Consolidated Financial Statements

Open Joint Stock Company
"Vimpel-Communications"

Years ended December 31, 2009, 2008 and 2007

with Report of Independent Registered Public Accounting Firm

Open Joint Stock Company “Vimpel-Communications”

Consolidated Financial Statements

Years ended December 31, 2009, 2008 and 2007

Contents

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Report of Independent Registered Public Accounting Firm

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.

Ernst & Young LLC

Moscow, Russia

March 18, 2010

Open Joint Stock Company “Vimpel-Communications”

Consolidated Balance Sheets

	Note	December 31, 2009	December 31, 2008
		(In thousands of US dollars, except share amounts)	
Assets			
Current assets:			
Cash and cash equivalents	5	$ 1,446,949	$ 914,683
Trade accounts receivable, net of allowance for doubtful accounts		392,365	475,667
Inventory	13	61,919	142,649
Deferred income taxes	18	91,493	82,788
Input value added tax		96,994	182,045
Due from related parties	20	249,631	168,196
Other current assets	14	627,257	440,479
Total current assets		**2,966,608**	**2,406,507**
Property and equipment, net	8	5,561,569	6,425,873
Telecommunications licenses, net	9	542,597	764,783
Goodwill	10	3,284,293	3,476,942
Other intangible assets, net	9	700,365	882,830
Software, net	11	448,255	549,166
Investments in associates	12	436,767	493,550
Other assets	14	792,087	725,502
Total assets		**$ 14,732,541**	**$ 15,725,153**
Liabilities, redeemable noncontrolling interest and equity			
Current liabilities:			
Accounts payable		$ 545,690	$ 896,112
Due to employees		113,368	105,795
Due to related parties	20	9,211	7,492
Accrued liabilities	14	315,666	288,755
Taxes payable		212,767	152,189
Customer advances, net of VAT		376,121	425,181
Customer deposits		28,386	29,557
Short-term debt	15	1,813,141	1,909,221
Total current liabilities		**3,414,350**	**3,814,302**
Deferred income taxes	18	596,472	644,475
Long-term debt	15	5,539,906	6,533,705
Other non-current liabilities	14	164,636	122,825
Commitments, contingencies and uncertainties	24	–	–
Total liabilities		**9,715,364**	**11,115,307**
Redeemable noncontrolling interest		508,668	469,604
Equity:	16		
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, 2008: 51,281,022); 50,714,579 shares outstanding (December 31, 2008: 50,617,408)		92	92
Additional paid-in capital		1,143,657	1,165,188
Retained earnings		4,074,492	3,271,878
Accumulated other comprehensive (loss)		(488,277)	(90,021)
Treasury stock, at cost, 566,443 shares of common stock (December 31, 2008: 663,614)		(223,421)	(239,649)
Total VimpelCom shareholders' equity		**4,506,543**	**4,107,488**
Noncontrolling interest		1,966	32,754
Total equity		**4,508,509**	**4,140,242**
Total liabilities, redeemable noncontrolling interest and equity		**$ 14,732,541**	**$ 15,725,153**

The accompanying notes are an integral part of these consolidated financial statements.

Open Joint Stock Company “Vimpel-Communications”

Consolidated Statements of Income

	Note	Years ended December 31, 2009	2008	2007
		(In thousands of US dollars, except share (ADS) amounts)		
Operating revenues:				
Service revenues		$ 8,580,815	$ 9,999,850	$ 7,161,833
Sales of equipment and accessories		109,959	107,946	6,519
Other revenues		19,788	17,190	6,528
Total operating revenues		**8,710,562**	**10,124,986**	**7,174,880**
Revenue based tax		(7,660)	(8,054)	(3,782)
Net operating revenues		**8,702,902**	**10,116,932**	**7,171,098**
Operating expenses:				
Service costs		1,878,443	2,262,570	1,309,287
Cost of equipment and accessories		110,677	101,282	5,827
Selling, general and administrative expenses		2,389,998	2,838,508	2,206,322
Depreciation		1,393,431	1,520,184	1,171,834
Amortization		300,736	360,980	218,719
Impairment loss	10	–	442,747	–
Provision for doubtful accounts	19	51,262	54,711	52,919
Total operating expenses		**6,124,547**	**7,580,982**	**4,964,908**
Operating income		**2,578,355**	**2,535,950**	**2,206,190**
Other income and expenses:				
Interest income		51,714	71,618	33,021
Net foreign exchange (loss)/gain		(411,300)	(1,142,276)	72,955
Interest expense		(598,531)	(495,634)	(194,839)
Equity in net (loss)/gain of associates	12	(35,763)	(61,020)	(211)
Other (expenses)/income, net		(32,114)	(17,404)	3,240
Total other income and expenses		**(1,025,994)**	**(1,644,716)**	**(85,834)**
Income before income taxes		**1,552,361**	**891,234**	**2,120,356**
Income tax expense	18	435,030	303,934	593,928
Net income		**1,117,331**	**587,300**	**1,526,428**
Net (loss)/income attributable to the noncontrolling interest		(4,499)	62,966	63,722
Net income attributable to VimpelCom		**$ 1,121,830**	**$ 524,334**	**$ 1,462,706**
Basic EPS :	21			
Net income attributable to VimpelCom per common share		**$ 21.71**	**$ 10.32**	**$ 28.78**
Weighted average common shares outstanding (thousand)		50,647	50,700	50,818
Net income attributable to VimpelCom per ADS equivalent		**$ 1.09**	**$ 0.52**	**$ 1.44**
Diluted EPS :	21			
Net income attributable to VimpelCom per common share		**$ 21.69**	**$ 10.32**	**$ 28.78**
Weighted average diluted shares (thousand)		50,678	50,703	50,818
Net income attributable to VimpelCom per ADS equivalent		**$ 1.08**	**$ 0.52**	**$ 1.44**
Dividends per share		$ 6.30	$ 11.46	$ 6.47
Dividends per ADS equivalent	16	$ 0.31	$ 0.57	$ 0.32

The accompanying notes are an integral part of these consolidated financial statements.

Open Joint Stock Company “Vimpel-Communications”

Consolidated Statements of Changes in Equity and Comprehensive Income

Years ended December 31, 2009, 2008 and 2007

	Common Stock										
	Shares	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, except shares)										
Balances at December 31, 2006	51,281,022	$ 92	$ 1,382,522	$ 2,195,713	$ 423,088	$ (58,505)	**$ 3,942,910**	$ 257,859	**$ 4,200,769**	**$ –**	**$ –**
Sale of treasury stock – 100,113 shares	–	–	30,881	–	–	8,906	**39,787**	–	**39,787**	**–**	**–**
Purchase of treasury stock – 200,000 shares *(Note 16)*	–	–	–	–	–	(81,069)	**(81,069)**	–	**(81,069)**	**–**	**–**
Dividends declared	–	–	–	(326,595)	–	–	**(326,595)**	–	**(326,595)**	**–**	**–**
Adoption of FIN 48 (*Note 18*)	–	–	–	(4,108)	–	–	**(4,108)**	(4,092)	**(8,200)**	**–**	**–**
Acquisition of noncontrolling interests	–	–	–	–	–	–	**–**	(41,465)	**(41,465)**	**–**	**–**
Comprehensive income:											**–**
Foreign currency translation adjustment	–	–	–	–	378,155	–	**378,155**	12,386	**390,541**	**–**	**–**
Net income	–	–	–	1,462,706	–	–	**1,462,706**	63,722	**1,526,428**	**–**	**1,526,428**
Total accumulated comprehensive income	–	–	–	1,462,706	378,155	–	**1,840,861**	76,108	**1,916,969**	**–**	**–**

Open Joint Stock Company "Vimpel-Communications"

Consolidated Statements of Changes in Equity and Comprehensive Income (continued)

	Common Stock										
	Shares	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, except shares)							
Balances at December 31, 2007	51,281,022	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)**	**–**	**–**
Acquisition of noncontrolling interests							**–**	(106,722)	**(106,722)**	**–**	**–**
Initial measurement and recognition of redeemable noncontrolling interest (*Note 17*)	–	–	(278,825)	–		–	**(278,825)**	(154,257)	**(433,082)**	**433,082**	**–**
Accretion to redeemable noncontrolling interest	–	–	(1,413)	–	–	–	**(1,413)**	–	**(1,413)**	**1,413**	**–**
Comprehensive income:											**–**
Foreign currency translation adjustment	–	–	–	–	(891,263)	–	**(891,263)**	(22,534)	**(913,797)**	**–**	**–**
Net income	–	–	–	524,334	–	–	**524,334**	27,857	**552,191**	**35,109**	**587,300**
Total accumulated comprehensive income (loss)	–	–	–	524,334	(891,263)	–	**(366,929)**	5,323	**(361,606)**	**–**	**–**

Open Joint Stock Company "Vimpel-Communications"

Consolidated Statements of Changes in Equity and Comprehensive Income (continued)

	Common Stock											
	Shares	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, except shares)										
Balances at December 31, 2008	51,281,022	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 declared	–	–	–	(319,216)	–	–	**(319,216)**	–	**(319,216)**	**–**	**–**
Dividends to noncontrolling interest	–	–	–	–	–	–	**–**	(977)	**(977)**	**(13,000)**	**–**
Acquisition of noncontrolling interests	–	–	3,598	–	(9,922)	–	**(6,324)**	(13,671)	**(19,995)**	**–**	**–**
Accretion to redeemable noncontrolling 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	–	–	–	1,121,830	–	–	**1,121,830**	(26,694)	**1,095,136**	**22,195**	**1,117,331**
Total accumulated comprehensive income (loss)	–	–	–	1,121,830	(388,335)	–	**733,495**	(16,140)	**717,355**	**–**	**–**
Balances at December 31, 2009	**51,281,022**	**$ 92**	**$ 1,143,657**	**$ 4,074,492**	**$ (488,277)**	**$ (223,421)**	**$ 4,506,543**	**$ 1,966**	**$ 4,508,509**	**$ 508,668**	**$ –**

The accompanying notes are an integral part of these consolidated financial statements

Open Joint Stock Company “Vimpel-Communications”

Consolidated Statements of Cash Flows

	Years ended December 31, 2009	2008	2007
	(In thousands of US dollars)		
Operating activities			
Net income	$ 1,117,331	$ 587,300	$ 1,526,428
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	1,393,431	1,520,184	1,171,834
Amortization	300,736	360,980	218,719
Impairment loss	–	442,747	–
Loss from associates	35,763	61,020	211
Provision for deferred taxes	(19,541)	(92,654)	32,858
Loss (gain) on foreign currency translation	411,300	1,142,276	(72,955)
Provision for doubtful accounts	51,262	54,711	52,919
Stock-based compensation expense/(gain)	2,323	(121,890)	171,242
Loss from early debt redemption	19,063	–	–
Other adjustments	(380)	(5,078)	–
Changes in operating assets and liabilities:			
Trade accounts receivable	(57,452)	(240,629)	(333)
Inventory	64,927	(90,221)	(3,021)
Input value added tax	78,972	(103,941)	45,383
Other current assets	135,212	(415,735)	(351)
Accounts payable	(69,290)	281,725	(157,901)
Customer advances and deposits	(23,010)	75,098	85,135
Taxes payable and accrued liabilities	72,122	(34,035)	(32,478)
Net cash provided by operating activities	**3,512,769**	**3,421,858**	**3,037,690**
Investing activities			
Purchases of property and equipment	(691,445)	(2,002,452)	(1,238,305)
Purchases of intangible assets	(15,685)	(75,012)	(73,814)
Purchases of software	(184,481)	(313,652)	(293,956)
Acquisition of subsidiaries, net of cash acquired	–	(4,134,609)	(301,355)
Investments in associates	(12,500)	(491,265)	–
Exercise of escrow cash deposit	–	200,170	(200,170)
Loan granted	–	(350,000)	–
Investments in deposits	(488,580)	43,179	(42,356)
Purchases of other assets, net	(40,799)	(53,575)	(84,596)
Net cash used in investing activities	**(1,433,490)**	**(7,177,216)**	**(2,234,552)**
Financing activities			
Proceeds from bank and other loans	1,270,248	6,209,392	666,348
Proceeds from sale of treasury stock	–	25,488	39,787
Repayments of bank and other loans	(2,432,862)	(721,222)	(365,657)
Payments of fees in respect of debt issues	(53,071)	(68,159)	(14,380)
Repayments of equipment financing obligations	–	–	(106,888)
Net proceeds from employee stock options	18,142	–	–
Purchase of noncontrolling interest in consolidated subsidiaries	(18,198)	(992,825)	–
Payment of dividends	(315,644)	(587,302)	(331,885)
Payment of dividends to noncontrolling interest	(13,977)	–	–
Purchase of treasury stock	–	(114,476)	(81,069)
Net cash (used in)/provided by financing activities	**(1,545,362)**	**3,750,896**	**(193,744)**
Effect of exchange rate changes on cash and cash equivalents	(1,651)	(84,566)	49,823
Net increase/(decrease) in cash and cash equivalents	**532,266**	**(89,028)**	**659,217**
Cash and cash equivalents at beginning of year	**914,683**	**1,003,711**	**344,494**
Cash and cash equivalents at end of year	**$ 1,446,949**	**$ 914,683**	**$ 1,003,711**

Open Joint Stock Company “Vimpel-Communications”

Consolidated Statements of Cash Flows (continued)

	Years ended December 31, 2009	2008	2007
	(In thousands of US dollars)		
Supplemental cash flow information			
Cash paid during the period:			
Income tax	$ 428,761	$ 647,597	$ 601,939
Interest	571,964	406,020	201,259
Non-cash activities:			
Equipment acquired under financing agreements	–	2,726	48,514
Accounts payable for property, equipment and other long-lived assets	210,159	448,218	417,478
Non–cash discounts from suppliers of equipment	239	2,464	(5,441)
Issue of promissory notes	–	81,660	–
Acquisitions:			
Fair value of assets acquired	–	2,645,655	84,125
Fair value of noncontrolling interest acquired	–	206,129	41,636
Difference between the amount paid and the fair value of net assets acquired	–	3,517,062	182,034
Consideration for the acquisition of subsidiaries	–	(5,348,180)	(291,928)
Fair value of liabilities assumed	**$ –**	**$ 1,020,666**	**$ 15,867**

The accompanying notes are an integral part of these consolidated financial statements.

(Amounts presented are in thousands of US dollars unless otherwise indicated and except per share (ADS) amounts)

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**”). Each ADS currently represents one-twentieth of one share of VimpelCom's common stock (*Note 16*).

In these notes, “**VimpelCom**” or the “**Company**” refers to Open Joint Stock Company “Vimpel-Communications” and its consolidated subsidiaries.

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 and Cambodia primarily under the “Beeline” brand name. VimpelCom also has investments in an entity in Vietnam that launched its operations on July 20, 2009.

On October 5, 2009, VimpelCom’s two major shareholders, Altimo and Telenor, signed a series of agreements pursuant to which they agreed to combine their holdings in VimpelCom and Closed Joint Stock Company “Kyivstar G.S.M.” (“**Kyivstar**”) under a new company, VimpelCom Ltd., to be listed on the New York Stock Exchange, subject to successful completion of exchange offers for VimpelCom’s shares and ADSs. On February 9, 2010, VimpelCom Ltd. commenced an exchange offer to acquire all of VimpelCom’s outstanding common and preferred shares from holders resident in the United States, and all outstanding ADSs from any holder, wherever located, in exchange for VimpelCom Ltd. depositary receipts (“**DRs**”), pursuant to the Registration Statement on Form F-4 and related preliminary prospectus dated February 8, 2010 filed with the U.S. Securities and Exchange Commission (the “**SEC**”). VimpelCom Ltd. also commenced a parallel exchange offer on February 9, 2010, to all holders of the Borrower’s common and preferred shares, wherever located, pursuant to a separate Russian offer document. VimpelCom Ltd. also offered a nominal cash consideration alternative under the exchange offers, as required by Russian law. The completion of the exchange offers is subject to the satisfaction or waiver of certain conditions. On February 9, 2010, VimpelCom announced that the Company’s Board of Directors (the “**Board**”) had unanimously recommended that the Company’s shareholders and ADS holders exchange their Company shares and ADSs for VimpelCom Ltd. DRs in the exchange offers (and not for the nominal cash consideration alternative). In connection with the Board’ recommendation, on February 9, 2010, the Company filed with the SEC a solicitation/recommendation statement on Schedule 14D-9, which contained more information on the background of the exchange offer and the Board’ reasons for its recommendation.

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, 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.

The noncontrolling interest is 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.

2. Basis of Presentation and Significant Accounting Policies (continued)

Business Combinations

VimpelCom accounts for its business acquisitions under the purchase 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 management's judgment and often involves 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. 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, (SFAS No. 52) 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- 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.

2. Basis of Presentation and Significant Accounting Policies (continued)

Cash and Cash Equivalents

VimpelCom considers all highly liquid investments with an original 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.

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, 2009, the VAT rate in Russia, Tajikistan and Georgia was 18%, in Kazakhstan 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
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

2. Basis of Presentation and Significant Accounting Policies (continued)

Property and Equipment (continued)

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.

Telecommunication Licenses, Goodwill and Other Intangible Assets

Intangible assets consist primarily of telecommunication licenses, customer relationships, telephone line capacity, goodwill and other intangible assets. VimpelCom capitalizes payments made to third party suppliers to acquire access to and for use of telephone lines (telephone line capacity). These payments are accounted for as intangible assets and are amortized on a straight-line basis 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.

Goodwill represents the excess of consideration paid over the fair value of net assets acquired in purchase business combinations and is not amortized. VimpelCom has acquired identifiable intangible assets through its acquisition of interests in various enterprises. The cost of acquired entities at the date of acquisition is allocated to identifiable assets and the excess of the total purchase price over the amount assigned to identifiable assets is recorded as goodwill.

In accordance with ASC 350-10, Intangibles–Goodwill and Other - Overall (SFAS No. 142, *Goodwill and Other Intangible Assets)*, VimpelCom continues to evaluate the amortization period for intangible assets with finite lives to determine whether events or circumstances warrant revised amortization periods. In accordance with ASC 350-10 (SFAS No. 142), VimpelCom tests goodwill for impairment on an annual basis. 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 eight geographic reporting units to its carrying amount, 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*, (SFAS 157 *Fair Value Measurement)* using an income approach. When available and as appropriate, the Company uses comparative market multiples to corroborate discounted cash flows results.

2. Basis of Presentation and Significant Accounting Policies (continued)

Telecommunication Licenses, Goodwill and Other Intangible Assets (continued)

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 purchase price paid. 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.

Software

Under the provision of ASC 350-40, Intangibles - Goodwill and Other – Internal-use Software, (Statement of Position No. 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use)*, 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. Research and development costs in 2009, 2008 and 2007 were US$610, US$857, and US$382, respectively.

2. Basis of Presentation and Significant Accounting Policies (continued)

Long-Lived Assets

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 (SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets)*. 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.

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 (SFAS 143 *Accounting for 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 (SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities)*, 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 hedging instruments have been recorded at fair value and changes in these fair values reflected in the accompanying statements of income as other income/(expense) and net foreign exchange (loss)/gain items (*Note 7*).

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 cost of 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.

2. Basis of Presentation and Significant Accounting Policies (continued)

Revenue Recognition (continued)

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 generally 32 months for mobile subscribers and from 5 to 29 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, 2009, 2008 and 2007 was US$157,808, US$345,888 and US$276,837, 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 2009, 2008 and 2007 was US$363,884, US$370,533 and US$240,968, respectively.

2. Basis of Presentation and Significant Accounting Policies (continued)

Government Pension Fund

VimpelCom contributes to the state pension funds in the Russian Federation, Kazakhstan, Ukraine, Tajikistan, Uzbekistan, Georgia (before January 1, 2008), and Armenia on behalf of its employees, contributions are expensed as incurred. Total contributions for the years ended December 31, 2009, 2008 and 2007 were US$44,670, US$58,010 and US$38,439, 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. Debt issuance costs are capitalized and amortized over the term of the respective borrowings using the effective interest method. Interest expense for the years ended December 31, 2009, 2008 and 2007, was US$598,531, US$495,634 and US$194,839, respectively. VimpelCom capitalized interest in the cost of long lived assets in the amount of US$39,952, US$43,939 and US$36,659 in 2009, 2008 and 2007, respectively.

Interest income

The Company earns interest income from deposits in banks and from granting loans. Interest income is calculated 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 (SFAS No. 109, *Accounting for Income Taxes*). Under the asset and liability method of, 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.

In July 2006, the FASB issued Interpretation No. 48 ("**FIN 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). ASC 740-10 clarifies accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. ASC 740-10 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. In addition, ASC 740-10 states that income taxes should not be accounted for under the provisions of ASC 450, Contingencies (SFAS No. 5, *Accounting for Contingencies*). The Company adopted FIN 48 at the beginning of the fiscal year 2007. As a result of the adoption the Company recognized in its consolidated financial statements a cumulative-effect adjustment to increase its liability for unrecognized tax benefits, interest, and penalties by US$15,069 and reduced the January 1, 2007, balance of retained earnings by US$4,108 and subsidiary noncontrolling interest by US$4,091 and increased the balance of goodwill by US$6,870. The cumulative-effect adjustment pertains to a pre-acquisition contingency in a subsidiary that has a minority shareholder. VimpelCom's continuing practice is to recognize fines and penalties (interest) related to income tax matters in income tax expense.

2. Basis of Presentation and Significant Accounting Policies (continued)

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 96% subscribed to a prepaid service as of December 31, 2009 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.

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 (SFAS No. 130, *Reporting 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.

2. Basis of Presentation and Significant Accounting Policies (continued)

Stock-Based Compensation

VimpelCom accounts for stock-based compensation plans in accordance with SFAS No. 123 (revised 2004) *Share Based Payment* (“**SFAS No. 123R**”) (primarily codified in ASC 718-10, Compensation – Stock Compensation – Overall), which is a revision of SFAS No. 123 and SFAS No. 95, *Statement of Cash Flows* (primary codified in ASC 230, Statement of Cash flows). 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) to require equity classification. The modification was applied to all the options outstanding as of 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 based stock 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 (*Note 21*).

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 (SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*).

2. Basis of Presentation and Significant Accounting Policies (continued)

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 (SFAS No. 5, *Accounting for Contingencies* and EITF Topic D-86*, Issuance of Financial Statements, respectively*). 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.

Recent Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards (“**SFAS**”) No. 157, *Fair Value Measurements*, primarily codified in ASC 820, Fair Value Measurements and Disclosures. The standard provides guidance for using fair value to measure assets and liabilities. The standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. The standard does not expand the use of fair value in any new circumstances. VimpelCom measures financial assets and financial liabilities at fair value on a recurring basis where it is required by other GAAP. ASC 820, Fair Value Measurements and Disclosures, is effective for nonfinancial assets and liabilities for fiscal years beginning after November 15, 2008. VimpelCom adopted ASC 820, Fair Value Measurements and Disclosures, for nonfinancial assets and liabilities on January 1, 2009, which did not have a material impact on VimpelCom’s results of operations or financial position.

On December 4, 2007, the FASB issued SFAS No. 141(R), *Business Combinations*, and SFAS No. 160, *Noncontrolling Interest in Consolidated Financial Statements*, an amendment of ARB No. 51, primarily codified in ASC 805, Business Combinations and ASC 810-10, Consolidation-Overall, respectively. These new standards significantly change the financial accounting and reporting of business combination transactions and noncontrolling (or minority) interests in consolidated financial statements. Under ASC 805, Business Combinations, acquisition related costs should not be capitalized any longer but expensed as incurred. With few exceptions assets acquired and liabilities assumed should be measured at fair value using market participant assumptions in accordance with ASC 820, Fair value measurements and Disclosures. Noncontrolling interest should be measured at fair value as of the acquisition date that results in the recognition of the goodwill attributable to the noncontrolling interest in addition to that attributable to the Company. Under ASC 810-10, Consolidation-Overall, noncontrolling interest in a consolidated subsidiary should be displayed in the consolidated statement of financial position as a separate component of equity. Losses attributable to the parent and the noncontrolling interest in a subsidiary should be attributed to that interest, even if that attribution results in a deficit noncontrolling interest balance. In a business combination achieved in stages (step acquisition) the Company should remeasure its previously held equity interest in the acquiree at acquisition-date fair value and recognize the resulting gain or loss, if any, in earnings. The Company adopted SFAS No.141(R) (ASC 805, Business Combinations) and SFAS No.160 (ASC 810-10, Consolidation-Overall) on January 1, 2009 prospectively except for classification of noncontrolling interest and disclosure that shall be applied retrospectively for all periods presented. If the previous requirement in ASC 810-10-45, Consolidation-Overall-Other Presentation Matters, had been applied in the year of adoption, VimpelCom's consolidated net income attributable to VimpelCom and earnings per share would have been the following (pro-forma):

2. Basis of Presentation and Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

		Pro-forma for twelve months ended December 31, 2009
Income before income taxes	$	**1,552,361**
Income tax expense		435,030
Net income		**1,117,331**
Net income attributable to the noncontrolling interest		16,141
Net income attributable to VimpelCom	**$**	**1,101,190**
Basic EPS:		
Net income attributable to VimpelCom per common share	$	21.30
Weighted average common shares outstanding (thousand)		50,647
Net income attributable to VimpelCom per ADS equivalent	$	1.07
Diluted EPS :		
Net income attributable to VimpelCom per common share	$	21.29
Weighted average diluted shares (thousand)		50,678
Net income attributable to VimpelCom per ADS equivalent	$	1.06

In March 2008, the FASB issued SFAS No. 161, *Disclosures About Derivative Instruments* and Hedging Activities - an amendment of FASB Statement No. 133, primarily codified in ASC 815-10, Derivatives and Hedging-Overall. SFAS No. 161 (ASC 815-10) is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. SFAS No. 161 (ASC 815-10) is effective for fiscal years beginning after November 15, 2008. The adoption of this statement resulted in the Company expanding its disclosures relative to its derivative instruments and hedging activity (Note 6).

In April 2009, the FASB issued FASB Staff Position FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments, primarily codified in 825-10-65-1, Financial Instruments-Overall-Transition and Open Effective Date Information. These staff positions requires enhanced disclosures on financial instruments, and are effective for interim and annual reporting periods ending after June 15, 2009. This increased the Company's quarterly disclosures but did not have an impact on VimpelCom financial position and results of operations (Note 7).

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events*, primarily codified in ASC 855, Subsequent Events. SFAS No. 165 is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No. 165 is effective for interim and annual financial periods ending after June 15, 2009 and is applied prospectively. In February 2010, the FASB issued ASU 2010-09, Subsequent events, an amendment of ASC 855, Subsequent events. ASU 2010-09 amends and supersedes the disclosure requirements of SFAS № 165 and is effective immediately for all financial statements that have not yet been issued. ASU 2010-09 requires SEC registrants to evaluate subsequent events through the date that the financial statements are issued. SEC registrants are not required to disclose the date through which the management evaluates subsequent events either in originally issued financial statements or reissued financial statements. The adoption of SFAS No. 165 and ASU 2010-09 did not have an impact on disclosure of the Company relative to the subsequent events (*Note 25*).

2. Basis of Presentation and Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R), primarily codified in ASC 810-10, Consolidation-Overall. SFAS 167 amends FIN 46(R), to 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, and VimpelCom is currently evaluating its impact on the Company’s financial position and results of operations.

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 is currently evaluating its impact on the Company’s financial position and results of operations.

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 (formerly SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*) 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 (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, 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 may expand VimpelCom’s disclosures relative to fair value measurements (Note 7).

3. Business Combinations and Disposals

Severnaya Korona

On August 13, 2007, VimpelCom acquired Closed Joint Stock Company "Corporation Severnaya Korona" ("**CSK**"), which holds GSM 900/1800 and D-AMPS licenses covering the Irkutsk Region. The Company acquired 100% of the shares of CSK for approximately US$235,509, including US$1,274 of acquisition related costs.

The primary reason for the acquisition was VimpelCom's entry into the mobile telephony market in the Irkutsk region. CSK's GSM-900/1800 and D-AMPS licenses cover a territory with a population of about 2.5 million. The acquisition was recorded under the purchase method of accounting. The fair value of acquired identifiable net assets of CSK amounted to US$58,460. The excess of the acquisition cost over the fair market value of the identifiable net assets of CSK amounted to US$177,049. This amount was recorded as goodwill, was assigned to the Russian mobile reporting unit and is subject to annual impairment tests.

Golden Telecom

On December 21, 2007, subsidiaries of VimpelCom and Golden Telecom Inc. ("**Golden Telecom**"), a leading facilities-based provider of integrated telecommunications and Internet services in the Russian Federation, signed a definitive merger agreement. Pursuant to the merger agreement, Lillian Acquisition Inc. ("**Lillian**"), an indirect wholly owned subsidiary of VimpelCom, commenced a tender offer on January 18, 2008, to acquire 100% of the outstanding shares of Golden Telecom's common stock at a price of US$105.00 per share in cash. The tender offer was successfully completed on February 15, 2008, with 36,533,255 shares of Golden Telecom common stock (including shares delivered through notices of guaranteed delivery), representing approximately 90.5% of the outstanding shares of Golden Telecom's common stock tendered and not withdrawn. On February 18, 2008, Lillian commenced a subsequent offer for all remaining shares of Golden Telecom common stock. The subsequent offer was successfully completed on February 26, 2008, with 38,093,677 shares of Golden Telecom common stock tendered during the initial and subsequent offering periods. These shares represented approximately 94.4% of the outstanding shares of Golden Telecom's common stock, an amount sufficient to permit the completion of a "short-form" merger under applicable Delaware law, without a vote of the remaining stockholders of Golden Telecom. As a result, VimpelCom Finance B.V., a direct wholly-owned subsidiary of VimpelCom, and Lillian on February 28, 2008, consummated a "short-form" merger, in which Lillian was merged with and into Golden Telecom and all remaining stockholders of Golden Telecom who did not tender their shares in the tender offer (other than those, if any, properly perfecting dissenters' rights) received the right to receive US$105.00 per share in cash. Following the completion of the merger as of February 28, 2008, Golden Telecom became an indirect wholly-owned subsidiary of VimpelCom and started to be consolidated in VimpelCom's financial statements.

The fair value of acquired identifiable net assets of Golden Telecom at the date of the acquisition amounted to US$1,431,818. The excess of the acquisition cost over the fair value of the identifiable net assets of Golden Telecom amounted to US$2,884,341, which was recorded as goodwill and assigned to Russia fixed and Russia mobile reporting units in the amounts of US$2,430,657 and US$453,684, respectively. This goodwill is not deductible for tax purposes.

3. Business Combinations and Disposals (continued)

Golden Telecom (continued)

The following table summarizes the Company’s estimate of the fair values of the assets acquired and liabilities assumed at the date of acquisition:

	As of the date of acquisition
Cash and cash equivalents	$ 56,095
Other current assets	382,990
Property and equipment	1,101,217
Licenses (3.3 years weighted average remaining useful life)	70,361
Customer Relationships (13.6 years weighted average remaining useful life)	686,743
Other intangible assets (1 years weighted average remaining useful life)	46,977
Goodwill	2,884,341
Other non-current assets	43,343
Total assets acquired	**5,272,067**
Current liabilities	379,014
Long-term liabilities	576,894
Total liabilities assumed	**955,908**
Total acquisition price	**$ 4,316,159**

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 purchase of the telecom license through a variable interest entity. 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.

Millicom Lao Co., Ltd.

On September 16, 2009, VimpelCom signed an agreement for the acquisition of a 78% stake in Millicom Lao Co., Ltd., a mobile telecom operator with operations in the Lao PDR, from Millicom Holding B.V. (Netherlands) and Cameroon Holdings B.V. (Netherlands). The remaining 22% of Millicom Lao Co., Ltd. is owned by the Government of the Lao PDR, as represented by the Ministry of Finance.

The purchase price for the acquisition will be determined on the completion date and will be based on an enterprise value of Millicom Lao Co., Ltd. of US$102,000.

Completion of the acquisition is subject to the satisfaction or waiver of certain conditions, including the receipt of regulatory approvals.

3. Business Combinations and Disposals (continued)

Purchase of Noncontrolling Interest in Consolidated Subsidiaries

Corbina Telecom

On June 11, 2008, VimpelCom increased its share of ownership in Closed Joint Stock Company Cortec (“**Corbina Telecom**”), 51% subsidiary of Golden Telecom by acquiring the remaining 49% from Inure Enterprises Ltd. (**“Inure”**) for US$404,000 and US$4,250 of costs related to acquisition. As a result of this transaction, VimpelCom and its subsidiary together now own 100% of the shares of Corbina Telecom. The step acquisition was recorded under purchase method of accounting. The Company’s financial statements reflect the allocation of the purchase price based on a fair value assessment of the assets acquired and liabilities assumed, and as such, the Company has assigned US$68,120 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$17,348 and adjusted noncontrolling interest by US$40,404. The total fair value of identifiable net assets acquired amounted to US$95,338. The excess of the acquisition cost over the fair value of identifiable net assets of Corbina Telecom amounted to US$312,912 and was assigned to Russia fixed reporting unit.

Limnotex

On July 1, 2008 VimpelCom exercised its option to acquire an additional 25% less one share of Limnotex Developments Limited (“**Limnotex**”) for US$561,807. Limnotex is the parent company of KaR-Tel, VimpelCom’s operating subsidiary in Kazakhstan. As a result of the exercise, VimpelCom’s overall direct and indirect share stake in Limnotex increased from 50% plus one share to 75%. The acquisition was recorded as step acquisition under the purchase method of accounting. The Company’s financial statements reflect the allocation of the purchase price based on a fair value assessment of the assets acquired and liabilities assumed, and as such, the Company has assigned US$147,734 to intangible assets which will be amortized over a weighted average period of approximately 7 years, recording of a deferred tax liability in the amount of US$42,834 and adjusted noncontrolling interest by US$153,981. The fair value of acquired identifiable net assets amounted to US$99,946. The excess of the acquisition cost over the fair market value of the identifiable net assets amounted to US$309,490. 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, VimpelCom has agreed on put and call option arrangements with respect to the remaining 25% share in Limnotex which is held by Crowell Investments Limited (“**Crowell**”). More details about the options and amendments made in 2009 are disclosed in Note 17.

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 a change in additional paid-in capital.

3. Business Combinations and Disposals (continued)

Investments in Associates

GTEL-Mobile

On July 8, 2008, VimpelCom and its 100% owned direct subsidiary Ararima Enterprises Limited (Cyprus) (“**Ararima**”) signed a Joint Venture and Shareholders Agreement to establish a mobile telecommunications joint venture in Vietnam under the name of GTEL-Mobile Joint Stock Company (“**GTEL-Mobile**”). The other participants in GTEL-Mobile are Global Telecommunications Corporation (“**GTEL**”), a Vietnamese state-owned enterprise and GTEL TSC, a subsidiary of GTEL. Ararima received a 40% voting and economic interest in GTEL-Mobile in consideration for an equity investment of US$266,670 that has been paid in full. GTEL and GTEL TSC have equity interests in GTEL-Mobile of 51% and 9%, respectively. GTEL-Mobile has received all of the regulatory approvals required under the Joint Venture and Shareholders Agreement, including the registration of GTEL-Mobile, GSM license and related frequencies.

On July 20, 2009, GTEL-Mobile launched its mobile operations in Vietnam under the “Beeline” brand.

Euroset

On October 23, 2008, VimpelCom through Ararima acquired 49.9% shares of Morefront Holdings Ltd, a company that owns 100% of the Euroset Group (“**Euroset**”), from Rambert Management Ltd, a company controlled by Inure, for approximately US$226,000. The acquisition was recorded under the equity method of accounting. The total estimated fair value of identifiable net liabilities acquired amounted to US$355,515. The excess of the acquisition cost over VimpelCom’s share in the fair value of identifiable net liabilities of Euroset amounted to US$405,516. In addition, as part of the transaction, VimpelCom has agreed on put and call arrangements, exercisable after three years, with respect to a further 25% of the shares of Morefront Holdings Ltd. owned by Rambert Management Ltd.

Other Acquisitions

In 2008, the Company completed several small acquisitions of fixed line telecommunication operators in different regions of Russia with the total consideration of US$32,274. 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$21,959 and adjusted noncontrolling interest by US$11,744. The excess of the acquisition cost over the fair market value of the identifiable net assets amounted to US$10,315. This amount was recorded as goodwill, was mainly assigned to the Russia fixed reporting unit and is subject to annual impairment tests.

3. Business Combinations and Disposals (continued)

Other Acquisitions (continued)

The following unaudited pro forma combined results of operations for VimpelCom give effect to the CSK, Golden Telecom, Corbina Telecom and Euroset business combinations as if they had occurred at the beginning of 2007. The pro forma combined results do not include Sotelco as it was a non-operating entity in 2008 and, therefore, its inclusion would not impact the results. 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, 2008	2007
Pro forma total operating revenues	$ 10,359,737	$ 8,403,248
Pro forma net income attributable to VimpelCom	299,455	1,314,887
Pro forma basic and diluted net income per common share	**$ 5.89**	**$ 25.84**

4. Unconsolidated Variable Interest Entities

Sky Mobile

On February 13, 2008, VimpelCom advanced to Crowell, under a loan agreement as of February 11, 2008, (the "**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. The Loan Agreement was entered into after Crowell acquired the entire issued share capital of Menacrest Limited ("**Menacrest**"), which is the parent company of LLC Sky Mobile ("**Sky Mobile**"), a mobile operator in Kyrgyzstan, holding GSM and 3G licenses to operate over the entire territory of Kyrgyzstan. 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 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.

KaR-Tel also has a management agreement with Sky Mobile.

In accordance with ASC 810-10, VimpelCom analyzed these agreements to determine if the entities that are party to them are variable interest entities (VIE) on both quantitative and qualitative basis. The Company concluded that Sky Mobile is a VIE.

To determine whether VimpelCom is the primarily beneficiary, an analysis was performed to identify if the Company absorbs majority of expected losses or benefits from majority of expected residual returns of VIE, or both. The analysis led to conclude that VimpelCom is not the primary beneficiary and Sky Mobile should not be consolidated.

The Company involvement with Sky Mobile affects the enterprise's financial position, financial performance and cash flows in that the Company has recorded the loan granted to Crowell in other non-current assets in the amount US$395,792, including long-term portion of accrued interest and related accrued interest of US$5,945 in other current assets as of December 31, 2009 (Note 14). The Company's risk of loss related to Sky Mobile is primarily limited to these carrying values.

5. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31:

	2009	2008
US dollars	$ 919,739	$ 553,611
Russian rubles	361,344	182,165
Uzbekistan Sum	98,384	75,727
Kazakhstan Tenge	37,391	32,740
EURO	19,646	56,571
Armenian Dram	5,234	8,835
Ukrainian Hryivna	3,952	3,120
Other currencies	1,259	1,914
Total cash and cash equivalents	**$ 1,446,949**	**$ 914,683**

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, using income approach with present value techniques.

6. Derivative Instruments (continued)

The following table represents VimpelCom's derivatives as of December 31, 2009 and for the year ended December 31, 2009:

	As of December 31, 2009		Year ended December 31, 2009	
	Liability derivatives		Location of Gain (Loss)	Amount of Gain (Loss)
Derivatives not designated as hedging Instruments under ASC 815-10	**Balance Sheet Location**	**Fair value**	**Recognized in Income on Derivative**	**Recognized in Income on Derivative**
Interest rate exchange contracts	Accrued liabilities	$ 1,163		
Interest rate exchange contracts	Other non-current liabilities	3,961	Other income/ (expense)	$ (1,792)
Foreign exchange contracts	Accrued liabilities	–	Net foreign exchange (loss)/gain	(35,996)
Total derivatives not designated as hedging instruments under ASC 815-10		**$ 5,124**		**$ (37,788)**

The disclosure of derivatives fair value is also provided in Note 7.

In November 2006, VimpelCom entered into forward foreign exchange contracts for a total amount of US$736,629 to hedge its US dollar denominated obligations due in 2007 and 2008. These contracts ranged from 26.6 Russian rubles per 1 US dollar to 26.7 Russian rubles per 1 US dollar. These forward agreements were fully exercised as of December 31, 2007.

In March 2007, VimpelCom entered into short-term forward agreements for a total amount of US$53,010 to hedge its short-term US dollar denominated obligations with a forward exchange rate 26.1775 Russian rubles per 1 US dollar. These forward agreements were fully exercised as of March 31, 2008.

During the third quarter of 2007, VimpelCom entered into a short-term zero-cost collar agreement for a total amount of US$120,545 to hedge its US dollar debt. The forward exchange rate of protection was 27.0323 Russian rubles per 1 US dollar and the rate of participation was 24.9281 Russian rubles per 1 US dollar. These zero-cost collars were closed in June 2008.

During the fourth quarter of 2006, VimpelCom entered into a short-term cross-currency interest rate swap transaction. The amount of the swap was US$236,111 at 26.64 Russian rubles per 1 US dollar as well as a 6.37% interest rate. The amount of the contract was subject to remeasurement, in conjunction with the change of the exchange rate of the US dollar to the Russian ruble and LIBOR fluctuation. This cross-currency interest rate swap was closed in February 2008.

6. Derivative Instruments (continued)

On October 3, 2006, KaR-Tel and Citibank, N.A., London signed an agreement which provided KaR-Tel rights to enter into transactions with derivatives. On November 8, 2006, KaR-Tel entered into a swap deal with Citibank, N.A., London for the amount of US$100,000 or 12,246,000 thousand Kazakhstan Tenge by fixing the settlement rate to 122.64 Kazakhstan Tenge per 1 US dollar and current floating interest rate payable for a loan with the European Bank for Reconstruction and Development (“**EBRD**”) at 9.9%. This agreement was effective until December 18, 2010. However, on March 4, 2008, the swap transaction was terminated based on the mutual agreement with Citibank, N.A., London.

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 will exchange interest payments on a regular basis and will pay a fixed rate equal to 4.355% in the event LIBOR floating rate is not greater than 5.4%, and otherwise Sovintel shall pay LIBOR floating rate. As of December 31, 2009, outstanding notional amount was US$155,790.

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 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 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, 2009 Using		
Description	**Total**	**Quoted prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservabl e Inputs (Level 3)**
Derivatives liabilities	$ 5,124	–	$ 5,124	–
Total	**$ 5,124**	**–**	**$ 5,124**	**–**

As of December 31, 2009 and December 31, 2008, the fair value of fixed and floating rate bank loans (based on future cash flows discounted at current market rates) was as follows:

	December 31, 2009		December 31, 2008	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Loans payable				
Eurobonds	$ 1,800,647	$ 1,946,126	$ 2,000,000	$ 1,262,770
US$3,500 million Loan Facility	1,170,000	1,145,071	2,000,000	1,954,077
UBS (Luxemburg) S. A.	1,063,264	1,111,915	1,417,234	1,079,265
Sberbank	1,436,555	1,458,612	829,229	836,340
EUR600 million Loan Facility	632,371	636,793	777,186	781,312
Ruble Bonds	661,284	733,609	340,363	320,337
US$275 million Loan Facility	190,410	188,001	275,000	268,860
Loans receivable				
Crowell	350,000	324,652	350,000	345,812

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:

	2009	2008
Telecommunications equipment	$ 7,206,446	$ 6,608,140
Land, buildings and constructions	335,675	351,055
Office and measuring equipment	769,097	711,304
Other equipment	370,192	400,713
	8,681,410	8,071,212
Accumulated depreciation	(3,730,395)	(2,828,845)
Equipment not installed and assets under construction	610,554	1,183,506
Total property and equipment, net	**$ 5,561,569**	**$ 6,425,873**

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, 2009 and 2008 were as follows:

	2009	2008
Telecommunications licenses, at cost	$ 1,240,201	$ 1,301,169
Accumulated amortization	(697,604)	(588,962)
	542,597	**712,207**
Telecommunications licenses not in current use	–	52,576
Total telecommunications licenses, net	**$ 542,597**	**$ 764,783**

Telecommunication licenses not in current use mainly comprised of GSM telecommunications license owned by Sotelco, for which the business operations have not been started, in the amount of US$41,741 as of December 31, 2008.

In 2007, VimpelCom acquired Dominanta LLC (**"Dominanta")** – an entity which holds a DVB-H license and, together with Golden Telecom, in February 2008 VimpelCom acquired Colangon-Optim LLC (**"Colangon'**), an entity which holds a DVB-T license. Both licenses gave an opportunity for VimpelCom to provide TV services. However, additional broadcasting licenses were required to start operations, and legislation did not have a mechanism of obtaining such licenses in 2008. Due to the high level of uncertainty on the terms when such licenses could be obtained, the management decided to write-off the value of the DVB-T/DVB-H licenses as of the end of 2008. The total amount of write-off was US$37,620.

9. Telecommunications Licenses and Other Intangible Assets (continued)

The total gross carrying value and accumulated amortization of VimpelCom's other intangible assets by major intangible asset class as of December 31, 2009 and December 31, 2008 was as follows:

	Weighted average amortization period, years	2009	2008
Telephone line capacity	9.5	$ 149,077	$ 144,927
Customer relationships	14.9	763,496	836,374
Other intangible assets	5.0	219,668	228,170
		1,132,241	**1,209,471**
Accumulated amortization		(431,876)	(326,641)
Total other intangible assets, net	**12.3**	**$ 700,365**	**$ 882,830**

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:

2010	$ 254,235
2011	235,315
2012	211,407
2013	144,175
2014	94,671
Thereafter	303,159

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, 2008 and December 31, 2009 is presented below:

Reporting units	Balance as of December 31, 2007	Acquisition	Finalization of Purchase Price Allocation	Impairment	Translation adjustment	Balance as of December 31, 2008
Kazakhstan mobile	$ 180,481	$ 309,490	$ (7,045)	$ –	$ (3,220)	**$ 479,706**
Kazakhstan fixed	12,911	–	(12,870)	–	(41)	**–**
Ukraine mobile	81,999	–	–	(53,778)	(28,221)	**–**
Tadjikistan mobile	13,063	–	–	–	–	**13,063**
Uzbekistan mobile	154,061	–	–	–	–	**154,061**
Armenia mobile	135,662	–	–	–	(1,110)	**134,552**
Armenia fixed	10,211	–	–	–	(84)	**10,127**
Russia mobile	451,428	453,684	–	–	(155,134)	**749,978**
Russia fixed	–	2,753,883	–	(315,049)	(503,379)	**1,935,455**
Total	**$ 1,039,816**	**$ 3,517,057**	**$ (19,915)**	**$ (368,827)**	**$ (691,189)**	**$ 3,476,942**

Reporting units	Balance as of December 31, 2008	Acquisition	Finalization of Purchase Price Allocation	Impairment	Translation adjustment	Balance as of December 31, 2009
Kazakhstan mobile	$ 479,706	$ –	$ –	$ –	$ (88,845)	$ 390,861
Tadjikistan mobile	13,063	–	–	–	–	13,063
Uzbekistan mobile	154,061	–	–	–	–	154,061
Armenia mobile	134,552	–	–	–	(25,107)	109,445
Armenia fixed	10,127	–	–	–	(1,911)	8,216
Russia mobile	749,978	–	–	–	(21,420)	728,558
Russia fixed	1,935,455	–	–	–	(55,366)	1,880,089
Total	**$ 3,476,942**	**$ –**	**$ –**	**$ –**	**$ (192,649)**	**$ 3,284,293**

10. Impairment of Goodwill and Long-Lived Assets (continued)

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 net book 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.

	2009	2008
Discount rate (functional currency)	14.6% - 16.0%	16.6%-21.9%
Terminal growth rate	3%-3.5%	3%-3.5%
Start of terminal growth period	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 2009, the Compound Annual Growth Rates ranged from 3.7% to growth by 13.7% in comparison to range of 0%-18% in 2008. In 2009 the average operating income margins ranged from 12.4% to 37.1% (in 2008 the average operating income margins ranged from negative 11.2 % to positive 34.8%).

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 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 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, 2009, approximately by the following amounts set forth in the table.

	10%	20%	30%
Russia Fixed	–	–	191,239
Armenia Mobile	–	14,087	39,928
Armenia Fixed	–	–	23,916

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.

As for the other reporting units, a change in fair value of 30% would not cause the reporting unit to fail Step 1.

10. Impairment of Goodwill and Long-Lived Assets (continued)

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$2,018,069 and US$2,104,178, respectively. For the reporting units discussed above, the relative decreases in fair value of reporting unit as of impairment test date would be:

	1%age Point Increase In Discount Rate	10% Decrease in Revenue Growth
Russia Fixed	9.7%	24.2%
Armenia Fixed	6.3%	3.6%
Armenia Mobile	6.7%	6.4%

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 (SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets)*. 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 (*Note 9*).

For the year ended December 31, 2009, no impairment indicators were noted and no loss was recognized.

11. Software

The total gross carrying value and accumulated amortization of VimpelCom's software as of December 31, 2009 and December 31, 2008 were as follows:

	2009	2008
Software, at cost	$ 1,489,107	$ 1,453,319
Accumulated depreciation	(1,040,852)	(904,153)
Total software, net	**$ 448,255**	**$ 549,166**

12. Investments in Associates

Investments in associates consisted of the following at December 31:

	2009	2008
GTEL - Mobile (1)	$ 265,797	$ 306,027
Euroset (2)	140,095	160,127
Rascom (3)	26,840	23,409
Others	4,035	3,987
Total	**$ 436,767**	**$ 493,550**

12. Investments in Associates (continued)

(1), (2)
VimpelCom acquired 49.9% interest in Euroset in October 2008 and 40% interest in GTEL - Mobile in July 2008 (*Note 3*). The following table shows the combined results of operations and financial position of Euroset and GTEL-Mobile:

	2009	2008
Current assets	$ 765,550	$ 1,063,151
Non-current assets	823,517	689,192
Current liabilities	1,167,541	1,508,505
Non-current liabilities	303,097	5,757
Net assets	118,429	238,081
Share of VimpelCom in net assets	2,869	52,899
Net sales	1,714,598	504,307
Gross profit	576,460	160,857
Net loss	(90,295)	(116,337)
Net loss attributable to VimpelCom	(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.

(3)
The Company’s share in Rascom CJSC (**“Rascom”**), a company acquired as part of Golden Telecom acquisition (*Note 3*), is 54%. Investment in 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 year ended December 31, 2008 and 2009 was of US$2,176 and US$3,862, respectively.

13. Inventory

Inventory consisted of the following at December 31:

	2009	2008
Telephone handsets and accessories for sale	$ 20,255	$ 78,607
SIM-Cards	17,572	16,205
Equipment for sale	8,886	12,918
Info materials	3,257	11,829
Scratch cards	4,064	7,000
Other inventory	7,885	16,090
Total	**$ 61,919**	**$ 142,649**

14. Supplemental Balance Sheet Information

Other current assets consisted of the following at December 31:

	2009	2008
Short term investments	$ 406,856	$ 482
Advances to suppliers	116,576	85,887
Software with a useful life shorter than one year	29,097	29,331
Interest receivable	15,697	32,184
Prepaid taxes	9,989	154,837
Deferred costs related to connection fees	6,505	3,011
Forwards and other derivatives	–	109,751
Other	42,537	24,996
Total other current assets	**$ 627,257**	**$ 440,479**

Short term investments represent bank deposits carried at amounts of cash deposited with maturity dates within the year ended December 31, 2010. 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:

	2009	2008
Long term loans granted to Crowell	$ 395,792	$ 350,000
Frequencies and permissions	107,118	113,972
Unamortized debt issue costs	96,016	81,142
Long term deposits	78,880	–
Long term advances	29,364	56,486
Long term input VAT	27,941	41,222
Prepayments to suppliers for long-lived assets	23,904	56,953
Other long-term assets	33,072	25,727
Total other non-current assets	**$ 792,087**	**$ 725,502**

As of December 31, 2009, long term loan receivable represents the loan granted to Crowell and related long-term interest accrued in the amount of US$45,792 (*Note 4*). As of December 31, 2008, the loan has been recorded in long term loans receivable and related short-term interest in the amount of US$26,790 in other current assets.

Long term deposits represent bank deposits carried at amounts of cash deposited with primarily maturity date of January, 2011. Deposits can be withdrawn prior to the contractual maturity date. In case of early withdrawal interest rate will be decreased.

Other current accrued liabilities consisted of the following at December 31:

	2009	2008
Cash rights for shares of Golden Telecom	$ 145,930	$ 145,930
Interest payable	94,299	84,606
Short-term deferred revenue	28,713	17,002
Deferred consideration for associates	12,500	25,000
Other accrued liabilities	34,224	16,217
Total current accrued liabilities	**$ 315,666**	**$ 288,755**

14. Supplemental Balance Sheet Information (continued)

Cash rights for shares of Golden Telecom represents amount not paid to the previous shareholders of Golden Telecom as of December 31, 2009.

Other non-current liabilities consisted of the following at December 31:

	2009	2008
FIN 48 provision, long-term portion	$ 73,621	$ 29,470
Asset retirement obligations	37,916	29,717
Long-term deferred revenue	35,766	29,470
Derivatives	3,961	8,544
Other non-current liabilities	13,372	25,624
Total other non-current liabilities	**$ 164,636**	**$ 122,825**

The following table summarizes the movement in asset retirement obligations for the years ended December 31, 2009 and December 31, 2008:

	2009	2008
Asset retirement obligations at the beginning of the reporting period	$ 29,717	$ 21,095
Liabilities incurred in the current period	3,900	6,009
Accretion expense	2,027	1,948
Increase as a result of changes in estimates	2,936	5,892
Foreign currency translation adjustment	(664)	(5,227)
Asset retirement obligations at the end of the reporting period	**$ 37,916**	**$ 29,717**

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, 2009	December 31, 2008
Bank loans, less current portion	$ 5,356,655	$ 6,405,492
Long-term portion of equipment financing	182,935	127,807
Long-term portion of capital leases	316	406
Total long-term debt	**$ 5,539,906**	**$ 6,533,705**
Bank loans, current portion	$ 1,729,364	$ 1,705,777
Short-term portion of equipment financing	79,830	88,704
Short-term portion of capital leases	3,947	739
Other debt	–	114,001
Bank and other loans, current portion	**$ 1,813,141**	**$ 1,909,221**

15. Short and Long Term Debt (continued)

Bank loans consisted of the following as of December 31:

	2009	2008
Eurobonds (1)	$ 1,800,647	$ 2,000,000
Sberbank (2)	1,436,555	829,230
US$3,500 million Loan Facility (Facility B) (3)	1,170,000	2,000,000
UBS (Luxembourg) S.A. (4)	1,063,264	1,417,234
Ruble Bonds (5)	661,284	340,363
EUR600 million Loan Facility (6)	632,371	777,179
Citibank International plc (7)	190,410	275,000
Svenska Handelsbanken AB (8)	57,671	81,866
US$275 million Loan Facility (9)	44,740	61,191
Standart Bank PLC – loan to URS (10)	20,000	100,000
Bayerische Hypo- und Vereinsbank AG (11)	9,001	25,020
EBRD – loan to KaR-Tel (12)	–	127,965
Raiffeisenbank Austria – loan to URS (13)	–	32,000
Bayerische Landesbank – loan to URS (14)	–	32,000
OTP Bank – loan to URS (15)	–	10,000
Other loans	76	2,221
	$ 7,086,019	$ 8,111,269
Less current portion	(1,729,364)	(1,705,777)
Total long-term bank loans	**$ 5,356,655**	**$ 6,405,492**

(1)
On April 30, 2008, VIP Finance Ireland Limited 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. The loan participation notes are listed on the Irish Stock Exchange and are with limited recourse to VIP Finance Ireland Limited. VimpelCom raised this financing (i) to repay Facility A under the loan agreement entered into on February 8, 2008 (as described below), in connection with its acquisition of Golden Telecom and (ii) to continue the development and expansion of the Company's networks, including through possible acquisitions or investments in existing wireless operators within Russia or abroad, by establishing new wireless operators or by entering into local partnerships or joint ventures within Russia or abroad. 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 completed the partial repurchase of an aggregate principal amount of US$199,353 of its US$1,000,000 8.375% 2013 Notes. The 2013 Notes were purchased on October 14, 2009 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)/income, net" in the statement of income.

15. Short and Long Term Debt (continued)

(2)
In April 2004, Sberbank provided a five-year, US dollar denominated, secured, non-revolving credit line of US$130,000 to VimpelCom. The loan was to be repaid in eight equal installments, on a quarterly basis, commencing February 27, 2007. The interest rate as of December 31, 2007, was 8.5% per annum and was subject to change by Sberbank upon the occurrence of certain events. Under the loan agreement, VimpelCom was subject to certain defined debt covenant restrictions, including several restrictions related to financial condition. From November 1, 2008, Sberbank increased the interest rate to 9.25%. On April 14, 2009, VimpelCom repaid the principal amount outstanding under this loan facility. As of December 31, 2009, there was no debt outstanding under this loan facility.

On August 31, 2006, Sberbank provided VimpelCom with a three-year Russian ruble denominated, secured, non-revolving credit line in the amount of RUR6,000 million (US$198,385 at the exchange rate as of December 31, 2009). The loan bore annual interest at a rate of 8.5%, which could be changed by Sberbank upon the occurrence of certain events. The loan was to be repaid in three quarterly installments, the first of which was on February 27, 2009, and the last of which was on August 30, 2009. On February 26, 2007, VimpelCom drew down RUR6,000 million under this non-revolving credit line with Sberbank. From November 1, 2008, Sberbank increased the interest rate to 9.75%. On August 31, 2009, VimpelCom repaid the outstanding indebtedness under this loan facility. As of December 31, 2009, there was no debt outstanding under this loan facility.

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 credit line bears annual interest at a rate of 9.5% for the first two years and 9.25% for the third and subsequent years. The Company borrowed RUR17,886 million (equivalent to US$591,399 at the exchange rate as of December 31, 2009) during 2008. On November 1, 2008, Sberbank increased the interest rate to 11.0%. On March 1, 2009, Sberbank again increased the interest rate to 13.0%. The amount of debt outstanding under this loan as of December 31, 2009 was US$591,399.

On March 10, 2009, VimpelCom signed a ruble-denominated, secured, 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. According to the provisions of the loan agreement, the interest rate of 17.5% per annum may be increased up to 19.0% per annum 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. 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. At the moment of the drawdown, the actual interest rate under this loan facility was 17.5% per annum. On June 28, 2009, Sberbank decreased the interest rate on this loan facility from 17.5% to 17.25% and the maximum interest rate to 18.75%. On September 1, 2009, Sberbank decreased the interest rate on this loan facility to 16.25% and the maximum interest rate to 17.75%. The indebtedness under this loan agreement is secured by the pledge of telecommunication equipment in the amount of RUR8,485 million (the equivalent to US$280,550 at the exchange rate as of December 31, 2009). As of December 31, 2009, the principal amount of debt outstanding under this facility was RUR8,000 million (equivalent to US$264,514 at the exchange rate as of December 31, 2009).

15. Short and Long Term Debt (continued)

On March 10, 2009, VimpelCom also signed a secured loan agreement with Sberbank in the amount of US$250,000. The loan agreement matures on December 27, 2012. According to the provisions of the loan agreement, the initial interest rate of 12.0% per annum may be increased up to 13.0% per annum 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. On May 29, 2009, VimpelCom made a drawdown in the amount of US$250,000 under this loan agreement. At the moment of the drawdown, the actual interest rate under this loan facility was 12.0% per annum. VimpelCom agreed with Sberbank to decrease the interest rate on this loan facility from 12.0% to 11.5% per annum and the maximum interest rate from 13.0% to 12.5%, starting from June 28, 2009. VimpelCom also agreed with Sberbank to decrease the interest rate on this loan facility from 11.5% to 11.00% per annum and the maximum interest rate from 12.5% to 12.0%, starting from September 1, 2009. The indebtedness under this loan agreement is secured by the pledge of telecommunication equipment in the amount of US$325,764. As of December 31, 2009, the principal amount of debt outstanding under this facility was US$250,000.

On August 28, 2009, VimpelCom signed an unsecured 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. According to the provisions of the loan agreement, the interest rate of 15.0% per annum may be increased up to 15.25% per annum in case of occurrence of certain events. The interest rate can also be raised 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. 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. At the moment of the drawdown the actual interest rate under this loan was 15.0% per annum. As of December 31, 2009, the principal amount of debt outstanding under this facility was RUR10,000 million (equivalent to US$330,642 at the exchange rate as of December 31, 2009).

(3)
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**”) to partially finance the acquisition of Golden Telecom by a subsidiary of the Company. 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 is required to be repaid in equal semiannual installments starting from the date falling 12 months after the signing date. Facility A bore interest at London Interbank Offered Rate (“LIBOR”) plus margins of 0.75% per annum for first 6 months; 1% per annum for the period from 7 to 9 months; and 1.25% per annum thereafter. Facility B bears interest at LIBOR plus a margin of 1.5% per annum. On February 19, 2008, VimpelCom drew down US$3,500,000 under the loan agreement. On May 6, 2008, the Company fully repaid Facility A from the proceeds of two loans from VIP Finance Ireland Limited in an aggregate principal amount of US$2,000,000, funded by the issuance of limited-recourse loan participation notes by VIP Finance Ireland Limited on April 30, 2008 (as described above).

15. Short and Long Term Debt (continued)

On April 28, 2009, VimpelCom signed an Amendment Agreement in relation to the US$3,500,000 Facility Agreement dated February 8, 2008, and as amended by an Amendment and Transfer Agreement dated March 28, 2008. In accordance with the terms of the Amendment Agreement, certain financial covenants and general undertakings were changed, including, among others, decrease of the required minimum level of Total Shareholders Equity from US$3,000,000 to US$2,000,000, which will be applicable to the financial statements for the first three quarters of 2009 and for the 2009 financial year. Starting from the financial statements for the first quarter of 2010 and thereafter, the requirement of the minimum level of Total Shareholders Equity will be returned to the level of US$3,000,000. As of December 31, 2009, the principal amount of debt outstanding under this facility was US$1,170,000.

(4)
Starting in June of 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 (the “**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 issued by, but without recourse to, UBS for the sole purpose of funding a loan totaling US$300,000 to the Company (the “**2011 Notes**”). The 2011 Notes were purchased on October 22, 2009 with a 6.625% premium over the notes’ nominal value. Related effect in the amount of US$7,634 was recognized in “other (expenses)/income, net” in the statement of income.

On May 22, 2006, UBS and VimpelCom entered into a Loan for US$600,000. UBS completed an offering of US$600,000 8.25% loan participation notes due 2016 (the “**2016 Notes**”) for the sole purpose of funding such US$600,000 loan (the “**2016 Loan**”) to VimpelCom. US$367,234 principal amount of the 2016 Notes was issued in a concurrent offer (the “**Concurrent Offer**”) for cash consideration and US$232,766 principal amount of the 2016 Notes was issued in an exchange offer (the “**Exchange Offer**”) in exchange for an equal principal amount of validly tendered and accepted 10.0% loan participation notes due 2009 (the “**2009 Notes**”) issued in June and July 2004. As a consequence of the Exchange Offer, the obligation of UBS to advance the remaining US$232,766 principal under the 2016 Loan was offset against the tendered 2009 Notes, thereby reducing the aggregate outstanding principal amount due under the Loans due June 16, 2009 from US$450,000 to US$217,234. 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.

15. Short and Long Term Debt (continued)

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-09	31-Dec-08
16-Jun-04	16-Jun-09	Semiannually	$ 250,000	10%	$ –	$ 17,234
14-Jul-04	16-Jun-09	Semiannually	$ 200,000	10%	–	200,000
22-Oct-04	22-Oct-11	Semiannually	$ 300,000	8.38%	184,764	300,000
11-Feb-05	11-Feb-10	Semiannually	$ 300,000	8%	278,500	300,000
22-May-06	22-May-16	Semiannually	$ 600,000	8.25%	600,000	600,000
Total					**$ 1,063,264**	**$ 1,417,234**

(5)
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. The aggregate amount of debt outstanding under these bonds as of December 31, 2009 was RUR10,000 million (equivalent to US$330,642 at the exchange rate as of December 31, 2009) and is included in short-term debt in the consolidated balance sheet as of December 31, 2009 because of the put option described above.

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, 2009, the aggregate principal amount of debt outstanding under these bonds was RUR10,000 million (equivalent to US$330,642 at the exchange rate as of December 31, 2009).

(6)
On October 15, 2008, VimpelCom signed an unsecured loan agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd., Barclays Capital, BNP Paribas, Commerzbank Aktiengesellschaft, Standard Bank Plc, Sumitomo Mitsui Banking Corporation Europe Limited and WestLB AG, London Branch as mandated lead arrangers and bookrunners and Standard Bank Plc as agent. On the signing date, VimpelCom borrowed the total committed amount of 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.

15. Short and Long Term Debt (continued)

On April 28, 2009, VimpelCom signed an amendment pursuant to which certain financial covenants and general undertakings were changed, including, among others, a decrease of the required minimum level of Total Shareholders Equity from US$3,000,000 to US$2,000,000, which will be applicable to the financial statements for the first three quarters of 2009 and for the 2009 financial year. Starting from the financial statements for the first quarter of 2010 and thereafter, the required minimum level of Total Shareholders Equity will be returned to the level of US$3,000,000. As of December 31, 2009, the principal amount of debt outstanding under this facility was EUR441 million (equivalent to US$632,371 at the exchange rate as of December 31, 2009).

(7)
As of the date of VimpelCom's acquisition of Golden Telecom *(Note 3)*, Golden Telecom was a party to a five-year term facility agreement (the **"Facility Agreement"**) with banks, financial institutions and other institutional lenders as lenders, Citibank, N.A. London Branch and ING Bank N.V. as mandated lead arrangers, and Citibank International plc as agent. 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. In April 2008, EDN Sovintel LLC ("**Sovintel**"), a wholly owned subsidiary of Golden Telecom, borrowed an additional US$50,000 under the Facility Agreement. The set of covenants was amended to be similar to those in VimpelCom's syndicated facility agreements. The outstanding principal amount of debt under the Facility Agreement as of December 31, 2009 was US$190,410.

(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 not later than November 20, 2004. The loan bears interest at the rate of six-month LIBOR plus 0.325%, which is payable semiannually. Under the loan agreement, VimpelCom is subject to certain defined debt covenant restrictions, including several restrictions related to financial condition. The principal amount outstanding under this credit line as of December 31, 2009, was US$14,940.

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 not later than May 30, 2006. The facility was available for drawing until and including April 30, 2006. As of December 31, 2009, the principal amount of debt outstanding under this loan agreement was US$42,731.

(9)
On November 1, 2006, VimpelCom signed a six-year US$99,350 loan agreement arranged by Citibank N.A., and insured by Euler Hermes Kreditversicherungs AG. The loan bears interest at the rate of 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 principal amount of debt outstanding under this loan as of December 31, 2009 was US$44,740.

15. Short and Long Term Debt (continued)

(10)
On March 26, 2007, VimpelCom's wholly owned subsidiary Ukrainian Radio Systems CJSC ("**URS**") signed a US$100,000 loan agreement with Standard Bank Plc, SMBC and VTB Bank Europe plc. The facility bears interest at a rate of LIBOR plus 1.15%. The loan will be repaid in five installments, starting from March 26, 2009. As of December 31, 2009, the principal amount of debt outstanding under this facility was US$20,000.

(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. As of December 31, 2009, the aggregate principal amount outstanding under these loan agreements was US$5,855.

On June 30, 2005, Vostok-Zapad Telecom, at the time a subsidiary of VimpelCom and since merged into VimpelCom, signed a US$22,525 loan agreement with Bayerische Hypo- und Vereinsbank AG and Nordea Bank AB under ECA guarantee. In 2006, Vostok-Zapad Telecom was merged into VimpelCom and VimpelCom assumed Vostok-Zapad Telecom's obligations under this loan facility. 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. As of December 31, 2009, the principal amount outstanding under this loan agreement was US$3,146.

(12)
On December 16, 2005, KaR-Tel signed a US$100,000 loan agreement with the EBRD. The EBRD granted US$50,000 from its own sources and another US$50,000 was granted by participation with a group of banks. The original interest rate was LIBOR plus 3.9% for the first $50,000 tranche and LIBOR plus 3.5% for the second $50,000 tranche. On December 29, 2007, KaR-Tel and the EBRD amended the loan agreement to increase the amount of the loan facility available to KaR-Tel up to US$130,000 and to amend certain other terms and conditions. EBRD provided US$65,000 from its own sources, and the remaining US$65,000 was provided by a group of banks. The interest rate was 6-month LIBOR plus 2.05% per annum for the tranche provided by EBRD and 6-month LIBOR plus 1.85% per annum for the tranche provided by the group of banks. The amended agreement allowed for the extension of the debt up to 7 years and was effected from April 10, 2008. The loan had a number of financial covenants that in case of breach would require KaR-Tel to repay the debt before the stated maturity date. On November 30, 2009, the outstanding balance, including the accrued interest, under this loan facility in an aggregate amount of US$131,855 was fully prepaid. There was no outstanding amount under this loan facility as of December 31, 2009.

(13)
On October 19, 2006, URS signed a US$40,000 loan agreement with Raiffeisen Zentralbank Österreich Aktiengesellschaft. The facility bore interest at a rate of LIBOR plus 1.25%. The loan was to be repaid in five equal quarterly installments starting on October 17, 2008.
On October 19, 2009, URS fully repaid the outstanding indebtedness. As of December 31, 2009, there was no debt outstanding under this loan facility.

15. Short and Long Term Debt (continued)

(14)
On December 12, 2006, URS signed a US$40,000 loan agreement with Bayerische Landesbank. The facility bore interest at a rate of LIBOR plus 1.0 %. The loan was to be repaid in five equal quarterly installments starting on December 19, 2008. On December 11, 2009, URS fully repaid the outstanding indebtedness. As of December 31, 2009, there was no debt outstanding under this loan facility.

(15)
On November 9, 2006, URS signed a US$20,000 loan agreement with OTP Bank (formerly Raiffeisen Ukraine). The facility bore annual interest at a rate of LIBOR plus 3.0%. The loan was to be repaid in four equal quarterly installments starting on January 20, 2009.
On April 21, 2009, URS fully prepaid the outstanding indebtedness under this loan facility. As of December 31, 2009, there was no debt outstanding under this loan facility.

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, 2009	Outstanding debt as of December 31, 2008	Maturity date	Security
VimpelCom	(1)	Unicredit - HVB	AB SEK Rate+0,75%	$ 90,281	$ –	Semiannually, final June 15, 2016	EKN guarantee
VimpelCom	(2)	HSBC	6 month MOSPRIME + 0.08%	46,717	58,375	Semiannually, September 28, 2007 – March 2014	EKN guarantee
VimpelCom	(3)	Cisco	16%	42,571	–	Quarterly, 2012	Network equipment
KaR-Tel	(4)	BayernLB (Hermes2)	6 month LIBOR + 0.38%	28,422	37,824	Semiannually, final – December 27, 2012	EHECA guarantee
Sotelco	(5)	Huawei	6 month LIBOR+2,1%	19,351	–	Semiannually, June, 2016	VimpelCom guarantee, Sinosure guarantee
Unitel	(6)	Huawei	8%	14,620	30,818	Various dates through 2008	Network equipment
ArmenTel	(7)	BNP Paribas	6 month EURIBOR+0.9%	6,939	9,991	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%	4,970	14,728	Various dates through 2011	None
KaR-Tel	(9)	Citibank International Plc	6 month LIBOR +0.25%, 6 month LIBOR +0.30%	4,462	29,498	Semiannually, January 24, 2007 - August 28, 2011	VimpelCom guarantee
Tacom	(10)	Huawei	8%	351	3,195	Various dates through 2008	Network equipment
KaR-Tel	(11)	HVB	6 month LIBOR +0.2%, 6 month LIBOR +0.4%	–	24,345	Semiannually, final – December 21, 2011	ATF Bank guarantee
ArmenTel	(12)	Siemens A.E	3 month EURIBOR +1.5%	–	1,058	Various dates through 2012	None
Other				4,081	6,679		
Total equipment financing				$ 262,765	$ 216,511		
Less current portion				(79,830)	(88,704)		
Long-term equipment financing				**$ 182,935**	**$ 127,807**		

15. Short and Long Term Debt (continued)

Equipment Financing Obligations (continued)

Future payments under bank loans, equipment financing and capital lease agreements and other debt are as follows:

2010	$	1,813,141
2011		1,963,216
2012		731,688
2013		1,198,547
2014		23,332
Thereafter		1,623,123
Total	**$**	**7,353,047**

Other Debt

In April 2007, VimpelCom entered into an agreement to sell a 33.3% ownership interest in its wholly-owned subsidiary, Freevale Enterprises, Inc. (BVI) for a sale price of US$20,000. Freevale Enterprises owns 21.0% of Unitel. The sale effectively represents 7% of Unitel. The transaction was finalized on June 14, 2007. In connection with this agreement, the purchaser granted to VimpelCom an option to acquire the entire remaining interest held by the purchaser and, simultaneously, VimpelCom granted to the purchaser an option to sell to VimpelCom the entire remaining interest held by the purchaser. Under the terms of the options, the future price was to be based on a formula; however in no event could the future price be less than US$57,500 or more than US$60,000. Following the provisions of EITF No. 00-4, Majority Owner’s Accounting for a Transaction in the Shares of a Consolidated Subsidiary and a Derivative Indexed to the Minority Interest in That Subsidiary (primarily codified in ASC 480-10-55, Distinguishing Liabilities from Equity-Overall-Implementation Guidance and Illustration), the sale consideration was accounted for as a secured borrowing of US$20,000. On September 23, 2009, upon the purchaser's exercise of the option to sell to VimpelCom 33.3% of the shares of Freevale Enterprises, VimpelCom completed the purchase of the Freevale Enterprises shares for a total consideration of US$57,500. As a result of the transaction, VimpelCom’s indirect ownership in Unitel increased to 100%. The transaction was accounted for as a repayment of debt. As of December 31, 2009, there was no amount of debt outstanding under this agreement.

In November and December 2008, Vimpelcom issued promissory notes in the amount of RUR2,399 million (the equivalent to US$86,787 at the exchange rate as of the date of issuance). The promissory notes were issued as an advance payment to secure future services. The promissory notes were ruble-denominated and bore no interest, maturing at weekly intervals within the period up to November 2009. As of June 30, 2009, the outstanding indebtedness amounted to RUR939 million (the equivalent to US$30,009 at the exchange rate as of June 30, 2009). As of September 30, 2009, VimpelCom fully repaid the outstanding indebtedness in the amount of RUR929 million (equivalent to US$30,872 at the exchange rate as of September 30, 2009), including some portion repaid before maturity. The gain on extinguishment of debt before maturity was US$319.

16. Equity

In 1996, VimpelCom issued 6,426,600 shares of preferred stock. As of December 31, 2009 and 2008, all of the shares of preferred stock were owned by Eco Telecom Limited ("**Eco Telecom**"). 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, 2009, the official exchange rate was 30.2442 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 December 14, 2006, the VimpelCom's Board approved Amendment No. 4 to the Amended and Restated Stock Options Plan (the "**Plan**") in order to increase the maximum aggregate number of shares authorized under the Plan from 650,000 to 1,050,000. In May 2007, 800,000 ADSs (the equivalent of 200,000 shares of the Company's common stock, prior to the adjustment in the ADS ratio mentioned below) were repurchased at an average price of US$101.29 (pre-ADS split as discussed below), for a total aggregate consideration of approximately US$81,069.

In June and July 2008, VC ESOP N.V. purchased 200,000 shares of VimpelCom's common stock for US$114,476 in open market transactions, the purchased shares were utilized for the issuance of stock based compensation awards under the Plan.

The shares held by VC ESOP N.V. (566,443 shares and 663,614 shares as of December 31, 2009 and 2008, respectively) were treated as treasury shares in the accompanying consolidated financial statements.

In March 2007, the Board approved the Company's dividend policy. Subject to the constraints and guidelines contained in the dividend policy as well as those under Russian law, the policy contemplates that the Board will recommend the payment of cash dividends annually and the amount of the annual dividend will generally be equal to at least 25.0% of the consolidated net income (which is equivalent to net income attributable to VimpelCom following the Company's adoption of SFAS 160), as determined under US GAAP.

In 2007, a dividend was paid in the amount of RUR166.88 per share of the common stock (or approximately US$0.32 per ADS based on the Russian Central Bank exchange rate as of date of approval, June 29, 2007, as adjusted for the change in the ADS ratio mentioned below) based on the results of the 2006 fiscal year, amounting to a total of RUR8.6 billion (or approximately US$331,742 based on the Russian Central Bank exchange rate as of June 29, 2007). In accordance with Russian tax legislation, VimpelCom withheld a tax of up to 30% on the dividend amount upon payment, which was approximately RUR1.2 billion (or approximately US$44,664 based on the Russian Central Bank exchange rate as of June 29, 2007).

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$588,580 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).

16. Equity (continued)

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 August 8, 2007, VimpelCom announced a change in the ratio of its ADSs traded on the NYSE from four ADSs for one common share to 20 ADSs for one common share effective August 21, 2007. The distribution date to ADS holders was August 21, 2007. There were no changes to VimpelCom's underlying common shares. All amounts in the accompanying financial statements have been restated to reflect the revised ratio, except where otherwise indicated.

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. In accordance with Russian tax legislation, dividends are subject to a withholding tax of up to 15% when payable, starting from January 1, 2008. Transfers to reserves have been insignificant through December 31, 2009. As of December 31, 2009, VimpelCom's retained earnings distributable under Russian legislation were US$5,784,622 (*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 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.

17. Redeemable Noncontrolling Interest (continued)

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, 2009, 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$640,119.

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, but does reduce the numerator in the calculation of earnings per share (*Note 21*).

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%, in Uzbekistan there is a complex income tax regime, that results in an effective rate of approximately 18% (17% effective 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:

	2009	2008	2007
Current income taxes	$ 454,571	$ 396,588	$ 561,070
Deferred taxes	(19,541)	(92,654)	32,858
	$ 435,030	**$ 303,934**	**$ 593,928**

18. Income Taxes (continued)

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, 2009 and 24% and for the years ended December 31, 2008 and 2007, is as follows:

	2009	2008	2007
Income tax expense computed on income before taxes at Russian statutory tax rate	$ 310,472	$ 213,896	$ 508,886
Effect of goodwill impairment	–	89,056	–
Effect of deductible temporary differences not recognized as measured by the change in valuation allowance	33,133	58,871	187
Effect of non-deductible expenses	45,698	42,515	71,028
Tax effect of intragroup dividends	27,904	–	–
Effect of tax claims	15,841	15,738	(615)
Taxable capital contribution	1,818	14,875	15,001
Effect of different tax rates in different jurisdictions	(3,843)	8,768	8,984
Effect of change in statutory Income tax rate	6,519	(137,762)	–
Other	(2,512)	(2,023)	(9,543)
Income tax expense reported in the accompanying consolidated financial statements	**$ 435,030**	**$ 303,934**	**$ 593,928**

VimpelCom has the following significant balances for income tax losses carried forward, fully provisioned as of December 31, 2009 and December 31, 2008, respectively:

Jurisdiction	Balance as of 31.12.2009	Balance as of 31.12.2008	Period for carry-forward
Urkaine	$ 219,401	$ 166,626	Carry-forward rule is set up annually by legislation. The rule as of the end of 2009 - period limited in time (2010-2011)
Russia	126,609	10,260	2012-2019
Georgia	72,502	44,125	2010-2015
USA	37,382	43,781	2019-2029
Belgium	29,284	20,489	Not limited in time
Netherlands	13,858	–	2013-2017
Cyprus	13,388	20,615	Not limited in time
Tadjikistan	7,941	–	2010-2012
Total	**$ 520,365**	**$ 305,896**	

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.

18. Income Taxes (continued)

Starting from January 1, 2007, the Company adopted the provisions of FIN 48 (*Note 2*). The reconciliation of the total amounts of unrecognized tax benefit, including fines and penalties (interest), for the three years ended December 31, 2009 are presented in the table below:

Balance as of January 1, 2007 adoption	$ 44,344
Increase of tax positions taken during the current period	3,146
Decrease of tax positions taken during the current period	(353)
Increase of tax positions taken during a prior period	5,880
Decrease of tax positions taken during a prior period	(9,441)
Decrease as a result of resolution through litigation	(1,063)
Foreign currency translation adjustment	2,567
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**

The amount of total unrecognized tax benefit as of December 31, 2009 and December 31, 2008, includes US$67,977 and US$56,101, respectively, of unrecognized tax benefits that, if recognized, would affect the effective income tax rate in any future periods.

As of December 31, 2008, the Company had accrued US$9,226 and US$3,211 for the potential payment of fines and penalties (interest), respectively. The Company accrued additional fines and penalties (interest) of US$7,505 and US$5,948, respectively, for the year ended December 31, 2009 and US$11,275 and US$3,832, respectively, for the year ended December 31, 2008. The total amounts of fines and penalties (interest) recognized in the consolidated balance sheet as of December 31, 2009 comprised US$12,015 and US$5,677, 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, if finalized in 2010, could 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 or the results of foregoing litigations comprised US$7,817 and US$13,203 as of December 31, 2009 and December 31, 2008, respectively.

18. Income Taxes (continued)

Due to the fact that, subject to certain legal issues, the year 2006 remains open to a repeated examination by the tax authorities in Russia, the Company considers the tax years from 2006 through 2009 to be open in Russia. VimpelCom's subsidiaries in Tajikistan, Armenia, Uzbekistan and Ukraine are subject to income tax examinations for the tax years 2007 through 2009; the subsidiary in Georgia is subject to income tax examination for the tax years 2004 through 2009 and the subsidiary in Kazakhstan is subject to income tax examination for the tax years 2005 through 2009. 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:

	2009	2008
Deferred tax assets:		
Current		
Accrued operating and interest expenses, including gain from derivatives	$ 58,516	$ 46,215
Deferred revenue	32,661	28,990
Bad debts assets	9,120	7,856
Loss carry-forwards	10,070	3,079
Non-current		
Accrued operating and interest expenses	17,707	9,345
Non-current assets	3,870	2,627
Loss carry-forwards	105,855	75,356
	237,799	173,468
Valuation allowance	(108,932)	(74,707)
	128,867	98,761
Deferred tax liabilities:		
Current		
Undistributed retained earnings of subsidiaries	19,037	–
Bad debts provision	516	945
Non-current		
Property and equipment	378,087	317,638
Telecommunication licenses	89,018	144,379
Customer relationships and other intangible assets	125,111	166,478
Other non-current assets	21,852	30,789
	633,621	660,229
Net deferred tax liabilities	504,754	561,468
Add current deferred tax assets	91,493	82,788
Add non-current deferred tax assets	904	1,521
Less current deferred tax liability	(679)	(1,302)
Total long-term net deferred tax liability	**$ 596,472**	**$ 644,475**

At December 31, 2009, undistributed earnings of VimpelCom's foreign (outside of Russian Federation) and domestic subsidiaries indefinitely invested amounted to approximately US$969,221 and US$64,903, respectively. 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, 2009, 2008 and 2007:

Balance as of December 31, 2006	$	39,483
Provision for bad debts		62,444
Accounts receivable written off		(55,966)
Foreign currency translation adjustment		3,143
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**

The provision for bad debts included in the accompanying consolidated statements of income is net of related value-added taxes of US$4,898, US$9,848 and US$9,525 for the years ended December 31, 2009, 2008 and 2007, 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.

Transactions between VimpelCom and its related parties, except for the transactions described below, consist primarily of services from the related parties and loans to them, which are not material to the financial results of VimpelCom. The following table summarizes the significant transactions and balances with related parties:

		2009		2008		2007
Revenue from Alfa	$	19,584	$	10,377	$	–
Revenue from Telenor		3,474		3,221		–
Revenue from associates		40,600		9,622		520
Revenue from other related parties		36,169		3,934		21,079
	$	**99,827**	**$**	**27,154**	**$**	**21,599**
Services from Alfa	$	6,128	$	9,122	$	1,806
Services from Telenor		2,049		3,264		590
Services from associates		131,812		35,900		7,992
Services from other related parties		70,685		5,039		8,160
	$	**210,674**	**$**	**53,325**	**$**	**18,548**
Accounts receivable from Alfa	$	3,352	$	3,536	$	–
Accounts receivable from Telenor		377		396		–
Accounts receivable from associates		236,729		163,871		133
Accounts receivable from other related parties		9,173		393		5,272
	$	**249,631**	**$**	**168,196**	**$**	**5,405**
Non-current account receivable from associates	$	1,040	$	2,059	$	–
Accounts payable to Alfa	$	301	$	434	$	–
Accounts payable to Telenor		272		106		49
Accounts payable to associates		1,880		5,248		1,627
Accounts payable to other related parties		6,758		1,704		1,097
	$	**9,211**	**$**	**7,492**	**$**	**2,773**
Long-term account payable to associates	$	626	$	666	$	–

20. Related Party Transactions (continued)

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 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$176,500 and US$139,114 at December 31, 2009 and 2008, including US$75,000 and US$130,500 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 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 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 relate to operations with Sky Mobile (*Note 4*) and Kyivstar (jointly owned by Telenor and Eco Telecom, *Note 1*).The Company has the contracts with them for providing mobile telecommunication services, including roaming activity, and purchasing from them services on transportation of fixed telecommunication traffic. KaR-Tel also has a management agreement with Sky Mobile.

21. Earnings per Share

Net income per common share for all periods presented has been determined in accordance with ASC 260, Earnings per Share, by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. Net income per share of common stock has been adjusted by a factor of twenty to determine net income per ADS equivalent as each ADS is equivalent to one-twentieth of one share of common stock.

21. Earnings per Share (continued)

The following table sets forth the computation of basic and diluted earnings per share:

	Years ended December 31,		
	2009	**2008**	**2007**
	(In thousands US dollars, except share amounts)		
Numerator:			
Net Income attributable to VimpelCom	$ 1,121,830	$ 524,334	$ 1,462,706
Less: impact on net income attributable to VimpelCom through changes in Redeemable noncontrolling interest	(22,402)	(1,060)	–
	1,099,428	**523,274**	**1,462,706**
Denominator:			
Denominator for basic earnings per share – weighted average common shares outstanding (thousand)	50,647	50,700	50,818
Effect of dilutive securities:			
Employee stock options	31	3	–
Denominator for diluted earnings per share – assumed conversions (thousand)	**50,678**	**50,703**	**50,818**
Basic net income attributable to VimpelCom per common share	**$ 21.71**	**$ 10.32**	**$ 28.78**
Diluted net income attributable to VimpelCom per common share	**$ 21.69**	**$ 10.32**	**$ 28.78**

Employee stock options (representing 197,100 shares) that are out of the money as of December 31, 2009 that could potentially dilute basic EPS in the future were not included in the computation of diluted EPS because to do so would have been antidilutive for the periods presented.

22. Stock Based Compensation Plan

As discussed in *Note 16*, VimpelCom has adopted the Plan, which has been amended since inception.

The Plan is administered by a Committee which, as of December 31, 2009, consisted of the Compensation Committee of VimpelCom's 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.

The options granted generally vest at varying rates over two years. If certain events provided for in the Plan 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, 2009, 2008 and 2007 were of US$3,416, US$5,683 and US$60,148, respectively. The number of options exercised during 2009 was 97,171 and the amount paid to employees was US$15,276. The number of shares converted for the 62,970 options exercised during 2008 was 40,568 and share-based liabilities paid to employees was US$25,487. The number of shares converted for the 177,436 options exercised during 2007 was 100,113 and share-based liabilities paid to employees was US$51,471. Amounts of liabilities paid were equal to intrinsic value of options exercised as of exercise date.

22. Stock Based Compensation Plan (continued)

Prior to December 24, 2008, the manner of exercise of stock options required variable accounting for stock-based compensation under ASC 718, Compensation-Stock Compensation, and the options were considered liability awards. On December 24, 2008, VimpelCom modified its stock-based compensation programs (except for “phantom” plans and SARs) to require equity classification. The amount of compensation expense in respect of the Plan included in the accompanying consolidated statements of operations was US$2,333 expense, US$121,890 gain and US$171,242 expense in the years ended December 31, 2009, 2008 and 2007, respectively. As of December 31, 2009, the total compensation cost related to non-vested awards not yet recognized is US$453 and the weighted-average period over which it is expected to be recognized is 0.9 years. As of December 31, 2009, the additional paid-in capital balance related to the share-based compensation arrangements granted under the Plan amounted to US$13,796.

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’ Board adopted a SARs plan for senior managers and employees. The plan is administered by the Company’s General Director and the Compensation Committee of the Board 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 an ADS 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, 2,050,760 of SARs 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. 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, 2009, an aggregate of 2,016,440 SARs were outstanding, none of which are currently redeemable or will become redeemable within 60 days of the financial statement date. As of December 31, 2009, the liability related to SARs amounted to US$2,484. The amount of expense included in the accompanying income statement in connection with SARs was US$2,484.

22. Stock Based Compensation Plan (continued)

The following table summarizes the activity for the Plan and SARs:

	Number of options			Number of SARs
	2009	2008	2007	2009
Outstanding, beginning of year	572,297	459,825	372,261	–
Granted	90,750	223,000	279,500	2,050,760
Exercised	(97,171)	(62,970)	(177,436)	–
Modified	(181,500)	–	–	–
Forfeited	(54,326)	(47,558)	(14,500)	(34,320)
Outstanding, end of year	**330,050**	**572,297**	**459,825**	**2,016,440**
Exercisable, end of year	**274,366**	**264,516**	**92,825**	**–**

No stock options expired in the years ended December 31, 2009, 2008 or 2007.

The following table summarizes the weighted-average exercise prices of options and SARs for the year ended December 31, 2009. 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).

	Stock Options	SARs
The number of options/SARs outstanding, beginning of year	572,297	–
Weighted-average exercise price of options/SARs outstanding	436.9	–
Weighted-average grant-date fair value at the beginning of the year	25.9	–
The number of options/SARs granted	90,750	2,050,760
Weighted-average exercise price of options/SARs granted	326.5	13.1
Weighted-average grant-date fair value of options/SARs granted during the year	28.7	11.8
The number of options/SARs exercised	(97,171)	–
Weighted-average exercise price of options/SARs exercised	186.7	–
The total intrinsic value of options/SARs exercised (or share units converted)	240.6	–
The number of options/SARs forfeited/modified	(235,826)	(34,320)
Weighted-average exercise price of options/SARs forfeited	619.0	13.1
Weighted-average grant-date fair value of options/SARs forfeited during the year	16.4	11.8
The number of options/SARs outstanding, end of year	330,050	2,016,440
Weighted-average exercise price of options/SARs outstanding	350.1	13.1
Weighted-average grant-date fair value at the end of the year	27.2	11.8
Weighted-average remaining contractual life (years)	1.8	6.0
The aggregate intrinsic value of options/SARs outstanding	13,443	11,151
Out of the options/SARs outstanding at the end of the year		
The number of options/SARs exercisable	274,366	–
Weighted-average exercise price of options/SARs exercisable	354.9	–
Weighted-average remaining contractual life (years)	1.4	–
The aggregate intrinsic value of options/SARs exercisable	10,921	–
The number of options/SARs nonvested at the beginning of the year	307,781	–
Weighted-average grant-date fair value of options/SARs nonvested at the beginning of the year	18.2	–
The number of options/SARs vested during the year	119,232	–
Weighted-average grant-date fair value of options/SARs vested during the year	31.9	–
The number of options/SARs nonvested at the end of the year	55,684	2,016,440
Weighted-average grant-date fair value of options/SARs nonvested at the end of the year	13.4	11.8
The total fair value of shares vested during the year ended and as of December 31, 2009	3,416	–

22. Stock Based Compensation Plan (continued)

The weighted-average grant-date fair value of options granted in 2008 and 2007 were US$160.1 and US$100.4, respectively.

The following table illustrates the major assumptions of the Black Scholes model for the options and SARs for the years ended December 31:

	2009	2008	2007
Expected volatility	92% - 138%	91%-184%	38%-50%
The weighted-average expected term (in years)	1.8	0.8	1.7
Expected dividend yield	0%-2.2%	1.8%	1.5%
Risk free interest rate	7.0%-9.77%	7.6%-11.8%	5.4%-5.9%
Forfeiture rate	6.2%	5.4%	3.7%

In addition to the Plan and SARs, members of the Board who are not employees participate in a “phantom” stock plan, pursuant to which they each receive 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 to be granted to each director is 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, 2009, an aggregate of 1,490,000 phantom ADS were outstanding under phantom stock plan, of which 1,270,000 are currently redeemable or will become redeemable within 60 days of the financial statement date at prices per phantom ADS ranging from US$0.96 to US$31.63. As of December 31, 2009, the liability related to the phantoms amounted to US$4,195. 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 for the year ended December 31, 2009.

VimpelCom’s senior managers are also eligible to receive phantom ADSs in an amount approved by the Compensation Committee of the Board. The Board determines the aggregate amount of phantom ADSs that may be granted to senior managers in each calendar year. In 2007, 2008 and 2009, the Board authorized the granting of 2,575,000, 800,000 and 820,000 phantom ADSs, respectively. As of December 31, 2009, an aggregate of 286,666 phantom ADSs were outstanding, of which 20,000 are currently redeemable or will become redeemable within 60 days of the financial statement date at a price per phantom ADS US$9.29. As of December 31, 2009, the liability related to the phantom ADSs amounted to US$2,337. The amount of expense included in the accompanying income statement in connection with phantom ADS granted to senior managers were US$2,480 expense, US$721 gain and US$33,975 expense for the years ended December 31, 2009, December 31, 2008 and December 31, 2007, respectively.

23. 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. The segment data for acquired operations are reflected herein from the date of their acquisitions. The Board and management utilize more than one measurement and 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, operating income, income before income taxes and net income along with cash flows and overall economic returns. 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 February 28, 2008, the date of acquisition of Golden Telecom, VimpelCom's Board and management identified Russia mobile, Russia fixed, CIS mobile and CIS fixed reporting segments based on the business activities in different geographical areas. Although Georgia is no longer a member of the CIS, consistent with VimpelCom's historic reporting practice VimpelCom continue to include Georgia in it's CIS reporting segment.

These segments have been determined based on the nature of their operations: mobile includes activities for the providing of wireless telecommunication services to the Company's subscribers; fixed line includes all activities for providing wireline telecommunication services, broadband and consumer Internet. Information about other business activities and operating segments that are not reportable due to non materiality of business activity was combined and disclosed in the "Other" category separate from other reconciling items. This "Other" category includes VimpelCom's operations in Cambodia, DVB-T/DVB-H activities and VimpelCom's respective equity in net results of operations of the Company's associates GTEL-Mobile and Morefront Holdings Ltd.

Financial information by reportable segment for the years ended December 31, 2009, 2008 and 2007 is presented in the following tables.

Year ended December 31, 2009:

	Russia Mobile	Russia Fixed line	CIS Mobile	CIS Fixed line	Other	Total
Net operating revenues from external customers	$ 6,104,016	$ 1,319,542	$ 1,095,876	$ 177,817	$ 5,651	**$ 8,702,902**
Intersegment revenues	94,366	367,620	32,858	85,352	–	**580,196**
Depreciation and amortization	1,019,322	242,074	331,106	91,696	9,969	**1,694,167**
Operating income	2,185,540	226,976	183,917	19,962	(38,040)	**2,578,355**
Interest income	102,601	11,619	8,347	3,234	500	**126,301**
Interest expense	(596,407)	(5,256)	(56,613)	(8,050)	(6,792)	**(673,118)**
(Loss)/gain from associates	62	3,854	–	330	(40,009)	**(35,763)**
Income/(loss) before income taxes	1,346,191	228,799	47,667	13,515	(83,811)	**1,552,361**
Income tax expense/ (benefit)	339,873	49,068	39,101	7,213	(225)	**435,030**
Net income/(loss) attributable to VimpelCom	1,007,786	180,205	(2,013)	12,295	(76,443)	**1,121,830**
Total assets	8,648,241	4,268,502	2,695,891	501,645	558,034	**16,672,313**
Non-current assets other than goodwill	4,524,634	1,435,403	1,589,500	402,273	529,830	**8,481,640**
Goodwill	728,559	1,880,089	667,429	8,216	–	**3,284,293**
Expenditures for long-lived assets	481,644	137,391	94,037	32,897	68,139	**814,108**

23. Segment Information (continued)

Year ended December 31, 2008:

	Russia Mobile	Russia Fixed line	CIS Mobile	CIS Fixed line	Other	Total
Net operating revenues from external customers	$ 7,310,487	$ 1,286,697	$ 1,294,677	$ 225,071	$ –	**$ 10,116,932**
Intersegment revenues	61,279	142,769	20,318	47,663	–	**272,029**
Impairment loss	–	315,049	90,078	–	37,620	**442,747**
Depreciation and amortization	1,204,676	219,442	368,305	88,526	215	**1,881,164**
Operating income	2,667,369	(191,226)	81,765	23,942	(45,900)	**2,535,950**
Interest income	97,451	14,703	4,081	1,140	1,685	**119,060**
Interest expense	(464,682)	(18,209)	(52,235)	(5,982)	(1,968)	**(543,076)**
(Loss)/gain from associates	(463)	2,176	–	109	(62,842)	**(61,020)**
Income before income taxes	1,463,321	(268,040)	(196,607)	250	(107,690)	**891,234**
Income tax expense/ (benefit)	316,911	(1,863)	(1,439)	(5,062)	(4,613)	**303,934**
Net income attributable to VimpelCom	1,145,969	(266,443)	(260,448)	3,372	(98,116)	**524,334**
Total assets	8,284,753	4,088,643	3,061,215	781,917	543,080	**16,759,608**
Non-current assets other than goodwill	5,132,739	1,579,043	1,926,447	672,335	531,140	**9,841,704**
Goodwill	749,978	1,935,455	781,382	10,127	–	**3,476,942**
Expenditures for long-lived assets	1,432,807	343,601	636,069	139,041	19,327	**2,570,845**

Year ended December 31, 2007:

	Russia Mobile	Russia Fixed line	CIS Mobile	CIS Fixed line	Other	Total
Net operating revenues from external customers	$ 6,090,316	$ –	$ 937,419	$ 143,363	$ –	**$ 7,171,098**
Intersegment revenues	3,354	–	10,413	–	–	**13,767**
Depreciation and amortization	1,108,971	–	220,339	61,243	–	**1,390,553**
Operating income	1,991,833	–	198,592	15,765	–	**2,206,190**
Interest income	54,535	–	662	490	–	**55,687**
Interest expense	(168,944)	–	(47,146)	(1,415)	–	**(217,505)**
Gain/(loss) from associates	–	–	–	(211)	–	**(211)**
Income before income taxes	1,937,086	–	169,715	13,555	–	**2,120,356**
Income tax expense	514,819	–	76,357	2,752	–	**593,928**
Net income attributable to VimpelCom	1,422,221	–	30,661	9,824	–	**1,462,706**
Total assets	7,891,322	–	2,568,758	473,278	24,620	**10,957,978**
Non-current assets other than goodwill	5,586,534	–	1,790,698	400,556	24,363	**7,802,151**
Goodwill	451,428	–	565,266	23,122	–	**1,039,816**
Expenditures for long-lived assets	1,072,520	–	634,123	66,176	–	**1,772,819**

23. Segment Information (continued)

A reconciliation of VimpelCom's total segment financial information to the corresponding consolidated amounts follows:

	Segment total	Intersegment interest	Consolidated totals
For the year ended December 31, 2009			
interest income	$ 126,301	$ (74,587)	$ 51,714
interest expense	(673,118)	74,587	(598,531)
For the year ended December 31, 2008			
interest income	$ 119,060	$ (47,442)	$ 71,618
interest expense	(543,076)	47,442	(495,634)
For the year ended December 31, 2007			
interest income	$ 55,687	$ (22,666)	$ 33,021
interest expense	(217,505)	22,666	(194,839)

	December 31, 2009	December 31, 2008
Assets		
Total assets for reportable segments	$ 16,672,313	$ 16,759,608
Elimination of intercompany balances	(1,939,772)	(1,034,455)
Total consolidated assets	**$ 14,732,541**	**$ 15,725,153**

In Russia and Kazakhstan, VimpelCom's revenues from external customers amounted to US$7,423,558 and US$651,443 for the year ended December 31, 2009, respectively and long-lived assets amounted to US$5,305,075 and US$707,464 as of December 31, 2009, respectively.

24. Commitments, Contingencies and Uncertainties

The economies of the countries in which VimpelCom operates continue to display certain traits consistent with that of a market in transition. These characteristics have in the past included higher than normal historic inflation, lack of liquidity in the capital markets, and the existence of currency controls which cause the national currency to be illiquid outside of their territories. The imposition 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, which could have a material adverse effect on VimpelCom' business, financial condition and results of operations. 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 Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in a decline in gross domestic product, capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia as well as ruble depreciation. While the Russian Government has introduced a range of stabilization measures aimed at providing liquidity and supporting debt refinancing for Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for Russian companies, which could affect VimpelCom's financial position, results of operations and business prospects. The crisis may also damage purchasing power of VimpelCom's customers mainly in the business sector and thus lead to decline in revenue streams and cash generation.

24. Commitments, Contingencies and Uncertainties (continued)

While management believes it is taking appropriate measures to support the sustainability of the 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 - 2012 (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.

24. Commitments, Contingencies and Uncertainties (continued)

Telecom Licenses Capital Commitments (continued)

Closed Joint Stock Company “Ukrainian Radio Systems” (CJSC “URS”) and “Golden Telecom” Limited Liability Company (“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 April 2010, October 2020 and December 2020 respectively. "GT LLC" owns 3 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 CJSC “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: CJSC URS - by August, 2015 and GT LLC - by October 2014.

Taxation

The taxation systems in the countries in which VimpelCom operates are evolving as their respective national governments transform their national economies from a command to market oriented economies. In the Russian Federation, VimpelCom’s predominant market, there were many tax laws and related regulations introduced in previous periods as well as in 2009 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$41,363 (including US$1,620 in fines and penalties) at the exchange rate as of December 31, 2009. VimpelCom challenged the tax inspectorate’s final decision and has so far prevailed in court with respect to RUR1,179 million of taxes (including RUR48 million in fines and penalties), which is approximately US$38,982 (including US$1,587 in fines and penalties) at the exchange rate as of December 31, 2009. The tax inspectorate cannot appeal the court decisions. The remaining part of the tax authorities’ claims in the amount of RUR72 million (including RUR1 million in fines and penalties), which is approximately US$2,380 (including US$33 in fines and penalties) at the exchange rate as of December 31, 2009, are still being challenged in court.

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 owes an additional RUR324 million in taxes (including RUR36 million in fines and penalties), which is approximately US$10,712 (including US$1,190 in fines and penalties) at the exchange rate as of December 31, 2009. Sovintel disagrees with the tax inspectorate’s decision and has filed a lawsuit in the Russian Arbitration courts. The court has already rejected the tax authorities’ claims. The tax inspectorate do not agree with court decisions and continue to assert their claims in court. No amounts have been accrued in these financial statements in relation to this claim.

24. Commitments, Contingencies and Uncertainties (continued)

KaR-Tel

On January 10, 2005, KaR-Tel received an "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$4,991,744 at the exchange rate as of December 31, 2009 (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, dated as of October 7, 2004, was delivered to KaR-Tel by the Bostandykski Regional Court of Almaty. The order 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 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. 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 December 11, 2008, KaR-Tel also received a response from the Fund to KaR-Tel's court filing in July 2006. The Turkish court presiding over the case may issue a decision on the basis of the parties' filings.

24. Commitments, Contingencies and Uncertainties (continued)

KaR-Tel (continued)

On October 20, 2009, KaR-Tel filed with Sisli 5th 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. 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.

KaR-Tel 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.

Other Litigations

On April 15, 2008, VimpelCom received a copy of a purported claim filed with the Arbitration Court of Khanty-Mansiisky Autonomous Okrug in Russia from Farimex Products, Inc., the purported holder of 25,000 of VimpelCom’s ADSs. The named defendants under the claim are Eco Telecom Limited, Altimo, Avenue Limited, Janow Properties Limited, Santel Limited, Telenor East Invest AS (“**Telenor**”) and OJSC CT-Mobile. Both VimpelCom and several of its current and former directors, namely, Messrs. Mikhail Fridman, Arve Johansen, Alexey Reznikovich, Fridtjof Rusten and Henrik Torgersen, are named as third parties to the case. Under Russian law, a person named as a third party to a claim is generally a person potentially interested in the case who can participate in the proceedings if he so chooses. A third party is not a defendant in the claim and judgments cannot be entered against a person solely due to the fact that the person was named as a third party. The claimant is seeking reimbursement from the defendants to VimpelCom of US$3,798,000 in alleged damages caused to VimpelCom by the actions of the defendants with regard to its entrance into the Ukrainian telecommunications market. Among other things, the claimant alleged that Alfa and Telenor prevented VimpelCom from acquiring Kyivstar and that Telenor, acting through the directors on its board nominated by Telenor, caused a delay in VimpelCom’s acquisition of URS, which caused damages to VimpelCom. The court rejected the claimant’s motion to arrest the shares in VimpelCom owned by Eco Telecom and Telenor to secure the claim. On August 16, 2008, the court of first instance sustained the claim in part and held Telenor liable for US$2,824,000 of damages. Telenor appealed this decision and on December 29, 2008 the Court of Appeals vacated the lower court’s ruling and remanded it for a new hearing at a different court of first instance. On February 20, 2009, the court of first instance sustained the claim in part and found Telenor liable for US$1,728,000 in damages. Telenor is appealing this decision. Subsequent to the court ruling, a court bailiff arrested 15,300,000 of VimpelCom’s ordinary shares owned by Telenor. The Company understands that these shares can, under certain circumstances, be sold by the court bailiff to satisfy the court judgment. The court bailiff may also transfer the shares to VimpelCom to the extent that they cannot be sold to satisfy the court judgment within a certain period of time. Telenor has applied for a stay of enforcement proceedings but the court denied the application. Telenor has publicly stated that it is appealing this decision. If a stay of enforcement is granted, it would freeze the sale of the arrested shares. On April 3, 2009, Telenor publicly disclosed that it had officially been served with a claim to pay US$1,728,000 to VimpelCom and that it had five days to pay the sum voluntarily. VimpelCom received a letter from Telenor, dated March 31, 2009, addressed to its former CEO, relating to the Farimex Case.

24. Commitments, Contingencies and Uncertainties (continued)

Other Litigations (continued)

In the letter, Telenor alleges that in connection with the Farimex Case there have been gross violations of Telenor’s procedural and substantive rights, and states, among other things, that they expect that VimpelCom would publicly denounce the Farimex Case and publicly state that it will have nothing to do with the case or any proceeds from the Farimex Case. Telenor also stated in the letter that if for any reason VimpelCom accepts, whether actively or through its own inaction, the payment of proceeds of enforcement of the Farimex Case, Telenor will not hesitate to pursue whatever remedies against VimpelCom (and, if appropriate, any of its management involved, personally) as may be available to Telenor in the United States and Europe, or before any transnational courts or agencies. On April 3, 2009, VimpelCom responded to Telenor’s letter and stated, among other things, that if and when VimpelCom is faced with a decision respecting the outcome or implications of the Farimex Case, it, of course, will act in accordance with all applicable laws, rules and regulations and in the best interests of VimpelCom’s shareholders and will protect its reputation and will defend VimpelCom and its officers and directors against actions taken against it or them. As of the date hereof, the Company is not aware of any pending legal action against it in connection with this matter.

In April 2009, for the purpose of control over VAT payments, the tax authorities requested that the Company provide the details of the Court decision as of March 2, 2009, concerning the reimbursement of losses from Telenor in favor of VimpelCom. Taking into consideration that the amount of the judgment is not related to the Company’s ordinary business obligations for goods or services, management believes that the amount is not subject to tax.

On March 11, 2009, a cassational appeal was filed on behalf of Telenor. The cassational appeal was initially scheduled to be heard for May 26, 2009, but the hearing was postponed until March 24, 2010.

Telenor continues to seek relief in various Russian courts challenging the original decision on substantive and procedural grounds as well as the various steps taken by the bailiff to collect on the judgement. The Company is not actively participating in any of these proceedings.

At this stage, the Company does not know what, if any, further actions it will take or will be required to take regarding this matter and cannot predict what, if any, impact this matter may have on VimpelCom’s strategic shareholders, named board members or the Company. No amounts have been accrued in these financial statements in relation to this claim.

Operating Lease Commitments

Operating lease commitments for each of the succeeding five years is expected to be as follows:

2010	$ 14,027
2011	12,499
2012	9,052
2013	7,292
2014	4,959
Thereafter	23,781
Total	**$ 71,610**

24. Commitments, Contingencies and Uncertainties (continued)

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 2009 and 2008, the Company made 0.5% and 12% of its total purchase installment contemplated by the agreement, respectively. In January and February 2010, the Company made 1.6% of its total purchase installment contemplated by the agreement with Apple.

25. Subsequent Events

On January 12, 2010, LLC VimpelCom-Invest, a consolidated Russian subsidiary of VimpelCom, determined the interest rate for the fourth and subsequent payment periods at 9.25% per annum related to its Russian ruble-denominated bonds in an aggregate principal amount of RUR10,000 million (US$427,749 at exchange rate as of July 25, 2008) issued on July 25, 2008. Bonds holders had the right to sell their bonds to VimpelCom-Invest until January 22, 2010 in accordance with the original terms of the bonds. On January 26, 2010, VimpelCom-Invest 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, VimpelCom-Invest sold back in the market all repurchased bonds.

On January 18, 2010, CJSC "URS" has renewed its GSM-900 mobile telecom license. The term of duration of the new license is until July 25, 2021, instead of April 28, 2010 expiration date of the previous GSM-900 license.

On March 12, 2010, VimpelCom signed a series of Amendments to the Loan Agreements with Sberbank. Starting from February 1, 2010 Sberbank decreased the interest rate on loan facility signed on March 10, 2009, from 16.25% to 10.75% per annum and the maximum interest rate from 17.25% to 11.0% and decreased the interest rate on loan facility signed on March 10, 2009, from 11.0% to 8.0% per annum and the maximum interest rate from 12.0% to 8.25%.

On March 12, 2010, VimpelCom signed a Termination Agreements to the Pledge Agreements signed with Sberbank on May 25, 2009 to release the telecommunication equipment from pledge.

In accordance with an Amendment Agreement to the Loan Agreement signed on August 28, 2009, Sberbank decreased the interest rate on this loan facility from 15.0% to 11.00% per annum and the maximum interest rate from 15.25% to 11.25%, starting from February 1, 2010.

In accordance with an Amendment Agreement to the Loan Agreement signed on February 14, 2008, Sberbank decreased the interest rate on this loan facility from 13.0% to 11.00% per annum and the maximum interest rate from 14.5% to 11.25%, starting from February 1, 2010.

25. Subsequent Events (continued)

The Federal Anti-Monopoly Service of Russia (“FAS”) started legal proceedings against VimpelCom, OJSC "MTS" and OJSC "Megafon" about their alleged violation of anti-monopoly legislation by charging artificially high prices for roaming services. The Company received the related Order of FAS in March 2010. The Company does not possess information related to the date that this case will be considered by FAS. VimpelCom does not believe that it is in violation of the anti-monopoly legislation but if its roaming tariffs are found to violate applicable legislation, the Company could face certain fines of up to 15% of the revenue from the services provided in violation of the legislation. At this stage, the Company is unable to evaluate the outcome of this case and no amounts have been accrued in these financial statements in relation to this claim.