities consisted of the following:

	2009	2008	2007
Bonuses accrued	134,475	167,189	125,840
Accrual for unused vacations	40,174	37,069	33,288
Accruals for future dealers' reimbursement	653	808	4,341
Other	6	22	19
	175,308	205,088	163,488

As at 31 December 2009, 2008 and 2007 other current liabilities are non-interest bearing and denominated in UAH.

30. Assets of disposal group classified as held for sale

On 4 July 2007 the Company entered into an assets swap ('buy back') agreement with Ericsson AB ('the swap agreement'). Based on the terms and conditions of the swap agreement, Ericsson AB supplies to the Company new telecommunication equipment for mobile telephone network and agrees to buy back the used mobile telecommunication equipment for the total consideration of USD 57,848 thousand (UAH 292,132 thousand) to be paid in cash.

On 21 February 2008 the Company signed the amendment to the swap agreement, whereby the composition of used assets to be sold to Ericsson AB was changed and the consideration was reduced to USD 56,492 thousand (UAH 285,285 thousand). Consequently, during the year of 2008 network equipment with a cost of UAH 78,584 thousand and accumulated depreciation of UAH 30,550 thousand, previously included in assets held for sale, was reclassified to property, plant and equipment. Conversely, additional network equipment, identified for sale by amendment to the swap agreement, with a total cost of UAH 80,087 thousand and accumulated depreciation of UAH 18,694 thousand was reclassified from property, plant and equipment to assets held for sale.

During 2008, a portion of the used network equipment identified for sale under the swap agreement with a carrying value of UAH 93,360 thousand was sold to Ericsson AB for the total consideration of USD 26,874 thousand (UAH 139,667 thousand).

During 2009, the Company signed several new amendments to the swap agreement. According to these amendments, the total consideration per agreement was changed to USD 56,627 thousand (UAH 452,110 thousand) and the list of equipment to be sold to Erricsson AB was revised. As a result, equipment with a cost of UAH 29,390 thousand and accumulated depreciation of UAH 6,458 thousand, previously included in assets held for sale, was reclassified to property, plant and equipment. At the same time, additional network equipment, identified for sale with a total cost of UAH 70,394 thousand and accumulated depreciation of UAH 33,912 thousand was reclassified from property, plant and equipment to assets held for sale.

Furthermore, during 2009 the Group sold network equipment classified as held for sale with a carrying value of UAH 103,813 thousand to Ericsson AB for the total consideration of USD 29,753 thousand (UAH 233,385 thousand). The resulting gain of UAH 129,572 thousand was credited to the property, plant and equipment acquired from Ericsson AB to replace the disposed network components.

31. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Basic earnings per share for the years ended 31 December is as follows:

	2009	2008	2007
Net profit attributable to ordinary equity holders of the parent for basic earnings	3,685,397	5,073,453	3,521,899
Weighted average number of ordinary shares for basic earnings per share	10,687,389	10,687,389	10,687,389
Basic earnings per share, UAH	344.84	474.71	329.54

As at 31 December 2009, 2008 and 2007 there are no potential ordinary shares. There have been no significant transactions involving ordinary shares or potential ordinary shares between the reporting dates and the date of issue of these consolidated financial statements.

32. Related party disclosure

The Group's transactions with its related parties for the years ended 31 December were as follows:

2009	Revenue	Cost of materials and traffic charges	Salaries and personnel costs	Other operating expenses	Finance income
Entities affiliated with *Telenor Mobile Communications AS*	27,176	6,211	–	25,333	–
Key management personnel of the Group	–	–	72,668	–	–
Entities affiliated with *Storm LLC*	899,001	558,287	–	9,694	106,458
	926,177	564,498	72,668	35,027	106,458

2008	Revenue	Cost of materials and traffic charges	Salaries and personnel costs	Finance income
Entities affiliated with *Telenor Mobile Communications AS*	26,039	5,813	–	–
Key management personnel of the Group	–	–	51,378	–
Entities affiliated with *Storm LLC*	659,902	481,969	–	172,698
	685,941	487,782	51,378	172,698

2007	Revenue	Cost of materials and traffic charges	Salaries and personnel costs	Finance income
Entities affiliated with *Telenor Mobile Communications AS*	19,701	4,637	–	–
Key management personnel of the Group	–	–	39,223	–
Entities affiliated with *Storm LLC*	356,194	309,801	–	31,046
	375,895	314,438	39,223	31,046

The outstanding balances from related parties as at 31 December were as follows:

2009	Trade and other receivables	Prepay-ments	Cash and cash equivalents	Total
Entities affiliated with *Telenor Mobile Communications AS*	8,177	–	–	8,177
Entities affiliated with *Storm LLC*	70,888	4	168,244	239,136
	79,065	4	168,244	247,313

2008	Trade and other receivables	Short-term deposits	Prepay-ments	Cash and cash equivalents	Total
Entities affiliated with *Telenor Mobile Communications AS*	6,635	–	–	–	6,635
Entities affiliated with *Storm LLC*	68,023	796,105	2	640,916	1,505,046
	74,658	796,105	2	640,916	1,511,681

2007	Trade and other receivables	Short-term deposits	Prepay-ments	Cash and cash equivalents	Total
Entities affiliated with *Telenor Mobile Communications AS*	2,794	–	–	–	2,794
Entities affiliated with *Storm LLC*	36,719	99,366	5,982	518,853	660,920
	39,513	99,366	5,982	518,853	663,714

The outstanding amounts due to related parties as at 31 December were as follows:

	2009	2008	2007
Entities affiliated with *Telenor Mobile Communications AS*	12,680	277	–
Entities affiliated with *Storm LLC*	3,530	1,656	23,217
	16,210	1,933	23,217

Terms and conditions of transactions with related parties

Outstanding balances on settlements with related parties at the year-end are unsecured, interest free and settlement occurs in cash. There have been no financial guarantees provided to or received from any related party. For the years ended 31 December 2009, 2008 and 2007, the Group has not recorded any impairment of receivables as regards to the amounts owed by related parties.

Revenue and trade receivables

In 2009 the Group sold to domestic and overseas telecom operators, being the Group's related parties, roaming services, access to network and interconnection services in total amount of UAH 926,177 thousand (2008: UAH 685,941 thousand, 2007: UAH 375,895 thousand).

Trade receivables as at 31 December 2009, 2008 and 2007 due from related parties are non-interest bearing, unsecured and are settled in the normal course of business.

Cost of materials and traffic charges and trade payables

Cost of materials and traffic charges from related parties include roaming and interconnection services, provided by entities affiliated with Telenor Mobile Communications AS and Storm LLC.

Trade payables to entities affiliated with Storm LLC comprise amounts due for interconnection services.

Trade payables to related parties are non-interest bearing and are settled in the normal course of business.

Operating expenses

Operating expenses from related parties include consulting services, provided by entities affiliated with Telenor Mobile Communications AS and Storm LLC.

Finance income

In 2009 finance income included UAH 106,458 thousand of interest on short-term deposits placed in Ukrainian bank affiliated with Storm LLC (2008: UAH 172,698 thousand, 2007: UAH 31,046 thousand).

Short-term deposits and cash and cash equivalents

As at 31 December 2009, 2008 and 2007 short-term deposits and cash and cash equivalents were placed in Ukrainian bank affiliated with Storm LLC.

As at 31 December the split of short-term deposits placed with related party bank by contractual maturity and interest rate earned was as follows:

Currency	Maturity date	Interest rate	2009	2008	2007
UAH	1-6 months	5.50-36%	30,000	770,000	385,000
USD	1-6 months	7-12.30%	60,127	386,925	246,440
EUR	1-6 months	8-16%	68,235	295,269	5,936
			158,362	1,452,194	637,376

Compensation to management personnel

As at 31 December 2009 key management personnel consisted of 41 top executives of the Group (2008: 38, 2007: 38). For the years ended 31 December total compensation to key management personnel included in salaries and personnel costs comprised:

	2009	2008	2007
Short-term employee benefits	72,461	51,289	39,120
Long-term employee benefits	207	89	103
Total compensation to key management personnel	72,668	51,378	39,223

33. Commitments and contingencies

(i) Tax risks

Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and custom regulations, continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations are not unusual.

Management believes that the Group has complied with all regulations, and paid and accrued all taxes that are applicable. Where the risk of outflow of resources is probable, the Group has accrued provisions based on management's best estimate. The Group identified certain possible tax contingencies, which are not required to be accrued in the financial statements. Such possible tax contingencies could materialise and require the Group to pay additional amounts of tax.

(ii) Legal matters

In the ordinary course of business, the Group is subject to legal actions and complaints. As at 31 December 2009 the Group's exposure to presented third parties' claims is UAH 5,284 thousand (2008: UAH 1,000 thousand, 2007: 1,000 thousand). Management believes that the ultimate liability, if any, arising from claims and complaints, both presented and potential, will not have a material adverse effect on the Group's financial position or the results of its future operations and is less than probable, accordingly no corresponding accrual was provided in these consolidated financial statements.

(iii) Other capital commitments

As at 31 December 2009 the Group had outstanding commitments in respect of purchase and construction of property, plant and equipment in amount of UAH 379,576 thousand (2008: UAH 125,710 thousand, 2007: UAH 95,247 thousand).

As at 31 December 2009 the Group had outstanding commitments in respect of purchasing intangible assets in amount of UAH 62,769 thousand (2008: UAH 51,231 thousand, 2007: UAH 1,239 thousand).

(iv) Lease commitments

Operating lease – the Group as a lessee

The Group has entered into certain leases of land and buildings. These leases have an average life from one to five years with a renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases. Future minimum rentals payable under a non-cancellable operating lease as at 31 December were as follows:

	2009	2008	2007
Within one year	172,807	82,694	7,805
After one year but not more than five years	137,140	28,188	51,857
More than five years	–	3,013	19,371
	309,947	113,895	79,033

34. Fair value of financial instruments

As at 31 December 2009, 2008 and 2007 the carrying value of the Group's financial instruments approximates their fair values.

The face values of financial assets and liabilities with a maturity of less than one year, less any estimated credit adjustments, are assumed to be their fair values.

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

Fair value of the interest rate swap was estimated by the present value of future cash flows, calculated by using quoted swap curves and exchange rates as at the reporting date.

35. Financial instruments and risk management

The Group's principal financial instruments, other that derivatives, comprise interest-bearing loans and borrowings, cash in bank and short-term deposits. The Group has various other financial instruments, such as trade payables and trade receivables, which arise directly from its operations.

The Group enters into derivative transactions to hedge its interest rate risk arising on interest-bearing loans and borrowings. It is the Group's policy not to trade with financial instruments.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's overall risk management program focuses on the unpredictability and inefficiency of the Ukrainian financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group's senior management oversees the management of these risks and financial risk-taking activities are governed by appropriate policies and procedures so that financial risks are identified, measured and managed in accordance with group policies.

The policies for managing each of these risks are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk. Financial instruments affected by market risk include loans and borrowings, deposits and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 December 2009, 2008 and 2007.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant at 31 December 2009, 2008 and 2007.

The analyses exclude the impact of movements in market variables on the carrying value of post-retirement obligations and provisions.

The following assumptions have been made in calculating the sensitivity analyses:

- The statement of financial position sensitivity relates only to derivatives.
- The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate for non-trading financial assets and financial liabilities held at 31 December 2009, 2008 and 2007.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's derivative. On 17 August 2009 the Group's derivative ceased according to its initial effective date. (Note 22).

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's financing activities (when interest-bearing borrowings are denominated in different currency from the Group's functional currency).

In common with many other businesses in Ukraine, foreign currencies, in particular the US dollar ('USD'), the Euro ('EUR') and the Russian ruble ('RUR') play a significant role in the underlying economics of the Group's business transactions. The exchange rates for foreign currencies, in which the Group's financial assets and liabilities were denominated, against Ukrainian hryvnia ('UAH'), as declared by the National Bank of Ukraine ('NBU') as at the dates stated, were as follows:

	RUR	USD	EUR
1 January 2007	0.1918	5.0500	6.6508
Average for 2007	0.1980	5.0500	6.9179
31 December 2007	0.2058	5.0500	7.4195
Average for 2008	0.2113	5.2672	7.7080
31 December 2008	0.2621	7.7000	10.8555
Average for 2009	0.2465	7.7962	10.8889
31 December 2009	0.2640	7.9850	11.4489

The following tables demonstrate the sensitivity to a reasonably possible change in the corresponding exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

2009	Increase/ (decrease) in basis points	Effect on profit before tax
Change in USD exchange rate	+31.30%	120,145
Change in EUR exchange rate	+33.10%	151,713
Change in RUR exchange rate	+34.00%	(186)
Change in USD exchange rate	-31.30%	(120,145)
Change in EUR exchange rate	-33.10%	(151,713)
Change in RUR exchange rate	-34.00%	186

2008	Increase/ (decrease) in basis points	Effect on profit before tax
Change in USD exchange rate	+33.80	49,553
Change in EUR exchange rate	+39.70	24,480
Change in RUR exchange rate	+36.40	(1,388)
Change in USD exchange rate	-33.80	(49,553)
Change in EUR exchange rate	-39.70	(24,480)
Change in RUR exchange rate	-36.40	1,388

2007	Increase/ (decrease) in basis points	Effect on profit before tax
Change in USD exchange rate	+3.10	(77,098)
Change in EUR exchange rate	+10.10	1,235
Change in USD exchange rate	-2.90	72,124
Change in EUR exchange rate	-8.40	(1,156)

Liquidity risk

The Group's objective is to maintain continuity and flexibility of funding through the use of credit terms provided by suppliers and bank loans and borrowings.

The Group analyses the aging of its assets and the maturity of its liabilities and plans its liquidity depending on the expected repayment of various instruments. The Group emphasises financial flexibility. An important part of this emphasis is to minimise liquidity risk through ensuring access to a diversified set of funding sources. The Group uses cash and credit facilities to manage short-term liquidity. Long-term liquidity needs are managed by raising funds in the capital markets.

The tables below show the maturity profile of the Group's financial liabilities, other than derivative financial instrument, as at 31 December based on contractual undiscounted payments.

2009	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Total
Interest-bearing loans and borrowings	–	–	–	51,192	51,192
Interest accrued	–	694	–	–	694
Trade and other payables	547,507	19,259	1,720	–	568,486
	547,507	19,953	1,720	51,192	620,372

2008	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Total
Interest-bearing loans and borrowings	956,232	–	–	–	956,232
Interest accrued	–	28,823	–	–	28,823
Dividends payable to equity holders of the parent	–	2,905,653	–	–	2,905,653
Trade and other payables	–	522,352	7,860	785	530,997
	956,232	3,456,828	7,860	785	4,421,705

2007	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Total
Interest-bearing loans and borrowings	2,214,021	–	–	–	2,214,021
Interest accrued	–	66,415	–	–	66,415
Trade and other payables	–	597,647	15,597	58,316	671,560
	2,214,021	664,062	15,597	58,316	2,951,996

Cash flows arising on the Group's interest rate swap, recognised in the consolidated statement of financial position as a derivative financial instrument, are settled on net basis (Note 22).

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Financial instruments, which potentially expose the Group to significant concentrations of credit risk, consist principally of cash in bank, short-term deposits and trade and other receivables.

The Group's maximum credit risk exposure at 31 December comprised:

	2009	2008	2007
Cash and cash equivalents	1,210,394	5,068,369	4,611,689
Short-term deposits	–	3,063,312	764,338
Trade and other receivables	595,702	628,244	292,640
	1,806,096	8,759,925	5,668,667

The Group's cash is primarily held with major reputable banks located in Ukraine.

Accounts receivable are presented net of allowances. The Group does not require collateral in respect of financial assets. Concentrations of credit risk with respect to trade receivables are limited by the fact that the Company's customer base contains significant number of small customers, which are considered unrelated.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for all customers requiring credit over a certain amount. Credit risk arising from financial transactions is reduced through diversification, through accepting counterparties with high credit ratings only and through defining limits on aggregated credit exposure towards each counterparty. The Group's credit risk exposure is monitored and analysed on a case-by-case basis, and the Group's management believes that credit risk is appropriately reflected in impairment allowances recognised against assets.

As at 31 December 2009, 2008 and 2007, the ageing of the Group's trade receivables and other receivables was as follows:

			Neither past due, nor impaired	Past due, but not impaired				
	Total	Fully impaired		Less than 30 days	30-60 days	60-90 days	90-120 days	More than 120 days
2009	595,702	76,854	541,378	48,206	2,349	389	239	3,141
2008	628,244	64,851	515,498	47,254	63,635	1,225	450	182
2007	292,640	55,668	203,201	56,610	29,255	1,986	10	1,578

Financial derivatives also represent credit risk. The Group's maximum exposure for financial derivative instruments is described in the liquidity table above.

Capital management

The Group considers debt and shareholders' equity as primary capital sources. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders as well as to provide financing of its operating requirements, capital expenditures and sustain the Group's development strategy. The Group's capital management policies aim to ensure and maintain an optimal capital structure to reduce the overall cost of capital and flexibility relating to the Group's access to capital markets.

	2009	2008	2007
Interest-bearing loans and borrowings (Note 21)	51,886	985,055	2,280,436
Trade and other payables (Note 27)	568,486	530,997	671,560
Dividends payable to equity holders of the parent	–	2,905,653	–
Less cash and cash equivalents (Note 19)	(1,210,394)	(5,068,369)	(4,611,689)
Net debt	(590,022)	(646,664)	(1,659,693)
Total equity	8,978,797	11,793,400	10,179,947
Capital and net debt	8,388,775	11,146,736	8,520,254
Gearing ratio	n/a	n/a	n/a

Management believes that the gearing ratio up to 35% is acceptable to the Group. Management monitors on a regular basis the Group's capital structure and may adjust its capital management policies and targets following changes in its operating environment, market sentiment or its development strategy.

36. Events after the reporting period

(i) Shareholders' meetings

On 13 January 2010 the General Meeting of the Shareholders of the Company approved partial distribution of the profit for the year 2008 in amount of UAH 765,217 thousand among the shareholders in the form of dividends pro rata to the number of shares held by them (UAH 71.60 per share).

(ii) Shareholders agreement to transfer Kyivstar's shares to newly created Vimpelcom Ltd.

In October 2009, Telenor ASA ('Telenor'), which owns 56.52% of the Company's shares through *Telenor Mobile Communications AS* and its other subsidiaries, and Altimo Holdings & Investments Ltd. ('Altimo'), which owns 43.48% of the Company's shares through *Storm LLC* and its other subsidiaries, agreed to combine their holdings in the Company with their holdings in OJSC 'Vimpel-Communications', one of the largest telecommunications operators in Russia and the CIS, by creating a jointly owned telecommunications company called VimpelCom Ltd.

On 9 February 2010, VimpelCom Ltd. commenced an offer to exchange all outstanding shares (including those represented by American Depositary Shares) of OJSC 'Vimpel-Communications' for either depositary receipts representing VimpelCom Ltd. shares or a nominal cash amount. The exchange offer is scheduled to be completed in mid-April 2010, subject to the satisfaction of certain conditions. Immediately following the successful completion of the exchange offer, Telenor and Altimo have agreed to contribute their respective ownership interests in the Company to VimpelCom Ltd. in exchange for additional VimpelCom Ltd. shares. If the transactions are successfully completed, the Company will become an indirect wholly-owned subsidiary of VimpelCom Ltd.

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