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Leadership

Growth

**Value
Creation**

Mobile TeleSystems

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President and CEO

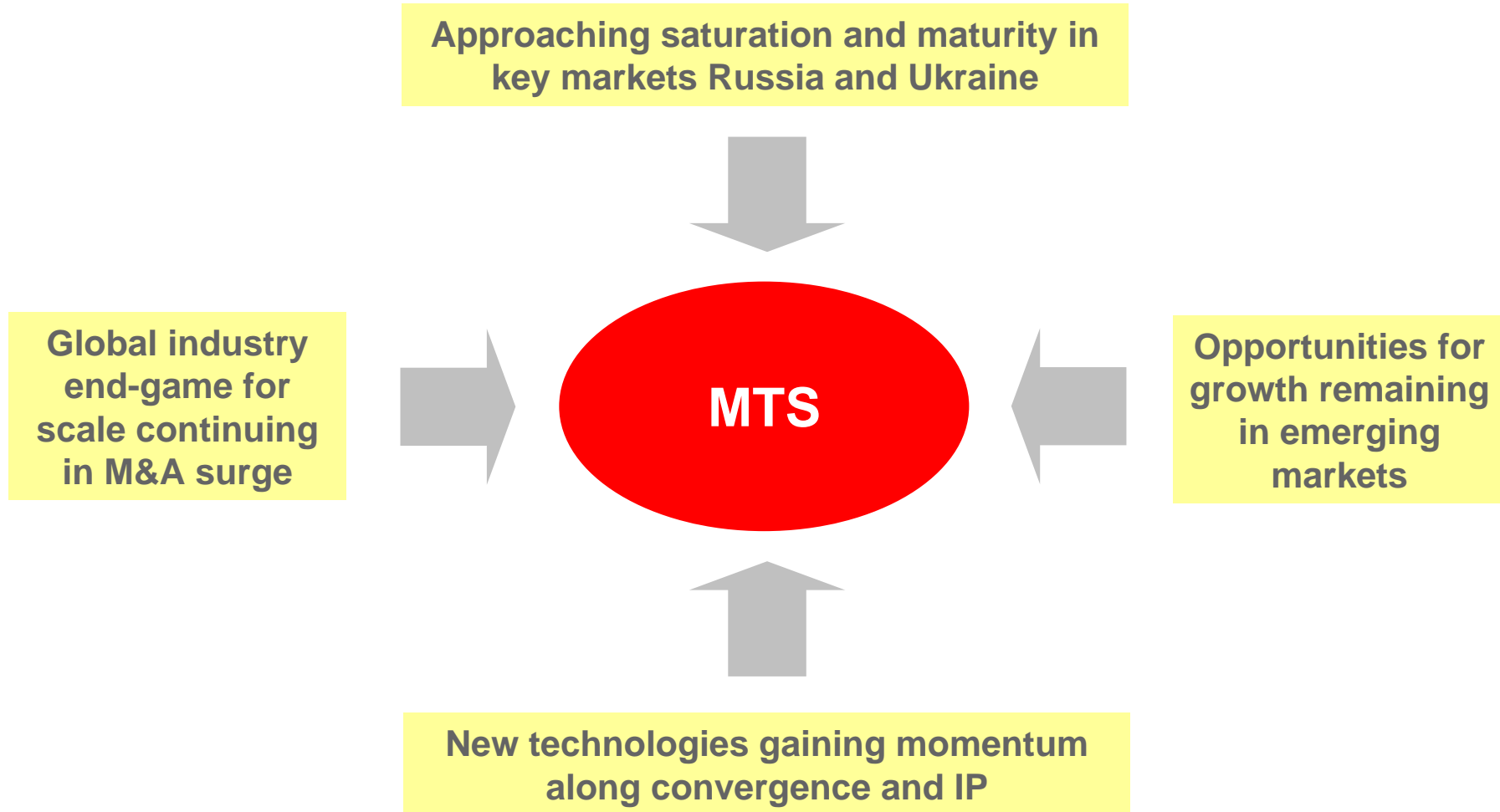


MTS Today - Highlights

- **Leading Mobile Operator Group in Eastern Europe in terms of subscribers and market value**
- **Market leadership in revenues in Russia and most CIS subsidiaries**
- **Launch of new brand across most MTS operations in 2006**
- **Appointment of new management team completed**
- **Full focus on cost efficiency and cost control**
- **Free Cash Flow positive**
- **Continuous focus on superior returns to shareholders (annual dividends of approx. \$1.4 per ADR for the 2005 fiscal year recommended for approval)**



Context for MTS' Strategy – Key market developments and industry trends





MTS' Strategy – Leadership – Growth – Value creation



Internalizing the lessons of and applying benchmarks from the more advanced mobile industries in other markets is a key opportunity and driving principle for MTS management



MTS' Strategy – Sustaining Leadership in Russia



Market Stage	2000-2005 <i>Raw subscriber growth and acquisitions</i>	2006- <i>Usage growth and efficiency improvement</i>	MTS' Strategic Focus
Driver	Basic communication needs across all segments	Usage increase, new Services	<ul style="list-style-type: none"> ▪ Targeted sales per region ▪ Segmented tariff system for all services
Enabler	Rapid network build-up, acquisitions	Low costs, high process efficiency	<ul style="list-style-type: none"> ▪ Operational cost efficiency focus by all regions & functions ▪ Strict CAPEX control
Risks	High acquisition cost, rough investments	Increased competition, price declines	<ul style="list-style-type: none"> ▪ New attractive brand ▪ Effective CRM, strengthening proprietary distribution

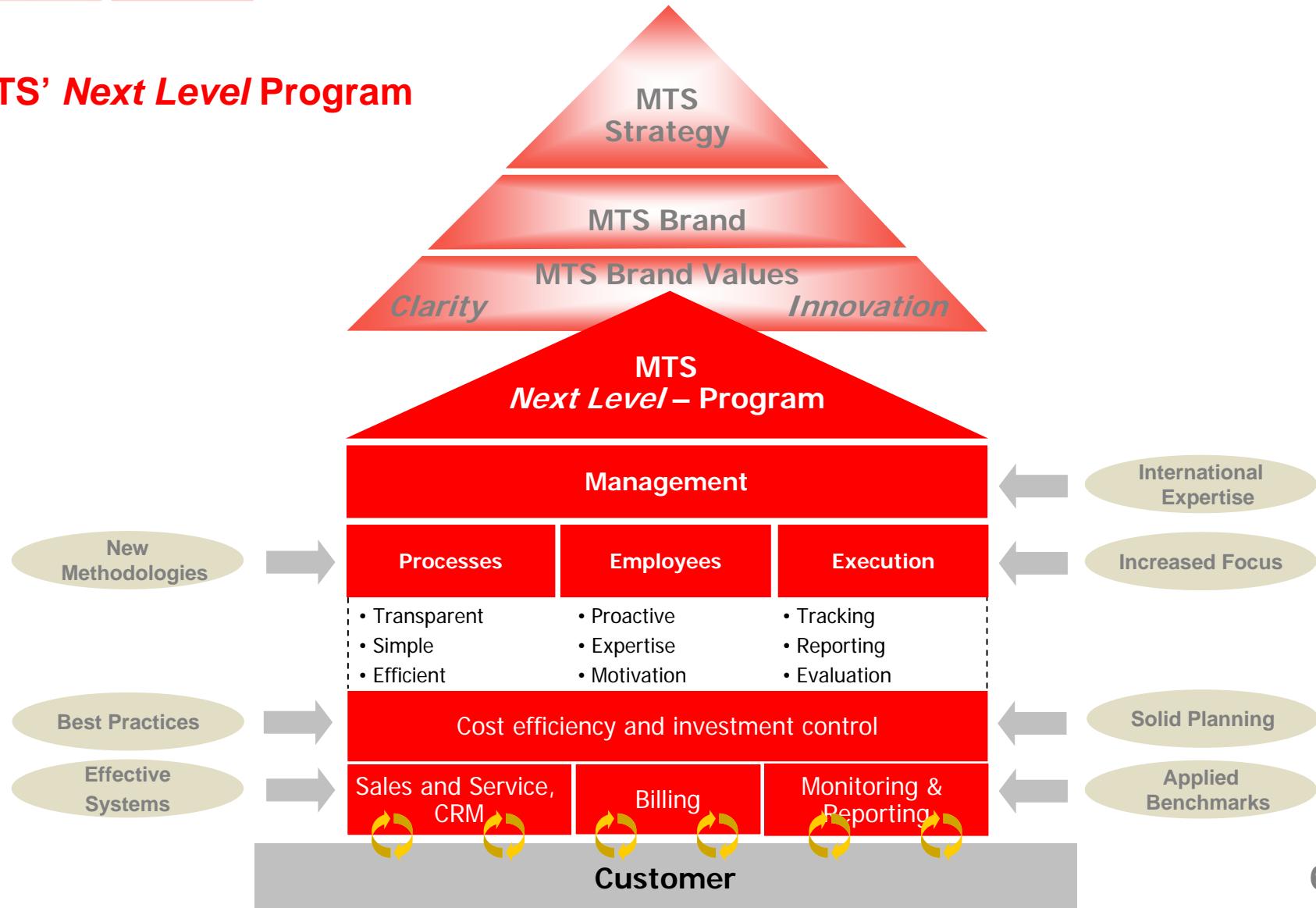
Performing successfully the paradigm shift from “*hunting*” to “*farming*”



MTS' Strategy – Next Level for Execution & Process Excellence



MTS' Next Level Program





MTS' Strategy – Mastering Innovation and Technology



Technology Trends and Changes in the Telecom Industry

UMTS

Other Mobile Broadband

(m)VoIP

Convergence

MTS technology roadmap

UMTS

- Deliberate roadmap to UMTS in Russia along carefully selected regional approach
- Benefit from key UMTS lessons in Europe and Asia
- Balance between payback prospects, customer focus and CAPEX demands

Other Mobile
Broadband

- Exploration and pursue of opportunities from Wi-Fi and WIMAX
- Focus on complementary approach in hot zones
- Exploration and potential leverage of cost reduction and capacity opportunities

(m)VoIP

- Continuous screening of developing IP-based technologies
- Careful evaluation of potentially disruptive effects as well as innovation options

Convergence

- Preparation of cost reduction from synergy effects within Sistema Telecom
- Developing product roadmap for FMC services with Sistema Telecom companies
- Further development of “one access point” concept with Sistema Telecom companies



MTS' Strategy – Seizing Growth & Creating Synergies in CIS



Leadership in all markets

- Regaining market and revenue leadership in Ukraine, increasing market leadership in Uzbekistan, Turkmenistan and Belarus
- Increase leadership in high-value private as well as corporate segments

Grasping further M&A opportunities

- Continuing diligently further M&A screening in CIS countries
- Apply proven go-to-market approach for acquired targets

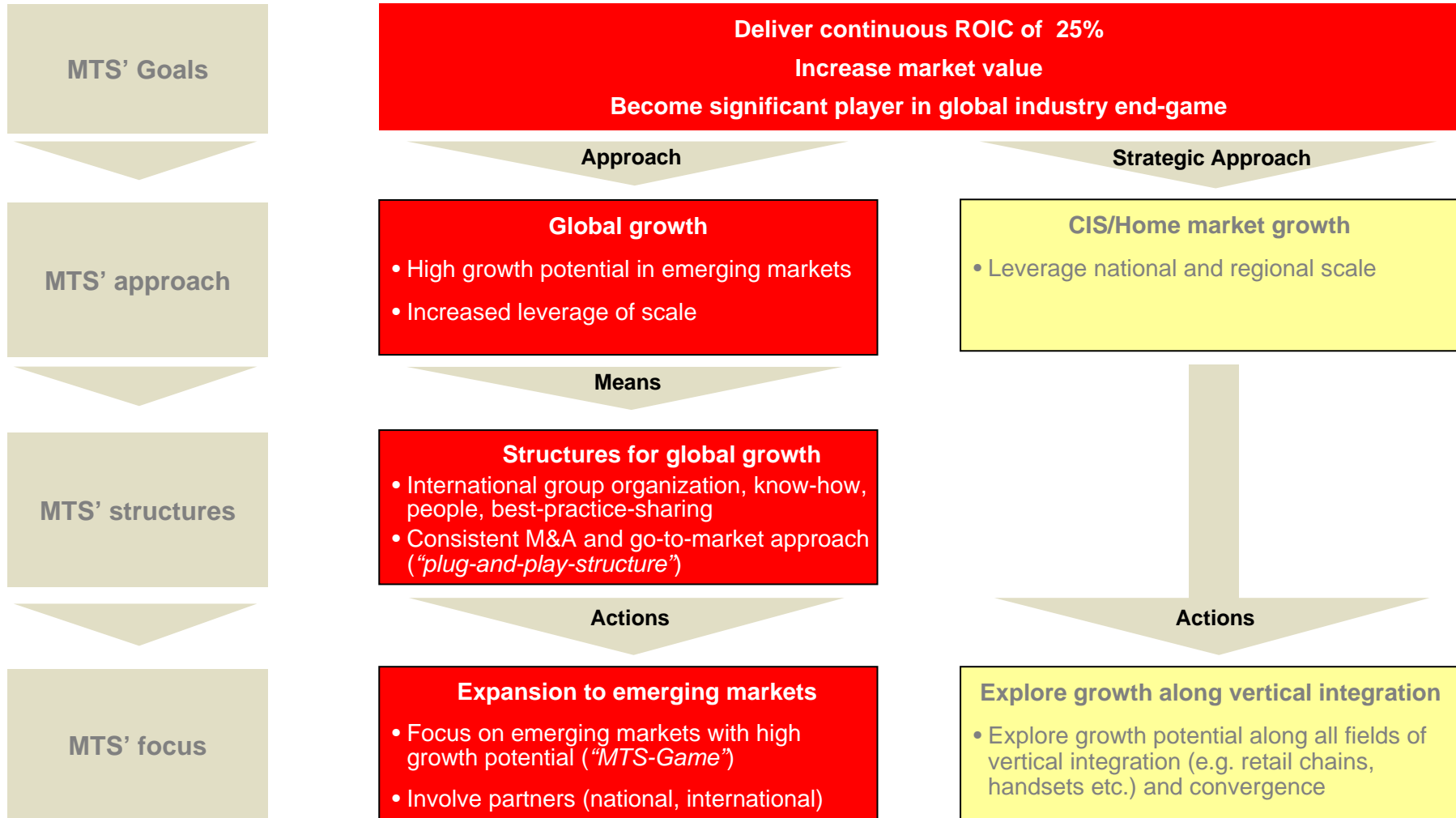
Leveraging regional scale & synergies

- Strengthening of MTS group organization, increase best-practice culture
- Leveraging scale and synergies along all functional areas (Roaming, Procurement, Product Development, IT, Branding, Key accounts)

Capitalizing on MTS' natural ties and cultural advantage in CIS is key for success



MTS' Strategy – Value Creation in Growth Markets





MTS' strategy – Value Creation in Growth Markets



MTS' key principles for M&A target approach

Market growth potential – prime focus on emerging markets (“MTS Game”)

Leverage local partners expertise, potentially involve regional/international partner

Priority on MTS controlling share but also consider other constellations with path to controlling share

Acceptable level of return on investment (IRR)

Balance sheet strength

Acceptable level of political, economic and other country-specific risks

Opportunity for synergy leverage with existing business

Management quality of target company



Key Conclusions and Takeaways

MTS is committed to deliver continuous ROIC of 25% and increasing market value

MTS is managing the strategic paradigm shift in the saturating Russian markets

MTS focuses on strengthening process and execution excellence in Russia

MTS consistently pursues innovative along evolving new technologies

MTS continues to successfully grow in CIS markets

MTS targets high-growth form expansion to emerging markets

MTS is committed to achieve global competitiveness

MTS explores attractive opportunities of growth along vertical integration and convergence

The industry is evolving...and so is MTS



Thank you for your attention.