

# MTS OJSC's balance sheet and income statement for the year 2001

**MOBILE TELESYSTEMS  
CONSOLIDATED BALANCE SHEETS  
AT DECEMBER 31, 2000 and 2001**

(Amounts in thousands of U.S. dollars, except share amounts)

	<u>December 31</u> <u>2000</u>	<u>December 31</u> <u>2001</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents .....	\$75,828	\$219,629
Short-term investments .....	170,000	85,304
Trade receivables, net .....	15,817	24,258
Accounts receivable, related parties .....	4,937	2,377
Inventory, net .....	23,551	26,184
Prepaid expenses .....	11,268	22,712
VAT receivable.....	17,741	82,216
Deferred tax asset .....	2,071	12,040
Other current assets.....	8,771	8,374
<b>Total current assets</b> .....	<u>329,984</u>	<u>483,094</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b> , net of accumulated depreciation of \$87,676 and \$168,989, respectively .....	439,307	841,308
<b>LICENSES</b> , net of accumulated amortization of \$43,913 and \$79,783, respectively .....	204,996	297,490
<b>OTHER INTANGIBLE ASSETS</b> , net of accumulated amortization of \$33,648 and \$52,953, respectively .....	57,586	83,507
<b>GOODWILL</b> , net of accumulated amortization of \$14,756 and \$20,861, respectively .....	27,984	22,411
<b>SUBSCRIBER ACQUISITION COSTS</b> , net of accumulated amortization of \$74,803 and \$nil, respectively .....	27,553	—
<b>DEBT ISSUANCE COSTS</b> , net of accumulated amortization of \$900 and \$1,209, respectively .....	450	3,997
<b>INVESTMENTS IN AND ADVANCES TO AFFILIATES</b> .....	13,472	740
<b>Total assets</b> .....	<u>\$1,101,332</u>	<u>\$1,732,547</u>

**MOBILE TELESYSTEMS**  
**CONSOLIDATED BALANCE SHEETS**  
**AT DECEMBER 31, 2000 and 2001**

(Amounts in thousands of U.S. dollars, except share amounts)

	<u>December 31</u> <u>2000</u>	<u>December 31</u> <u>2001</u>
<b>CURRENT LIABILITIES:</b>		
Accounts payable, related parties .....	\$5,797	\$6,142
Trade accounts payable .....	37,860	106,068
Deferred connection fees .....	14,923	21,419
Subscriber prepayments and deposits .....	44,610	63,741
Debt, current portion .....	24,000	18,245
Promissory notes payable, current portion .....	—	580
Capital lease obligation, current portion .....	—	14,401
Income tax payable .....	15,082	23,078
Accrued liabilities .....	38,175	51,626
Other payables .....	2,316	3,357
<b>Total current liabilities</b> .....	<u>182,762</u>	<u>308,657</u>
<b>LONG-TERM LIABILITIES:</b>		
Notes payable, net of discount .....	—	248,976
Debt, net of current portion .....	23,305	30,150
Capital lease obligation, net of current portion .....	—	7,696
Promissory notes payable, net of current portion .....	5,468	5,792
Deferred connection fees, net of current portion .....	16,630	26,269
Deferred taxes .....	72,083	72,192
<b>Total long-term liabilities</b> .....	<u>117,486</u>	<u>391,075</u>
<b>Total liabilities</b> .....	<u>300,248</u>	<u>699,732</u>
<b>COMMITMENTS AND CONTINGENCIES</b> .....	—	—
<b>MINORITY INTEREST</b> .....	—	12,999
<b>SHAREHOLDERS' EQUITY:</b>		
Common stock: (2,096,975,792 shares with a par value of 0.1 rubles authorized and 1,993,326,138 shares issued as of September 30, 2001 and December 31, 2000, 345,244,080 of which are in the form of ADS (Note 1))	50,558	50,558
Treasury stock (9,966,631 common shares at cost)	(10,206)	(10,206)
Additional paid-in capital .....	552,030	555,794
Shareholder receivable .....	(49,519)	(38,958)
Retained earnings .....	258,221	462,628
<b>Total shareholders' equity</b> .....	<u>801,084</u>	<u>1,019,816</u>
<b>Total liabilities and shareholders' equity</b> .....	<u>\$1,101,332</u>	<u>\$1,732,547</u>

**MOBILE TELESYSTEMS**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 1999, 2000 and 2001**

(Amounts in thousands of U.S. dollars, except share and per share amounts)

	December 31		
	1999	2000	2001
<b>NET REVENUES:</b>			
Service revenues.....	\$ 314,568	\$ 484,469	\$830,308
Connection fees .....	12,755	14,885	21,066
Equipment sales.....	31,004	36,358	41,873
	<u>358,327</u>	<u>535,712</u>	<u>893,247</u>
<b>COST OF SERVICES AND PRODUCTS</b> (including related party amounts of \$17,219, \$20,040 and \$30,537, respectively):			
Interconnection and line rental .....	38,958	41,915	75,278
Roaming expenses.....	21,725	41,178	68,387
Cost of equipment .....	29,932	39,217	39,828
	<u>90,615</u>	<u>122,310</u>	<u>183,493</u>
<b>OPERATING EXPENSES</b> (including related party amounts of \$9,670, \$5,064 and \$8,882, respectively and expenses associated with management stock bonus plan of \$nil, \$5,297 and \$nil, respectively):	74,612	110,242	134,598
<b>SALES AND MARKETING EXPENSES</b> (including related party amounts of \$930, \$6,400 and \$8,707, respectively):	23,722	76,429	107,729
<b>DEPRECIATION AND AMORTIZATION</b> .....	53,766	87,684	133,143
<b>Net operating income</b> .....	115,612	139,047	334,284
<b>CURRENCY EXCHANGE AND TRANSLATION LOSSES</b>	3,238	1,066	1,871
<b>OTHER EXPENSES (INCOME)</b> (including related party amounts of \$nil, \$952 and \$2,978, respectively):			
Interest income .....	(801)	(7,626)	(11,829)
Interest expenses, net of amounts capitalized .....	11,805	11,335	6,944
Impairment of investments and other .....	(829)	(502)	10,108
Total other expenses, net .....	10,175	3,207	5,223
<b>Income before provision for income taxes and minority interest</b> .....	102,199	134,774	327,190
<b>PROVISION FOR INCOME TAXES</b> .....	18,829	51,154	97,414
<b>MINORITY INTEREST</b> .....	(2,291)	(6,428)	6,614
<b>NET INCOME</b> before cumulative effect of a change in accounting principle and extraordinary gain.....	85,661	90,048	223,162
Cumulative effect of a change in accounting principle, net of income taxes of \$9,644	-	-	(17,909)
Extraordinary gain on debt repayment, net of income taxes of \$667	-	-	2,113
<b>NET INCOME</b> .....	<u>\$85,661</u>	<u>\$ 90,048</u>	<u>\$ 207,366</u>
Weighted average number of shares outstanding.....	1,634,527,440	1,806,968,096	1,983,359,507
Earnings per share (basic and diluted):			
Net income before cumulative effect of a change in accounting principle and extraordinary gain .....	\$ 0.052	\$ 0.050	\$ 0.113
Cumulative effect of a change in accounting principle.....	—	—	(0.009)
Extraordinary gain on debt repayment	—	—	0.001
Net income .....	\$ 0.052	\$ 0.050	\$ 0.105

**MOBILE TELESYSTEMS**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 1999, 2000 and 2001**

(Amounts in thousands of U.S. dollars, except share amounts)

	<u>1999</u>	<u>2000</u>	<u>2001</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income after cumulative effect on prior years (to December 31, 2000) of a change in accounting principle ...	\$ 85,661	\$ 90,048	\$ 207,366
Adjustments to reconcile net income to net cash provided by operating activities:			
Minority interest .....	(2,291)	(6,428)	6,614
Depreciation and amortization .....	53,766	87,684	133,143
Amortization of deferred connection fees .....	(12,755)	(14,867)	(20,027)
Deferred subscriber acquisition cost.....	(23,674)	(49,232)	(30,978)
Amortization of deferred subscriber acquisition costs.....	12,285	53,604	30,978
Cumulative effect of a change in accounting principle .....	—	—	17,909
Gain on debt extinguishment .....	—	—	(2,113)
Provision for obsolete inventory.....	590	2,114	2,543
Provision for doubtful accounts.....	8,006	2,403	3,219
Provision for other assets .....	379	—	—
Loan interest accrued .....	11,809	11,335	5,845
Loan interest paid .....	(11,431)	(17,850)	(4,068)
Deferred taxes .....	(17,594)	(932)	(49,742)
Non-cash expenses associated with stock bonus plan .....	—	5,297	—
Impairment of investments.....	—	—	10,000
Changes in operating assets and liabilities:			
Decrease / (Increase) in trade receivables .....	3,435	6,730	(7,181)
Decrease/(Increase) in accounts receivable, related parties.....	(5,245)	4,223	(3,091)
Increase in inventory.....	(8,074)	(8,922)	(4,129)
Increase in prepaid expenses .....	(267)	(1,680)	(8,552)
Increase in VAT receivable .....	(2,944)	(6,033)	(59,618)
(Increase)/Decrease in other current assets.....	2,818	(7,363)	1,613
Increase/(Decrease) in accounts payable, related parties ...	(11,921)	743	1,049
(Decrease)/Increase in trade accounts payable.....	29,143	(29,801)	20,470
Increase in subscriber prepayments and deposits and deferred connection fees .....	7,901	43,382	19,424
Increase/(Decrease) in income tax payable.....	(7,401)	19,787	49,980
Increase in accrued liabilities and other payables.....	4,605	6,672	17,547
	<u>116,801</u>	<u>190,914</u>	<u>338,201</u>
Net cash provided by operating activities .....			
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of UDN-900, net of cash acquired.....	(180)	—	—
Purchase of ACC, net of cash acquired.....	(83)	—	—
Purchase of Telecom XXI, net of cash acquired .....	—	—	(49,680)
Purchase of Telecom 900, net of cash acquired.....	—	—	(25,665)
Purchase of ReCom, net of cash acquired .....	—	—	(199)
Purchase of Novitel, net of cash acquired .....	—	—	13
Purchase of 20% interest in Rosico .....	—	(16,085)	—
Purchase of 32.5% interest in MSS .....	—	—	(327)
Purchase of property, plant and equipment .....	(109,012)	(194,983)	(396,667)
Purchase of intangible assets .....	(9,326)	(29,915)	(44,533)
Purchases of short term investments.....	—	(170,000)	(110,000)
Proceeds from sale of short term investments .....	—	—	195,602
Other non-current assets realized.....	2,313	—	—
Decrease/(Increase) in investments in and advances to affiliates .....	1,104	(12,366)	(10,067)
Net cash used in investing activities.....	<u>(115,184)</u>	<u>(423,349)</u>	<u>(441,523)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Proceeds from issuance of capital stock, net of direct expenses .....	—	348,553	—
Proceeds from issuance of notes, net of underwriter discount .....	—	—	248,135
Notes issuance cost.....	—	—	(3,856)
Capital lease obligation principal paid.....	—	—	(7,947)
Dividends paid .....	(11,224)	(14,425)	(2,959)
Proceeds from short-term debt .....	18,000	—	13,577
Loan principal paid .....	(18,333)	(62,665)	(13,683)
Payments from Sistema.....	—	27,080	14,325
Net cash provided by (used in) financing activities.....	<u>(11,557)</u>	<u>298,543</u>	<u>247,592</u>
Effect of exchange rate changes on cash and cash equivalents .....	<u>(944)</u>	<u>(280)</u>	<u>(469)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:</b> .....	<u>(10,884)</u>	<u>65,828</u>	<u>143,801</u>
<b>CASH AND CASH EQUIVALENTS</b> , at beginning of year .....	<u>20,884</u>	<u>10,000</u>	<u>75,828</u>
<b>CASH AND CASH EQUIVALENTS</b> , at end of year.....	<u>\$10,000</u>	<u>\$75,828</u>	<u>\$219,629</u>
SUPPLEMENTAL INFORMATION:			
Income taxes paid.....	\$ 59,484	\$ 35,052	\$ 129,418