

Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 425

OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS

Form 425

March 18, 2010

Filed by: Open Joint Stock Company Vimpel-Communications

pursuant to Rule 425 of the Securities Act of 1933

Subject Company: Open Joint Stock Company Vimpel-Communications

Commission File No.: 333-164770

On March 18, 2010, VimpelCom published its fourth quarter and full-year 2009 earnings release and presentation to investors and conducted a teleconference. Copies of the earnings release and the presentation and excerpts from the transcript of the teleconference follow:

Moscow and New York (March 18, 2010) - Open Joint Stock Company Vimpel-Communications (VimpelCom or the Company) (NYSE: VIP), a leading international provider of telecommunications services operating in Russia, the Commonwealth of Independent States (CIS) and South-East Asia, today announced its operating and financial results for the quarter and year ended December 31, 2009.

The Company changed its reporting currency from the US dollar to the Russian ruble effective as of January 1, 2009. The Company presented certain financial information for the first three quarters of 2009 in Russian rubles.

Following the plans announced in October 2009 by the Company's two strategic shareholders to combine their holdings under a new company, VimpelCom Ltd., and in connection with regulatory filings relating to that transaction, the Company decided to change its reporting currency to the US dollar. The audited consolidated financial statements for the year ended December 31, 2009 are prepared in US dollars. Amounts included in quarterly financial statements for the first three quarters of 2009 were recast using the current rate method of currency translation as though the US dollar was the reporting currency in those periods. Financial information in this press release is presented in US dollars for the consolidated Group and in functional currencies for Russia and the CIS countries.

Although Georgia is no longer a member of the CIS, consistent with our historical reporting practice we continue to include Georgia in our CIS reporting segment.

2009 Highlights and Recent Developments

Operational

3.6 million new mobile subscribers, with the total subscriber base up to 64.6 million

2.3 million broadband subscribers, an 85% growth year-on-year

3G networks rollout in Russia on schedule, all current license requirements fulfilled

Launch of operations in Cambodia and Vietnam under Beeline brand

Financial

Revenues of \$8.7 billion and OIBDA* of \$4.3 billion, 14% and 12% down year-on-year, respectively. In ruble terms, revenues of 275.2 billion and OIBDA of 135.2 billion, 10% and 12% increase year-on-year

Full-year consolidated ruble revenues in Russia increased 10% year-on-year and reached 235.4 billion rubles

Substantially improved consolidated fixed and mobile margin of 49.1% compared to 48.0% in 2008

Free cash flow amounted to \$2.7 billion after \$0.8 billion spent on Capex

Net income attributable to VimpelCom of \$1.1 billion or 114% increase year-on-year

Basic EPS up 110% year-on-year to \$21.71 (\$1.09 per ADS)

Net debt decreased to \$5.9 billion bringing the Net Debt/OIBDA ratio to 1.4

Other

Interim dividend of \$0.32 per ADS was paid out

Strategic shareholders initiated the process of combining their stakes in VimpelCom and Kyivstar in a new company, VimpelCom Ltd., and launched a public exchange offer for all of VimpelCom's outstanding shares

* Here and thereafter refers to adjusted OIBDA (See definition)

Commenting on the performance of the Company, Boris Nemsic, Chief Executive Officer of VimpelCom, said, "By the end of 2008, in the depths of the global macroeconomic crisis, we took decisive actions to address the market uncertainties. We committed to our shareholders that we would preserve cash, improve liquidity, control costs, and integrate the newly acquired fixed-line business, all while maintaining our leading market positions. I am very pleased that we have delivered on each of these commitments, which is clearly demonstrated by our full-year results.

The growth in our mobile subscriber base to over 64.6 million customers was good especially in light of the high penetration in our markets. Moreover, subscriber growth did not come at the expense of subscriber quality and profitability, as we improved our consolidated fixed and mobile OIBDA margins to more than 49% on average for the year. Furthermore, our focus on operational excellence and profitability resulted in a record \$3.5 billion of operational cash flow, allowing us to substantially improve our liquidity and pay dividends. We paid out a dividend of \$0.32 per ADS based on the Company's operating results for the first nine months of 2009, while substantially reducing our net debt to a comfortably manageable \$5.9 billion, a 22% reduction compared to December 31, 2008.

Finally, our strategic shareholders recently took another important step toward positioning VimpelCom as a global player in the telecommunications industry by launching an exchange offer through VimpelCom Ltd., which if completed, will combine VimpelCom with Kyivstar, the largest mobile operator in Ukraine. We believe that this transaction will support our strategic objectives and create value for the Company's stakeholders. The Company's Board of Directors unanimously recommended that the Company's shareholders and holders of American depository shares exchange their Company shares and ADSs for VimpelCom Ltd. depository shares in the exchange offer launched by VimpelCom Ltd.

Key Consolidated Financial and Operating Results*

CONSOLIDATED OPERATIONS (US\$, millions)	4Q 09	4Q 08	4Q 09/ 4Q 08	3Q 09	4Q 09/ 3Q 09	2009	2008**	2009/ 2008
Net operating revenues	2,309	2,555	-9.6%	2,276	1.4%	8,703	10,117	-14.0%
Adjusted OIBDA	1,088	1,124	-3.2%	1,148	-5.2%	4,272	4,860	-12.1%
Adjusted OIBDA margin, %	47.1%	44.0%		50.4%		49.1%	48.0%	
Operating income	608	208	192.3%	711	-14.5%	2,578	2,536	1.7%
Operating income margin, %	26.3%	8.1%		31.2%		29.6%	25.1%	
SG&A	680	787	-13.6%	599	13.5%	2,390	2,839	-15.8%
including Sales & Marketing Expenses	218	285	-23.5%	184	18.5%	727	929	-21.7%
including General & Administrative Costs	462	502	-8.0%	415	11.3%	1,663	1,910	-12.9%
SG&A percentage	29.4%	30.8%		26.3%		27.5%	28.1%	
Net income (loss) attributable to VimpelCom	283	-816	n/a	433	-34.6%	1,122	524	114.1%
Net income (loss) attributable to VimpelCom per common share, basic, (US\$)	5.47	-16.12		8.36		21.71	10.32	
Net income (loss) attributable to VimpelCom per ADS equivalent, basic, (US\$)	0.27	-0.81		0.42		1.09	0.52	
Capital expenditures	422.7	855.5	-50.6%	123.2	243.1%	814.1	2,570.8	-68.3%
Mobile subscribers (000) ***	64,596	61,029	5.8%	65,358	-1.2%	64,596	61,029	5.8%
Broadband subscribers (000)	2,257	1,221	84.8%	1,930	16.9%	2,257	1,221	84.8%

* See definitions in Attachment A. References to year-on-year are to comparisons of 4Q09 vs. 4Q08, while references to quarter-on-quarter are to 4Q09 vs. 3Q09.

** 2008 results include only 10 months of consolidation of Golden Telecom's operations.

*** In 3Q09 we reported 95 thousands as active subscribers in Cambodia which was calculated on a one month basis. Starting from 4Q09 we will report active subscriber base in Cambodia calculated on a three month basis.

Net operating revenues 4Q 09**** (US\$ millions)	Russia	CIS	SEA	Eliminations	Total
Mobile business	1,671	284	2	-2	1,955
Fixed-line business	458	67	0	-18	507
Eliminations	-133	-9	0	-11	-153
Total net operating revenue	1,996	342	2	-31	2,309

**** Due to the increasing integration between different parts of our business, we include inter-company transactions in the reported revenues of geographic and business segments and indicate the amount of inter-company eliminations within and between the segments.

The quarterly net operating revenues increased by 1.4% quarter-on-quarter, reflecting seasonality supported by favorable exchange rate dynamics. Full-year revenues amounted to \$8.7 billion, demonstrating the robustness of our core business and our ability to maintain our market positions.

Our continuous efforts on cost optimization, price rebalancing and streamlining integration resulted in more than one percentage point improvement of the full-year consolidated fixed and mobile OIBDA margin, which reached 49.1%. The fourth quarter OIBDA margin, despite being seasonally affected, showed substantial improvement when compared to the fourth quarter of the previous year.

A consistent focus on cash generation and working capital optimization helped us to achieve a record \$3.5 billion of operational cash flow, which is \$100 million higher than reported a year ago.

Capital expenditures in 2009 were significantly lower than in the previous year, utilizing massive investments made in 2007-2008, including the acquisition of Golden Telecom's networks, and meeting the overall level of demand throughout 2009. In 2010, we intend to increase our capital expenditures compared with the 2009 level and plan to invest approximately 15-20% of our revenues.

During the fourth quarter we repaid in total \$742 million of debt including a \$315 million bond buy-back we completed in October 2009. Our net debt declined by \$1.6 billion in 2009 and reached \$5.9 billion at the end of the year.

Our net income attributable to VimpelCom amounted to \$283 million for the fourth quarter and \$1.1 billion for the full year 2009, which is 114.1% more than we reported in 2008.

Russia - Financial and Operating Results

RUSSIA (RUR millions)	4Q 09	4Q 08	4Q 09/ 4Q 08	3Q 09	4Q 09/ 3Q 09	2009	2008	2009/ 2008
Net operating revenues	58,819	58,809	0.0%	61,211	-3.9%	235,438	214,136	9.9%
Adjusted OIBDA	27,725	25,849	7.3%	30,951	-10.4%	116,181	104,426	11.3%
Adjusted OIBDA margin, %	47.1%	44.0%		50.6%		49.3%	48.8%	
Operating income	17,393	7,847	121.7%	20,724	-16.1%	76,410	60,489	26.3%
Operating income margin, %	29.6%	13.3%		33.9%		32.5%	28.2%	
SG&A	17,033	18,198	-6.4%	15,644	8.9%	63,030	59,424	6.1%
including Sales & Marketing Expenses	5,862	6,706	-12.6%	4,940	18.7%	20,013	19,720	1.5%
including General & Administrative Costs	11,171	11,492	-2.8%	10,704	4.4%	43,017	39,704	8.3%
SG&A percentage	29.0%	30.9%		25.6%		26.8%	27.8%	
Net income (loss) attributable to VimpelCom	9,267	-12,132	n/a	13,754	-32.6%	38,133	19,713	93.4%

Our quarterly net operating revenues in Russia amounted to 58.8 billion rubles. The quarterly dynamics reflect seasonality, with revenues in local currency declining by 3.9% quarter-on-quarter. Overall, our full-year 2009 consolidated fixed and mobile revenues in Russia increased by 9.9% in ruble terms, when compared to 2008.

In the mobile segment, our quarterly ruble revenues remained flat when compared to the fourth quarter of 2008. Full year mobile revenues were up 7.0%. We also saw an increase in revenues from value added services driven by demand for infotainment and mobile data. Minutes of use increased in the past three quarters supporting our view that voice traffic continues to be one of the key drivers of revenue growth. In our marketing activities we aim to maintain pricing discipline and be competitive in every segment of the mobile market.

We achieved a mobile OIBDA margin of 49.3% in the fourth quarter of 2009, which is 2.5 percentage points higher than reported in the fourth quarter of 2008. In ruble terms, our quarterly mobile OIBDA reached 24.3 billion rubles, a 6.0% increase year-on-year.

Our quarterly fixed-line revenues increased by 12.7% year-on-year in ruble terms reflecting the sustainability of our diverse revenue base. To the extent that we will begin to see economic recovery in 2010, we expect to see revenue growth in the corporate segment and increasing demand for data from both corporate and residential customers.

Fixed-line OIBDA margin, although slightly down quarter-on-quarter, increased on a full-year basis from 24.1% to 27.9%. In ruble terms, in 2009 the full-year fixed-line OIBDA reached 14.9 billion rubles, a 73.2%* increase as compared to 2008.

In the fourth quarter of 2009, our total number of residential broadband subscribers in Russia, including FTTB and mobile broadband, exceeded 2.1 million, a 78.6% increase year-on-year and a 15.2% increase quarter-on-quarter. Revenues from residential broadband were up 151.0% year-on-year.

RUSSIA REVENUES (RUR millions)	4Q 09/		4Q 09/		2009	2008	2009/	
	4Q 09	4Q 08	4Q 08	3Q 09				3Q 09
Net operating revenues	58,819	58,809	0.0%	61,211	-3.9%	235,438	214,136	9.9%
Mobile	49,250	48,987	0.5%	51,502	-4.4%	195,816	183,036	7.0%
Fixed-line	13,485	11,962	12.7%	13,583	-0.7%	53,383	35,730	49.4%
Eliminations	-3,916	-2,140		-3,874		-13,761	-4,630	

RUSSIA OIBDA DEVELOPMENT (RUR millions)	4Q 09/		4Q 09/		2009	2008	2009/	
	4Q 09	4Q 08	4Q 08	3Q 09				3Q 09
Adjusted OIBDA Total	27,725	25,849	7.3%	30,951	-10.4%	116,181	104,428	11.3%
Mobile	24,286	22,902	6.0%	27,360	-11.2%	101,293	95,834	5.7%
Fixed-line	3,439	2,947	16.7%	3,591	-4.2%	14,888	8,594	73.2%
Adjusted Total OIBDA margin, %	47.1%	44.0%		50.6%		49.3%	48.8%	
Mobile, %	49.3%	46.8%		53.1%		51.7%	52.4%	
Fixed-line, %	25.5%	24.6%		26.4%		27.9%	24.1%	

RUSSIA OPERATING DEVELOPMENT	4Q 09/		4Q 09/		2009	2008	2009/	
	4Q 09	4Q 08	4Q 08	3Q 09				3Q 09
Mobile subscribers (000)	50,886	47,677	6.7%	51,028	-0.3%	50,886	47,677	6.7%
MOU, min	217.7	227.8	-4.4%	213.6	1.9%	211.4	219.1	-3.5%
ARPU mobile, US\$	10.8	12.5	-13.6%	10.6	1.9%	10.1	13.9	-27.3%
ARPU mobile, RUR	316.9	340.6	-7.0%	331.8	-4.5%	319.6	344.4	-7.2