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

# Group financial results for the third quarter 2006



Investor Conference Call – 29 November 2006



## HIGHLIGHTS Q3 2006

### Financial highlights

- Revenues up 20% q-o-q to \$1,798 mln
- OIBDA up 32% q-o-q to \$963 mln (OIBDA margin 53.6%)
- Net income up 65% q-o-q to \$486 mln
- Free cash-flow positive with \$407 mln for nine months ended 30 September 2006

### Period corporate highlights

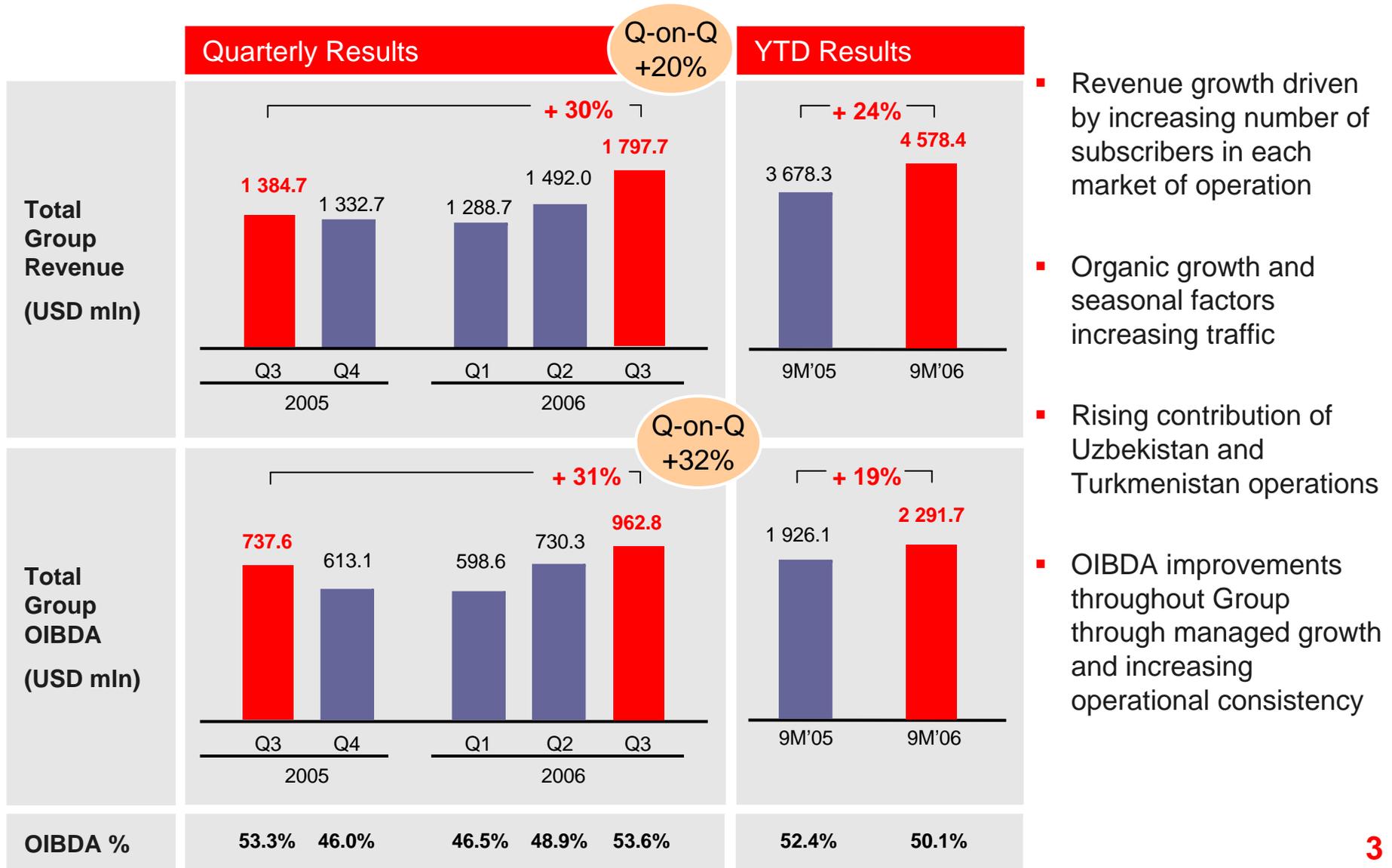
- Transition to new tariff structure in Russian market
- Approval and adoption of an executive board
- Share Repurchase Program receives Federal Antimonopoly Service approval

### Full year 2006 guidance

- Revised top-line revenue growth of at least 20%
- OIBDA margin of 50%
- CAPEX of \$1.8bn

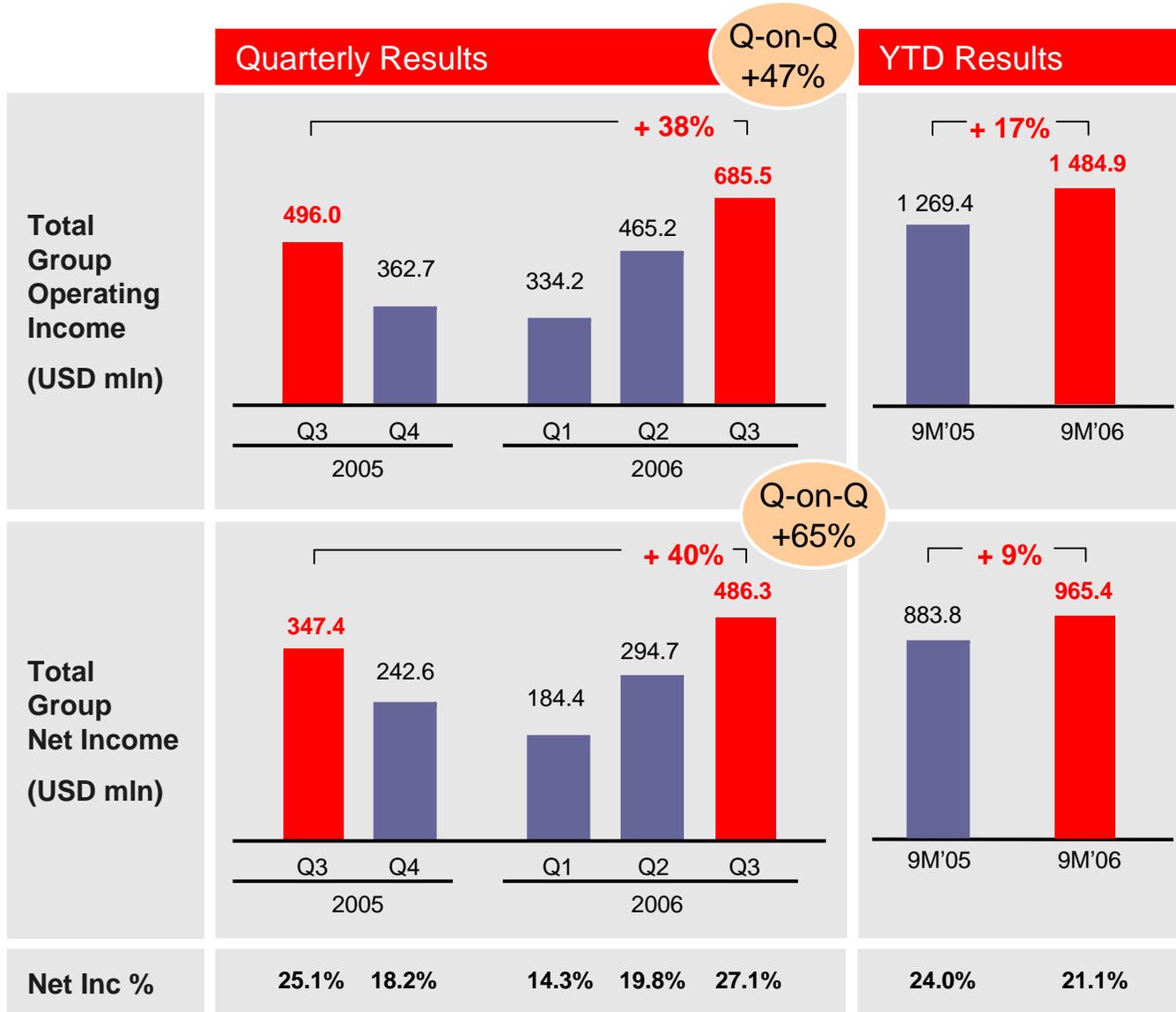


# Group highlights: strong top-line & OIBDA growth





# Group highlights: bottom line improvement



- Depreciation and amortization expenses as percent of revenue falling as CAPEX spending stabilizes

- Effective tax rate falling as ruble appreciation slows



## Contents

Group

Russia

Ukraine

Uzbekistan

Turkmenistan

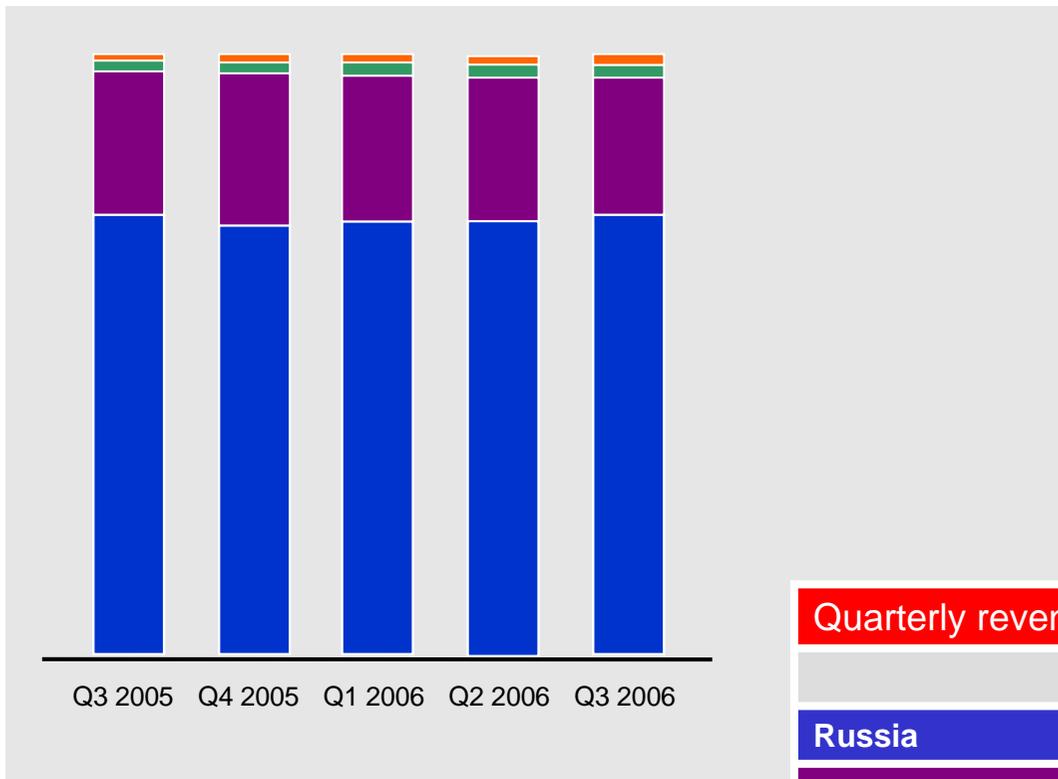
Belarus

Appendix



# Consistent revenue growth throughout BU's

Breakdown of group revenue contribution per country



- High revenue growth in Russia overshadowing rising value of contributions made by Ukraine
- Increasing visibility of Uzbekistan and Turkmenistan in Group results

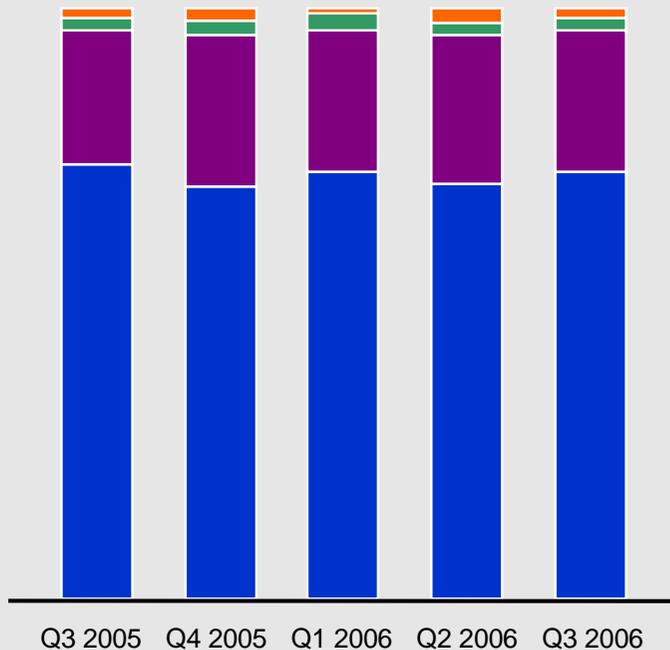
Quarterly revenue contribution per country

	Q3 05	Q4 05	Q1 06	Q2 06	Q3 06
<b>Russia</b>	73.3%	71.5%	72.0%	72.7%	73.3%
<b>Ukraine</b>	23.9%	25.3%	24.5%	23.8%	22.8%
<b>Uzbekistan</b>	1.7%	1.9%	2.0%	1.9%	2.1%
<b>Turkmenistan</b>	1.6%	1.3%	1.5%	1.6%	1.8%



# Group-wide improvements in Q3 OIBDA

Breakdown of OIBDA contribution per country



- Cost optimization in Russia includes renegotiated supplier contracts
- OIBDA improvement in Ukraine driven by stimulation of on-net traffic and reduction of handset subsidy
- Group-leading OIBDA margin in Uzbekistan of 59.9%

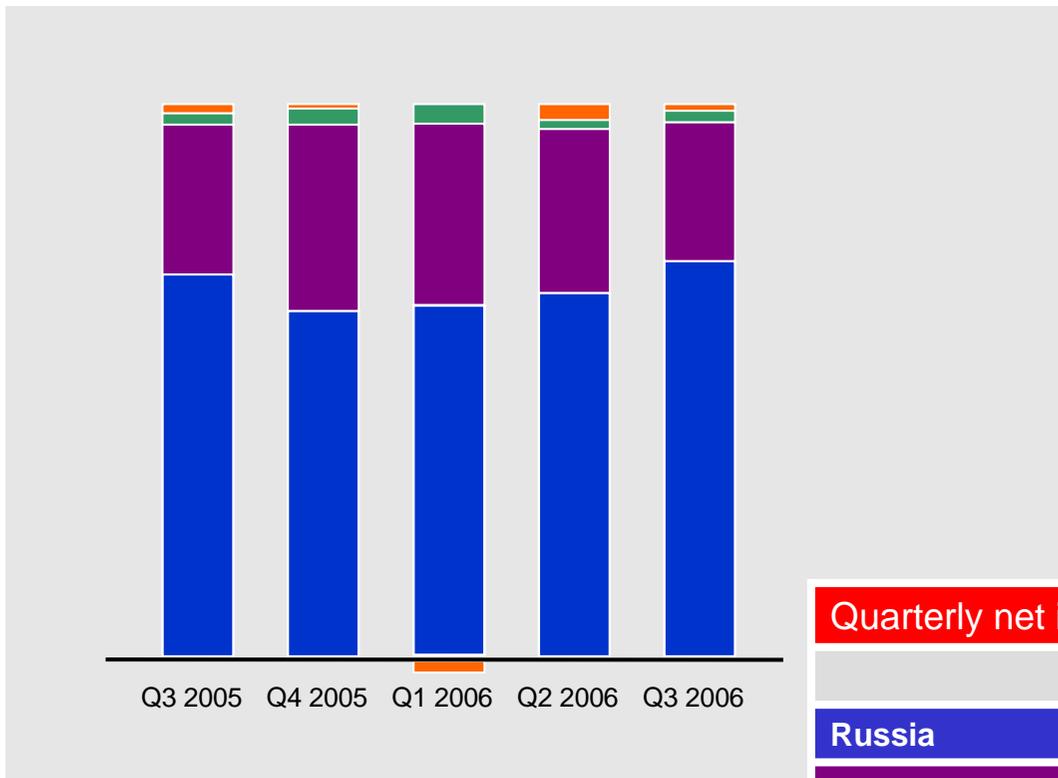
Quarterly OIBDA margin per country

	Q3 05	Q4 05	Q1 06	Q2 06	Q3 06
<b>Russia</b>	53.4%	44.8%	46.7%	47.2%	52.4%
<b>Ukraine</b>	50.1%	46.4%	45.3%	51.7%	56.4%
<b>Uzbekistan</b>	63.4%	60.6%	61.8%	57.3%	59.9%
<b>Turkmenistan</b>	76.6%	73.7%	28.3%	70.7%	45.4%



# Strong returns on the bottom line

## Breakdown of net income contribution per country



- No change in interest expense
- Slight increase in depreciation and amortization expense

## Quarterly net income margin per country

	Q3 05	Q4 05	Q1 06	Q2 06	Q3 06
Russia	23.7%	15.9%	13.0%	17.8%	26.2%
Ukraine	28.1%	24.3%	19.6%	24.5%	30.2%
Uzbekistan	32.5%	26.0%	23.9%	18.8%	27.4%
Turkmenistan	32.3%	11.6%	-	34.3%	16.8%

- 9M 2006 free cash flow = \$407 million
- Q3 2006 annualized ROIC\* = 37.6%

\*MTS measures ROIC as (LTM net income + LTM interest expense + LTM depreciation expense) / closing (equity + minority interest + long-term financial obligations)



## Balance Sheet Strength

in US mln unless noted	As of 31 Dec 2005	As of 30 Sept 2006
Cash and cash equivalents	\$78.3	\$158.1
Short-term investments	\$28.1	\$57.9
Total debt	\$2 850.6	\$2 897.5
Long-term debt	\$2 081.9	\$2 710.1
Short-term debt	\$768.7	\$187.4
Net debt*	\$2 744.2	\$2 681.6
Shareholders' equity	\$3 294.1	\$3 738.7
Total assets	\$7 545.8	\$8 491.2
LTM OIBDA**	\$2 539.1	\$2 904.8
Net debt/assets	0.4x	0.3x
Net debt/equity	0.8x	0.7x
Net debt/LTM OIBDA	1.1x	0.9x

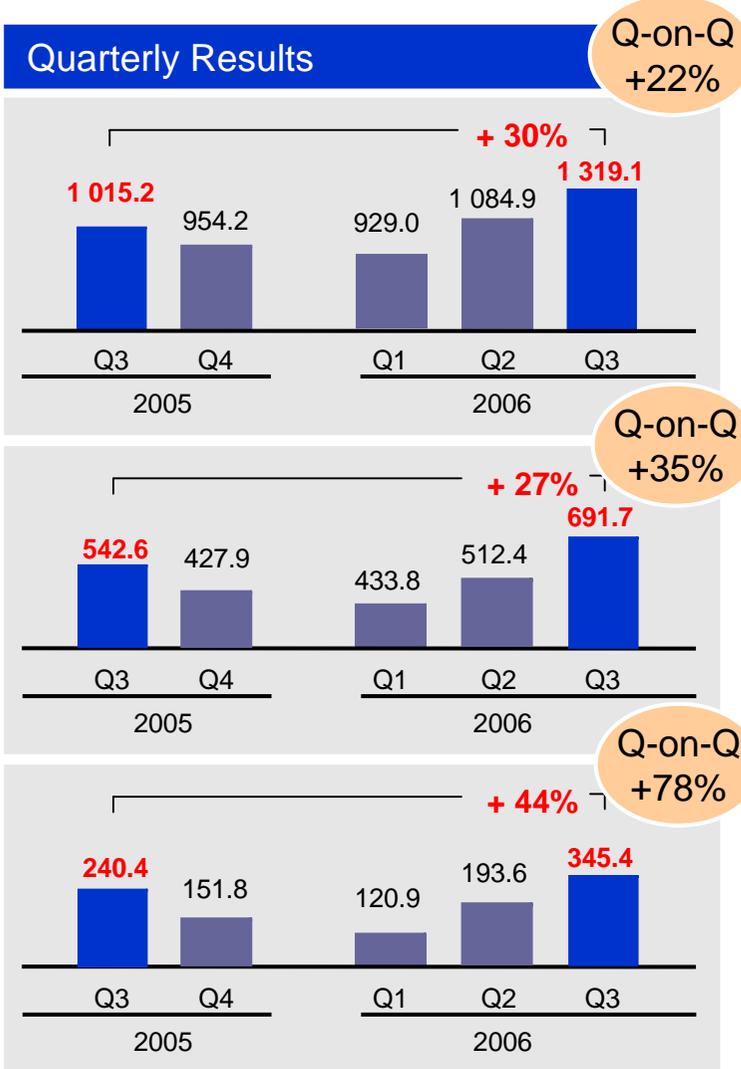
- Lower debt ratios driven by stable debt levels and rising OIBDA and assets
- Share repurchase program received regulator approval in October 2006

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

\*\*LTM OIBDA represents the last twelve months of rolling OIBDA; see Appendix for reconciliations to our consolidated statements



# Russia highlights: solid earnings performance



- Revenue growth through transition to new tariff structure, seasonal factors and rise of interconnect revenue
- OIBDA improvement in spite of rising interconnect costs

### OIBDA Margin

Q305	Q405	Q106	Q206	Q306
53.4%	44.8%	46.7%	47.2%	52.4%

### CAPEX

	Q3 05	Q4 05	Q1 06	Q2 06	Q3 06
US\$ mln	479.9	464.8	258.6	272.8	229.8
As % of Revenue	47.3%	48.7%	27.8%	25.1%	17.4%

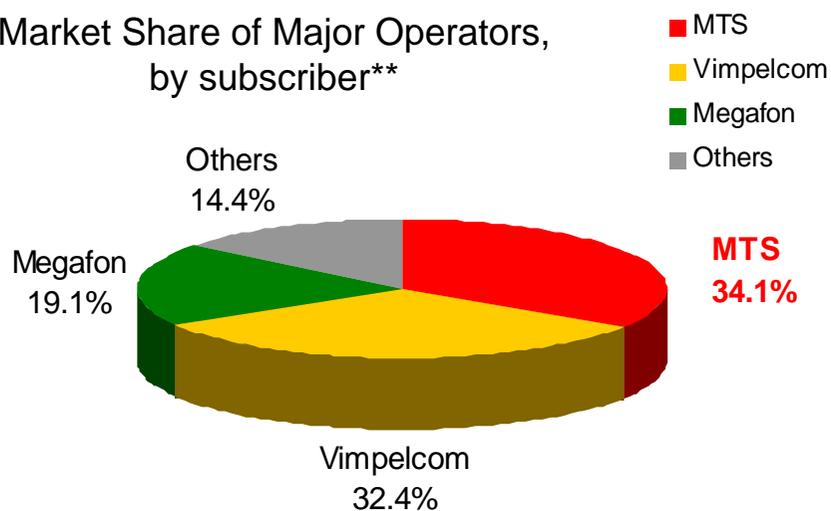


## Russia highlights: maturing market

	Q3 05	Q4 05	Q1 06	Q2 06	Q3 06
Total Russian market (mln)	111.7	125.8	132.4	140.2	146.9
Mobile penetration	77%	87%	91%	97%	101%
Number of subscribers (mln)	38.9	44.2	45.8	48.0	50.0
Market share nationwide*	35%	35%	35%	34%	34%
Moscow	45%	45%	43%	43%	43%
St. Petersburg	33%	33%	33%	32%	32%
Remainder of country	32%	33%	33%	33%	32%
Share of pre-paid customers	87%	88%	89%	89%	90%
Quarterly churn	2.9%	5.2%	6.3%	5.4%	6.4%

- Mobile penetration above 100% due to multiple SIM-card penetration in major markets
- Market share stable for period
- Subscriber growth driven by new brand promotion and success of lifestyle-focused tariff plans

Market Share of Major Operators, by subscriber\*\*



\*AC&M Consulting

\*\*As of Sep 30, 2006, according to AC&M-Consulting



## Russia highlights: strong ARPU growth

US\$ unless noted	Q3 05	Q4 05	Q1 06	Q2 06	Q3 06
ARPU	9.0	7.4	6.6	7.5	8.6
Post-paid ARPU	25.7	26.3	24.8	28.9	29.6
Pre-paid ARPU	5.7	4.5	4.0	4.5	5.0
ARPU ex guest roaming	8.8	7.3	6.5	7.3	8.5
ARPU from VAS	0.9	0.9	0.9	0.8	1.0
VAS as % of ARPU	10%	12%	14%	11%	12%
Minutes of Usage (MOU)	130	123	118	128	135
Post-paid MOU	309	348	327	403	431
Pre-paid MOU	99	92	92	96	102
SAC per gross new subscriber	18.6	19.8	18.7	23.8	22.3
Dealer commission	10.8	10.8	9.4	9.0	10.6
Advertising & marketing	7.8	9.0	9.3	14.8	11.7

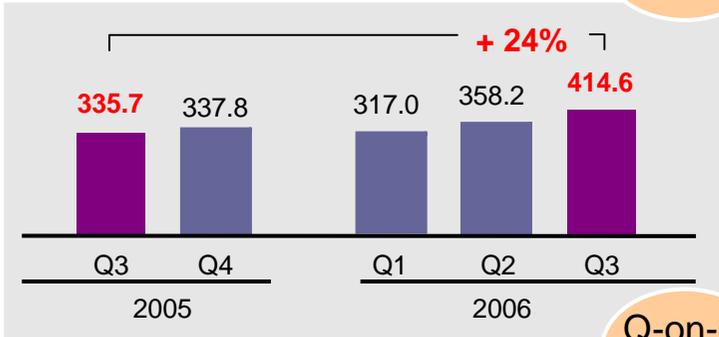
- ARPU growth driven by seasonal increase in usage, introduction of new tariff structure and rising interconnect revenues
- Value-added services increasingly important to future ARPU growth
- Increase in MOU driven by organic traffic growth in post-paid segment and impact of seasonal usage



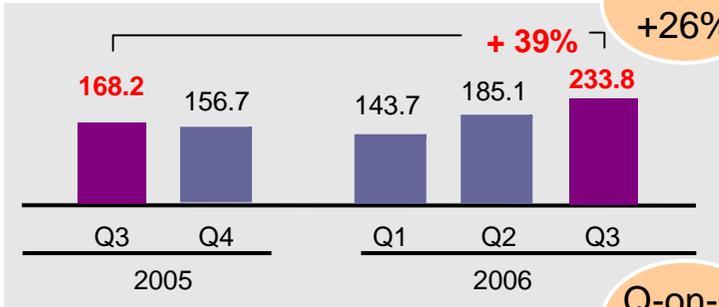
# Ukraine highlights: record revenue and profits

## Quarterly Results

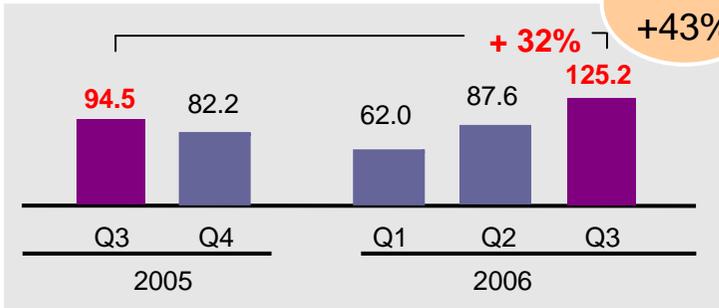
**Total Ukraine Revenue**  
(USD mln)



**Total Ukraine OIBDA**  
(USD mln)



**Total Ukraine Net Income**  
(USD mln)



- Seasonal rise in usage and roaming drove revenue growth
- OIBDA improvement due to reduction in off-net traffic and handset subsidies
- Increase in CAPEX due to accelerated network build, capacity improvements and acquisition of CDMA-450 license

### OIBDA Margin

Q305	Q405	Q106	Q206	Q306
50.1%	46.4%	45.3%	51.7%	56.4%

### CAPEX

	Q3 05	Q4 05	Q106	Q206	Q3 06
US\$ mln	103.1	323.8	67.0	121.2	203.0
As % of Revenue	30.7%	95.9%	21.1%	33.8%	49.0%

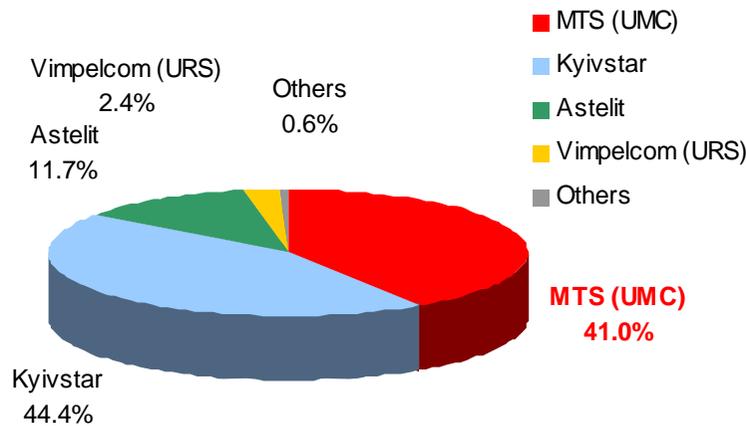


# Ukraine highlights: pressure from competition

	Q3 05	Q4 05	Q1 06	Q2 06	Q3 06
Total Ukrainian market (mln)	23.5	29.9	33.0	36.0	39.9
Mobile penetration	49%	64%	69%	76%	84%
Number of subscribers (mln)	10.9	13.3	14.5	15.1	16.4
Market share nationwide	47%	44%	44%	42%	41%
Share of pre-paid customers	89%	90%	91%	91%	91%
Quarterly churn	6.2%	6.0%	6.1%	7.9%	9.5%

- UMC regaining initiative:
  - Distribution increased in Ukraine to over 30,000 points-of-sale
  - Improvements in network coverage and quality

Market Share of Major Operators, by Subscriber\*\*



- Led market in October 2006 with net-additions with a share of 28.9% (559,801 subscribers)\*

\*AC&M Consulting

\*\*As of Sep 30, 2006, according to AC&M-Consulting



## Ukraine highlights: rising ARPU

US\$ unless noted	Q3 05	Q4 05	Q1 06	Q2 06	Q3 06
ARPU	10.8	9.1	7.5	8.0	8.7
Post-paid ARPU	40.2	36.4	33.0	35.6	38.6
Pre-paid ARPU	7.0	5.9	4.8	5.2	5.8
ARPU ex guest roaming	10.4	9.0	7.3	7.8	8.4
ARPU from VAS	1.5	1.5	1.3	1.1	1.1
VAS as % of ARPU	14%	16%	17%	13%	12%
Minutes of Usage (MOU)	132	120	147	152	157
Post-paid MOU	392	400	386	423	422
Pre-paid MOU	98	88	122	125	132
SAC per gross new subscriber	15.7	9.4	14.4	12.7	9.7
Dealer commission	3.6	2.5	3.3	3.6	3.2
Advertising & marketing	6.3	3.8	7.9	5.8	3.9
Handset subsidy	3.5	1.4	1.5	1.5	0.9
SIM card & voucher cost	2.3	1.7	1.7	1.7	1.7

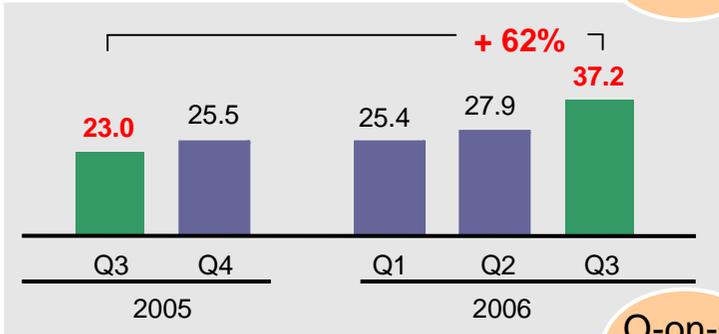
- ARPU improvements driven by voice usage, traffic mix control and guest roaming revenues
- ARPU and MOU dynamics reflect an improvement of more than 5% in average price per minute (APPM)
- Reduction of the advertising and marketing element of SAC partly reflects a 50%+ increase in gross additions over Q206
- Continuing reduction in handset subsidies in line with revised policy on contract subscriber acquisition



# Uzbekistan highlights: signs of potential growth

## Quarterly Results

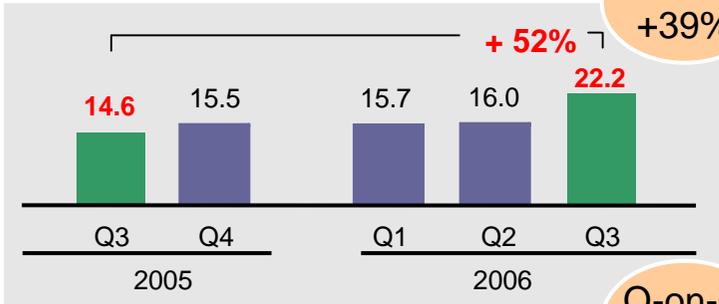
**Total Uzbekistan Revenue**  
(USD mln)



Q-on-Q  
+33%

- Rise in new subscribers
- Increase in network quality and coverage

**Total Uzbekistan OIBDA**  
(USD mln)

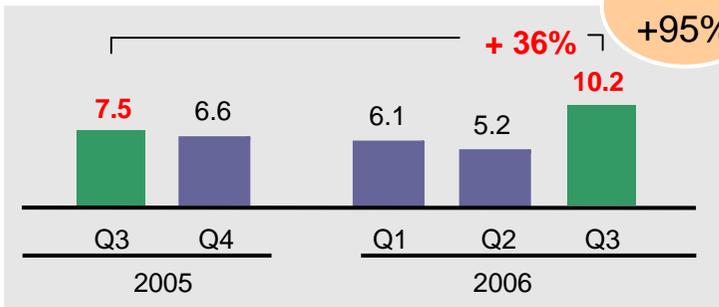


Q-on-Q  
+39%

### OIBDA Margin

Q305	Q405	Q106	Q206	Q306
63.4%	60.6%	61.8%	57.3%	59.9%

**Total Uzbekistan Net Income**  
(USD mln)



Q-on-Q  
+95%

### CAPEX

	Q305	Q405	Q106	Q206	Q306
US\$ mln	23.3	18.1	8.8	15.3	24.3
As % of Revenue	101.1%	70.9%	34.6%	54.9%	65.4%



## Uzbekistan highlights: market leadership

US\$ unless noted	Q3 05	Q4 05	Q1 06	Q2 06	Q3 06
ARPU	18.3	15.9	13.4	12.4	13.9
Minutes of Usage (MOU)	437	450	411	475	530
SAC per gross new subscriber	1.8	4.1	3.2	4.2	3.6
Quarterly churn	15.7%	18.2%	19.2%	16.1%	13.6%
Total Uzbekistan market (mln)	0.8	1.1	1.2	1.5	1.9
Mobile penetration	3%	4%	4%	6%	7%
Number of subscribers (mln)	0.5	0.6	0.7	0.8	1.1
Market share nationwide	61%	55%	57%	55%	58%

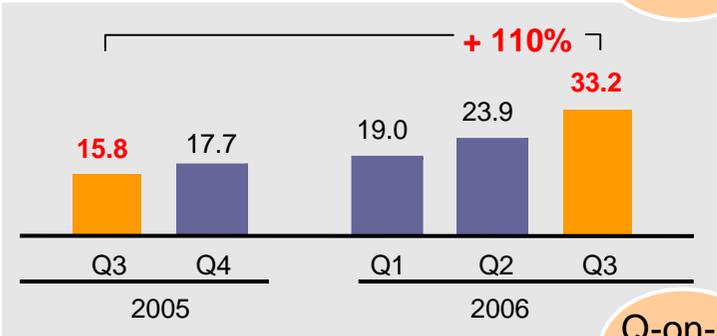
- One millionth subscriber added in August 2006
- Strong subscriber growth due to introduction of MTS brand during quarter
- MOU increase driven by introduction of new tariff plan MTS Super



# Turkmenistan highlights: managed growth

## Quarterly Results

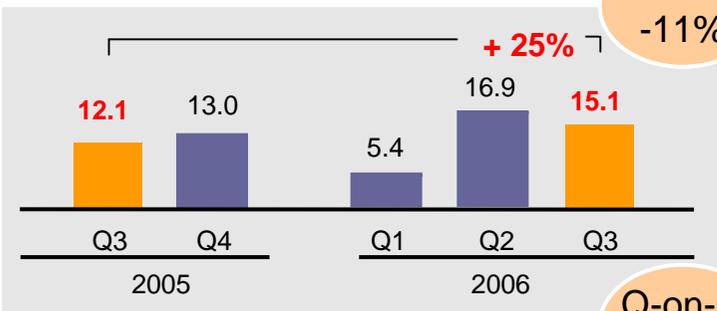
**Total Turkmenistan Revenue**  
(USD mln)



Q-on-Q  
+39%

- Increased seasonal usage driving revenue gains

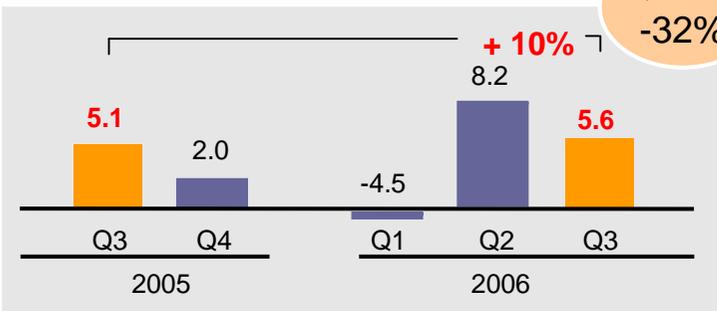
**Total Turkmenistan OIBDA**  
(USD mln)



Q-on-Q  
-11%

- OIBDA pressure due to rebranding costs and one-time charge for license usage fees

**Total Turkmenistan Net Income**  
(USD mln)



Q-on-Q  
-32%

### OIBDA Margin

Q305	Q405	Q106	Q206	Q306
76.6%	73.7%	28.3%	70.7%	45.4%

### CAPEX

	Q405	Q106	Q206	Q306
US\$ mln	1.5	0.9	2.0	5.7
As % of Revenue	8.5%	4.7%	8.4%	17.2%



## Turkmenistan highlights: market leadership

US\$ unless noted	Q4 05	Q1 06	Q2 06	Q3 06
ARPU	88.4	80.5	74.9	83.1
Minutes of Usage (MOU)	256	228	226	243
SAC per gross new subscriber	30.6	23.3	12.9	55.6
Quarterly churn	1.0%	0.7%	1.7%	3.8%
Total Turkmenistan market (thou)	103.2	119.1	152.2	174.8
Mobile penetration	2%	2%	2%	3%
Number of subscribers (thou)	68.3	89.9	121.9	144.3
Market share nationwide	74%	75%	80%	83%

- Introduction of MTS brand one of many drivers of subscriber growth
- Increase in market share driven by market-leading network quality and coverage
- MOU increase driven by new tariff plans aimed at stimulating usage



## Belarus highlights: market leadership

US\$ unless noted	Q3 05	Q4 05	Q1 06	Q2 06	Q3 06
ARPU	11.3	10.5	9.8	10.2	10.3
Minutes of Usage (MOU)	440	447	433	458	440
SAC per gross new subscriber	15.0	15.5	15.1	16.3	16.2
Quarterly churn	4.3%	4.1%	4.7%	4.1%	4.9%
Total Belarus market (mln)	3.6	4.1	4.5	5.0	5.5
Mobile penetration	36%	41%	46%	51%	56%
Number of subscribers (mln)	1.8	2.1	2.3	2.6	2.9
Market share nationwide	51%	52%	51%	52%	53%

- Slight drop in MOU due to seasonal factors
- Rising market share driven by:
  - Greater marketing activity
  - Rebranding efforts
  - Broader network coverage
  - Higher network quality

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



# 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	Q3 2005					Q2 2006					Q3 2006				
	Consolidated	Russia	Ukraine	Uzbekistan	Turkmenistan	Consolidated	Russia	Ukraine	Uzbekistan	Turkmenistan	Consolidated	Russia	Ukraine	Uzbekistan	Turkmenistan
Operating income	496.0	346.8	128.3	9.2	11.7	465.2	316.6	126.5	9.1	13.0	685.5	485.3	173.5	15.4	11.2
Add: depreciation and amortization	241.6	195.8	39.9	5.4	0.4	265.1	195.7	58.6	6.9	3.9	277.3	206.4	60.3	6.8	3.8
OIBDA	737.6	542.6	168.2	14.6	12.1	730.3	512.4	185.1	16.0	16.9	962.8	691.7	233.8	22.2	15.1

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

	Q3 2005					Q2 2006					Q3 2006				
	Consolidated	Russia	Ukraine	Uzbekistan	Turkmenistan	Consolidated	Russia	Ukraine	Uzbekistan	Turkmenistan	Consolidated	Russia	Ukraine	Uzbekistan	Turkmenistan
Operating margin	35.8%	34.3%	38.2%	40.0%	74.0%	31.2%	29.2%	35.3%	32.7%	54.3%	38.1%	36.8%	41.8%	41.6%	33.9%
Add: depreciation and amortization as a percentage of revenues	17.5%	19.4%	11.9%	23.4%	2.6%	17.8%	18.0%	16.4%	24.6%	16.4%	15.4%	15.6%	14.5%	18.3%	11.5%
OIBDA margin	53.3%	53.7%	50.1%	63.4%	76.6%	48.9%	47.2%	51.7%	57.3%	70.7%	53.6%	52.4%	56.4%	59.9%	45.4%

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

US\$ mln	As of 31 Dec 2005	As of 30 Sep 2006
Current portion of LT debt and of capital lease obligations	768.7	187.4
LT debt	2079.0	2706.5
Capital lease obligations	2.9	3.6
Total debt	2850.6	2897.5
Less:		
Cash and cash equivalents	78.3	158.1
ST investments	28.1	57.9
Net debt	2744.2	2681.6

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

US\$ mln	As of 30 Sep 2005	As of 30 Sep 2006
Net cash provided by operating activities	1538.0	1650.1
Less:		
Purchases of property, plant and equipment	(1146.4)	(1013.1)
Purchases of intangible assets	(226.7)	(196.2)
Purchases of other investments	-	(2.8)
Investments in and advances to associates	2.8	7.0
Acquisition of subsidiaries, net of cash acquired	(37.9)	(38.2)
Free cash-flow	129.8	406.8

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

US\$ mln	Three months ended	Nine months ended	Twelve months ended
	31 Dec 2005	30 Sep 2006	30 Sep 2006
	A	B	C=A+B
Net operating income	362.7	1484.9	1847.6
Add: depreciation and amortization	250.4	806.8	1057.2
OIBDA	613.1	2291.7	2904.8