



## KYIVSTAR G.S.M. JSC

### **Preliminary Condensed Consolidated Statements of Comprehensive Income prepared in accordance with International Financial Reporting Standards (IFRS), summary analytical information and highlights for the six months ended June 30<sup>th</sup>, 2009 and 2008.**

#### **Highlights first half and second quarter 2009**

- Kyivstar maintained its position as the market leader in Ukraine, with a stable estimated revenue market share around 51% at the end of the second quarter
- The number of subscriptions decreased by 504,000 during the quarter\* due to the continued pressure from competitors zero on-net pricing. Estimated subscription market share dropped to 41%.
- ARPU in local currency decreased by 4% vs Q2 2008, reflecting the market decline and was due to lower pricing to combat competitors' activities, slightly offset by higher AMPU.
- Total revenues in local currency decreased by 8% vs Q2 2008 primarily as a result of decreased ARPU and also reflecting the lower subscription base.
- In local currency, EBITDA decreased by 9% vs Q2 2008 driven by the decline in revenue, partly offset by reduced operating expenses. The EBITDA margin remained stable at around 59% for the quarter and YTD reflecting the company's continued focus on operating costs.
- Capital expenditure in local currency decreased by 24% vs Q2 2008 as a result of adjusting network investments to the market decline and stabilisation in traffic volumes.

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\* At the end of the second quarter 2009, following a management decision, Kyivstar made an adjustment to the methodology for evaluating the size of the active subscriber base. In future, the prepaid subscribers who have shown no activity other than receiving operator service SMS during the prior 3 months, will not be counted as active subscribers.

Due to this adjustment Kyivstar reporting will show decrease of the subscriber base **by 398 thousand**. This correction will be made at one time and backdated to January 2009.

Following the adjustment to the methodology, the number of subscribers at the end of Q2 was **22 mln. 224 thousand**.

**KYIVSTAR G.S.M. JSC**

Condensed Consolidated Statements of Comprehensive Income  
for the six months ended June 30, 2009 and 2008, in accordance with International  
Financial Reporting Standards (IFRS)  
(thousands of Ukrainian Hryvnia)

	<b>Six months ended June 30, 2009</b>	<b>Six months ended June 30, 2008</b>
	<i>(unaudited)</i>	<i>(audited)</i>
<b>Net revenues</b>	<b>5,682,035</b>	<b>6,093,288</b>
Cost of services and products	(955,770)	(1,056,373)
<b>Gross profit</b>	<b>4,726,265</b>	<b>5,036,915</b>
Operating expenses	(1,378,117)	(1,505,722)
Depreciation and amortisation	(896,143)	(813,927)
Write-downs	(131,595)	(917)
	<b>(2,405,855)</b>	<b>(2,320,566)</b>
<b>Operating profit</b>	<b>2,320,410</b>	<b>2,716,349</b>
Financial and other income (expenses), net	352,503	299,650
<b>Income before income taxes</b>	<b>2,672,913</b>	<b>3,015,999</b>
Income tax expense	(688,420)	(845,123)
<b>Net income</b>	<b>1,984,493</b>	<b>2,170,876</b>
Other comprehensive income/(loss), net of tax	-	-
<b>Comprehensive income</b>	<b>1,984,493</b>	<b>2,170,876</b>
Income tax paid <sup>(1)</sup>	1,916,465	487,470
EBITDA <sup>(2)</sup>	3,348,148	3,531,193
EBITDA margin <sup>(3)</sup>	59%	58%
EBIT <sup>(4)</sup>	2,320,410	2,716,349

<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 Statement of financial position  
as at June 30, 2009 and 2008, in accordance with International Financial Reporting Standards  
(IFRS)  
(thousands of Ukrainian Hryvnia)

	<b>June 30, 2009</b>	<b>June 30, 2008</b>
	<i>(unaudited)</i>	<i>(audited)</i>
Intangible assets, net	1,103,210	1,276,969
Tangible assets, net	6,596,806	6,616,924
Other non-current assets	79,318	-
<b>Total non-current assets</b>	<b>7,779,334</b>	<b>7,893,893</b>
Deferred tax asset	75,023	174,290
Other current assets	1,777,680	1,078,831
Cash and cash equivalents	1,066,627	7,398,674
Financial assets	22,913	42,785
<b>Total current assets</b>	<b>2,942,243</b>	<b>8,694,580</b>
<b>Total assets</b>	<b>10,721,577</b>	<b>16,588,473</b>
<b>Shareholders equity</b>	<b>9,047,545</b>	<b>12,384,570</b>
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>
Short-term non-interest bearing liabilities	1,234,517	2,058,510
Short-term interest bearing debt	439,515	2,145,393
<b>Total short-term liabilities</b>	<b>1,674,032</b>	<b>4,203,903</b>
<b>Total liabilities and shareholders' equity</b>	<b>10,721,577</b>	<b>16,588,473</b>



## KYIVSTAR G.S.M. JSC

Consolidated Statements of Changes in equity  
for the six months ended June 30, 2009, in accordance with International Financial Reporting  
Standards (IFRS)  
(*thousands of Ukrainian Hryvnia*)

	Share Capital	Retained earnings	Total
<b>December 31, 2008</b> ( <i>unaudited</i> )	<b>656,499</b>	<b>11,006,553</b>	<b>11,663,052</b>
Net income	-	1,984,493	1,984,493
<b>Dividends declared</b>	-	(4,600,000)	-
<b>June 30, 2009</b> ( <i>unaudited</i> )	<b>656,499</b>	<b>8,391,046</b>	<b>9,047,545</b>



## KYIVSTAR G.S.M. JSC

Condensed Consolidated Statements of Cash Flows  
for the six months ended June 30, 2009 and 2008, in accordance with International Financial  
Reporting Standards (IFRS)  
(thousands of Ukrainian Hryvnia)

	<b>Six months ended June 30, 2009</b>	<b>Six months ended June 30, 2008</b>
	<i>(unaudited)</i>	<i>(audited)</i>
Net cash provided by operating activities	1,719,063	2,735,378
Net cash used in investing activities	(594,645)	(656,312)
Net cash (used in)/ provided by financing activities	(8,061,584)	(28,712)
<b>Net increase in cash and cash equivalents</b>	<b>(6,937,164)</b>	<b>2,050,354</b>
Effect of foreign exchange rate changes on cash and cash equivalents	(22,666)	-
Cash and cash equivalents at the beginning of the period	8,026,457	5,348,320
Cash and cash equivalents at the end of the period	1,066,627	7,398,674
	<b>Six months ended June 30, 2009</b>	<b>Six months ended June 30, 2008</b>
	<i>(unaudited)</i>	<i>(audited)</i>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the period for:		
Interest	52,686	119,796
Income taxes	1,916,465	487,470

## KYIVSTAR G.S.M. JSC

Analytical information for 2007, 2008 and the six months period of 2009  
(amounts in thousands of Ukrainian Hryvnia if not otherwise indicated)

	2007				2008				2009	
	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
Net revenues	2,304,907	2,625,097	2,983,006	3,010,705	2,936,800	3,156,488	3,376,972	3,246,607	2,773,208	2,908,828
EBITDA <sup>(1)</sup>	1,373,408	1,591,620	1,726,873	1,681,930	1,684,068	1,847,125	2,026,400	1,897,256	1,618,243	1,729,905
Operating profit	1,025,035	1,239,843	1,323,019	1,220,020	1,295,335	1,421,014	1,600,303	1,360,374	1,170,275	1,150,136
Income before income taxes	1,001,772	1,224,592	1,345,063	1,199,134	1,426,697	1,589,303	1,811,856	1,982,862	1,363,464	1,309,449
Equity RATIO <sup>(2)</sup>	63.75%	66.21%	69.04%	70.20%	70.15%	74.66%	73.23%	67.75%	85.29%	84.39%
Interest bearing debt <sup>(3)</sup>	2,254,061	2,263,099	2,252,393	2,279,467	2,243,249	2,145,393	2,033,013	985,055	705,534	439,515
Net debt/ EBITDA <sup>(4)</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

<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 2007, 2008 and the six months period of 2009 (*continued*)

	2007				2008				2009	
	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
EBITDA/Net interest expenses <sup>(1)</sup>	23.9	32.7	36.5	23.2	33.0	39.4	44.0	58.5	73.0	144.9
EBITDA/Interest expenses <sup>(2)</sup>	22.6	24.4	28.4	26.2	28.3	29.2	30.7	44.4	54.1	76.4
Funds from operations/Net debt <sup>(3)</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Free operating cash flow/Net debt <sup>(4)</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Net debt/Shareholders equity <sup>(5)</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Subscriber acquisition cost <sup>(6)</sup>	108,6	144,4	128,3	135,3	121,3	154,9	154,4	174,7	133,5	157,4

<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 2007, 2008 and the six months period of 2009 (*continued*)

	2007				2008				2009	
	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
No. of mobile subscriptions <sup>(1)</sup> :	21,959,275	22,058,889	23,058,802	23,603,986	23,686,503	23,306,966	23,456,437	23,530,545	22,727,365	22,223,553
- of which Pre-paid <sup>(1)</sup> :	20,712,625	20,836,818	21,840,560	22,362,587	22,413,303	22,027,751	22,158,015	22,192,474	21,317,359	20,731,402
Annualized churn rate <sup>(2)</sup> :	35,8%	32,2%	23,1%	31,8%	29,4%	31,2%	25,6%	26,1%	32,6%	25,4%
Average monthly minutes of usage per subscriber (AMPU) <sup>(3)</sup> :	125	137	145	148	147	159	168	169	154	166
Average monthly service revenue per subscriber (ARPU) <sup>(4)</sup> :										
-Total	34,2	39,0	42,9	41,7	40,3	43,8	46,8	46,8	38,7	42,0
-Contract	149,1	164,9	183,9	184,0	177,6	186,5	193,9	182,7	159,6	163,7
-Pre-Paid	27,3	31,5	34,8	33,8	32,7	35,6	38,2	38,7	31,0	33,6
No. of SMS (in mln.):	1258	1133	1182	1349	1577	1428	1409	1638	1421	1208
Average monthly No. of SMS sent per subscriber :	21	19	19	21	22	20	20	23	21	18

<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.