

# **Group financial results for the second quarter 2008**

Investor conference call – August 12, 2008

Mikhail Shamolin, 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.

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### **Financial and corporate highlights**

Key period developments

Key financial and operating results

Appendix

- Group highlights for the period
- 3 + 2 Strategy

## Group highlights for the second quarter 2008

### Group financial highlights

- Revenues up 34% Y-o-Y to \$2,635 mln
- OIBDA up 32% Y-o-Y to \$1,349 mln; OIBDA margin of 51.2%
- Net income up 30% Y-o-Y to \$659 mln
- Free cash-flow at \$1.1 billion for H1 2008

### Summary of events

- Mr. Mikhail Shamolin named as the new President and CEO of MTS in May 2008
- Launch of 3G in Russia with commercial availability in St. Petersburg, Kazan, Sochi, Nizhny Novgorod and Yekaterinburg
- 10 billion rouble bond placement 1.7x oversubscribed in June 2008
- Approval of dividend payment for FY 2007 of \$1.2 billion or \$3.12 per ADR at the Company's Annual General Meeting of Shareholders in June 2008
- Appointment of MTS President and CEO Mr. Shamolin to the GSMA Board in July 2008

## 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>

**More for our customers**

**More for our shareholders**

**More for our employees**

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Key financial and operating results

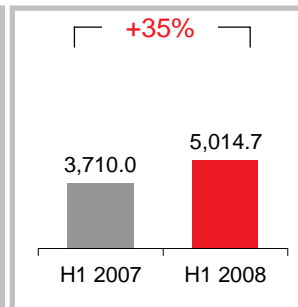
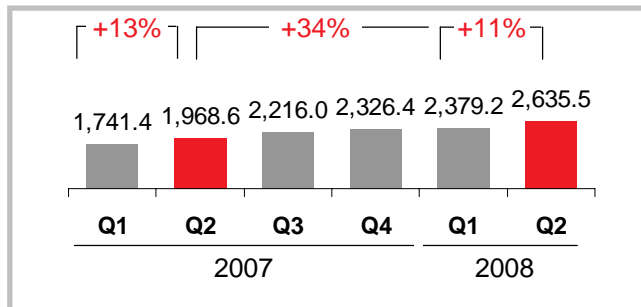
Appendix

- Executing on our 3+2 strategy
  - MTS Group: financial highlights
  - MTS Group: strong subscriber growth
  - MTS Group: prospects for future growth
  - MTS Group: 3G – network development at MTS
  - MTS Group: executing MTS' mobile-centric approach to broadband

## Group financial highlights

**Total Group Revenue**

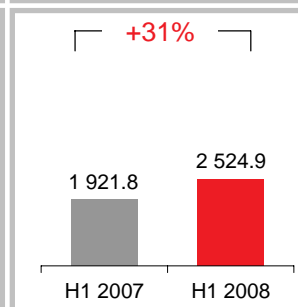
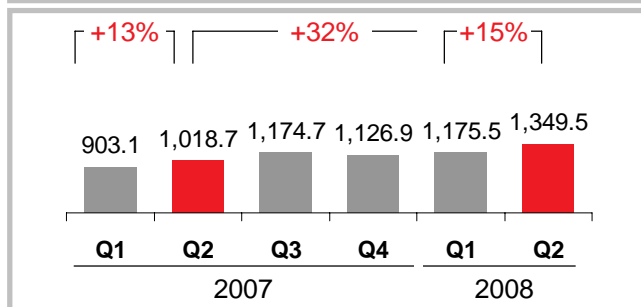
(USD mln)



Continued strong subscriber additions, increasing voice usage and positive dynamics in VAS development contributed to healthy revenue growth

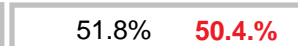
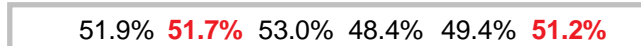
**Total Group OIBDA**

(USD mln)



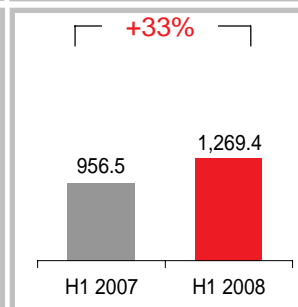
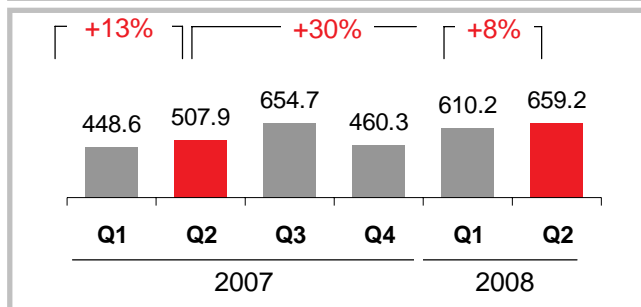
Revenue growth and effective cost management support strong OIBDA growth

**OIBDA Margin**



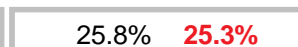
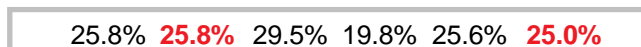
**Total Group Net income**

(USD mln)



Bottom line growth through sound financial management and effective financial control

**Net Inc Margin**



**Sustained growth at high levels of profitability**

## Group subscriber base dynamics during the quarter

MTS subscribers (mln)	Q1'08	Q2'08	% change
Russia	59.90	61.38	+ 2.5%
Ukraine	19.61	19.13	- 2.4%
Uzbekistan*	3.56	4.37	+ 22.8%
Turkmenistan	0.47	0.57	+ 21.3%
Armenia	1.42	1.49	+ 4.9%
Belarus**	3.94	4.03	+ 2.3%
<b>Total</b>	<b>88.88</b>	<b>90.97</b>	<b>+ 2.4%</b>

In Russia, the addition of 1.5 million net subscribers to network reflects strong execution and attractive value propositions in market

Reduction in Ukraine subscribers reflects the seasonal impact of New Year campaigns in churn; plus a move to improve the quality of subscribers

Strong subscriber additions in the Company's CIS markets as MTS is aggressively expanding its networks in lower-penetrated markets

\*As of January 1, 2008, MTS adopted its Group-wide six month-churn policy for the market

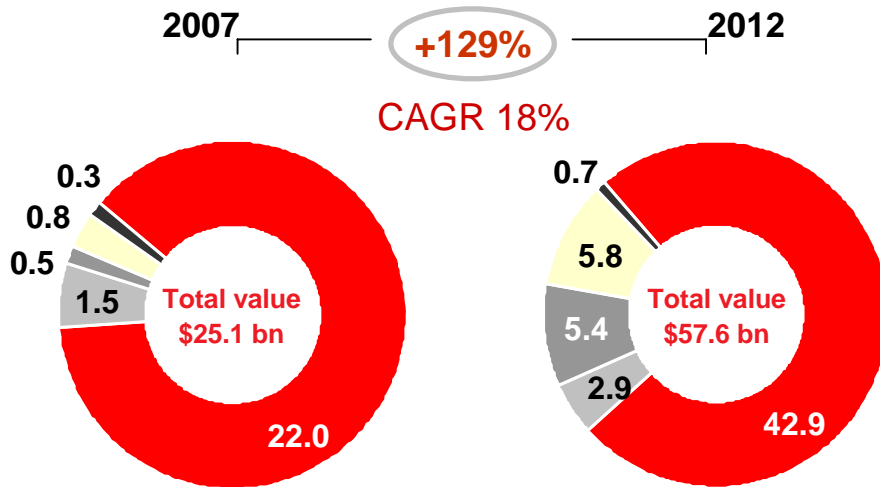
\*\*MTS owns a 49% stake in Mobile TeleSystems LLC, a mobile operator in Belarus, which is not consolidated

**Strong subscriber growth fosters revenue growth and creates customer brand affinity**



## Prospects for future growth

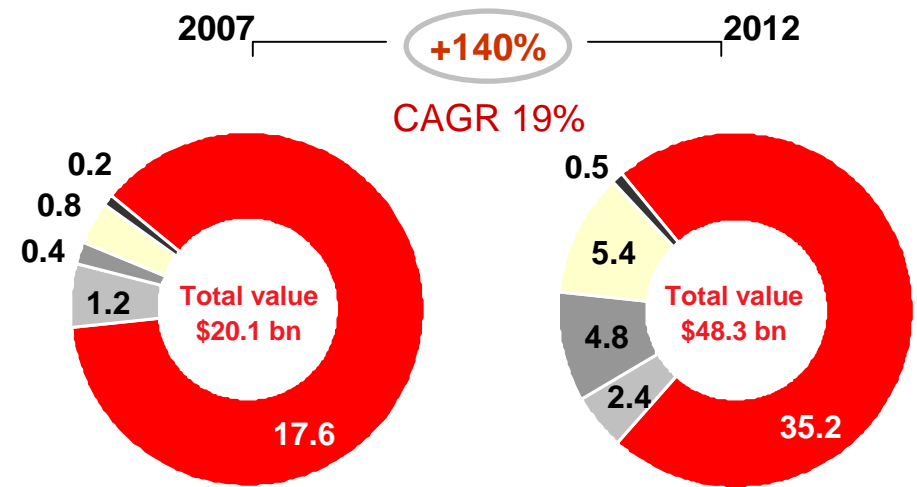
Overall market value growth in MTS markets (US\$ bn)\*



\* Source: Company estimates. Includes all markets of MTS presence Russia, Ukraine, Uzbekistan, Armenia and Turkmenistan excl. Belarus

■ Voice     
 ■ Messaging     
 ■ Mobile data

Overall market value growth in Russia (US\$ bn)



\* Source: Company estimates.

■ Content     
 ■ Other VAS

Traditional service such as voice will continue to constitute the majority of the market value

Content and data will become significant sources of future growth on the back of 3G development throughout the Company's countries of operations

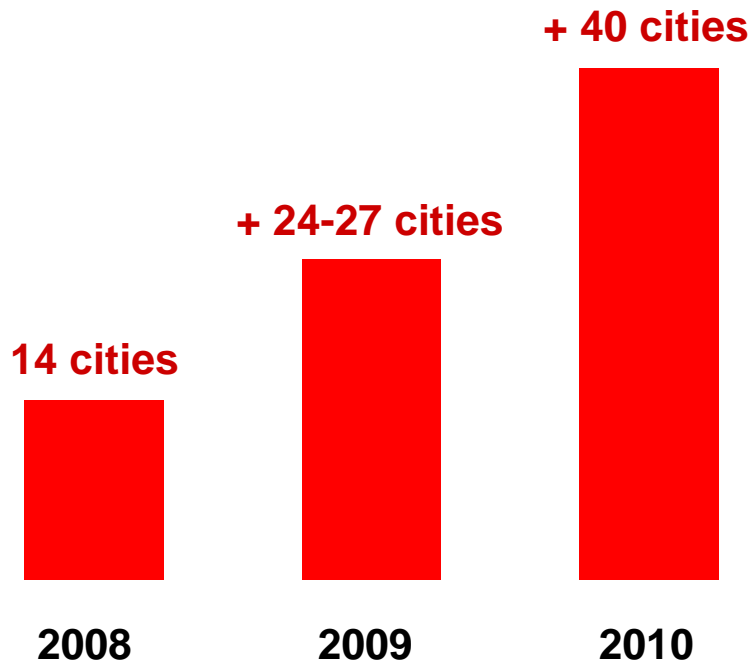
Main growth drivers:

- Continuing macroeconomic growth
- Increasing consumer spending
- Increasing usage levels
- Rising adaptation rates
- Continuing subscriber growth
- Low fixed-line and Internet penetration

**MTS views significant growth opportunities in its markets of operation**

## 3G: network development at MTS

MTS Russia: network launch plan



Full commercial HSPA-enabled networks launched:

- ✓ St. Petersburg, May 2008
- ✓ Kazan, June 2008
- ✓ Sochi, July 2008
- ✓ Yekaterinburg, July 2008
- ✓ Nizhny Novgorod, August 2008
- ✓ Add'l 9 cities until the YE 2008

2010: HSPA-enabled networks launched in all regions of Russia

2008 - 2009 Uzbekistan and Armenia

2007: CDMA-450 EV-DO Rev A launch in Ukraine

- ✓ 18 cities covered to date

**Aggressive network deployment to stimulate demand, drive data and content usage and increase overall customer lifetime value**

## Executing MTS' mobile-centric approach to broadband

<p>✓ Acquire necessary licenses and frequencies in markets of operation</p>	<ul style="list-style-type: none"> <li>▪ CDMA-450 licenses in Ukraine (September 2006)</li> <li>▪ 3G/UMTS licenses in Russia (April 2007)</li> <li>▪ 3G/UMTS licenses in Uzbekistan (April 2007)</li> <li>▪ 3G/UMTS frequencies in Armenia (October 2007)</li> </ul>
<p>✓ Launch proprietary networks</p>	<ul style="list-style-type: none"> <li>▪ Coverage of major cities in Ukraine</li> <li>▪ HSPA networks in Russia in 2008:             <ul style="list-style-type: none"> <li>▪ St. Petersburg, Sochi, Kazan, Yekaterinburg, Nizhny Novgorod</li> <li>▪ Additional 9 cities by YE2008</li> </ul> </li> <li>▪ Network deployment in Uzbekistan and Armenia in 2009</li> </ul>
<p>✓ Roll-out market-leading messaging and data portfolio of products and services</p>	<ul style="list-style-type: none"> <li>▪ Leadership in the Russian market for value-added service revenue with a 32% market share*</li> <li>▪ Launch of CDMA-450 coverage and MTS Connect in 10 regions and the Autonomous Republic of Crimea in Ukraine</li> </ul>
<p>✓ Leverage customer relationships and brand value to meet subscribers' total communications needs</p>	<ul style="list-style-type: none"> <li>▪ First company to commercially launch BlackBerry™ in CIS</li> <li>▪ Work in partnership with Comstar for joint Wi-Fi hot spot deployment</li> <li>▪ Joint project with Microsoft and Fujitsu to bring low-cost HSPA-compatible notebook computers to market</li> </ul>



Source: ComNews Research, VAS Market in Russia, Q1'2008

**MTS continues to actively pursue its mobile-centric broadband strategy**

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

## Group balance sheet

Balance Sheet in USD mln unless noted	As of 31 Dec 2007	As of 30 Jun 2008
Cash and cash equivalents	\$634.5	\$1 163.7
Short-term investments	\$15.8	\$58.4
Total debt	\$3 401.7	\$3 312.1
Long-term debt	\$2 688.4	\$2 312.1
Short-term debt	\$713.3	\$1 000.0
Net debt*	\$2 751.4	\$2 090.0
Shareholders' equity	\$5 442.9	\$5 247.0
Total assets	\$10 966.7	\$12 102.3
LTM OIBDA*	\$4 223.4	\$4 826.5
Net debt/assets	0.3x	0.2x
Net debt/equity	0.5x	0.4x
Net debt/LTM OIBDA*	0.7x	0.4x

Rising cash levels in anticipation of FY2007 dividend payments

Free cash flow\* positive in H1 2008 with \$1.1 billion

LTM ROIC = 57.2%

In Q2 2008, no ADRs were acquired as part of the Company's ongoing share repurchase program

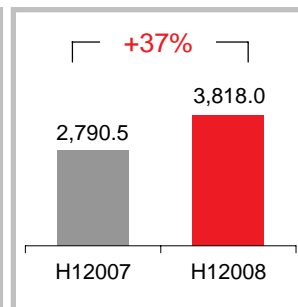
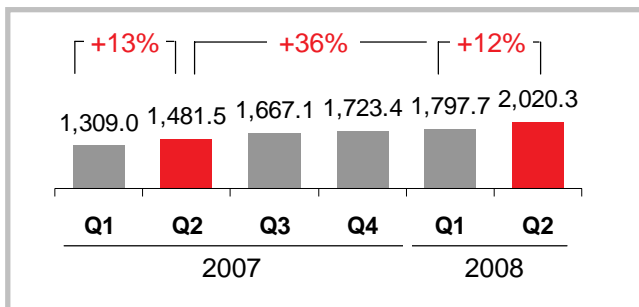
\*See reconciliations of net debt, LTM OIBDA and free cash flow to consolidated financial statements in appendix A

**The Company's strong cash flow generation and low debt levels provide flexibility in funding its business development strategy**

## Russia financial highlights

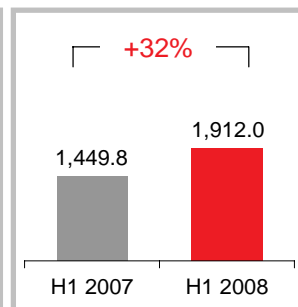
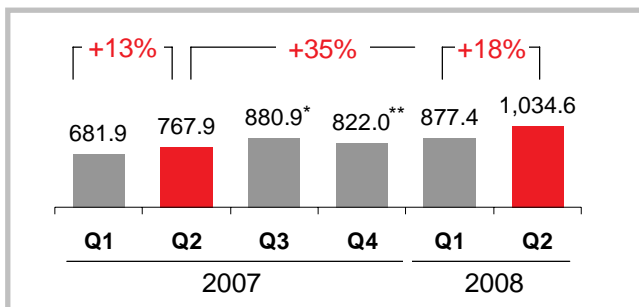
**Total Russia Revenue**

(USD mln)

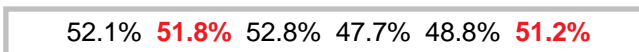


**Total Russia OIBDA**

(USD mln)



**OIBDA Margin**



\* Including intercompany of \$2.2 mln

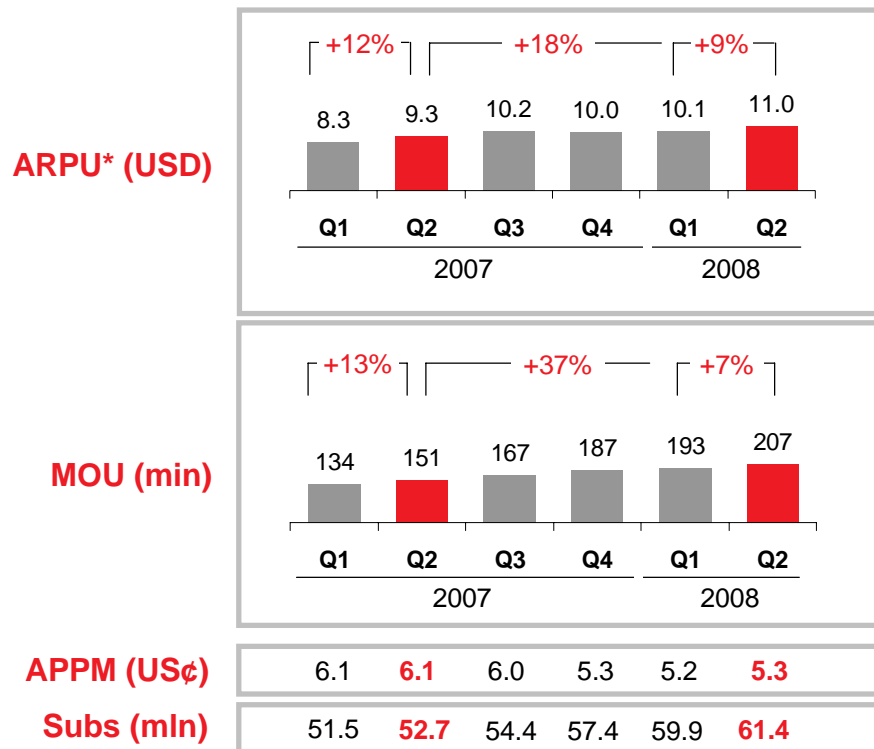
\*\* Including intercompany of \$0.4 mln

Top-line growth due to strong subscriber uptake, increased usage, seasonal roaming and successful product launches

Strong profitability in view of top-line expansion of business with little impact from inflationary cost pressures

**Strong OIBDA on the back of sustained revenue growth**

## Russia operating indicators



ARPU growth on the back of higher usage levels among new subscribers as well as the success of tariffs such as *Stimul*, *Super Pervyi* and *MAXI*

Positive trends in MOU as subscribers migrate onto the new family of tariffs developed to stimulate higher usage levels

APPM stabilization through effective tariff structuring

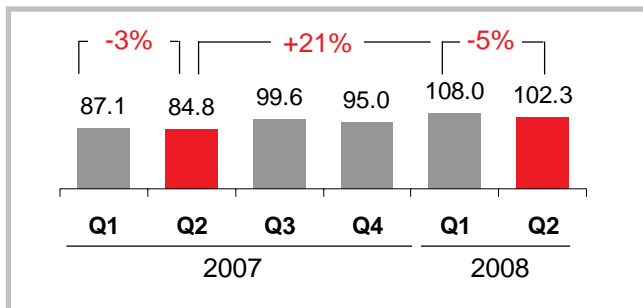
Strong subscriber growth in the first half of 2008 with almost 4 million net additions

\* Starting from Q2 2008, we will include connection fees in our calculation of ARPU as this is network-related revenue. ARPU is now calculated by dividing our service revenues for a given period, including interconnect, guest roaming fees and connection fees, by the average number of our subscribers during that period and dividing by the number of months in that period. Please see appendix B for further information.

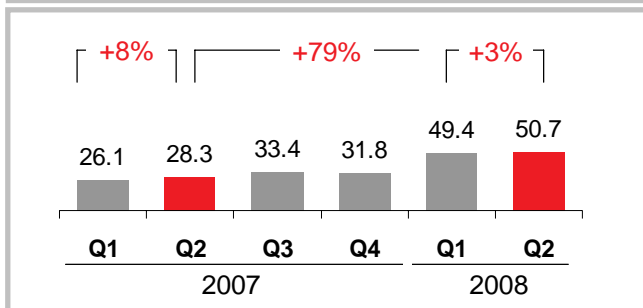
**Products and services aimed at growing both voice and data usage**

## Russia operating indicators

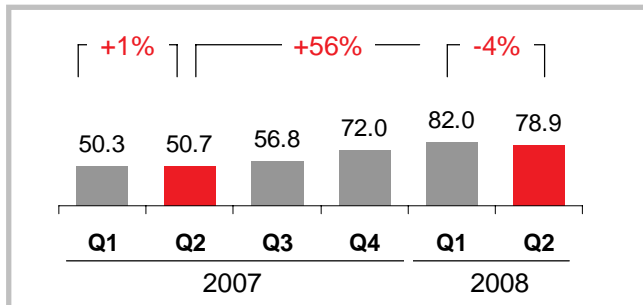
Messaging Revenue (USD mln)



Data Traffic Revenue (USD mln)



Data Content Revenue (USD mln)



Total VAS (mln)

179.8	181.3	217.0	238.8	284.0	282.9
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As % of ARPU

14.5	12.9	13.7	14.0	15.8	14.5
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Seasonal drop in messaging due to less roaming activity during the period

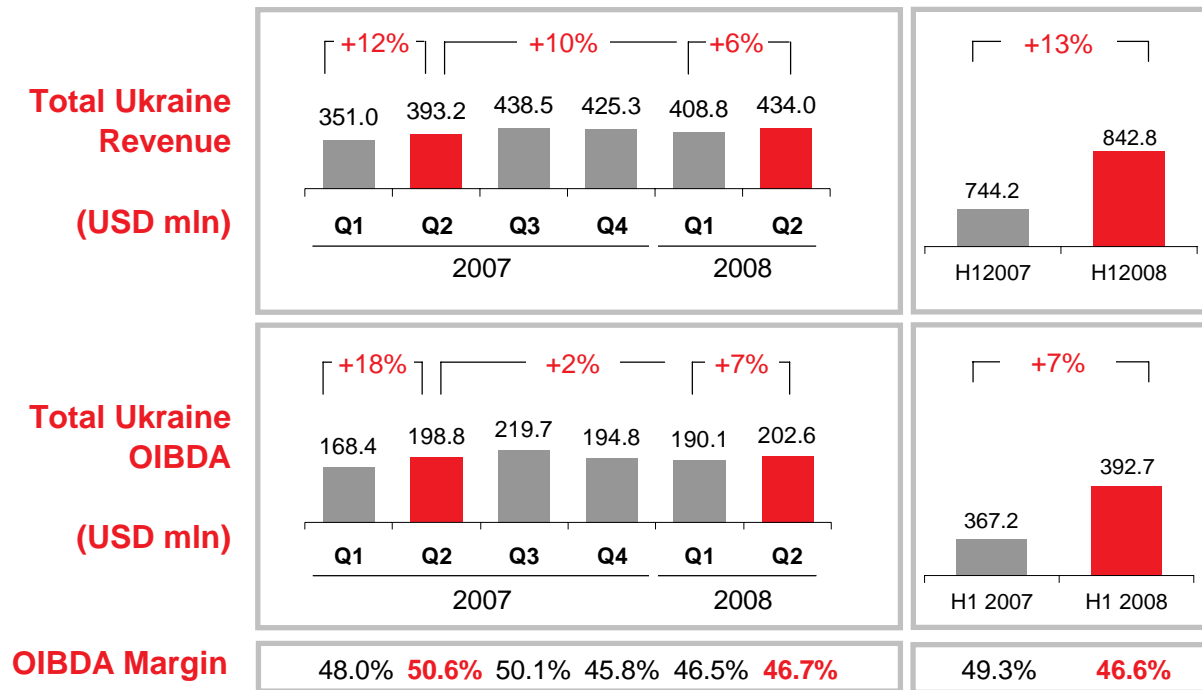
Quarterly decrease in content revenue due to one-time recognition of revenue on a net basis associated with period contest SMS-*Igra na milliony*

Key initiatives launched in Q2:

- *MTS Connect* available in all Russian regions through MTS-branded stores and the dealer network
- Commercial launch of Blackberry in Russia for corporate users
- National launch of *MTS-Poisk*, a location-based service, and *Superpoisk*, a mobile internet search service with Yandex, Russia's leading internet search portal
- Partnership with Mail.ru to provide the most popular email, social networking and video hosting services in Russia
- Olympic WAP portal launched in June in anticipation of the 2008 Summer Olympics



## Ukraine financial highlights



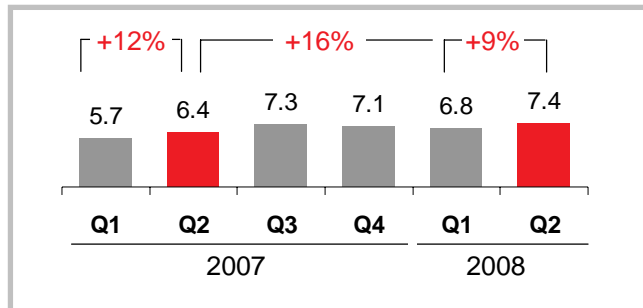
Seasonal increase in revenue aided by introduction of tariff plans designed to stimulate voice usage

Seasonal OIBDA growth offset by increased direct costs as a result of the revenue mix, network development and costs with high inflation

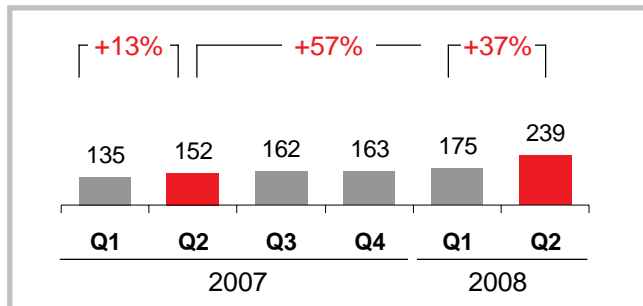
**Transition period in market as MTS evolves its marketing policies and channel management practices to support its brand promise**

## Ukraine operating indicators

ARPU\* (USD)



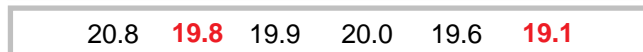
MOU (min)



APPM (US¢)



Subs (mln)



Positive ARPU dynamics through our focus on subscriber quality development

Success in stimulation of voice usage is a key step towards reducing churn and attracting new subscribers to network

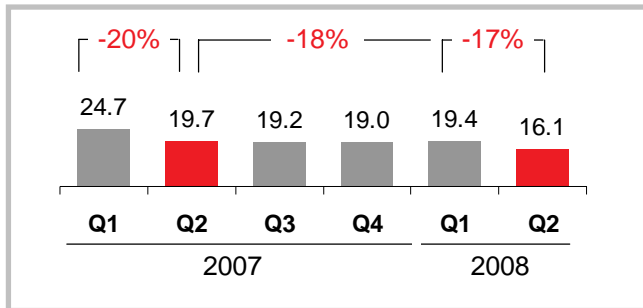
APPM decline in line with voice stimulation and a high proportion of on-net traffic

\* Starting from Q2 2008, we will include connection fees in our calculation of ARPU as this is network-related revenue. ARPU is now calculated by dividing our service revenues for a given period, including interconnect, guest roaming fees and connection fees, by the average number of our subscribers during that period and dividing by the number of months in that period. Please see appendix B for further information.

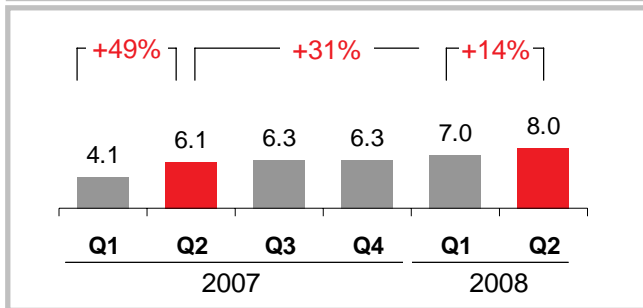
**Stimulating usage allows MTS to promote a strong price-value proposition and increase loyalty of existing subscribers**

## Ukraine operating indicators

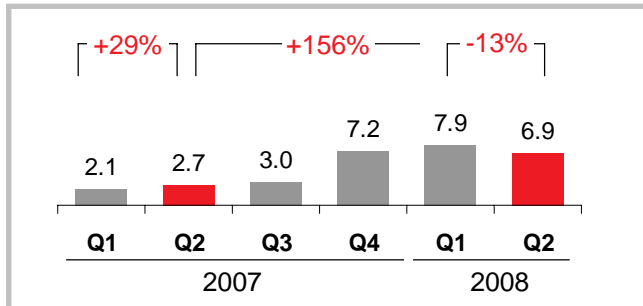
**Messaging Revenue (USD mln)**



**Data Traffic Revenue (USD mln)**



**Data Content Revenue (USD mln)**



**Total VAS (mln)**

44.5	<b>43.3</b>	47.0	48.8	52.3	<b>48.0</b>
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**As % of ARPU**

12.7	<b>11.1</b>	10.8	11.5	12.9	<b>11.2</b>
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Seasonal drop due to less celebratory events and an increased preference for voice traffic

Launch of key messaging promotions in conjunction with MTS Ukraine's sponsorship of Ukrainian Olympic team

Commercial launch of Blackberry in Ukraine for individual users

Partnership with the Ukrainian government to provide mobile internet through *MTS Connect* to underprivileged schools

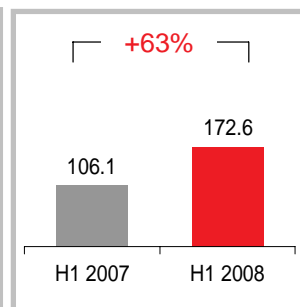
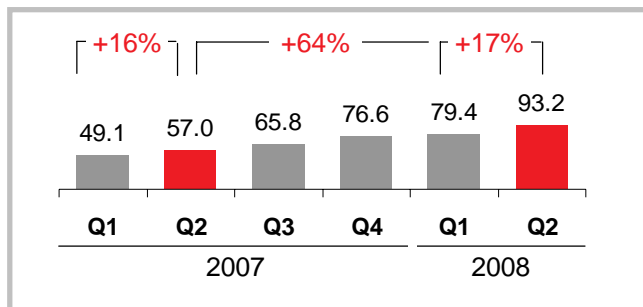
Launch of MTS-branded music WAP and Web portals MUZon

Introduction of child-focused WAP portal with content specifically aimed at younger audience

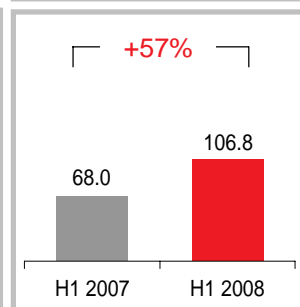
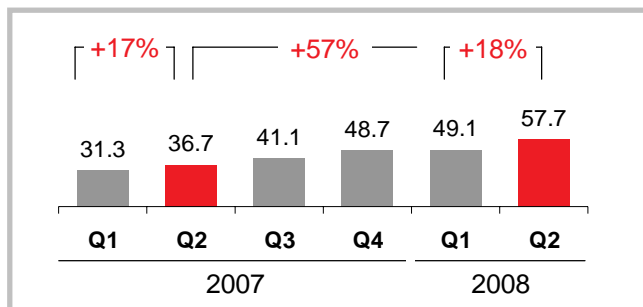
Olympic WAP portal launched in June ahead of the 2008 Summer Olympics

## Uzbekistan financial highlights

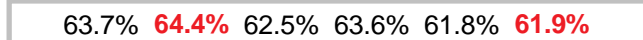
**Total  
Uzbekistan  
Revenue**  
(USD mln)



**Total  
Uzbekistan  
OIBDA**  
(USD mln)



**OIBDA Margin**

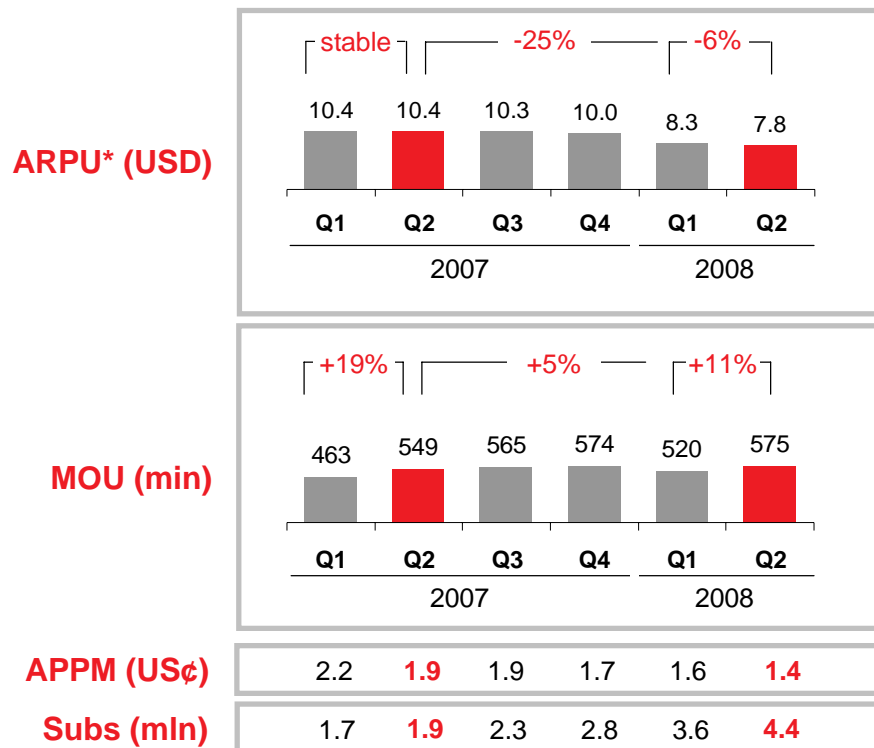


Strong revenue growth as the result of healthy subscriber additions through network expansion and increasing points of sale

OIBDA maintained at above 61% despite rising sales and marketing costs in a rapidly growing market

**Strong growth dynamics in a growing market**

## Uzbekistan operating indicators



ARPU decline as result of further infusion of mass market customers into the Company's subscriber base as service becomes more widely available

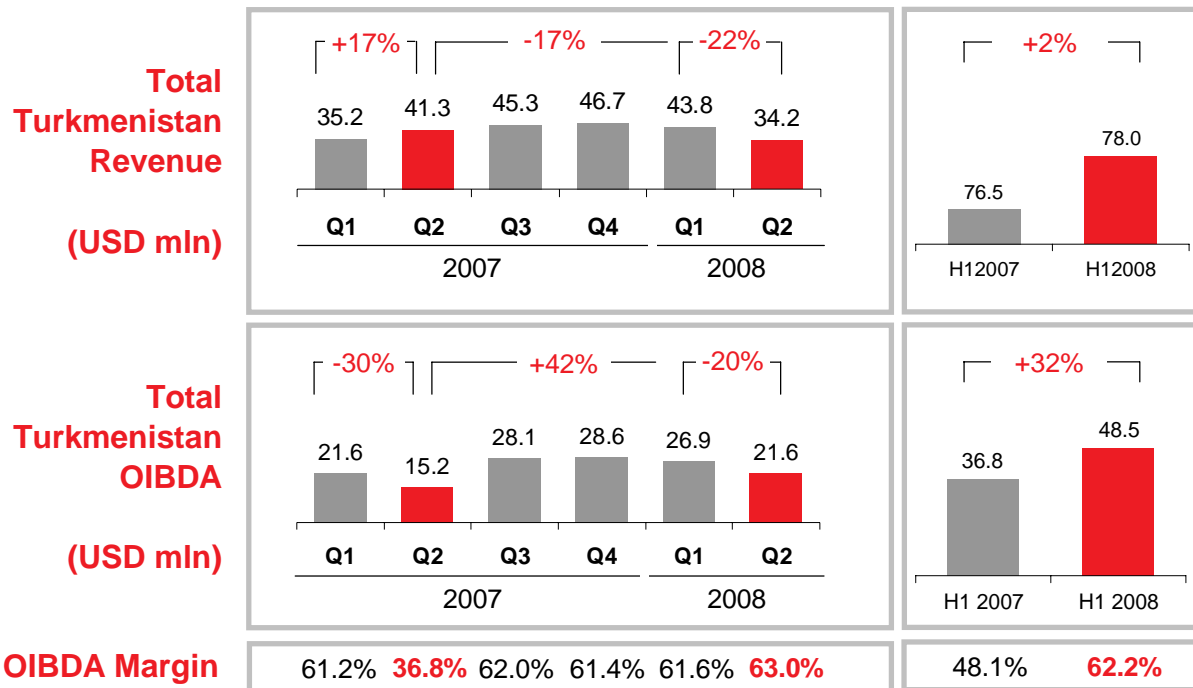
Strong MOU growth as result of marketing campaigns to stimulate usage and maintain leadership position in a growing market

Subscriber base surpassed 4 million mark during period

\* Starting from Q2 2008, we will include connection fees in our calculation of ARPU as this is network-related revenue. ARPU is now calculated by dividing our service revenues for a given period, including interconnect, guest roaming fees and connection fees, by the average number of our subscribers during that period and dividing by the number of months in that period. Please see appendix B for further information.

**Market-leading subscriber additions due to growing demand for mobile services**

## Turkmenistan financial highlights\*



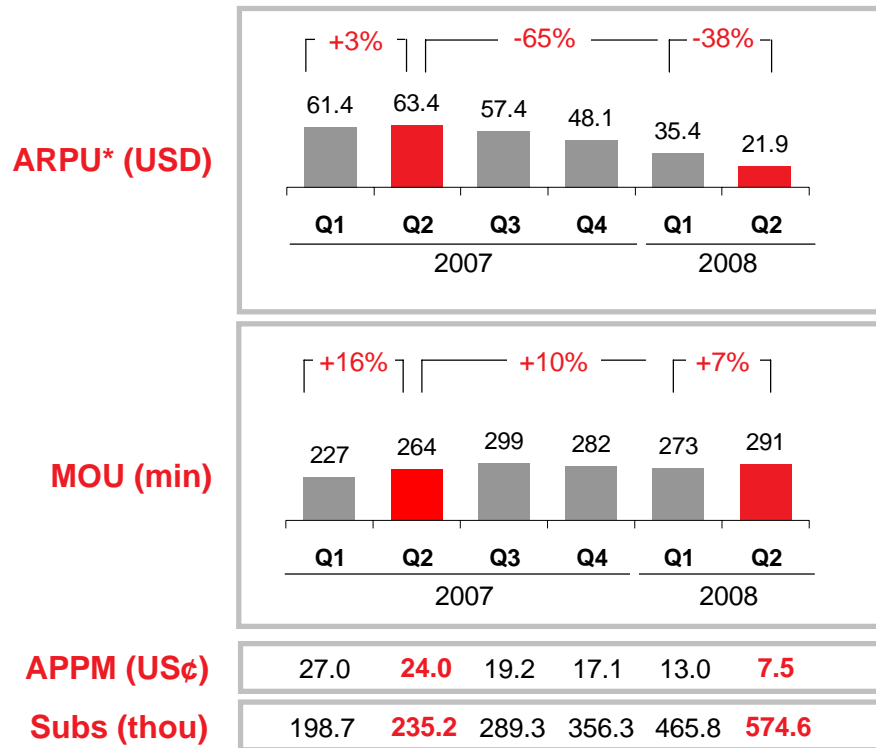
Revenue dynamic affected by change in official currency exchange rate\*

Decrease in OIBDA affected by currency dynamics though MTS improved overall margin

\* On January 1, 2008, the Central Bank of Turkmenistan raised the official exchange rate of the Turkmenistan Manat to the US dollar from 5,200 to 6,250. On May 1, 2008, another decree established the official exchange rate at 14,250 Manat per 1 USD.

**Underlying growth in a low-penetrated market**

## Turkmenistan operating indicators\*



ARPU decrease reflects change in currency exchange rate and the addition of new subscribers

Rising usage due to expanding network in a low-penetrated region for both fixed and mobile telecommunications

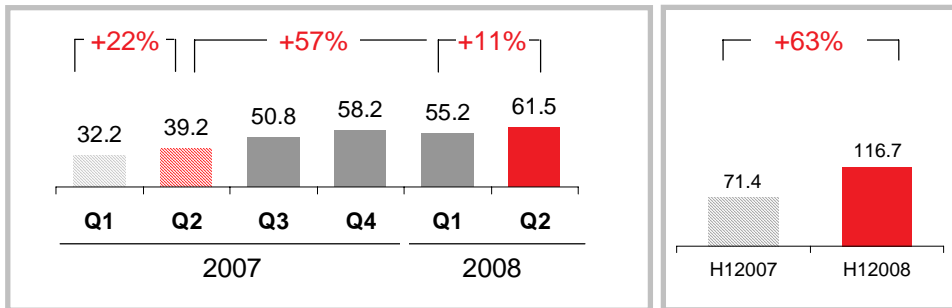
Dominating the market with an 86% market share

\* Starting from Q2 2008, we will include connection fees in our calculation of ARPU as this is network-related revenue. ARPU is now calculated by dividing our service revenues for a given period, including interconnect, guest roaming fees and connection fees, by the average number of our subscribers during that period and dividing by the number of months in that period. Please see appendix B for further information.

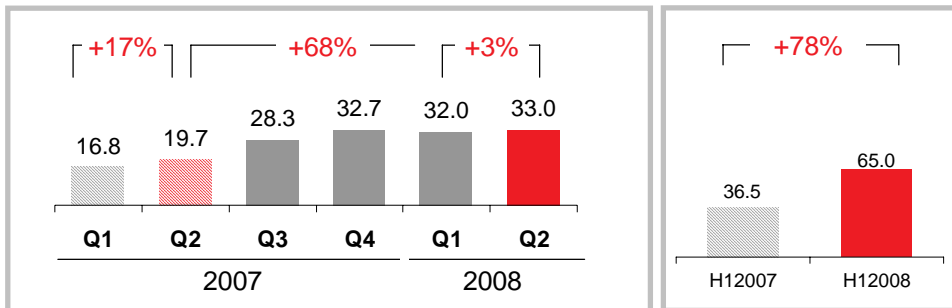
**Recent launch of SMS and GPRS expected to contribute to future growth**

## Armenia financial and operating highlights\*

**Total Armenia Revenue**  
(USD mln)



**Total Armenia OIBDA**  
(USD mln)



**OIBDA Margin**

52.1%	<b>50.2%</b>	56.1%	56.2%	57.9%	<b>53.7%</b>
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**Subs (mln)\*\***

		1.4	1.4	<b>1.5</b>
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**ARPU (USD)\*\*\***

		15.9	13.1	<b>14.1</b>
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Based on unaudited management reports

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

\*\*Operational indicators not available until Q4 when MTS Armenia adopted MTS Group policies on calculating figures and accounting for subscribers

Revenue growth due to strong subscriber additions and increased usage

OIBDA margin maintained on the back of revenue growth

\*\*\* Starting from Q2 2008, we will include connection fees in our calculation of ARPU as this is network-related revenue. ARPU is now calculated by dividing our service revenues for a given period, including interconnect, guest roaming fees and connection fees, by the average number of our subscribers during that period and dividing by the number of months in that period. Please see appendix B for further information.

**Healthy financial performance in a growth market**



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### Appendix

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- A red L-shaped line that starts to the right of the "Appendix" header, extends horizontally to the right, then turns vertically downwards, ending to the left of the list items.
- Group
  - Russia
  - Ukraine
  - Uzbekistan
  - Turkmenistan
  - Belarus
  - Reconciliation

## Group revenue

### Revenue contribution per country

in USD mln	Q2'07	Q1'08	Q2'08
<b>Russia</b>	1 481.5	1 797.7	2 020.3
<b>- contribution</b>	75.3%	75.6%	76.7%
<b>Ukraine</b>	393.2	408.8	434.0
<b>- contribution</b>	20.0%	17.2%	16.5%
<b>Uzbekistan</b>	57.0	79.4	93.2
<b>- contribution</b>	2.9%	3.3%	3.5%
<b>Turkmenistan</b>	41.3	43.8	34.2
<b>- contribution</b>	2.1%	1.8%	1.3%
<b>Armenia*</b>	-	55.2	61.5
<b>- contribution</b>	-	2.3%	2.3%
<b>Intercompany</b>	(4.4)	(5.6)	(7.7)
<b>Group revenue</b>	<b>1 968.6</b>	<b>2 379.2</b>	<b>2 635.5</b>

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

## Group OIBDA

### OIBDA and margin per country

in USD mln	Q2'07	Q1'08	Q2'08
<b>Russia</b>	767.9	877.4	1 034.6
<b>- margin</b>	51.8%	48.8%	51.2%
<b>Ukraine</b>	198.8	190.1	202.6
<b>- margin</b>	50.6%	46.5%	46.7%
<b>Uzbekistan</b>	36.7	49.1	57.7
<b>- margin</b>	64.4%	61.8%	61.9%
<b>Turkmenistan</b>	15.2	26.9	21.6
<b>- margin</b>	36.8%	61.6%	63.0%
<b>Armenia*</b>	-	32.0	33.0
<b>- margin</b>	-	57.9%	53.7%
<b>Group</b>	<b>1 018.7</b>	<b>1 175.5</b>	<b>1 349.5</b>
<b>- margin</b>	<b>51.7%</b>	<b>49.4%</b>	<b>51.2%</b>

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

## Group net income

### Quarterly net income and margin per country

in USD mln	Q2'07	Q1'08	Q2'08
<b>Russia</b>	401.9	494.4	538.3
<b>- margin</b>	27.1%	27.5%	26.6%
<b>Ukraine</b>	84.4	86.5	75.4
<b>- margin</b>	21.5%	21.2%	17.4%
<b>Uzbekistan</b>	17.4	32.2	40.1
<b>- margin</b>	30.5%	40.5%	43.0%
<b>Turkmenistan</b>	4.2	13.3	6.1
<b>- margin</b>	10.2%	30.3%	17.9%
<b>Armenia*</b>	-	(16.2)	(0.7)
<b>- margin</b>	-	-	-
<b>Group</b>	<b>507.9</b>	<b>610.2</b>	<b>659.2</b>
<b>- margin</b>	<b>25.8%</b>	<b>25.6%</b>	<b>25.0%</b>

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

## Group CAPEX

### CAPEX per country

in USD mln	Q2'07	Q1'08	Q2'08
<b>Russia</b>	111.1	204.8	285.9
<i>- as % of revenue</i>	7.5%	11.4%	14.1%
<b>Ukraine</b>	140.6	109.0	208.6
<i>- as % of revenue</i>	35.8%	26.7%	48.1%
<b>Uzbekistan</b>	10.1	11.3	39.4
<i>- as % of revenue</i>	17.7%	14.2%	42.2%
<b>Turkmenistan</b>	2.2	15.5	8.4
<i>- as % of revenue</i>	5.3%	35.3%	24.6%
<b>Armenia*</b>	-	2.0	2.7
<i>- as % of revenue</i>	-	3.7%	4.4%
<b>Group</b>	<b>264.0</b>	<b>342.4</b>	<b>545.0</b>
<i>- as % of revenue</i>	<b>13.4%</b>	<b>14.4%</b>	<b>20.7%</b>

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

## Russia: operating indicators

US\$ unless noted	Q2'07	Q1'08	Q2'08
<b>ARPU*</b>	9.3	10.1	11.0
<b>Post-paid ARPU**</b>	29.0	24.3	25.4
<b>Pre-paid ARPU**</b>	4.8	5.1	5.4
<b>ARPU ex guest roaming*</b>	9.1	10.0	10.9
<b>ARPU from VAS***</b>	1.2	1.6	1.6
<b>VAS as % of ARPU***</b>	13%	16%	15%
<b>Minutes of Usage (MOU)</b>	151	193	207
<b>Post-paid MOU</b>	510	563	576
<b>Pre-paid MOU</b>	110	143	155
<b>SAC per gross new subscriber</b>	28.9	29.5	30.1
<b>Dealer commission</b>	13.5	15.9	17.2
<b>Advertising &amp; marketing</b>	15.4	13.6	12.9
<b>Churn</b>	5.2%	4.8%	6.6%

\* Starting from Q2 2008, we will include connection fees in our calculation of ARPU as this is network-related revenue. ARPU is now calculated by dividing our service revenues for a given period, including interconnect, guest roaming fees and connection fees, by the average number of our subscribers during that period and dividing by the number of months in that period. Please see appendix B for further information.

\*\*Does not include guest roaming or interconnect

\*\*\* Starting from Q2 2008, we will include VAS revenues from roaming of MTS subscribers in the total VAS calculation. The calculation will also use the weighted average foreign exchange rate for the reporting period instead of the fixed rate of 28.7 RUR to USD used previously to calculate the amount in U.S. dollars. Please see appendix C for further information.

## Ukraine: operating indicators

US\$ unless noted	Q2'07	Q1'08	Q2'08
<b>ARPU*</b>	6.4	6.8	7.4
<b>Post-paid ARPU</b>	32.4	32.3	35.8
<b>Pre-paid ARPU</b>	4.3	4.5	4.8
<b>ARPU ex guest roaming</b>	6.3	6.7	7.2
<b>ARPU from VAS**</b>	0.7	0.9	0.8
<b>VAS as % of ARPU**</b>	11%	13%	11%
<b>Minutes of Usage (MOU)</b>	152	175	239
<b>Post-paid MOU</b>	426	468	527
<b>Pre-paid MOU</b>	129	149	212
<b>SAC per gross new subscriber</b>	13.7	13.8	13.0
<b>Dealer commission</b>	5.6	3.4	1.9
<b>Advertising &amp; marketing</b>	6.2	8.4	9.2
<b>Handset subsidy</b>	0.3	0.6	0.5
<b>SIM card &amp; voucher cost</b>	1.6	1.4	1.5
<b>Churn</b>	14.1%	10.3%	10.7%

\*Starting from Q2 2008, we will include connection fees in our calculation of ARPU as this is network-related revenue. ARPU is now calculated by dividing our service revenues for a given period, including interconnect, guest roaming fees and connection fees, by the average number of our subscribers during that period and dividing by the number of months in that period. Please see appendix B for further information.

\*\* Starting from Q2 2008, we will include VAS revenues from roaming of MTS subscribers in the total VAS calculation. Please see appendix C for further information.

## Uzbekistan and Turkmenistan: operating indicators

### Uzbekistan

US\$ unless noted	Q2'07	Q1'08	Q2'08
<b>ARPU*</b>	10.4	8.3	7.8
<b>Minutes of Usage (MOU)*</b>	549	520	575
<b>SAC per gross new subscriber*</b>	3.7	7.0	7.5
<b>Churn*</b>	17.9%	2.8%	4.0%

\* Starting from Q2 2008, we will include connection fees in our calculation of ARPU as this is network-related revenue. ARPU is now calculated by dividing our service revenues for a given period, including interconnect, guest roaming fees and connection fees, by the average number of our subscribers during that period and dividing by the number of months in that period. Please see appendix B for further information.

\*The Company moved from a 2-month to a 6-month churn policy in Q1'08

### Turkmenistan

US\$ unless noted	Q2'07	Q1'08	Q2'08
<b>ARPU*</b>	63.4	35.4	21.9
<b>Minutes of Usage (MOU)</b>	264	273	291
<b>SAC per gross new subscriber</b>	26.9	14.8	12.1
<b>Churn</b>	6.3%	5.0%	4.4%

\* Starting from Q2 2008, we will include connection fees in our calculation of ARPU as this is network-related revenue. ARPU is now calculated by dividing our service revenues for a given period, including interconnect, guest roaming fees and connection fees, by the average number of our subscribers during that period and dividing by the number of months in that period. Please see appendix B for further information.



## Armenia and Belarus: operating indicators

### Armenia\*

US\$ unless noted	Q2'07	Q1'08	Q2'08
<b>ARPU*</b>	n/a	13.1	14.1
<b>Minutes of Usage (MOU)</b>	n/a	n/a	n/a
<b>SAC per gross new subscriber</b>	n/a	26.7	27.1
<b>Churn</b>	n/a	8.0%	7.7%

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

\* Starting from Q2 2008, we will include connection fees in our calculation of ARPU as this is network-related revenue. ARPU is now calculated by dividing our service revenues for a given period, including interconnect, guest roaming fees and connection fees, by the average number of our subscribers during that period and dividing by the number of months in that period. Please see appendix B for further information.

### Belarus

US\$ unless noted	Q2'07	Q1'08	Q2'08
<b>ARPU*</b>	9.8	9.0	9.8
<b>Minutes of Usage (MOU)</b>	462	508	477
<b>SAC per gross new subscriber</b>	17.1	14.8	21.2
<b>Churn</b>	6.0%	5.1%	5.6%

\* Starting from Q2 2008, we will include connection fees in our calculation of ARPU as this is network-related revenue. ARPU is now calculated by dividing our service revenues for a given period, including interconnect, guest roaming fees and connection fees, by the average number of our subscribers during that period and dividing by the number of months in that period. Please see appendix B for further information.

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

## Appendix A

**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	Q2 2007					Q1 2008						Q2 2008					
	Group	RUS	UKR	UZB	TUR	Group	RUS	UKR	UZB	TUR	ARM*	Group	RUS	UKR	UZB	TUR	ARM*
Operating income	691.0	531.1	120.6	28.5	10.8	704.6	562.5	85.4	35.1	21.9	(0.3)	857.2	701.4	91.4	42.8	17.9	3.8
Add: depreciation and amortization	327.7	236.8	78.3	8.2	4.4	470.9	314.9	104.8	13.9	5.1	32.2	492.2	333.2	111.2	14.9	3.7	29.2
OIBDA	1018.7	767.9	198.8	36.7	15.2	1175.5	877.4	190.1	49.1	26.9	32.0	1349.5	1034.6	202.6	57.7	21.6	33.0

\* Consolidated as of September 14th, 2007

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

	Q2 2007					Q1 2008						Q2 2008					
	Group	RUS	UKR	UZB	TUR	Group	RUS	UKR	UZB	TUR	ARM*	Group	RUS	UKR	UZB	TUR	ARM*
Operating margin	35.1%	35.9%	30.7%	50.1%	26.1%	29.6%	31.3%	20.9%	44.3%	50.0%	(0.5%)	32.5%	34.7%	21.1%	46.0%	52.1%	6.1%
Add: depreciation and amortization as a percentage of revenues	16.6%	16.0%	19.9%	14.4%	10.8%	19.8%	17.5%	25.6%	17.6%	11.6%	58.5%	18.7%	16.5%	25.6%	16.0%	10.9%	47.5%
OIBDA margin	51.7%	51.8%	50.6%	64.4%	36.8%	49.4%	48.8%	46.5%	61.8%	61.6%	57.9%	51.2%	51.2%	46.7%	61.9%	63.0%	53.7%

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

	As of Dec 31, 2007	As of Jun 30, 2008
Current portion of LT debt and of capital lease obligations	713.3	1000.0
LT debt	2686.5	2309.8
Capital lease obligations	1.9	2.3
Total debt	3401.7	3312.1
Less:		
Cash and cash equivalents	(634.5)	(1163.7)
ST investments	(15.8)	(58.4)
Net debt	2751.4	2090.0

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

US\$ mln	For the six months ended Jun 30, 2007	For the six months ended Jun 30, 2008
Net cash provided by operating activities	1552.9	1953.5
Less:		
Purchases of property, plant and equipment	(432.4)	(721.3)
Purchases of intangible assets	(55.5)	(166.1)
Proceeds from sale of property, plant and equipment	10.2	49.0
Purchases of other investments	-	(21.3)
Investments in and advances to associates	-	(3.8)
Acquisition of subsidiaries, net of cash acquired	(250.0)	(35.9)
Free cash-flow	825.2	1054.1

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

US\$ mln	Six months ended Dec 31, 2007	Six months ended Jun 30, 2008	Twelve months ended Jun 30, 2008
	A	B	C=A+B
Net operating income	1445.6	1561.8	3007.4
Add: depreciation and amortization	856.0	963.1	1819.1
OIBDA	2301.6	2524.9	4826.5

## Appendix B (1/2)

Please note that starting from Q2 2008, we will include connection fees in our calculation of ARPU as this is network-related revenue. ARPU is now calculated by dividing our service revenues for a given period, including interconnect, guest roaming fees and connection fees, by the average number of our subscribers during that period and dividing by the number of months in that period. To assist our investors and analysts, we have included recalculated ARPU figures dating back to Q1 2007 as well as ARPU for Q2 2008 under our previous methodology.

MTS Russia (US\$)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008
ARPU (old)	8.2	9.2	10.0	10.0	10.0	11.0
ARPU (new)	8.3	9.3	10.2	10.0	10.1	11.0
ARPU ex guest roaming	8.2	9.1	10.0	10.0	10.0	10.9
ARPU from VAS	1.2	1.2	1.4	1.4	1.6	1.6
VAS as % of ARPU	14%	13%	14%	14%	16%	15%

MTS Ukraine (US\$)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008
ARPU (old)	5.7	6.4	7.3	7.1	6.8	7.3
ARPU (new)	5.7	6.4	7.3	7.1	6.8	7.4
ARPU ex guest roaming	5.6	6.3	7.1	7.0	6.7	7.2
ARPU from VAS	0.7	0.7	0.8	0.8	0.9	0.8
VAS as % of ARPU	13%	11%	11%	12%	13%	11%

## Appendix B (2/2)

Please note that starting from Q2 2008, we will include connection fees in our calculation of ARPU as this is network-related revenue. ARPU is now calculated by dividing our service revenues for a given period, including interconnect, guest roaming fees and connection fees, by the average number of our subscribers during that period and dividing by the number of months in that period. To assist our investors and analysts, we have included recalculated ARPU figures dating back to Q1 2007 as well as ARPU for Q2 2008 under our previous methodology.

MTS Uzb (US\$)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008
ARPU (old)	10.3	10.4	10.3	10.0	8.3	7.8
ARPU (new)	10.4	10.4	10.3	10.0	8.3	7.8

MTS Turk (US\$)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008
ARPU (old)	61.4	63.4	57.4	48.1	35.4	21.9
ARPU (new)	61.4	63.4	57.4	48.1	35.4	21.9

MTS Arm* (US\$)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008
ARPU (old)	n/a	n/a	15.7	15.8	12.8	14.0
ARPU (new)	n/a	n/a	15.7	15.9	13.1	14.1

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

MTS Bel** (US\$)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008
ARPU (old)	9.3	9.8	9.8	8.8	8.1	9.8
ARPU (new)	9.3	9.8	9.8	9.5	9.0	9.8

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

## Appendix C

Starting from Q2 2008, we will include VAS revenues from roaming of MTS subscribers in the total VAS calculation. In Russia, the calculation will also use the weighted average foreign exchange rate for the reporting period instead of the fixed rate of 28.7 RUR to USD used previously to calculate the amount in U.S. dollars.

MTS Russia (US\$)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008
ARPU from VAS (old)	1.1	1.0	1.3	1.2	1.4	1.4
VAS as % of ARPU (old)	13%	11%	13%	12%	14%	13%
ARPU from VAS (new)	1.2	1.2	1.4	1.4	1.6	1.6
VAS as % of ARPU (new)	14%	13%	14%	14%	16%	15%

MTS Ukraine (US\$)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008
ARPU from VAS (old)	0.7	0.7	0.8	0.8	0.9	0.8
VAS as % of ARPU (old)	13%	11%	10%	11%	13%	11%
ARPU from VAS (new)	0.7	0.7	0.8	0.8	0.9	0.8
VAS as % of ARPU (new)	13%	11%	11%	12%	13%	11%

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