

# **Group financial results for the fourth quarter and full year 2007**

Investor conference call – April 16, 2008

Leonid Melamed, President, Chief Executive Officer  
Vsevolod Rozanov, Vice President, Chief Financial Officer



## Safe harbor

Some of the information in this presentation may contain projections or other forward-looking statements regarding future events or the future financial performance of MTS, as defined in the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify forward looking statements by terms such as “expect,” “believe,” “anticipate,” “estimate,” “intend,” “will,” “could,” “may” or “might” the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. We refer you to the documents MTS files from time to time with the U.S. Securities and Exchange Commission, specifically, the Company’s most recent Form 20-F. These documents contain and identify important factors, including those contained in the section captioned “Risk Factors,” that could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, potential fluctuations in quarterly results, our competitive environment, dependence on new service development and tariff structures; rapid technological and market change, acquisition strategy, risks associated with telecommunications infrastructure, risks associated with operating in Russia and the CIS, volatility of stock price, financial risk management, and future growth subject to risks.

## Contents

### **Financial and corporate highlights**

Key period developments

Key financial and operating results

Appendix

- Group highlights for the period
- Group financial highlights
- 3 + 2 Strategy
- Outlook for 2008

## Group highlights for the full year 2007

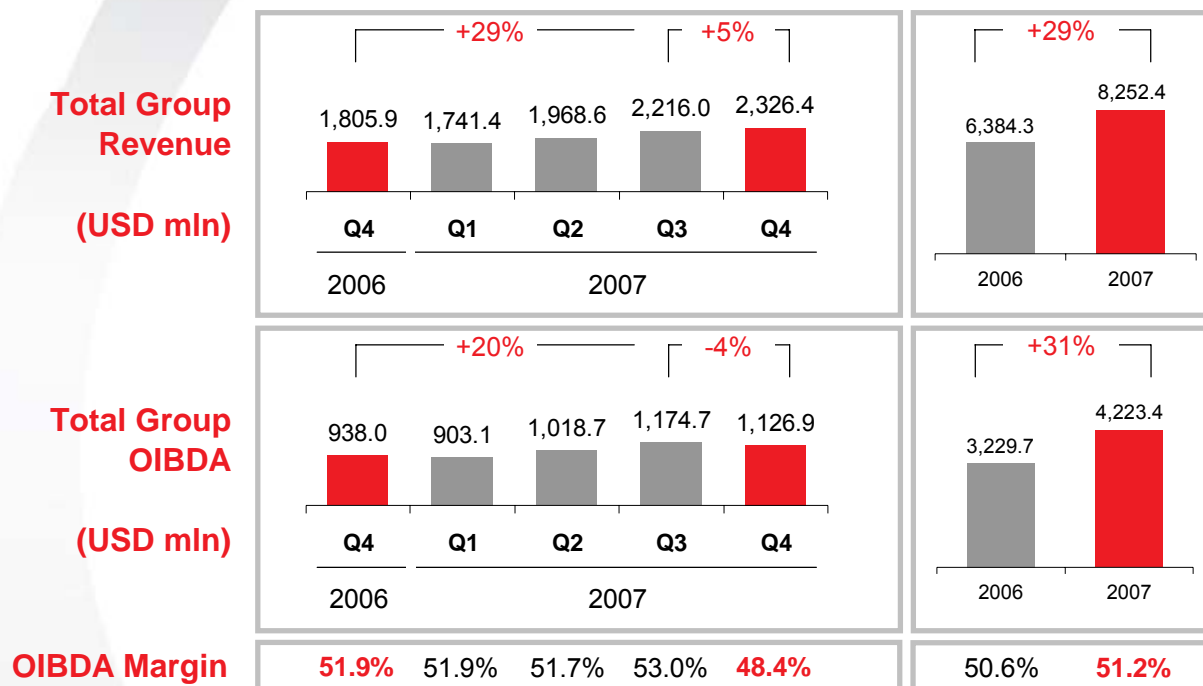
### Group financial highlights

- Revenues up 29% Y-o-Y to \$8,252 mln
- OIBDA up 31% Y-o-Y to \$4,223 mln; OIBDA margin of 51.2%
- Net income up 93% Y-o-Y to \$2,072 mln
- Free cash-flow at \$964 mln

### Key corporate developments

- Allocation of 3G licenses in Russia, Uzbekistan and Armenia
- Countrywide rebranding of operations in Ukraine
- Launch of a CDMA network in Ukraine
- Entry into Armenia through acquisition of leading operator, K-Telecom (VivaCell)
- Launch of Blackberry enterprise service in Ukraine and Russia (2008)
- Payment of dividend of \$747 million and adoption of MTS Dividend Policy
- Acquisition of Bashcell, a small Russian regional operator
- Consolidation of ownership stake in Uzdunrobita (MTS Uzbekistan)
- Adoption of employee remuneration and phantom share program involving over 420 managers

## Group financial highlights

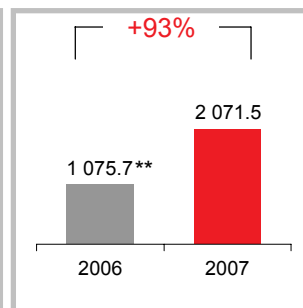
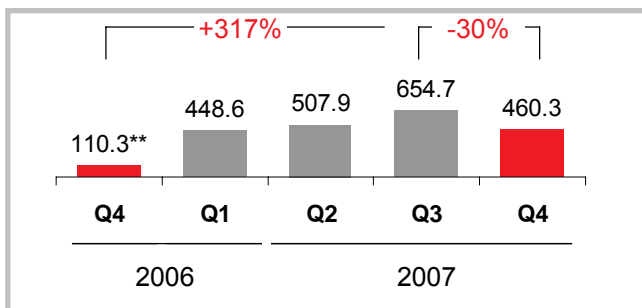


Revenue growth driven by a strong performance in Russia and continued development of our CIS markets

OIBDA growth faster than revenue in spite of increasing cost pressure in marketing and staff expenses in Russia and Ukraine visible in second-half of year

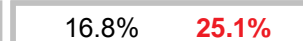
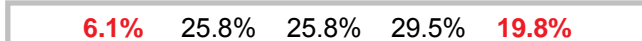
## Group financial performance

**Total Group Net income**  
(USD mln)

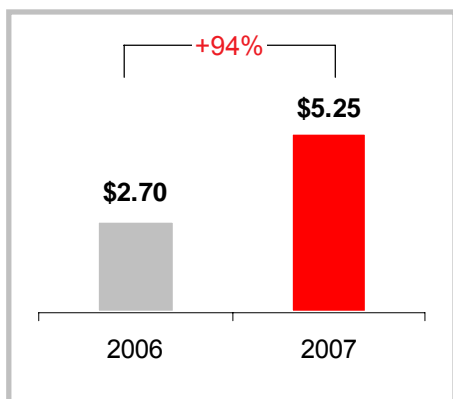


Bottom line improvement through effective financial management and higher cash flow generation leads to greater shareholder return on investment

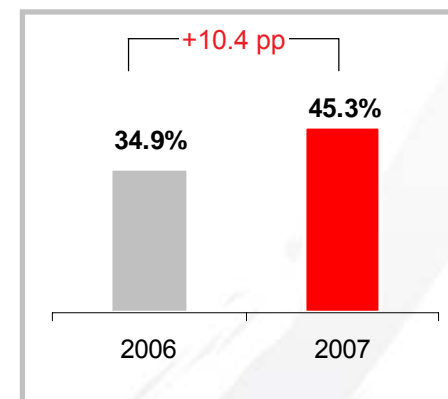
**Net Inc Margin**



**Earnings per ADS**  
(USD)



**Return on Invested Capital (ROIC)\***

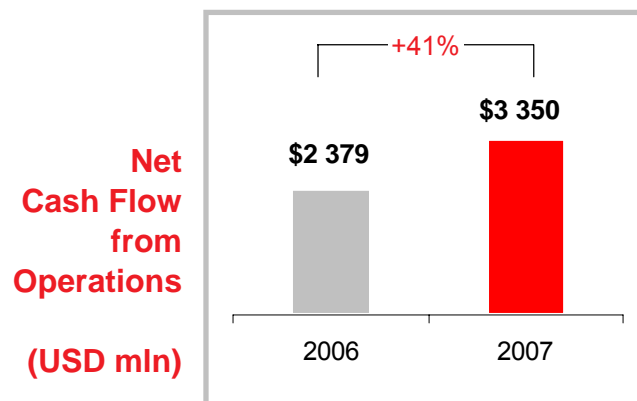
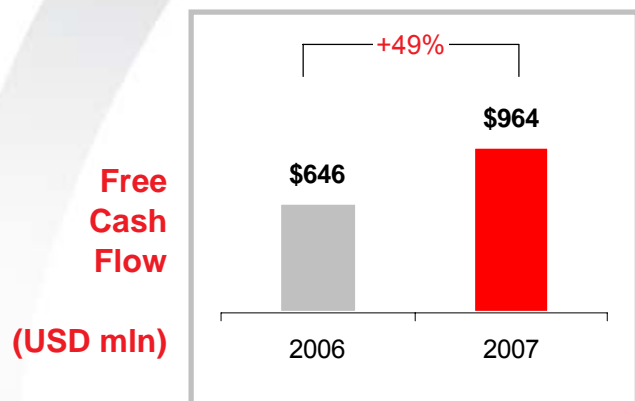


\*See appendix for ROIC definition

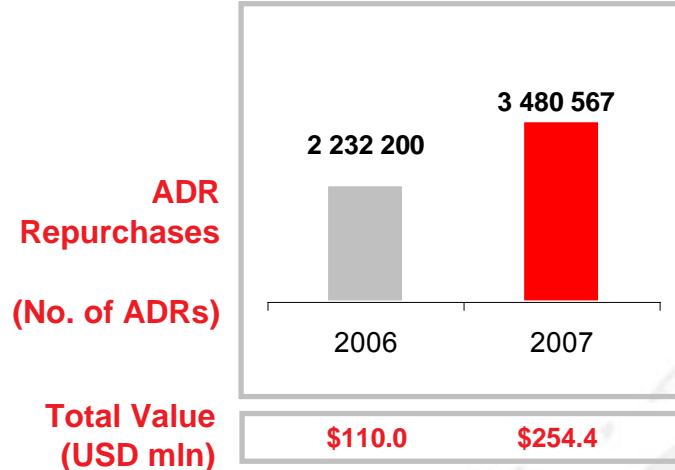
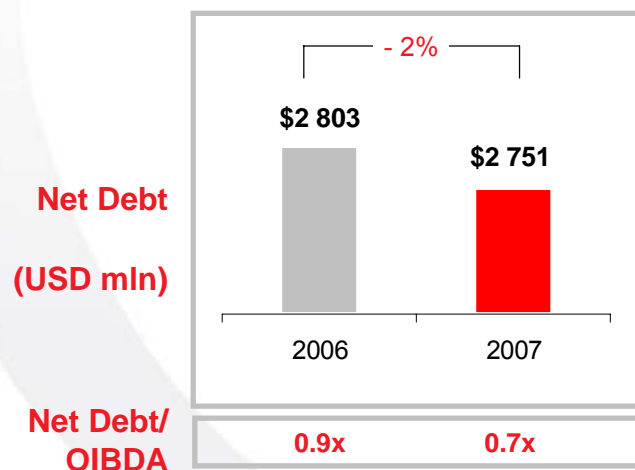
\*\*Reflecting the \$320 mln write-off of Bitel LLC

**Prudent financial management and bottom-line performance improving total shareholder return**

## Group financial management indicators



Rising cash flows highlight improving operational performance and capable financial management



Generating shareholder value through share repurchase program

As of year-end 2007, MTS repurchased ADRs representing 1.4% shares outstanding

**Low-debt and strong cash flows provide flexibility to respond to opportunities in the market and generate additional shareholder value**

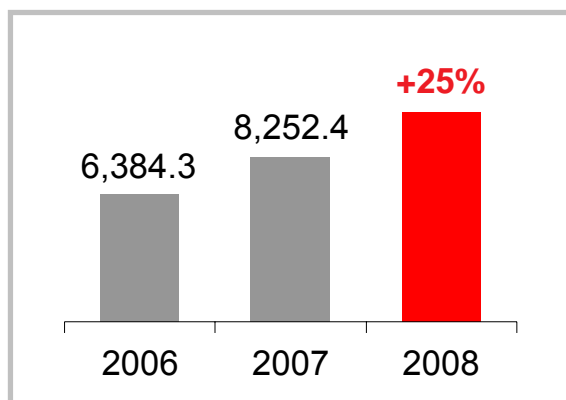
## MTS 3+2 Group Strategy

<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, Uzbekistan and Armenia</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>



## Group Outlook for 2008 – Revenue and OIBDA

Total Group Revenue  
(USD mln)



OIBDA Margin

Year	OIBDA Margin
2006	50.6%
2007	51.2%
2008	50%

Revenue expected to grow 25% y-o-y in 2008

Key drivers for revenue growth include:

- Continued mass consumption growth in voice usage
- Increasing usage of messaging services
- Adoption of data service and content

Maintain 50% OIBDA margin target through effective cost management in increasingly challenging markets

Key drivers of margin pressure:

- Rising voice usage driving interconnect costs
- Inflationary pressure as more costs are in local currencies
- High salary inflation
- Rising costs of advertising

## Group Outlook for 2008 - CAPEX

CAPEX structure (in USD mln)



in USD mln	2007	2008E
Russia	\$918.8	\$1,650
Ukraine	\$544.9	\$500
Uzbekistan	\$30.1	\$200
Armenia*	\$14.0	\$75
Turkmenistan	\$31.8	\$75

\*Consolidated as of September 14<sup>th</sup>, 2007

### Key CAPEX drivers for 2008:

- Carry over on CAPEX spending from 2007 of ≈ \$450 million in Russia
- Investments in capacity and coverage to accommodate rising traffic and demand for voice services
- Addition of more dedicated data channels and 3G roll-out for easier Internet access and faster download speeds
- In Ukraine, capacity improvements to handle rising voice usage and further expansion of CDMA-450 data network
- In Uzbekistan, Turkmenistan and Armenia, investments in network build out to accommodate new subscribers to the network, ensure quality of service and unmatched network coverage
- Based on its prognosis, MTS foresees a CAPEX/sales ratio from FY 2006 – FY 2008E of approximately 23%

## Contents

Financial and corporate highlights

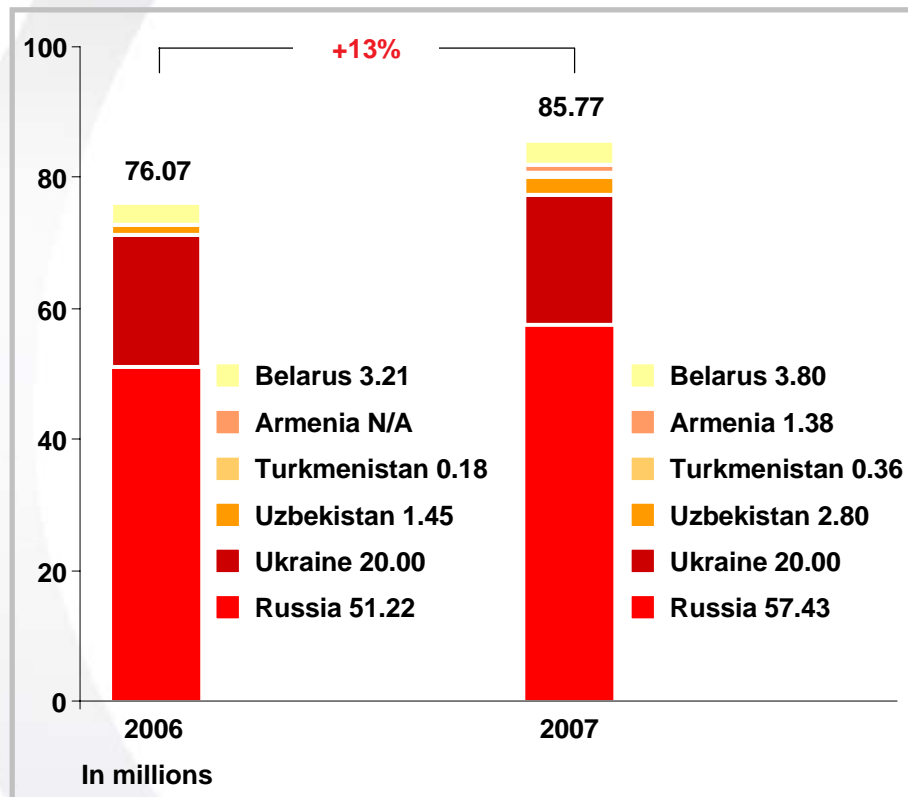
**Key period developments**

Key financial and operating results

Appendix

- Executing on our 3+2 strategy
  - MTS Russia: stimulating revenue
  - MTS Ukraine: maintaining profitability
  - MTS in the CIS: market leadership

## Group subscriber base dynamic



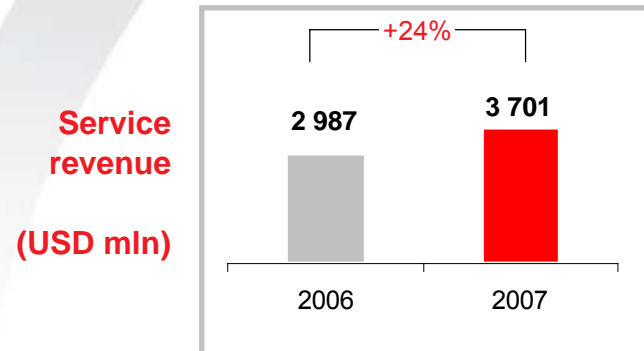
Russia added more than 6.2 million subscribers in 2007 with the market demonstrating room for additional growth despite seemingly high penetration levels

Ukraine subscriber count maintained at the 20 million mark

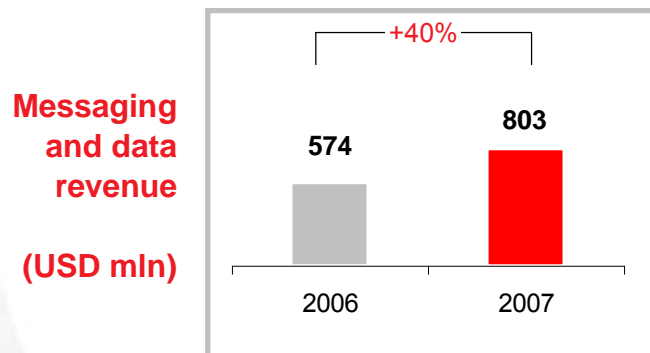
CIS markets showing exceptional growth with Uzbekistan contributing largest growth

Addition of Armenia added over 1 million subscribers to the total number

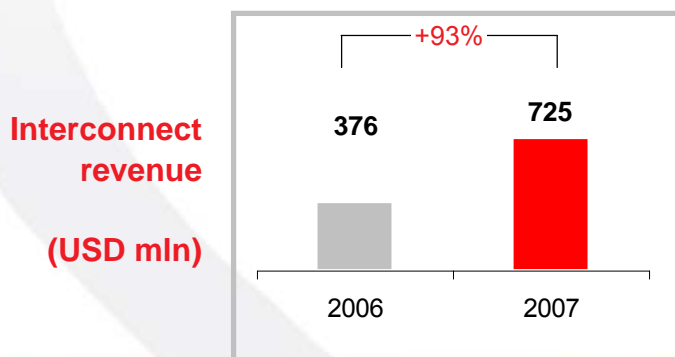
## Revenues structure



Increase in voice revenue due to usage and subscriber growth on the back of successful marketing campaigns and healthy economic growth in Russia



Rising contribution from VAS/data services including ring back tones, GPRS usage and WAP access and content services

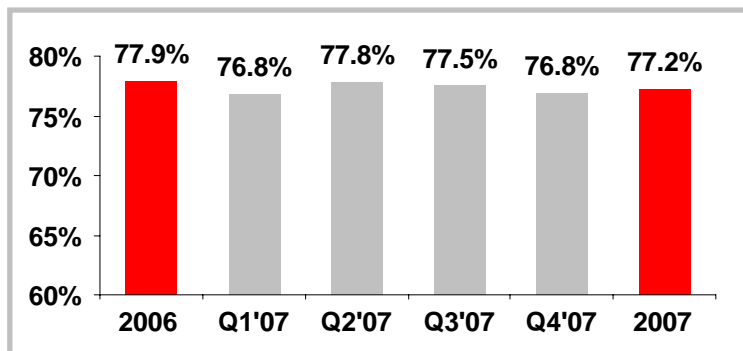


Increase in interconnect revenues with growth in traffic and subscriber base during the course of the year

**Increasing voice usage – coupled with faster growth in value-added services – constitute strong basis for sustained growth**

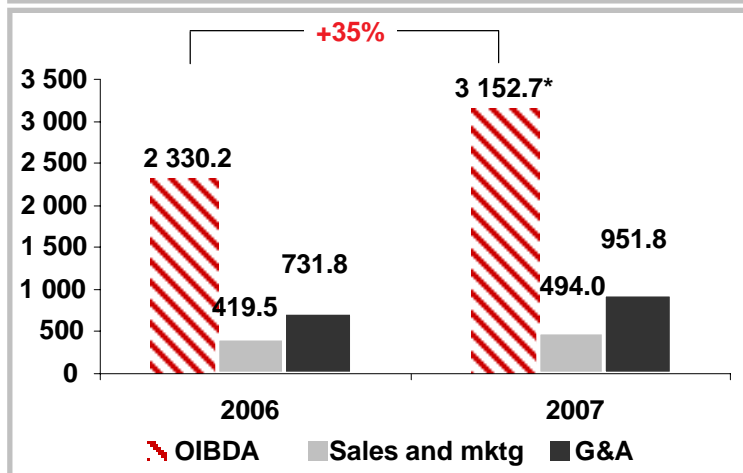
## Costs structure

Gross Margin,  
as % of revenue



Slight decrease in margin due to effect of increased usage on interconnect fees and inflationary pressure on line rental

Sales & Marketing  
and G&A  
Expenses  
(in USD mln)



Raw OIBDA increased at faster rate than Sales & Marketing (S&M) or General & Administrative (G&A) expenses despite rise in media costs and inflationary pressure evident in local currency costs

as % of revenue

Sales & Mktg

G&A

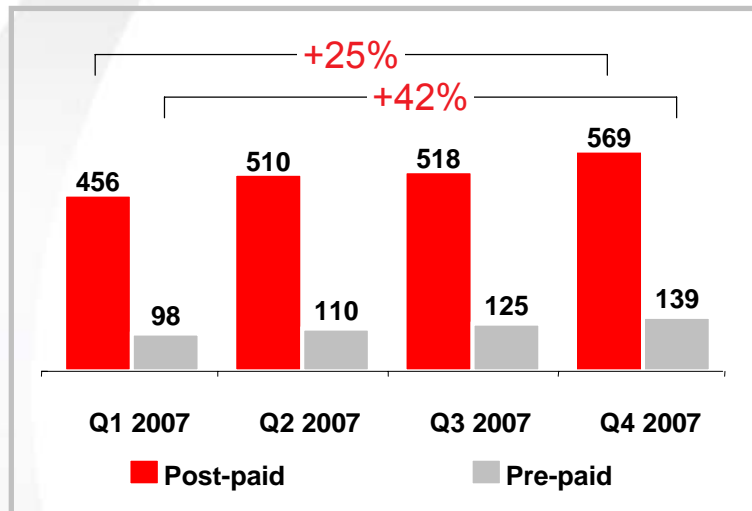
Year	Sales & Mktg (%)	G&A (%)
2006	9.0%	15.7%
2007	8.0%	15.4%

As a percentage of revenue, S&M and G&A historically low due to relatively low marketing spend in H1 2007

\*Including intercompany of \$2.6 mln

## Increasing network traffic

MOU by segment 2007 (in minutes)



Effective branding and compelling products and services lead to dramatic usage over the course of 2007

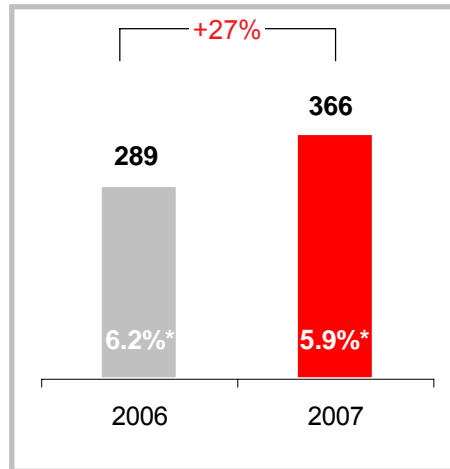
Rise in post-paid segment usage driven by introduction and promotion of tariff plans such as *MAXI* and *Profi*

Growth in pre-paid segments stimulated by tariff plans designed to attract subscribers and increase usage such as *Klassnyi*, *Super Pervyi* and regional plans like *Stimul*



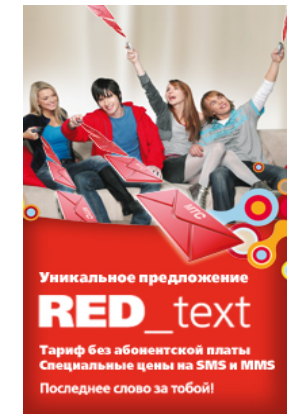
## Increasing use of value-added services

Messaging revenue  
(USD mln)

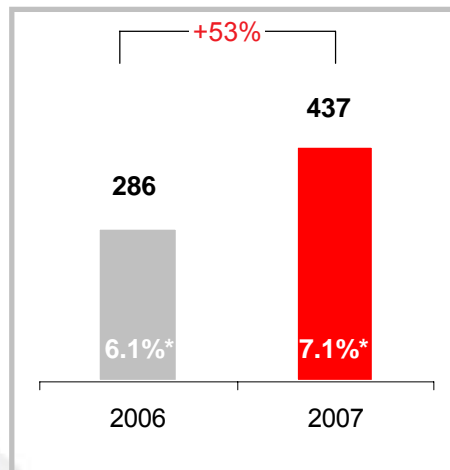


Messaging services continues to be the main component of the Company's VAS revenues

*Red\_Text* was introduced in 2007 and offered customers reduced prices for higher-volume SMS usage

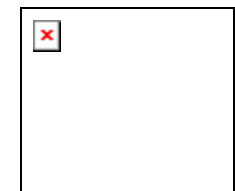
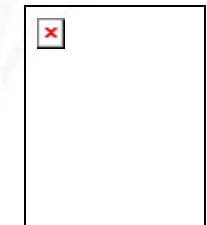


Data revenue  
(USD mln)



Revenues from data services surpasses that of messaging in 2007 as EDGE deployment and a larger portfolio of content services stimulates higher GPRS usage

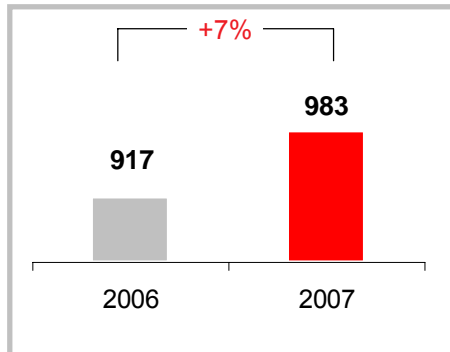
\*as % of revenue





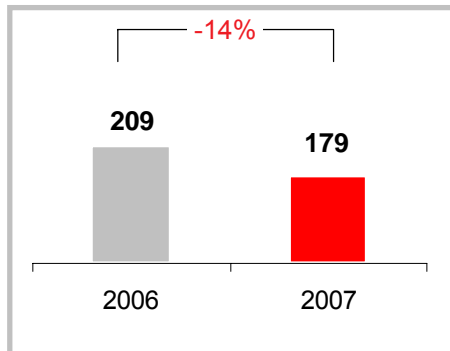
## Revenues structure

Service revenue  
(USD mln)



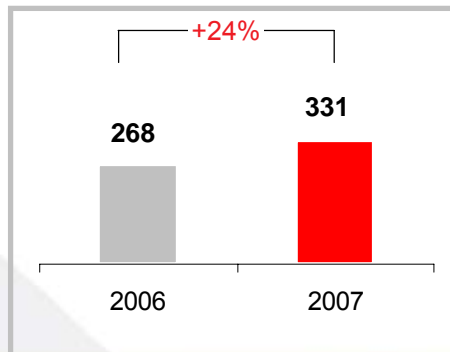
Revenue growth contained by aggressive voice pricing of competitors

Messaging and data revenue  
(USD mln)



Growth in data usage and content services overshadowed by drop in messaging usage due to voice substitution

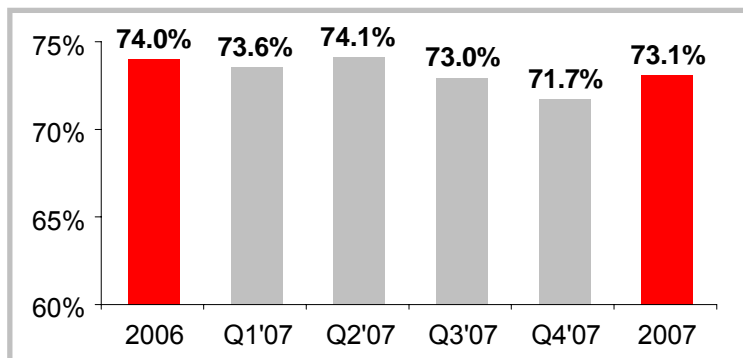
Interconnect revenue  
(USD mln)



Interconnect revenues rising as overall market is increasing

## Costs structure

Gross Margin,  
as % of revenue

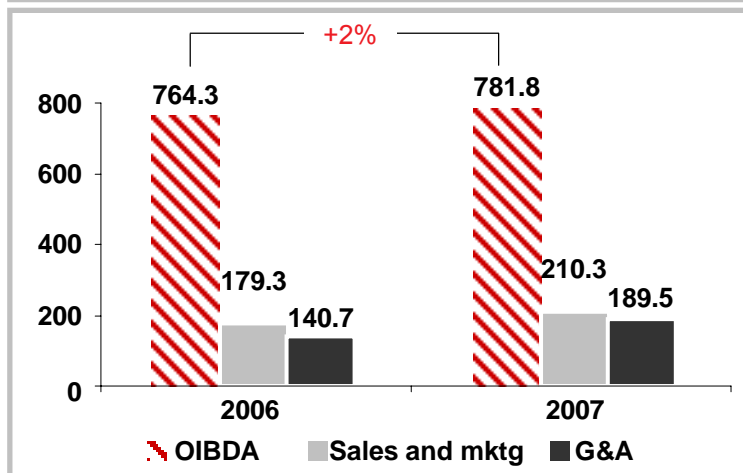


Improved gross margin due to reduced handset distribution

Continued fiber-optic network deployment reduces dependency on outside providers

Lower gross additions as market matures

Sales & Marketing  
and G&A  
Expenses  
(in USD mln)



Inflationary pressure and aggressive competitor pricing impacts OIBDA margin

Dealers commissions controlled as percentage of revenue

Media inflation reached 30-35% in 2007

Rebranding achieved with limited impact on overall costs

Significant increases in rents, electro-energy and other charges

Continued expansion of the network creates higher OPEX

as % of revenue

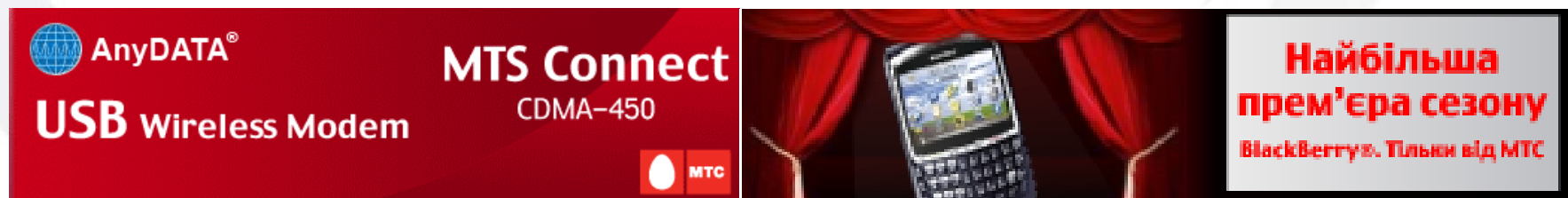
Sales & Mktg

G&A

Sales & Mktg	12.0%	13.1%
G&A	9.4%	11.8%

## Initiatives during the quarter and the year

- MTS brand is now clearly established in Ukraine as a result of corporate strategy aimed at harmonizing operations in the CIS
- New products brought to the market in 2007, include:
  - Data services using the CDMA network
  - Blackberry (first in CIS)
- Continued network construction for enhanced coverage with emphasis on quality
- Focused on strengthening quality of customer service to further enhance customer experience
- Adoption of a more targeted distribution and subscriber development
- Operational efficiency is a top priority with mounting inflationary pressures



AnyDATA®  
USB Wireless Modem

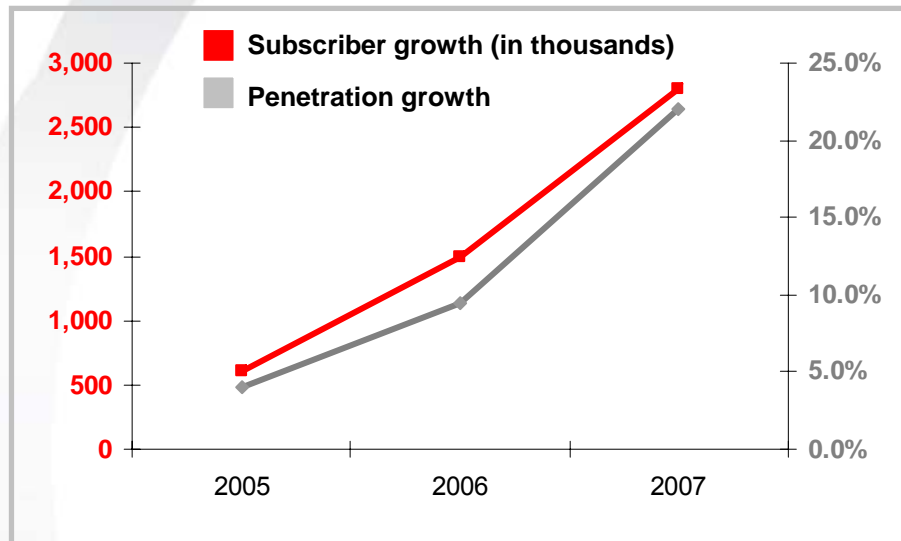
**MTS Connect**  
CDMA-450

MTS

**Найбільша прем'єра сезону**  
BlackBerry®. Тільки від МТС

**MTS plans to strengthen the overall fundamentals of the business to capture a larger share of the market revenue growth in 2008 and onwards**

## Penetration and subscriber growth



- Market leader with nearly 3,000,000 subscribers by year-end 2007
- Low wireline penetration of 12% with its poor service quality making wireless the best option for the population (i.e. local, international and long-distance calling)

- Great potential for future growth:
  - Low wireless penetration
  - Limited fixed-line infrastructure
  - Strong macroeconomic growth and positive GDP dynamics
  - Rise in personal income levels
  - Rising affinity for services and device

## Growth prospects for the future

- 3G license was awarded in April 2007
  - Network deployment and commercial launch in 2008
  - Focus on major population and commercial centers:
    - Tashkent, Samarkand, Bukhara and Andijan
  - Ability to draw on MTS Russia for synergies
  - License valid through 2016
- WiMAX license awarded in April 2007 with 2.500-2.700 MHz frequency range
  - Services to be launched in 2008 in Tashkent
  - License valid through 2016
- Strategic priorities in the next 3-4 years:
  - Retention of subscriber market share of over 50%
  - Provide innovative services, including mobile broadband services
  - Continue leveraging its position as the number one operator in Uzbekistan

### Key takeaways

Strong financial position of MTS Group provides flexibility to respond to opportunities in the market and generate additional shareholder value

Increasing revenues due to subscriber growth, rise in voice usage and broader adoption of value-added services in our markets

Exceeded 50% Group OIBDA margin target in the face of mounting media costs and inflationary pressure through effective cost control

Retaining profitability in more competitive markets while investing in future market growth

Leveraging greater scale and reach of business as we extend MTS footprint to Armenia and expand networks in developing markets

2008 Outlook: continued profitable growth and Group development

## Contents

Financial and corporate highlights

Key period developments

**Key financial and operating results**

Appendix

- MTS Group
- Russia
- Ukraine
- Uzbekistan
- Turkmenistan
- Armenia

## 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 31 Dec 2007
Cash and cash equivalents	\$220.0	\$634.5
Short-term investments	\$56.0	\$15.8
Total debt	\$3 078.5	\$3 401.7
Long-term debt	\$2 927.8	\$2 688.4
Short-term debt	\$150.7	\$713.3
Net debt*	\$2 802.5	\$2 751.4
Shareholders' equity	\$3 751.8	\$5 442.9
Total assets	\$8 573.9	\$10 966.7
OIBDA	\$3 229.7	\$4 223.4
Net debt/assets	0.3x	0.3x
Net debt/equity	0.7x	0.5x
Net debt/OIBDA	0.9x	0.7x

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

Company's cash position affected by the acquisition of K-Telecom and anticipation of 3G network development

Company acquired 1.4 mln ADRs for a total of \$132.5 mln under its share repurchase program during the quarter

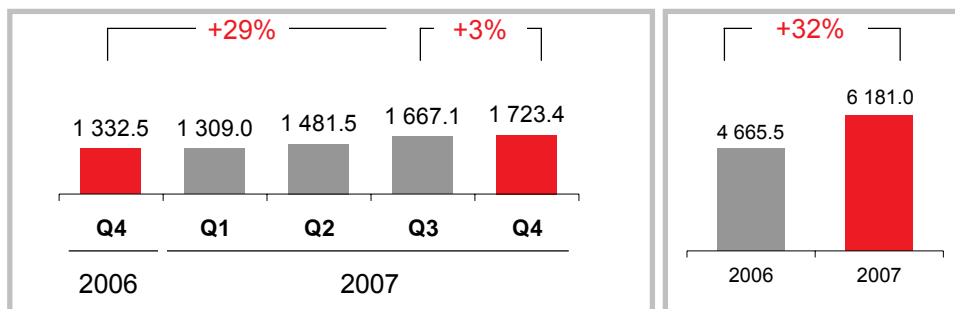
Free cash flow\* positive in 2007 with \$964 million up 49% from \$646 million

ROIC = 45.3%

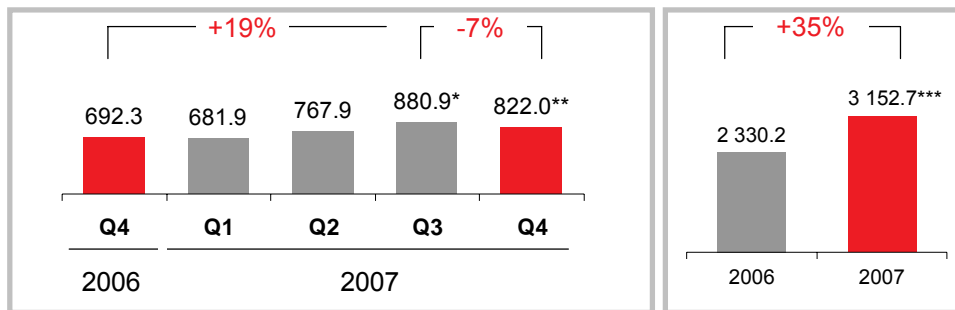
**Ability to sustain strong cash flow on the back of a strong financial discipline and diligent execution of strategy**

## Russia financial highlights

**Total Russia Revenue**  
(USD mln)



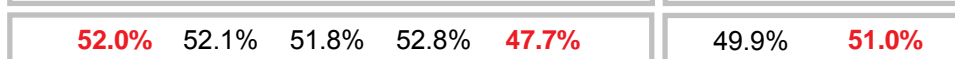
**Total Russia OIBDA**  
(USD mln)



Revenue growth driven by strong subscriber growth and rising usage trends with adoption of new services offered by MTS

Decrease in OIBDA in Q4 as result of increasing pressure from marketing costs in line with media inflation and higher interconnect costs due to overall network traffic growth

**OIBDA Margin**

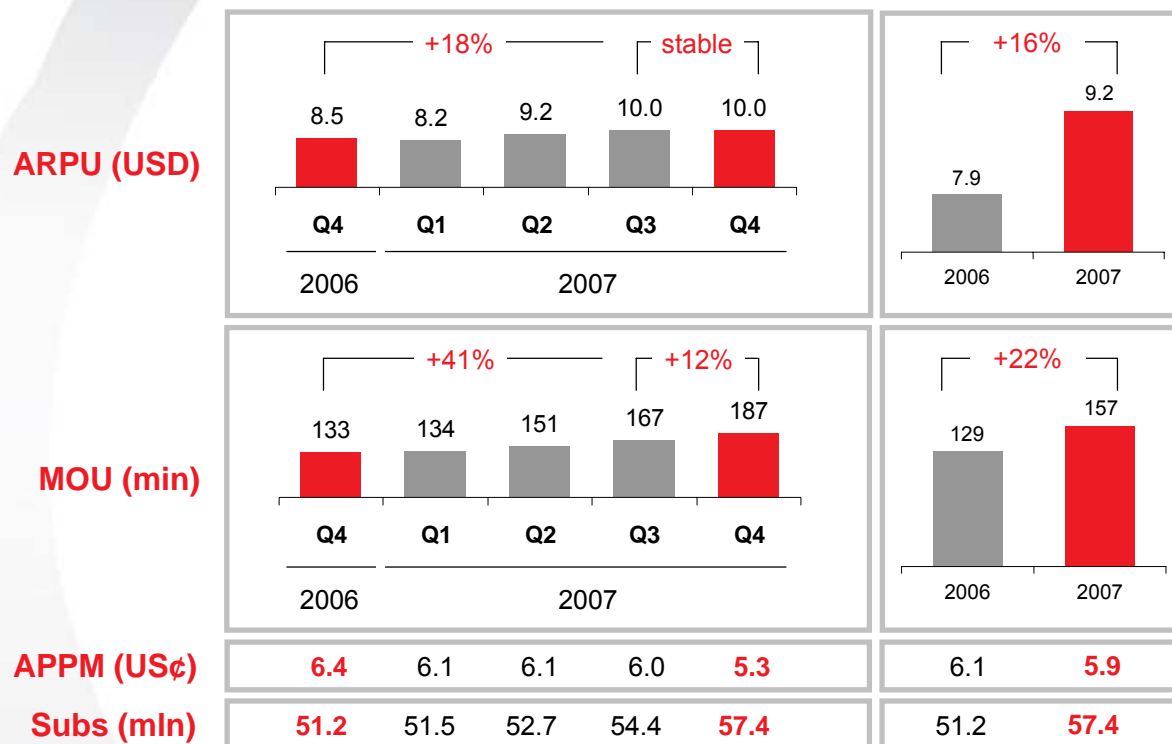


\* Including intercompany of \$2.2 mln

\*\* Including intercompany of \$0.4 mln

\*\*\* Including intercompany of \$2.6 mln

## Russia operating indicators



Year-on-year increase in ARPU result of MTS efforts to stimulate usage, encourage data adoption and create greater affinity for brand, products and services

Robust usage growth driven by the Company's marketing campaigns and tariff offers

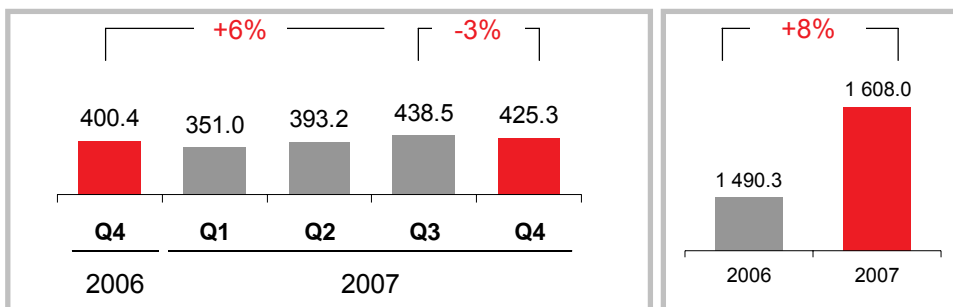
12% subscriber growth in an increasingly mature market

Voice usage is the main absolute growth driver in Russia

## Ukraine financial highlights

**Total Ukraine Revenue**

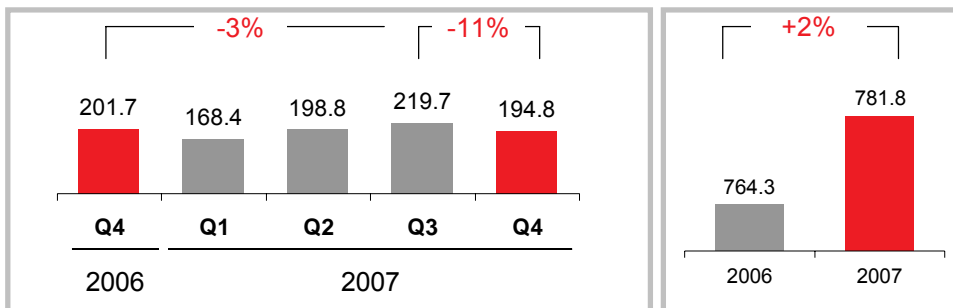
(USD mln)



Revenue growth impacted by aggressive market pricing

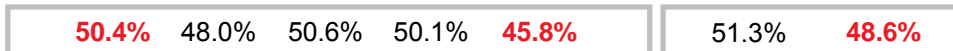
**Total Ukraine OIBDA**

(USD mln)

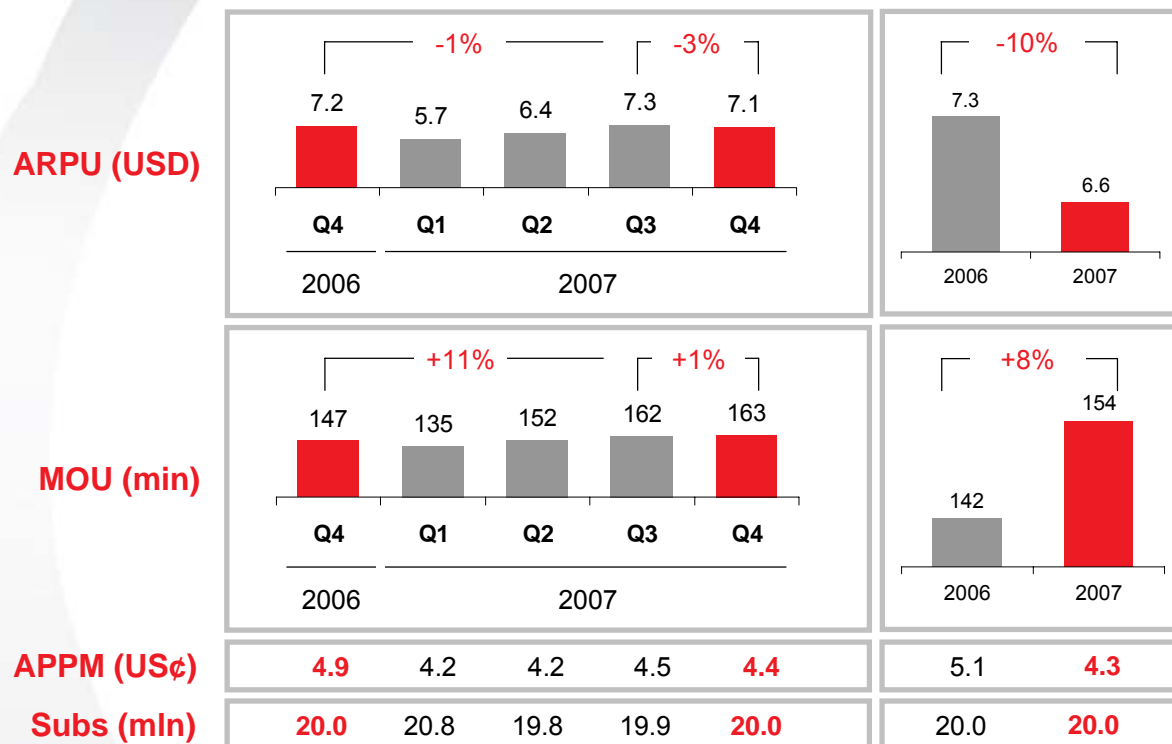


Inflationary pressure and aggressive competitor marketing activities limited OIBDA margin development

**OIBDA Margin**



## Ukraine operating indicators

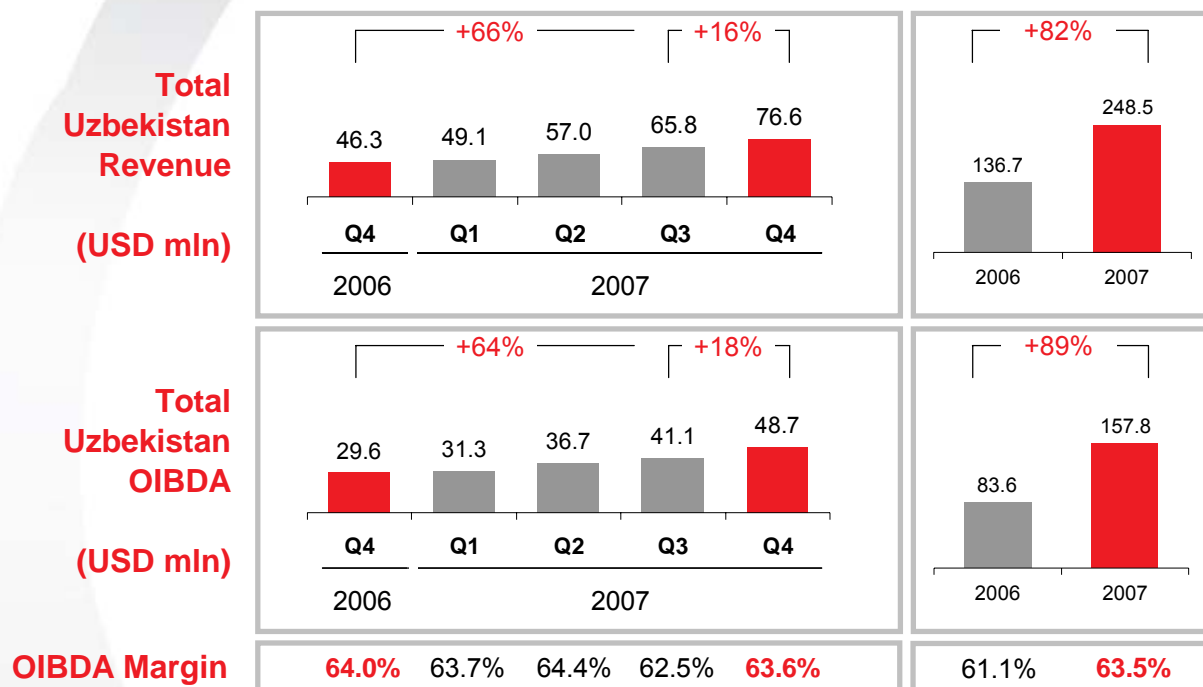


ARPU levels affected by competitive pressures and seasonality

Successful in increasing traffic following our rebranding and introduction of usage-stimulating products

Maintaining subscriber base in a crowded operator market

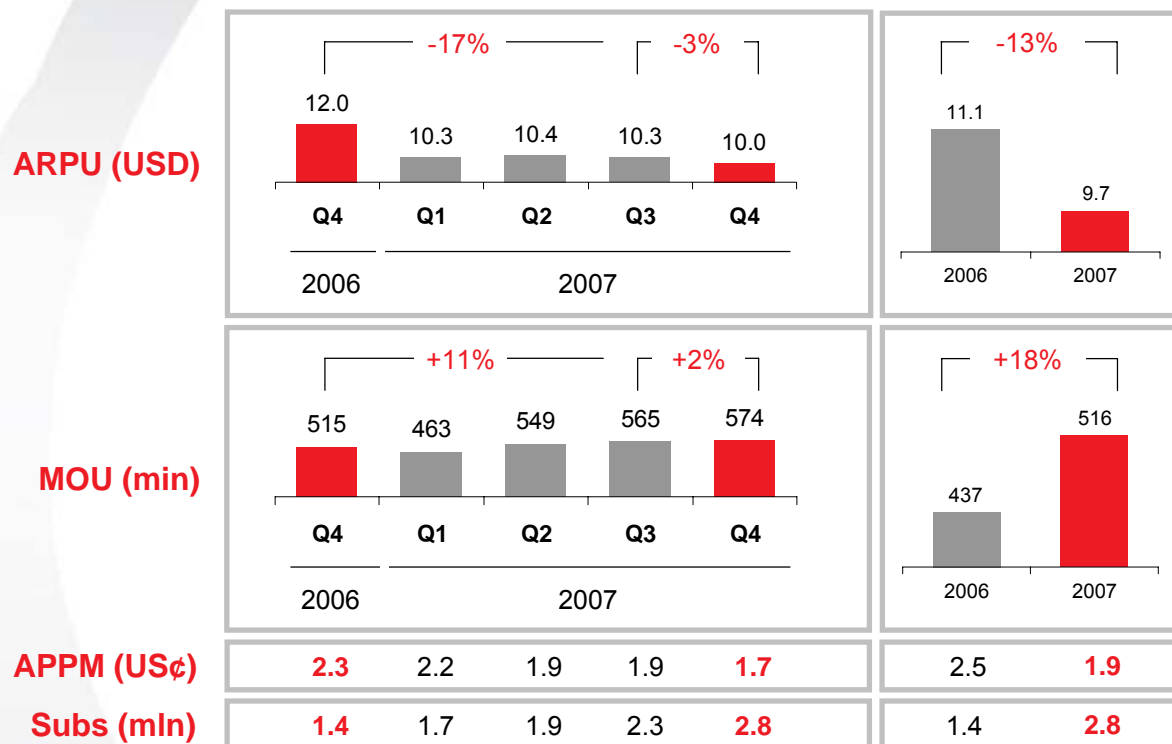
## Uzbekistan financial highlights



Continued strong performance in a growing market through subscriber additions as result of successful introduction of tariffs such as *Svobodnyi*

Maintaining high margins through cost control and operational efficiency

## Uzbekistan operating indicators



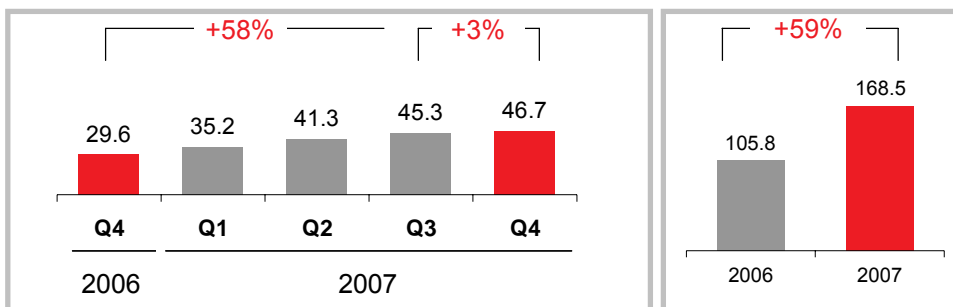
ARPU levels diluted by addition of 1.4 mln subscribers as market penetration reached 22%

Rise in usage from higher proportion of on-net calls as subscriber base grows

Year-on-year doubling of subscriber base in an early-stage growth market

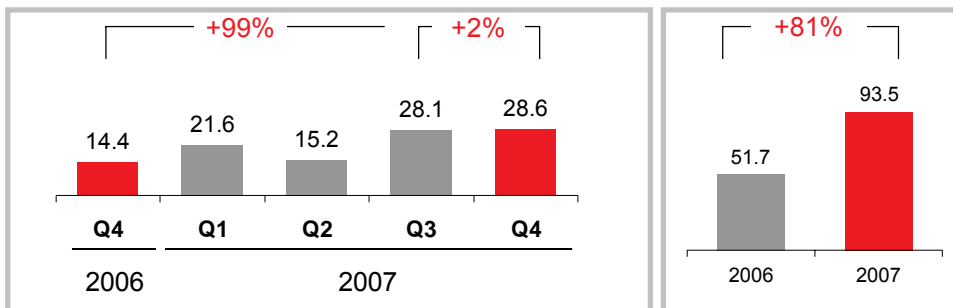
## Turkmenistan financial highlights

**Total Turkmenistan Revenue**  
(USD mln)



Continued growth as MTS doubled its subscriber base to 356,260 in 2007

**Total Turkmenistan OIBDA**  
(USD mln)



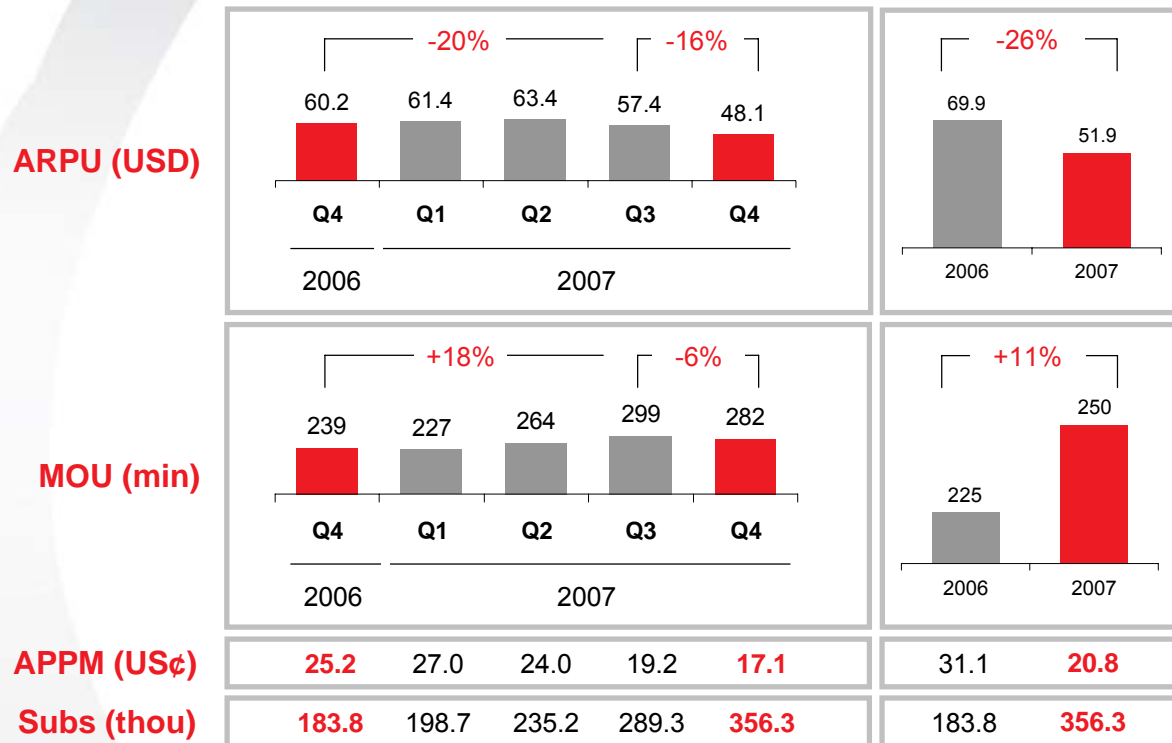
Strong period OIBDA growth as market continues to grow

**OIBDA Margin**

2006 Q4	48.5%	2007 Q1	61.2%	2007 Q2	36.8%	2007 Q3	62.0%	2007 Q4	61.4%
<b>Total 2006</b>	<b>48.9%</b>	<b>Total 2007</b>	<b>55.5%</b>						



## Turkmenistan operating indicators

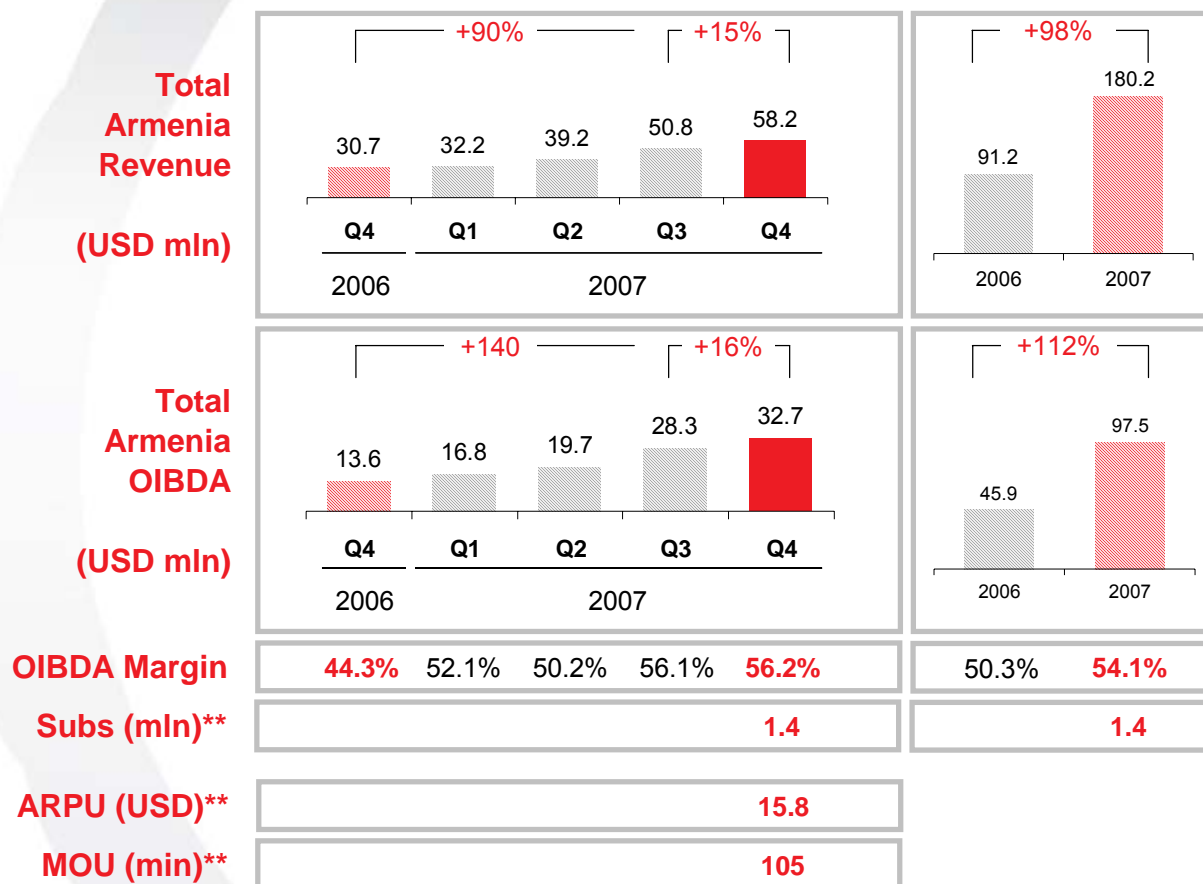


ARPU affected by seasonality in Q4 and further dilution of subscriber base by new subscriber additions to network

Healthy usage trends as a wider range of services are offered to the market such as *Red*, *Profi* and *Bezlimitnyi*

Year-on-year doubling of subscriber base in an early-stage growth market

## Armenia financial and operating highlights\*



 Based on unaudited management reports

Consolidated as of September 14<sup>th</sup>, 2007

\*\*Operational indicators like ARPU, MOU and subscriber data not available until Q4 when MTS Armenia adopted MTS Group policies on calculating figures and accounting for subscribers

Sequential growth in revenues as company gained market share

High OIBDA level maintained throughout the year

Professional management, clear understanding of customer needs and a shared vision for the future

## Contents

Financial and corporate highlights

Key period developments

Key financial and operating results

### Appendix

- Group
- Russia
- Ukraine
- Uzbekistan
- Turkmenistan
- Belarus
- Reconciliation

## Group revenue

### Revenue contribution per country

in USD mln	Q4'06	Q3'07	Q4'07	2006	2007
<b>Russia</b>	1 332.5	1 667.1	1 723.4	4 665.5	6 181.0
<i>- contribution</i>	73.8%	75.2%	74.1%	73.1%	74.9%
<b>Ukraine</b>	400.4	438.5	425.3	1 490.3	1 608.0
<i>- contribution</i>	22.2%	19.8%	18.3%	23.3%	19.5%
<b>Uzbekistan</b>	46.3	65.8	76.6	136.7	248.5
<i>- contribution</i>	2.6%	3.0%	3.3%	2.1%	3.0%
<b>Turkmenistan</b>	29.6	45.3	46.7	105.8	168.5
<i>- contribution</i>	1.6%	2.0%	2.0%	1.7%	2.0%
<b>Armenia*</b>	-	8.3	58.2	-	66.5
<i>- contribution</i>	-	0.4%	2.5%	-	0.8%
<b>Intercompany</b>	(2.9)	(9.0)	(3.9)	(14.0)	(20.2)
<b>Group revenue</b>	<b>1 805.9</b>	<b>2 216.0</b>	<b>2 326.4</b>	<b>6 384.3</b>	<b>8 252.4</b>

\* Consolidated as of September 14<sup>th</sup>, 2007

## Group OIBDA

### OIBDA and margin per country

in USD mln	Q4'06	Q3'07	Q4'07	2006	2007
<b>Russia</b>	692.3	880.9**	822.0***	2 330.1	3 152.7****
- margin	51.9%	52.8%	47.7%	49.9%	51.0%
<b>Ukraine</b>	201.7	219.7	194.8	764.3	781.8
- margin	50.4%	50.1%	45.8%	51.3%	48.6%
<b>Uzbekistan</b>	29.6	41.1	48.7	83.6	157.8
- margin	64.0%	62.5%	63.6%	61.1%	63.5%
<b>Turkmenistan</b>	14.4	28.1	28.6	51.7	93.5
- margin	48.5%	62.0%	61.4%	48.9%	55.5%
<b>Armenia*</b>	-	5.0	32.7	-	37.7
- margin	-	59.8%	56.2%	-	56.6%
<b>Group</b>	<b>937.9</b>	<b>1 174.7</b>	<b>1 126.9</b>	<b>3 229.7</b>	<b>4 223.4</b>
- margin	<b>51.9%</b>	<b>53.0%</b>	<b>48.4%</b>	<b>50.6%</b>	<b>51.2%</b>

\* Consolidated as of September 14<sup>th</sup>, 2007

\*\* Including intercompany of \$2.2 mln

\*\*\* Including intercompany of \$0.4 mln

\*\*\*\* Including intercompany of \$2.6 mln

## Group net income

### Quarterly net income and margin per country

in USD mln	Q4'06	Q3'07	Q4'07	2006	2007
<b>Russia</b>	10.0**	507.9	343.7	669.9**	1 615.8
<i>- margin</i>	0.8%	30.6%	20.0%	14.4%	26.1%
<b>Ukraine</b>	100.0	95.0	75.5	374.8	318.6
<i>- margin</i>	25.0%	21.7%	17.7%	25.2%	19.8%
<b>Uzbekistan</b>	16.0	24.8	31.0	37.5	90.0
<i>- margin</i>	34.6%	37.7%	40.4%	27.4%	36.2%
<b>Turkmenistan</b>	(15.8)	26.9	2.8	(6.5)	39.6
<i>- margin</i>	-	59.4%	6.1%	-	23.5%
<b>Armenia*</b>	-	0.1	7.3	-	7.4
<i>- margin</i>	-	1.8%	12.5%	-	11.2%
<b>Group</b>	<b>110.3**</b>	<b>654.7</b>	<b>460.3</b>	<b>1 075.7**</b>	<b>2 071.5</b>
<i>- margin</i>	<b>6.1%</b>	<b>29.5%</b>	<b>19.8%</b>	<b>16.8%</b>	<b>25.2%</b>

\*Consolidated as of September 14<sup>th</sup>, 2007

\*\*Reflecting the \$320 mln write-off of Bitel LLC

## Group CAPEX

### CAPEX per country

in USD mln	Q4'06	Q3'07	Q4'07	2006	2007
Russia	316.7	207.2	490.1	1 077.8	918.8
- as % of revenue	23.8%	12.4%	28.4%	23.1%	14.9%
Ukraine	185.2	125.8	168.9	576.4	544.8
- as % of revenue	46.3%	28.7%	39.7%	38.7%	33.9%
Uzbekistan	3.2	4.7	12.6	51.6	30.1
- as % of revenue	6.9%	7.1%	16.4%	37.7%	12.1%
Turkmenistan	7.6	1.0	27.2	16.2	31.8
- as % of revenue	25.7%	2.2%	58.3%	15.3%	18.9%
Armenia*	-	-	14.0	-	14.0
- as % of revenue	-	-	24.0%	-	21.0%
<b>Group</b>	<b>512.7</b>	<b>338.8</b>	<b>712.9</b>	<b>1 722.0</b>	<b>1 539.5</b>
- as % of revenue	<b>28.4%</b>	<b>15.3%</b>	<b>30.6%</b>	<b>27.0%</b>	<b>18.7%</b>

\* Consolidated as of September 14<sup>th</sup>, 2007

## Russia: operating indicators

US\$ unless noted	Q4'06	Q3'07	Q4'07	2006	2007
<b>ARPU</b>	8.5	10.0	10.0	7.9	9.2
<b>Post-paid ARPU</b>	30.8	29.4	26.1	28.4	26.9
<b>Pre-paid ARPU</b>	5.4	5.3	5.1	5.1	4.8
<b>ARPU ex guest roaming</b>	8.3	9.9	9.9	7.7	9.0
<b>ARPU from VAS</b>	1.1	1.3	1.2	1.0	1.1
<b>VAS as % of ARPU</b>	13%	13%	12%	13%	12%
<b>Minutes of Usage (MOU)</b>	133	167	187	129	157
<b>Post-paid MOU</b>	455	518	569	390	495
<b>Pre-paid MOU</b>	99	125	139	98	116
<b>SAC per gross new subscriber</b>	29.1	24.3	26.6	23.2	26.3
<b>Dealer commission</b>	13.3	13.3	11.5	10.4	12.6
<b>Advertising &amp; marketing</b>	15.8	11.0	15.1	12.8	13.7
<b>Churn</b>	5.1%	7.1%	5.1%	23.3%	23.1%



## Ukraine: operating indicators

US\$ unless noted	Q4'06	Q3'07	Q4'07	2006	2007
<b>ARPU</b>	7.2	7.3	7.1	7.3	6.6
<b>Post-paid ARPU</b>	33.2	35.8	32.9	34.4	33.1
<b>Pre-paid ARPU</b>	4.9	4.7	4.7	4.8	4.3
<b>ARPU ex guest roaming</b>	7.1	7.0	6.9	7.2	6.5
<b>ARPU from VAS</b>	1.1	0.8	0.8	1.0	0.7
<b>VAS as % of ARPU</b>	15%	10%	11%	14%	11%
<b>Minutes of Usage (MOU)</b>	147	162	163	142	154
<b>Post-paid MOU</b>	420	450	466	405	439
<b>Pre-paid MOU</b>	123	136	135	117	129
<b>SAC per gross new subscriber</b>	7.8	10.9	12.7	10.2	12.1
<b>Dealer commission</b>	2.1	3.4	4.2	2.8	4.1
<b>Advertising &amp; marketing</b>	2.8	5.4	6.0	4.4	5.8
<b>Handset subsidy</b>	0.6	0.4	1.1	1.0	0.6
<b>SIM card &amp; voucher cost</b>	2.3	1.7	1.4	1.9	1.6
<b>Churn</b>	8.2%	12.5%	14.4%	29.9%	49.0%

## Uzbekistan and Turkmenistan: operating indicators

### Uzbekistan

US\$ unless noted	Q4'06	Q3'07	Q4'07	2006	2007
ARPU	12.0	10.3	10.0	11.1	9.7
Minutes of Usage (MOU)	515	565	574	437	516
SAC per gross new subscriber	3.1	4.4	4.8	3.5	4.3
Churn*	10.7%	14.3%	13.5%	50.0%	58.2%

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

### Turkmenistan

US\$ unless noted	Q4'06	Q3'07	Q4'07	2006	2007
ARPU	60.2	57.4	48.1	69.9	51.9
Minutes of Usage (MOU)	239	299	282	225	250
SAC per gross new subscriber	37.7	20.8	19.7	32.2	24.7
Churn	5.1%	8.6%	5.5%	12.5%	24.4%

## Armenia and Belarus: operating indicators

### Armenia\*

US\$ unless noted	Q4'06	Q3'07	Q4'07	2006	2007
<b>ARPU</b>	n/a	15.7	15.8	n/a	15.5
<b>Minutes of Usage (MOU)</b>	n/a	n/a	105	n/a	n/a
<b>SAC per gross new subscriber</b>	n/a	12.9	15.2	n/a	9.7
<b>Churn</b>	n/a	n/a	10.1%	n/a	n/a

\* Consolidated as of September 14<sup>th</sup>, 2007

### Belarus

US\$ unless noted	Q4'06	Q3'07	Q4'07	2006	2007
<b>ARPU</b>	9.8	9.8	8.8	9.8	9.4
<b>Minutes of Usage (MOU)</b>	440	466	500	436	464
<b>SAC per gross new subscriber</b>	14.7	17.2	16.3	15.6	16.3
<b>Churn</b>	5.4%	5.3%	5.6%	19.0%	23.7%

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.

**Return on Invested Capital (ROIC)** is measured as (net income + interest expense + depreciation expense) / closing (equity + minority interest + long-term financial obligations).

**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	Q4 2006					Q3 2007					Q4 2007						
	Group	RUS	UKR	UZB	TUR	Group	RUS	UKR	UZB	TUR	ARM*	Group	RUS	UKR	UZB	TUR	ARM*
Operating income	648.8	479.0	137.6	22.1	10.1	801.8	612.0	136.7	27.0	22.6	3.5	643.8	469.3	106.7	35.2	22.9	9.7
Add: depreciation and amortization	289.2	213.3	64.1	7.5	4.3	372.9	268.8	83.1	14.1	5.4	1.5	483.0	352.7	88.1	13.5	5.7	23.0
OIBDA	937.9	692.3	201.7	29.6	14.4	1174.7	880.9**	219.7	41.1	28.1	5.0	1126.8	822.0***	194.8	48.7	28.6	32.7

\*Consolidated as of September 14<sup>th</sup>, 2007

US\$ mln	2006					2007					
	Group	RUS	UKR	UZB	TUR	Group	RUS	UKR	UZB	TUR	ARM*
Operating income	2133.7	1510.8	530.5	56.6	35.7	2733.8	2076.1	456.8	114.3	73.5	13.2
Add: depreciation and amortization	1095.9	819.3	233.7	26.9	16.0	1489.6	1076.6	325.0	43.5	20.0	24.5
OIBDA	3229.7	2330.1	764.3	83.6	51.7	4223.4	3152.7****	781.8	157.8	93.5	37.7

\*\* Including intercompany of \$2.2 mln  
 \*\*\* Including intercompany of \$0.4 mln  
 \*\*\*\* Including intercompany of \$2.6 mln

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

	Q4 2006					Q3 2007					Q4 2007						
	Group	RUS	UKR	UZB	TUR	Group	RUS	UKR	UZB	TUR	ARM*	Group	RUS	UKR	UZB	TUR	ARM*
Operating margin	35.9%	35.9%	34.4%	47.8%	33.9%	36.2%	36.6%	31.2%	41.0%	50.0%	41.9%	27.7%	27.2%	25.1%	45.9%	49.1%	16.7%
Add: depreciation and amortization as a percentage of revenues	16.0%	16.0%	16.0%	16.2%	14.6%	16.8%	16.1%	18.9%	21.5%	12.0%	17.9%	20.7%	20.5%	20.7%	17.6%	12.3%	39.5%
OIBDA margin	51.9%	51.9%	50.4%	64.0%	48.5%	53.0%	52.8%	50.1%	62.5%	62.0%	59.8%	48.4%	47.7%	45.8%	63.6%	61.4%	56.2%

	2006					2007					
	Group	RUS	UKR	UZB	TUR	Group	RUS	UKR	UZB	TUR	ARM*
Operating margin	33.4%	32.4%	35.6%	41.4%	33.8%	33.1%	33.5%	28.4%	46.0%	43.7%	19.8%
Add: depreciation and amortization as a percentage of revenues	17.2%	17.5%	15.7%	19.7%	15.1%	18.1%	17.4%	20.2%	17.5%	11.8%	36.8%
OIBDA margin	50.6%	49.9%	51.3%	61.1%	48.9%	51.2%	51.0%	48.6%	63.5%	55.5%	56.6%

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

	As of Dec 31, 2006	As of Dec 31, 2007
Current portion of LT debt and of capital lease obligations	150.6	713.3
LT debt	2924.5	2686.5
Capital lease obligations	3.3	1.9
Total debt	3078.5	3401.7
Less:		
Cash and cash equivalents	(220.0)	(634.5)
ST investments	(56.0)	(15.8)
Net debt	2802.4	2751.4

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

US\$ mln	For the year ended Dec 31, 2006	For the year ended Dec 31, 2007
Net cash provided by operating activities	2378.9	3350.2
Less:		
Purchases of property, plant and equipment	(1450.0)	(1316.7)
Purchases of intangible assets	(272.0)	(222.9)
Proceeds from sale of property, plant and equipment	11.0	22.0
Purchases of other investments	(3.9)	2.8
Investments in and advances to associates	20.0	2.0
Acquisition of subsidiaries, net of cash acquired	(38.2)	(873.1)
Free cash-flow	645.9	964.4

## Contact information

For further information

MTS investor relations

+7 495 223 20 25

[ir@mts.ru](mailto:ir@mts.ru)

[www.mtsgsm.com](http://www.mtsgsm.com)