

MTS
Annual Report
2003

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MTS: Company Strategy

The main goal of OJSC MTS is to preserve and strengthen our position as the leading cellular operator in Russia and the CIS. The company aims to excel in every aspect of our business — in profitability, in subscriber numbers, and in geographical presence. Achieving these goals requires that management resolve the following top-priority issues:

Expand and develop our geographic presence.

MTS will continue to build networks within the framework of its existing licenses in Russia's regions, as well as to expand our existing networks. In early 2004, MTS obtained licenses to provide GSM cellular services in 11 new regions, thus expanding its licensing area to 98% of the Russian population. The company plans to continue expanding our networks within yet more new licensing regions.

We plan to seek further geographical expansion opportunities in Russia and the CIS, including acquisition of other cellular operators. Further expansion of our geographical presence is an important element of our strategy.

Consolidate and integrate minority subsidiaries into the MTS brand.

In order to unify our brand and rationalize our marketing and technical policy, MTS aims to acquire 100% ownership in its subsidiaries. During 2003, we expanded our stakes in a substantial number of our Russian cellular subsidiaries.

MTS is also actively bringing its subsidiaries under the MTS trademark, which allows us more effectively to employ the strength of our national brand. During 2003, MTS brought Kuban GSM, Dontelecom and TAIF-Telecom into the MTS brand. During the first quarter of 2004, we have already integrated Primtelefon and Uraltel into the MTS brand.

As part of our strategy of integrating subsidiaries, we have rationalized our tariff system, creating a nationwide unified tariff system oriented towards different segments of our subscriber population. Our unique Unified Payment System allows subscribers to pay for services anywhere on the territory of the Russian Federation.

Further improve quality of service to our subscribers.

Our subscribers associate MTS with high-quality mobile telephony. We see further improvement in quality and service as our top priority. With this goal, MTS is continually investing in widening the spectrum of non-voice services and payment methods, as well as working to perfect its system of servicing subscribers. With the maturation of the Russian cellular market, cellular operators' focus is changing from attracting new clients to keeping existing subscribers by increasing their brand loyalty. MTS is actively developing its programs for boosting subscriber loyalty.

Continue to develop non-voice services.

As our GSM subscriber base develops, non-voice services play a larger and larger role in the development of our business. These services include non-voice data transmission such as SMS, WAP, MMS and GPRS. The introduction of new technologies and continual expansion of services allow our subscribers access to the most advanced cellular technologies, and offer access to the widest list of informational resources right from their mobile handsets.

Introduce a new management system at the company.

The company's significant expansion in size and geographical reach have necessitated a transition to a new, three-tiered system for managing our regional companies. With the aim of improving effectiveness of management of our regional business units, MTS has divided our Russian operations into enlarged regions that consolidate centers of responsibility for operational measures of the company's activities. Transfer to a new organizational structure is a priority for the company.

Introduce a new effectiveness management system.

The company's active development requires a balanced approach to capital investments. Effective control over our operating costs and investments remains a top management priority. MTS continually strives towards perfecting its systems for evaluating the success of its activities.

Preserving and strengthening our leadership position would be impossible without the high professional qualifications of our staff. Attracting high-quality specialists is a top priority, as are further training and career development and self-realization. Company management also puts a high priority on continuing to improve the ways we link evaluation of individual employees and business units with concrete indicators of the company's success.

MTS: Position in the Cellular Communications Market

MTS is the largest cellular communications operator both in Russia and Ukraine. Over the last several years, the company has grown from a regional market leader in Moscow to the largest cellular provider in Eastern Europe.

MTS is successfully pursuing its strategy of providing communications services throughout Russia, and developing its business in the CIS. MTS's networks and those of its subsidiaries operate in all of Russia's Federal regions; in every city in Russia with a population over 1 million people; and in every region of Ukraine and Belarus.

In 2003, the number of cellular users in Russia doubled, from 18 million to 36 million. By the second half of 2003, mobile phone users exceeded fixed-line users. By the end of 2003, one in four Russian citizens was a continuous mobile phone subscriber. Nearly 97% of Russian mobile subscribers use GSM, the standard MTS chose in 1994.

MTS's expansion into Ukraine through acquisition of UMC (Ukrainian Mobile Communications) catalyzed growth in that market. In 2003, the number of cellular subscribers in Ukraine rose by 2.4 million, to 6.5 million people. Nearly 13.8% of Ukraine's population used mobile communications services by the end of 2003.

As at 31 December, 2003, MTS had a consolidated subscriber base of some 16.7 million active users. Our subscriber base rose by about 10 million people in 2003, including 7.7 million in Russia and Ukraine. A further 1.8 million new subscribers came with the acquisition of Ukraine's UMC, and 553,000 from acquisitions of regional operators in Russia. MTS's unconsolidated Russian subsidiaries served 123,000 more subscribers¹, and MobilnyeTeleSistemy, in which MTS holds a 49% stake, served 592,600 subscribers in Belarus.

As at 31 March 2004, MTS's subscriber base numbered 19.2 million, of which 15.3 million lived in Russia and 3.8 million in Ukraine. In addition, unconsolidated subsidiaries of MTS served 163,300 subscribers in Russia, while MobilnyeTeleSistemy served 592,600 subscribers in Belarus.

In 2003, MTS maintained its leading position of 37% market share in Russia. The company also significantly increased its share of the Ukrainian cellular market, to 51%.

At the end of 2003, MTS and its subsidiaries (including MobilnyeTeleSistemy) held licenses to provide GSM cellular services over an area with a population of 186.3 million people. By 31 March, 2003, this figure had risen to over 200 million people, including the territory of Belarus and Ukraine.

¹ MTS holds a 50% stake in Primtelefon, a cellular subsidiary operating in Siberia and the Russian Far East, as well as 50% stakes in Volgograd Mobile and Astrakhan Mobile, cellular companies operating in the Privolzhsky Federal District. These companies' results are not consolidated in MTS's financial statements.

The relatively low mobile saturation in MTS's markets mean that the company still has significant growth potential. We aim to maintain and expand our leading position in Russia and Ukraine, and to become a market leader in Belarus. We will continue to invest in developing our infrastructure and increasing customer satisfaction.

MTS: Development of the Company in 2003

In 2003, Mobile TeleSystems continued to expand its business in the regions, both through building out and launching our networks, and through acquisition of local network operators.

In December 2003, MTS and its subsidiaries were operating in 76 of Russia's regions, the Republic of Belarus and Ukraine. By the end of March 2004, this number had reached 87 out of Russia's 89 regions (excluding only Penza and the Republic of Chechnya).

At the end of 2003, MTS itself operated in 60 of Russia's regions. This figure had risen to 62 by 31 March 2004.

In 2003, the company launched its own networks in Orenburg Region in April, and Barnaul, Saratov and Altai Krai in August.

MTS spent \$702.2 million acquiring new operators and consolidating subsidiaries in 2003. Of this amount, \$330.1 million was spent on acquiring shares in Ukraine's UMC, \$156 million on acquiring controlling stakes in other Russian cellular operators, and \$180.6 million on acquiring additional stakes in its Russian subsidiaries. In addition, MTS spent \$35 million acquiring minority stakes in a number of Russian cellular operators.

In the second half of 2003, MTS acquired 100% of the charter capital of ILIT, which in turn holds 7.5% of Siberian Cellular Systems 900 (SSS-900) from private shareholders for \$9.3 million. Earlier, MTS expanded its stake in SSS-900 from 51% to 81% for \$28.6 million. SSS-900 offers GSM-900 mobile services under the MTS trademark in the Siberian Federal District, including in Novosibirsk Region (population: 2.7 million) and the Altai Republic (population 202,000). At the time of acquisition, the company numbered some 453,000 subscribers.

In October, the company completed the acquisition of stakes in three companies in different areas of the Privolzhsky and Southern Federal Districts. MTS acquired a 50% stake in Volgograd Mobile (Southern Federal District), a cellular operator in the Volgograd Region; a 50% stake in Astrakhan Mobile (Southern Federal District), and an 80% stake in Mar Mobile GSM (Privolzhsky Federal District), a cellular operator in the Republic of MariEl. Volgograd Mobile holds a GSM 1800 license for the Volgograd Region. The region has a population of 2.7 million people, and the company's subscriber base had reached some 4,600 as at 30 June 2003. Astrakhan Mobile holds a GSM 1800 license for Astrakhan Region, with a population of 1 million. This company's subscriber base reached 7,100 as at 30 June 2003. Mar Mobile GSM holds a GSM 1800 license for the Republic of MariEl, with a population of 730,000.

In September 2003, MTS acquired the remaining 47.3% of Kuban GSM for \$107 million, through acquisition of a 100% share in Kubtelesot, a holding company that owned the Krasnodar Region cellular provider. MTS had previously acquired 51% of the company

in April 2002 for \$71.4 million, followed by purchase of a further 1.7% for \$4.9 million in October of that year. Kuban GSM provides GSM 900/1800 cellular services in Krasnodar Region and the Republic of Adygea. The company had over 1.2 million active subscribers at the moment of acquisition. Kuban GSM's networks cover nearly 70% of the territory of Krasnodar Region and the Republic of Adygea.

In September 2003, MTS agreed to acquire 100% of the shares of Tomsk Sotovaya Svyaz (Tomsk Cellular Communications) for \$47 million. TSS is the leading cellular operator in Tomsk Region (Siberian Federal District). The company holds licenses to provide GSM 900/1900 cellular services in Tomsk Region, with a subscriber base of around 175,000 as at 31 August 2003. The company's network has been operational since August 1999. Upon acquisition of TSS by MTS, the company's networks covered over 70% of the population of Tomsk Region, which has a total population of 1.1 million people.

In August 2003, MTS completed the acquisition of 50% of the shares of Primtelefon, which holds GSM 900/1800 licenses for the Far Eastern Federal District and several regions in Siberia. The licensing area has a total population of some 1.4 million people. Primtelefon's networks operate in Primorye and Sakhalin Region. The company is also building out networks in Amur and Irkutsk Regions and Khabarovsk Krai. Primtelefon also holds an NMT-450 license for Primorsk Krai. As at 30 June 2003, the company's subscriber base was about 74,000 (69,000 using GSM standard, and 5,000 using NMT).

In August 2003, MTS acquired 43.7% of Uraltel from MST Corporation, according to an agreement to acquire, through a series of purchases, stakes in five regional cellular operators for \$71 million. In addition, MTS acquired a further 2.95% of the shares of Uraltel from other shareholders unaffiliated with MST Corp. Previously, MTS owned 53.2% of Uraltel through its wholly-owned subsidiary Telekom-900. Following completion of the acquisition, Telekom-900 held 99.9% in Uraltel. Uraltel is the largest cellular operator in Sverdlovsk Region, which has a total population of 4.5 million. Uraltel's subscriber base was 244,000 as at 30 June 2003.

In August, MTS completed the 100% acquisition of Sibchallenge, a cellular operator in Krasnoyarsk Krai, for \$45.5 million. Sibchallenge holds GSM 900/1800 and DAMPS licenses in Krasnoyarsk Krai, including the Republic of Khakassiya and the Taimyr Autonomous Region in Siberia. The population of the three regions is around 3 million. Prior to the acquisition, MTS had held no licenses in this region. Sibchallenge's subscriber base was around 130,000 users upon acquisition by MTS (123,000 GSM users, and 7,000 DAMPS users).

In July, MTS acquired 16.3% of Ukrainian Mobile Communications (UMC) for \$91.7 million from TDS under a purchase option agreement signed in November 2002. MTS paid a total of \$374.9 million for the Ukrainian operator. Moreover, part of the deal included MTS's credit guarantees to UMC for a total of \$58.1 million. MTS acquired a controlling stake in UMC (57.5%) in March 2003, and a further 26% in June 2003. UMC, one of Ukraine's two leading cellular operators, served over 2 million people at

the time of acquisition. The company holds GSM 900/1800 and NMT 450 licenses throughout Ukraine.

In April, MTS signed an agreement to acquire a controlling stake in TAIF-Telkom, Tatarstan's largest cellular operator, from its current shareholders. Under the agreement, MTS acquired 51% of the ordinary shares of TAIF-Telkom for \$51 million, and 50% of the company's preferred shares for \$10 million. In addition, MTS signed call and put options with TAIF-Telkom's shareholders for the remaining shares in the company. TAIF-Telkom provides GSM 900/1800 cellular services in the territory of Tatarstan, with a total population of some 3.8 million people. The company has some 240,000 active subscribers; its networks cover some 98% of the territory of Tatarstan.

Main Risk Factors Connected with the Business Activities of MTS

Heightened competition and changes in the composition of the subscriber base (growth in the mass segment; of regional subscribers; and in the overall size of the company's subscriber base) have led to a decrease in average revenue per user (ARPU). Although MTS's subscriber base and revenues are growing as a result of an increase in subscribers in the city of Moscow and expansion in the regions, the company's ARPU is falling. MTS expects a further decrease in ARPU as a result of tariff reductions and growth in the share of 'low-profit' subscribers as a proportion of MTS's total subscriber base.

If MTS is unable effectively to modernize its network, it will be unable to expand its subscriber base, which could also lead to loss in market share and revenues. We plan to expand our network infrastructure in the following areas:

- Expand the reach of our network and transmission capacity of our existing network in the Moscow licensing zone.
- Continue to develop our networks in Belarus, as well as expand coverage in St. Petersburg, Krasnodar, Nizhny Novgorod, Perm, Rostov, and other regions.
- Begin to offer cellular services in regions where we hold licenses, but have not yet begun to operate.

The company's rapid growth and expansion could lead to difficulties in attracting top-quality management. We recently added two new vice-presidents to the company's management structure as a result of our rapid development. Our further successful development will depend to a large extent on our ability to acquire high quality management and technical personnel.

MTS could lose market share and revenue if our traditional bandwidths are given to other providers, or if the company should have difficulties in renewing our existing licenses.

The company could lose licenses, should it fail to meet the licensing requirements, such as failure to meet required licensing payments. MTS's licenses have a number of different requirements, such as meeting technical standards, investing in network infrastructure, offering employment opportunities for Russian technical specialists, etc. Moreover, each license has deadlines for starting service, number of subscribers, and area of network coverage. If the company should fail to meet any of these conditions, a given license could be annulled or suspended. (This has never happened previously to MTS.)

Should MTS fail to maintain the good reputation of its trademark, it could face difficulties in attracting new subscribers, and could lose existing subscribers, leading to a fall in market-share and a drop in revenues.

MTS could fail to secure the 3G (UMTS) licenses it plans to acquire, which could affect the company's competitiveness, and limit its ability to offer new services, leading to a fall in market share and a drop in revenues.

Report on Payment of Dividends (Accrued) Dividends on Shares of the Company

The amount of the announced annual dividends per ordinary share of OJSC MTS for 2002 was RUR 1.697 per ordinary share.

Annual dividends paid out on OJSC MTS shares in total were RUR 3,382,978,737.42.

Deadline by which these dividends were to be paid out: 31 September 2003.

Form of dividend payment: monetary.

Accounting period for which these dividends were to have been paid out: 2002.

The total amount of the dividends paid on all shares of OJSC MTS for 2002, following payment of all taxes, was RUR 3,025,289,272.42.

These dividends were paid out in full to MTS shareholders.

MTS: Large Financial Transactions Completed in 2003

[Recommend omitting this section in the final English-language version distributed to Western investors.]

A large placement connected with the participation of OJSC MTS in the issue and placement of Eurobonds of Mobile TeleSystems Finance SA, comprising the following interconnected transactions:

- an agreement between Mobile TeleSystems Finance SA and OJSC MTS, lead-managed by Credit Suisse First Boston and/or its affiliated companies, a Eurobond Purchase Agreement from 29 January 2003, in accordance with which the bonds of Mobile TeleSystems Finance SA, in the sum of US\$400 million maturing on 30 January 2008, to be sold by the lead-manager of the issue according to the conditions contained in the draft Eurobond Purchase Agreement of 29 January 2003; and
- an agreement between Mobile TeleSystems Finance SA and OJSC MTS, lead-managed by Credit Suisse First Boston and/or its affiliated companies, a Eurobond Purchase Agreement from 29 January 2003, in accordance with which the bonds of Mobile TeleSystems Finance SA, in the sum of US\$300 million maturing on 30 January 2008, are to be sold by the lead-manager of the issue according to the conditions contained in the Eurobond Purchase Agreement.

The executive body of the issuer that has approved this transaction: Board of Directors.

A large placement connected with the participation of OJSC MTS in the issue and placement of Eurobonds of Mobile TeleSystems Finance SA, comprising the following interconnected transactions:

- participation in the main issue of Eurobonds of Mobile TeleSystems Finance SA, in accordance with the conditions of the Agreement to Issue Eurobonds concluded on 30 January 2003 between Mobile TeleSystems Finance SA, OJSC MTS and trust manager JPMorgan Chase Bank, in accordance with which OJSC MTS guarantees to the holders of the Eurobonds and the trust manager for fulfillment by Mobile TeleSystems Finance SA of the obligations in relation to issuing Eurobonds, concluded on 30 January 2003, including payment of the principal sum of the debt in the amount of US\$400 million and 9.75% annual interest on the principal of the debt, as well as payment of other sums according to the conditions contained in the Agreement to Issue Eurobonds.
- participation in the planned additional issue of Eurobonds of Mobile TeleSystems Finance SA in accordance with the conditions of the Agreement to Issue Eurobonds, concluded on 30 January 2003, between Mobile TeleSystems Finance SA, OJSC MTS, and trust manager JPMorgan Chase Bank, in accordance with which OJSC MTS answers to the holders of the Eurobonds and the trust manager

for fulfillment by Mobile Telsystems Finance SA of the obligations in relation to an additional issue of Eurobonds, including payment of the principal of the debt in the amount of US\$300 million, and annual interest of 9.75% on the debt principal, as well as additional sums required in the Agreement to Issue Eurobonds.

The executive body of the issuer that has approved this transaction: Board of Directors.

A large placement connected with the participation of OJSC MTS in the issue and placement of Eurobonds of Mobile TeleSystems Finance SA, comprising the following interconnected transactions:

- the signing of a Loan Agreement between Mobile TeleSystems Finance SA and OJSC MTS at 30 January 2003, in accordance with which OJSC MTS receives from Mobile TeleSystems Finance SA a loan in the amount of US\$400 million to be repaid by 30 January 2008 according to the conditions contained in the Loan Agreement between the two companies at 30 January 2003;
- the signing of a Loan Agreement between Mobile TeleSystems Finance SA and OJSC MTS at 30 January 2003, in accordance with which OJSC MTS receives from Mobile TeleSystems Finance SA a loan in the amount of up to US\$300 million, to be repaid by 30 January 2008 according to the conditions contained in the draft Loan Agreement between the two companies.

The executive body of the issuer that has approved this transaction: Board of Directors.

- an agreement between Mobile TeleSystems Finance SA, OJSC MTS and the lead-managers of the issue, Credit Suisse First Boston (Europe) Limited (“CSFB”) and ING Bank NV, London Branch (“ING”) or its affiliated companies, of a Eurobond Purchase Agreement, in accordance with which the bonds of Mobile TeleSystems Finance SA, in the sum of US\$400 million to be repaid in October 2010 are to be sold by the managers of the issue according to the conditions contained in the draft Eurobond Purchase Agreement.

The executive body of the issuer that has approved this transaction: Board of Directors.

The Eurobond Issue Agreement, concluded between Mobile TeleSystems Finance SA, OJSC MTS and trust manager JPMorgan Chase Bank, in accordance with which OJSC MTS answers to the holders of the Eurobonds and the trust manager that Mobile TeleSystems Finance SA will fulfill its obligations in relation to issuing Eurobonds, including repayment of the debt principal in the amount of up to US\$400 million, as well as annual interest payments indicated in the Eurobond Issue Agreement.

The executive body of the issuer that has approved this transaction: Board of Directors.

A Loan agreement between Mobile TeleSystems Finance SA and OJSC MTS according to which OJSC MTS is to receive from Mobile TeleSystems Finance SA a loan in the amount of up to US\$400 million maturing in October 2010 according to the conditions contained in the draft Loan Agreement between the companies.

The executive body of the issuer that has approved this transaction: Board of Directors.

Interested Party Transactions Completed in 2003

From time-to-time in the course of its normal business activities, there arises the necessity to conclude different agreements between OJSC MTS and its subsidiaries within MTS Group such as purchase and sale agreements, service agreements, guarantees, etc.

Under such contracts, OJSC MTS carries out the construction of GSM cellular communications networks within the licensing territories of its subsidiaries (general contracts), supply and modernization of equipment and software programming support (supply and service agreements), financing of its subsidiaries (loan and guarantee agreements), the advancement on regional markets of the MTS trademark (licensing agreements) and similar agreements.

In 2003 OJSC MTS approved and concluded a large number of interested party transactions (see Appendix 1).

OJSC MTS Board of Directors

From the beginning of 2003, up to MTS's AGM on 30 June 2003, the following were members of the company's Board of Directors:

Alexander Petrovich Vronets
Alexander Yurievich Goncharuk
Michael Guenther
Vasily Vasilievich Sidorov
Mikhail Alekseevich Smirnov
Gernot Taufmann
Rainer Hennicke

A new Board of Directors was elected at the company's AGM on 30 June 2003, including the following:

Alexei Nikolaevich Buyanov
Alexander Yurievich Goncharuk
Michael Guenther
Vasily Vasilievich Sidorov
Mikhail Alexeevich Smirnov
Gernot Taufmann
Paul Kusubov

A new Board of Directors was again elected at MTS's EGM on 25 October 2003, which included the following:

Alexei Nikolaevich Buyanov
Alexander Yurievich Goncharuk
Michael Guenther
Vladimir Sergeevich Lagutin
Mikhail Alexeevich Smirnov
Gernot Taufmann
Paul Kusubov

Vladimir Sergeevich Lagutin

b. 1947, elected Chairman of MTS Board of Directors 25 October 2003

Mr. Lagutin graduated from the National Correspondence Electro Technical Institute in 1975 with a degree in Automated Electrocommunications. From 1967, worked at Moscow City Telephone Network, where he rose through a number of engineering and managerial posts, including the post of Chief Telephone Exchange Engineer, Chief of Telephone Exchange, and Deputy General Director for Economics. From 1994, Mr. Lagutin served as General Director of OJSC MGTS. In July 2003, Mr. Lagutin assumed the post of President of Sistema Telekom.

Mr. Lagutin holds the degree of Doctor of Technical Sciences. He is an Academician of the International Communications Academy, and the author of more than 100 published works, including four monographs. Mr. Lagutin heads up the City Telephone Network Systems Management Department of Moscow Technical and Informatics University (MTUSI), and teaches a course on Telematics Services.

Awards: Honored Communications Worker of the Russian Federation (1994); Master of Communications (1984); Russian Medal of Honor (2001); Award for Outstanding Service (1970); and Medal for Professional Excellence (1980).

Alexei Nikolaevich Buyanov

b. 1969, elected to MTS's Board of Directors in 2003.

Mr. Buyanov graduated from the Moscow Physical-Technical Institute (MFTI) in 1992 with a degree in Applied Physics and Mathematics. Mr. Buyanov worked at AFK Sistema from 1994–95 in property management. In 1995, he was appointed Chief of Management of ZAO Sistema-Invest, then Vice-President of ZAO Sistema-Invest. In 1997 he was appointed First Vice-President of ZAO Sistema-Invest. Mr. Buyanov served as Vice-President of OJSC MTS from 1998–2002. In July 2002, Mr. Buyanov was appointed Vice-President of AFK Sistema to run the Department for Financial Restructuring. Since September 2002, Mr. Buyanov has served as First Vice-President of AFK Sistema, heading up the company's Financial and Investment Group.

Alexander Yurievich Goncharuk

b. 1956, served as Chairman of the Board of Directors of OJSC MTS from June 2002 to October 2003. He also served as Deputy Chairman of the Board in 1997 and from January through June of 1999, and Chairman of the Board of Directors of MTS in 1998. From 1998, Mr. Goncharuk held the post of President of ZAO Sistema Telekom. From July 2003, he was appointed General Director of OJSC KNTs (Scientific Center Concern), part of Sistema Holding. From 2000, Mr. Goncharuk has served as a Board Member of AFK Sistema.

Michael Guenther, Member

b. 1944, MTS Board Member since October 2000. Mr. Guenther is also a member of the Board of Directors of OJSC MTS's shareholder T-Mobile International AG & Company KG and other telecommunications companies in various countries.

Alexander Petrovich Vronets

b. 1954, served as Deputy Chairman of the Board of Directors of OJSC MTS from January 2001 to June 2002. Since June 2002, he has served as a member of the Board of MTS. Mr. Vronets also served as Chairman of the Board of Directors of MTS in 2000, and as Deputy Chairman from June through December 1999. Mr. Vronets also has held the post of Deputy General Director of ZAO Sistema-Telekom since December 1998. From November 1994 through December 1998 he headed the Russian research organization Giprosviaz.

Mr. Vronets holds 359,000 common shares of MTS [a 0,018% stake].

Paul Kusubov

b. 1966, elected to MTS Board of Directors in June 2003. Since 2001, Mr. Kusubov has served as Director for Management of International Joint Ventures in Russia and the CIS at T-Mobile International AG. In 2003, Mr. Kusubov was appointed head of Russian representation for T-Mobile International AG & Co. KG.

Mikhail Alexeevich Smirnov

b. 1950, President, MTS Board of Directors and Board Member since 1995. Since 1995, Mr. Smirnov has also served as Chairman of the Association of GSM Operators of the Russian Federation. In 2003, Mr. Smirnov served on the Board of Directors of the following MTS subsidiaries OJSC ReKom, SOOO MTS, ZAO Kuban-GSM, ZAO MTS-NN, OJSC Mobilnye Sistemy Sviazi, ZAO TsSU-900, OOO MTS RK, ZAO Firma Novitel, OJSC MTS P, ZAO Dontelekom, OJSC TAIF-Telkom.

Mr. Smirnov holds 358,800 common shares of MTS [a 0,018% stake].

Gernot Taufmann

b. 1957, Member of MTS Board of Directors since 1998. Mr. Taufmann holds the post of President of the Moscow office of Deutsche Telekom AG.

Rainer Hennicke

b. 1943, serves as Deputy Chairman of the MTS Board of Directors since 2002. He also served as Chairman of the Board of Directors of MTS from January 2001 to June 2002, from January to December, 1999, and from July 1995 to December 1997, as well as the post of Deputy Chairman in 1998 and 2000. Mr. Hennicke held the post of Head of Representation for DeTeMobil — Deutsche Telekom MobilNet GmbH — in the Russian Federation from 1995 to 2002, and from 2002 to 2003 he held the post of head of representation of T-Mobile Deutschland GmbH.

MTS Chief Executive: Short Biography

OJSC MTS President

Vasily Vasilievich Sidorov

b. 1971, appointed president of OJSC MTS 25 October 2003 at an Extraordinary General Meeting. From 1 September 2003, Vasily Sidorov served as President of OJSC MTS in accordance with the decision of the Board of Directors of 11 August 2003.

Until his appointment to MTS, Mr. Sidorov held the position of First Deputy General Director of ZAO Sistema Telekom for Finance and Investment (from August 2000), with responsibility for mergers and acquisitions, corporate finance and investment policy for the holding.

From 1997 to 2000, Mr. Sidorov held the post of Deputy General Director for Finance of Svyazinvest Holding.

From 1994 to 1997, Mr. Sidorov owned and managed several companies specializing in investment consulting, mergers and acquisitions and securities transactions.

Mr. Sidorov's professional experience has also included several positions at Sector Capital, Barents Group LLC, the investment consulting branch of KPMG Peat Marwick in Washington, DC, Arthur Andersen in Moscow, and the New York Commodities Exchange.

Mr. Sidorov is a graduate of the Wharton School of the University of Pennsylvania, as well as of the Law Faculty of Moscow State Institute of International Relations (MGIMO).

Criteria for Evaluating and the Amount of Compensation Paid to the President and Board of Directors of MTS

In order to determine the amount of compensation to be paid to the President and Members of the Board of Directors of OJSC MTS, the following criteria were used:

- Fulfilling the company's full-year plans for:
 - infrastructure development
 - subscriber growth
 - revenue and net profit growth
- Growth in market capitalization over the course of 2003.

The bonus awarded to the President and Members of the Board of OJSC MTS paid out in 2003 was RUR 210 million in total.

Information on MTS's Following the Codex on Corporate Governance

OJSC MTS acknowledges the need to follow the principles of corporate governance recommended by the codex, and strives to follow these recommendations. At the present time, OJSC MTS is conducting an elaboration of its own codex on corporate governance on the basis of the draft recommendations of the Federal Commission on the Securities Markets. Once the draft codex is completed, it will be presented to the shareholders of OJSC MTS for discussion and confirmation.

The company's following of the principles of the Codex on Corporate Governance are included in Appendix 2.