

Mobile TeleSystems

Q4 and FY 2003 Financial and Operating Results Management Presentation

March 30, 2004

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Highlights of the Year



□ Unprecedented growth

- In 2003, MTS' consolidated subscriber base increased by 10.1m or 153% from 6.6m to 16.7m users at December 31, 2003 and further by 2.4m to 19.1m as of March 28, 2004
- License coverage expanded from 116.4m to 186.3m POPs during 2003 and additional 14.3m in 2004
- FY 2003 revenue up 87.0% y-on-y to \$2.55bn, OIBDA* up 98.6% to \$1.34bn, net income up 86.6% to \$517.2m
- Dividends paid in 2003 for 2002 amounted to approximately \$114.7m (around 41% of US GAAP consolidated net income for 2002)

□ Expansion into the regions and neighboring countries

- A number of Russian regional operators were acquired at favorable valuations
- Acquisition of UMC, the leading wireless operator in Ukraine
- Increased ownership in certain subsidiaries to better extract the benefits of integration
- A number of previously acquired subsidiaries were transferred to the MTS brand to increase synergies of nationwide operations

□ Improved access to debt markets and share liquidity

- Three Eurobond issues totalling \$1.1bn successfully placed (284 to 350pp spread over Sovereign)
- Free float increased from 17.5% to 22.5%
- Domestic listing on MICEX obtained
- Effective March 29, 2004, Regulation S GDRs fungible into ADRs

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

Unique Combination of Size and Growth



MTS' Consolidated Subscriber Base, 1998-2004 (mln)



Source: MTS

- During 2003 MTS added 7.7m new subscribers organically and acquired 2.4m additional subscribers finishing the year with a consolidated subscriber base of 16.72m; subscribers' CAGR in 1998-2003 was over 170%
- In addition, at YE 2003 MTS' unconsolidated subsidiaries in Russia serviced 123,115 subscribers and its unconsolidated joint-venture in Belarus serviced 464,783 subscribers
- Since the beginning of 2004, MTS added around 2.4m new customers to its consolidated subscriber base and, as of March 28, 2004, provided services to 19.1m subscribers; in addition MTS' unconsolidated subsidiaries in Russia provided services to 160,900 users and its joint-venture in Belarus to 588,170

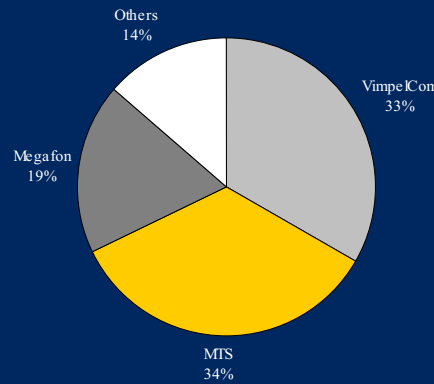
Market Growth: Russia



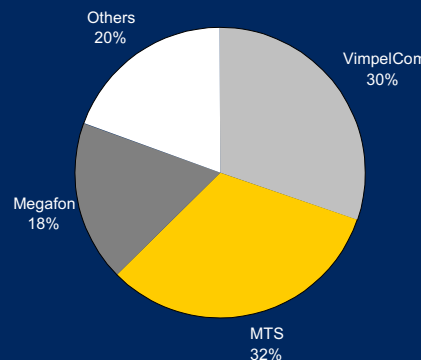
- Mobile penetration in the Russian market doubled during 2003 to 25.0% or around 36.2m mobile phone users; MTS has been the main beneficiary of this explosive market growth, with 34% of organic net additions in Russia in 2003*
- The main operating developments in Russia during 2003:
 - Tariff plans unified nationwide at the beginning of the year
 - Innovative marketing strategy in the pre-paid segment
 - Most previously acquired subsidiaries transferred to MTS brand (in Krasnodar, Rostov, Tatarstan)
- MTS remained the dominant operator in Russia with a stable market share of 37% compared to 32% for VimpelCom and 18% for MegaFon*
- Pre-paid *Jeans* subscribers accounted for 43% of organic additions and were 44% of total subscribers at YE 2003

*According to AC&M Consulting

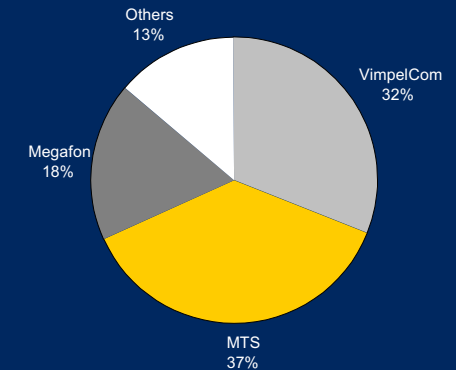
Share of Organic Net Additions in Russia in 2003



Share of Organic Net Additions in the Regions* in 2003

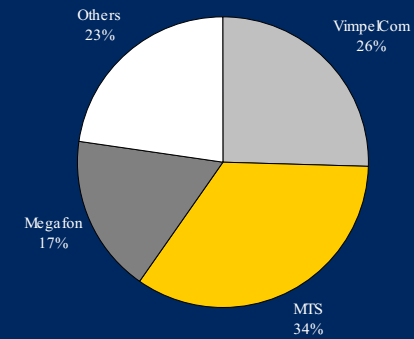


Market Share in Russia at YE 2003



Source: MTS, AC&M-Consulting

Market Share in the Regions at YE 2003



Source: MTS, AC&M-Consulting

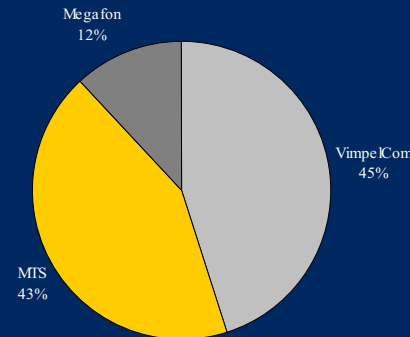
*Excluding Moscow and St. Petersburg License Areas

Market Growth: Moscow and St. Petersburg

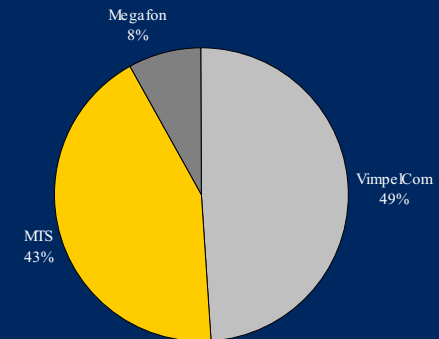


- At YE 2003, mobile penetration in Moscow and St. Petersburg was at 68% and 56% respectively, compared to 42% and 34% at YE 2002*
- In 2003 MTS accounted for 43%* of net additions in Moscow and thus managed to retain its 43%* market share despite increased market competition
- During 2003 competition significantly increased in the St. Petersburg market resulting in a 2pp drop in MTS' market share from 36% at YE 2002 to 33% at YE 2003

Share of Organic Net Additions in Moscow in 2003

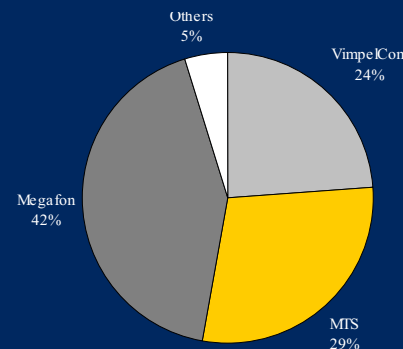


Market Share in Moscow at YE 2003

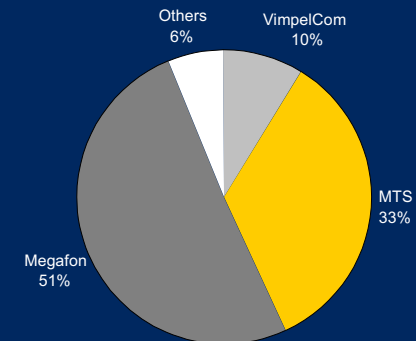


Source: MTS, AC&M-Consulting

Share of Organic Net Additions in St. Petersburg in 2003



Market Share in St. Petersburg at YE 2003



Source: MTS, AC&M-Consulting

*According to AC&M Consulting

Market Growth: Subscribers Breakdown



Subscribers, end-of-period (thousands)

Region	Q4 2001	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Q1 2003	Q2 2003	Q3 2003	Q4 2003
Moscow License Area	2 035.4	2 084.6	2 351.2	2 688.2	3 082.3	3 540.4	4 132.8	4 487.5	4 936.3
<i>Growth</i>		2%	13%	14%	15%	15%	17%	9%	10%
Central (ex. Moscow)	276.1	334.0	420.8	541.9	701.4	798.2	985.7	1 286.0	1 642.1
<i>Growth</i>		21%	26%	29%	29%	14%	23%	30%	28%
Volga	33.9	46.7	212.7	287.8	381.6	446.1	817.7	1 102.2	1 416.8
<i>Growth</i>		38%	356%	35%	33%	17%	83%	35%	29%
St. Petersburg License Area	46.4	264.1	400.5	565.2	775.5	834.4	941.4	1 055.1	1 180.5
<i>Growth</i>		469%	52%	41%	37%	8%	13%	12%	12%
North-West (ex. St Petersburg)	28.4	36.0	55.6	91.1	152.6	223.0	370.9	539.4	684.9
<i>Growth</i>		27%	55%	64%	67%	46%	66%	45%	27%
South	na	482.4	541.7	726.1	885.7	993.5	1 103.9	1 303.4	1 503.4
<i>Growth</i>		na	12%	34%	22%	12%	11%	18%	15%
Urals	52.6	58.8	99.2	164.3	202.1	232.9	347.2	501.8	720.2
<i>Growth</i>		12%	69%	66%	23%	15%	49%	45%	44%
Siberia	151.1	189.9	244.8	309.0	390.3	442.2	500.0	905.8	1 086.6
<i>Growth</i>		26%	29%	26%	26%	13%	13%	81%	20%
Far East	26.3	31.2	40.6	54.0	73.2	90.6	118.8	159.9	208.7
<i>Growth</i>		19%	30%	33%	36%	24%	31%	35%	31%
Total	2 650.3	3 527.8	4 367.0	5 427.7	6 644.7	7 601.3	9 318.4	11 341.1	13 379.5
<i>Growth</i>		33%	24%	24%	22%	14%	23%	22%	18%
Unconsolidated subsidiaries	-	-	-	-	-	-	-	114.4	123.1

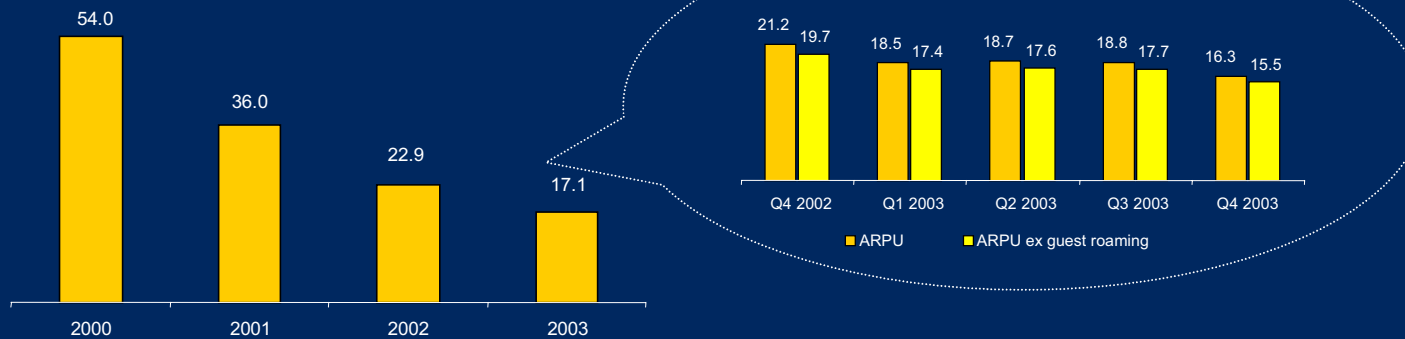
Source: MTS

MTS in Russia: Key Figures



- Average revenue per user (ARPU) declined in 2003 compared to 2002 as a result of a decrease in MOU and a drop in the effective rate per minute. ARPU from value-added services (VAS) in 2003 was at \$1.3 in Russia and at \$1.4 in Q4 2003. The major contributor to ARPU from VAS is point-to-point SMS

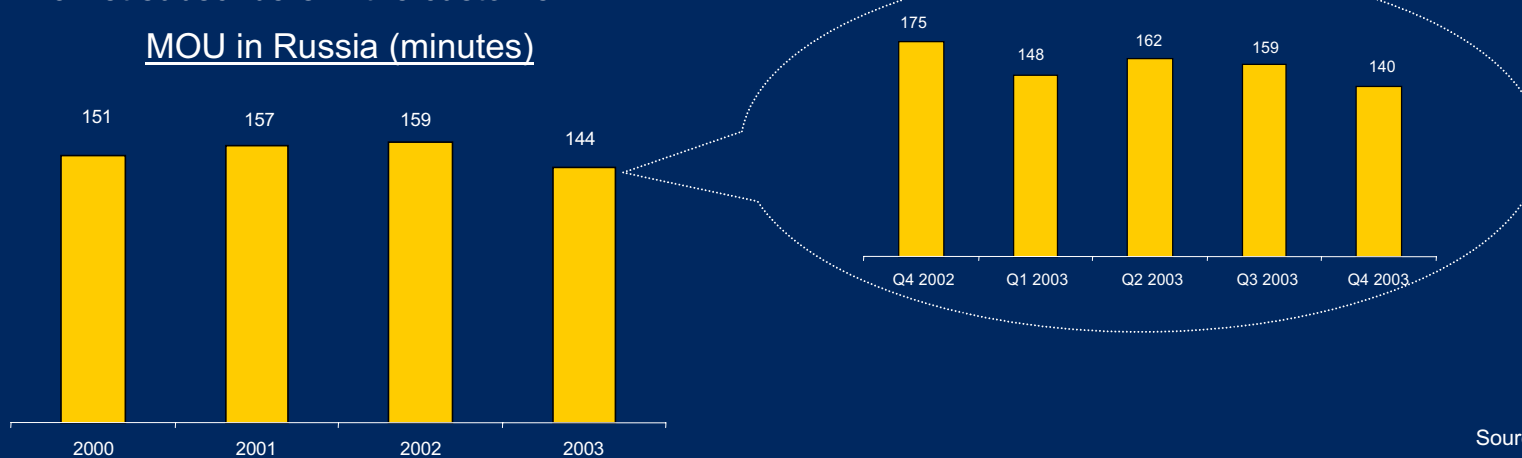
ARPU in Russia (US\$)



Source: MTS

- Minutes of use (MOU) declined in 2003 compared to 2002 as a result of an increased share of mass-market subscribers in the customer mix

MOU in Russia (minutes)



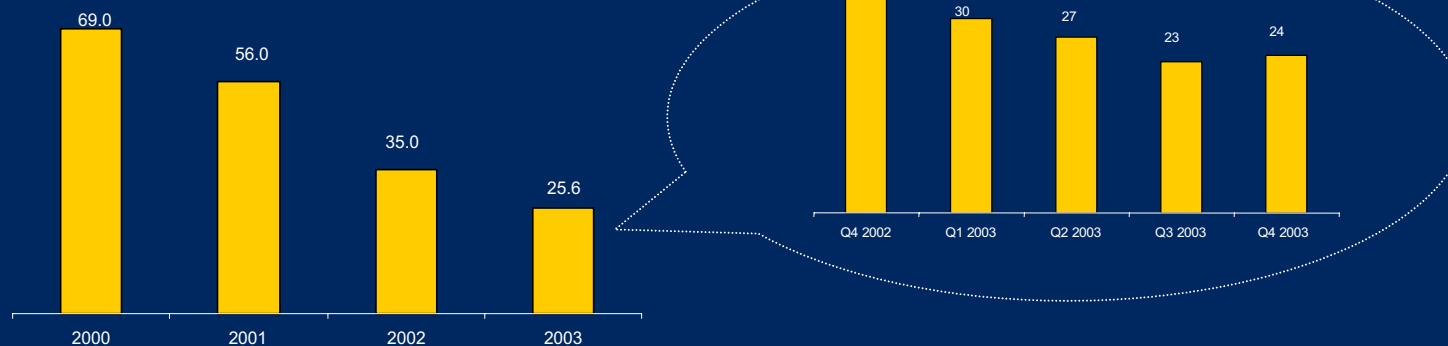
Source: MTS

MTS in Russia: Key Figures (cont'd)



- Subscriber acquisition cost (SAC) continued to decline due to lower dealer commission for mass-market subscribers; increased economies of scale bringing advertising cost per gross addition down; cheaper cost of attracting subscribers in the regions. There are no handset subsidies in Russia

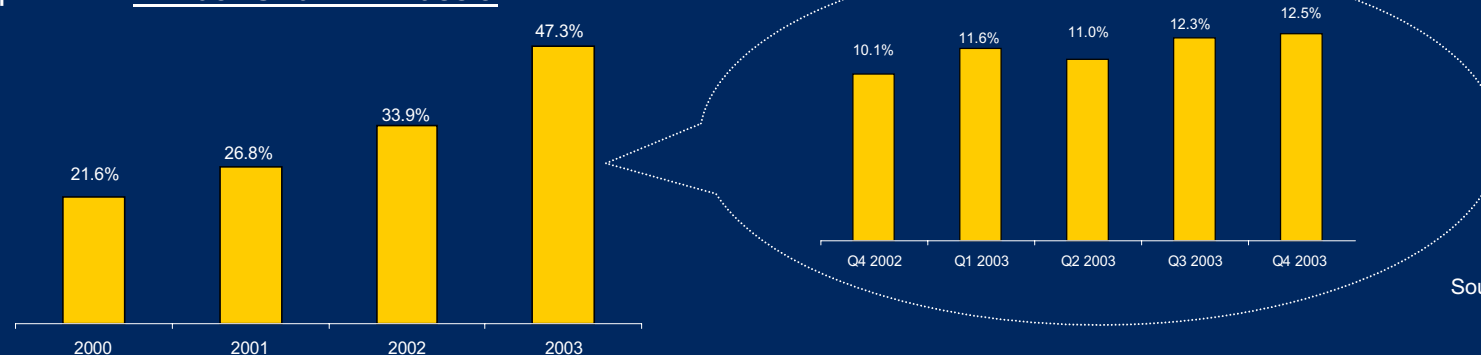
SAC in Russia (US\$)



Source: MTS

- Churn rate was relatively high in 2003, broadly in line with the rest of the Russian market, mainly determined by the absence of term contracts and zero connection fees, in addition to the comparatively unique and dynamic market conditions in Russia whereby mobile operators regularly introduce new tariffs, prompting customers to migrate more frequently between providers or tariff plans

Annual Churn in Russia



Source: MTS

New Arrangements with Dealers in Russia



- ❑ In 2003 independent dealers accounted for 80% of MTS' gross subscriptions; the balance was sold through MTS' own integrated distribution and service centers
- ❑ MTS used to pay a full amount of commission to a dealer as a customer was signed; after a six-month period it would review revenues from a given customer and penalize the dealer for the difference between the amount of the commission and the revenue (in case the former was larger)
- ❑ Effective from February 1, 2004, MTS introduced a new method of payment to dealers:
 - Dealer commissions are deferred over a period of up to one year
 - Monthly payments from MTS to its dealers are dependent on revenues the Company receives from its customers signed through particular dealers
 - Total amount of commissions paid to dealers remained unchanged
- ❑ Management believes that this new arrangement with dealers provides many benefits:
 - Dealers have less incentive to renew subscriptions or churn customers from MTS
 - Reduces potential risk of dealer fraud
 - Improves MTS' cash-flow management as dealers are not credited for a six-month period

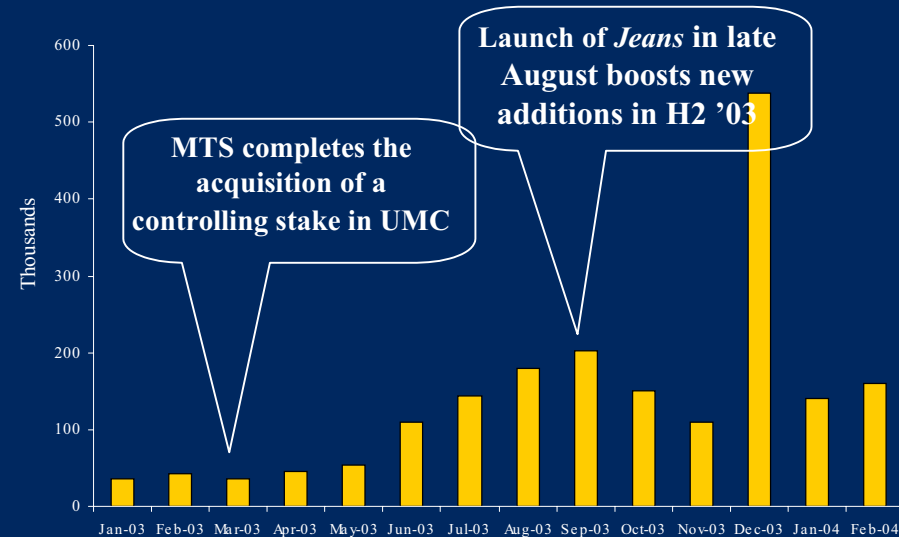
Market Growth: Ukraine



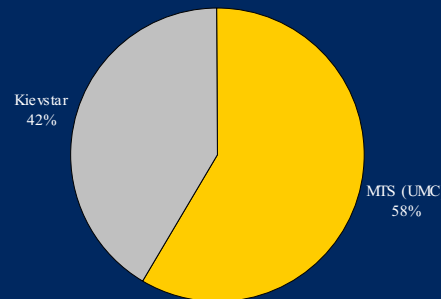
- ❑ MTS' expansion into Ukraine through its acquisition of UMC was a catalyst for market growth
- ❑ During 2003 the number of cellular phone users in Ukraine increased by 2.4m to reach 6.5m, a penetration of 13.8%*
- ❑ UMC regained its #1 position with 58%* of net additions in 2003; at YE 2003 the company's market share was at 51%*; a record result of adding more than 500,000 subscribers in December 2003
- ❑ The growth has been largely driven by the pre-paid (including *Jeans*) which accounted for 82% of new subscriptions; at YE 2003 79% of UMC's customers used pre-paid
- ❑ UMC is focused on migrating upper segment of pre-paid customers to contract
- ❑ Introduction of calling party pay (CPP) in September 2003 influenced subscriber habits (no 'unwanted' charges means phones are kept on); positive impact on interconnect settlements

*According to AC&M-Consulting

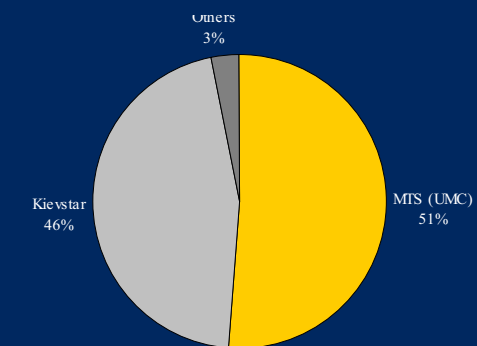
UMC's Net Additions in 2003



Shares of Organic Net Additions in Ukraine in 2003



Market Shares in Ukraine at YE 2003



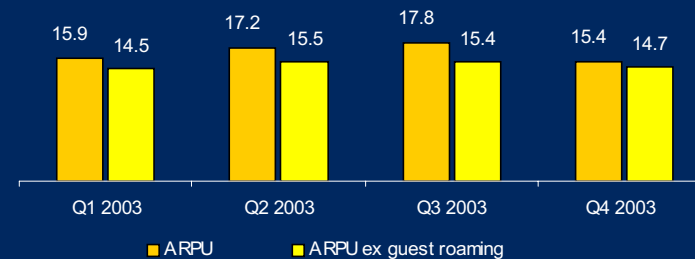
Source: MTS, AC&M-Consulting

MTS in Ukraine: Key Figures



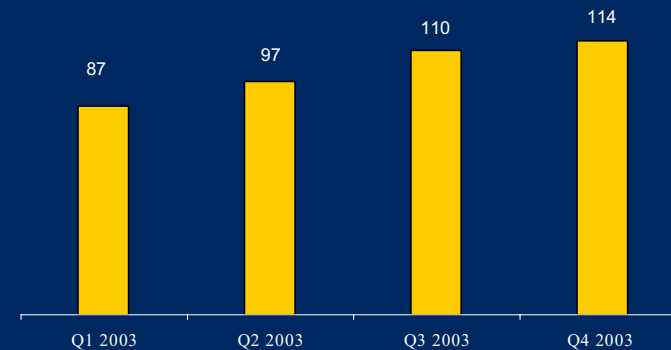
- ❑ MTS started to consolidate UMC into its financial and operating statistics from March 2003 when it acquired a majority stake in the Ukrainian company; during the year MTS increased its ownership in UMC to 100% as it bought out the remaining shareholders
- ❑ ARPU increased over the first three quarters of 2003. It decreased in Q4 2003 as a result of significant subscriber increase and tariff reductions
- ❑ ARPU from value-added services (VAS) was at \$0.9 in both Q4 2003 and FY 2003
- ❑ MOU increased during the year due to:
 - Improved network coverage and quality
 - Elasticity of demand
- ❑ Anticipation of personal income tax reduction from 40% to 13% helped to fuel subscriber and usage growth in Q4 2003

ARPU in Ukraine (US\$)



Source: MTS

MOU in Ukraine (minutes)



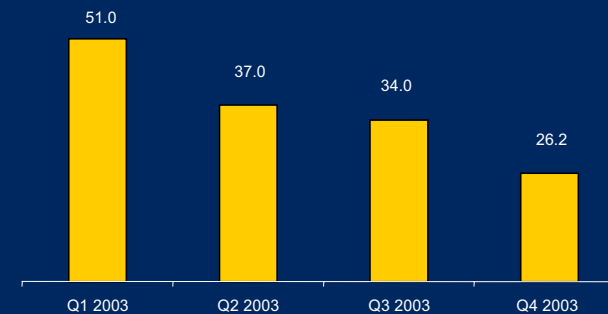
Source: MTS

MTS in Ukraine: Key Figures (cont'd)



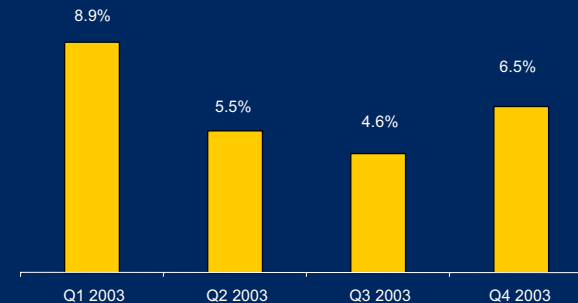
- ❑ UMC's SAC was declining during the year due to the lower costs of acquiring mass-market subscribers, increased economies of scale and effective CRM activities
- ❑ UMC' churn rate in 2003 was at 23.8%, much lower than in Russia:
 - UMC operates with term contracts and connection fees for customers, thereby motivating customers not to migrate between operators
 - Bonus programs create additional customer loyalty
 - Dealers have less incentive to churn customers away as their commissions are aligned with subscriber revenues

SAC in Ukraine (US\$)



Source: MTS

Quarterly Churn in Ukraine



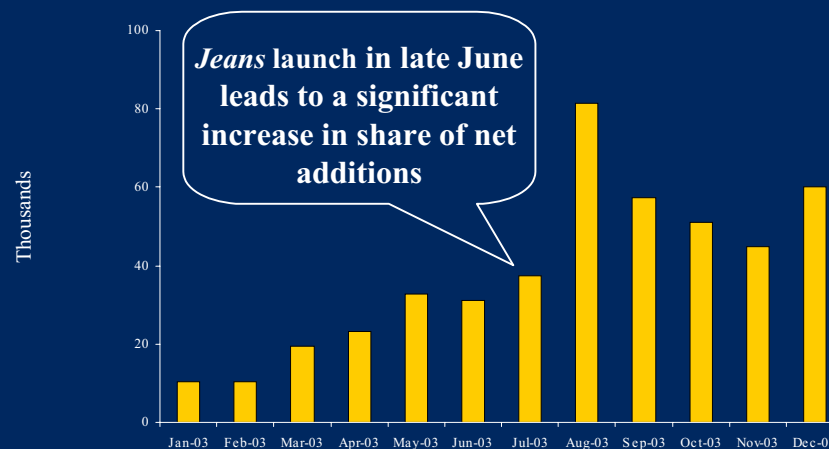
Source: MTS

Market Growth: Belarus



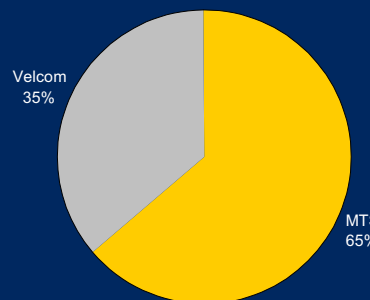
- Number of mobile phone users in Belarus grew by 1.3m during 2003 with mobile penetration reaching 11.2%* at YE 2003
- MTS' 49%-owned joint venture provides services to approximately 464,800 subscribers as of YE 2003; during 2003 it accounted for 65% of net additions in Belarus and increased its market share from 9% to 42%
- Because of its minority ownership in the joint-venture, MTS does not consolidate its Belarus operations into its financial or operating numbers

MTS' JV Net Additions

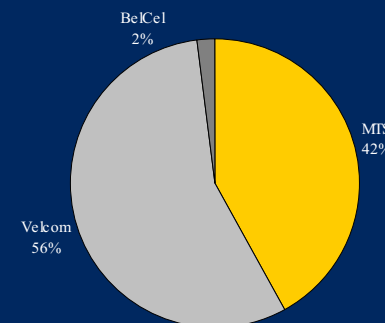


Source: MTS

Share of Organic Net Additions in Belarus in 2003



Market Share in Belarus at YE 2003



Source: MTS, AC&M-Consulting

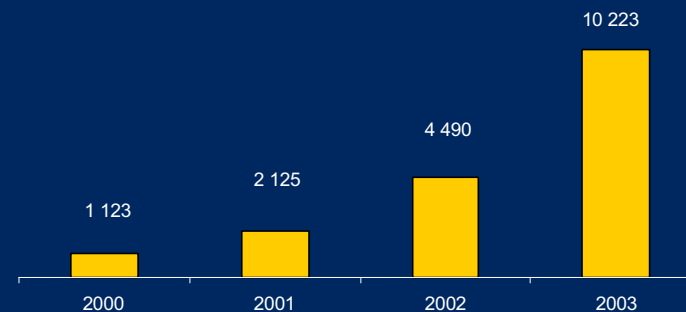
*According to AC&M-Consulting

Network Development



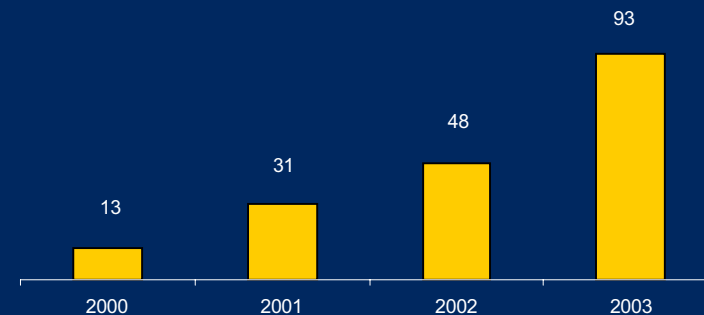
- ❑ MTS' GSM 900/1800 infrastructure is based on the equipment supplied by various international vendors: Motorola, Ericsson, Alcatel, Lucent, Siemens, Huawei
- ❑ The network quality and coverage represents a significant competitive advantage for the Company on many local markets
- ❑ The total installed capacity of the Company's switching infrastructure was at 22.4m at YE 2003

Total Number of Base Stations on MTS' and its Subsidiaries' Networks



Source: MTS

Total Number of Switches on MTS' and its Subsidiaries' Networks



Source: MTS 16

Income Statement Highlights



- Revenue and net income growth was driven by strong organic expansion of the business as well as the consolidation of a number of acquired mobile operators in Russia and UMC in Ukraine

US\$ million	Q4 2003	Q3 2003	Change Q-on-Q	Q4 2002	Change Y-on-Y
Revenues	771.7	722.4	6.8%	409.3	88.5%
Operating income	272.8	274.8	-0.7%	123.7	120.5%
OIBDA	400.6	388.1	3.2%	182.7	119.2%
Net income	152.7	155.7	-1.9%	85.2	79.3%
Operating margin	35.3%	38.0%	-	30.2%	-
OIBDA margin	51.9%	53.7%	-	44.6%	-
Net margin	19.8%	21.6%	-	20.8%	-

US\$ mln		1999	2000	2001	2002	2003
Revenues		358.3	535.7	893.2	1 361.8	2 546.2
	Growth		50%	67%	52%	87%
Operating income		115.6	139.0	324.1	464.4	922.6
	Growth		20%	133%	43%	99%
OIBDA		169.4	226.7	457.4	674.1	1 338.5
	Growth		34%	102%	47%	99%
Net income		85.7	90.0	205.8	277.1	517.2
	Growth		5%	129%	35%	87%
Operating margin		32.3%	26.0%	36.3%	34.1%	36.2%
OIBDA margin		47.3%	42.3%	51.2%	49.5%	52.6%
Net margin		23.9%	16.8%	23.0%	20.4%	20.3%

Source: MTS

Source: MTS

Financials: Russia and Ukraine



FY 2003

US\$ mln	Total	Russia	Ukraine
Revenues	2 546.2	2 152.2	394.0
Depreciation and amortization	415.9	349.5	66.4
Net operating income	922.6	790.9	131.7
Net income	517.2	449.8	67.4
OIBDA	1 338.5	1 140.4	198.1
<i>OIBDA margin</i>	<i>52.6%</i>	<i>53.0%</i>	<i>50.3%</i>

*Net of intercompany eliminations of \$5.5m

Q4 2003

US\$ mln	Total	Russia	Ukraine
Revenues	771.7	629.2	142.5
Depreciation and amortization	127.8	106.8	21.0
Net operating income	272.8	226.6	46.2
Net income	152.7	129.7	23.0
OIBDA	400.6	333.4	67.2
<i>OIBDA margin</i>	<i>51.9%</i>	<i>53.0%</i>	<i>47.2%</i>

*Net of intercompany eliminations of \$1.3m

Source: MTS

Notes: UMC was consolidated for the period from March 1, 2003 to December 31, 2003

See Attachment A for definitions of OIBDA and reconciliations to operating income

MTS Capex and Leverage



- In 2003 MTS spent approximately \$958.8m on CAPEX excluding acquisitions (\$712.5m in Russia and \$246.3m in Ukraine), approximately \$125 per net organic addition
- The Company spent more on its CAPEX program than the originally expected amount primarily due to the accelerated subscriber growth in 2003 in many of the markets in which it operates
- MTS' CAPEX has been decreasing as a percentage of revenues
- During 2003 MTS spent approximately \$702.2m (net of cash acquired) on acquisitions of other mobile phone operators that significantly enlarged MTS' subscriber base and exposed the Company to new markets:

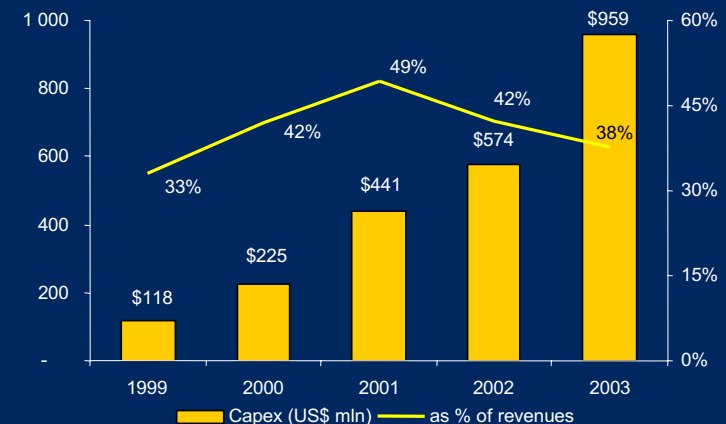
- \$330.6m on UMC in Ukraine (net of \$27.5m of notes issued and \$16.8m of cash acquired)
- \$156.0m on acquisition of controlling interests in other mobile operators in Russia
- \$180.6m on consolidating the Company's ownership in its Russian subsidiaries
- \$35.0m on acquisition of non-controlling stakes in mobile operators in Russia

- Although MTS' leverage has increased, the Company's net debt to OIBDA* ratio was at 1.0x at YE 2003

MTS' Leverage

US\$ mln	December 31 2002	December 31 2003
Cash and cash equivalents	\$64.7	\$335.4
Total debt	\$454.5	\$1 660.3
LT Debt	\$366.2	\$950.1
ST Debt	\$88.3	\$710.3
Net debt	\$389.8	\$1 325.0
Stockholders' equity	\$1 302.0	\$1 724.6
Total assets	\$2 283.3	\$4 225.4
OIBDA	\$674.1	\$1 338.5
Net debt/ Assets	0.2x	0.3x
Net debt/ Equity	0.3x	0.8x
Net debt/ OIBDA	0.6x	1.0x

MTS' CAPEX vs Revenues



*Note: See Attachment A for definitions of OIBDA and reconciliations to operating income

Management Objectives for 2004



- ❑ Maintain and reinforce leading positions in Russia and Ukraine and become the leading operator in Belarus
- ❑ Strengthen the Company's customer focus
- ❑ Implement corporate restructuring to improve operational and financial efficiency
- ❑ Refocus regional expansion from acquisition of local cellcos to integration of diverse businesses into a unified management structure
- ❑ Opportunistically exploit growth prospects in other CIS markets
- ❑ Continue to consolidate minority stakes in regional subsidiaries
- ❑ Focus on shareholder returns

Change Program



- ❑ MTS started to implement a large-scale change program aimed at further improving the Company's operational and financial efficiency and realizing synergies of its nationwide operations
- ❑ The change program is supported by a number of independent experts from world-class consultancies, including McKinsey
- ❑ The program covers a number of aspects, including:
 - Creation of 10 macro-regional business units to streamline the operational management of MTS' regional activities
 - New responsibility split between different management structures (corporate center, macro-regions, regions)
 - Formalization of business processes
 - New approaches to human resources and performance management
- ❑ Although in the short term, changes may exert an element of pressure on margins, the management team strongly believes that, in the long term, the resulting effects of this program will lead to improved efficiencies (through headcount and cost optimization, etc.)

Capex Plans



- ❑ MTS plans to spend around \$1.2bn (or approximately one third of expected revenues) on CAPEX in 2004 (excluding acquisitions)
- ❑ MTS has increased its CAPEX expectations for three key reasons:
 - Significant increase in the license footprint during 2003 and beginning of 2004
 - Faster-than-expected subscriber growth
 - Increased investments into new billing (including implementation of an IN platform), new back-office technologies, etc.
- ❑ In 2004 CAPEX is scheduled to be funded by internally-generated cash flows as well as by bank loans and/or ECA-sponsored third-party financing

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. Our OIBDA may not be similar to OIBDA measures of other companies; it 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	Q4 2002	Q3 2003	Q4 2003
Operating income	115.6	139.0	324.1	464.4	922.6	123.7	274.8	272.8
Add: depreciation and amortization	53.8	87.7	133.3	209.7	415.9	58.9	113.3	127.8
OIBDA	169.4	226.7	457.4	674.1	1 338.5	182.7	388.1	400.6

US\$ mln	FY 2003		Q4 2003	
	Rus sia	Ukraine	Rus sia	Ukraine
Operating income	790.9	131.7	226.6	46.2
Add: depreciation and amortization	349.5	66.4	106.8	21.0
OIBDA	1 140.4	198.1	333.4	67.2

Appendix A (cont'd)



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

	1999	2000	2001	2002	2003	Q4 2002	Q3 2003	Q4 2003
Operating margin	32.3%	26.0%	36.3%	34.1%	36.2%	30.2%	38.0%	35.3%
Add: depreciation and amortization as a percentage of revenues	15.0%	16.4%	14.9%	15.4%	16.3%	14.4%	15.7%	16.6%
OIBDA margin	47.3%	42.3%	51.2%	49.5%	52.6%	44.6%	53.7%	51.9%

	FY 2003		Q4 2003	
	Russia	Ukraine	Russia	Ukraine
Operating margin	36.7%	33.4%	36.0%	32.4%
Add: depreciation and amortization as a percentage of revenues	16.3%	16.9%	17.0%	14.8%
OIBDA margin	53.0%	50.3%	53.0%	47.2%