

Mobile TeleSystems

Q3 2004 Financial and Operating Results Management Presentation

November 2004

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Q3 2004 Results: Highlights



- ❑ Solid financial results
 - MTS' consolidated subscriber base increased by 3.8m (17%), from 22.8m to 26.6m users during Q3 2004
 - Y-o-y, revenue was up 50% to \$1,086.4m, OIBDA was up 64% to \$634.8m and net income was up 117% to \$338.3m. On a q-on-q basis, revenue was up 18%, OIBDA was up 22% and net income was up 27%
 - All-time high OIBDA* margin of 58.4% - almost twice the EMEA European mobile sector average of 32%**
- ❑ Further consolidation of minorities in Russia
 - MTS increased its ownership to 100% in its Astrakhan and Volgograd subsidiaries and in Digital Network of Udmurtia-900 in August 2004, spending \$10.4m on acquiring the additional stakes in these companies
- ❑ Acquisition of a 74% stake in Uzdunrobita for \$121.0m in August 2004
 - Uzbekistan, with a population of 25.2m and mobile penetration of only 1.5%, provides ample opportunity for expansion

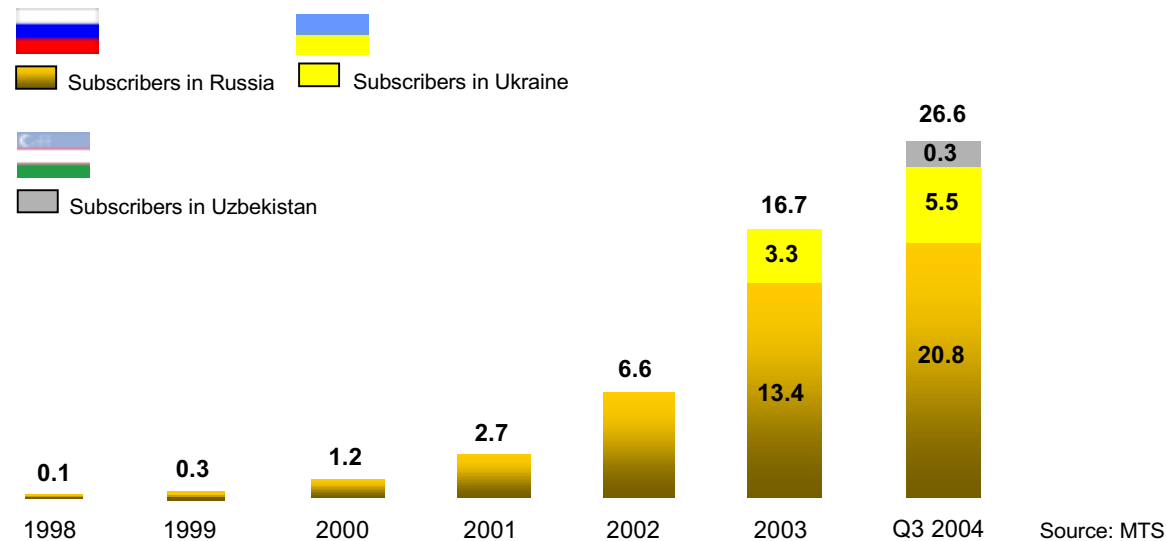
* OIBDA represents operating income before depreciation and amortization. See Appendix A for definitions of OIBDA and reconciliations to operating income

** Source: HSBC estimates for 2004

MTS: Subscriber Base Growth



MTS' Consolidated Subscriber Base, 1998 - Q3 2004 (m)



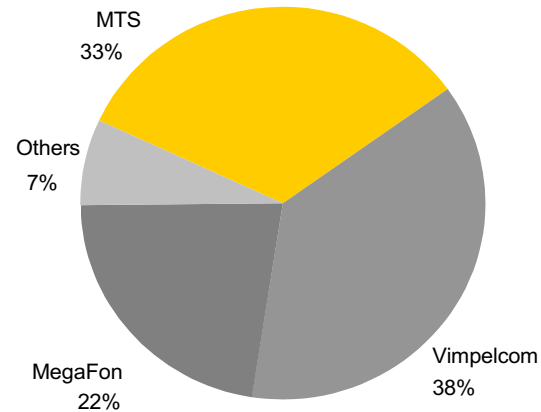
- ❑ During the first nine months of 2004, MTS added approximately 9.9m new customers to its consolidated subscriber base and provided services to a total of 26.63m subscribers as of September 30, 2004 (20.84m in Russia, 5.53m in Ukraine and 0.26m in Uzbekistan)
- ❑ In addition, MTS' unconsolidated joint venture in Belarus increased by 0.51m customers, providing its services to 0.97m subscribers as of September 30, 2004
- ❑ YTD, MTS' consolidated subscriber base increased by 12.13m to reach 28.85m (22.38m in Russia, 6.19m in Ukraine and 0.28m in Uzbekistan) as of November 22, 2004

Market Growth: Russia

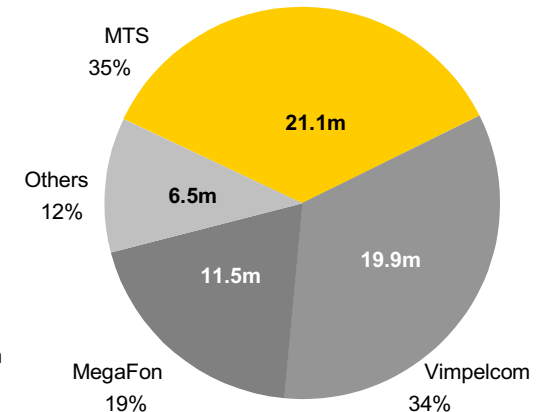


- During the first nine months of 2004 the number of mobile phone users in Russia increased by 22.8m to reach 59.0m with a mobile penetration of 41% (36.2m with a penetration of 25% at the beginning of the year)
- At the end of Q3 2004 MTS remained the leading operator in Russia with a market share of 35%, compared to 34% for VimpelCom and 19% for Megafon
- Pre-paid *Jeans* subscribers accounted for 71% of total subscribers at the end of Q3 2004 (44% at the beginning of the year)

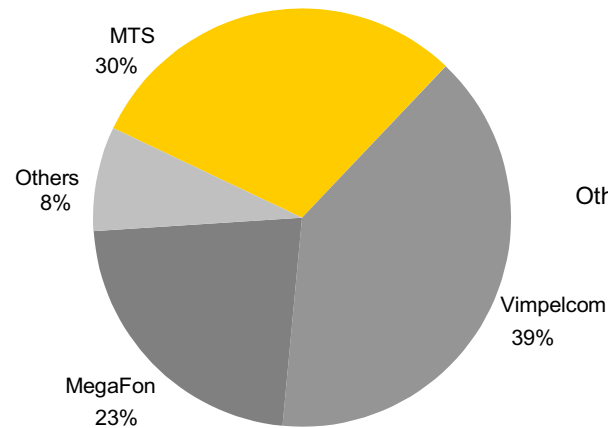
Share of Organic Net Additions in Russia in the First Nine Months of 2004



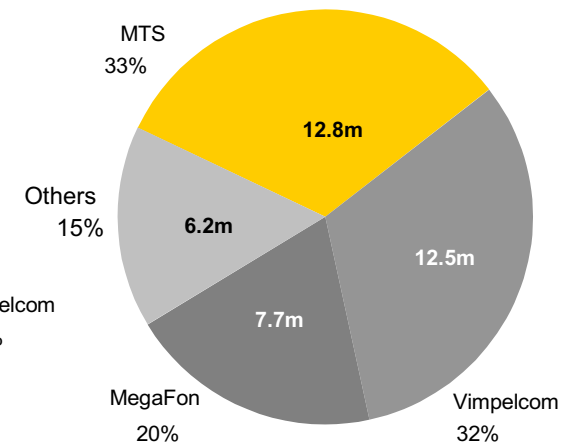
Market Share in Russia at the End of Q3 2004



Share of Organic Net Additions in the Regions* in the First Nine Months of 2004



Market Share in the Regions at the End of Q3 2004



Note: All market statistics according to AC&M-Consulting

Source: MTS

*Excluding Moscow and St. Petersburg License Areas

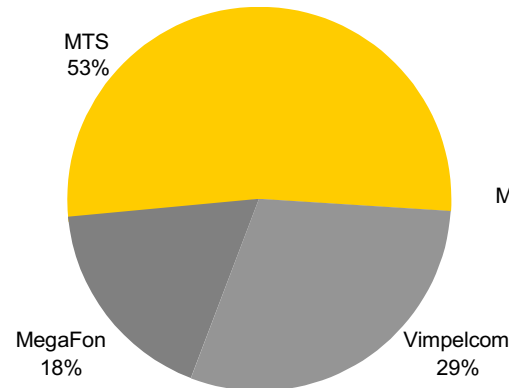
Source: MTS, AC&M-Consulting

Market Growth: Moscow and St. Petersburg

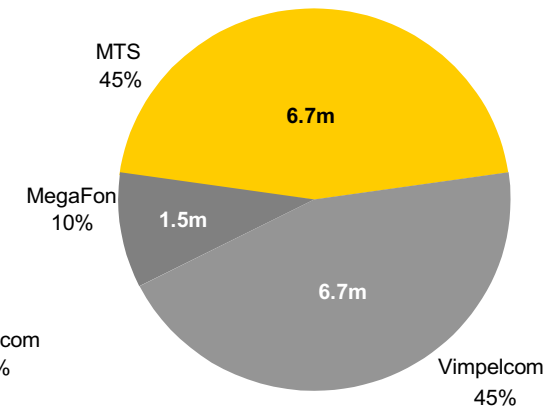


- ❑ At the end of Q3 2004 mobile penetration in Moscow and St. Petersburg was 87% and 79% respectively (68% and 56% at the beginning of the year)
- ❑ MTS shares the number one spot with its nearest competitor with a 45% market share in the Moscow market (43% at the beginning of the year)
- ❑ At the end of Q3 2004 MTS had a 32% market share in St. Petersburg (33% at the beginning of the year)

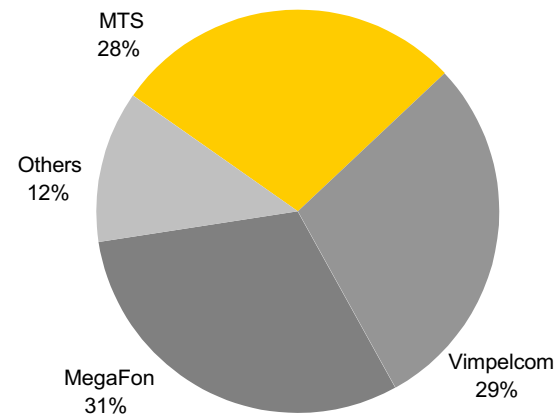
Share of Organic Net Additions in Moscow in the First Nine Months of 2004



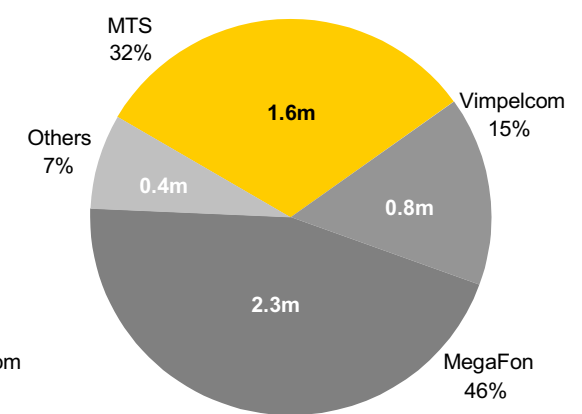
Market Share in Moscow at the End of Q3 2004



Share of Organic Net Additions in St. Petersburg in the First Nine Months of 2004



Market Share in St. Petersburg at the End of Q3 2004



Note: All market statistics according to AC&M-Consulting

*Note: Other operators excluded due to insignificant size

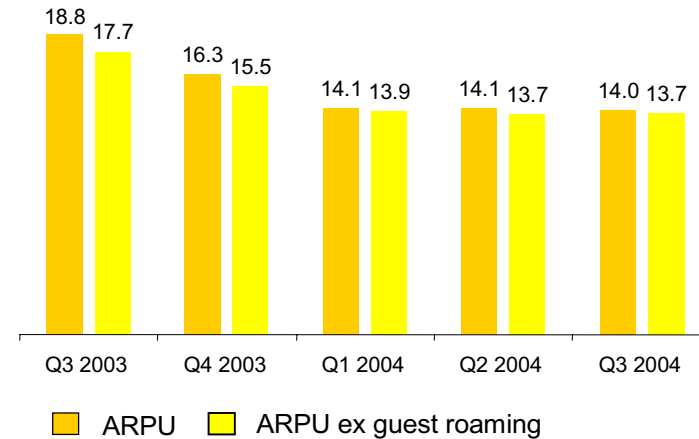
Source: MTS, AC&M-Consulting

MTS in Russia: Key Figures (ARPU, MOU)



- ARPU from pre-paid *Jeans* customers decreased from \$9.6 in Q2 2004 to \$9.3 in Q3 2004; during the same period, ARPU from *MTS* customers increased from \$21.4 to \$24.2. Blended ARPU decreased from \$14.1 last quarter to \$14.0
- ARPU from VAS in Q3 2004 was at \$1.4 (9.7% of total ARPU), compared to \$1.2 (8.5% of total ARPU) in Q2 2004

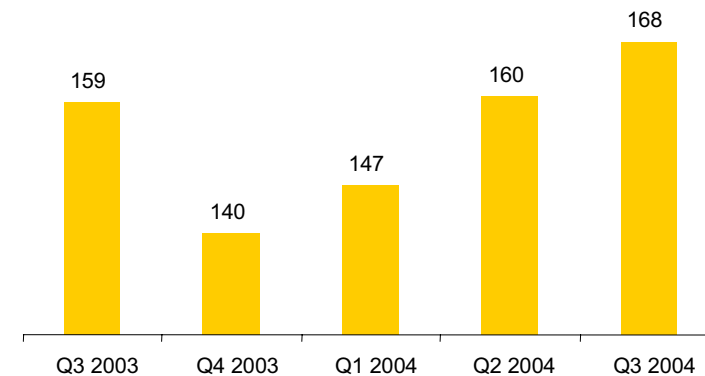
ARPU in Russia (US\$)



Source: MTS

- MOU from both *Jeans* and *MTS* customers increased in Q3 2004 compared to Q2 2004, from 124 minutes to 137 minutes for *Jeans* and from 216 minutes to 235 minutes for *MTS*
- The increase in usage is partially due to a number of marketing initiatives (Summer-*Jeans* and free weekend incoming calls for a month) and the seasonal vacation effect

MOU in Russia (minutes)



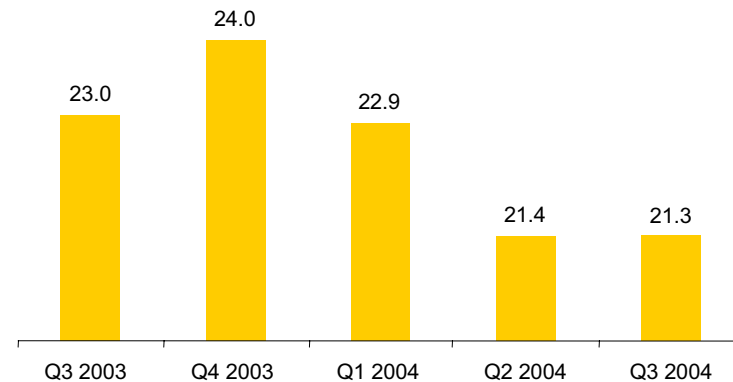
Source: MTS

MTS in Russia: Key Figures (SAC, Churn)



- ❑ SAC per gross additional subscriber was almost flat at \$21.3 during the quarter as the decline in commission to dealers per new gross subscriber was offset by the increase in advertising spending per new gross subscriber

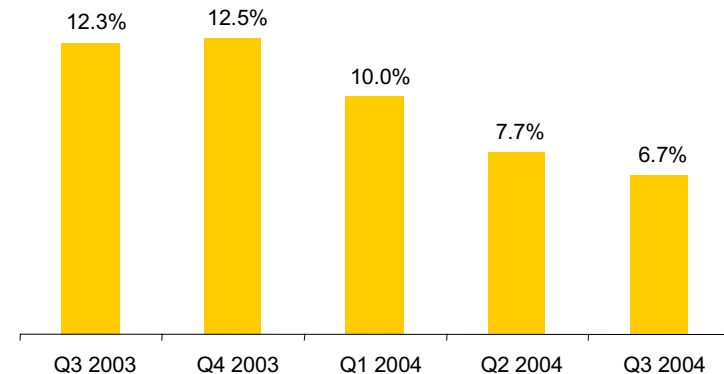
SAC in Russia (US\$)



Source: MTS

- ❑ Quarterly churn rate was 6.7% in Q3 2004, down from 7.7% in Q2 2004, mainly as a result of the launch of the Company's new customer loyalty programs (in particular, discounts to subscribers signing term-contracts) and the introduction of the new dealer loyalty program

Quarterly Churn in Russia



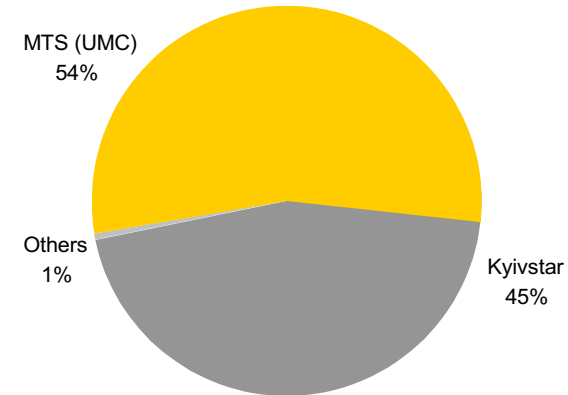
Source: MTS

Market Growth: Ukraine

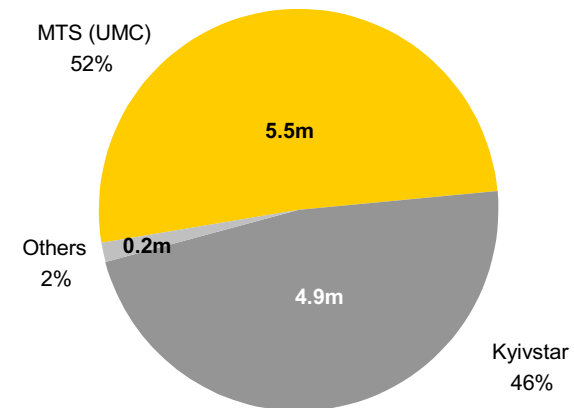


- ❑ At the end of Q3 2004 the number of subscribers in Ukraine reached approximately 10.6m with a mobile penetration of 22% (6.5m with a mobile penetration of 14% at the beginning of the year)
- ❑ At the end of Q3 2004 the Company's market share increased from 51% at the beginning of the year to 52%
- ❑ The share of UMC's customers using pre-paid (*Jeans* and *SIM-SIM*) at the end of Q3 2004 was 83% (79% at the beginning of the year)

Share of Organic Net Additions in Ukraine in the First Nine Months of 2004



Market Share in Ukraine at the End of Q3 2004



Note: All market statistics according to AC&M-Consulting as of November 22, 2004

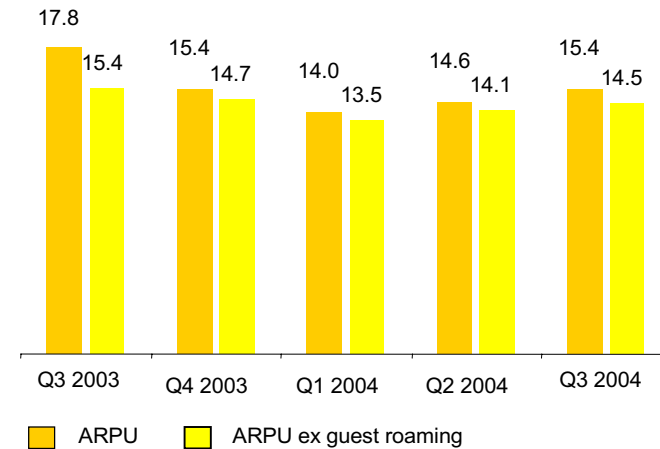
Source: MTS, AC&M-Consulting

MTS in Ukraine: Key Figures (ARPU, MOU)



- In Q3 2004 ARPU in Ukraine continued to grow, reaching \$15.4 (post-paid ARPU of \$43.3; pre-paid ARPU of \$9.7) from \$14.6 (post-paid ARPU of \$39.0; pre-paid ARPU of \$9.4) in the previous quarter
- ARPU from VAS in Q3 2004 was at \$1.7 (11.0% of total ARPU), an increase from \$1.4 (9.4% of total ARPU) in Q2 2004

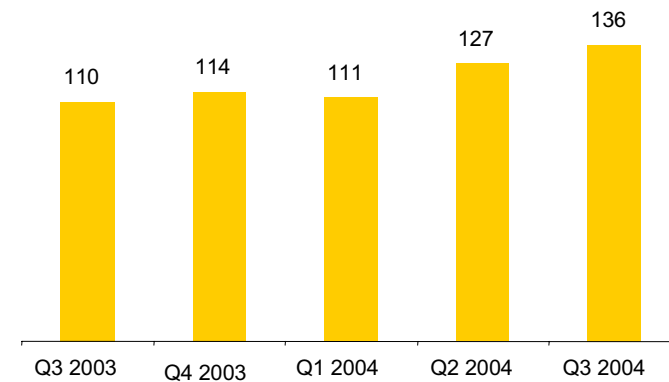
ARPU in Ukraine (US\$)



Source: MTS

- In Q3 2004 MOU increased to 136 minutes (post-paid MOU of 333 minutes; pre-paid MOU of 96 minutes) from 127 minutes (post-paid MOU of 284 minutes; pre-paid MOU of 93 minutes) in Q2 2004

MOU in Ukraine (minutes)

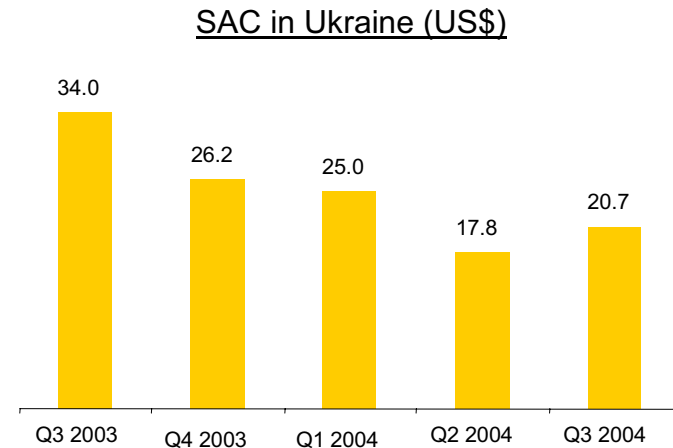


Source: MTS

MTS in Ukraine: Key Figures (SAC, Churn)

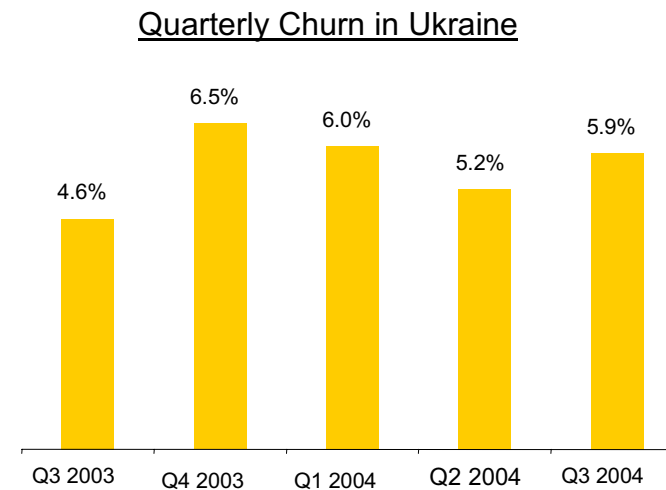


- UMC's SAC increased from \$17.8 in Q2 2004 to \$20.7 in Q3 2004 as a result of the increased number of contract subscribers added during the quarter compared to the previous period



Source: MTS

- UMC's quarterly churn rate during Q3 2004 increased slightly to reach 5.9% compared to the previous quarter's churn rate of 5.2% due to an increase in prepaid churn, partly offset by a slight improvement in contract churn



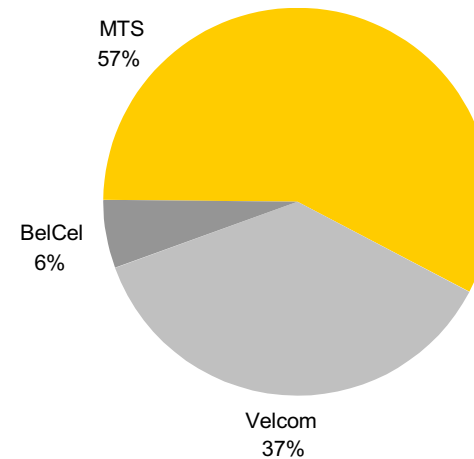
Source: MTS

Market Growth: Belarus

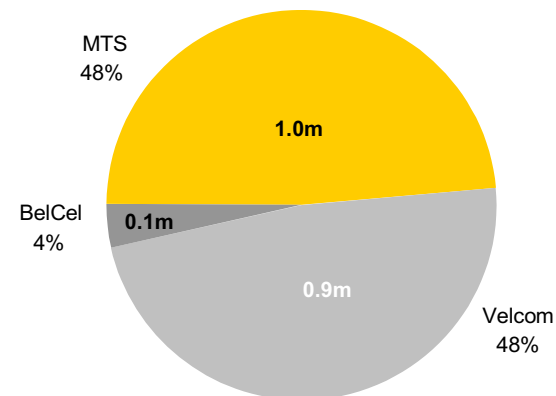


- ❑ At the end of Q3 2004 the number of mobile phone users in Belarus reached 2.0m with a mobile penetration of 20% (1.3m with a mobile penetration of 11% at the beginning of the year)
- ❑ MTS' 49%-owned joint venture provided services to 0.97m subscribers and further increased its market share from 44% at the beginning of the year to 49% at the end of Q3 2004, taking the #1 position from Velcom
- ❑ Because of its minority ownership in the joint venture, MTS does not consolidate its operations in Belarus into its financial or operating numbers

Share of Organic Net Additions in Belarus in the First Nine Months of 2004



Market Share in Belarus at the End of Q3 2004



Note: All market statistics according to AC&M-Consulting

Source: MTS, AC&M-Consulting

Financials



Consolidated Financials

US\$ mln	Q3 2004	Q2 2004	Change Q-on-Q	Q3 2003	Change Y-on-Y
Revenues	1 086.4	918.2	↑ 18.3%	722.4	↑ 50.4%
Operating income	467.6	371.7	↑ 25.8%	274.8	↑ 70.2%
OIBDA*	634.8	521.5	↑ 21.7%	388.1	↑ 63.6%
Net income	338.3	267.5	↑ 26.5%	155.7	↑ 117.3%
Operating margin	43.0%	40.5%	-	38.0%	-
OIBDA margin*	58.4%	56.8%	-	53.7%	-
Net margin	31.1%	29.1%	-	21.6%	-

P&L data composition by country of operation

US\$ mln	Q2 2004		Q3 2004		Growth		Aug. 1 - Sept. 30, 2004 Uzbekistan
	Russia	Ukraine	Russia	Ukraine	Russia	Ukraine	
Revenues	728.3**	190.5	848.9**	241.2	↑ 16.6%	↑ 26.6%	10.1
<i>Percent of MTS' revenues</i>	79.3%	20.7%	76.9%	22.2%	-	-	0.9%
OIBDA*	413.7	107.8	492.7	136.7	↑ 19.1%	↑ 26.8%	5.4
<i>OIBDA margin*</i>	56.9%	56.6%	59.0%	56.7%	-	-	53.5%
Operating income	291.1	80.6	360.2	107.5	↑ 23.7%	↑ 33.4%	0.0
Net income (loss)	209.1	58.4	259.7	78.6	↑ 24.2%	↑ 34.6%	(0.1)
<i>Percent of MTS' net income</i>	78.2%	21.9%	76.8%	23.2%	-	-	n/a

*OIBDA represents operating income before depreciation and amortization. See Appendix A for definitions of OIBDA and reconciliations to operating income

**Net of intercompany eliminations

MTS' CAPEX and Leverage



- ❑ In Q3 2004 MTS' total CAPEX (including intangibles) was \$304.4m of which \$223.9m was spent in Russia, \$79.0m in Ukraine and \$1.5m in Uzbekistan
- ❑ For the nine months of 2004 CAPEX amounted to \$780.2m of which Russia made up \$599.5m and Ukraine \$179.2m

MTS' Leverage

US\$ mln	YE 2003	Sept. 30, 2004
Cash and cash equivalents	\$90.4	\$192.5
ST investments	\$245.0	\$50.7
Total debt	\$1 660.3	\$1 487.3
LT debt	\$950.0	\$1 104.1
ST debt	\$710.3	\$383.2
Net debt*	\$1 324.9	\$1 244.1
Stockholders' equity	\$1 723.9	\$2 331.6
Total assets	\$4 225.4	\$4 865.7
LTM OIBDA**	\$1 338.5	\$1 997.5
Net debt / assets	0.3x	0.3x
Net debt / equity	0.8x	0.5x
Net debt / LTM OIBDA**	1.0x	0.6x

Source: MTS

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

**LTM OIBDA represents the last twelve months of rolling OIBDA. See Appendix A for reconciliations to our consolidated statements

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.

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	1999	2000	2001	2002	2003		Q3 2003	Q2 2004	Q3 2004
Operating income	115.6	139.0	324.1	464.4	922.6		274.8	371.7	467.6
Add: depreciation and amortization	53.8	87.7	133.3	209.7	415.9		113.3	149.8	167.1
OIBDA	169.4	226.7	457.4	674.1	1 338.5		388.1	521.5	634.8

US\$ mln	FY 2003		Q2 2004		Q3 2004		Aug. 1 - Sept. 30, 2004 Uzbekistan
	Russia	Ukraine	Russia	Ukraine	Russia	Ukraine	
Operating income	790.9	131.7	291.1	80.6	360.2	107.5	0.0
Add: depreciation and amortization	349.5	66.4	122.6	27.2	132.5	29.2	5.4
OIBDA	1 140.4	198.1	413.7	107.8	492.7	136.7	5.4

Appendix A (cont'd)



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

	1999	2000	2001	2002	2003		Q3 2003	Q2 2004	Q3 2004
Operating margin	32.3%	26.0%	36.3%	34.1%	36.2%		38.0%	40.5%	43.0%
Add: depreciation and amortization as a percentage of revenues	15.0%	16.4%	14.9%	15.4%	16.3%		15.7%	16.3%	15.4%
OIBDA margin	47.3%	42.3%	51.2%	49.5%	52.6%		53.7%	56.8%	58.4%

	FY 2003		Q2 2004		Q3 2004		Aug. 1 - Sept. 30, 2004 Uzbekistan
	Russia	Ukraine	Russia	Ukraine	Russia	Ukraine	
Operating margin	36.7%	33.4%	40.0%	42.3%	43.1%	44.5%	0.0%
Add: depreciation and amortization as a percentage of revenues	16.3%	16.9%	16.8%	14.3%	15.9%	12.1%	53.5%
OIBDA margin	53.0%	50.3%	56.8%	56.6%	59.0%	56.7%	53.5%

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

US\$ mln	As of Sept. 30, 2004
OIBDA for the three months ended December 31, 2003	400.6
OIBDA for the nine months ended September 30, 2004	1 596.9
LTM OIBDA at Sept. 30, 2004	1 997.5

Appendix B



Free cash flow can be reconciled to our consolidated statements of cash flows as follows:

US\$ mln	Nine months ended September 30, 2004	Nine months ended September 30, 2003
Net cash provided by operating activities	1 278.3	667.8
Less:		
Purchase of PP&E	697.3	560.9
Purchase of intangible assets	82.9	74.7
TAIF call option exercised	63.0	-
Investments in and advances to associates	2.2	50.3
Acquisition of subsidiaries, net of cash acquired	172.2	629.3
Free cash flow	260.7	(647.5)

Appendix C



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

US\$ mln	As of Sept. 30, 2004	As of June 30, 2004	As of Dec. 31, 2003
Current portion of LT debt and of capital lease obligations	383	461	710
LT debt	1 099	930	942
Capital lease obligations	5	7	8
Total debt	1 487	1 398	1 660
Less:			
Cash and cash equivalents	193	290	90
ST investments	51	59	245
Net debt	1 243	1 049	1 325