

**SUBSTANTIATION**  
**of the terms and conditions and procedure for reorganization**  
**of the Mobile TeleSystems Open Joint Stock Company (MTS OJSC)**  
**by merger with subsidiary companies**

The list of merged companies:

- Mobile Communication Systems OJSC (Omsk);
- BashCELL CJSC (Republic of Bashkortostan).

MTS OJSC holds 100% of the placed shares of the abovementioned subsidiaries, which allows MTS OJSC full control over the activities of its subsidiaries.

The subsidiaries have got licenses for provision of cellular communication services in a number of regions of Russia: the Omsk region and Republic of Bashkortostan.

The merger of subsidiaries with MTS OJSC will make it possible to achieve the following results:

- to reduce management expenses;
- to reduce expenses on the organization and conduct of business operations (it is not required to conclude agreements between MTS OJSC and its subsidiary on delivery of equipment, general sub-contracting, use of the trademark, commercial representation and other economic agreements);
- to reduce expenses on the organization and conduct of corporate activities of the subsidiary (shareholder decisions, interaction with the Federal Antimonopoly Service of Russia and Federal Service for Financial Markets of Russia);
- to simplify the procedure for provision of cellular communication services by MTS OJSC Branches, which were established in the regions, where the subsidiaries carry out their activities (without concluding the agreements of commercial representation);
- to simplify the management structure and to speed up decision-making procedures;
- to consolidate subsidiaries' performance indicators in the MTS OJSC Russian accounting system;
- to integrate subsidiaries in the new MTS OJSC management organization structure.

Basic terms and conditions and procedure for reorganization:

It is proposed to reorganize MTS OJSC by merger with its subsidiaries, 100% share of which belongs to MTS OJSC, to assign all rights and obligations of the subsidiaries to MTS OJSC and to terminate the activities of the subsidiaries.

According to the existing legislation MTS OJSC shall be the legal successor of the subsidiaries with respect to all their rights and obligations.

Due to the fact that MTS OJSC is the holder of 100% of the placed shares of the subsidiaries, and the President of MTS OJSC (the individual executive body) makes decisions on all

issues within the terms of reference of the subsidiaries' general shareholders meetings, it seems expedient to perform the following merger procedure:

- Common registered shares of subsidiaries that are held by MTS OJSC, shall not be converted into the shares of MTS OJSC, with which the subsidiaries are merged ;
- All common registered shares of the subsidiaries, that are held by MTS OJSC and are not subject to conversion, shall be redeemed on the date when an entry regarding the termination of activities of the merged subsidiaries is made in the register;
- The MTS OJSC Charter Capital, the number and par value of MTS OJSC shares shall not change, when MTS OJSC is reorganized by merger with the subsidiaries;
- A joint general meeting of the MTS OJSC shareholders and the shareholder of the subsidiaries, which is MTS OJSC itself, shall not be held;
- A resolution on the introduction of amendments and additions to the MTS OJSC Charter, including the information that MTS OJSC is the legal successor of the subsidiaries with respect to their rights and obligations, shall be adopted at the MTS OJSC General Shareholders Meeting together with the adoption by the MTS OJSC General Shareholders Meeting of the resolution on the reorganization by merger and approval of the Merger Agreement;
- The President of MTS OJSC shall approve the decision on the reorganization of the subsidiaries, decision on the approval by the subsidiaries of the merger of the subsidiaries with MTS OJSC and decision on the approval of the assignment deed of the subsidiaries.