

**Mobile TeleSystems**

**Q4 and FY 2005 Financial  
and Operating Results**

**March 27, 2006**

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# Safe Harbor

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# Group Highlights of FY 2005

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## ➤ **Operating Highlights**

- ✓ Consolidated subscriber base increased by 24.0m customers, from 34.2mln at YE 2004 to 58.2mln at YE 2005
- ✓ 60.3m customers as of Feb 28, 2006

## ➤ **Financial Highlights**

- ✓ FY 2005 revenues up 29% y-o-y to \$5,011mln
- ✓ Operating income up 15% y-o-y to \$1,632mln
- ✓ OIBDA\* up 21% to \$2,539mln; annual OIBDA\* margin of 50.7%
- ✓ Net income grew 14% y-o-y to \$1,126mln

## ➤ **Business Expansion**

- ✓ Operational footprint extended to 82 regions of Russia from 76 at YE 2004; operational in 5 countries\*\* of the FSU
- ✓ Ownership consolidated in 5 subsidiaries in Russia
- ✓ Entry into Turkmenistan through acquisition of BCTI

\*OIBDA represents operating income before depreciation and amortization; see Appendix for definitions of OIBDA and reconciliations to operating income

\*\*Including unconsolidated operations in Belarus where MTS owns a 49% stake in Mobile TeleSystems LLC



- Q4 2005 revenue dynamics impacted by:
  - Seasonal decline in roaming revenues (Q3 is traditionally the highest quarter for roaming revenue)
  - Subscriber additions towards the end of the quarter that will contribute to revenue as of Q1 2006
  
- OIBDA margin in Q4 2005 in line with seasonal expectations, but when compared to the previous quarter shows weakness due to:
  - Growth of costs associated with number of new subscribers added
  - Costs associated with the increase in traffic in line with seasonal trends
  - Costs associated with network maintenance

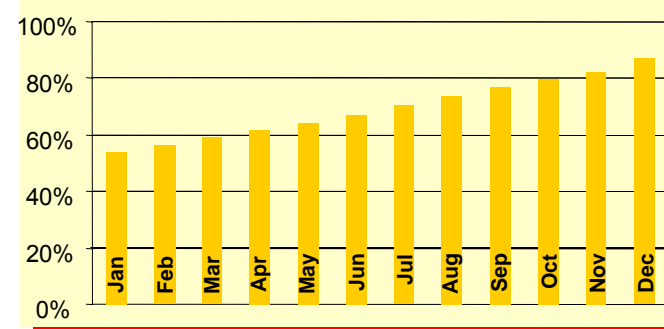
# Russia

# Operations at YE 2005



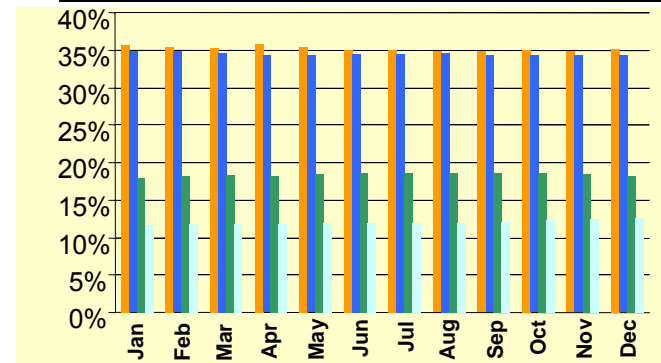
- Penetration level reached 87%\*
- MTS maintained its leading market share and finished the year with 35.1%\*
- Market reaching maturity in 2006 with expected slower subscriber growth rates
- Leadership goals for 2006:
  - Mass-market leadership
  - Dominance in high ARPU and corporate segments
  - Leadership in network quality
  - Improvement of cost efficiency

**Penetration in 2005**



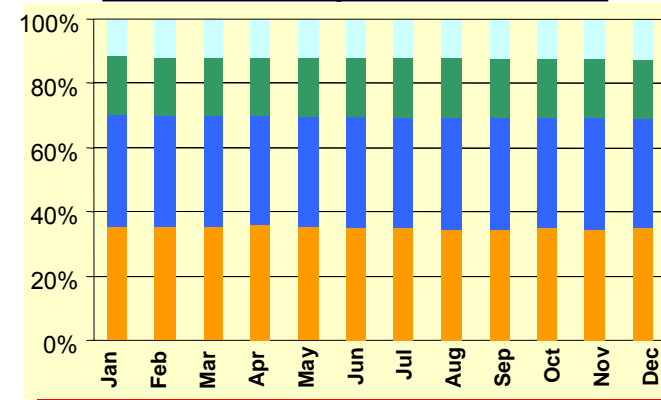
Source: AC&M-Consulting

**Share in Subscriber Additions in 2005, %**



Source: AC&M-Consulting

**Market Share Dynamic in 2005, %**



Source: AC&M-Consulting

\*Source: AC&M-Consulting

# Russia

# Marketing KPIs in Q4 2005



	<u>Q4/05</u>	<u>Q-to-Q</u>	<u>Comments</u>
GROSS ADDITIONS, mln.	<b>7.75</b>	<b>33.6%</b>	✓ Growth in gross additions is a result of attractive New Year promotion offering:
SUBSCRIBERS, mln.	<b>44.22</b>	<b>13.8%</b>	<ul style="list-style-type: none"> <li>• \$0.02/min on-net price</li> <li>• DVD bonus</li> </ul>
NET ADDITIONS, mln.	<b>5.35</b>	<b>12.7%</b>	✓ Leadership in net additions in Q4
MARKET SHARE, %	<b>35.1</b>	<b>0.3pp</b>	✓ Market leadership in Russia retained
ARPU, US\$	<b>7.3</b>	<b>-18.0%</b>	✓ ARPU decreased due to:
MOU, minutes	<b>123</b>	<b>-5.0%</b>	<ul style="list-style-type: none"> <li>• strong uptake of new customers in last part of December</li> <li>• seasonality (lower guest roaming)</li> </ul>
SAC, US\$	<b>19.8</b>	<b>6.2%</b>	✓ SAC growth was caused by growth of advertising expenses as result of:
CHURN, %	<b>5.2</b>	<b>2.3pp</b>	<ul style="list-style-type: none"> <li>• seasonal growth of media costs for New Year campaign</li> <li>• seasonal media pricing growth (media inflation)</li> </ul>
			✓ High gross additions in Dec '05 brought relative churn rate down



Initiative	Description	Purpose	Status	Visuals
<b>VAS IMAGE CAMPAIGN</b>	<ul style="list-style-type: none"> <li>✓ Promoting benefits of MTS' new Value Added Services</li> </ul>	<ul style="list-style-type: none"> <li>✓ Increase awareness of MTS' VAS (decade to Jan '06 showed 7% growth of GPRS traffic per subscriber)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Finished</li> </ul>	
<b>MTS.BONUS</b>	<ul style="list-style-type: none"> <li>✓ Recharge stimulation campaign</li> </ul>	<ul style="list-style-type: none"> <li>✓ Increase number of active subscribers and usage</li> </ul>	<ul style="list-style-type: none"> <li>✓ Finished</li> </ul>	
<b>NEW OUTDOOR IMAGE CAMPAIGN</b>	<ul style="list-style-type: none"> <li>✓ Image change from "Ты лучше" (You're Better) to network quality emphasis</li> </ul>	<ul style="list-style-type: none"> <li>✓ Focus on network quality as primary strength of the MTS brand</li> </ul>	<ul style="list-style-type: none"> <li>✓ On-air</li> </ul>	
<b>FAVORITE NUMBERS</b>	<ul style="list-style-type: none"> <li>✓ Friends and family tariff plan</li> </ul>	<ul style="list-style-type: none"> <li>✓ Stimulate loyalty; increase number of active subscribers and their lifetime</li> </ul>	<ul style="list-style-type: none"> <li>✓ On-air</li> </ul>	
<b>SPRING BONUS 5/10-10/20</b>	<ul style="list-style-type: none"> <li>✓ Usage stimulation campaign</li> </ul>	<ul style="list-style-type: none"> <li>✓ Stimulate loyalty; increase subscribers' lifetime</li> </ul>	<ul style="list-style-type: none"> <li>✓ On-air</li> </ul>	



<u>Initiative</u>	<u>Achieved in 2005</u>	<u>Goals for 2006</u>
<b>DEALERS</b>	<ul style="list-style-type: none"> <li>✓ Largest partner network (26,957 points of sale)</li> <li>✓ Reduced dealer commissions</li> <li>✓ Increased dealer loyalty</li> </ul>	<ul style="list-style-type: none"> <li>✓ Implement automated dealer management system</li> <li>✓ Launch new dealer commission structure, reduce “churners”</li> </ul>
<b>CORPORATE SALES</b>	<ul style="list-style-type: none"> <li>✓ Maintained leadership in corporate segment</li> <li>✓ Implemented high common standards of service Russia-wide</li> <li>✓ SOHO direct sales launched</li> </ul>	<ul style="list-style-type: none"> <li>✓ Aggressively expand SME/SOHO sales</li> <li>✓ Leverage synergies with Sistema’s group of companies (FMC etc.)</li> <li>✓ Implement loyalty programs for KA’s</li> </ul>
<b>OWN DISTRIBUTION</b>	<ul style="list-style-type: none"> <li>✓ Distribution strategy developed</li> <li>✓ Own shops refocused from service to sales</li> <li>✓ Productivity increased by 15%</li> </ul>	<ul style="list-style-type: none"> <li>✓ Reduce average store size, relocate stores to prime retail locations</li> <li>✓ Increase share of sales through own channels</li> <li>✓ Develop “exclusive” dealer channel</li> </ul>
<b>CALL CENTERS</b>	<ul style="list-style-type: none"> <li>✓ &gt; 50 call centers consolidated into 10</li> <li>✓ Differentiated service implemented in Moscow</li> </ul>	<ul style="list-style-type: none"> <li>✓ Increase service quality and operator efficiency</li> <li>✓ Build outbound calling capabilities</li> <li>✓ Implement differentiated service across Russia</li> </ul>



# Russia

# Key Operating Indicators



	FY/05	Q4/05	Q3/05	Q2/05	Q1/05	FY/04	Q4/04
Total Russian market (mln)	125.8	125.8	111.7	97.6	85.6	74.4	74.4
Mobile penetration	87%	87%	77%	67%	59%	51%	51%
Number of subscribers (mln)	44.2	44.2	38.9	34.1	30.3	26.5	26.5
Market share nationwide	35%	35%	35%	35%	35%	36%	36%
Market share - Moscow	45%	45%	45%	44%	44%	44%	44%
Market share - St. Petersburg	33%	33%	33%	32%	32%	32%	32%
Market share - rest of country	33%	33%	32%	33%	33%	33%	33%
Share of JEANS customers	88%	88%	87%	83%	81%	77%	77%
Churn	20.7%	5.2%	2.9%	6.8%	6.7%	27.5%	6.3%
ARPU (US\$)	8.4	7.3	8.9	9.3	9.1	12.2	11.2
MTS ARPU	24.9	26.3	25.7	23.4	20.5	20.3	22.6
JEANS ARPU	5.3	4.5	5.7	6.0	5.9	8.1	7.3
ARPU ex guest roaming (US\$)	8.2	7.2	8.7	9.1	9.0	12.0	10.9
ARPU from VAS (US\$)	1.0	0.9	0.9	1.0	1.2	1.3	1.3
VAS as % of total ARPU (US\$)	12%	12%	10%	11%	13%	11%	12%
MOU (minutes)	128	123	130	134	138	157	164
MTS MOU	304	348	309	282	247	222	273
JEANS MOU	97	92	99	102	109	125	127
SAC per gross new subscriber (US\$)	18.8	19.8	18.6	18.4	18.2	21.0	19.4
Dealer commission	11.3	10.8	10.8	11.3	12.6	13.9	12.8
Advertising & marketing	7.5	9.0	7.8	7.1	5.6	7.1	6.6

Source: MTS



- Q4 2005 revenue dynamics impacted by:
  - Seasonal decline in roaming revenues (Q3 is traditionally the highest quarter for roaming revenue)
  - Subscriber additions towards the end of the quarter that will contribute to revenue as of Q1 2006
  
- OIBDA margin in Q4 2005 in line with seasonal expectations, but when compared to the previous quarter shows weakness due to:
  - Growth of costs associated with the significant level of new subscribers added in the quarter
  - Costs associated with the increase in traffic in line with seasonal trends
  - Costs associated with initiatives to improve network quality

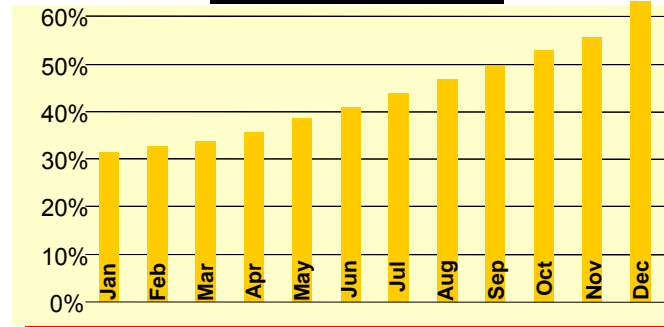
# Ukraine

# Operations at YE 2005



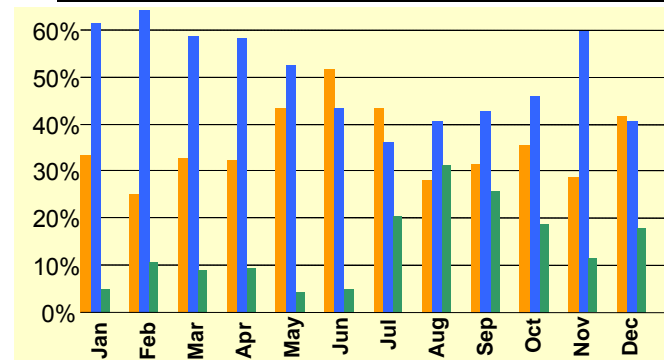
- YE 2005 penetration level at 64%\*
- In Dec '05, UMC connected over 1.4mln subscribers – a leader in new additions
- Dealership network extended to over 25 thousand; number of payment points to 10 thousand
- 1,566 additional base stations and 147 towers in service
- Leadership goals for 2006:
  - Market leadership in revenues and subscribers
  - Improved network coverage and quality
  - Most extensive distribution network

**Penetration in 2005**



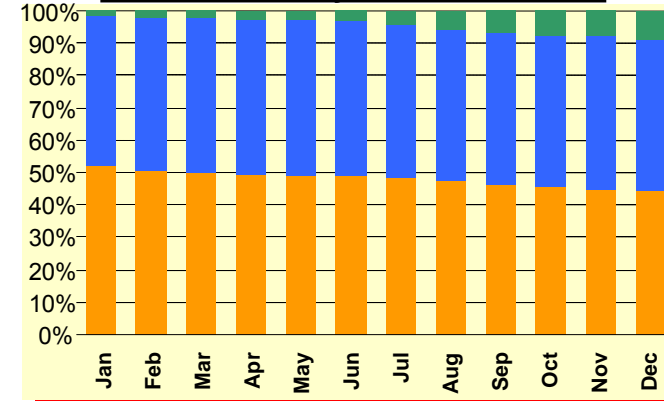
Source: MTS

**Share in Subscriber Additions in 2005, %**



Source: MTS

**Market Share Dynamic in 2005, %**



Source: MTS

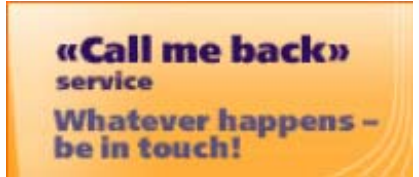




\*Source: AC&M-Consulting



	<u>Q4/05</u>	<u>Q-to-Q</u>	<u>Comments</u>
GROSS ADDITIONS, mln	3.1	54.3%	✓ Visible increase in Q4/05 in gross additions and customer base due to attractive New Year offers to all segments, coverage and distribution networks extension
SUBSCRIBERS, mln	13.3	22.1%	✓ In Dec '05 UMC was a leader in net additions
NET ADDITIONS, mln	2.4	67.3%	
MARKET SHARE, %	44.5	-2.0pp	✓ UMC's market share decreased due to activity of a 3rd operator, Life, and aggressive tariff offers and promotions from competitors
ARPU, US\$	9.1	-15.4%	✓ ARPU decreased as most new customers were connected in the second half of December (no time to generate traffic/revenue)
MOU, minutes	120	-8.6%	✓ MOU decreased due to seasonal factors
SAC, US\$	9.4	-40.0%	✓ SAC reduced due to increased PrP share in total connections and efficiency of business processes
CHURN, %	6.0	-4.1%	✓ Churn decreased due to effectiveness of CRM

- Significant subscriber growth in Q4/05 result of New Year promotion with attractive proposition points:
  - *Jeans*: \$0.03/min on-net calls; \$0.00/min on 1 *Jeans* number calls; \$0.05 call-set up
  - *Sim-Sim & UMC*: \$0.06/min on-net calls; \$0.006/min on 3 *UMC* numbers; \$0.05 call-set up
  - Coverage and distribution network expansion; network quality image campaign



<u>Initiative</u>	<u>Description</u>	<u>Purpose</u>	<u>Status</u>	<u>Visuals</u>
<b>VAS CAMPAIGNS</b>	<ul style="list-style-type: none"> <li>✓ “Missed Call Alert” &amp; “Call Me Back” services</li> </ul>	<ul style="list-style-type: none"> <li>✓ Increase VAS popularisation, traffic stimulation, innovative image, and additional revenues</li> </ul>	<ul style="list-style-type: none"> <li>✓ On-air</li> </ul>	
<b>CRM ACTIVITIES</b>	<ul style="list-style-type: none"> <li>✓ Local retention and development campaigns</li> </ul>	<ul style="list-style-type: none"> <li>✓ Increase Company’s revenue, increase no. of active subscribers and customers’ lifetime by decreasing churn</li> </ul>	<ul style="list-style-type: none"> <li>✓ On-air</li> </ul>	
<b>IMAGE CAMPAIGNS</b>	<ul style="list-style-type: none"> <li>✓ UMC Innovations Campaign</li> </ul>	<ul style="list-style-type: none"> <li>✓ Focus on innovative value of the brand</li> </ul>	<ul style="list-style-type: none"> <li>✓ On-air</li> </ul>	
	<ul style="list-style-type: none"> <li>✓ Network Quality Campaign</li> </ul>	<ul style="list-style-type: none"> <li>✓ Increase customer perception of network quality and coverage</li> </ul>	<ul style="list-style-type: none"> <li>✓ On-air</li> </ul>	
<b>TARIFF OFFERS</b>	<ul style="list-style-type: none"> <li>✓ New Post-paid tariffs</li> <li>✓ New <i>Sim-Sim</i> tariffs</li> </ul>	<ul style="list-style-type: none"> <li>✓ Increase new subscriber acquisitions in mass- and business markets</li> </ul>	<ul style="list-style-type: none"> <li>✓ On-air</li> </ul>	 



<u>Initiative</u>	<u>Achieved in 2005</u>	<u>Goals for 2006</u>
<b>POST-PAID DEALERS</b>	<ul style="list-style-type: none"> <li>✓ PoP dealer network of 645 points of sales</li> <li>✓ Number of dealer service centers increased to 81</li> </ul>	<ul style="list-style-type: none"> <li>✓ Increase PoP dealer network to 895 points of sales</li> <li>✓ Increase number of dealer service centers to 151</li> <li>✓ Reduction in dealer commission</li> </ul>
<b>CORPORATE SALES</b>	<ul style="list-style-type: none"> <li>✓ Developed leadership in corporate segment</li> <li>✓ Developed sales of Multi-service and Integrated network</li> <li>✓ Started equipment delivery project</li> </ul>	<ul style="list-style-type: none"> <li>✓ Develop sales to corporate segment through dealers</li> <li>✓ Split sales and service in KA groups</li> <li>✓ Implement special loyalty events for KA</li> </ul>
<b>PRE-PAID DISTRIBUTION NETWORK</b>	<ul style="list-style-type: none"> <li>✓ Distribution strategy developed</li> <li>✓ Achieved 17,000 PrP points of sales, distribution level 91.5%</li> </ul>	<ul style="list-style-type: none"> <li>✓ Build wide distribution system (35,000 PrP points of sales, distribution 95%)</li> <li>✓ Develop retail monitoring system for PrP outlets</li> </ul>
<b>CALL CENTERS</b>	<ul style="list-style-type: none"> <li>✓ Number of call centers increased to 4 (Kiev, Dnipropetrovs'k, Odessa, Lvov)</li> <li>✓ Reorganization of call centers: increase service level, savings in budget and headcount</li> </ul>	<ul style="list-style-type: none"> <li>✓ Implement differentiated service for each segment</li> <li>✓ Achieve &gt;50% perceived quality of service</li> </ul>



	FY/05	Q4/05	Q3/05	Q2/05	Q1/05	FY/04	Q4/04
Total Ukrainian market (mln)	29.9	29.9	23.5	19.4	16.1	13.8	13.8
Mobile penetration	64%	64%	49%	41%	34%	29%	29%
Number of subscribers (mln)	13.3	13.3	10.9	9.5	8.1	7.4	7.4
Market share nationwide	44%	44%	47%	49%	50%	53%	53%
Share of pre-paid customers (JEANS & Sim-Sim)	90%	90%	89%	88%	87%	86%	86%
Churn	21.8%	6.0%	6.2%	5.7%	5.1%	15.8%	1.7%*
ARPU (US\$)	9.5	9.1	10.8	10.8	10.0	12.6	12.4
Post-paid ARPU	36.5	36.4	40.2	37.4	33.8	37.5	37.2
Pre-paid ARPU	6.1	5.9	7.0	7.0	6.4	7.9	8.0
ARPU ex guest roaming (US\$)	9.2	9.0	10.4	10.6	9.9	12.1	12.1
ARPU from VAS (US\$)	1.4	1.5	1.5	1.5	1.5	1.4	1.6
VAS as % of total ARPU (US\$)	15%	16%	14%	14%	15%	11%	13%
MOU (minutes)	117	120	132	118	130	114	127
Post-paid MOU	359	400	392	354	299	287	327
Pre-paid MOU	87	88	98	84	104	82	92
SAC per gross new subscriber (US\$)	13.8	9.4	15.7	14.2	22.1	18.6	15.4
Dealer commission	3.1	2.5	3.6	2.8	4.3	4.6	2.8
Advertising & promotion	4.8	3.8	6.3	4.4	5.3	3.7	4.7
Handset subsidy	3.8	1.4	3.5	4.4	9.9	7.9	5.5
SIM card & voucher cost	2.2	1.7	2.3	2.6	2.6	2.5	2.4

Source: MTS

\*The significant decrease in the quarterly churn rate to 1.7% can be largely attributed to the adoption in Ukraine of the churn policy used by MTS in Russia, whereby pre-paid customers are defined as churning after six months of inactivity, rather than the previous three month criteria. Under the previous churn calculation, quarterly churn rate in Q4 2004 was at 7.2%

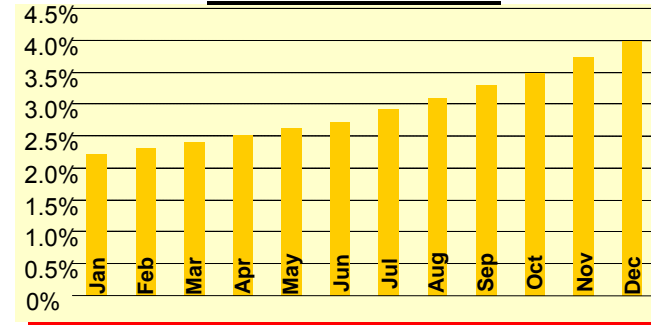
# Uzbekistan

# Operations at YE 2005



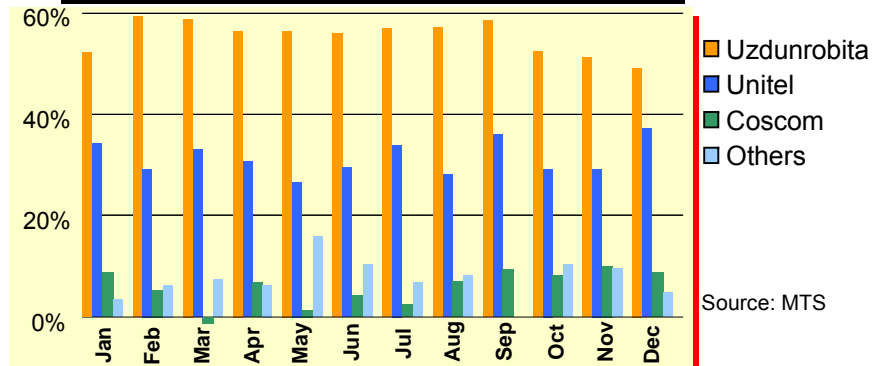
- Continued healthy subscriber growth with leading market share of 55.1%
- Strengthening of competition with Vimpelcom's entry
- First to build own dealership network in the country
- Leadership goals for 2006:
  - Focus on network development
  - Develop distribution channels
  - Reduce churn
  - Rebrand to MTS

**Penetration in 2005**



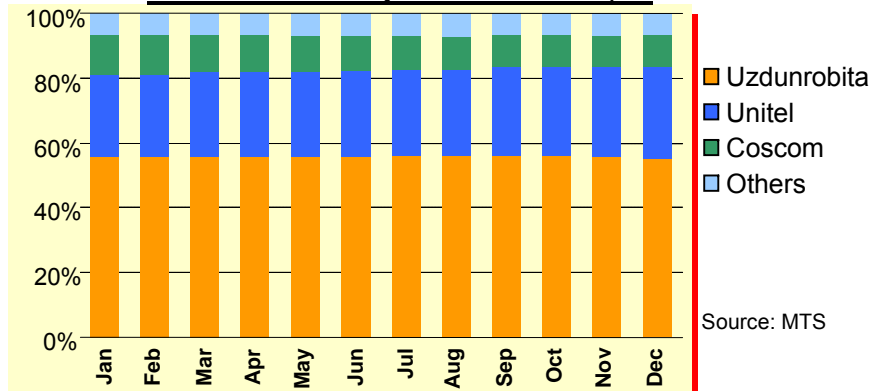
Source: MTS

**Share in Subscriber Additions in 2005, %**



Source: MTS

**Market Share Dynamic in 2005, %**



Source: MTS





## Uzbekistan

	FY/05	Q4/05	Q3/05	Q2/05	Q1/05	FY/04	Q4/04
Total Uzbek market ('000)	1053.3	1053.3	804.3	702.0	610.0	538.5	538.5
Mobile penetration	4%	4%	3%	3%	2%	2%	2%
Number of MTS subscribers ('000)	580.3	580.3	486.9	398.4	352.0	310.2	310.2
Market share nationwide	55%	55%	61%	57%	58%	58%	58%
Churn	59.7%	18.2%	15.7%	13.9%	14.2%	n/a	10.4%
ARPU (US\$)	16.2	15.9	18.3	17.6	16.8	n/a	18.4
MOU (minutes)	433	450	437	432	413	n/a	419
SAC (US\$)	3.5	4.1	1.8	3.5	5.6	n/a	4.7

Source: MTS

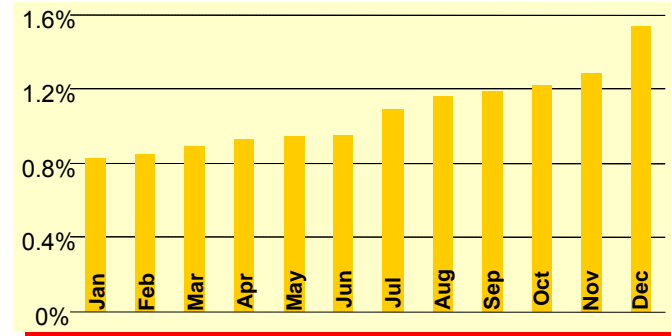
# Turkmenistan

# Operations at YE 2005



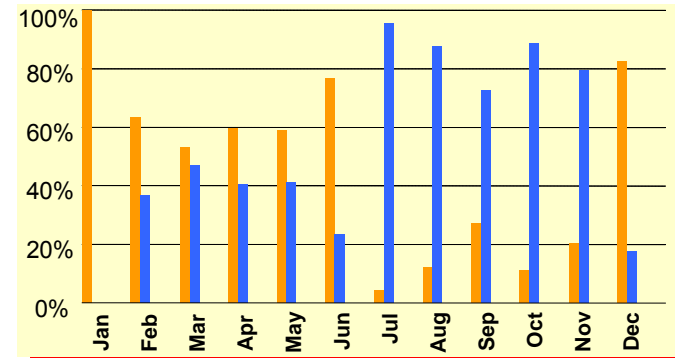
- Penetration at just 1.5%
- Strong untapped demand for mobile services
- Loyal subscriber base with very low churn
- Leadership goals for 2006:
  - Develop distribution network
  - Improve coverage and service quality
  - Rebrand to MTS

**Penetration in 2005**



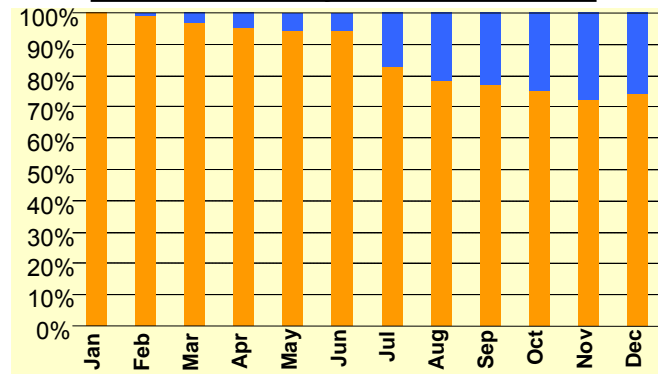
Source: MTS

**Share in Subscriber Additions in 2005, %**



Source: MTS

**Market Share Dynamic in 2005, %**

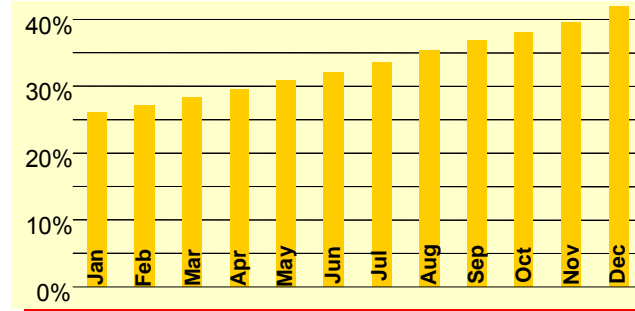


Source: MTS



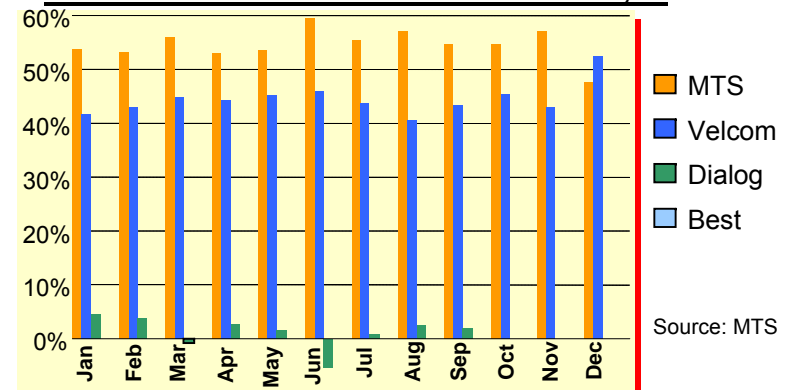
- MTS' market share remained stable
- Entrance of a new GSM operator in Dec '05 (Best) so far not noticeable
- Pressure from Velcom in Dec '05
- Large share of heavy post-paid customers
- Leadership goals for 2006:
  - Revenue leadership
  - More focus on VAS
  - Ownership consolidation

**Penetration in 2005**



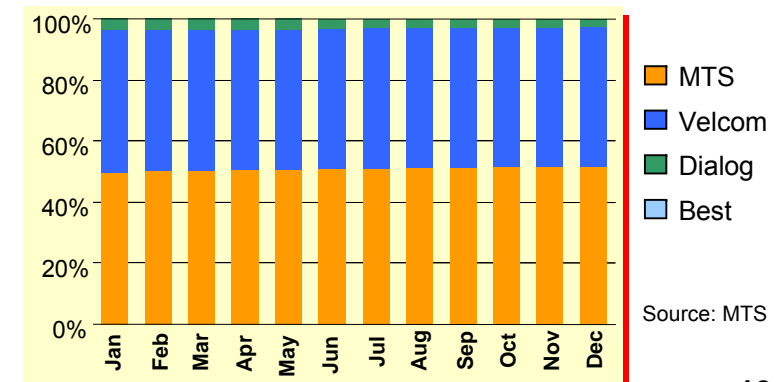
Source: MTS

**Share in Subscriber Additions in 2005, %**



Source: MTS

**Market Share Dynamic in 2005, %**



Source: MTS



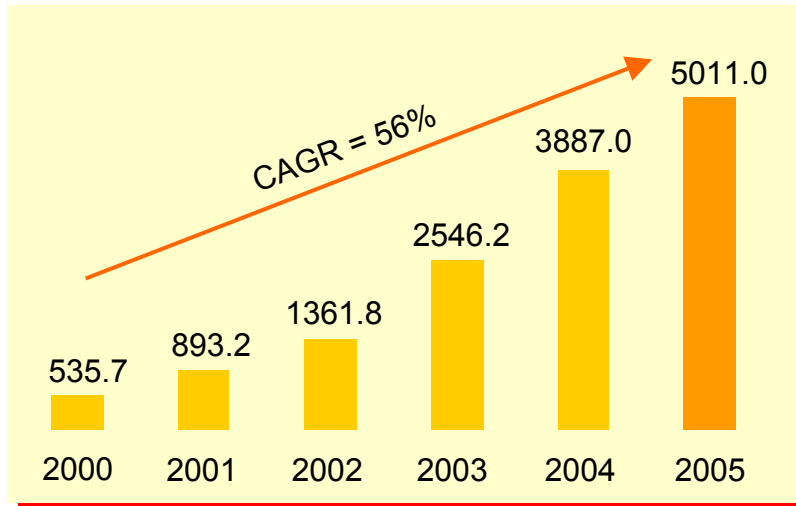
## Belarus

	FY/05	Q4/05	Q3/05	Q2/05	Q1/05	FY/04	Q4/04
Total Belarus market (mln)	4.1	4.1	3.6	3.2	2.8	2.4	2.4
Mobile penetration	41%	41%	36%	32%	28%	24%	24%
Number of MTS subscribers (mln)	2.1	2.1	1.8	1.6	1.4	1.2	1.2
Market share nationwide	52%	52%	51%	51%	50%	49%	49%
Churn	17.7%	4.1%	4.3%	4.7%	5.4%	24.3%	5.7%
ARPU (US\$)	10.7	10.5	11.3	11.3	11.0	12.3	12.1
MOU (minutes)	433	450	440	448	410	417	426
SAC (US\$)	14.9	15.5	15.0	14.7	14.0	14.1	14.2

Source: MTS

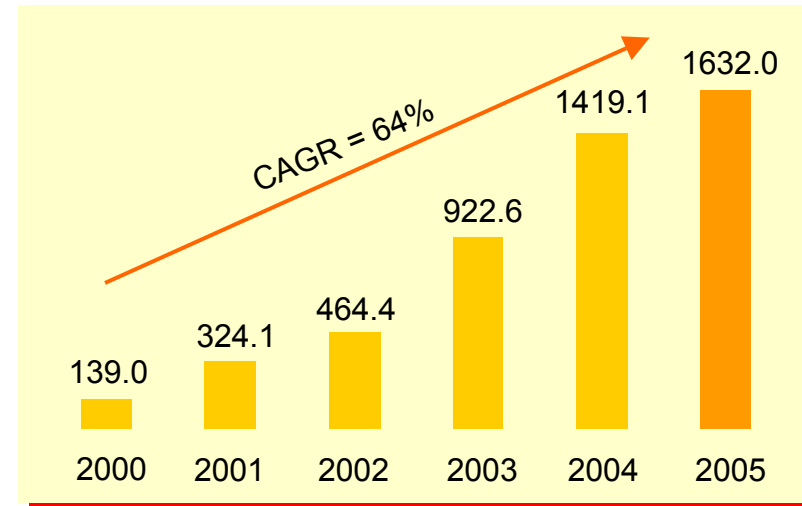


## Revenues (US\$ mln)



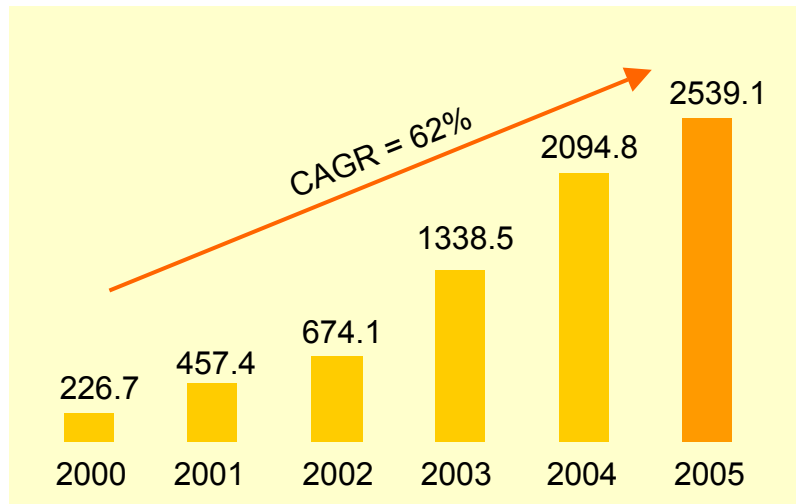
Source: MTS

## Net Operating Income (US\$ mln)



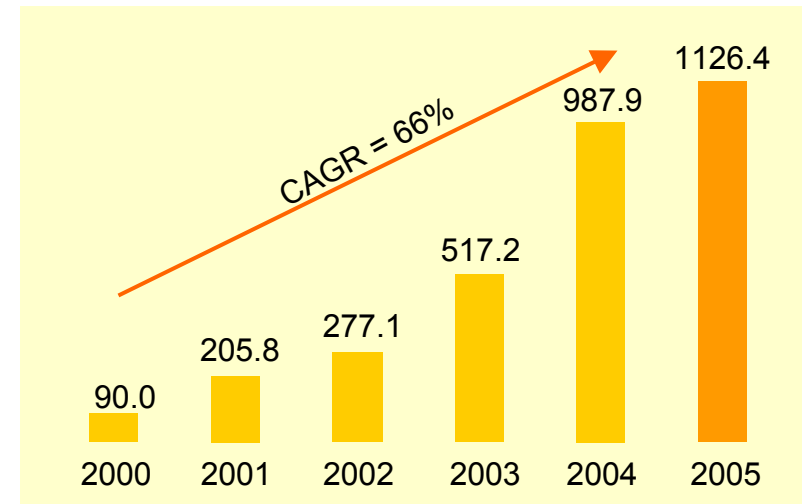
Source: MTS

## OIBDA (US\$ mln)



Source: MTS

## Net Income (US\$ mln)



Source: MTS

# Group

# Country Breakdown



US\$ mln	Q4/05	Q4/04	Change	FY 2005	FY 2004	Change
<b>Russia</b>						
Revenues	954.2	818.8	16.5%	3700.6	3044.0	21.6%
OIBDA	427.9	373.0	14.7%	1876.5	1636.6	14.7%
OIBDA margin	44.8%	45.6%	-	50.7%	53.8%	-
Net income	151.8	127.0	19.5%	773.0	760.9	1.6%
<b>Ukraine</b>						
Revenues	337.8	245.9	37.4%	1201.8	832.3	44.4%
OIBDA	156.7	114.8	36.5%	585.1	442.8	32.1%
OIBDA margin	46.4%	46.7%	-	48.7%	53.2%	-
Net income	82.2	43.4	89.4%	323.6	223.3	44.9%
<b>Uzbekistan*</b>						
Revenues	25.5	16.7	52.7%	86.5	26.8	-
OIBDA	15.5	10.0	55.0%	52.4	15.4	-
OIBDA margin	60.6%	60.1%	-	60.6%	57.7%	-
Net income	6.6	3.8	73.7%	22.7	3.9	-
<b>Turkmenistan</b>						
Revenues	17.7	-	-	33.4	-	-
OIBDA	13.0	-	-	25.1	-	-
OIBDA margin	73.7%	-	-	75.1%	-	-
Net income	2.0	-	-	7.1	-	-
<b>Intercompany elimination</b>						
Revenues	-2.4	-1.6	50.0%	-11.3	-16.0	-29.4%
<b>Consolidated</b>						
Revenues	1332.7	1079.7	23.4%	5011.0	3887.0	28.9%
OIBDA	613.1	497.9	23.1%	2539.1	2094.8	21.2%
OIBDA margin	46.0%	46.1%	-	50.7%	53.9%	-
Net income	242.6	174.3	39.2%	1126.4	987.9	14.0%

\*In 2004 only five months of operations were consolidated.

Source: MTS



- Cash expenditures on PP&E (excl. acquisitions) in 2005 totaled \$1.8bn (Russia: \$1.1bn, Ukraine: \$571mln, Uzbekistan: \$40mln)
  - Cash expenditures on PP&E in Q4 2005 totaled \$612mln (Russia: \$329mln, Ukraine: \$267mln, Uzbekistan: \$14mln)
- Expenditure on intangible assets in 2005 totaled \$423mln (Russia: \$303mln, Ukraine: \$105mln, Uzbekistan: \$16mln)
  - \$197mln spent on the purchase of intangible assets in Q4 2005 (Russia: \$136mln, Ukraine: \$56mln, Uzbekistan: \$4mln)
- In 2005, \$341mln was spent on coverage, \$502mln on capacity, \$350mln on IT, \$424mln on switching, \$123mln on VAS and \$441 on other
- CAPEX/Sales in 2005 totaled 43.5% (Russia: 39.1%, Ukraine: 56.2%, Uzbekistan: 65.1%)
- The Company plans to spend less than \$2bn on CAPEX (excl. acquisitions) in 2006; CAPEX/net add should not exceed \$120

# Group

# Leverage



- The Company's balance sheet is underleveraged; potential acquisitions can be financed through additional borrowings
- MTS is planning to raise additional funds in 2006 through ECA-financing and a syndicated loan facility
- The syndicated loan will be used to refinance debt, including an outstanding syndicated loan, and acquisitions
- Rating: upgraded to BB-/outlook stable by S&P in March 2005; Ba3/outlook stable by Moody's

**MTS' Leverage**

US\$ mln	FY/05	FY/04
Cash and cash equivalents	\$78.3	\$274.2
ST investments	\$28.1	\$73.4
Total debt	\$2 850.6	\$1 937.1
LT debt	\$2 081.9	\$1 557.7
ST debt	\$768.7	\$379.4
Net debt*	\$2 744.2	\$1 589.6
Shareholders' equity	\$3 294.1	\$2 523.3
Total assets	\$7 545.8	\$5 581.2
OIBDA	\$2 539.1	\$2 094.8
Net debt / assets	0.4x	0.3x
Net debt / equity	0.8x	0.6x
Net debt / OIBDA	1.1x	0.8x

Source: MTS

\*See Appendix for reconciliations of net debt to balance sheets



# Appendix



*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	Q4 2004				Q4 2005				
	Consolidated	Russia	Ukraine	Uzbekistan	Consolidated	Russia	Ukraine	Uzbekistan	Turkmenistan
Operating income	272.9	195.9	72.5	4.4	362.7	233.5	115.3	8.3	5.5
Add: depreciation and amortization	225.0	177.1	42.3	5.6	250.4	194.4	41.4	7.2	7.5
OIBDA	497.9	373.0	114.8	10.0	613.1	427.9	156.7	15.5	13.0

US\$ mln	2004				2005				
	Consolidated	Russia	Ukraine	Uzbekistan	Consolidated	Russia	Ukraine	Uzbekistan	Turkmenistan
Operating income	1419.1	1096.4	318.3	4.4	1632.0	1153.5	431.3	30.0	17.2
Add: depreciation and amortization	675.7	540.2	124.5	11.0	907.1	723.0	153.8	22.4	7.9
OIBDA	2094.8	1636.6	442.8	15.4	2539.1	1876.5	585.1	52.4	25.1

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

	Q4 2004				Q4 2005				
	Consolidated	Russia	Ukraine	Uzbekistan	Consolidated	Russia	Ukraine	Uzbekistan	Turkmenistan
Operating margin	25.3%	24.0%	29.5%	26.5%	27.2%	24.4%	34.1%	32.4%	31.3%
Add: depreciation and amortization as a percentage of revenues	20.8%	21.7%	17.2%	33.6%	18.8%	20.4%	12.3%	28.2%	42.4%
OIBDA margin	46.1%	45.7%	46.7%	60.1%	46.0%	44.8%	46.4%	60.6%	73.7%

	2004				2005				
	Consolidated	Russia	Ukraine	Uzbekistan	Consolidated	Russia	Ukraine	Uzbekistan	Turkmenistan
Operating margin	36.5%	36.0%	38.2%	16.6%	32.6%	31.2%	35.9%	34.7%	51.4%
Add: depreciation and amortization as a percentage of revenues	17.4%	17.7%	15.0%	41.1%	18.1%	19.5%	12.8%	25.9%	23.6%
OIBDA margin	53.9%	53.7%	53.2%	57.7%	50.7%	50.7%	48.7%	60.6%	75.0%

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

US\$ mln	As of Dec. 31, 2004	As of Dec. 31, 2005
Current portion of LT debt and of capital lease obligations	379.4	768.7
LT debt	1553.8	2079.0
Capital lease obligations	3.9	2.9
Total debt	1937.1	2850.6
Less:		
Cash and cash equivalents	274.2	78.3
ST investments	73.4	28.1
Net debt	1589.5	2744.2