



KYIVSTAR G.S.M. JSC

Condensed Consolidated Statements of Income and Comprehensive Income  
for the nine months ended September 30, 2006 and 2005 and  
for the year ended December 31, 2005

US GAAP

(thousands of US Dollars)

	<b>Nine months ended September 30, 2006</b>	Nine months ended September 30, 2005	<b>Year 2005</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
<b>Net revenues</b>	<b>1,233,968</b>	<b>773,637</b>	<b>1,136,187</b>
Cost of services and products	(295,131)	(200,820)	(287,793)
<b>Gross profit</b>	<b>938,837</b>	<b>572,817</b>	<b>848,394</b>
Operating expenses	(186,368)	(144,591)	(213,330)
Depreciation and amortisation	(168,154)	(126,286)	(172,369)
	<b>(354,522)</b>	<b>(270,877)</b>	<b>(385,699)</b>
<b>Operating profit</b>	<b>584,315</b>	<b>301,940</b>	<b>462,695</b>
Financial and other expenses, net	(25,495)	(9,551)	(23,842)
<b>Income before income taxes</b>	<b>558,820</b>	<b>292,389</b>	<b>438,853</b>
Income tax expense	(150,882)	(78,941)	(116,001)
<b>Net income</b>	<b>407,938</b>	<b>213,448</b>	<b>322,852</b>
Other comprehensive (loss)/income, net of tax	-	-	23,733
<b>Comprehensive income</b>	<b>407,938</b>	<b>213,448</b>	<b>346,585</b>
Income tax paid <sup>(1)</sup>	104,827	54,497	124,833
EBITDA <sup>(2)</sup>	752,469	428,226	635,064
EBITDA margin <sup>(3)</sup>	61%	55%	56%
EBIT <sup>(4)</sup>	584,315	301,940	462,695

<sup>(1)</sup> The amount of income tax paid differs from the income tax expense by the change in the income tax liabilities at the beginning and at the end of the period and translation difference. Income tax expense represents the charge for the period, whereas the repayment of income tax results in the decrease of the accrued income tax.

<sup>(2)</sup> EBITDA is defined as income before financial and other income/(expenses), provisions for income taxes and depreciation and amortisation expenses.

<sup>(3)</sup> EBITDA margin represents EBITDA as a percentage of net revenues.

<sup>(4)</sup> EBIT is defined as income before financial and other income/(expenses) and provisions for income tax, which is equal to operating profit.



**KYIVSTAR G.S.M. JSC**  
**Condensed Consolidated Balance Sheets**  
**as at September 30, 2006 and 2005 and**  
**as at December 31, 2005**  
**US GAAP**  
*(thousands of US Dollars)*

	<b>September 30, 2006</b>	<b>December 31, 2005</b>	<b>September 30, 2005</b>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Intangible assets, net	224,715	206,212	182,869
Tangible assets, net	1,168,190	966,382	888,559
Financial assets	7,641	10,521	11,135
Other non-current assets	15,273	19,551	-
<b>Total non-current assets</b>	<b>1,415,819</b>	<b>1,202,666</b>	<b>1,082,563</b>
Deferred tax asset	25,889	28,519	33,539
Other current assets	145,217	134,224	157,738
Cash and cash equivalents	473,142	184,114	238,551
Financial assets	4,224	4,170	3,980
<b>Total current assets</b>	<b>648,472</b>	<b>351,027</b>	<b>433,808</b>
<b>Total assets</b>	<b>2,064,291</b>	<b>1,553,693</b>	<b>1,516,371</b>
<b>Shareholders equity</b>	<b>1,180,261</b>	<b>772,323</b>	<b>662,914</b>
Long-term interest bearing debt	510,039	511,079	512,641
Deferred tax liability	1,203	1,218	13,825
Other non-current liabilities	24,945	28,611	-
<b>Total non-current liabilities</b>	<b>536,187</b>	<b>540,908</b>	<b>526,466</b>
Short-term non-interest bearing liabilities	347,843	240,462	286,487
Short-term interest bearing debt	-	-	40,504
<b>Total short-term liabilities</b>	<b>347,843</b>	<b>240,462</b>	<b>326,991</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,064,291</b>	<b>1,553,693</b>	<b>1,516,371</b>



KYIVSTAR G.S.M. JSC  
Consolidated Statements of Shareholders' Equity  
for the nine months ended September 30, 2006  
US GAAP  
(thousands of US Dollars)

	Share Capital	Retained earnings	Accumulated other comprehensive income	Total
<b>December 31, 2005</b> <i>(audited)</i>	<b>123,201</b>	<b>635,298</b>	<b>13,824</b>	<b>772,323</b>
Net income		407,938		407,938
<b>September 30, 2006</b> <i>(unaudited)</i>	<b>123,201</b>	<b>1,043,236</b>	<b>13,824</b>	<b>1,180,261</b>



**KYIVSTAR G.S.M. JSC**  
**Condensed Consolidated Statements of Cash Flows**  
**for the nine months ended September 30, 2005 and 2006 and**  
**for the year ended December 31, 2005**  
**US GAAP**  
*(thousands of US Dollars)*

	<b>Nine months ended September 30, 2006</b>	<b>Nine months ended September 30, 2005</b>	<b>Year 2005</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
Net cash provided by operating activities	677,265	358,598	449,296
Net cash used in investing activities	(386,330)	(423,538)	(530,222)
Net cash (used in)/ provided by financing activities	(1,907)	241,860	204,384
<b>Net increase in cash and cash equivalents</b>	<b>289,028</b>	<b>176,920</b>	<b>123,458</b>
Effect of foreign exchange rate changes on cash and cash equivalents	-	4,703	<b>3,728</b>
Cash and cash equivalents at the beginning of the period	<b>184,114</b>	56,928	<b>56,928</b>
Cash and cash equivalents at the end of the period	<b>473,142</b>	238,551	<b>184,114</b>
	<b>Nine months ended September 30, 2006</b>	<b>Nine months ended September 30, 2005</b>	<b>Year 2005</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
<b>Supplemental disclosure of cash flow information</b>			
Cash paid during the period for:			
Interest	<b>38,600</b>	30,501	<b>40,578</b>
Income taxes	<b>104,827</b>	54,690	<b>124,833</b>

## KYIVSTAR G.S.M. JSC

### Analytical information for 2004, 2005 and the nine months period of 2006 (amounts in thousands of US Dollars if not otherwise indicated)

	2004				2005				2006		
	1-st quarter	2-nd quarter	3-rd quarter	4-th quarter	1-st quarter	2-nd quarter	3-rd quarter	4-th quarter	1-st quarter	2-nd quarter	3-rd quarter
Net revenues	120,971	144,725	185,680	189,315	192,652	258,248	322,737	362,550	348,735	408,535	476,698
EBITDA <sup>(1)</sup>	73,099	86,952	113,867	102,860	109,344	133,359	185,523	206,838	214,622	247,221	290,626
Operating profit	58,742	71,267	96,395	81,348	82,298	68,770	150,872	160,755	161,643	190,821	231,851
Income before income taxes	53,533	66,115	89,687	74,137	68,276	80,060	144,053	146,464	151,725	182,386	224,709
Equity RATIO <sup>(2)</sup>	54.8%	49.3%	47.2%	47.4%	49.0%	42.5%	43.7%	49.7%	52.1%	55.4%	57.2%
Interest bearing debt <sup>(3)</sup>	171,138	169,938	316,863	311,813	316,813	483,182	553,145	511,079	507,759	505,313	510,039
Net debt/ EBITDA <sup>(4)</sup>	0.5	0.4	0.7	0.7	0.7	0.7	0.6	0.5	0.3	0.2	0.04

<sup>(1)</sup> EBITDA is defined as income before financial and other income/(expenses), provisions for income taxes and depreciation and amortisation expense.

<sup>(2)</sup> Equity RATIO is determined by dividing the amount of shareholder's equity at the end of the period by the amount of total assets at the end of the period.

<sup>(3)</sup> At period end and including fair value adjustment of hedged item.

<sup>(4)</sup> Net debt/ EBITDA is determined by dividing the total amount of net debt at the end of the period by the amount of EBITDA for the four most recent quarters. Net debt is defined as interest bearing debt, including fair value adjustment of the hedged item, less cash and cash equivalents at period end.

KYIVSTAR G.S.M. JSC

Analytical information for 2004, 2005 and the nine months period of 2006 (*continued*)

	2004				2005				2006		
	1-st quarter	2-nd quarter	3-rd quarter	4-th quarter	1-st quarter	2-nd quarter	3-rd quarter	4-th quarter	1-st quarter	2-nd quarter	3-rd quarter
EBITDA/Net interest expenses <sup>(1)</sup>	15.5	20.1	21.6	12.8	14.6	14.5	16.8	18.2	19.7	23.2	26.4
EBITDA/Interest expenses <sup>(2)</sup>	12.1	14.1	15.6	16.3	13.0	13.8	14.0	14.4	17.6	18.0	19.5
Funds from operations/Net debt <sup>(3)</sup>	46.4%	53.2%	38.2%	31.2%	26.9%	38.0%	45.4%	46.6%	68.5%	139.1%	603.9%
Free operating cash flow/Net debt <sup>(4)</sup>	12.7%	(4.3)%	(38.0)%	(11.0)%	(11.0)%	(8.7)%	(2.0)%	(4.8)%	35.7%	73.6%	285.5%
Net debt/Shareholders equity <sup>(5)</sup>	0.4	0.4	0.6	0.6	0.6	0.6	0.5	0.4	0.3	0.1	0.03
Subscriber acquisition cost <sup>(6)</sup>	\$24.7	\$22.3	\$12.7	\$13.1	\$11.3	\$20.8	\$18.1	\$11.4	\$19.8	\$27.0	\$21.6

<sup>(1)</sup> EBITDA/Net interest expenses is determined by dividing EBITDA by the amount of interest expenses, net of capitalised interest and excluding interest income/expense from derivative financial instrument, for the quarter.

<sup>(2)</sup> EBITDA/Interest expenses is determined by dividing EBITDA for the four most recent quarters by the amount of interest expenses, including capitalised interest and interest income/expense from derivative financial instrument, for the four most recent quarters.

<sup>(3)</sup> Funds from operations/Net debt is determined by dividing the amount of net income adjusted for depreciation and amortisation expenses for the period by the amount of net debt. Net debt is defined as interest bearing debt, including fair value adjustment of the hedged item, less cash and cash equivalents at period end.

<sup>(4)</sup> Free operating cash flow/ Net debt is determined by dividing the amount of the operating cash flow for the period adjusted for cash used in investing activities and dividends payments by the amount of net debt, including fair value adjustment of the hedged item, less cash and cash equivalents at period end.

<sup>(5)</sup> Net debt/Shareholders equity is determined by dividing the amount of net debt by the amount of shareholders equity at the end of the period. Net debt is defined as interest bearing debt, including fair value adjustment of the hedged item, less cash and cash equivalents at period end.

<sup>(6)</sup> Subscriber acquisition cost is determined by dividing the amount of advertising and marketing expenses, dealers' discounts and fees on start packages and scratch cards, and dealers' fees for contract subscribers connection incurred during the period by the number of new subscribers connected to the network during that period.

## KYIVSTAR G.S.M. JSC

### Analytical information for 2004, 2005 and the nine months period of 2006 *(continued)*

	2004				2005				2006		
	1-st quarter	2-nd quarter	3-rd quarter	4-th quarter	1-st quarter	2-nd quarter	3-rd quarter	4-th quarter	1-st quarter	2-nd quarter	3-rd quarter
No. of mobile subscriptions <sup>(1)</sup> :	3,220,735	3,610,319	4,856,181	6,252,022	7,662,177	9,334,793	10,942,865	13,924,966	14,965,162	16,005,433	17,708,973
- of which Pre-paid <sup>(1)</sup> :	2,674,520	3,031,217	4,211,008	5,531,662	6,892,385	8,500,326	10,020,712	12,901,399	13,895,015	14,885,977	16,535,438
Annualized churn rate <sup>(2)</sup> :	22.5%	25.6%	23.0%	28.4%	30.8%	26.5%	25.7%	28.0%	30.5%	26.4%	22.7%
Average monthly minutes of usage per subscriber (AMPU) <sup>(3)</sup> :	68	80	90	95	92	90	104	107	110	118	123
Average monthly service revenue per subscriber (ARPU) <sup>(4)</sup> :											
-Total	\$ 12.4	\$ 13.7	\$ 14.3	\$ 11.1	\$ 8.9	\$ 9.7	\$ 10.1	\$ 9.6	\$ 7.9	\$ 8.6	\$ 9.1
-Contract	\$ 27.8	\$ 30.7	\$ 32.6	\$ 29.3	\$ 26.5	\$ 29.4	\$ 30.4	\$ 29.6	\$ 26.2	\$ 28.7	\$ 31.1
-Pre-Paid	\$ 9.1	\$ 10.3	\$ 11.1	\$ 8.4	\$ 6.8	\$ 7.6	\$ 8.2	\$ 7.9	\$ 6.4	\$ 7.1	\$ 7.5
No. of SMS (in mln.):	178	149	240	550	481	415	518	722	950	962	978
Average monthly No. of SMS sent per subscriber :	16	15	19	33	23	16	17	20	22	21	19

<sup>(1)</sup> End of period.

<sup>(2)</sup> Churn rate represents a percentage of the total number of churned subscribers to the average number of subscribers during a certain period. Contract subscribers with negative account balance and prepaid subscribers are considered to have churned after three months of inactivity, contract subscribers with positive account balance - after four months of inactivity.

<sup>(3)</sup> Average monthly minutes of usage per subscriber (AMPU) is calculated by dividing the total number of charged minutes of usage during a given period by the average number of subscribers during that period and dividing by the number of months in that period.

<sup>(4)</sup> The average monthly service revenue per subscriber (ARPU) is determined by dividing the service revenues for a given period, including revenues from roaming by the Company's subscribers and excluding roaming revenues from visiting users and non-core revenue, by the average number of subscribers during that period and dividing by the number of months in that period.