



# Group financial results for the second quarter 2007

Investor conference call – September 4, 2007

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- Group highlights for the period
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## Group highlights for the period

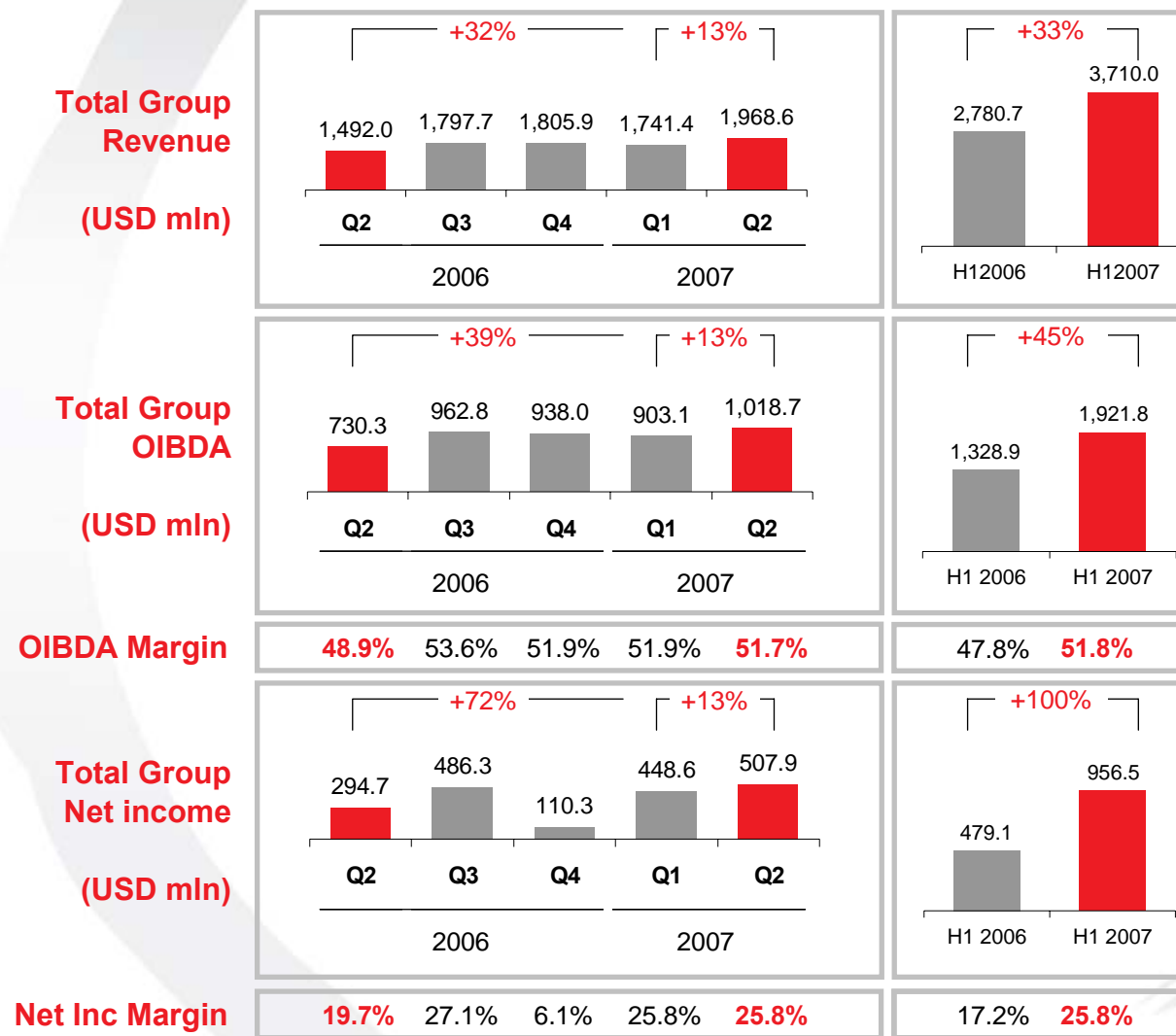
### Group financial highlights

- Revenues up 32% Y-o-Y to \$1,969 mln
- OIBDA up 39% Y-o-Y to \$1,019 mln; OIBDA margin of 51.7%
- Net income up 72% Y-o-Y to \$508 mln
- Free cash-flow at \$825 mln for the six months of 2007

### Recent corporate developments

- Launch of MTS brand in Ukraine
- Acquisition of the remaining stake in Uzdunrobita
- Approval of dividend payout in the amount of \$747 mln by the AGM
- Appointment of a new Board of Directors with two new independent directors
- Adoption of an employee remuneration and phantom share program

## Group financial highlights



Sustained growth throughout our markets of operation

Increased profitability throughout the Group through improved financial control and measured spending

Bottom line improvements through effective financial management

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- MTS' CIS market forecast
- The Russian market today
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# Key period developments: MTS' CIS market forecast



Total market value (TMV) of CIS countries

- Ukraine**  
TMV 2007E ≈ \$3,900 mln  
Penetration 2007E ≈ 112%  
GDP Growth 2007E ≈ 5%
- Moldova**  
TMV 2007E ≈ \$160 mln  
Penetration 2007E ≈ 54%  
GDP Growth 2007E ≈ 4%
- Georgia**  
TMV 2007E ≈ \$360 mln  
Penetration 2007E ≈ 63%  
GDP Growth 2007E ≈ 6,5%
- Armenia**  
TMV 2007E ≈ \$300 mln  
Penetration 2007E ≈ 57%  
GDP Growth 2007E ≈ 9%
- Azerbaijan**  
TMV 2007E ≈ \$440 mln  
Penetration 2007E ≈ 59%  
GDP Growth 2007E ≈ 27,1%
- Turkmenistan**  
TMV 2007E ≈ \$200 mln  
Penetration 2007E ≈ 8%  
GDP Growth 2007E ≈ 5,7%

**Belarus**  
TMV 2007E ≈ \$780 mln  
Penetration 2007E ≈ 79%  
GDP Growth 2007E ≈ 9%

**Russia**  
Total Market Value 2007E ≈ \$18,600 mln  
Penetration 2007E ≈ 116%  
GDP Growth 2007E ≈ 7,5%

**Tajikistan**  
TMV 2007E ≈ \$100 mln  
Penetration 2007E ≈ 24%  
GDP Growth 2007E ≈ 7%

**Uzbekistan**  
TMV 2007E ≈ \$350 mln  
Penetration 2007E ≈ 16%  
GDP Growth 2007E ≈ 7%

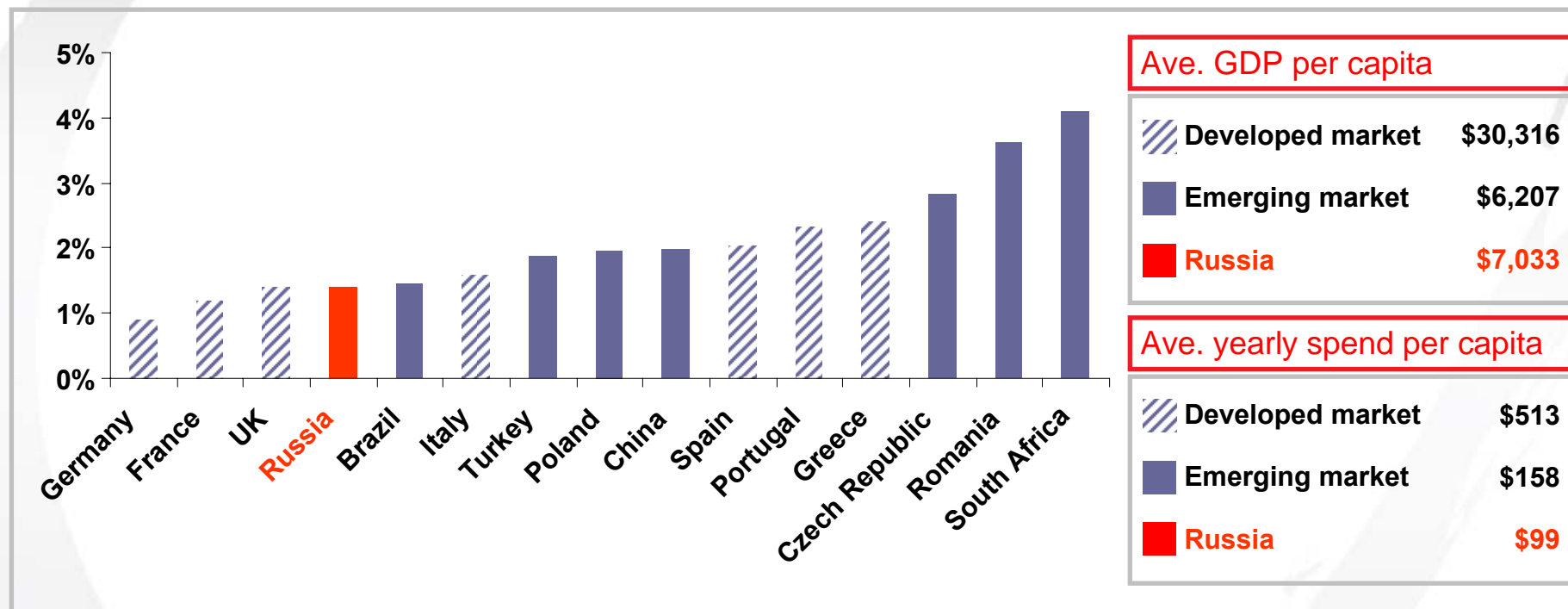
**Kazakhstan**  
TMV 2007E ≈ \$950 mln  
Penetration 2007E ≈ 67%  
GDP Growth 2007E ≈ 8,8%

**Kyrgyzstan**  
TMV 2007E ≈ \$170 mln  
Penetration 2007E ≈ 30%  
GDP Growth 2007E ≈ 3,2%

Source: World Bank; Bank data; MTS estimates

## Current wireless spending in Russia

Wireless spend as % of nominal GDP\* 2006



\* Goldman Sachs Research estimates, EIU, IMF World Economic Outlook Database, Merrill Lynch, Company's estimates

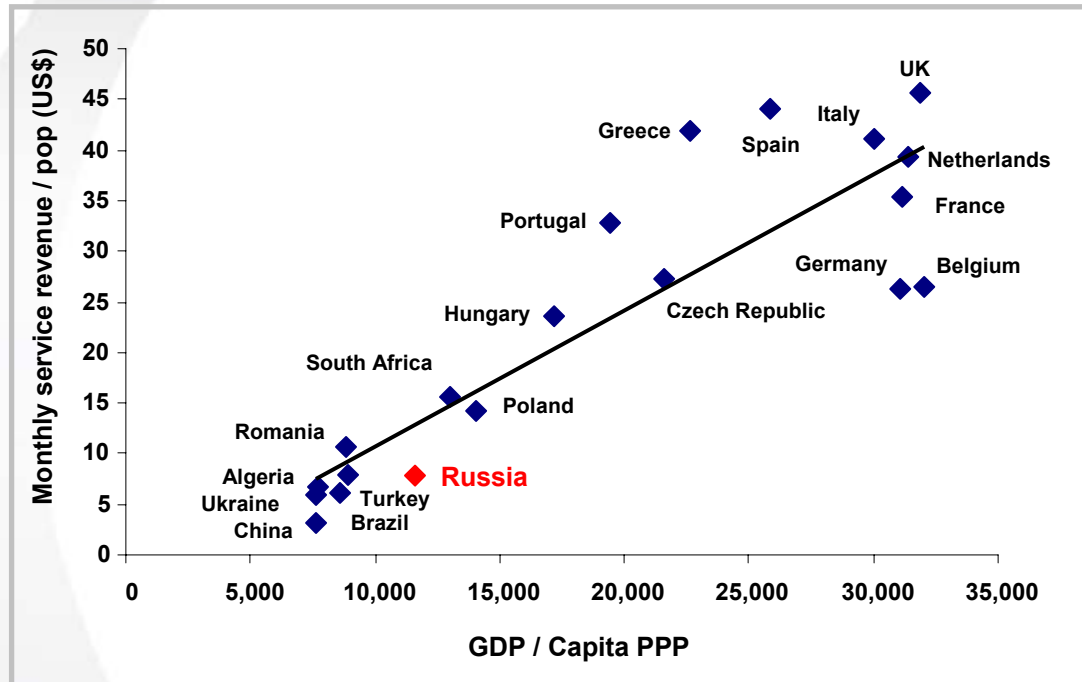
- Spending on mobile telephony in Russia lags other emerging markets around the world
  - As % of GDP, Russian spending at levels of developed markets
  - Absolute value of Russian mobile spend significantly lower than all markets

**Relative spending levels in other developing markets indicate an opportunity exists to increase share of overall consumer spend**



## The potential wireless spending in Russia

Wireless spend vs. GDP per capita at PPP\*



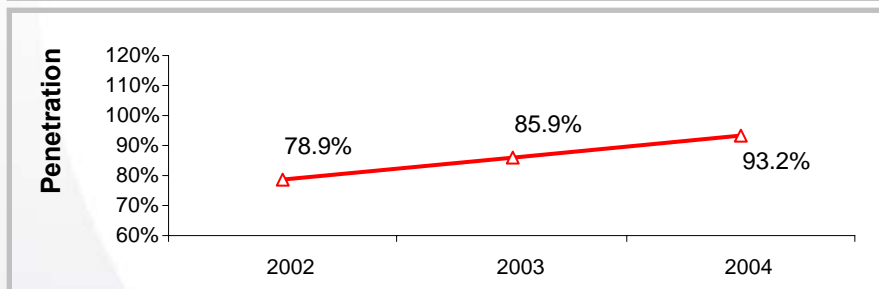
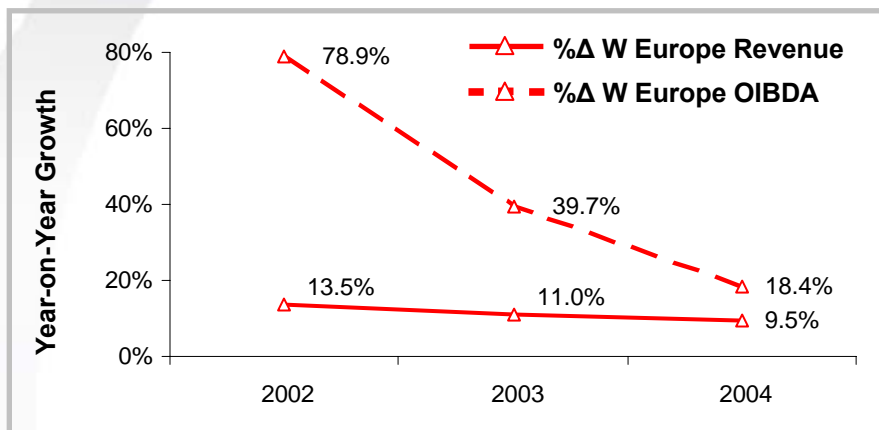
\* Goldman Sachs Research estimates, IMF World Economic Outlook Database, Company's estimates

- On a purchasing power parity (PPP) basis, comparing service revenues and GDP per capita indicates that consumers worldwide willingly spend more on wireless telephony
- The wireless sector in Russia is set to benefit in the near future from:
  - Sustained development of the Russian economy
  - Real income growth
  - Increased consumer consumption
  - Market factors, such as low fixed-line penetration

Relation of wireless spending to purchasing potential indicates large upside for Russian market

## Uniqueness of Russian market revenue and OIBDA growth

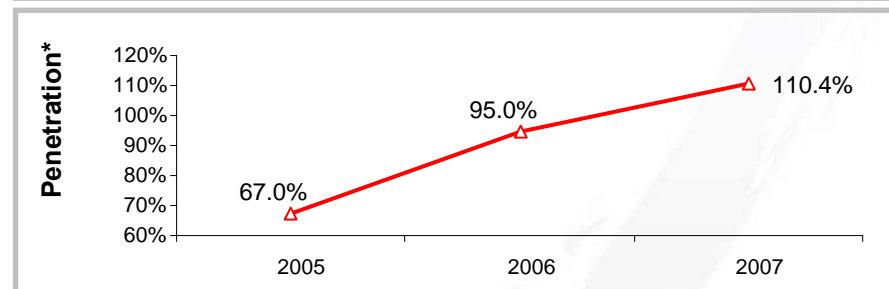
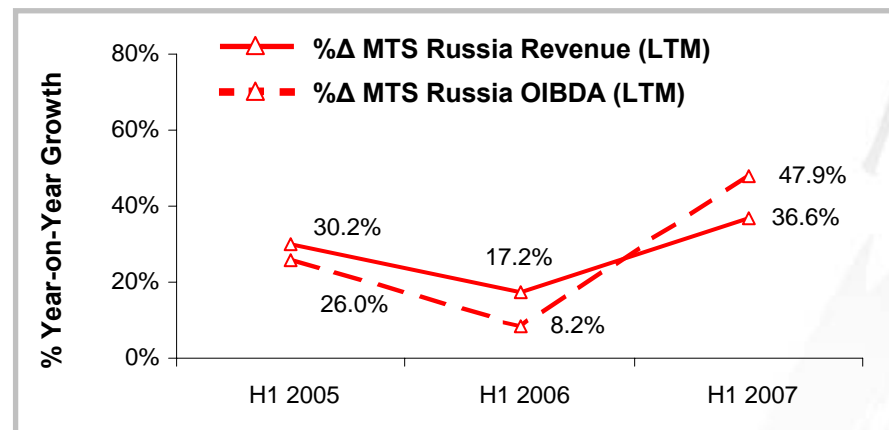
Revenue growth during market maturation phase



- Most markets exhibit dramatic slowdown in growth as penetration levels reach mature levels

\*Higher penetration level indicated for Russia versus Western Europe due to pre-paid market and proliferation of 'double-SIMS' in market

Revenue growth during market maturation phase



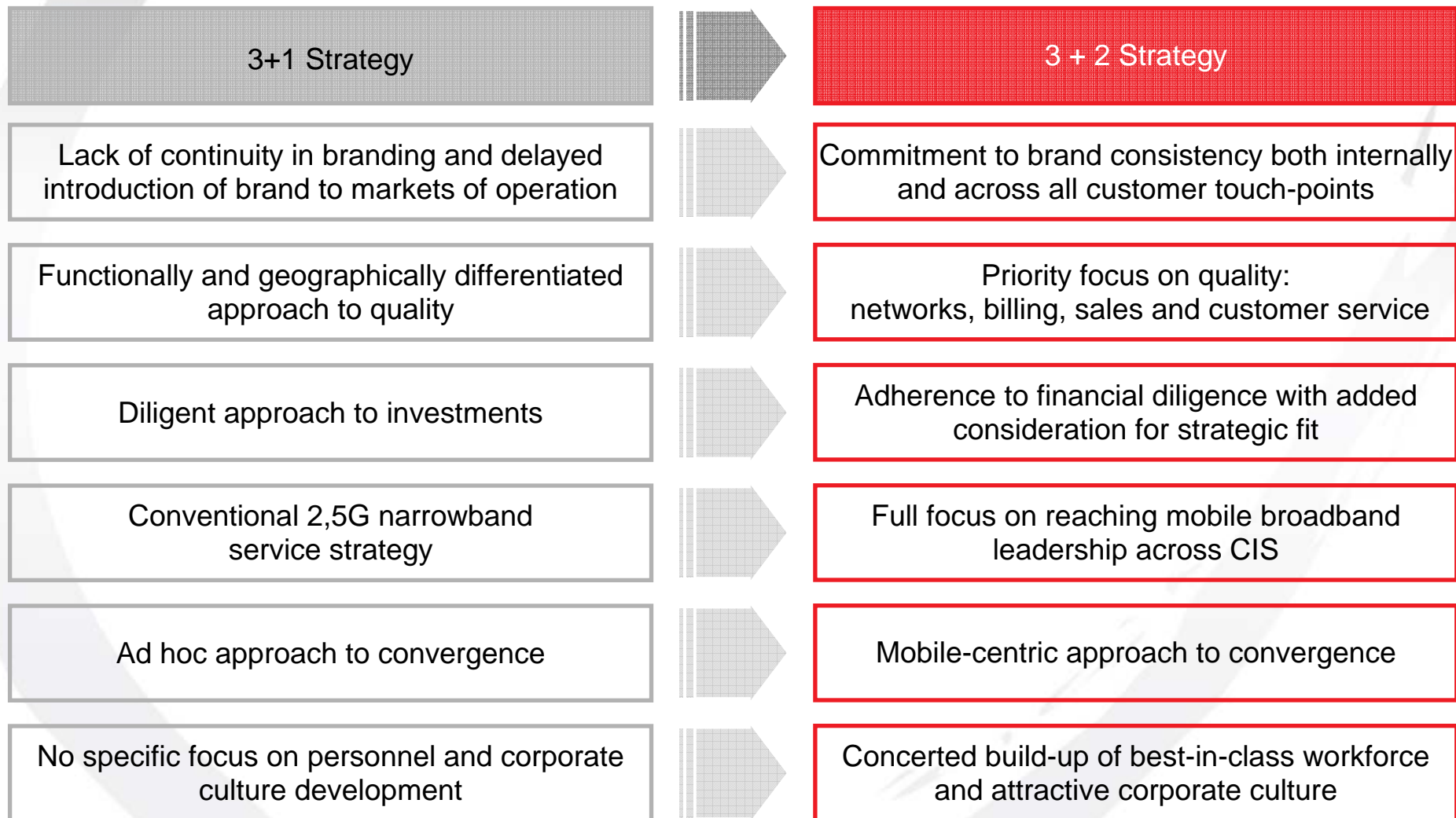
- Growth of Russian market allows MTS realize faster growth as market matures
- Sustained OIBDA levels and improvements evidence of benefits of scale in market

**Sustained growth rates at current penetration rate rarely seen in worldwide mobile markets**

## 3 + 1 Strategy

<p><b>MTS Strategic Goals</b></p>	<p>1 Strengthen leadership in Russia</p>	<ul style="list-style-type: none"> <li>▪ Revenue stimulation</li> <li>▪ Cost efficiency</li> <li>▪ Process excellence</li> </ul>
<p><b>ROIC* of &gt;25% over five years</b></p> <p><b>Global player based on strong CIS 'Home Market'</b></p>	<p>2 Growth &amp; synergies in the CIS</p>	<ul style="list-style-type: none"> <li>▪ Increase network in the CIS region</li> <li>▪ Achieve revenue leadership in markets</li> <li>▪ Operational consistency throughout the CIS</li> </ul>
	<p>3 Create value in growth markets</p>	<ul style="list-style-type: none"> <li>▪ Deliberate M&amp;A approach</li> <li>▪ Due diligence in establishing market-entry criteria</li> <li>▪ Build-up of int'l group organization and HQ</li> </ul>
	<p>+1 Additional business opportunities</p>	<ul style="list-style-type: none"> <li>▪ Explore vertical and horizontal integration</li> <li>▪ Evaluate convergence</li> </ul>

## Evolving our 3+1 Strategy



The natural development of our strategy given our changing markets

## 3 + 2 Strategy

<p><b>Always delivering more for our customers</b></p> <p><b>Leading communication brand in the CIS</b></p> <p><b>Creating exceptional shareholder value</b></p>	1	Capture growth potential in core markets	<ul style="list-style-type: none"> <li>Drive revenue stimulation</li> <li>Provide unique customer experience</li> <li>Deliver superior quality</li> </ul>
	2	Value creation in developing markets	<ul style="list-style-type: none"> <li>Drive market growth in CIS</li> <li>Enlarge CIS footprint</li> <li>Investigate other selective opportunities</li> </ul>
	3	Development of mobile broadband in CIS	<ul style="list-style-type: none"> <li>Roll-out 3G in Russia and Uzbekistan</li> <li>Acquire licenses in CIS countries</li> <li>Offer attractive data services portfolio</li> </ul>
	+1	Cost efficiency	<ul style="list-style-type: none"> <li>Focus on cost and process efficiency</li> <li>Leverage synergies throughout Group</li> <li>Exploit optimal technology solutions</li> </ul>
	+2	MTS Group development	<ul style="list-style-type: none"> <li>Build-up Group organization</li> <li>Attract and retain best-in-class employees</li> <li>Nurture distinctive corporate culture</li> </ul>

### Key takeaways

Relative spending levels in other developing markets indicate an opportunity exists to increase share of overall consumer spend in Russian market

Relation of wireless spending to purchasing potential indicates large upside for Russian market

Sustained growth rates in Russia at current penetration levels rarely seen in worldwide mobile markets

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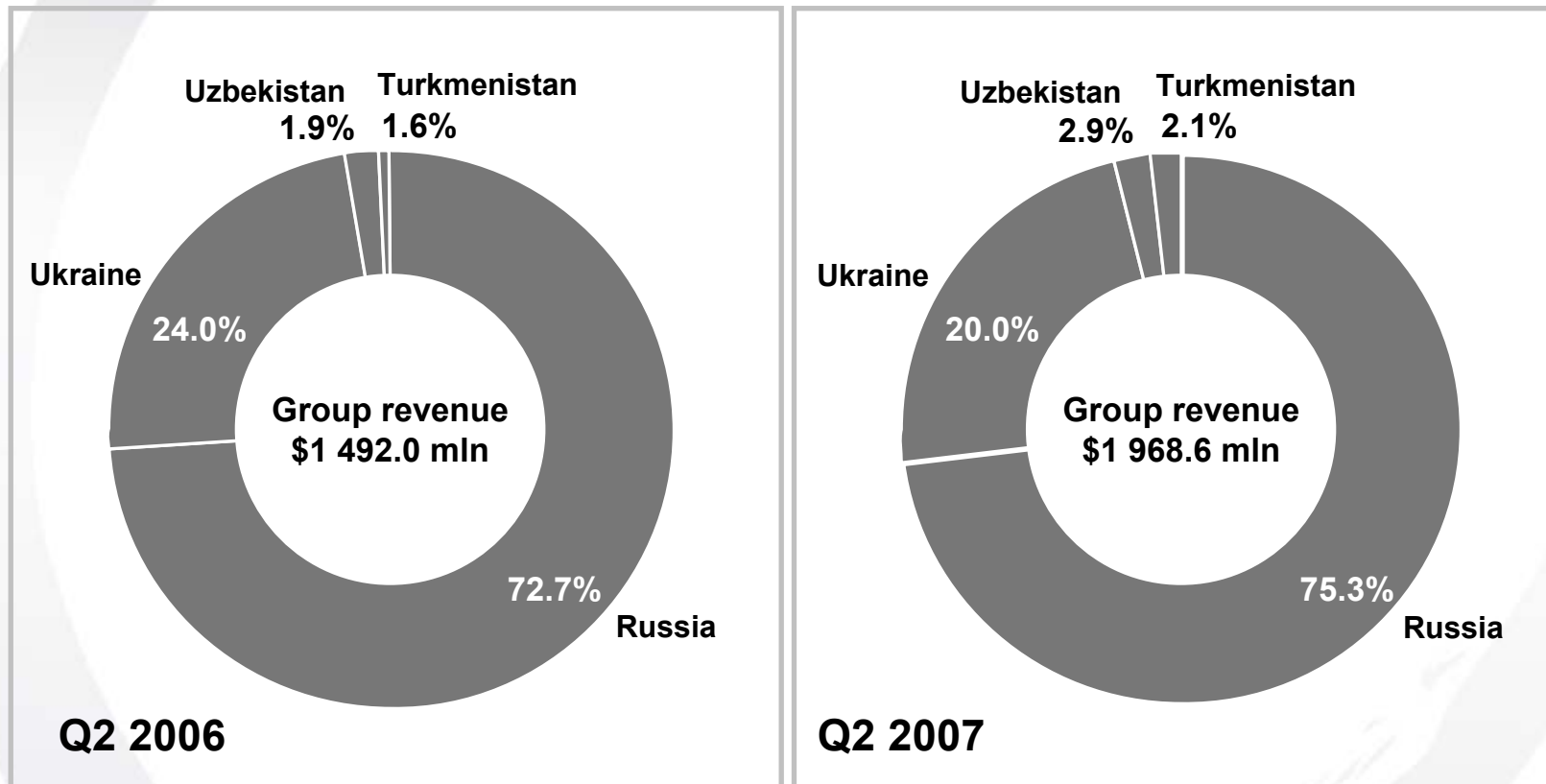
**Key financial and operating results**

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- MTS Group
- Russia
- Ukraine
- Uzbekistan
- Turkmenistan

## Group revenue

Revenue contribution per country\*



\*Percentages indicated do not equal 100% due to rounding



## Group balance sheet

Balance Sheet in USD mln unless noted	As of 31 Dec 2006	As of 30 Jun 2007
Cash and cash equivalents	\$220.0	\$759.7
Short-term investments	\$56.0	\$224.2
Total debt	\$3 078.5	\$2 998.2
Long-term debt	\$2 927.8	\$2 429.4
Short-term debt	\$150.7	\$568.8
Net debt*	\$2 802.5	\$2 014.3
Shareholders' equity	\$3 751.8	\$4 371.7
Total assets	\$8 573.9	\$9 934.8
LTM OIBDA	\$3 229.7	\$3 822.6
Net debt/assets	0.3x	0.2x
Net debt/equity	0.7x	0.5x
Net debt/LTM OIBDA	0.9x	0.5x

\*See reconciliations of net debt, LTM OIBDA and free cash flow to consolidated financial statements in the appendix

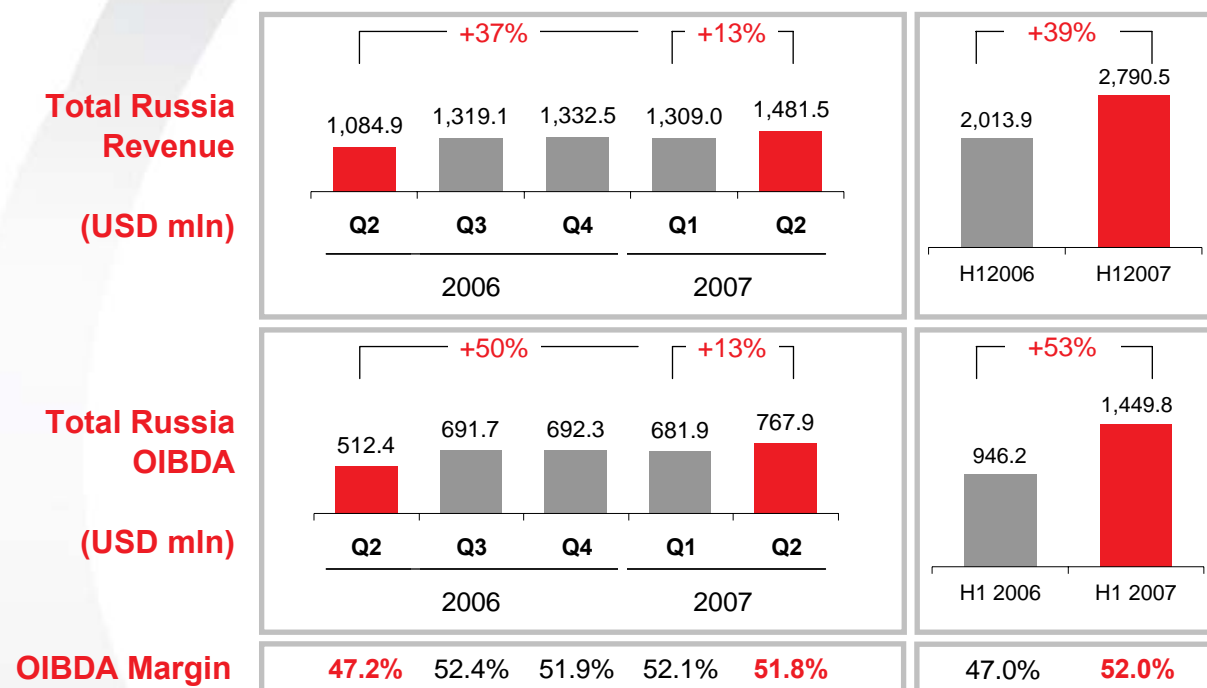
Strong cash position due to potential 3G spending and anticipated dividend payout

Free cash flow\* positive in 1H 2007 with \$825 million

ROIC(LTM) = 42.8%

**Strong cash position and low debt levels provide flexibility  
for future corporate needs**

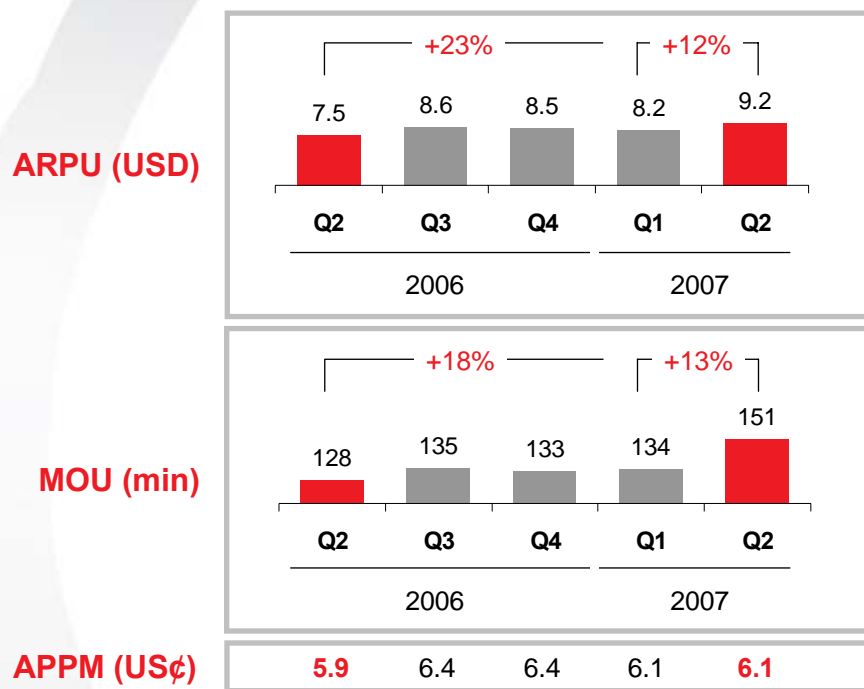
## Russia financial highlights



Rise in revenue attributable to continued impact of new tariff structures introduced in 2006 and dramatic increases in voice usage

OIBDA improvement driven by continued cost efficiency and reduced dealer commissions

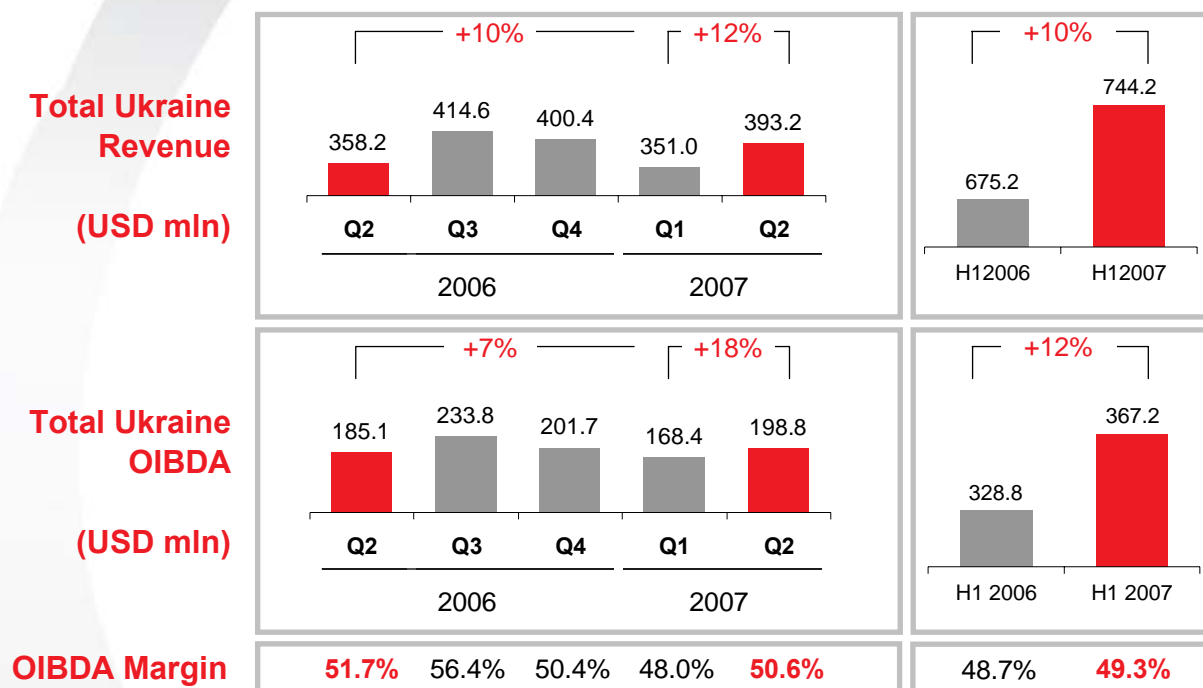
## Russia operating indicators



ARPU increase attributable to increased voice usage, higher levels of subscriber roaming and a rise in value-added services

Rise in usage directly tied to products and services designed to stimulate usage

## Ukraine financial highlights

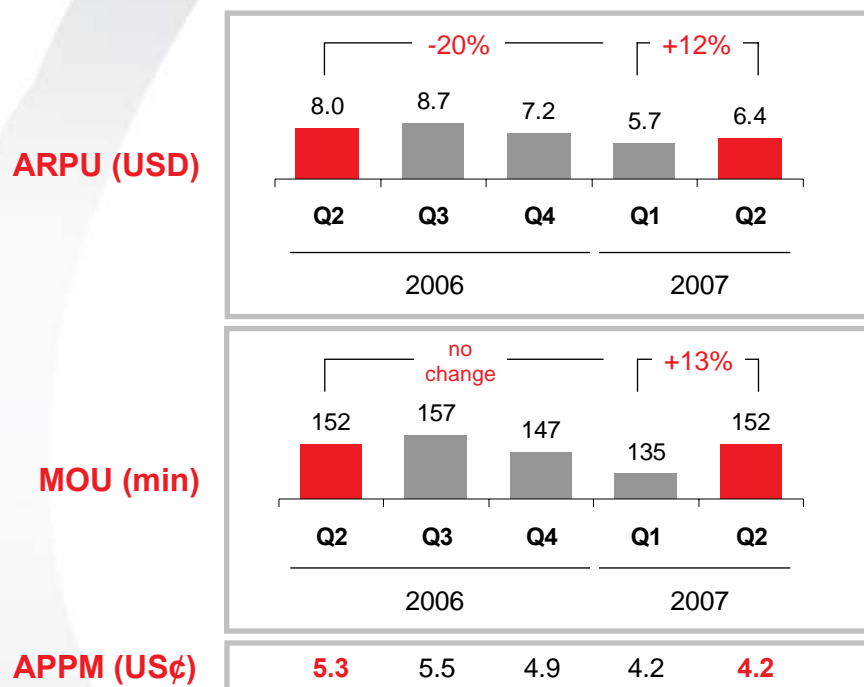


Q-on-Q growth at slightly higher rate than main competitor

Seasonal increase in usage and organic growth in voice services

OIBDA improvement due to increased revenue, lower advertising and marketing expenditure in anticipation of MTS master brand launch, and general cost control

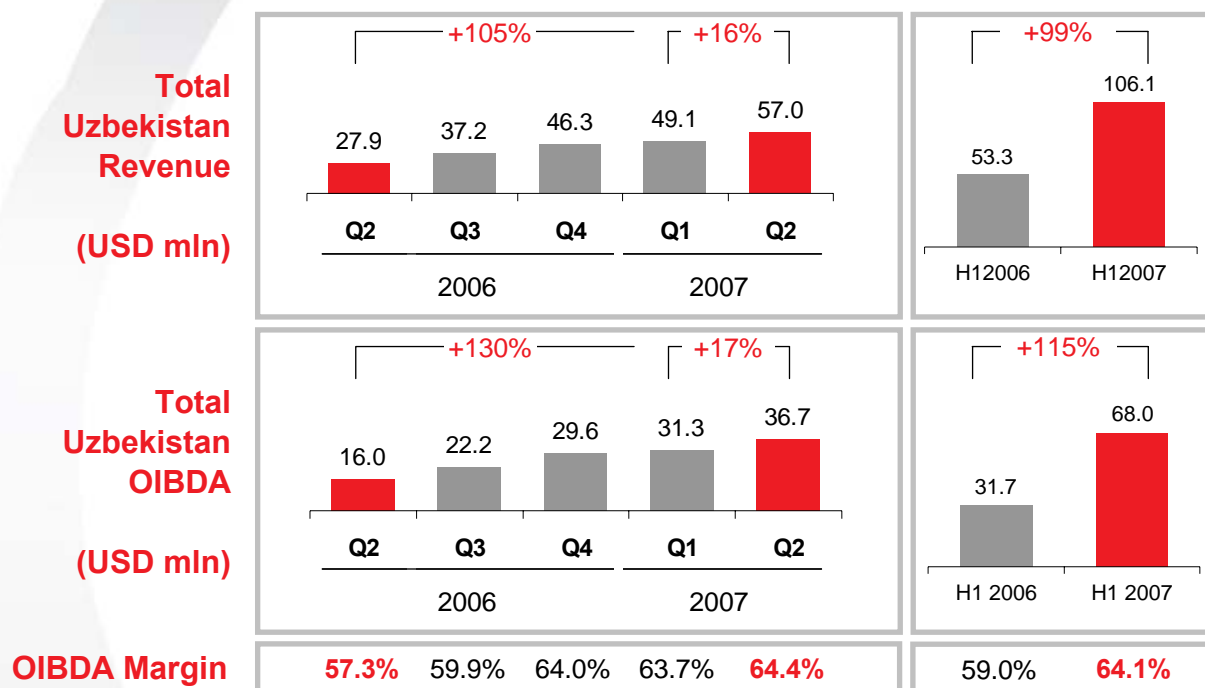
## Ukraine operating indicators



Quarterly rise in ARPU due to efforts to stimulate voice usage, roaming and rise in interconnect revenues

Rise in usage stems from targeted marketing efforts and tariff proposals, as well as a seasonal rise in traffic

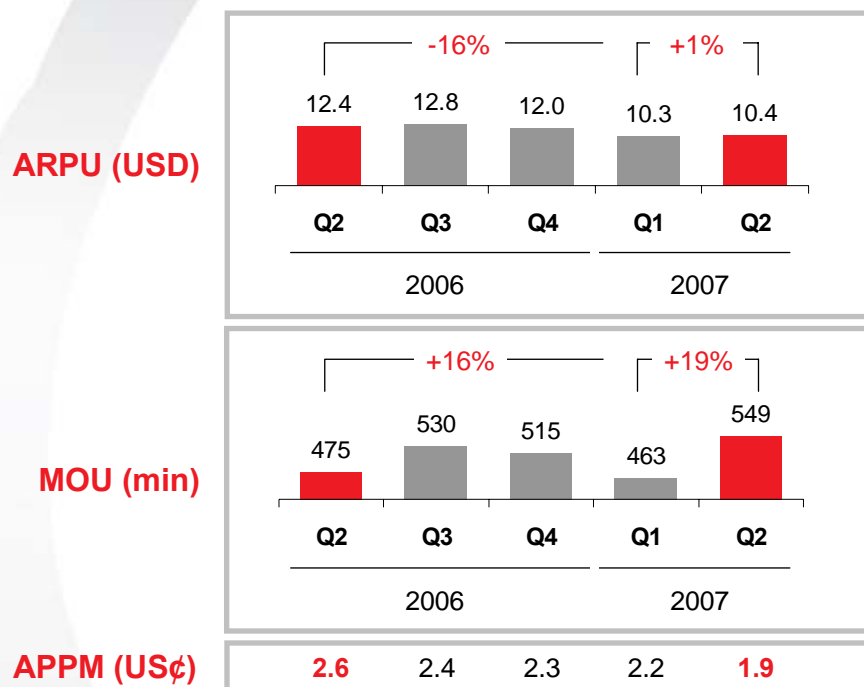
## Uzbekistan financial highlights



Market-leading subscriber additions and increasing usage driving revenue growth

Successful management of growth as OIBDA growth outpaces strong revenue growth

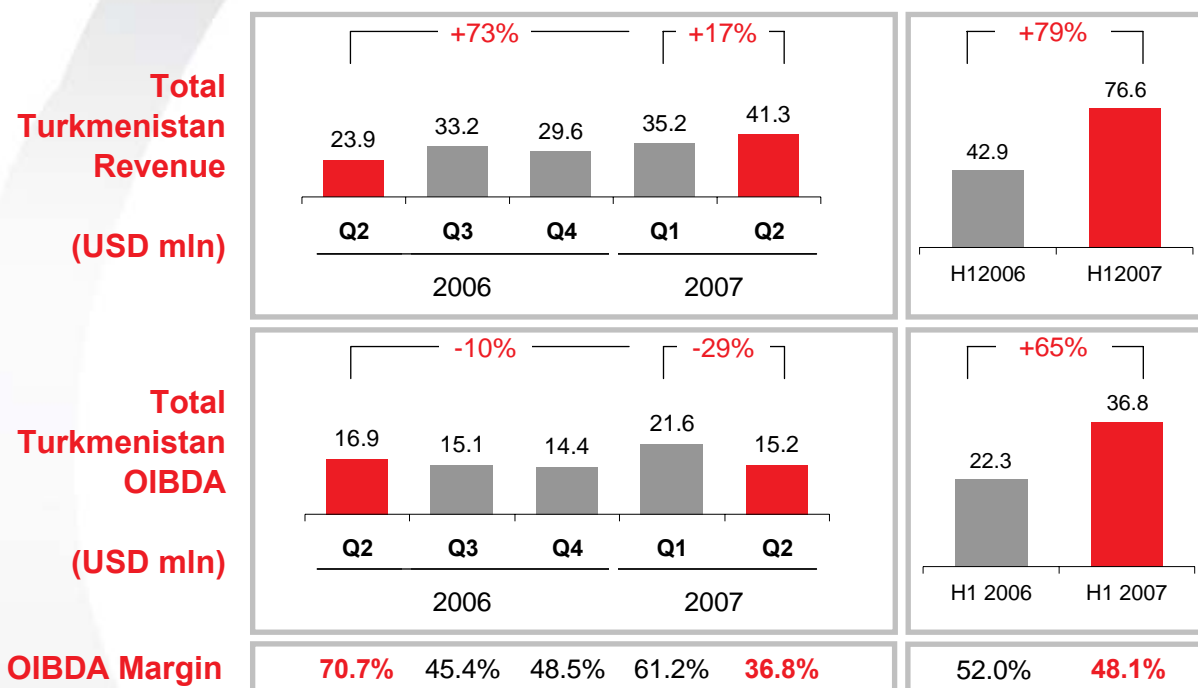
## Uzbekistan operating indicators



Stable ARPU despite 14% increase in subscriber base

Significant growth in usage due to introduction of new tariff plans designed to counter rising competitiveness in the marketplace

## Turkmenistan financial highlights

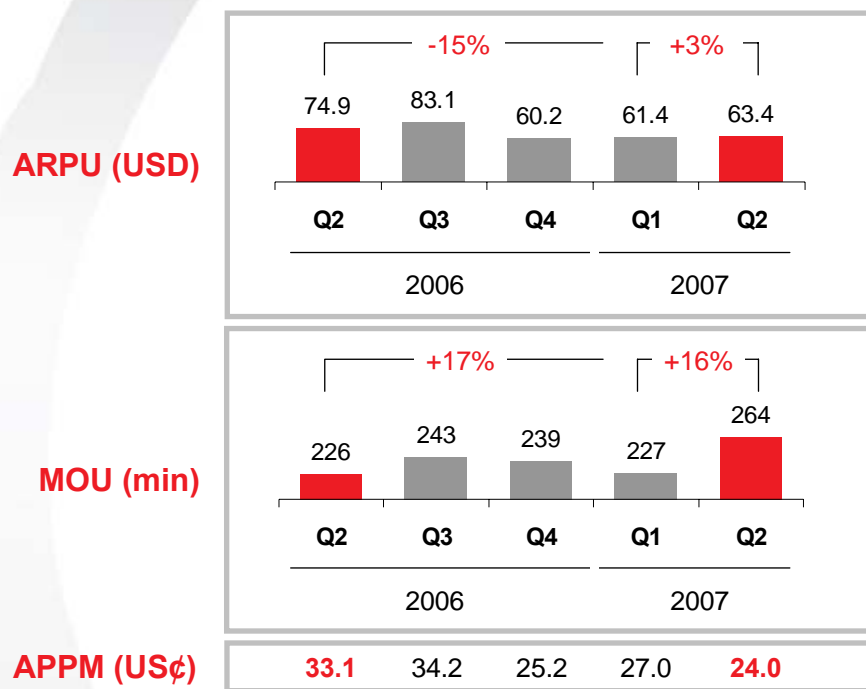


Sustained growth through new subscriber additions as share of market rose to 83.2%

OIBDA decline due to additional licensing expenses and fluctuations in currency rates



## Turkmenistan operating indicators



Seasonal improvements in ARPU

Rising usage due to seasonal factors

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## Group revenue

### Revenue contribution per country

in USD mln	Q2 06	Q1 07	Q207
<b>Russia</b>	1 084.9	1 309.0	1 481.5
<b>- contribution</b>	72.7%	75.2%	75.3%
<b>Ukraine</b>	358.2	351.0	393.2
<b>- contribution</b>	24.0%	20.2%	20.0%
<b>Uzbekistan</b>	27.9	49.1	57.0
<b>- contribution</b>	1.9%	2.8%	2.9%
<b>Turkmenistan</b>	23.9	35.2	41.3
<b>- contribution</b>	1.6%	2.0%	2.1%
<b>Intercompany eliminations</b>	(2.8)	(2.9)	(4.4)
<b>Group revenue</b>	<b>1 492.0</b>	<b>1 741.4</b>	<b>1 968.6</b>

## Group OIBDA

### OIBDA and margin per country

in USD mln	Q2 06	Q1 07	Q2 07
<b>Russia</b>	512.4	681.9	767.9
<i>- margin</i>	47.2%	52.1%	51.8%
<b>Ukraine</b>	185.1	168.4	198.8
<i>- margin</i>	51.7%	48.0%	50.6%
<b>Uzbekistan</b>	16.0	31.3	36.7
<i>- margin</i>	57.3%	63.7%	64.4%
<b>Turkmenistan</b>	16.9	21.6	15.2
<i>- margin</i>	70.7%	61.2%	36.8%
<b>Group</b>	<b>730.3</b>	<b>903.1</b>	<b>1 018.7</b>
<i>- margin</i>	<b>48.9%</b>	<b>51.9%</b>	<b>51.7%</b>

## Group net income

### Quarterly net income and margin per country

in USD mln	Q2 06	Q1 07	Q2 07
<b>Russia</b>	193.6	362.2	401.9
<i>- margin</i>	17.8%	27.7%	27.1%
<b>Ukraine</b>	87.6	63.8	84.4
<i>- margin</i>	24.5%	18.2%	21.5%
<b>Uzbekistan</b>	5.2	16.8	17.4
<i>- margin</i>	18.8%	34.3%	30.5%
<b>Turkmenistan</b>	8.2	5.6	4.2
<i>- margin</i>	34.3%	15.9%	10.2%
<b>Group</b>	<b>294.7</b>	<b>448.6</b>	<b>507.9</b>
<i>- margin</i>	<b>19.7%</b>	<b>25.8%</b>	<b>25.8%</b>

## Group CAPEX

### CAPEX per country

in USD mln	Q2 06	Q1 07	Q2 07
<b>Russia</b>	272.8	110.3	111.1
<i>- as % of revenue</i>	25.1%	8.4%	7.5%
<b>Ukraine</b>	121.2	109.5	140.6
<i>- as % of revenue</i>	33.8%	31.2%	35.8%
<b>Uzbekistan</b>	15.3	2.7	10.1
<i>- as % of revenue</i>	54.9%	5.5%	17.7%
<b>Turkmenistan</b>	2.0	1.4	2.2
<i>- as % of revenue</i>	8.4%	4.0%	5.3%
<b>Group</b>	<b>411.3</b>	<b>223.9</b>	<b>264.0</b>
<i>- as % of revenue</i>	<b>27.6%</b>	<b>12.9%</b>	<b>13.4%</b>

## Russia: operating indicators

US\$ unless noted	Q2 06	Q1 07	Q2 07
<b>ARPU</b>	7.5	8.2	9.2
<b>Post-paid ARPU</b>	28.9	28.0	29.0
<b>Pre-paid ARPU</b>	4.5	4.4	4.8
<b>ARPU ex guest roaming</b>	6.9	8.0	9.0
<b>ARPU from VAS</b>	0.8	1.1	1.0
<b>VAS as % of ARPU</b>	17%	13%	11%
<b>Minutes of Usage (MOU)</b>	128	134	151
<b>Post-paid MOU</b>	403	456	510
<b>Pre-paid MOU</b>	96	98	110
<b>SAC per gross new subscriber</b>	23.8	26.2	28.9
<b>Dealer commission</b>	9.0	12.7	13.5
<b>Advertising &amp; marketing</b>	14.8	13.5	15.4
<b>Churn</b>	5.4%	6.1%	5.2%

## Ukraine: operating indicators

US\$ unless noted	Q2 06	Q1 07	Q2 07
<b>ARPU</b>	8.0	5.7	6.4
<b>Post-paid ARPU</b>	35.6	30.3	32.4
<b>Pre-paid ARPU</b>	5.2	3.7	4.2
<b>ARPU ex guest roaming, connection fee</b>	7.8	5.6	6.2
<b>ARPU from VAS</b>	1.1	0.7	0.7
<b>VAS as % of ARPU</b>	13%	13%	11%
<b>Minutes of Usage (MOU)</b>	152	135	152
<b>Post-paid MOU</b>	423	398	426
<b>Pre-paid MOU</b>	125	114	129
<b>SAC per gross new subscriber</b>	12.7	11.2	13.7
<b>Dealer commission</b>	3.6	3.4	5.6
<b>Advertising &amp; marketing</b>	5.8	5.6	6.2
<b>Handset subsidy</b>	1.5	0.6	0.3
<b>SIM card &amp; voucher cost</b>	1.7	1.5	1.6
<b>Churn</b>	7.9%	7.8%	14.1%



## Uzbekistan and Turkmenistan: operating indicators

### Uzbekistan

US\$ unless noted	Q2 06	Q1 07	Q2 07
<b>ARPU</b>	12.4	10.3	10.4
<b>Minutes of Usage (MOU)</b>	475	463	549
<b>SAC per gross new subscriber</b>	4.2	4.1	3.7
<b>Churn*</b>	16.1%	16.8%	17.9%

\*MTS employs a two-month inactive churn policy in Uzbekistan

### Turkmenistan

US\$ unless noted	Q2 06	Q1 07	Q2 07
<b>ARPU</b>	74.9	61.4	63.4
<b>Minutes of Usage (MOU)</b>	226	227	264
<b>SAC per gross new subscriber</b>	12.9	47.7	26.9
<b>Churn</b>	1.7%	6.1%	6.3%

## Belarus: operating indicators

US\$ unless noted	Q2 06	Q1 07	Q2 07
ARPU	10.2	9.3	9.8
Minutes of Usage (MOU)	458	423	462
SAC per gross new subscriber	16.3	14.9	17.1
Churn	4.1%	6.8%	6.0%

MTS owns a 49% stake in Mobile TeleSystems LLC, a mobile operator in Belarus, which is not consolidated

# Reconciliation



**Non-GAAP financial measures.** This presentation includes financial information prepared in accordance with accounting principles generally accepted in the United States of America, or US GAAP, as well as other financial measures referred to as non-GAAP. The non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with US GAAP.

**Operating Income Before Depreciation and Amortization (OIBDA).** OIBDA represents operating income before depreciation and amortization. OIBDA margin is defined as OIBDA as a percentage of our net revenues. OIBDA may not be similar to OIBDA measures of other companies, is not a measurement under accounting principles generally accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of operations. We believe that OIBDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions of mobile operators and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Our OIBDA calculation is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within the wireless telecommunications industry. OIBDA can be reconciled to our consolidated statements of operations as follows:

US\$ mln	Q2 2006					Q1 2007					Q2 2007				
	Consolidated	Russia	Ukraine	Uzbekistan	Turkmenistan	Consolidated	Russia	Ukraine	Uzbekistan	Turkmenistan	Consolidated	Russia	Ukraine	Uzbekistan	Turkmenistan
Operating income	465.2	316.6	126.5	9.1	13.0	597.2	463.6	92.9	23.6	17.2	691.0	531.1	120.6	28.5	10.8
Add: depreciation and amortization	265.1	195.7	58.6	6.9	3.9	305.9	218.3	75.5	7.7	4.4	327.7	236.8	78.3	8.2	4.4
OIBDA	730.3	512.4	185.1	16.0	16.9	903.1	681.9	168.4	31.3	21.6	1018.7	767.9	198.8	36.7	15.2

OIBDA margin can be reconciled to our operating margin as follows:

	Q2 2006					Q1 2007					Q2 2007				
	Consolidated	Russia	Ukraine	Uzbekistan	Turkmenistan	Consolidated	Russia	Ukraine	Uzbekistan	Turkmenistan	Consolidated	Russia	Ukraine	Uzbekistan	Turkmenistan
Operating margin	31.2%	29.2%	35.3%	32.7%	54.3%	34.3%	35.4%	26.5%	48.0%	48.8%	35.1%	35.9%	30.7%	50.1%	26.1%
Add: depreciation and amortization as a percentage of revenues	17.8%	18.0%	16.4%	24.6%	16.4%	17.6%	16.7%	21.5%	15.7%	12.4%	16.6%	16.0%	19.9%	14.4%	10.8%
OIBDA margin	48.9%	47.2%	51.7%	57.3%	70.7%	51.9%	52.1%	48.0%	63.7%	61.2%	51.7%	51.8%	50.6%	64.4%	36.8%

Net debt can be reconciled to our consolidated balance sheets as follows:

US\$ mln	As of Dec 31, 2006	As of Jun 30, 2007
Current portion of LT debt and of capital lease obligations	150.7	568.8
LT debt	2924.5	2426.7
Capital lease obligations	3.3	2.7
Total debt	3078.5	2998.2
Less:		
Cash and cash equivalents	(220.0)	(759.7)
ST investments	(56.0)	(224.2)
Net debt	2802.5	2014.3

FCF can be reconciled to our consolidated balance sheets as follows:

US\$ mln	For six months ended Jun 30, 2006	For six months ended Jun 30, 2007
Net cash provided by operating activities	921.8	1552.9
Less:		
Purchases of property, plant and equipment	(669.4)	(432.4)
Purchases of intangible assets	(77.1)	(55.5)
Proceeds from sale of property, plant and equipment	-	10.2
Purchases of other investments	(2.8)	-
Investments in and advances to associates	3.2	-
Acquisition of subsidiaries, net of cash acquired	(23.6)	(250.0)
Free cash-flow	152.1	825.2

LTM OIBDA can be reconciled to our consolidated statements of operations as follows:

US\$ mln	Six months ended Dec 31, 2006	Six months ended Jun 30, 2007	Twelve months ended Jun 30, 2007
	A	B	C=A+B
Net operating income	1334.3	1288.2	2622.5
Add: depreciation and amortization	566.5	633.6	1200.1
OIBDA	1900.8	1921.8	3822.6

## Contact information

For further information

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