

Internet site: www.mtsgsm.com/ir
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Group guidance for FY 2007



Analyst Day – Moscow, Russia 31 January 2007



Leonid Melamed

President and Chief Executive Officer



Agenda for Success 2007

Markets

- Profound understanding of our markets, industry trends and challenges

Strategy

- Setting the right strategic priorities

Execution

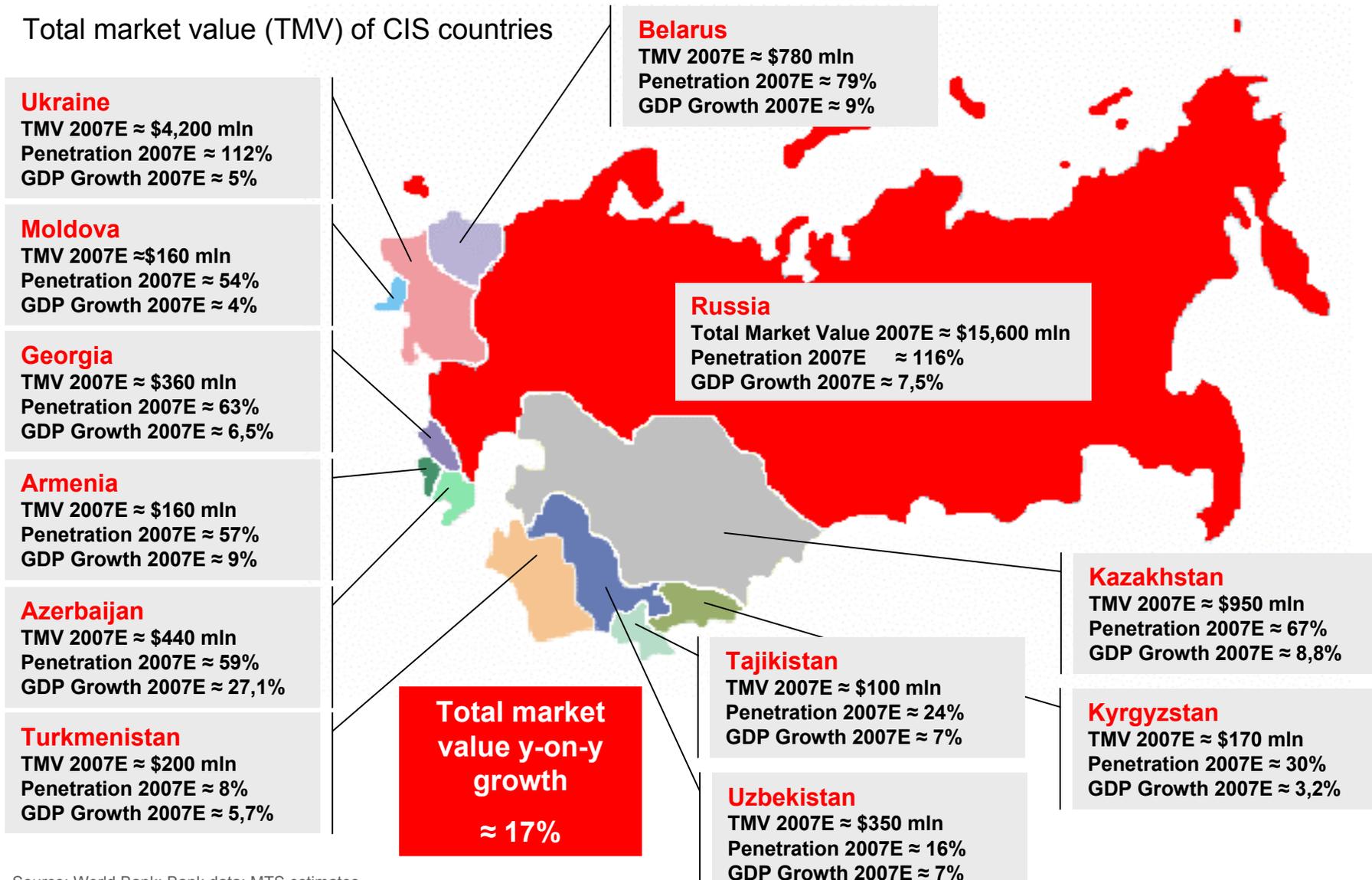
- Ensuring successful and sustainable execution



MTS' delivery of superior returns to shareholders



CIS offers attractive markets for future growth





Understanding growth drivers and revenue levers

	Russia	Ukraine / Belarus	Uzbekistan / Turkmenistan
Key Growth Drivers	<ul style="list-style-type: none">▪ High income growth in next years▪ Under-consumption in mobile voice and VAS▪ Low fixed-line penetration	<ul style="list-style-type: none">▪ Non-penetrated population▪ Low consumption level▪ Low fixed-line penetration	<ul style="list-style-type: none">▪ Very low penetration▪ Young population▪ Low VAS consumption
Key Revenue Levers	<ul style="list-style-type: none">▪ Traffic-stimulation focused tariff structure▪ Price discipline▪ VAS enhancement	<ul style="list-style-type: none">▪ Brand attractiveness▪ Network quality▪ Competitive pricing	<ul style="list-style-type: none">▪ Network Coverage▪ Customer education▪ Attractive mass offers

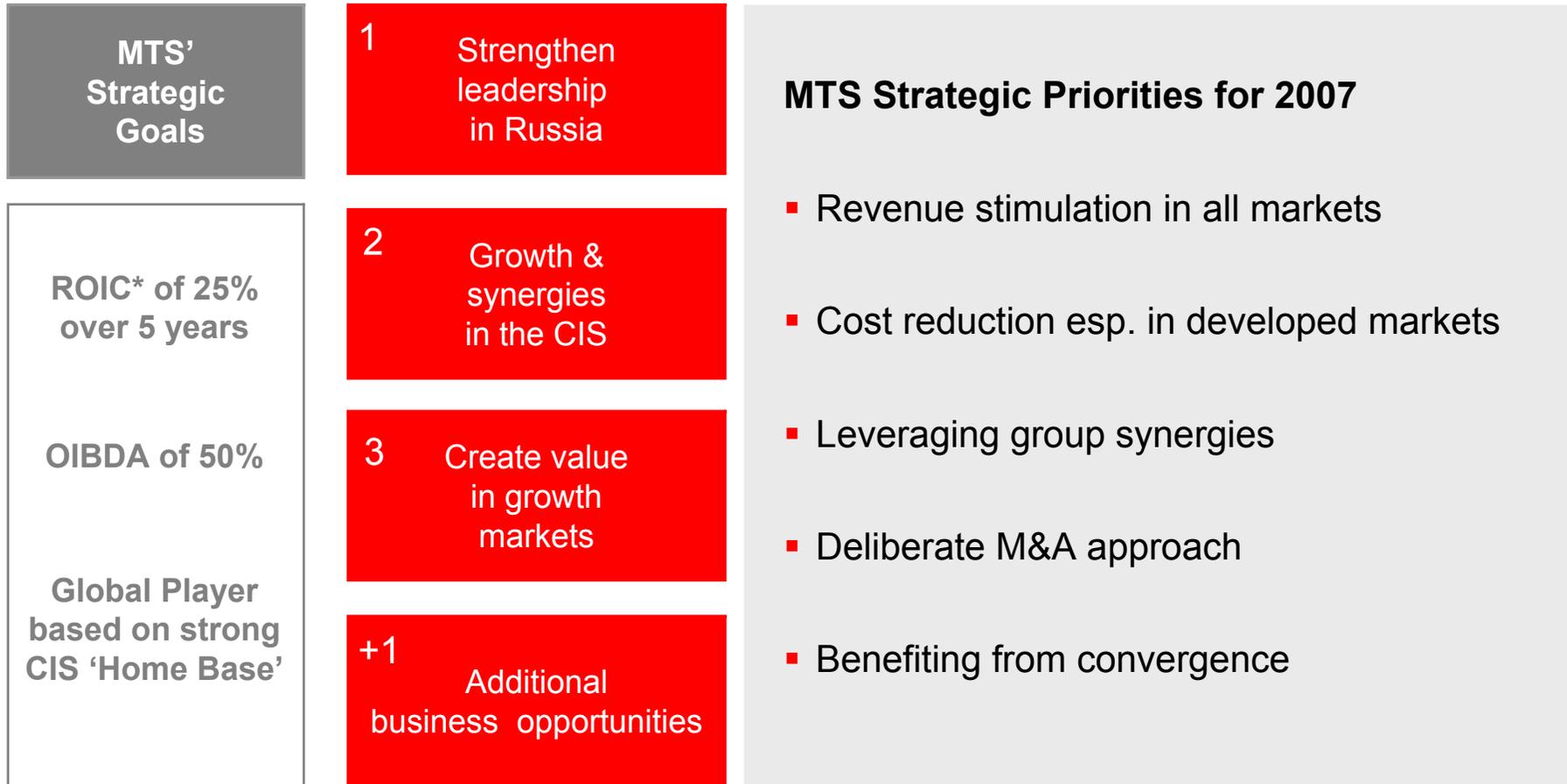


Meeting industry trends & challenges

Trends & Challenges	Background	MTS' strategic response
New technologies	<ul style="list-style-type: none"> UMTS license issuing in 1H 2007 WIMAX 	<ul style="list-style-type: none"> Participation in UMTS license tenders Preference for HSPA (UMTS) technology
Convergence	<ul style="list-style-type: none"> Dominant trend in developed markets Opportunities within Sistema Telecom 	<ul style="list-style-type: none"> Pragmatic approach in selected integration areas within Sistema Convergent offer in Ukraine
Industry consolidation	<ul style="list-style-type: none"> Trend towards building of large telecommunications groups Opportunities leverage synergies within MTS Group 	<ul style="list-style-type: none"> Deliberate approach to M&A Identification and leverage of existing synergies within MTS Group



MTS' 3+1 strategy in 2007: key strategic priorities



*MTS measures ROIC as (LTM net income + LTM interest expense + LTM depreciation expense) / closing (equity + minority interest + long-term financial obligations)



Revenue stimulation

Approach	Country	Area of emphasis		
Consideration of different market needs	Russia	<ul style="list-style-type: none"> Segmented promotion and tariff structure (e.g. Family, Youth, SOHO, White Collars) Regionalization (i.e. local price level and service quality adoption where needed) Development and active promotion of VAS portfolio 	MOU	▲
			ARPU	▲
			Rev Mkt Share	➔
	Ukraine / Belarus	<ul style="list-style-type: none"> Enhance brand attractiveness in highly competitive market environment Enhance network/service quality levels Ensure competitive pricing level (segment based) 	MOU	▲
			ARPU	➔
			Rev Mkt Share	▲
	Uzbekistan / Turkmenistan	<ul style="list-style-type: none"> Rapid network roll-out and sales network development Brand and product attractiveness increase VAS service promotion 	MOU	▼
			ARPU	▼
			Rev Mkt Share	▼



Example Russia: *Pervyi* and RED tariff success

- In 2H 2006 more than 6,5 mln* subscribers
- More than 13% of total subscriber base

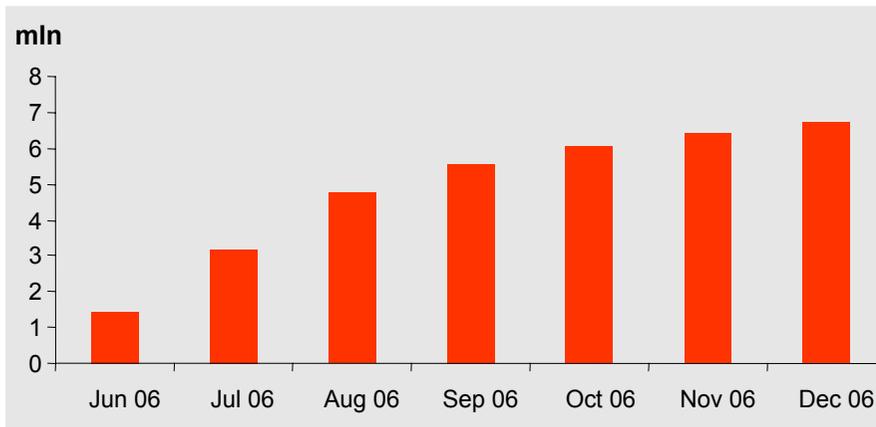
«ПЕРВЫЙ»



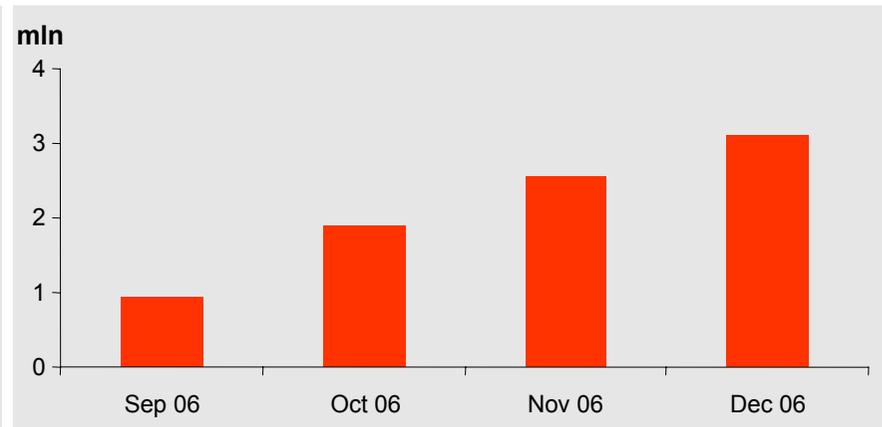
- Successful launch of RED tariff in September 2006
- Over 3 mln* subscribers by the end of 2006



Pervyi subscriber growth



RED subscriber growth



Both *Pervyi* and RED subscribers deliver higher MOU and ARPU levels in comparison to average MTS subscribers

* Including new subscribers and those who migrated from other MTS tariffs



Cost reduction

Approach

Continuously

Throughout all markets

Across all functions

Benchmarking-based

Areas of emphasis

- Headcount reduction, esp. increase of automation degree (Group-wide)

- Network service cost reduction, esp. network harmonization (Group wide)

- Organizational optimization, e.g. reduction of number of Macro-Regions (Russia)

- Selected outsourcing, esp. call center activities (Russia)

- Interconnection policy towards more profitable traffic balance (Russia & Ukraine)



Leveraging group synergies

Areas		MTS Benefits
Revenue	Roaming	<ul style="list-style-type: none"> ■ Full leverage of traffic steering percentage
	Key accounts	<ul style="list-style-type: none"> ■ Increased market share due to international offering to CIS customers
	Product development	<ul style="list-style-type: none"> ■ Reduction of time-to-market ■ Increased product portfolio
	Brand	<ul style="list-style-type: none"> ■ Leverage of MTS Group brand → Potential spill-over effects
OPEX	Products/ Services	<ul style="list-style-type: none"> ■ Savings by standardization of development and implementation → (“Develop once, deploy often”)
	Brand	<ul style="list-style-type: none"> ■ Centralized brand management; synergy in production and use
CAPEX	Network / IT Equipment	<ul style="list-style-type: none"> ■ Leverage of volume-driven discounts (e.g. for UMTS CAPEX)
Financial synergies		<ul style="list-style-type: none"> ■ Lower capital costs
Additional group effects		<ul style="list-style-type: none"> ■ Shared services, process standardisation, best-practice exchange



Deliberate M&A approach in emerging markets

MTS' 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

MTS' group structures

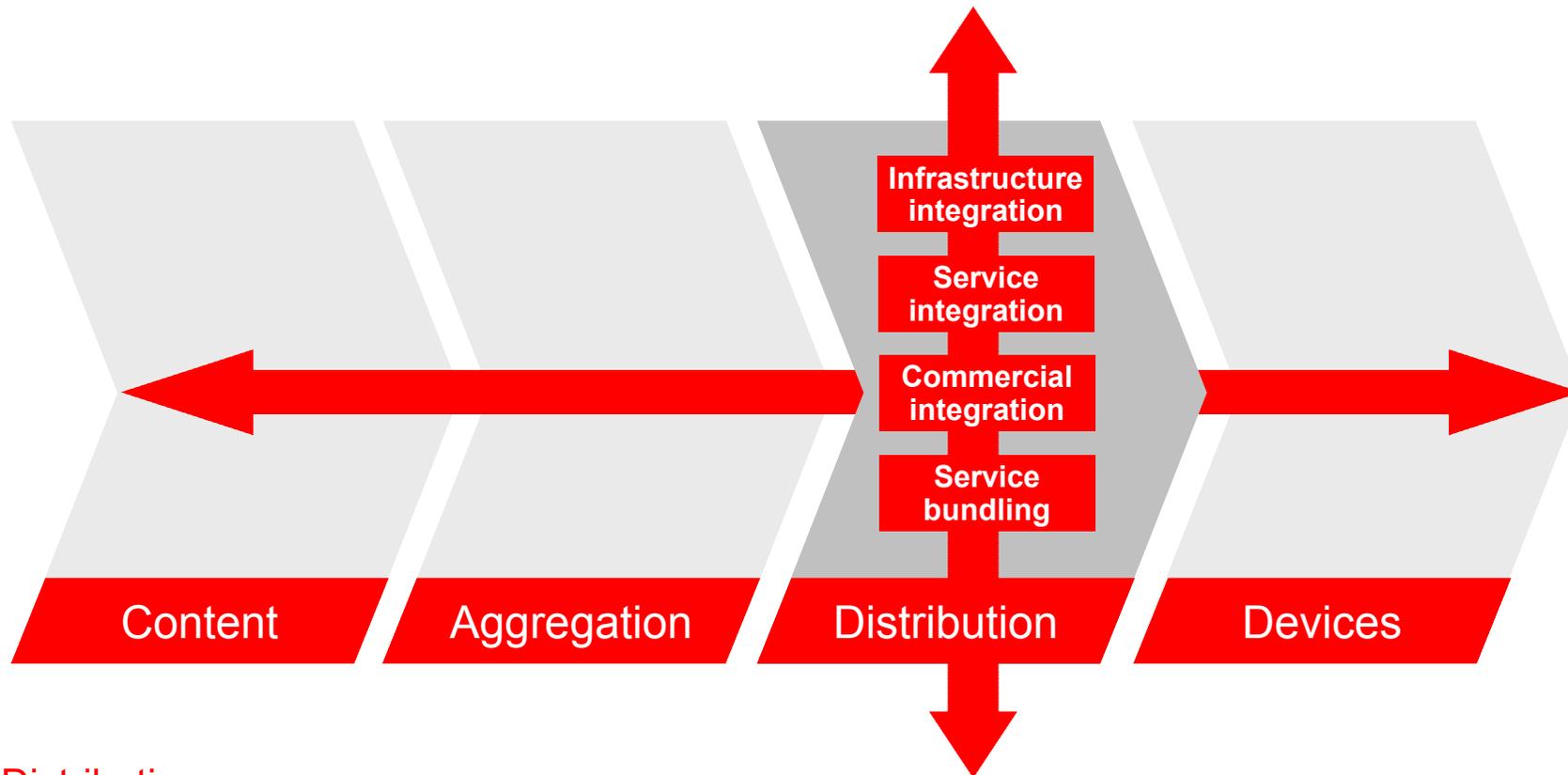
- Personnel and knowledge pool across Group and country operators
- Potential for leverage of scale and creation of synergies
- Operational group headquarter structures and processes

Diligent financial criteria and evaluation

MTS is well prepared for *MTS Game* outside CIS in future growth markets



Convergence teaming within Sistema Telecom



- **Distribution**
 - Primary focus of MTS
 - Currently examining variety of projects
 - Leveraging position within Sistema Telecom group of companies





Benefiting from Convergence

Convergence areas	Examples	MTS Benefits
Infrastructure Integration	<ul style="list-style-type: none">▪ United WiFi network	<ul style="list-style-type: none">▪ Promoting brand & brand values▪ Retention of key customers
Service Integration	<ul style="list-style-type: none">▪ United call center	<ul style="list-style-type: none">▪ Staff optimization▪ Alignment of customer service with value of customer
Commercial Integration	<ul style="list-style-type: none">▪ Single number (FMC, home mobile)▪ United sales network	<ul style="list-style-type: none">▪ Cross-selling effects▪ Reduction of marketing costs▪ Retention increase
Service Bundling	<ul style="list-style-type: none">▪ MTS and SkyLink service package	<ul style="list-style-type: none">▪ Retention increase (esp. corporate customers)



Ensuring successful and sustainable execution

MTS' new organizational structure

- Increased business focus due to division between strategic and operational tasks and between Headquarter and Business Units
- Increased efficiency due to greater transparency and clearer division of responsibilities

Processes and budget approach

- Increased financial discipline due to new Budget model
- Introduction of effective execution tracking
- New performance-based motivations schemes

In 2007 MTS will continue its significant increase of execution excellence



Key messages for 2007

MTS core markets very attractive growth area

Profound market and industry understanding

Consistent setting of strategic priorities

Strong focus on execution success

MTS aims to deliver superior return to its shareholders

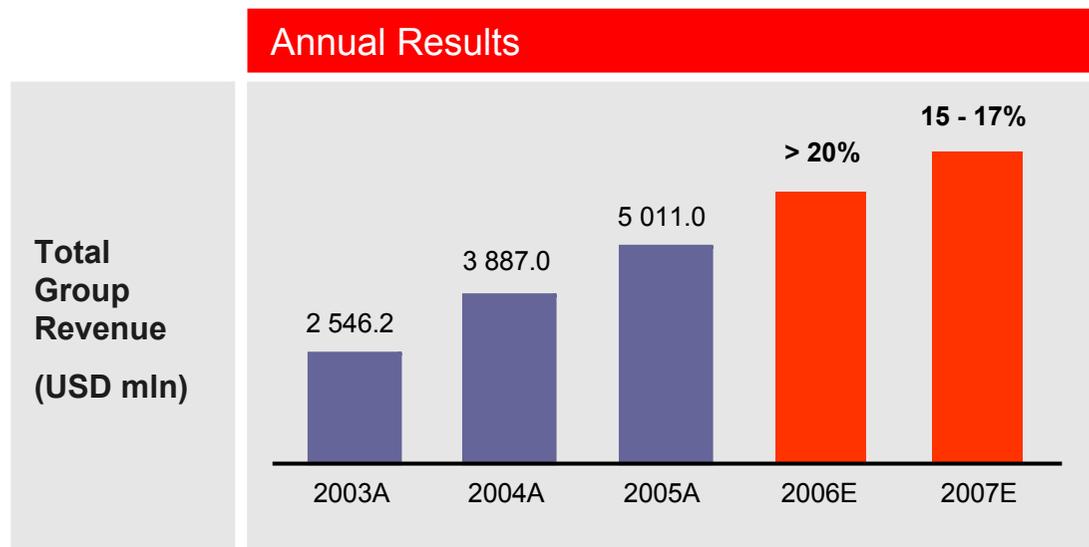


Vsevolod Rozanov

Vice President and Chief Financial Officer



Group revenue guidance for 2007

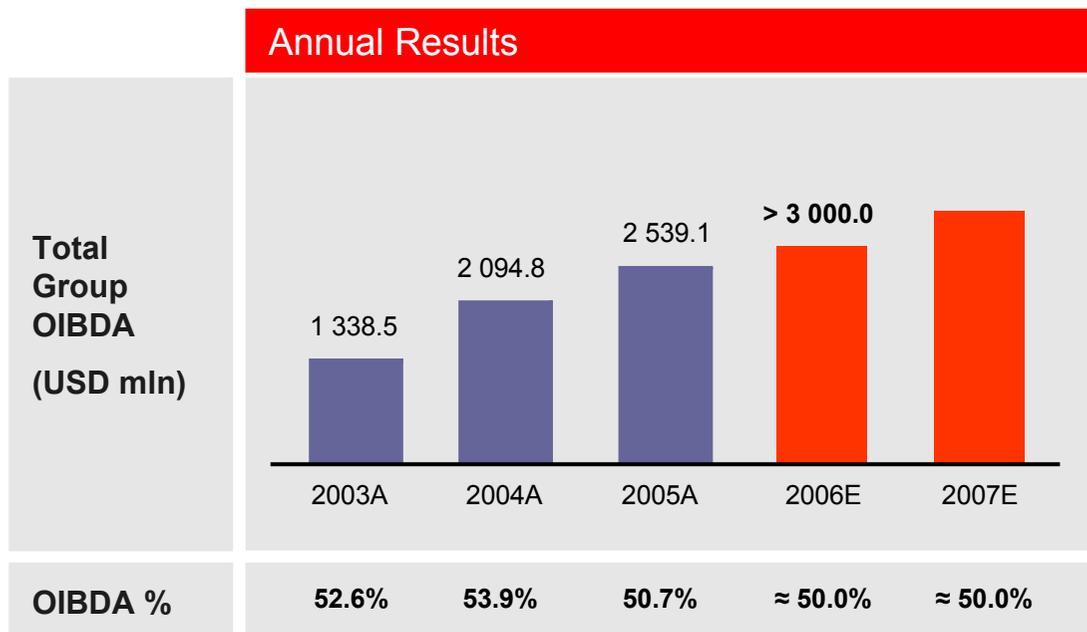


Drivers in 2006 will continue in 2007:

- Positives:
 - Transition to ruble tariffs based on fixed ruble:dollar rate
 - Interconnect revenues
 - Increase in usage (MOU growth)
 - GDP growth
- Negatives:
 - Market saturation in Russia and Ukraine
 - No one time positive impact from change to Rouble tariffs
- Uncertainties
 - Pricing discipline?
 - Currency fluctuation?



Group OIBDA guidance for 2007



Main OIBDA pressure points:

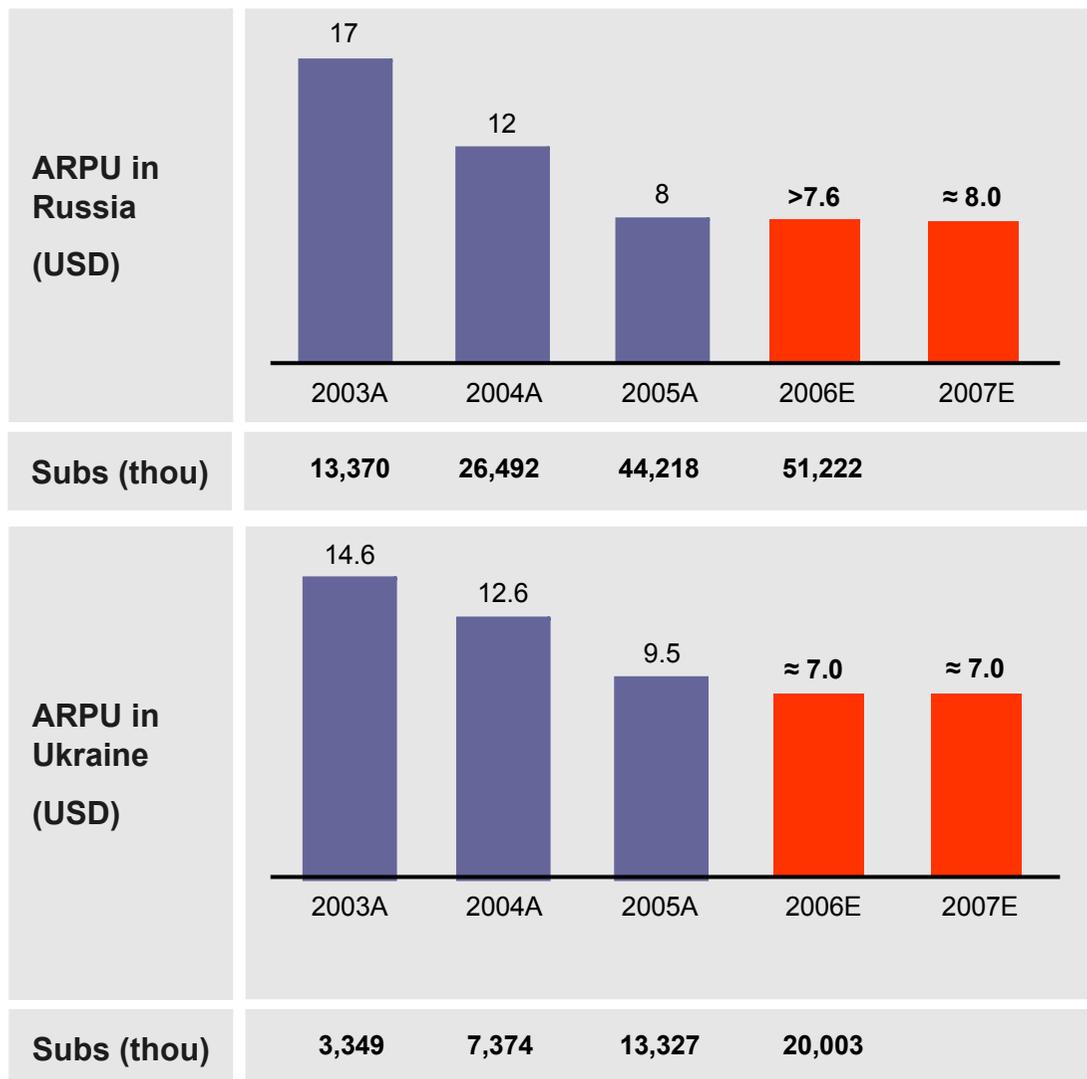
- Russia:
 - Increase in interconnect costs
 - Increase in other direct costs driven by regulatory changes e.g. payments for frequencies
 - Media inflation – expected at around 30% in 2007
 - Network maintenance costs
 - Rental costs

- Ukraine:
 - Increase in interconnect costs
 - Media inflation
 - Larger network raising operating and maintenance costs
 - Rent increases
 - Energy price increases
 - Utilities increases



ARPU in 2007 – Russia and Ukraine

Annual Indicators



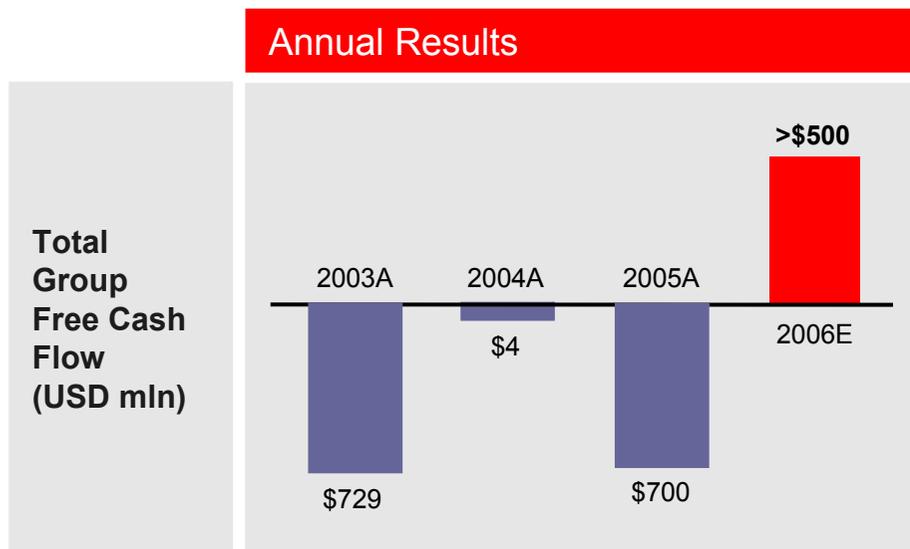
Main highlights for 2007:

- **Russia**
 - ARPU to show single-digit growth
 - Up to 5% increase from existing subscribers
 - Lower than average ARPU from new subscribers

- **Ukraine**
 - Slight erosion in ARPU due to new lower-value subscribers
 - Increased penetration will continue to dilute ARPU levels
 - Introduction of MTS brand (Q2 2007)



Cash flow and balance sheet



- Financing
 - No new financing unless M&A opportunities materialize
 - Comfortable, under current circumstances, with current debt to equity ratios

Main 2007 use of cash

- 2.5 GSM CAPEX - <\$1,800 mln
 - Russia - \$1,000 mln
 - Ukraine - \$700 mln
- 3G CAPEX – undetermined
 - More information during Q1 2007 conference call
- Additional spending on:
 - Convergence projects
 - Stock repurchase program
- Dividends
 - Board of Directors will propose amount in April 2007
 - Expected payout to be in line with historical practices



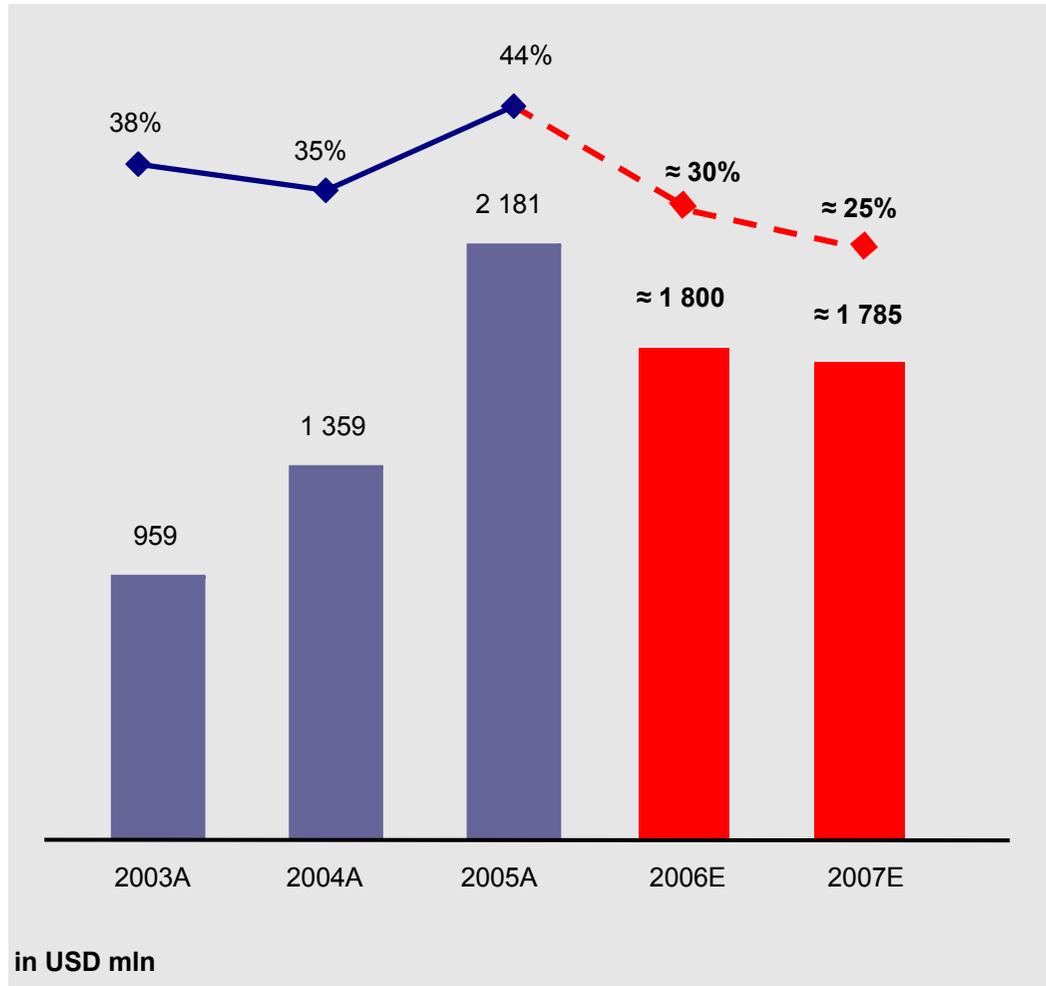
Sergei Aslanyan

Vice President and Chief Technology Officer



Capital expenditures in 2007

Breakdown of group CAPEX and as % of revenue

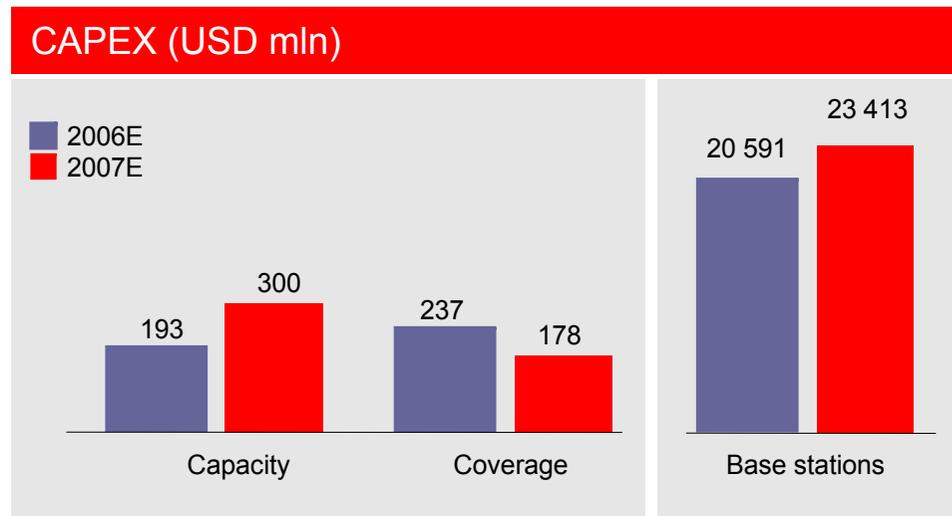


- Greater emphasis on capacity over coverage spending in Russia
 - Additional CAPEX will be spent in 2007 on a 3G network in Russia upon license acquisition
- Greater emphasis on improving network quality across the Group to strengthen leadership in our markets of operation
- Falling Group CAPEX/Sales as CAPEX requirements in Russia decrease



Capital expenditures in Russia

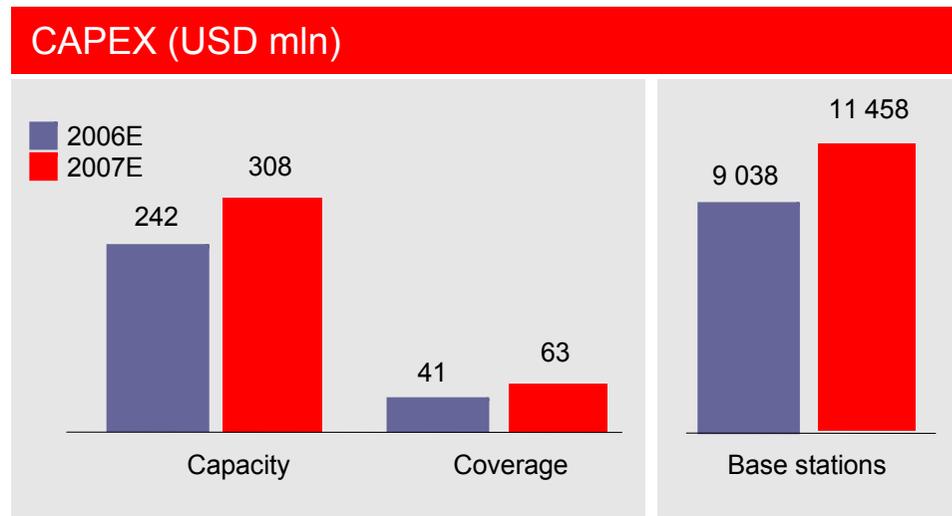
- Focus of investment dedicated to capacity upgrades to handle subscriber and traffic growth
- Network quality – both actual and perceived - in most regions quite high
- Massive investments into IT – including billing and ERP – have mostly been completed
 - Further investments are driven by increasing service quality and gaining loyalty
- In accordance with business strategy in a number of regions investments to be made in 3G network construction and - subject to positive business case - EDGE roll-out
- Radio network supplier harmonization planned
- Key projects in IT:
 - CRM
 - Harmonization of IN-platform suppliers





Capital expenditures in Ukraine

- Focus in 2006 was on intensive radio network growth
 - Both in coverage and capacity
- Market opportunities exist for fixed wireless services, combination of visible market demand, favorable regulatory situation and available technologies
- Customer relationships management becoming a key differentiator
- In 2007 majority of network CAPEX will be spent on capacity and network optimization
- Projected construction of a CDMA 2000 (1xEV-DO Rev A) network to support convergent services aimed at corporate subscribers
- Key projects in IT:
 - CRM implementation
 - Expansion of billing system and IN-platform
 - Implementation of Revenue Assurance and Fraud Management systems

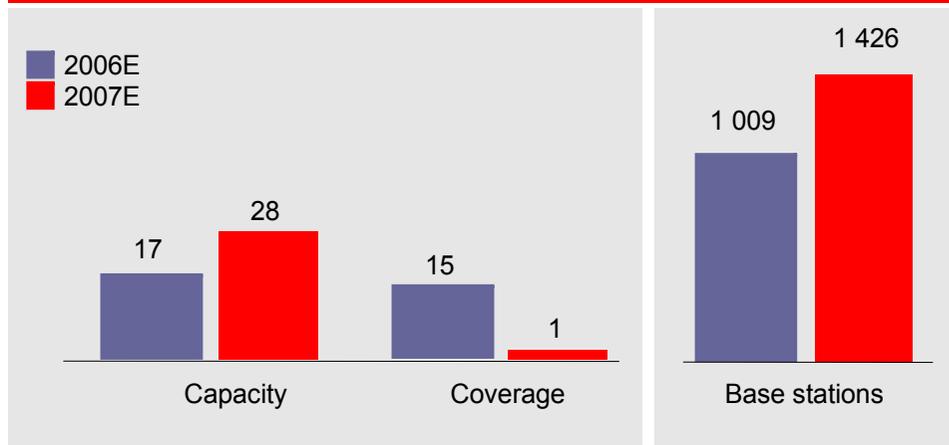




Capital expenditures in Uzbekistan

- Increase in competition expected with expected entrant of third operator
- Significant growth in coverage in recent years
- Capacity investments expected as market shows potential for VAS and data related services in the next years
- Strategic goals of MTS in Uzbekistan are leadership retention, increasing subscriber loyalty and strengthening of Company's positions in youth and corporate segments
- Increasing investment in capacity to support VAS and traffic growth
- Key projects in IT:
 - Implementation of ERP and expansion of billing systems
 - Upgrades of IN-platform and IT-infrastructure

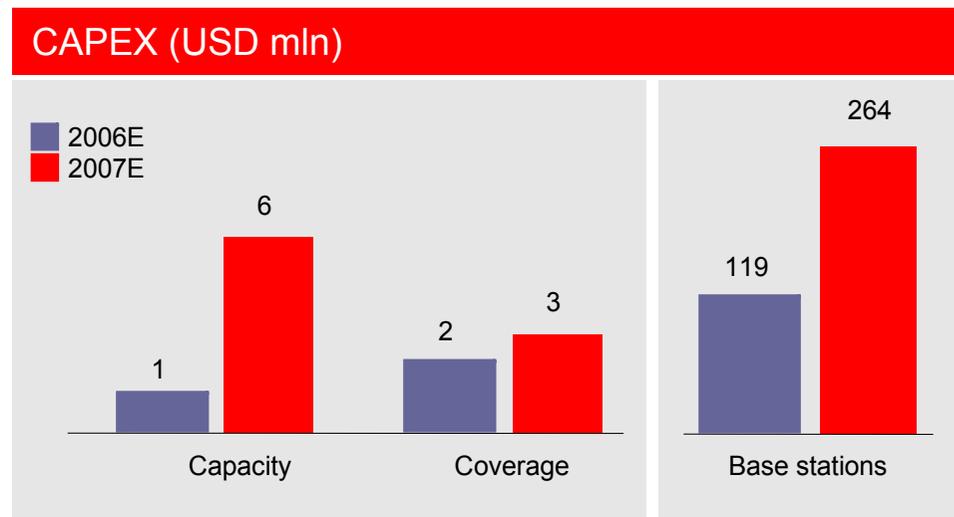
CAPEX (USD mln)





Capital expenditures in Turkmenistan

- The market is at subscriber growth phase, and most of population is already covered
- Future growth will require more radio and switching capacity
- Key drivers for IT include subscriber and traffic growth, service complexity growth
- Capacity upgrade of existing service platforms to support planned introduction of SMS and voice content services
- Key projects in IT:
 - Expansion of billing system and IN-platform,
 - Enhancement of IT-infrastructure



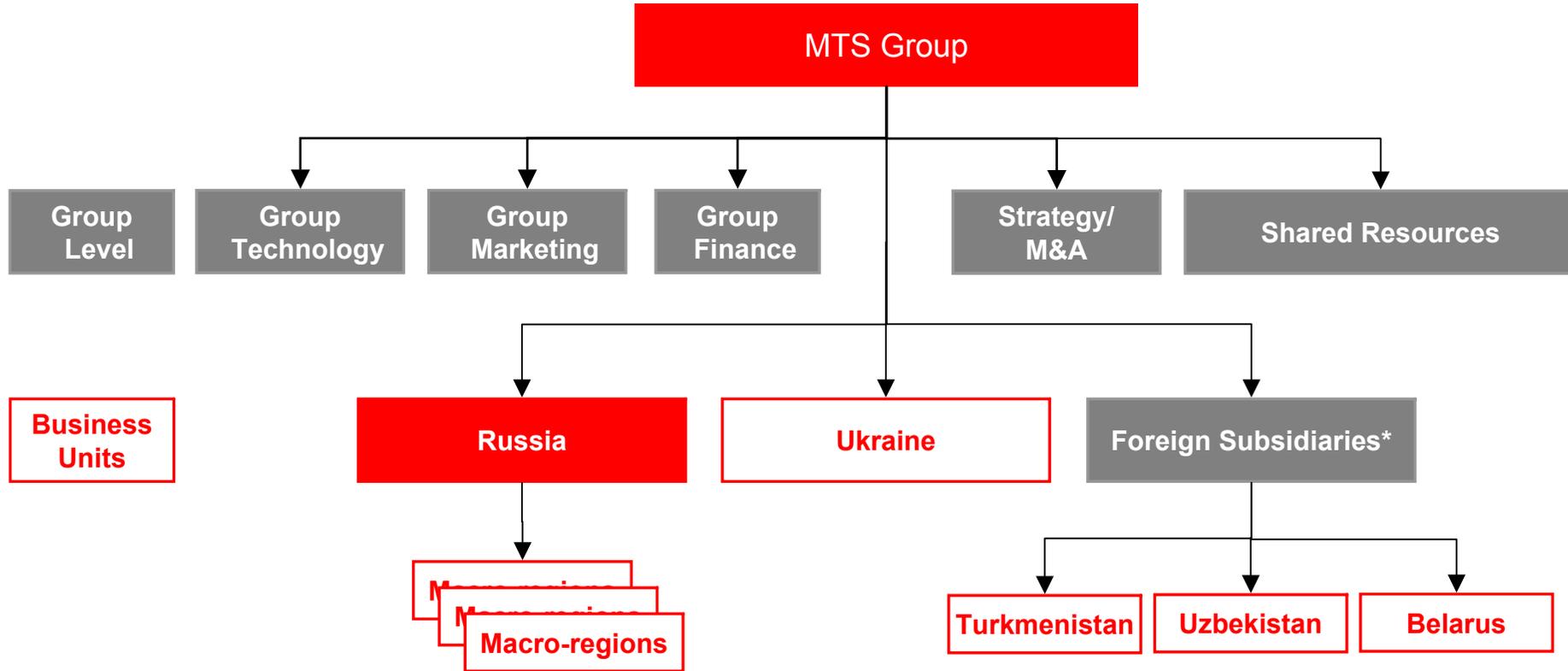


Mikhail Shamolin

Vice President, Director Business Unit 'MTS Russia'



Change in organizational structure



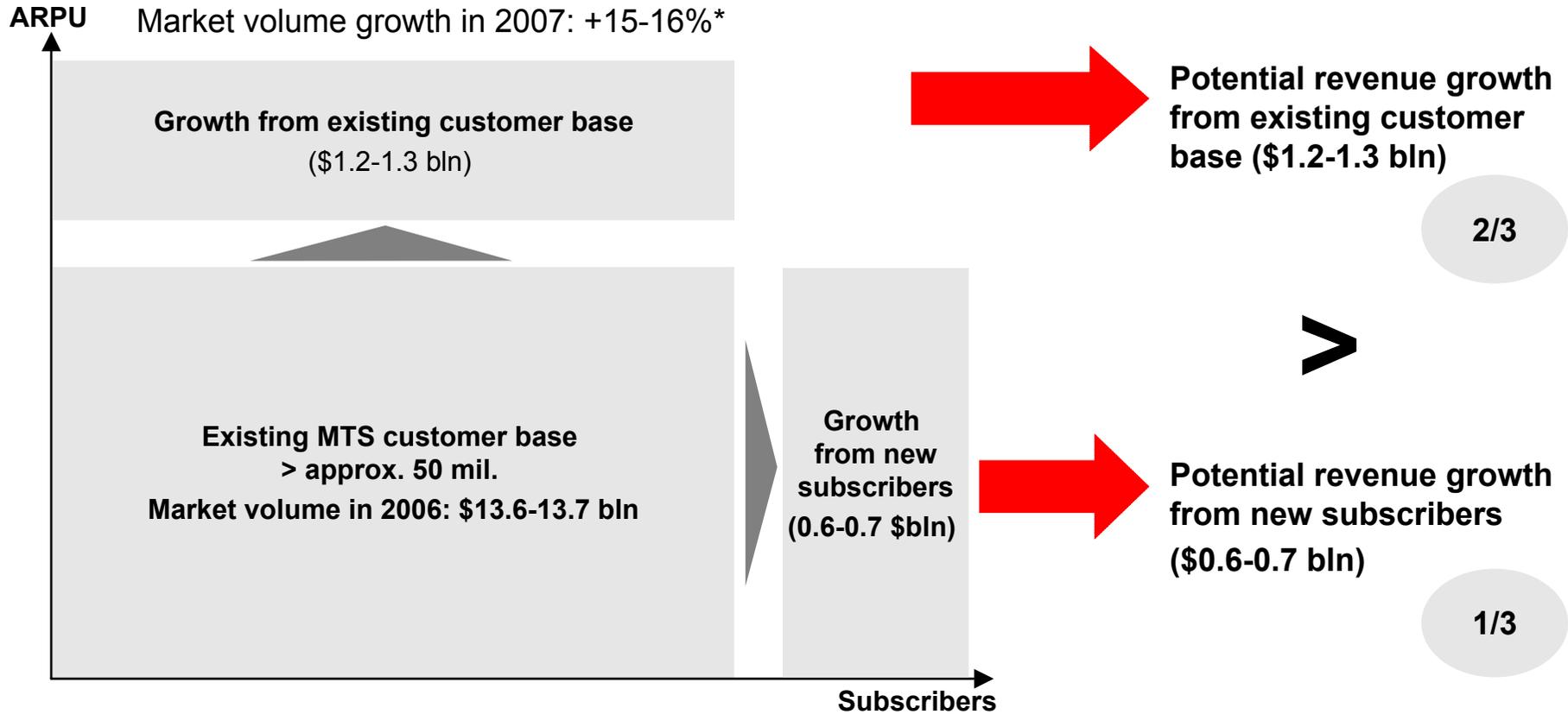
- **Group Level**
 - Devising strategy and direction
 - Investment and M&A decision-making
 - Exploiting group synergies
 - Leveraging scale

- **Business Unit Level**
 - P&L responsibilities
 - Developing local markets
 - Managing area of operations

*Kyrgyzstan: MTS continues to seek operational control over Bitel through legal means



Revenue growth drivers

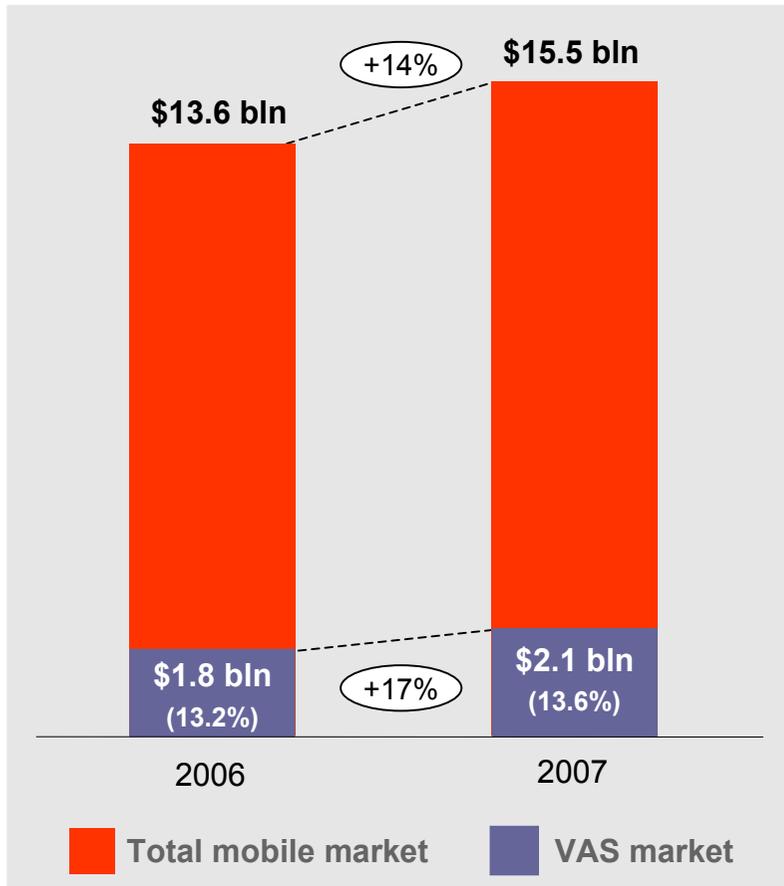


SIM-penetration in Russia is not the end of growth but a platform for future growth towards a higher *share of wallet* of existing subscribers

* Based on the assumption of disposable income growth 9-10% in 2007



Russian mobile VAS market growth rate in 2007



Potential revenue growth from existing VAS customers



Potential revenue growth from new VAS customers

Platform for future growth on VAS market is also usage stimulation and higher *share of wallet* of existing VAS-customers



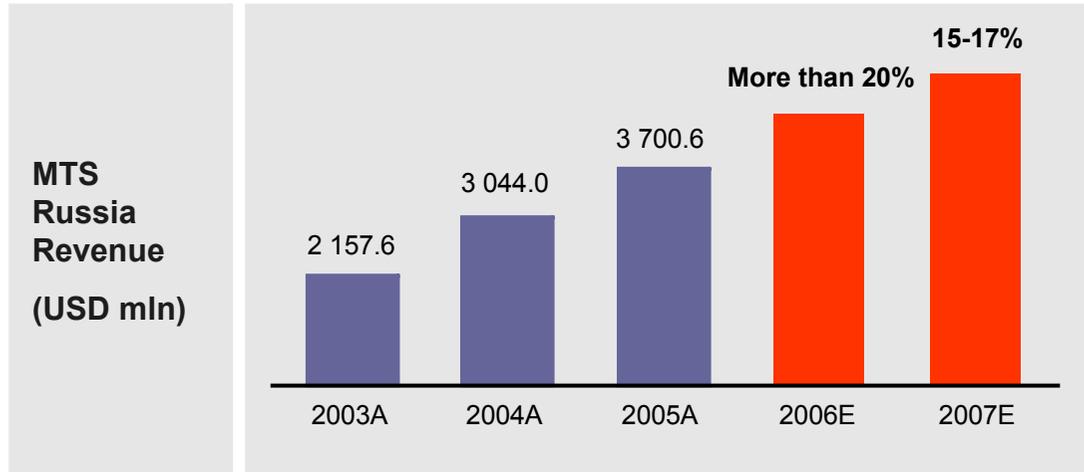
MTS Russia Strategic Goals

Revenue leadership	<ul style="list-style-type: none">▪ Retaining overall revenue leadership in 2007
Strong financial performance	<ul style="list-style-type: none">▪ Cost savings achieved in 2006 to continue 2007▪ OIBDA margin sufficient to support group OIBDA target▪ Improved free cash flow as compared to 2006
Leadership in brand and customer perception	<ul style="list-style-type: none">▪ Substantial improvement in the level of brand perception and customer loyalty
Leading company in management & employees	<ul style="list-style-type: none">▪ Becoming one of the 10 key employers in Russia



Russia revenue guidance for 2007

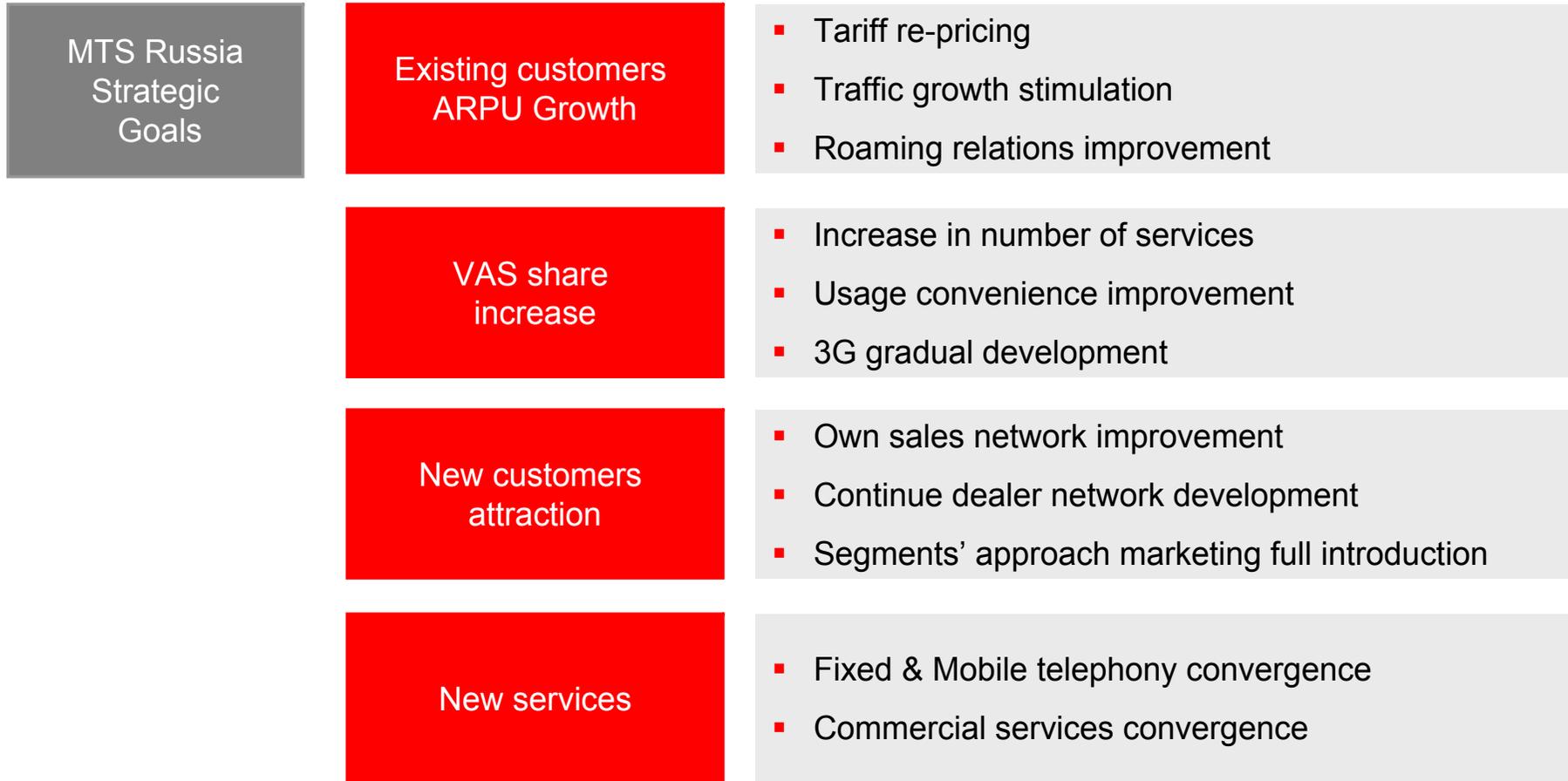
Annual Results



- In terms of revenue MTS in Russia is planning to grow at least as fast as the overall Russian cellular market
- Negative factors
 - Market saturation
 - Inflation level is higher than cellular tariff growth
 - Interconnect economy puts pressure on OIBDA
- Will be offset by:
 - Increased efficiency of operations
 - Tight purchase control policy
 - Staff reduction
 - Revenue sharing principal in dealer commissions



Revenue Stimulation





Cost Control

MTS Russia
Strategic
Goals

Dealer Commission
Policy

- Revenue sharing scheme allows to attract even low-value subscribers with profit
- Payment system improvement

Staff reduction

- Audit of business processes
- Outsource more where cost efficient
- Efficient use of dealer network for customer service

Interconnect Policy

- Tariff policy to insure positive trends in interconnect P&L

Regional Control
Development

- Further optimization of regional management structure



Customer services improvement

MTS Russia
Strategic
Goals

United CRM

- Churn prediction and pro-active retention
- Leadership in quality service in call centers

Differentiation
of services
in call centers

- High value customers to receive premium quality 24-hours support
- Improved IVR systems and automated channels for low – ARPU customers

Network and
Billing quality
improvement

- Securing network infrastructure quality by investing ≈\$300 mln in capacity
- Introduction of advanced IT systems

Improve service
network

- One point of payment per 1000 citizens
- More services provided in dealers' outlets
- Exclusive dealers to provide full services



Garrett Johnston

Chief Marketing Officer, Business Unit 'MTS Russia'

Environment

- Tough competition
- High economic growth
- Regional disaggregation
- Homogenous population
- Low landline penetration
- Unsophisticated fixed network
- High but incomplete mobile penetration
- Low consumption
- Mobile democratization/CPP
- Consumer / brand expectations growing
- High economic growth with low consumption
- Knowledge economy
- Legal and regulatory upside



новый тариф
RED

Ты много общаешься с друзьями, живешь 25 часов в сутки, используешь мобильный на полную? Привык разговаривать SMSками и обмениваться MMSками? Есть с кем болтать всю ночь? Тогда RED – тариф для тебя!

- Дешевые SMS и MMS внутри сети МТС
- Исходящие по очень низкой цене внутри тарифа RED
- Скидка на “ночные разговоры”

Подробнее о тарифе на www.mts.ru
О ком ты думаешь сейчас?

Тариф действует с 5 сентября 2006 г. Подробная информация по номеру 09907, а также на сайте и в салонах магазинов МТС. Выходящие на территории МТС.



Performance

- CPP – large increase in traffic
- Tariff rebalancing
- ARPU stable driven by higher MOU
- Exchange rate gains in Q3 2006
- Customer numbers increasing steadily
- Success of lifestyle segmentation products

An advertisement for the MTS MAXI tariff. It features a man in a dark suit and tie standing in front of a whiteboard. The whiteboard has the word "MAXI" written on it. The background is a mix of red and white. The text on the advertisement includes:

тариф **MAXI**

Безлимитное общение
с абонентами МТС

МАКСИМУМ ВОЗМОЖНОСТЕЙ
ЗА АБОНЕНТСКУЮ ПЛАТУ

www.mts.ru

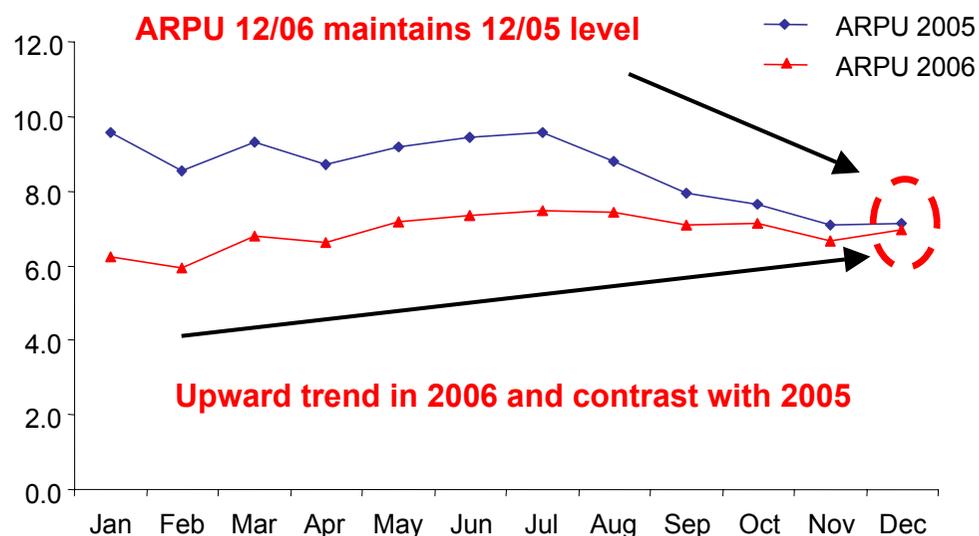
О чем ты думаешь сейчас?

МТС logo (egg icon and "МТС" text) is in the top right corner.



ARPU dynamic 2005 - 2006

- ARPU development in 2006:
 - Limiting launches of regional campaigns that were based on short-term lowering of APPM
 - Stimulating demand through introduction of services, such as MTS' Weekends, Night calls and Favorite Numbers
 - Amending tariff parameters in accordance with market conditions in the regions during the launch of First (*Pervyi*)
 - Fixing the exchange rate at 28.7 RUR (average exchange rate difference in 2H'06: 7.61%)
 - Introduction of CSC in the "old" tariff plans
 - Stimulating VAS usage: share of ARPU (VAS) in 2006 +12.04%





Opportunities

High economic growth

- Economic convergence of Russia and the European Union

High potential services

- Mobile internet access
- Landline replacement in cities
- Learning and inspiration from peers and customers

Underserved segments

- Rural customers
- Demographics: very young & old
- Existing customer base
- Corporate acct depth
- Small business customer/SOHO
- Segment formation supply/demand

Low brand loyalty and low macro trust culture

- Market trust and brand loyalty

Low consumption

- Regional structure – revenue optimization
- Increase and widen consumption levels
- Segment formation supply and demand



Priorities

- Widen revenue leadership
- Become the most loved and respected brand nationwide
- Exceed benchmark operational efficiency and effectiveness

An advertisement for the 'family tariff' (семейный тариф) 'МЫ' (MY). The background is red with white snowflakes. A family of four (father, mother, daughter, and son) is shown in a circular frame, smiling, with a Christmas tree in the background. The text on the left side of the ad includes: 'семейный тариф МЫ 69 коп. звонки внутри группы'. At the bottom left, it says 'www.mts.ru' and '059073' with a mobile phone icon. At the bottom center, it asks 'О ком ты думаешь сейчас?'. At the bottom right, there is a small disclaimer: 'Тариф действует с 10 ноября 2006 года на территории Москвы и Московской области. В тарифе есть 5 минут бесплатных до 7 номеров. Стоимость минуты приведена в рублях с учетом НДС от 15.02.2007 г. тарифная сетка тарифов.' The MTS logo is visible in the top right corner of the ad.



Drivers

- Retention
- Loyalty
- Volume
- Mix
- Acquisition
- Dependency

МЫ
уникальный
семейный тариф

0,69 руб.
звонки внутри группы

www.mts.ru 059073

Семья – это главное

Тариф действует с 10 ноября 2006 года на территории Москвы и Московской области. Группы могут быть образованы до 2 человек. Стоимость приватных звонков с учетом затрат на передачу составляет 1 рубль. Хурсы гарантированы – 1 рубль в минуту. Подробности тарифов и их условий на сайте www.mts.ru. МТС Россия. © 2006 МТС Россия



Strategy

- Segmentation
- Regionalization
- Consumption facilitation
- Consumption maximization
- Demand creation
- Sustainable differentiation





Strategy - Segmentation

- Lifestyle based segmentation
 - Youth
 - Family
 - Mass
 - Small Business
 - Corporate
 - Immigrant
- Value and value growth potential segmentation
 - Low
 - Medium
 - High
- Geographic segmentation
 - Region X
 - Region Y
- Consumption signature and bundle arbitrage potential segmentation
 - Voice
 - Text
 - Internet
 - International

Price

Product

Promotion

Place



Strategy - Regionalization

- Many different kinds of regions
 - Absolute leader
 - Relative leader
 - Leader
 - Second player
 - Third player
 - Outsider
- Varying regional economic potential
 - GDP and population growth
 - Urbanization
- Different competitor activity by region
 - Different competitors by region
 - Differing competitive pressure by region

Think Federal

Act Regional



Strategy – Consumption facilitation and expansion

- More active customers
- Higher volume consumption – up selling
- Segment affinity consumption
- More varied mix consumption – cross selling
- Easier default consumption

Price
Product
Promotion
Place



Lessons

Ты точно знаешь, что тебе нужно

тариф MAXI

В абонентскую плату включены:

- Безлимитное общение с абонентами МТС вашего региона
- Пакет минут на местные вызовы
- Пакет SMS и GPRS-Интернет

Дополнительные возможности:

- Льготная стоимость звонков абонентам МТС других регионов
- Льготная стоимость звонков во внутрисетевом роуминге

Подробности по телефону 059076 и на www.mts.ru

Тарифный план Maxi (Макси) действует с 01.11.2008. Приведенные условия действуют при нахождении абонента в домашней сети. Размер пакета местных звонков, включенных в абонентскую плату, и другие подробные условия тарифа на сайте mts.ru вашего региона.

На правах рекламы

О чем ты думаешь сейчас?

- Room for growth
- Calling Party Pays
- Affordability is key

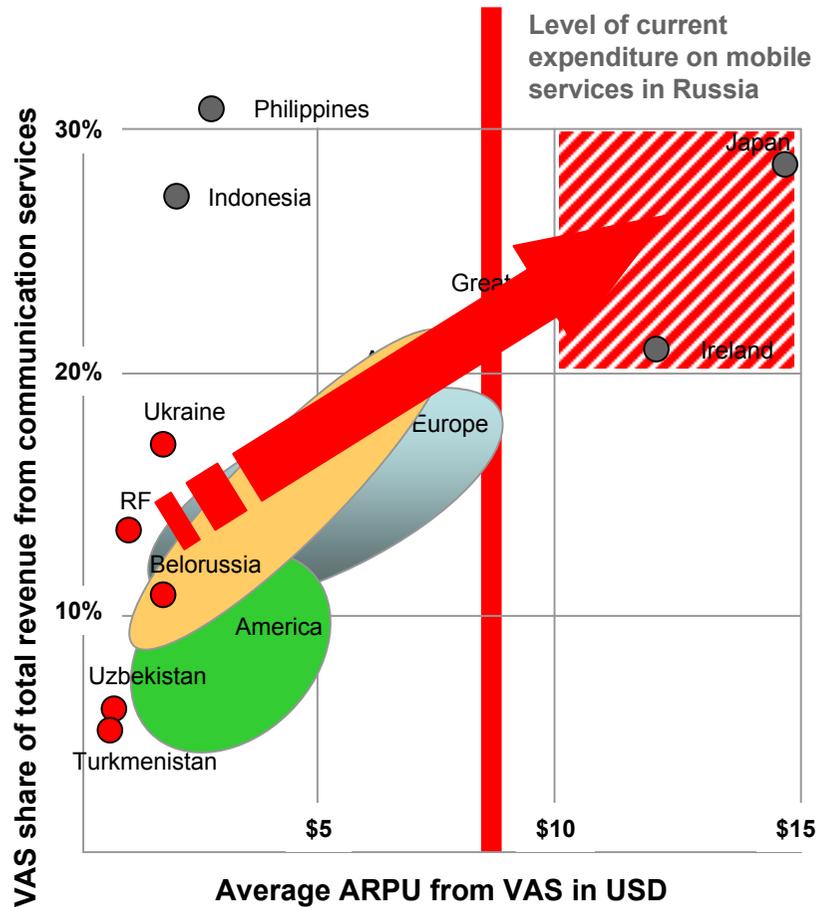


Pavel Roytberg

Director, Product Development



VAS development - target trends for MTS Group



 Target trend to maximize revenue from VAS

Mature international markets

- High personal incomes drive higher spending
- Foreign operators grasped importance of VAS in 2000
- Operator control over the equipment market facilitates launch new VAS
- Operator focus on maximizing the share of active VAS users and increasing the frequency of product use:
 - VAS portfolio management
 - Promotion channels (Vodafone Live, T-zones, etc.)
 - Service packages
 - Reduction of entry barriers

MTS Group markets

- Low personal incomes throughout footprint
- Active promotion of VAS started only in 2005
- No control over handset market
- Recent launch of branded channels for VAS promotion
- Transition from formation of 2.5G operator's VAS portfolio to portfolio management and VAS promotion



Development of MTS VAS strategy 2007-2008



Prerequisites

2006

- 2G-based VAS portfolio is formed on the mature markets of the MTS presence
- Start of 2.5G implementation
- Slower subscriber growth
- Relatively low VAS penetration
- Limited control of service quality
- Absence of killer application for 2007

Target objectives

2007

- Leading position in revenues and operating efficiency
- Leading position in innovations
- 2.5G-based VAS portfolio is finally formed on mature markets
- Start of 3G roll out
- Full service quality management capabilities

Target objectives

2008

- Active build out of the 3G-based VAS portfolio
- Implementation of the common VAS promotion concept in all countries in the MTS Group
- Leading position in the convergent services portfolio



VAS strategy: revenue and image

MTS Russia
Strategic
Goals

Leadership in VAS
revenues

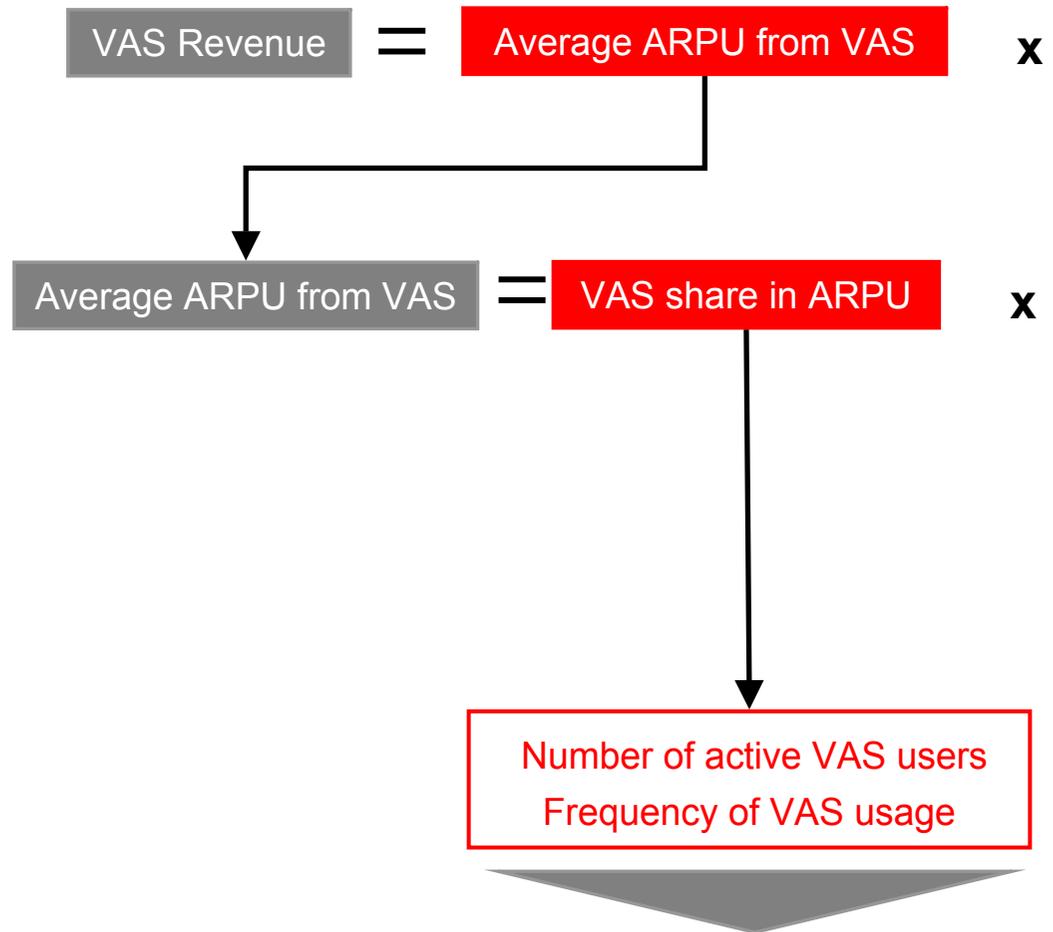
- Leading position in VAS revenues in all markets of operation
- Superior financial performance

Leadership in
innovation

- Innovative leader positioning
- Introduction of advanced technologies and business models
- Introduction of convergent services



VAS revenue drivers

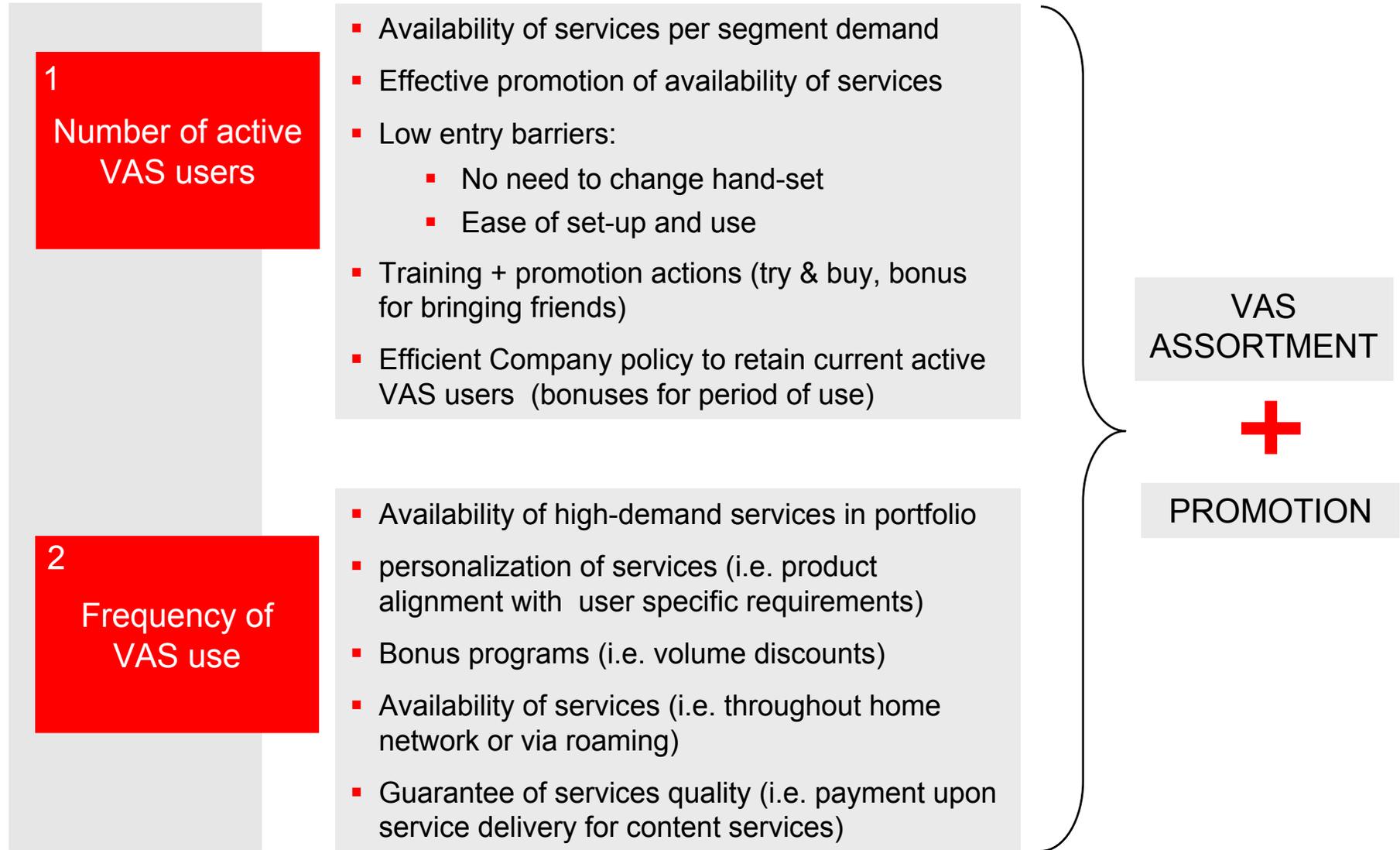


- Number of active subscribers**
- Total ARPU of subscriber**
 - Number of active MTS subscribers and APRU are top-line drivers of revenue
 - Less controlled through the VAS
 - The VAS development can influence these drivers through:
 - Brand enhancement
 - User spend
 - Adoption

Number of active users and frequency of VAS use are the major factors driving VAS revenue that lie within the area of VAS management team responsibility and control.

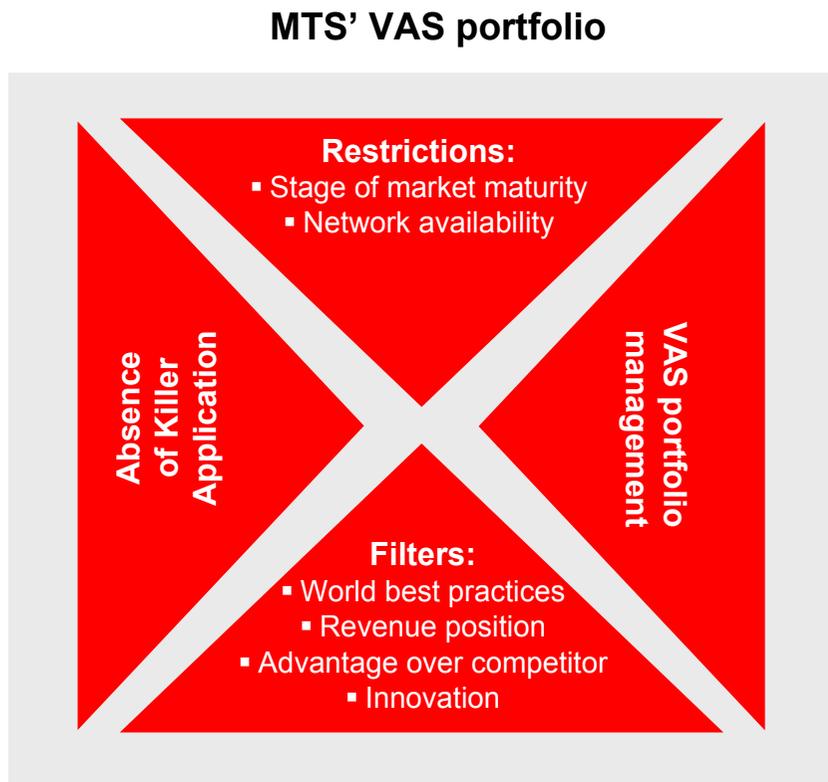


Components contributing to VAS success





MTS approach to VAS product portfolio



Use of segmented approach

- Better understanding of segment needs
- Formation of segment-specific products
- VAS integration into tariff plans

Promotion

- Promotion of mass market services
- Segment-specific promotion

Competitiveness

- Competitive analyses of VAS products
- Market leadership in introducing innovative services to our customers
- Service optimization to ensure quality

Scalability

- Platform optimization to enable launch of products in multiple regions and markets
- Use of economies of scale to command better vendor pricing



VAS portfolio requirements

Market maturity	Introduction	Growth	Maturity
Basic VAS	<ul style="list-style-type: none"> ▪ Basic network services (CLIP, call diverting, etc.) ▪ MCA + Notify Me ▪ SMS and SMS-services ▪ SMS-content ▪ Voice content ▪ USSD 	<ul style="list-style-type: none"> ▪ Basic network services (CLIP, call diverting, etc.) ▪ MCA + Notify Me ▪ SMS ▪ SMS-content ▪ Voice content ▪ USSD ▪ GPRS ▪ WAP ▪ MMS ▪ RBT ▪ DMS 	<ul style="list-style-type: none"> ▪ Basic network services (CLIP, call diverting, etc.) ▪ MCA + Notify Me ▪ SMS and SMS-services ▪ SMS-content ▪ Voice content ▪ USSD ▪ GPRS ▪ WAP ▪ MMS ▪ RBT ▪ DMS ▪ DSTK ▪ ICBC ▪ Instant Messaging ▪ WAP click ▪ EDGE ▪ Mobile TV (on EDGE) ▪ Mobile banking

- VAS portfolio in the MTS Group based on **80:20** ratio:
 - **80%** of the portfolio is mandated by the MTS Group level Strategy;
 - **20%** of the portfolio is selected locally based on the local market conditions and competitive environment
- During the transfer from one stage to another, services that are specific to the next stage shall be introduced



VAS promotion requirements

Market maturity	Introduction	Growth	Maturity
<p>VAS promotion</p>	<ul style="list-style-type: none"> ▪ Limited VAS promotion (BTL) 	<ul style="list-style-type: none"> ▪ ATL promotion of unique high-income services; ▪ BTL promotion of other services (POS-materials, SMS-mailing, trade shows, etc.); ▪ Creation of innovation zones in MTS offices to promote VAS 	<ul style="list-style-type: none"> ▪ Large-scale ATL promotion of high-income services under the extended brand; ▪ Promotion aimed at increase in frequency of services use; ▪ Promotion of some segment-oriented services within tariff offers, and independent BTL promotion; ▪ ATL promotion of enablers (MCA, USSD Callback, P-to-p transfers, etc) as image; ▪ Creation of innovation zones in MTS offices to promote VAS; ▪ VAS promotion in business segment through direct promotion by account managers

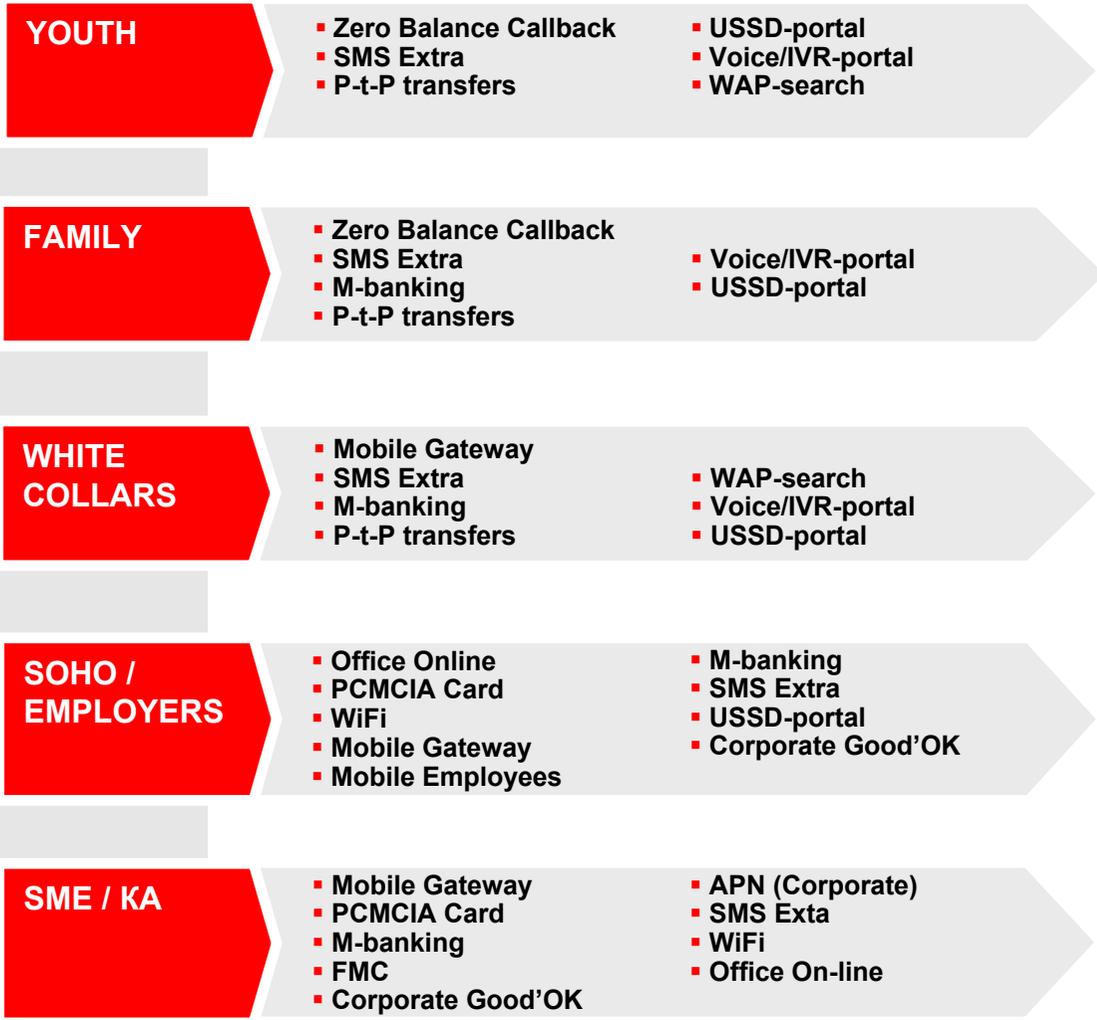


VAS development strategy 2007 in Russia

- Key priorities for 2007
 - Introduction and development of services:
 - Development of transport network
 - Development of SMS-services
 - Enhancement of content-rating capabilities
 - Introduction of VAS quality management system
 - Development of MTS WEB-portal based Services
 - Promotion of services:
 - Focus on increase in frequency of use and penetration of existing services
 - ATL-promotion of high revenue potential services
 - ATL-promotion of enabler-services as part of image-creation advertising
 - Use of exclusive content comprising to promote interactive products (portals, etc)
 - BTL-promotion aimed at increase in frequency of use and penetration of services
 - Segment-oriented promotion of services (incl. package services) within tariff plans
 - Creation of innovation zones in MTS offices to promote VAS
 - VAS promotion in business segment through direct promotion by account managers



VAS segments in Russia



- ### VAS for all segments
- ✓ SMS
 - ✓ MMS
 - ✓ GPRS-WAP
 - ✓ GPRS-Internet
 - ✓ Voice mail
 - ✓ "Who called?"
 - ✓ A Set-It-Up (DMS)
 - ✓ WEB self-care
 - ✓ USSD (service)
 - ✓ MTS-Search
 - ✓ Good'OK
 - ✓ Interactive mailing (ICBC)
 - ✓ DSTK
 - ✓ WAP-portal
 - ✓ WEB-portal

WAP portal

The Best WAP portal

Service concept:

- Content distribution under MTS brand
- WAP-click content billing
- Available all over Russia
- Income: premium content downloading and WAP-GPRS traffic

Service progress in 2007:

- Realization of Content-Management-System for content storage/distribution
- Creation of the Subscriber portal behavior based profile
- Portal per subscriber personalization based on the Subscriber's profile

Service evolution in 2006:

- Portal structure reconstruction: summer of 2006
- Premium content sold: 4 million units
- Revenue growth: 250%
- Share of WAP-GPRS traffic increased from 10% to 30% of the total WAP-GPRS traffic





GOOD'OK

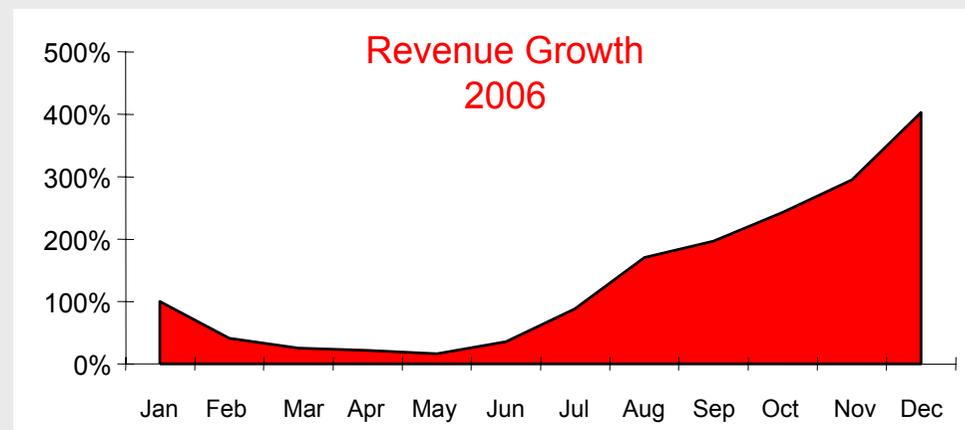
MTS leading content service

Service Concept:

- MTS Branded Service
- Ring Back Tone Service substituting Ring Back Signals with melodies selected by the subscriber
- Launched in all Macro-Regions
- Revenue Sources: Content Sales (Melodies and Speech), Service Activation
- Self Advertising Service with Viral Model of Expansion

Essential Figures:

- Launch in the First Macro-Region: Fall, 2005
- Active Promotion in 2007
- ARPU: \$1,6/month (December 2006)
- ARPU Forecast \$1,8 (December 2007)



«Mobile Portal 111»

First in Russia operator's multi-functional service and entertainment portal based on USSD technology

New service «Portal 111» – is the fastest access to essential services:

- Activate/deactivate mobile services (GPRS, Missed Call Alert, etc.)
- Request detailed call list, change tariffs
- Get useful information and entertainment services: pictures, music, games, news, weather, contests and much more

Service concept:

- Solution based on USSD technology – available on all phone models
- Self-care point to activate/deactivate services
- Free navigation, user pays only for the content or service
- Navigation is faster then WAP or SMS

Portal launched: December 15th 2006

Revenue: \$0,3mln. - Dec 2006
\$0,5mln. - Jan 2007

Development Plans:

- Implement new services: chat and dating, cinema schedules and movie reviews, etc
- Introduce Mobile Search service



type
***111#**
to enter