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New MTS Group - Markets, Strategy and Outlook

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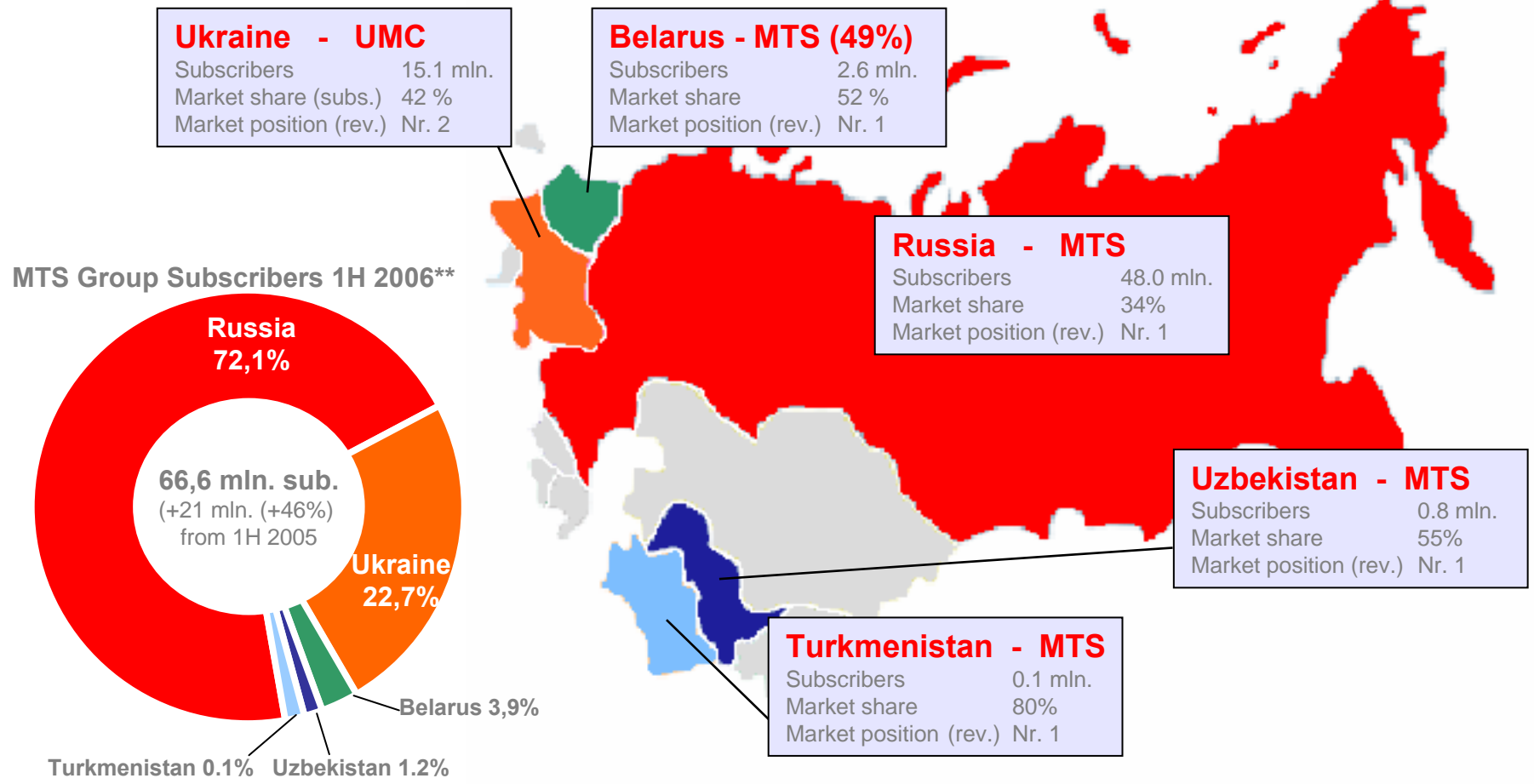
MTS Group - Highlights

- **Leading Mobile Operator Group in Eastern Europe and the CIS in terms of subscribers, revenues and market value**
- **Market leadership of MTS operators in Russia and most countries of presence**
- **New 3+1 Strategy with clear focus on Leadership, Growth and Value Creation adopted in June 2006**
- **Establishment of new MTS Group organizational structure in August 2006**
- **Appointment of new Management Team starting in April 2006 completed**
- **New MTS Brand launching successfully across most MTS operators in 2006**
- **Continuous focus on superior returns to shareholders (annual dividends of approx. \$1.4 per ADR for 2005 fiscal year = approx. 50% of 2005 net income)**



MTS Group Markets - Market Shares - Subscribers - Positioning

1H 2006 Figures*



Nr. 1 player in revenues and subscribers in almost all markets of presence

* MTS continues to seek operational control over operator Bitel (Kyrgyzstan) by legal means

** Figures here including all subscribers from 49% stake in Belarus (which is not consolidated in official statements)



MTS Group Markets - Top-line performance

1H 2006 Figures

Ukraine - UMC
 Revenues 1H 05 \$ 528 mln.
 Revenues 1H 06 \$ 675 mln.
 Growth y-o-y + 28 %

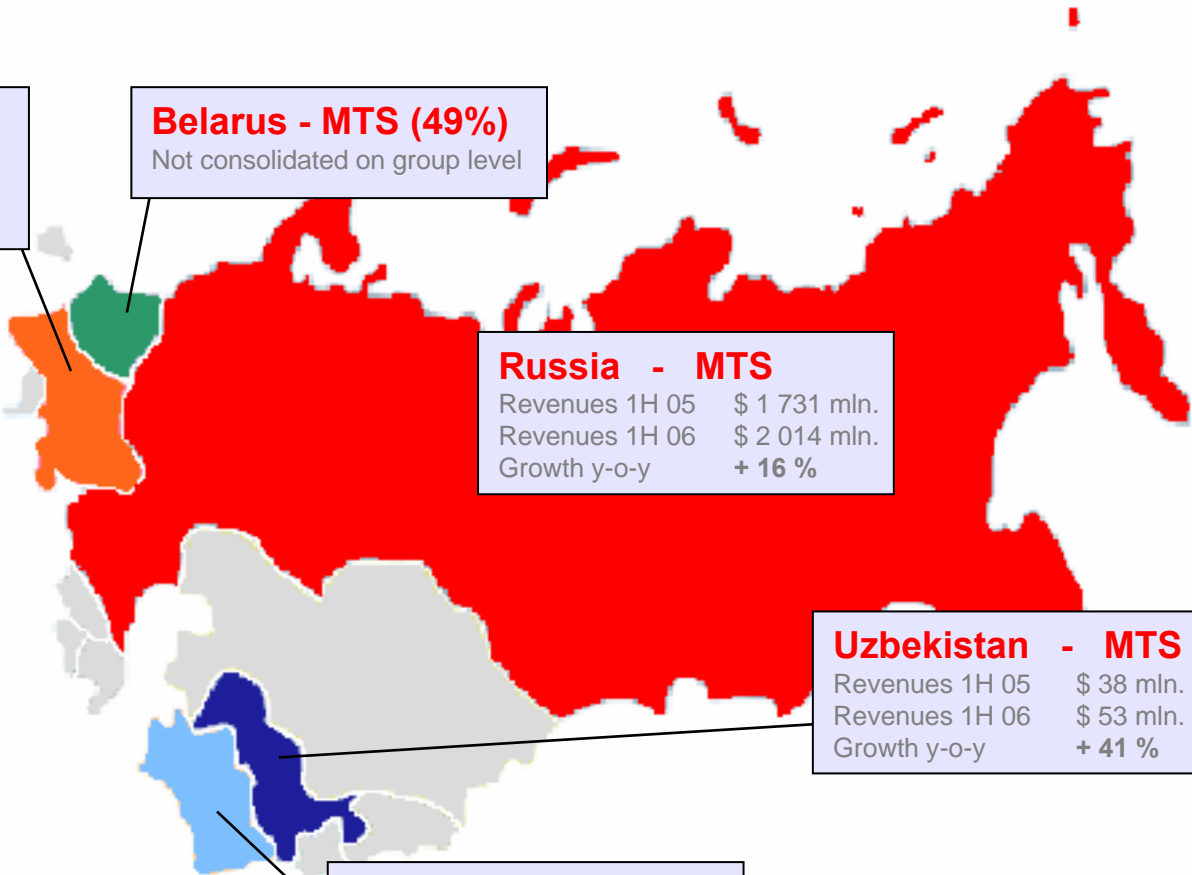
Belarus - MTS (49%)
 Not consolidated on group level

Russia - MTS
 Revenues 1H 05 \$ 1 731 mln.
 Revenues 1H 06 \$ 2 014 mln.
 Growth y-o-y + 16 %

Uzbekistan - MTS
 Revenues 1H 05 \$ 38 mln.
 Revenues 1H 06 \$ 53 mln.
 Growth y-o-y + 41 %

Turkmenistan - MTS
 Revenues 1H 06 \$ 43 mln.

MTS Group Revenues 1H 2006

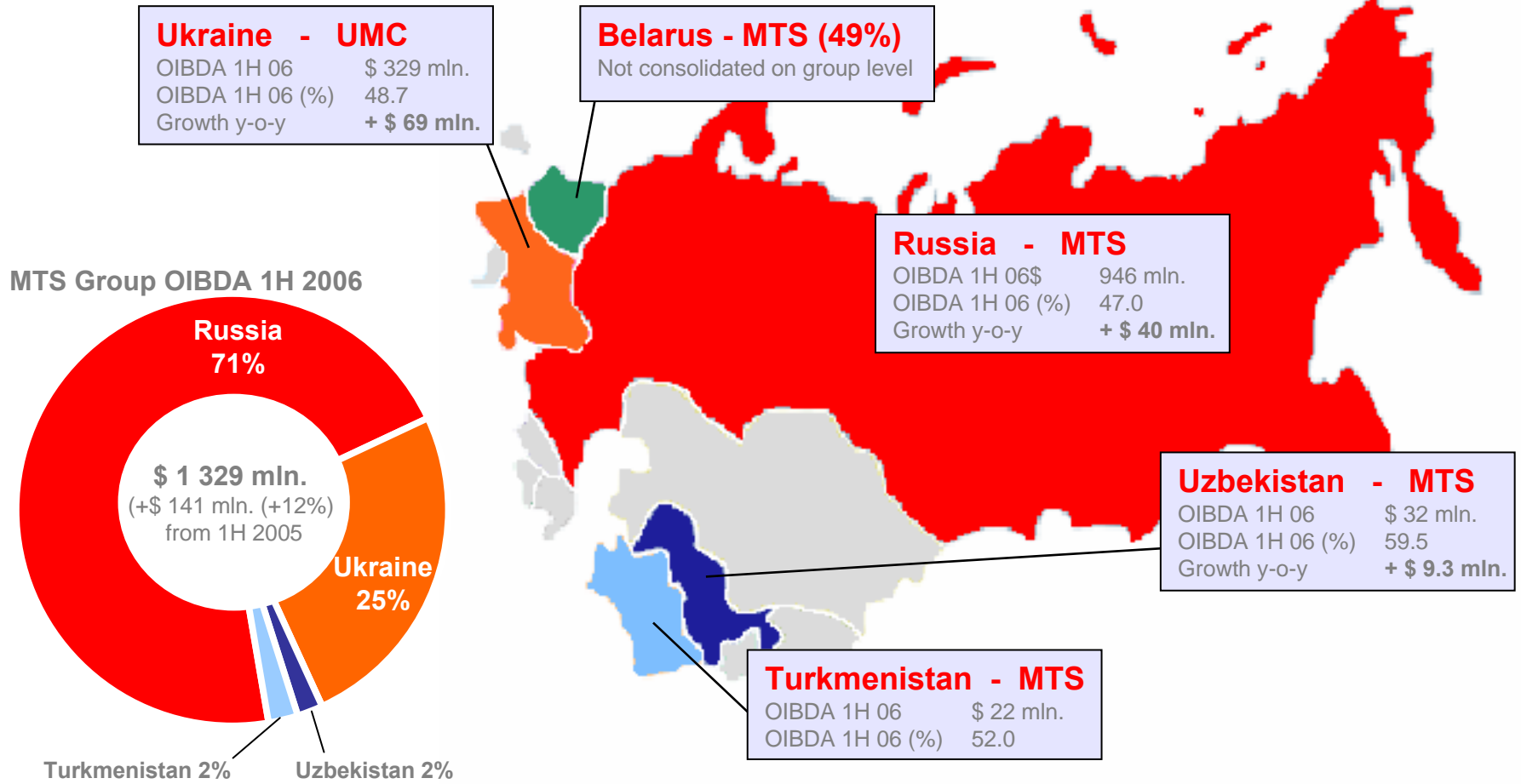


Continuously strong top-line growth in all markets



MTS Group Markets - Operational and financial performance

1H 2006 Figures



High operational margins in all markets



MTS Group Strategy - Leadership – Growth – Value creation

Long-term strategic goals





MTS Group Strategy - Recent key implementation measures

Key strategy elements

Recent key implementation measures

1

**Strengthening
leadership in Russia**

- New creative segmented product & tariff approach
- Significant OPEX optimization program across all functional areas
- New budget model, new employee motivation schemes etc.

2

**Seizing growth &
synergies in CIS**

- Introduction of new MTS Brand in most subsidiaries in 2006
- Significant OPEX optimization measures in selected operations (e.g. Ukraine)
- Built-up of standardized group procedures and principles

3

**Value creation
in growth markets**

- Review and definition of key growth areas for international expansion
- New investment evaluation system along differentiated criteria (IRR etc.)
- Continuous screening and deliberate evaluation of growth opportunities

+ 1

- Continuous efforts towards development of convergence growth and cost optimization opportunities within Sistema Telecom

Strong implementation track record of MTS Strategy



MTS Group Strategy - New Structure follows Strategy

Key strategy elements

New organizational structure

1
**Strengthening
leadership in Russia**

- Formation of Business Unit MTS Russia with own P&L responsibility
→ Full focus on operational performance and local market development

2
**Seizing growth &
synergies in CIS**

- Formation of Group Units for Technology, Marketing, Finance and Shared Corporate Group Functions
→ Full focus on strategic direction, group-wide branding, synergy exploitation

3
**Value creation
in growth markets**

- Formation of Corporate Group Functions (esp. M&A and Strategy)
→ Focus on overall Group development and international expansion approach

+ 1

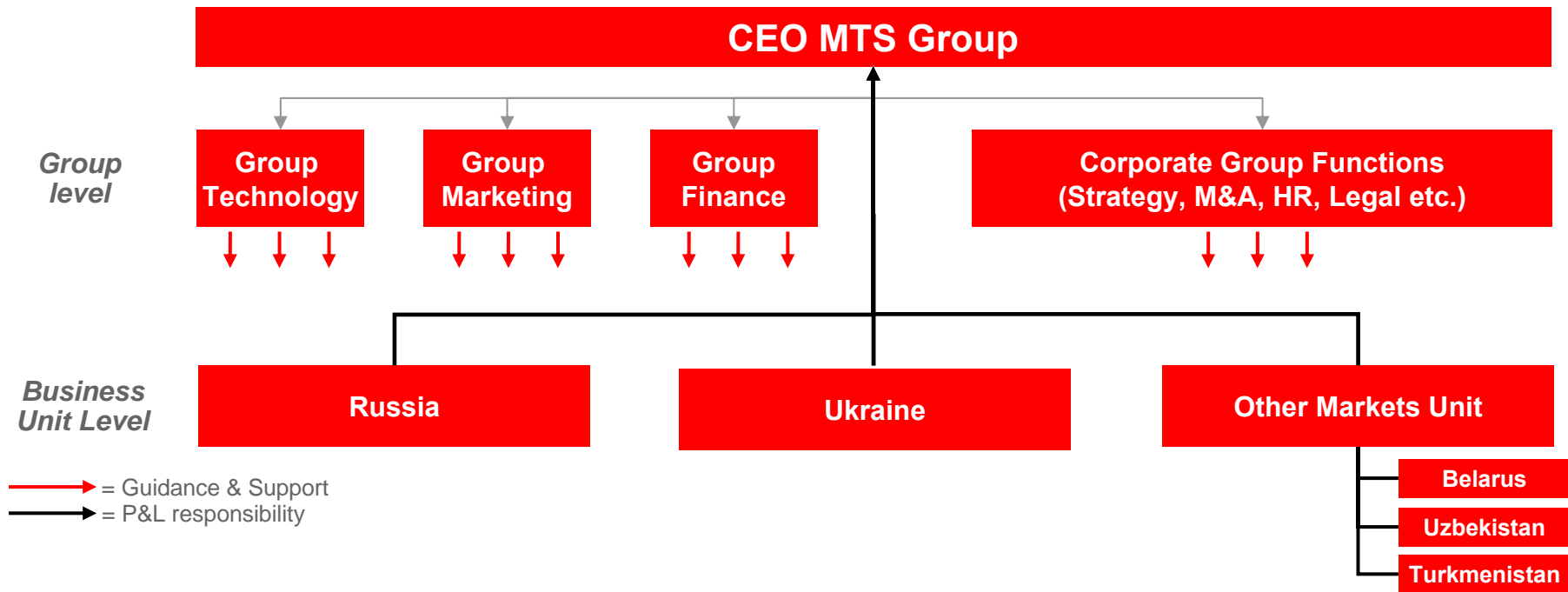
- Formation of Corporate Group Functions
→ Focus on development of convergence & integration within Sistema Telecom

New MTS Group structure enables full focus on key strategic goals



MTS Group Organization - Division of responsibilities

MTS Group new organizational structure



Group level:

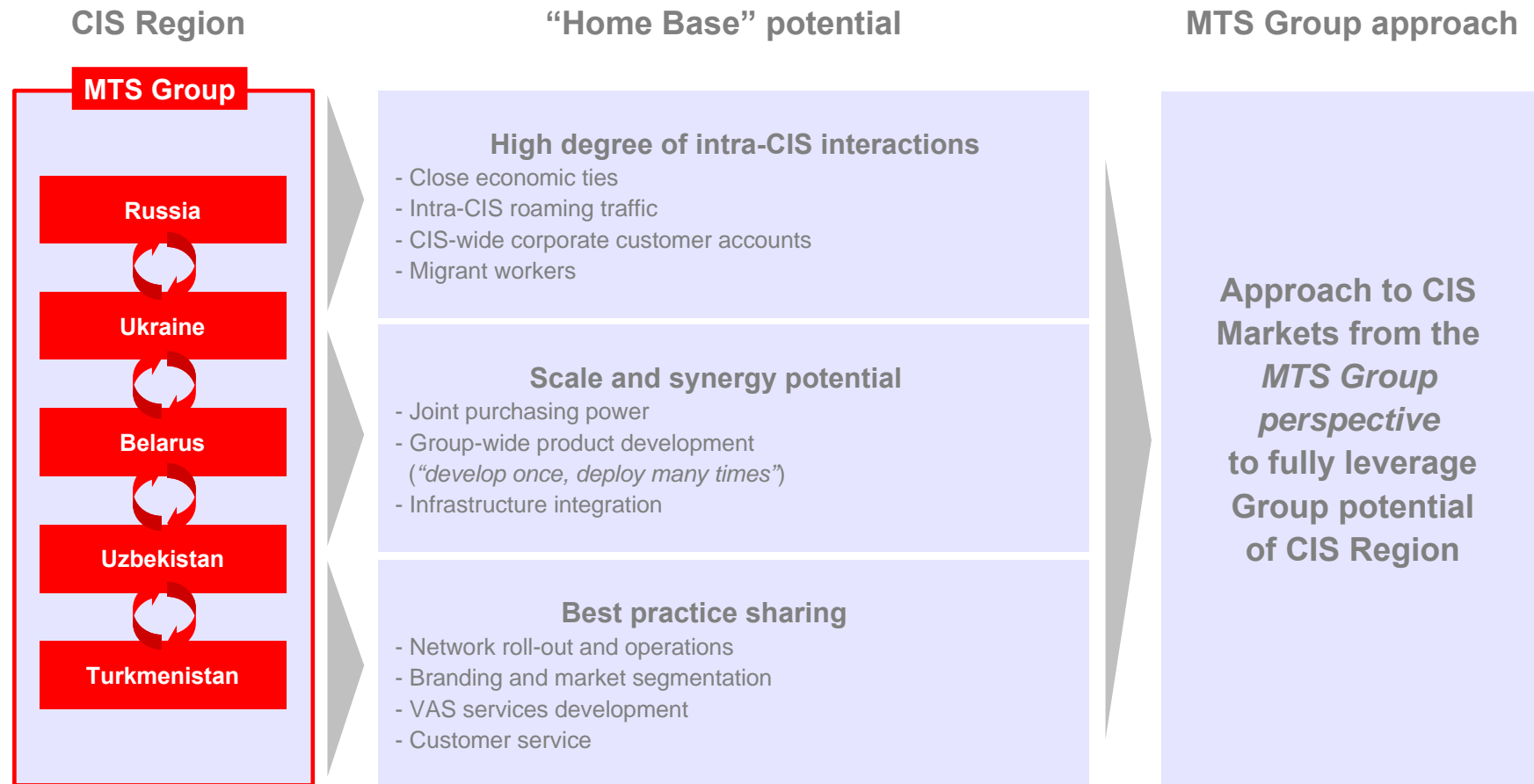
- Strategy and Direction
- M&A and Investments
- Leverage scale and exploiting synergies

Business Unit level:

- P&L responsibility
- Local market development
- Managing operations



MTS Group Strategy - CIS as strong “Home Base” for MTS Group



MTS Group approach: CIS Region > sum of single country markets



MTS Group Strategy – Best practices of regional “Home Bases”-

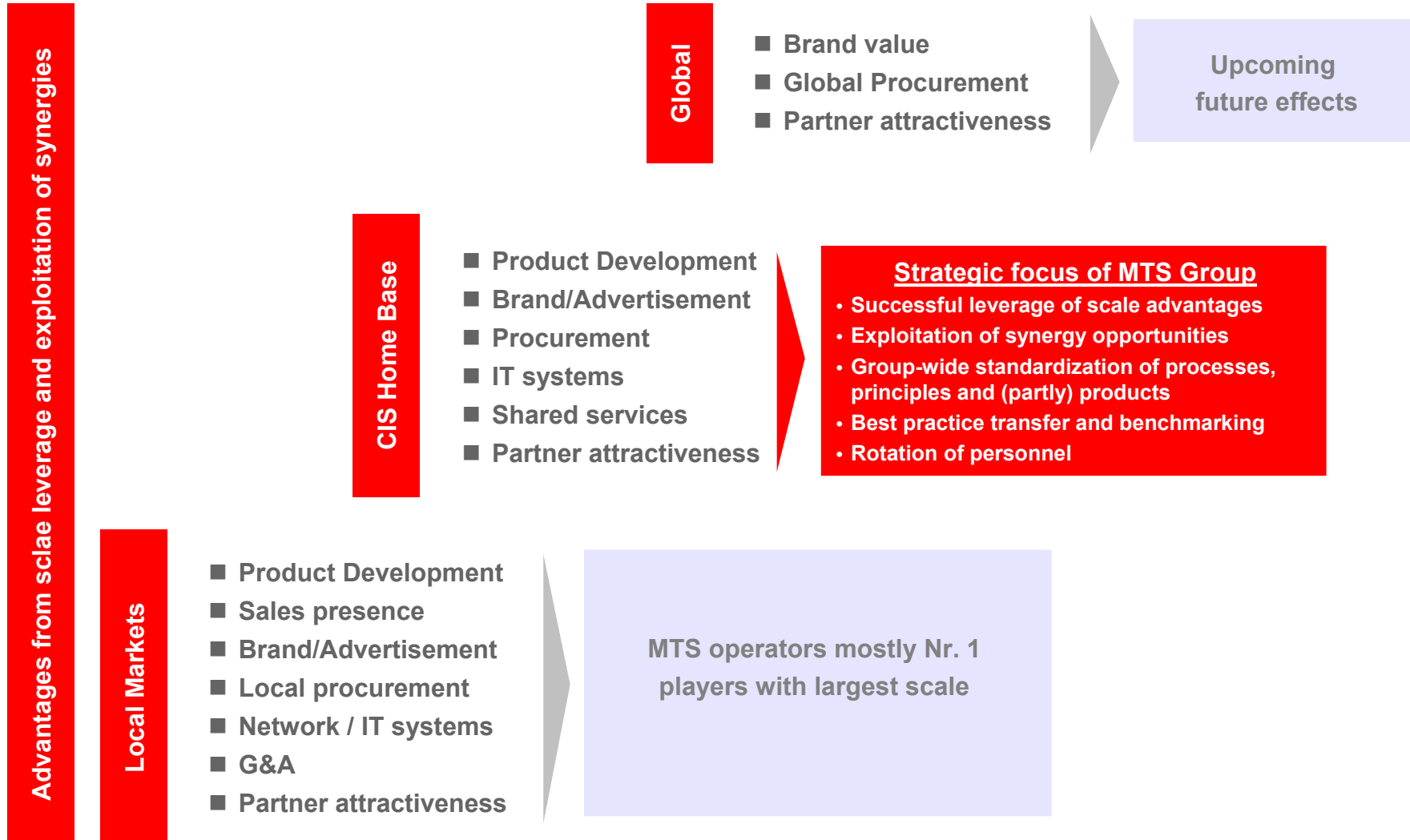
Regional “Home Base”-Cluster strategy of international Mobile Group Players

Mobile Groups (examples)	Regional “Home Base”-Cluster	Strategic Benefits
	Several regional clusters with core home base cluster around Western & Central Eastern Europe	<ul style="list-style-type: none"> ■ Homogeneous corporate culture due to close cultural ties and geographic proximity ■ Synergies and advantages ■ Best practice & skills transfer ■ Management personnel pool ■ Enhanced distribution of industry and market expertise
	Two significant main clusters in Western Central & Eastern Europe	
	Several regional clusters with core cluster in Western & Central Eastern Europe	
	Strong regional cluster in Latin America	
	Strong regional home base cluster in CIS region	
	Several regional clusters with home cluster in Scandinavia	
	Strong home cluster in Nordic and Baltic region	
	Strong home cluster base in Latin and Central America	



MTS Group Strategy – Competitive advantage in CIS “Home Base”

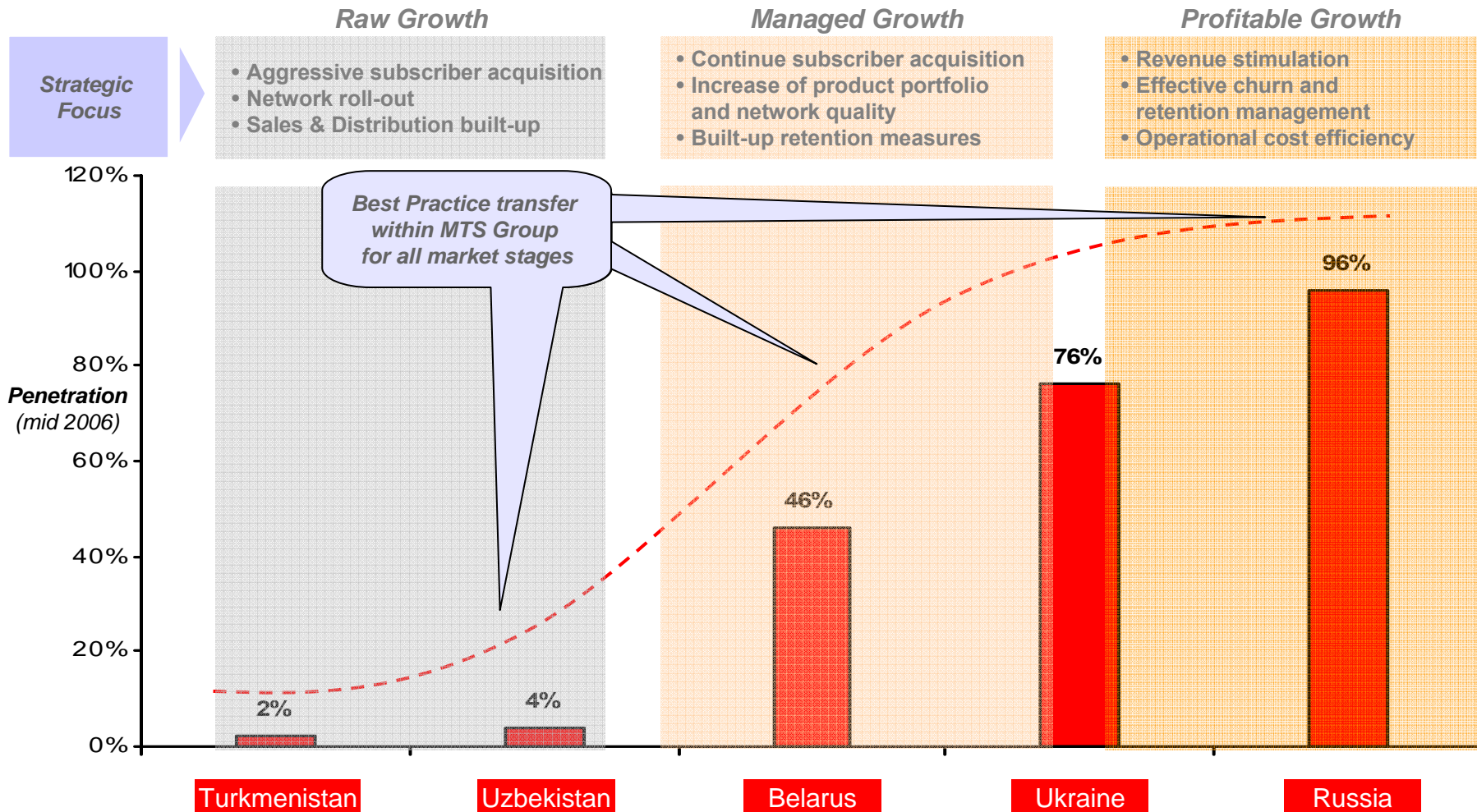
Competitive advantages of MTS Group in CIS “Home Base”





MTS Group Strategy – Leverage experience in all market stages

MTS Group market experience portfolio





MTS Group outlook – Well positioned for future intl. expansion

MTS Group set-up for future international expansion

Emerging markets experience

- Experience in high customer growth & low ARPU markets
- Strong track record of high operational and financial margins in low GDP markets
- Proven ability to outperform acquisition business cases

International mobile group structures

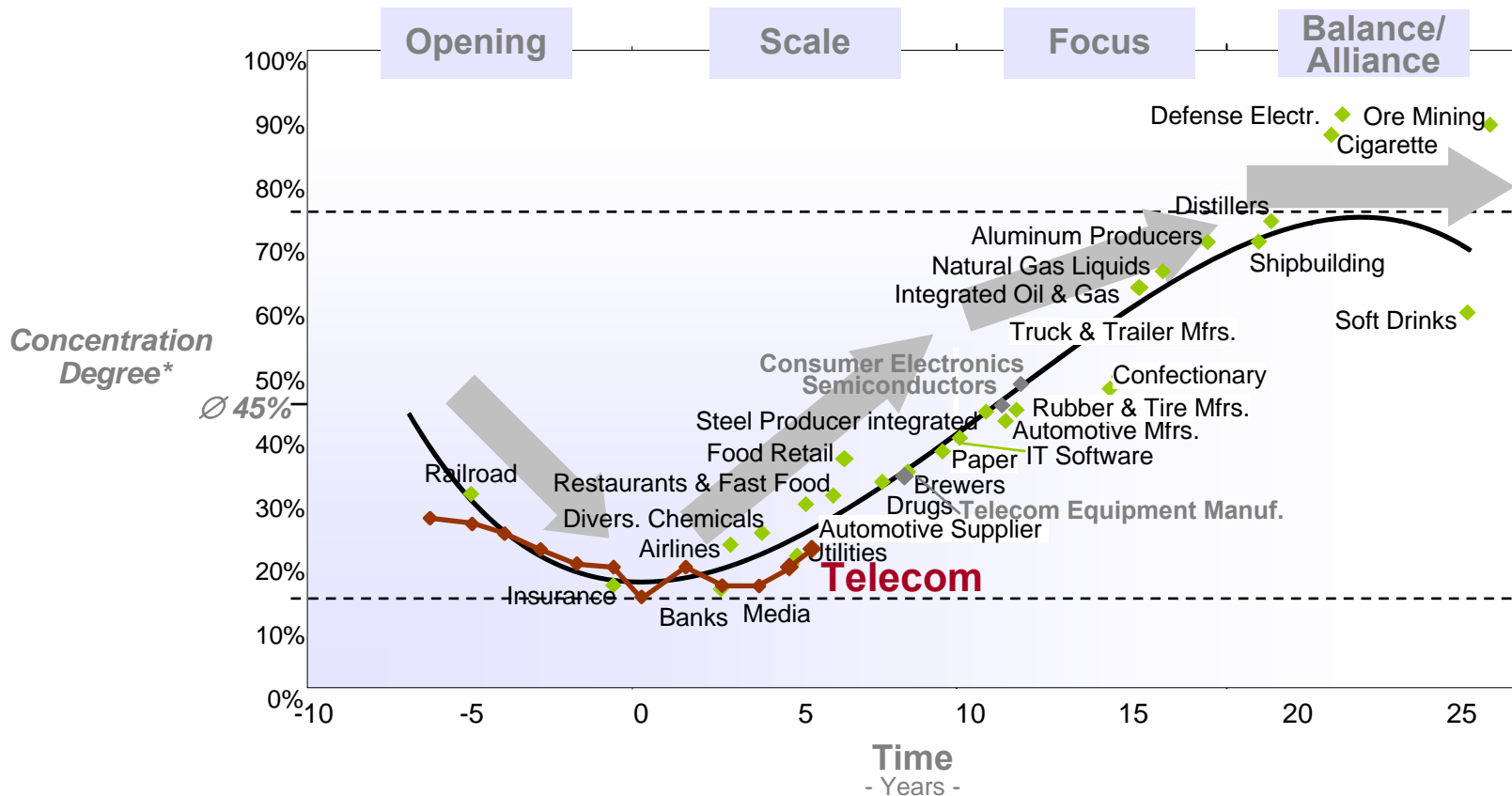
- Personnel and Knowledge pool across Group and country operators
- Potential for leverage of scale and creation of synergies
- Operational group headquarter structures and processes

**Best experiences and structures for successful value creation
in future growth markets inside and outside CIS**



MTS Group outlook – Ready for upcoming industry development

By “going Group” MTS takes the next step for scale and focus along the future telecom industry development



* Measured as CR3 = Market share of the three largest companies of the total market based on database of 29,000 companies from A.T. Kearney VBG Study
 Source: Thompson Financial data (end 2005); Value Building Growth Study A.T. Kearney 2005, MTS Analysis



Thank you for your attention.