Mobile TeleSystems

Q4 and FY 2004

Financial and Operating Results

Management Presentation

March 2005

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Main Results of 2004

Operating Highlights

- Consolidated subscriber base more than doubled increasing by 17.5m customers from 16.7m at YE 2003 to 34.2m at YE 2004
- #1 position successfully retained in Russia and Ukraine; in Belarus, MTS' 49%-owned joint venture overtook the leading position on the market
- Further significant subscriber expansion in 2005 to 38.1m customers as of March 21, 2005

Financial Highlights

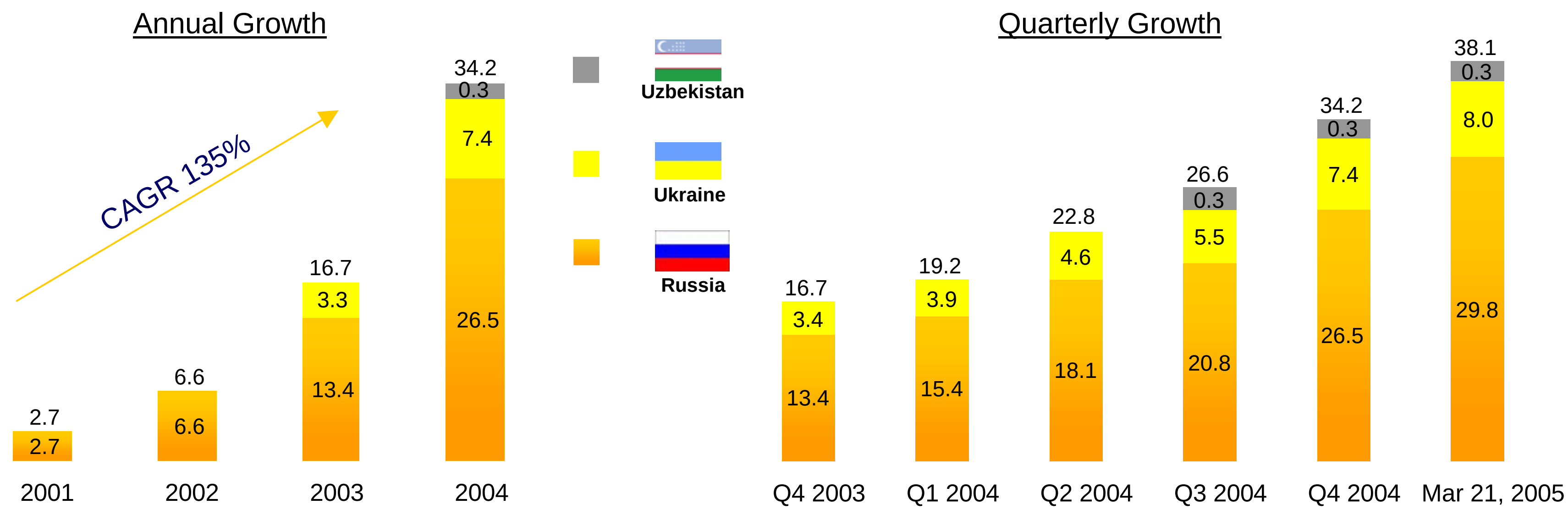
- FY 2004 revenues up 53% y-o-y to $3.9bn
- OIBDA* up 57% to $2.1bn; an all-time high annual OIBDA* margin of 53.9%
- Net income nearly doubled to $1.0bn
- Significantly improved cash-flow generation; free cash-flow (excluding acquisitions) of $353m in 2004 compared to negative $62m in 2003

Business Expansion

- New licenses received for 11 regions in Russia (population 14.3m)
- 3 local wireless operators acquired (operating in 4 regions of Russia)
- Operational footprint extended to 77 regions of Russia from 60 at YE 2003 as a result of greenfield rollouts and acquisitions
- Ownership consolidated in 8 subsidiaries in Russia
- A leading wireless operator acquired in Uzbekistan, an under-penetrated country with a population of 25m

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

Subscriber Base Dynamics



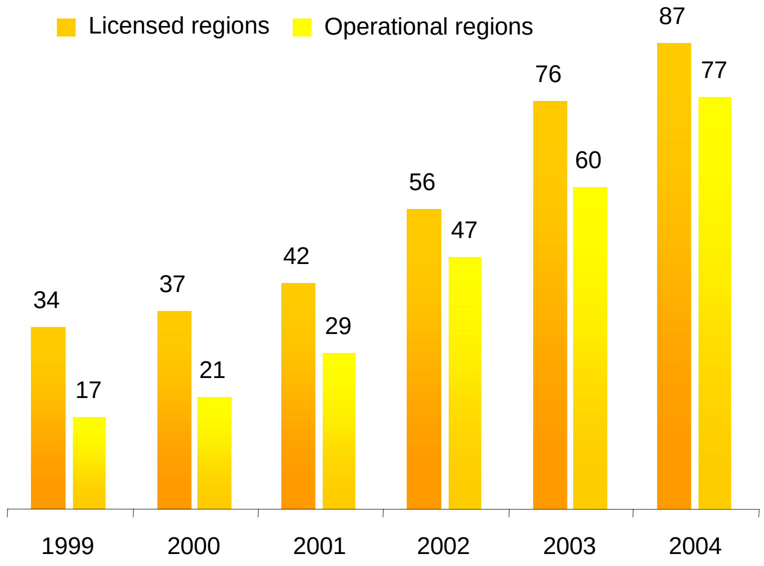
- In 2004 MTS more than doubled its customer base by adding approximately 17.5m new customers resulting in a consolidated subscriber base of 34.2m subscribers (26.5m in Russia, 7.4m in Ukraine and 0.3m in Uzbekistan) at YE 2004
- This growth continued in 2005 and, as of March 21, 2005, MTS has a total of 38.1m subscribers (29.8m in Russia, 8.0m in Ukraine and 0.3m in Uzbekistan)
- In addition, MTS' unconsolidated joint venture in Belarus provided services to 1.2m subscribers as of YE 2004 and 1.4m as of March 21, 2005

- Accelerated subscriber growth in Q4 2004 was a result of strong consumer demand ahead of the New Year and Christmas holidays as well as MTS' promotional campaigns during the period
- 7.5m customers added in Q4 2004 alone (5.7m in Russia and 1.8m in Ukraine), of which 7.3m organically

Footprint Expansion

- As a result of the receipt of additional regional licenses in Russia in 2004 and the Uzbekistan acquisition in August 2004, MTS' license coverage expanded to over 225m POPs (186m at YE 2003):
  - 87 out of 89 regions in Russia - 143m
  - Ukraine - 47m
  - Uzbekistan - 25m
  - Belarus - 10m
- In 2004 MTS' regional operational footprint in Russia increased from 60 regions (population 116.7m) at YE 2003 to 77 (population 137.3m) at YE 2004 as a result of 13 greenfield launches and the acquisition of 3 local operators:
  - Gorizont RT (Republic of Sakha (Yakutia) in the Far Eastern part of Russia)
  - Sibintertelecom (Chita Region and Aginsk-Buryatsk Autonomous District in the Far Eastern part of Russia)
  - Telesot-Alania (the Republic of North Ossetia in the Southern part of Russia)

MTS' Operational Footprint Expansion



Source: MTS

Operating Overview: Russia

Market Growth

- In 2004 the number of mobile phone users in Russia increased by 37.7m from 36.2m (penetration 25%) at YE 2003 to 73.9m at YE 2004 (penetration 51%)
- In the country's two largest markets, Moscow and St Petersburg, penetration increased from 68% to 99% and from 56% to 92% respectively

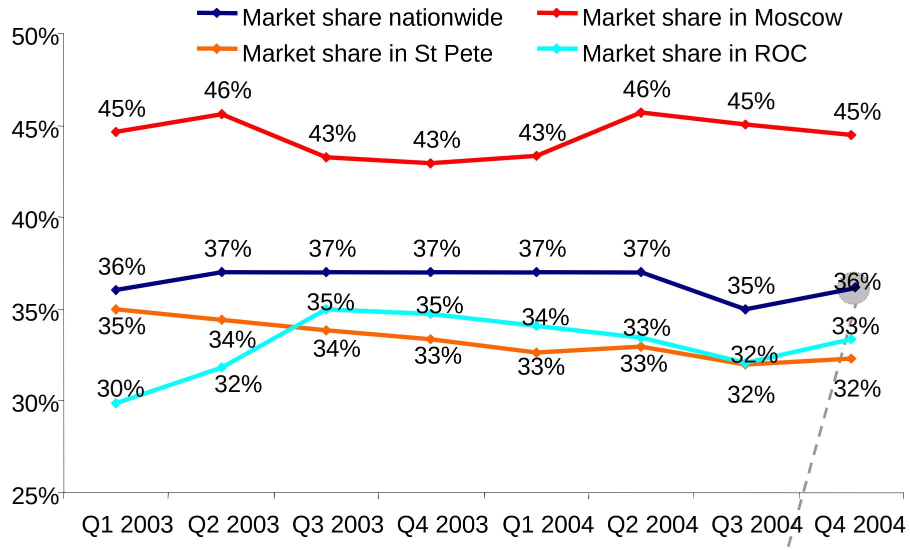
Subscriber Development

- In 2004 MTS' consolidated subscriber base increased by 13.1m new customers in Russia, of which 12.6m were added organically
- Pre-paid *Jeans* subscribers accounted for 84% of gross additions in Russia; at YE 2004, 77% of total subscribers in Russia were signed to *Jeans* compared to 44% at YE 2003

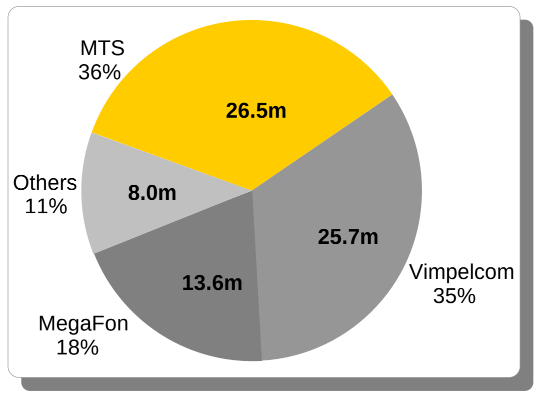
Market Share

- Leading market share retained in Russia and in Moscow

MTS' Market Share Dynamics in Russia



Market Share in Russia at YE 2004



Source: MTS, AC&M-Consulting

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

Key Marketing Initiatives and Promotions (1/2)

In Q4 2004 MTS' marketing initiatives and promotions were geared towards the retention of the Company's leading market position in the run-up to the holiday season:

- **JEANS-MINUTE**
  valid: from October 18, 2004 to February 28, 2005
  - Service added after a single activation fee
  - Subscribers only pay for one minute, regardless of call length, for an outgoing call to another MTS customer
  - Offer aimed at stimulating subscriber additions and increasing the competitiveness of MTS' tariff plans
  - The offer had an almost neutral effect on ARPU as loss in airtime revenues was largely compensated by the activation fee
- **JEANS Gift Package**
  valid: from December 1, 2004 to January 15, 2005
  - Subscribers who signed up for one of MTS' tariff plans received a JEANS package as a present
  - Offer aimed at increasing the Company's subscriber base
  - Gift packages provided $5 worth of free airtime
  - Around 500,000 gift packages were issued at MTS' own proprietary offices during the period; in addition, MTS' dealers presented JEANS gift packages (purchased from MTS for around $10) at their discretion
- **2005 JEANS Seconds**
  valid: from December 10, 2004 to January 15, 2005
  - Moscow subscribers who purchased and activated their JEANS package during the promotion period received up to 2005 bonus seconds (worth approximately $8)
  - Offer intended to stimulate growth of new additions in the period prior to the New Year holidays
  - Approximately one million JEANS packages with bonus seconds sold

Key Marketing Initiatives and Promotions (2/2)

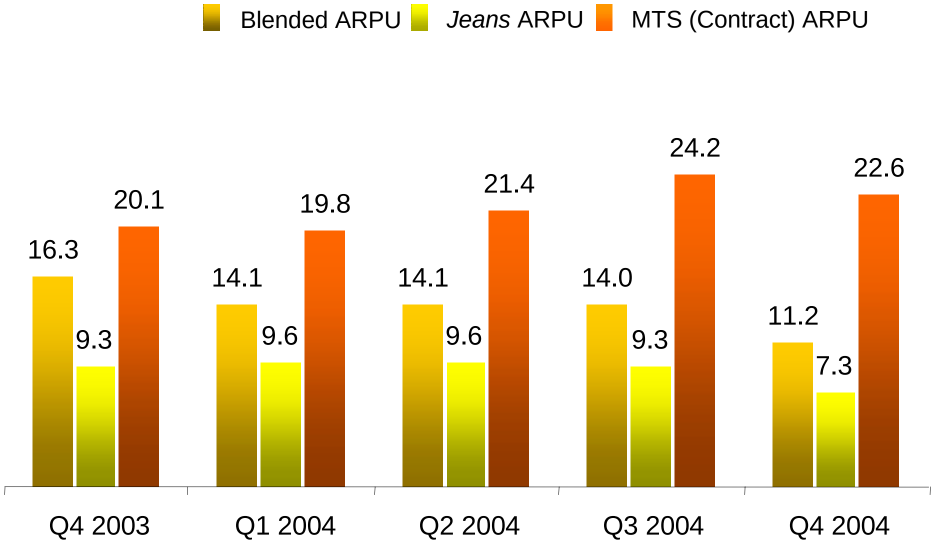
- **Long Distance Service Offer**
  valid: from November 2004; no time limit
  - Unified conditions for intra-network calls within MTS' coverage area
  - Introduced to bring MTS' tariff offers down in line with competitors' offers
  - Negative impact on ARPU is limited as (a) long distance traffic accounts for only about 3% of MTS' total traffic, and (b) decrease in tariffs results in traffic volume growth
- **"People in Yellow" Promotion**
  valid: from October 15, 2004 to February 2005
  - Promotion aimed at motivating dealers to sign up subscribers to MTS
  - The most active dealership managers and owners received gifts from MTS
  - Almost 40,000 managers participated
- **Special Offer: MTS-branded Handsets**
  valid: from December 2004; no time limit
  - Subscribers can purchase MTS-branded handsets for 1,800 RUR (around $66), provided that $20 is credited to their account at the time of purchase; the cost of the handsets to MTS is approximately $80
  - Offer promotes MTS-branded handsets; around 100,000 sold to date

Russia: Key Figures (ARPU, MOU)

- Record expansion in the subscriber base in 2004 resulted in a further dilution of subscriber mix by mass-market subscribers that, along with certain tariff reductions and promotions, led to a decline in ARPU
- Q4 2004 ARPU was negatively affected by a seasonal decline in roaming revenues

- Increase in usage in 2004 compared to 2003 is partially due to promotions resulting in rising volumes of on-net traffic
- The share of on-net traffic as a percentage of total traffic increased from 55% at the end of 2003 to 58% at the end of 2004

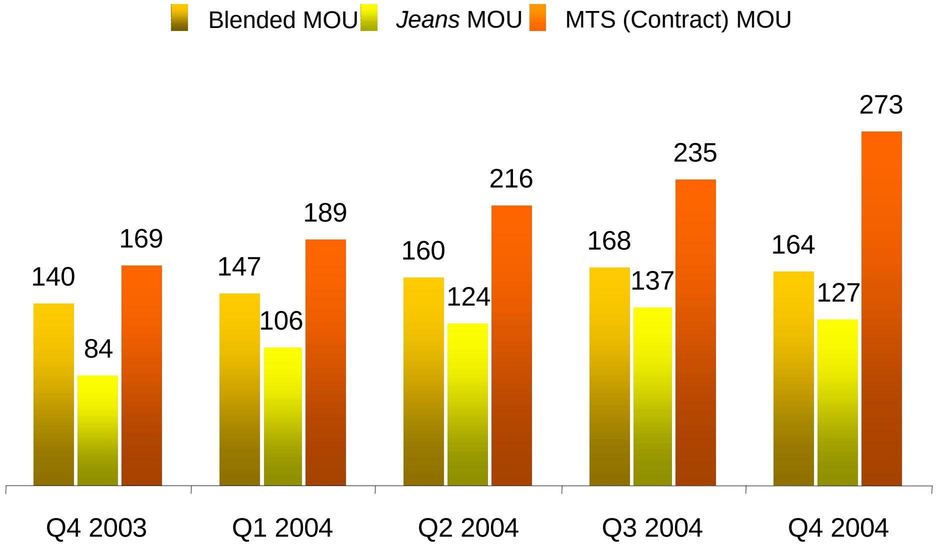
ARPU in Russia (US$)



2003 ARPU - $17.1; 2004 ARPU - $12.2

Source: MTS

MOU in Russia (minutes)



2003 MOU - 144 minutes; 2004 MOU - 157 minutes

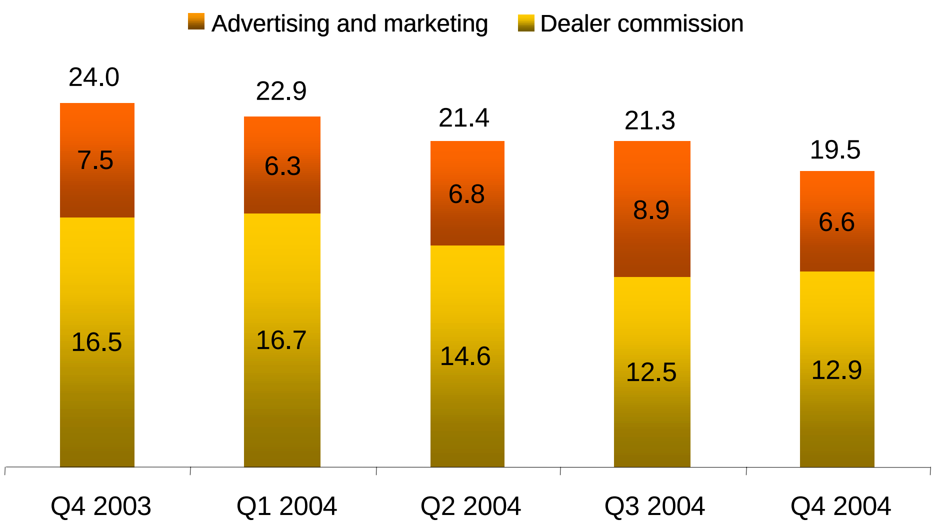
Source: MTS

Russia: Key Figures (SAC, Churn)

- SAC per gross additional subscriber continued to decline in 2004, reflecting the lower cost of attracting mass-market subscribers and the increased economies of scale
- Despite significantly increased dealer commission costs in Q4 2004 due to high subscriber intake, SAC was down on a per gross new subscriber basis

- Churn rate substantially decreased year-on-year due to customer retention and dealer loyalty oriented initiatives
- High subscriber growth in December 2004 and January 2005 may potentially lead to an increase in churn in the summer of 2005

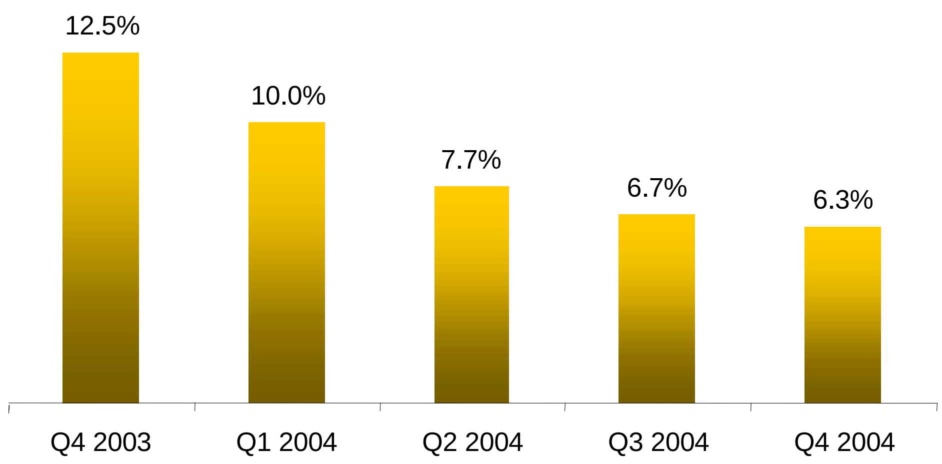
SAC per Gross Additional Subscriber in Russia (US$)



2003 SAC - $26; 2004 SAC - $21

Source: MTS

Quarterly Churn in Russia



2003 Annual Churn - 47.3%; 2004 Annual Churn - 27.5%

Source: MTS

Operating Overview: Ukraine

Market Growth

- At YE 2004 the number of subscribers in Ukraine reached approximately 13.9m with a mobile penetration of 29% (6.5m with a mobile penetration of 14% at YE 2003)

Subscriber Development

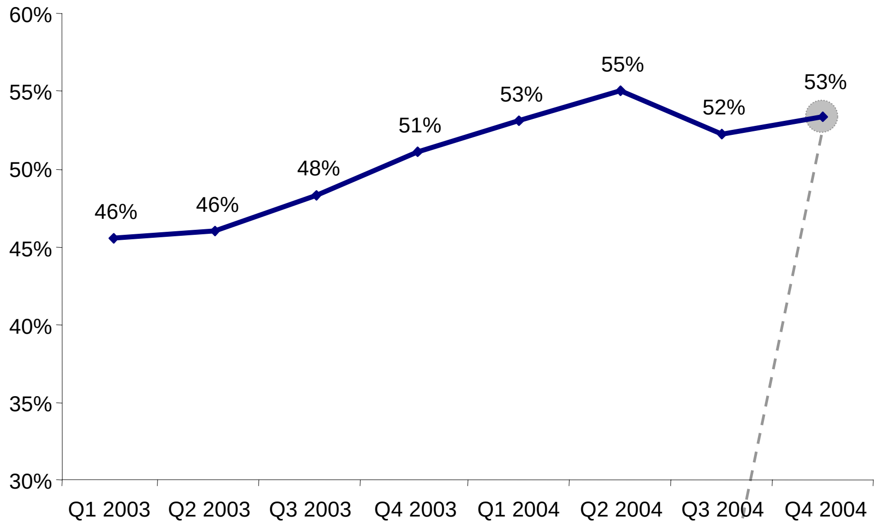
- At YE 2004 the number of UMC (MTS' 100%-owned subsidiary in Ukraine) subscribers increased by 4.0m to 7.4m compared to YE 2003
- Pre-paid subscribers (*Jeans* and *SIM-SIM*) accounted for 91% of gross additions in Ukraine; the share of customers using pre-paid at YE 2004 was 86% (79% at YE 2003)

Market Share

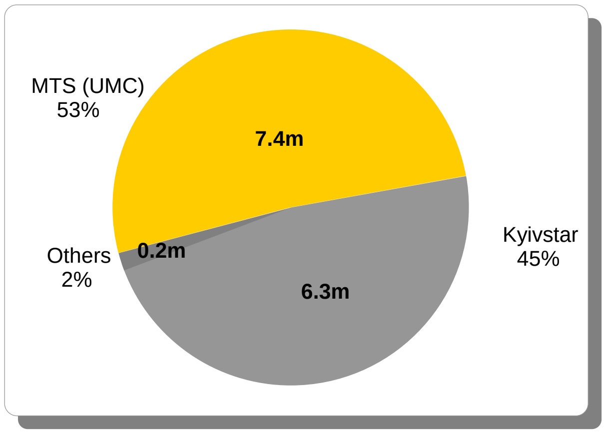
- Market share up from 51% to 53%

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

MTS' Market Share Dynamics in Ukraine



Market Share in Ukraine at YE 2004



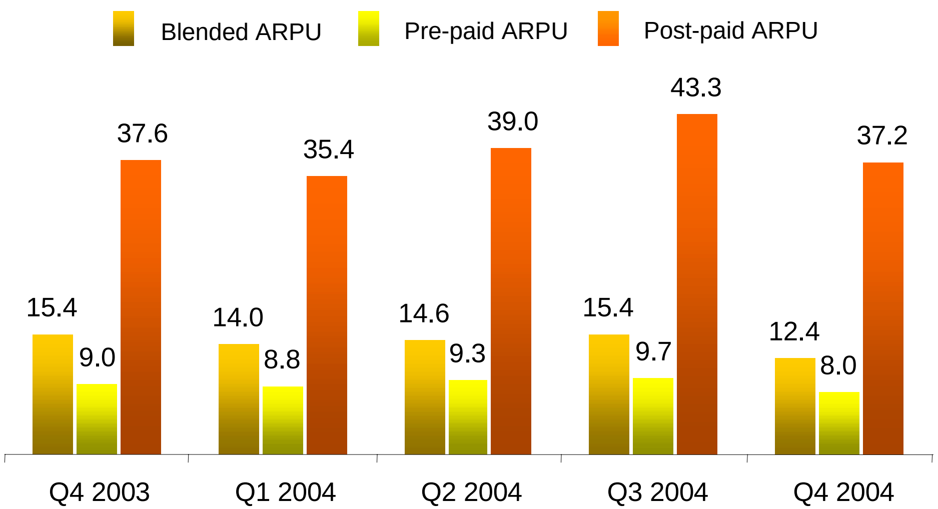
Source: MTS, AC&M-Consulting

Ukraine: Key Figures (ARPU, MOU)

- As in Russia, dilution of the subscriber mix by mass-market subscribers and the effect of promotions resulted in a decline in ARPU in 2004
- Increased population spending capacity following the reduction in personal income tax from 40% to 13% (effective from January 1, 2004), helped smooth the decline in ARPU during 2004
- Q4 2004 ARPU was also negatively affected by a seasonal decline in roaming revenues

- MOU increased to 114 minutes in 2004 from 91 minutes in 2003
- Usage in Q4 2004, however, was lower as a result of the political turbulence and temporary imposition of certain banking restrictions

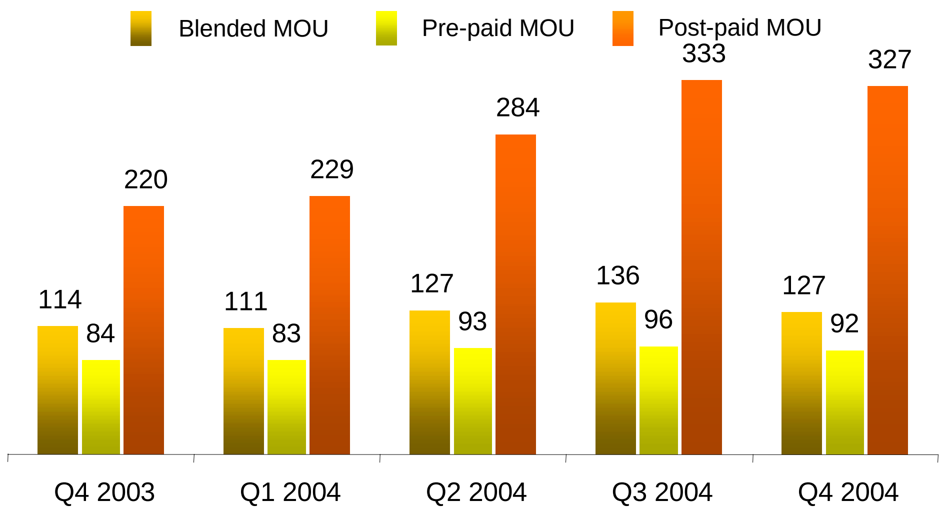
ARPU in Ukraine (US$)



2003 ARPU - $14.6; 2004 ARPU - $12.6

Source: MTS

MOU in Ukraine (minutes)



2003 MOU - 91 minutes; 2004 MOU - 114 minutes

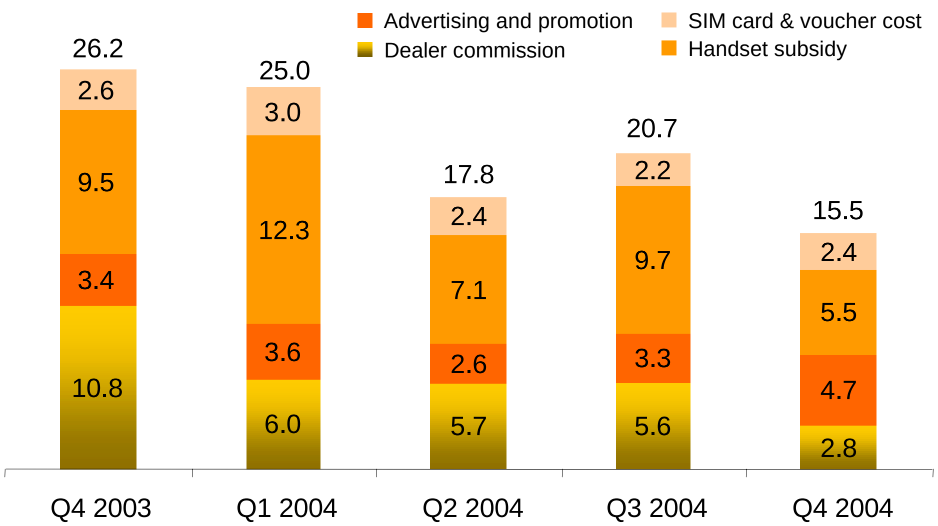
Source: MTS

Ukraine: Key Figures (SAC, Churn)

- SAC decline was due to an increased proportion of mass-market subscribers in new subscriber additions

- Decrease in quarterly churn rate to 1.7% in Q4 2004 due to change in churn policy from 3 to 6 months; annual churn rate in 2004 was at 15.8%
- Based on methodology previously employed by UMC, quarterly churn rate in Q4 2004 was at 7.2% and annual churn was at 23.0%

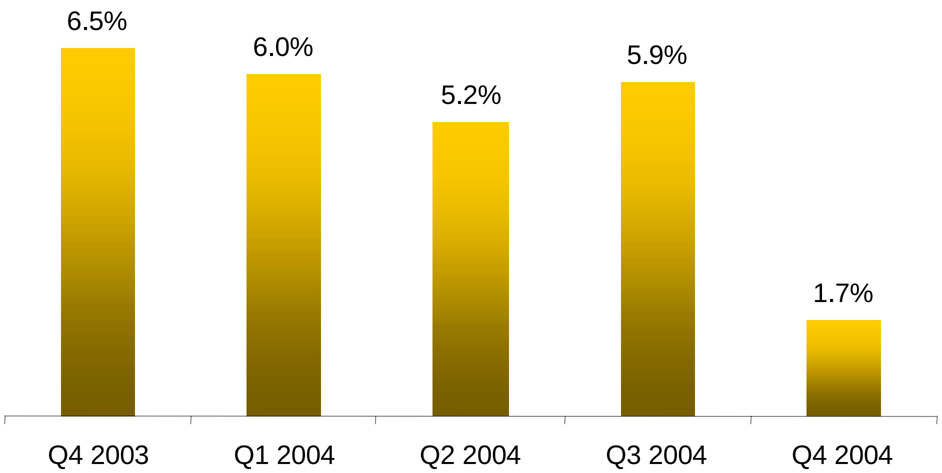
SAC in Ukraine (US$)



2003 SAC - $34; 2004 SAC - $19

Source: MTS

Quarterly Churn in Ukraine



Source: MTS

Market Growth: Belarus

Market Growth

- At YE 2004 the number of mobile phone users in Belarus reached 2.4m with a mobile penetration of 24% (1.3m with a mobile penetration of 11% at YE 2003)

Subscriber Development

- MTS' 49%-owned joint venture provided services to 1.21m subscribers at YE 2004, up from 0.46m at YE 2003

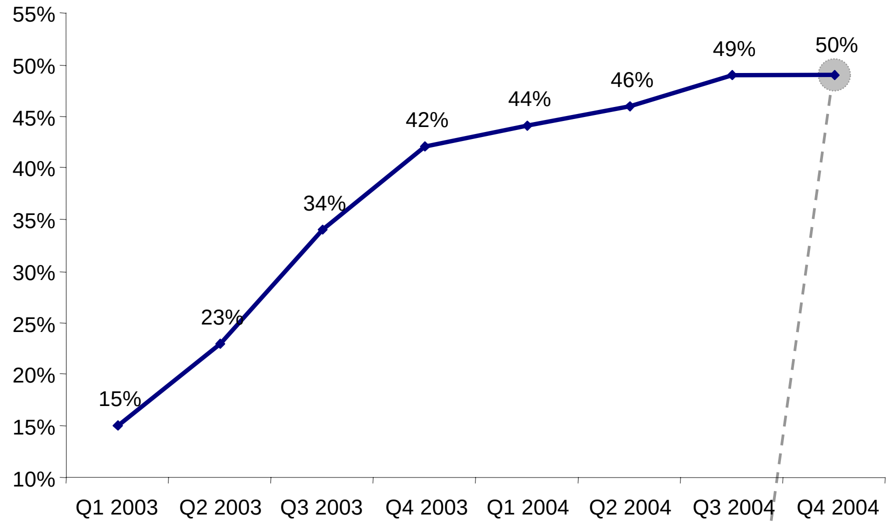
Market Share

- The company's market share further increased from 44% at YE 2003 to 50% at YE 2004
- The company overtook the leading position from the incumbent operator in H2 2004

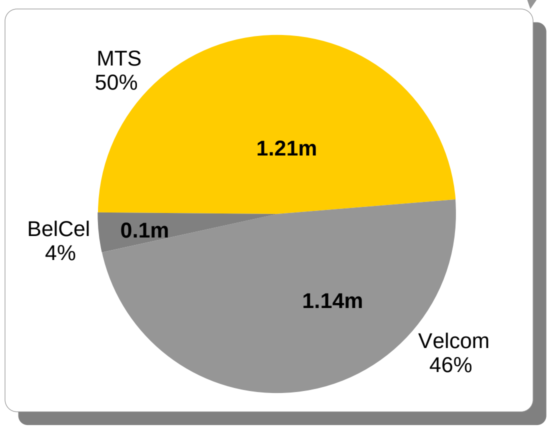
Because of its minority ownership in the joint venture, MTS does not consolidate its operations in Belarus into its financial or operating numbers

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

MTS' Market Share Dynamics in Belarus



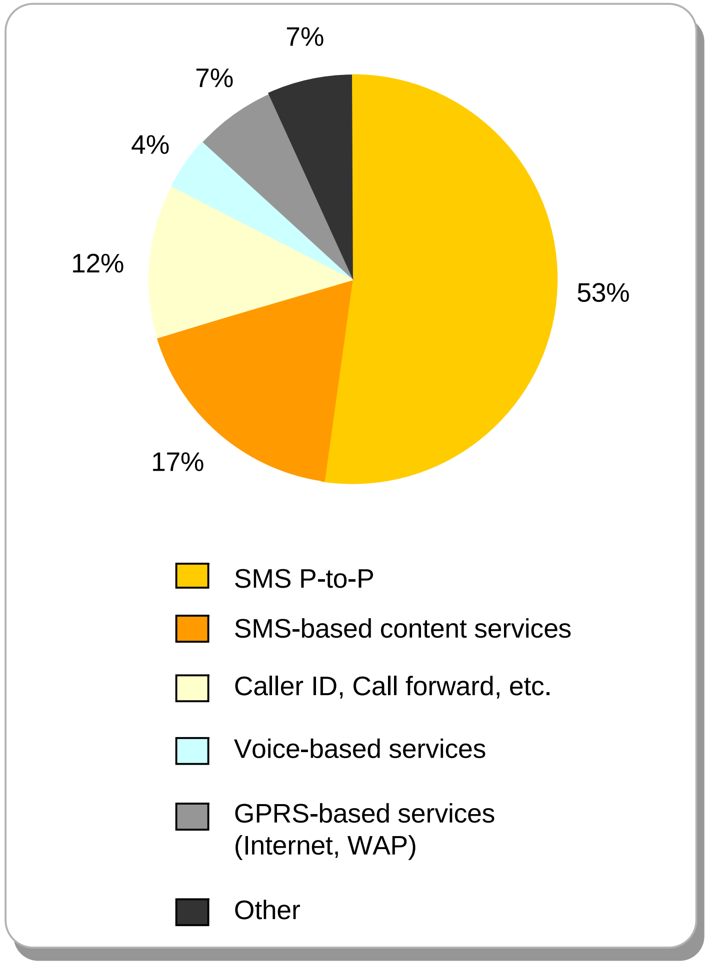
Market Share in Belarus at YE 2004



Value-Added Services

- In 2004 value-added services (VAS) accounted for approximately 11% of total ARPU
- Point-to-point SMS remains the main contributor to VAS revenues
- The launch of the i-mode service under MTS' exclusive agreement signed with DoCoMo in December 2004 is scheduled for H2 2005 in Moscow and St Petersburg

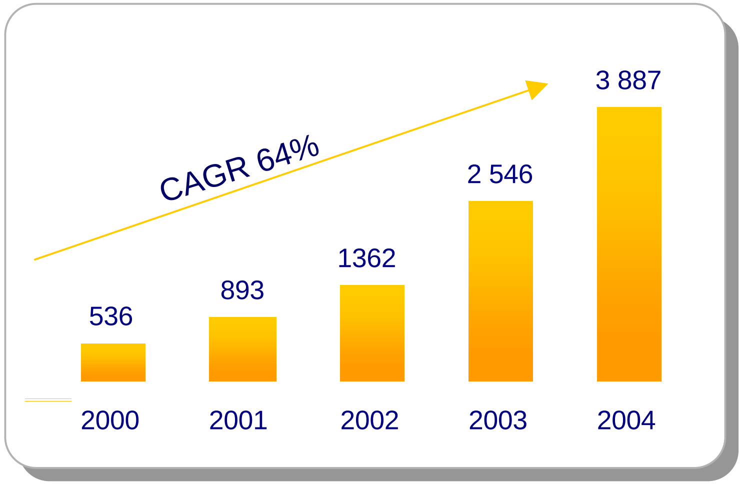
Breakdown of Revenues from VAS



Source: MTS

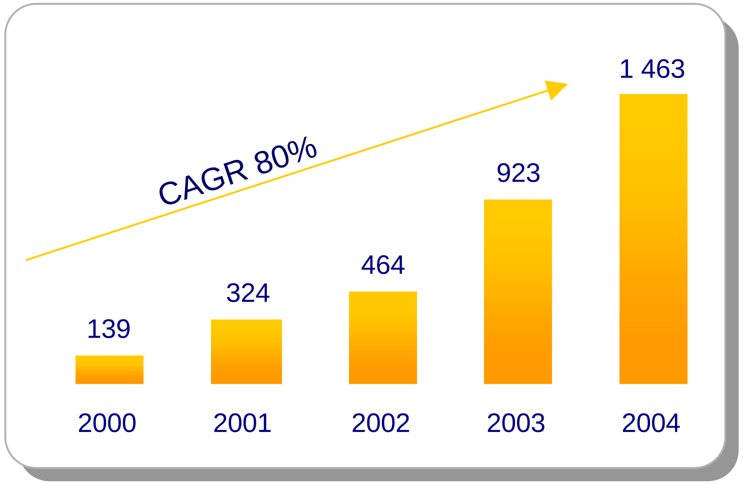
Annual Financial Highlights

Revenues (US$ mln)



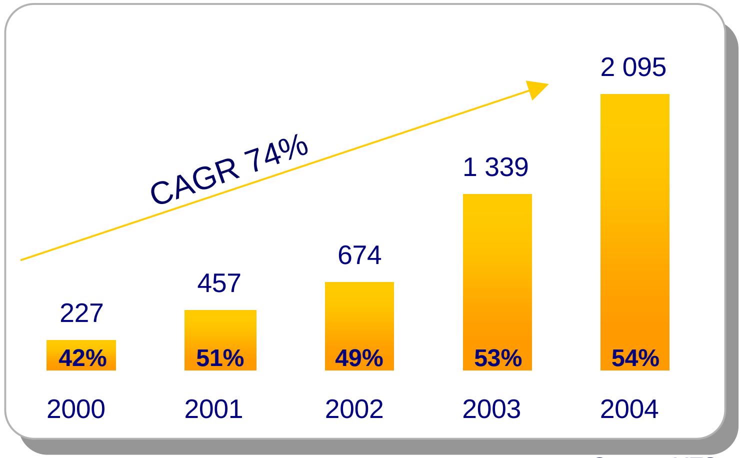
Source: MTS

Operating Income (US$ mln)



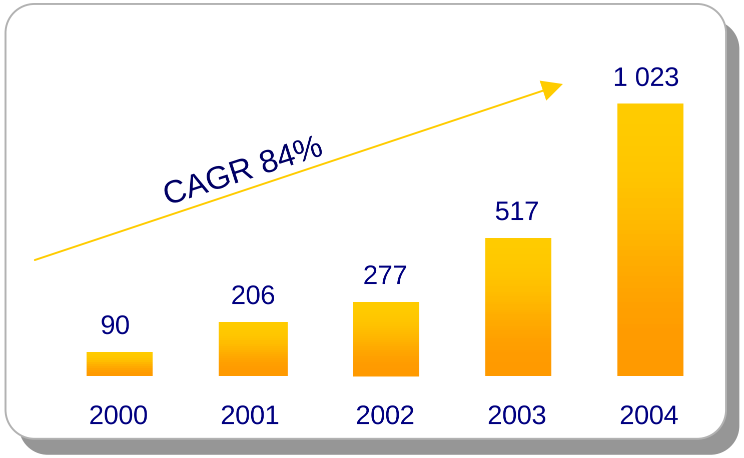
Source: MTS

OIBDA* (US$ mln), OIBDA Margin



Source: MTS

Net Income (US$ mln)



Source: MTS

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

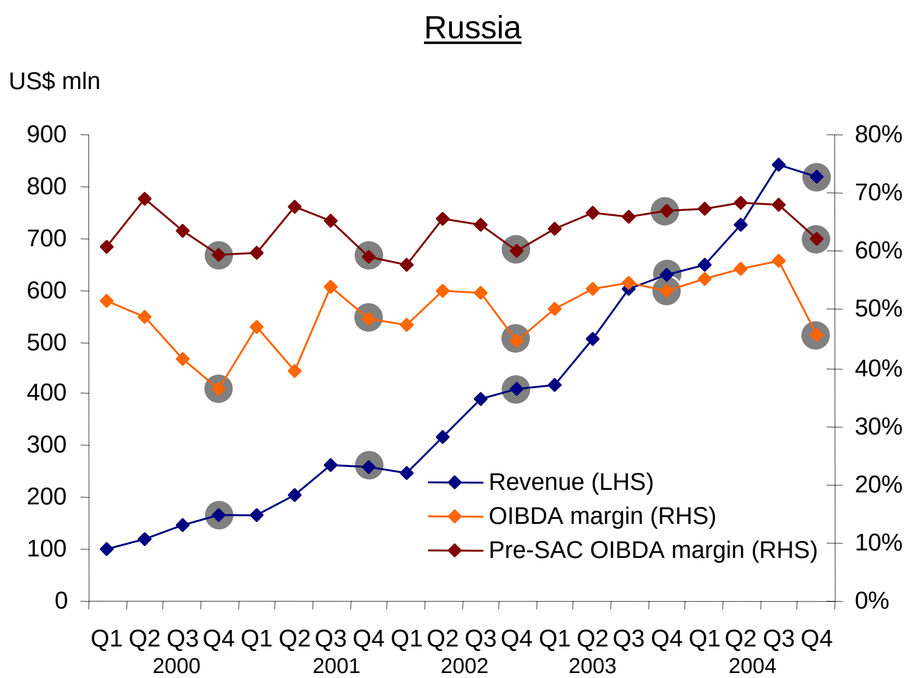
Financial Highlights by Country of Operation

US$ mln	Q4 2004	Q3 2004	Change	Q4 2003	Change	FY 2004	FY 2003	Change
Russia								
Revenues	818.8[1]	848.9[2]	-3.5%	630.5	29.9%	3 043.9[3]	2 157.7[4]	41.1%
OIBDA	373.0	492.6	-24.3%	333.4	11.9%	1 636.6	1 140.4	43.5%
OIBDA margin	*45.6%*	*58.0%*	-	*52.9%*	-	*53.8%*	*52.9%*	-
Net income	153.4	259.5	-40.9%	129.7	18.3%	787.0	449.8	75.0%
Ukraine								
Revenues	245.9[5]	241.2[6]	2.0%	142.5	72.5%	832.3[7]	394.0	-[8]
OIBDA	114.8	136.7	-16.0%	67.2	70.9%	442.8	198.1	-
OIBDA margin	*46.7%*	*56.7%*	-	*47.2%*	-	*53.2%*	*50.3%*	-
Net income	51.9	78.6	-34.1%	23.0	125.5%	231.7	67.4	-
Uzbekistan								
Revenues	16.7	10.1	65.3%	-	-	26.8	-	-
OIBDA	10.0	5.4	85.2%	-	-	15.4	-	-
OIBDA margin	*59.9%*	*53.5%*	-	-	-	*57.5%*	-	-
Net income	3.9	0.1	100.0%	-	-	4.0	-	-
Consolidated								
Revenues	1 079.7	1 086.4	-0.6%	771.7	39.9%	3 887.0	2 546.2	52.7%
OIBDA	497.9	634.8	-21.6%	400.6	24.3%	2 094.8	1 338.5	56.5%
OIBDA margin	*46.1%*	*58.4%*	-	*51.9%*	-	*53.9%*	*52.6%*	-
Net income	209.1	338.3	-38.2%	152.7	37.0%	1 022.7	517.2	97.7%

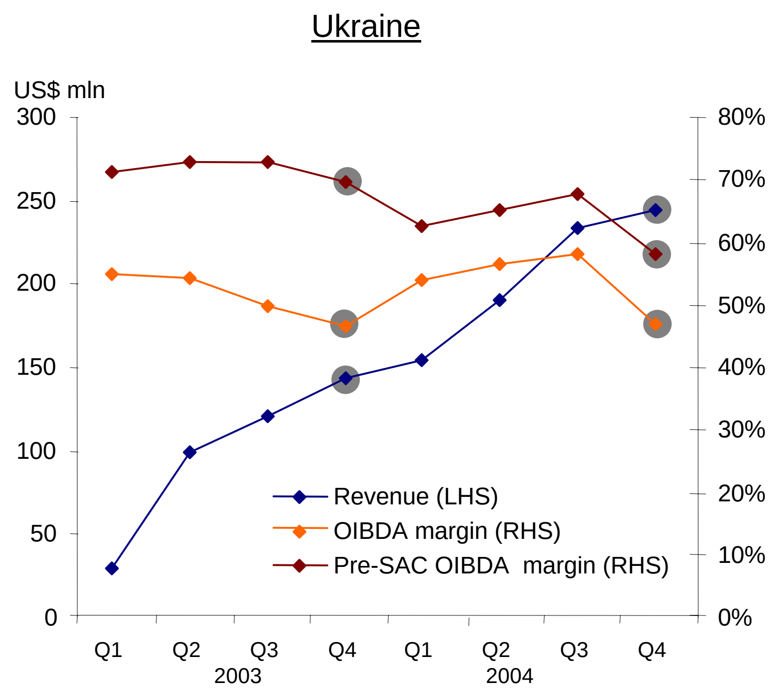
[1]Excluding intercompany eliminations of $0.5m; [2]Excluding intercompany eliminations of $6.7m; [3]Excluding intercompany eliminations of $7.8m; [4]Excluding intercompany eliminations of $5.5m; [5]Excluding intercompany eliminations of $1.1m; [6]Excluding intercompany eliminations of $7.1m; [7]Excluding intercompany eliminations of $8.2m; [8]No year-on-year comparison is provided as MTS consolidated UMC, its 100%-owned subsidiary in Ukraine, only during the last 10 months of 2003

Quarterly Financial Dynamics

- Typically for the last quarter of the year Q4 2004 was characterized by negative revenue dynamics in Russia and only modest topline growth in Ukraine on a q-on-q basis
- OIBDA margin was also seasonally lower in Q4 2004 for both the Russian and Ukrainian operations
- Pre-SAC margin was down in line with trends experienced in previous years



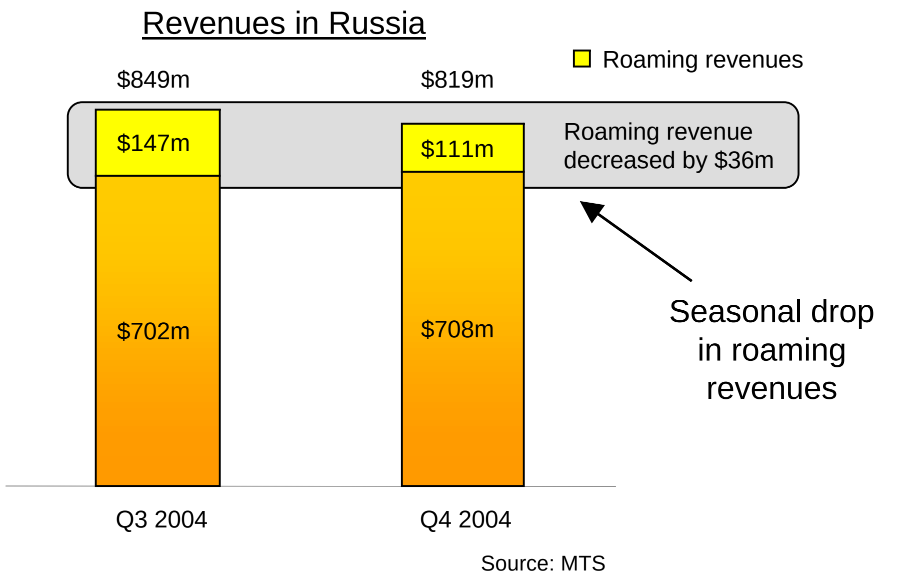
Source: MTS

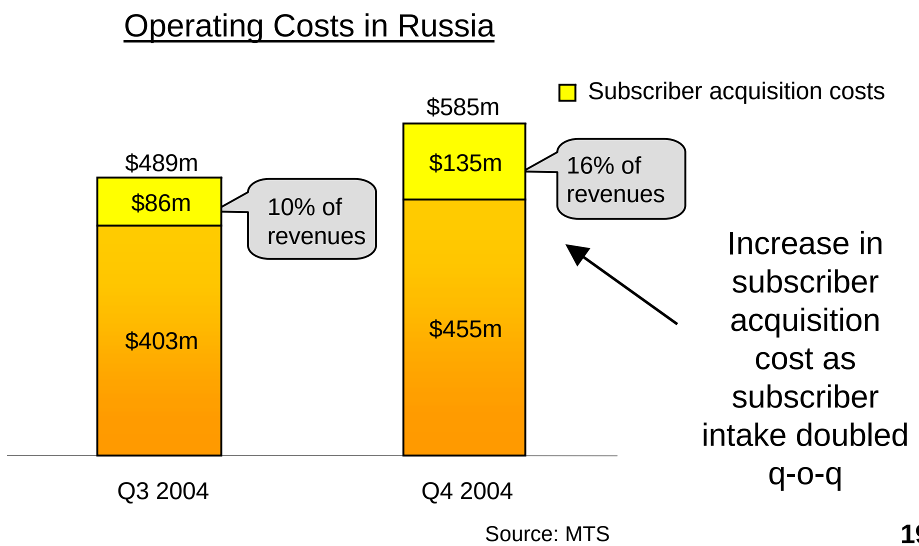


Source: MTS

Analysis: Russia

- Q4 2004 revenue dynamics in Russia were impacted by the following factors:
  - Significant seasonal drop in roaming revenues
  - Insignificant contribution to revenues from subscribers added in Q4 2004 as most were signed up towards the end of the quarter
  - Free airtime minutes given to subscribers under various seasonal promotions
- OIBDA margin weakness in Q4 2004 compared to the previous quarter was due to:
  - Negative revenue dynamics
  - Substantially increased subscriber acquisition costs (in particular, commissions paid to dealers) on the back of accelerated subscriber growth during the quarter (5.7m new customers vs 2.7m in Q3 2004)
  - Start-up costs in the newly launched regions in Q4 2004 (10 newly launched via greenfield expansion)

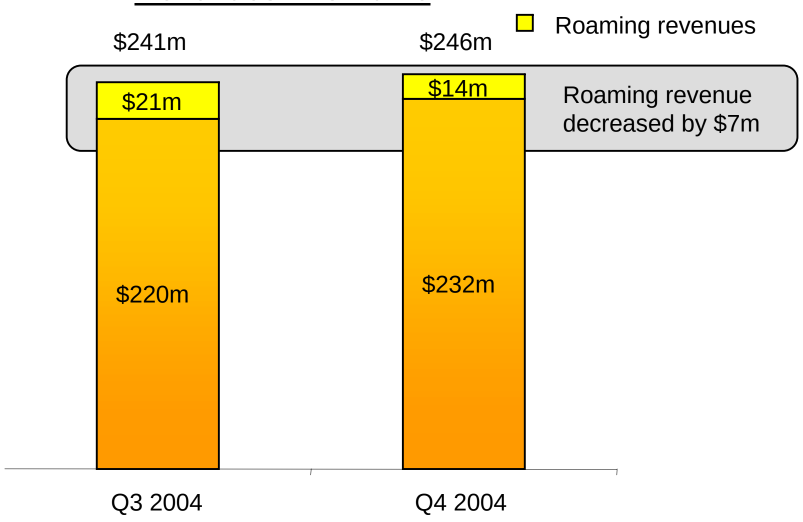




Analysis: Ukraine

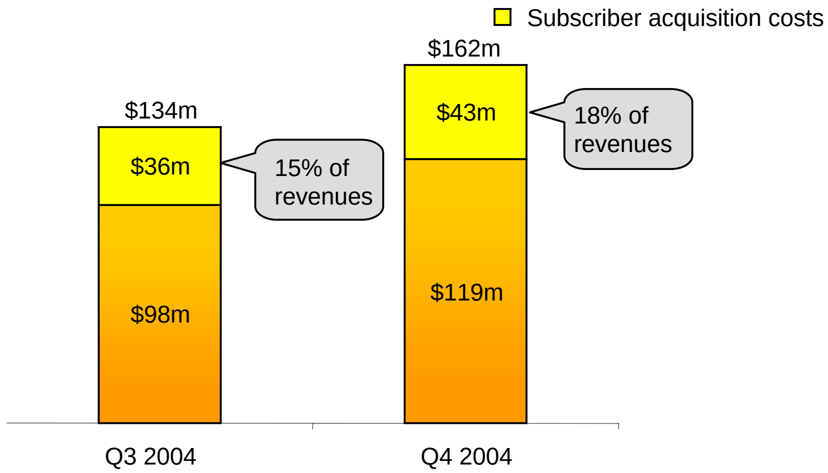
- Q4 2004 revenue dynamics in Ukraine were also impacted by a significant seasonal drop in roaming revenues; and insignificant contribution to revenues from subscribers added, as most signed up towards the end of the period
- Also, lower usage as a result of political turbulence and temporary imposition of certain banking restrictions negatively influenced revenues
- OIBDA margin weakness in Q4 2004 was due to insignificant revenue growth and increased total subscriber acquisition costs on the back of accelerated subscriber intake during the quarter (1.8m new customers vs 0.9m in Q3 2004)

Revenues in Ukraine



Source: MTS

Operating Costs in Ukraine



Source: MTS

CAPEX and Leverage

- In 2004 cash expenditures on PP&E (excluding acquisitions) amounted to $1.2bn, of which Russia made up $955m, Ukraine $246m, and Uzbekistan $3m
  - Cash expenditures on PP&E in Q4 2004 totaled $507m, of which $407m was invested in Russia, $99m in Ukraine, and $1m in Uzbekistan
- In addition, expenditure on intangible assets during 2004 amounted to $155m ($119m in Russia and $36m in Ukraine)
  - MTS spent $72 million on the purchase of intangible assets during Q4 2004 ($68 million in Russia and $4 million in Ukraine)
- During 2004 $356m was spent (net of cash in acquired companies) on the acquisition of mobile operators and consolidation of minority stakes in the Company's subsidiaries, including:
  - $235m in the regions of Russia, and
  - $121m on acquiring the business in Uzbekistan
- For FY 2005 the Company plans to spend around $1.8bn on CAPEX (excluding acquisitions), but not more than 35% of annual revenues

MTS' Leverage

US$ mln	YE 2003	YE 2004
Cash and cash equivalents	$90.4	$274.2
ST investments	$245.0	$73.4
Total debt	$1 660.3	$1 937.1
LT debt	$950.0	$1 557.7
ST debt	$710.3	$379.4
Net debt*	$1 324.9	$1 589.6
Shareholders' equity	$1 723.9	$2 558.2
Total assets	$4 225.4	$5 627.1
OIBDA	$1 338.5	$2 094.8
Net debt / assets	0.3x	0.3x
Net debt / equity	0.8x	0.6x
Net debt / OIBDA	1.0x	0.8x

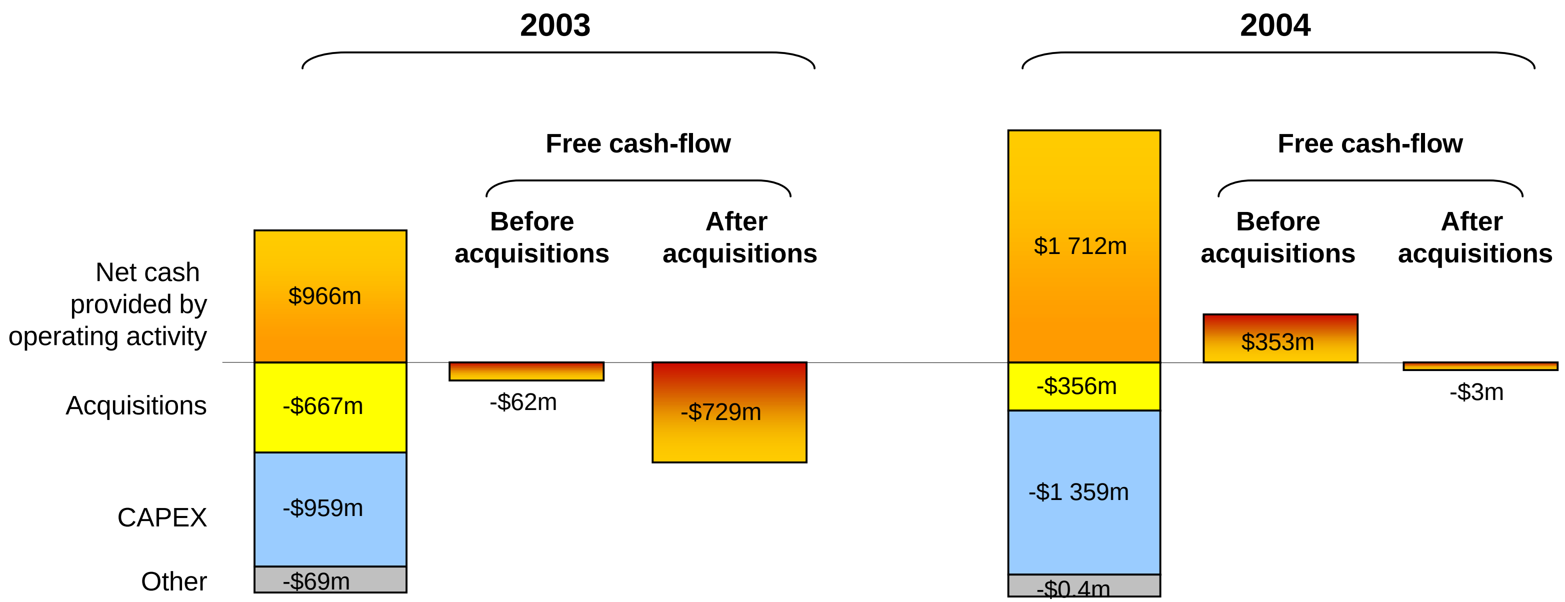
Source: MTS

*See Appendix for reconciliations of net debt to balance sheets

Relative leverage decreased in 2004

Free Cash-Flow Dynamics

- Significantly improved cash-flow generation; free cash-flow (excluding acquisitions) of $353m in 2004 compared to negative $62m in 2003
- Slightly cash-flow negative $3m in 2004 after acquisitions

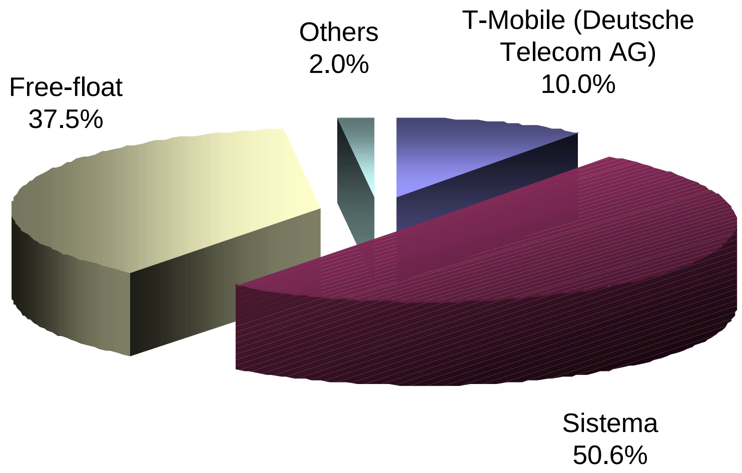


Source: MTS

Shareholder Structure Changes

- In December 2004, T-Mobile (a subsidiary of Deutsche Telekom) placed 15% of MTS shares with institutional shareholders, thereby reducing its equity stake to 10%
    - T-Mobile has agreed to a lockup until mid-August 2005 on its remaining holding
- As a result of this transaction, MTS' free-float increased to approximately 37.5%
- Change in shareholder structure had no influence on the Company's overall strategy

<u>MTS' Shareholder Structure</u>
<u>(as of December 31, 2004)</u>



Source: MTS

Appendix

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.

Subscriber acquisition cost (SAC). We define SAC as total sales and marketing expenses and handset subsidies for a given period. Sales and marketing expenses include advertising expenses and commissions to dealers. SAC per gross additional subscriber is calculated by dividing SAC during a given period by the total number of gross subscribers added by us during the period.

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 and pre-SAC OIBDA can be reconciled to our consolidated statements of operations as follows:

US$ mln	2000	2001	2002	2003	2004	Q4 2003	Q4 2004	Q3 2004
Operating income	139.0	324.1	464.4	922.6	1 463.5	272.8	317.3	467.6
Add: depreciation and amortization	87.7	133.3	209.7	415.9	631.3	127.8	180.6	167.2
OIBDA	226.7	457.4	674.1	1 338.5	2 094.8	400.6	497.9	634.8
SAC	76.4	107.7	172.0	326.8	461.0	107.4	162.6	107.5
Pre-SAC OIBDA	303.1	565.1	846.1	1 665.3	2 555.8	508.0	660.5	742.2

OIBDA and pre-SAC OIBDA margins can be reconciled to our operating margin as follows:

	2000	2001	2002	2003	2004	Q4 2003	Q4 2004	Q3 2004
Operating margin	26.0%	36.3%	34.1%	36.2%	37.7%	35.3%	29.4%	43.0%
Add: depreciation and amortization as a percentage of revenues	16.4%	14.9%	15.4%	16.3%	16.2%	16.6%	16.7%	15.4%
OIBDA margin	42.3%	51.2%	49.5%	52.6%	53.9%	51.9%	46.1%	58.4%
SAC	14.3%	12.1%	12.6%	12.8%	11.9%	13.9%	15.1%	9.9%
Pre-SAC OIBDA margin	56.6%	63.3%	62.1%	65.4%	65.8%	65.8%	61.2%	68.3%

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

US$ mln	2004	2003
Net cash provided by operating activities	1 711.6	966.0
Less:		
Purchase of PP&E	1 204.4	839.2
Purchase of intangible assets	154.5	119.6
Investments in and advances to associates	0.4	69.1
Acquisition of subsidiaries, net of cash acquired	355.7	667.2
Free cash flow	(3.4)	(729.1)

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

US$ mln	As of Dec. 31, 2004	As of Dec. 31, 2003
Current portion of LT debt and of capital lease obligations	379.4	710.3
LT debt	1 553.8	942.4
Capital lease obligations	3.9	7.6
Total debt	1 937.1	1 660.3
Less:		
Cash and cash equivalents	274.2	90.4
ST investments	73.4	245.0
Net debt	1 589.5	1 324.9