



Annual Report 2009



MTS

From the start MTS has seen its mission as building a stable world of mobile communications that brings people together, enriches their lives, and unlocks their potential at work and at home. Today MTS is the largest mobile operator in Russia and Eastern and Central Europe. We help people stay in touch and access information in most regions of Russia, in Ukraine, the Republic of Belarus, Uzbekistan, Turkmenistan, and Armenia.

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Disclaimer

Some statements in this Annual Report may contain projections or forecasts regarding future events or future financial performance of the Company, as defined in the provisions of the US Securities Act of 1995. Such statements contain such terms as “expect”, “estimate”, “intend”, “will”, “could” or other similar expressions. We wish to caution you that these statements are only predictions, and that actual events or results may differ. We shall not be obliged and do not intend to review these statements for reconciliation with actual results. We refer you to the documents MTS files to the U.S. Securities and Exchange Commission, and Form 20-F, in particular. These documents contain and identify important factors, including those contained in the Risk Factors section of the Form 20-F. These factors could cause the actual results to differ from the projections and forecasts. They include: gravity and duration of the current economic situation period, including high volatility

of refinancing rates and exchange rates, prices of goods and shares and financial assets value, impact of government programs of Russia, the USA and other countries on restoring liquidity and stimulation of national and world economy, our opportunity to maintain current credit rating and impact on the cost of financing and competitive position and if the latter is decreased, strategic activity including acquisitions and alienations and successful integration of acquired businesses including Comstar-UTS, potential fluctuations in quarterly results, our competitive environment, dependence on development of new services and tariff structures, rapid technological and market changes, strategy, risks associated with the telecommunication infrastructure, government regulation of telecommunication industry and other risks associated with operating in Russia and the CIS, fluctuations of stock quotes, financial risk management and other arising risk factors.

Background

Company history

MTS OJSC was established as Mobile TeleSystems Closed Joint-Stock Company by Moscow City Telephone Network Open Joint Stock Company (MGTS), Deutsche Telekom (DeTeMobil), Siemens and several other shareholders in October 1993. Four Russian companies owned 53% of the stock, whereas two German companies had 47%. At the end of 1996, AFK Sistema OJSC bought out the Russian shareholders' stake and DeTeMobil bought the remaining stake from Siemens.

In 2000, Mobile TeleSystems CJSC and Russian Telephone Company CJSC merged to form Mobile TeleSystems Open Joint Stock Company. The same year, the Company entered the world stock markets. In June, 2000, the stocks of MTS OJSC started trading on the New York Stock Exchange as American Depositary Shares (index MBT).

In the past several years MTS OJSC has grown from the leader of a single regional

market, Moscow, into a major multinational operator providing services to 102.37 million subscribers in numerous regions and countries (including subscribers of Mobile TeleSystems Joint LLC in the Republic of Belarus). A mobile phone has ceased to be a luxury item now playing an essential role in many people's social and business life.

Apart from building its proprietary networks, MTS acquires local mobile operators to develop their business and incorporate them into its integrated federal mobile communications network. Today MTS' services are available in most Russian regions and cities, including Moscow, St. Petersburg, Nizhny Novgorod, Krasnodar, Perm, Novosibirsk, Khabarovsk and many others.

We are proud of our significant contribution to the development of telecommunications in Russia and its neighboring countries.



In this Annual Report the terms "MTS", "the Company", and "the Group" shall mean the aggregate of the companies including MTS OJSC and its subsidiaries, and "MTS OJSC" shall mean Mobile TeleSystems Open Joint Stock Company.

The indicators contained in this Annual Report are as of the 31.12. 2009, except where other periods or dates are expressly indicated.

The President's Message to the Shareholders

Dear Shareholders,

2009 has been a transformative year for MTS. Recognizing that our markets would change from the macroeconomic crisis, we began to optimize our business processes to successfully meet the challenges of the evolving market and realize our 3i Strategy. In the past year, MTS has evolved from a mobile operator to an integrated operator through our acquisitions of Comstar and Eurotel. We are realizing our strategic need for the development of a monobrand mobile retail network that would enhance the customer loyalty, guarantee a certain level of sales of contracts and expand our retail reach through sales of handsets, accessories and services. We have launched the market's first comprehensive online destination — Omlet.ru — for the licensed content in digital format, an important step towards delivering the legal content and applications to our customers that will define the usage of such services in the coming years. And we have done this while sustaining our cash flows, attracting favorable financing through capital markets and from vendors when necessary and maintaining our investment programs.

Despite the challenges we faced in 2009, MTS has delivered a strong set of results that showed relative growth to the market in each of our business streams. In Russia, overall revenue for our combined businesses — including our fixed- and mobile-businesses — nearly reached 253 billion Rubles, a 7.6% increase from 2008. Our mobile business grew in line with our overall business, driven by subscriber additions, strong data consumption and the increasing sales of handsets and accessories. It is important to note that the second half of 2009 saw faster growth as we began realizing greater benefits from

our growing retail business. The revenue from the Group's fixed business — accounting for Comstar (including Stream-TV) and Eurotel — rose 7.2% year-over-year.

In Ukraine, where among our markets the impact of the crisis was most severely felt in 2009, revenue fell year-over-year 4.9% to nearly 8.2 billion hryvnia. Herewith, we appear to have outperformed the market as MTS market share of mobile revenue increased slightly based on reported results of other players. Overall, the Company has been successful in developing its business in Ukraine. Over the past few years, we have significantly improved our network, increased voice and data consumption, sustained levels of our subscriber base and strengthened our brand perception.

In Uzbekistan, we realized yearly growth in revenues of 3.4% to \$405 million dollars. Despite increased competition, we still witnessed a nearly 25% increase in subscribers and have sustained our revenue market share.

In Turkmenistan, the communication market continues to develop, and MTS has maintained its leading positions in this attractive market. The Company's revenue increased 60% year-over-year to over 458 million manats, or \$161 million dollars. Our subscriber count exceeds 1.75 million for a market share of 85%.

In Armenia, we have maintained our market-leading position, even as we have seen the entrant of a third player in the cellular market. Revenues of MTS-Vivacell grew to nearly 80.3 billion drams for a modest growth of 2.3% despite the challenging economic environment and increasing competition.

In 2009, the main macroeconomic drivers for the decline in our Group numbers can be attributed to the weakening of local currencies versus our reporting currency, the US Dollar; for the full-year 2009, the ruble is about 28% weaker relative to the Dollar. In Russia, we continue to build out our proprietary retail distribution network, which continues to impact our Group OIBDA margin by roughly 3.4 percentage points.

Obviously the question on everyone's mind is 2010. The key issue is of course the country's economic growth dynamics in 2010, and we are encouraged by the general consensus that we'll see 3-4% GDP improvement in Russia, and in Ukraine, the NBU is forecasting growth of no less than 4%. If indeed the local economies do improve and competitive situations remain as they are, we should see positive developments in our markets of operation and expect growth of operating indicators and revenue of the Group in local currencies by 5-10%, herewith, the bulk of the growth should come in Q2- Q4. Key drivers will be:

- organic growth in voice usage in core markets of the Group;
- the continued rise in data consumption, aided by the expansion of our 3G networks and increased smart phone penetration;
- increased sales of handsets and accessories through the expansion of the evolving mono-brand retail network;
- the continued development of transition markets of the MTS Group in Central Asia; and
- the regulated tariff increase for MGTS voice services from the beginning of February, as well as the growth in long-distance traffic volumes and the development of our broadband business in the regions.

M.V. Shamolin
President of MTS OJSC

In addition, we see upside in what could potentially translate to increased corporate activity, something that should favor MTS given our large share of corporate subscribers.

Having adopted a number of strategic initiatives in 2008-2009, our focus in 2010 is executing on our 3i Strategy.

Integration. We are actively cooperating with Comstar to bring convergent products and services to the market beginning in the second quarter for both consumers and our corporate clients. At this time, we also anticipate the re-branding of Comstar's consumer and corporate products into that of MTS. Our efforts on the technical side of the business remain focused on integrating our various networks, including the use of MGTS' optical networks as a foundation for our 3G deployment in Moscow.

Internet. In December 2009, we launched 3G in Moscow with roughly 375 base stations; by year's end, we'll have three-times this amount. Demand is strong for our wireless broadband services, and we'll look to build on the growth we saw in content and traffic in the fourth quarter of 2009. We also are pursuing a number of initiatives towards increasing our broadband reach in the regions through fixed- and mobile-access points.

Innovation. We are orienting our product mix towards devices and products that encourage greater adoption of data and content services. By the end of the year, we'll open up to 35 flagship retail stores and continue to expand our proprietary distribution in 2010.

Combined with our promotion of Omlet.ru, the expansion of our broadband networks and the growth of our portfolio for handsets and devices, we are confident that MTS can reinforce its position in the highly competitive market and continue to provide the best customer experience of any telecommunications provider.

Company's Position in the Mobile Communications Market

Company's Position in the Mobile Communications Market

As of December 31, 2009, MTS held licenses for 82 Regions of the Russian Federation. Subsidiaries of MTS OJSC in the CIS operate in Ukraine (Ukrainian Mobile Communication CJSC), the Republic of Uzbekistan (Foreign Enterprise UZDUNROBITA Ltd.), Turkmenistan (Corporation Barash Communications Technologies, Inc.), the Republic of Armenia (K-Telecom CJSC) and the Republic of Belarus (MTS Joint LLC). MTS has a licensed area that encompasses over 200 million.

In Russia mobile services are provided by the three federal operators — MTS OJSC, Vypelcom OJSC, and Megafon OJSC — as well as several dozen smaller regional telecoms companies, using different cellular communications standards: GSM, NMT 450 and CDMA-1x, UMTS (3G). According to AC&M, as of December 31, 2009, wireless penetration in Russia reached 143.2%, and the total number of subscribers reached 207.9 million. By the number of subscribers MTS OJSC holds the leading position in Russia with a 33.4% market share, followed by Vypelcom and Megafon with 24.5% and 24.2%, respectively. MTS OJSC and its subsidiaries and dependent companies in Russia collectively had 69.3 million subscribers as of December 31, 2009.

By the end of Q4 2009, MTS' licenses covered 82 of the 83 regions in Russia. Thus, MTS OJSC directly or through its subsidiaries holds licenses for practically all of Russia, with the exception of the Penza Region. Megafon holds licenses for all 83 regions of the Russian Federation, while Vypelcom holds licenses for 76 regions. All three federal operators hold 3G licenses for the entire Russian Federation.

Russia's largest markets for mobile services (by number of subscribers) are Moscow and the Moscow

Region and St. Petersburg and the Leningrad Region. According to AC&M, wireless penetration in Moscow and the Moscow Region was 190.7% at December 31, 2009. The total number of subscribers of all operators in Moscow and the Moscow Region is estimated at 32.4 million, with the share of MTS OJSC reaching 41.9%.

Wireless penetration in St. Petersburg and the Leningrad Region, according to AC&M, was 186.8% at December 31, 2009, with total subscribers number of 11.8 million. MTS' market share is at 31.4%.

The most important regional market (apart from Moscow and St. Petersburg) is the Krasnodar Territory (including the Republic of Adygeya), where the number of subscribers at December 31, 2009, as estimated by AC&M, surpassed 8.5 million and penetration was 166.2%. In addition, there are 4 regions of the Russian Federation where the number of subscribers exceeds 5 million: the Republic of Tatarstan, the Republic of Bashkortostan, the Samara Region, the Saratov Region, the Rostov Region, while in the Sverdlovsk Region the number of subscribers has reached 6.1 million.

According to results for Q4 2009, the subsidiaries and dependent companies of MTS OJSC in other CIS countries had the following numbers of subscribers: 17.6 million in Ukraine (Ukrainian Mobile Communications CJSC), 7.1 million in the Republic of Uzbekistan (Foreign Enterprise UZDONROBITA LLC), 1.8 million in Turkmenistan (Corporation Barash Communication Technologies, Inc.), 2.1 million in the Republic of Armenia (K-Telecom CJSC), and 4.6 million in the Republic of Belarus (MTS Joint LLC, which is not consolidated in the MTS Group financial statements).

Company Outlook

Company Outlook

As one of the leading players in the telecommunications market in Russia and the CIS, MTS OJSC aims at using the current growth potential that is offered in all most rapidly developing segments of the industry. Today, we believe the mobile and fixed broadband access market to be an upcoming trend. Demand for data traffic and related VAS and services has a significant growth potential both in the corporate and mass segment. In 2009 MTS OJSC purchased a controlling interest of one of the leading fixed communications operators COMSTAR-UTS OJSC and the backbone network provider Eurotel OJSC and thus obtained an opportunity to provide data traffic services using wire and wireless technologies. The basis for qualitative growth of mobile data traffic service use level is dynamic development of the MTS 3G network which as at the end of Q1 2010 operates in 69 cities of Russia, in Uzbekistan and Armenia and continues to be actively expanding. In the long run, we expect the groups of new services based on the fixed and mobile data transmission, such as the services relating to positioning, mobile payments, telematic services (machine-to-machine), etc. We believe that while having an opportunity to provide a full range of telecommunication services, the Company will be able to realize its growth potential in almost all prospective segments.

In the Company's core segment of mobile telephony, the general growth of services use and more active use of high-value VAS are the key growth drivers. MTS OJSC uses segment-focused tariff offers and a wide range of VAS as the major use drivers. In a number of the Company's markets of presence there still remains the potential for organic growth

due to the subscriber additions, and here MTS OJSC is focused on its leader position in subscriber acquisition.

The perspectives that are opened to the Company by its proprietary monobrand retail network whose active construction was implemented in Russia in 2009 should be specially noted. Availability of a proprietary sales channel allows to increase the number of subscriptions and monitor their quality at the same time, reducing churn and reducing volume of dealers' fees. Today MTS OJSC has an opportunity to launch new products for sale in a maximum short term, offer equipment for 3G network (including branded equipment) and, therefore, increase the use level. To the extent of extension of service range and launch of convergent offers, the most importance is give to the opportunity to provide full-scale servicing and in as many touch points as possible, therefore, establishing uniform standards is a major objective regarding development of the Company's retail network in the nearest future.

In addition to the above, the Company monitors the possibilities for inorganic development in and beyond its markets of presence. Our expertise in integrating the acquired companies is sufficient to make such integration into the business structure of MTS OJSC efficient and gain positive economic results during the maximum short period of time.

In 2009 MTS OJSC demonstrated its ability to successfully withstand negative market tendencies and operate in difficult macroeconomic conditions. By implementing the programs for demand stimulation, the Company overcame total decline in use and achieved revenue growth denominated in local currencies in all markets of presence except

Ukraine (decrease of revenues in Ukraine totaled less than 5%). We believe that in future possible negative developments in the world market will not make a critical impact on the Company's business.

In view of the changes that occurred in the telecommunication market, change of external environment and expansion of MTS OJSC business, we adopted an updated strategy of Company's development. We connect further perspective with

implementation of 3i Concept — Integration, Internet, Innovation — aimed to ensure the principle of "Total Communications" — creation of value in all segments of services consumption. We believe that after becoming an integrated communication operator, MTS OJSC opened for itself new opportunities for expansion of business size and participation in the growth of most dynamic segments of telecommunication industry.

Company Development Strategy

(Business Priorities)

Company Development Strategy (Business Priorities)

MTS OJSC's primary goal is to maintain and strengthen its position as a leading mobile operator in all markets of presence. It is achieved by provision of the widest range of telecommunication services: mobile and fixed communication services, access to the high-speed Internet, while en route and at home, cable television services, and vast choice of legal content. MTS OJSC seeks to preserve and strengthen its market position through investing in network development and developing new products and services, advanced technological solutions and enhancing the servicing system of its subscribers.

In October 2009 MTS OJSC adopted a new strategy which in many aspects is a logical continuation of the previous one while taking into account changes in the market. Acquisition of COMSTAR-UTS OJSC, prompt establishing of a proprietary retail network and launching the first online platform of Omlet.ru content enabled the Company to go beyond the scope of the mobile communication market. MTS OJSC going beyond the scope of mobile telephony is an integral part of a new "3i" strategy encompassing the following areas:

- **Integration** means creation of new communication channels and points of contact with customers including further development of proprietary monobrand distribution network. We intend to become an integrated player offering a full portfolio of products that comply with all needs of our customers on the basis of both wire and wireless communications. Networks and platforms created by the Company will enable to

make an integrated and, therefore, unsurpassed customer experience.

- **Internet** means offering universal communication. Our subscribers believe that we will provide higher and higher access speed, therefore, operation of equipment and provision of services will increasingly frequently depend on the functionality of integrated, mobile and fixed network. Our objective is to create infrastructure that will enable our customers to realize all advantages of modern technologies and that, in its turn, will create additional value for MTS OJSC. Following the strategy of the so called "intelligent pipe", we intend to offer the best content applications of this category, advanced services on the market, make payment and, therefore, MTS OJSC will become closer to the customers.

- **Innovation** means provision of an opportunity to MTS OJSC to show up against the background of competitors by offering a set of products and services that competitors will not be able to reproduce. We will offer exclusive telephones, original service packages addressed to all buyers' segments, create best customer experience in the market of using our products everywhere: at home, in the office, en route.

Integration with COMSTAR-UTS OJSC will enable the Company to grow at higher rate and take a bigger share in the Russian market of telecommunication services satisfying needs and desires of its

customers. MTS OJSC seeks to significantly increase its revenues from convergent products and reduce total costs due to realization of synergy effects from integration with COMSTAR-UTS OJSC. It complies with the principles of efficiency and profitability that were laid as a foundation of the previous “3+2” Company strategy. Use of a single brand will enable to enhance customer loyalty to MTS OJSC brand and, in the long run, to increase its value.

Moreover, MTS OJSC still believes in the opportunity to develop the Group by expanding the location of its presence in case there are interesting proposals. The Company estimates such projects both from

the point of view of financial efficiency and from the point of view of its strategic priorities. The indispensable condition for adopting a positive investment decision is ensuring at all times fulfillment of Company’s obligations and maintaining optimum level of debt load.

In view of MTS OJSC experience regarding ensuring growth and creation of value for customers and shareholders, we believe that new objectives of our strategy will enable us to successfully develop the Company’s business and remain a leading mobile operator in all markets of operation for a long time in future.

Board of Directors’ Performance Report

on the Company’s Business Priorities

Board of Directors' Performance Report

on the Company's Business Priorities



Ron Sommer
Chairman of MTS OJSC
Board of Directors

A challenging situation that was preserved at global markets in 2009 made a significant impact on the macroeconomic situation in all countries of MTS OJSC presence and resulted in serious changes in the Russian telecommunication market that is the key market for us. Promptly responding to the changes of the external environment, the Company management adopted and implemented a number of strategic decisions aimed to strengthen the market position of MTS OJSC, enhance financial stability and lay the foundation for further successful business development. A key change was transformation of MTS OJSC in an integrated communication operator that was due to acquisition of the controlling interest from one of the leading players of fixed communication segment COMSTAR-UTS OJSC and backbone network operator Eurotel OJSC. In connection with restructuring of Russian mobile retail market, the Company has built and continues to develop proprietary monobrand retail network which enables to increase sales level of equipment, contracts and services, enhance quality of subscriber servicing and strengthen presence of MTS OJSC brand in the market.

Major macroeconomic factors that influenced the Company's business in 2009 were: devaluation of national currencies in the countries of presence; reduction of buying capacity both in the mass and corporate segments; complication of the process of obtaining borrowed funds and increase of interest rates. Implementation by the Company of a number of measures aimed to stimulate the demand enabled to achieve growth of service use both in the rapidly growing segment of data traffic and in the segment of traditional VAS and voice communication services

which resulted in the growth of revenues in national currency in all countries of presence except Ukraine. In particular, in 2009 average monthly number of minutes of voice traffic per subscriber (MOU) in Russia grew from 208 to 213 minutes, revenue in rubles totaled RUR 253.4 bln, a 7.6% increase versus the last year's indicator. Company's revenue in the Ukrainian market where the complicated economic situation still persists reduced by 4.9% to 8.17 bln. hryvnias. Subsidiaries in Uzbekistan and Armenia showed a small revenue growth: by 3.4% to \$404.9 mln. in Uzbekistan and by 2.3% to 80.3bln. drams in Armenia. In the market of Turkmenistan that is less saturated among the countries of MTS OJSC presence our Company demonstrated growth by 60.0% up to 458.1 mln. manats. At the same time devaluation of national currencies to the US dollar caused decrease of the MTS Group currency revenue (including MTS OJSC and COMSTAR-UTS OJSC) by 17% vs. 2008 to \$9.824 bln.

Program for optimization of costs adopted by the Company enabled to retain high OIBDA margin of mobile business in Russia at 51.4%. Investments in the development of monobrand retail network and consolidation of COMSTAR-UTS OJSC results decreased the indicator to 46.5%. Consolidated OIBDA indicator decreased by 23.5% vs. 2008 to \$4.474 bln. Consolidated net income decreased by 50.2% per annum to \$1.005 bln. due to the losses caused by the change of currency exchange rates and the exchange difference of the debt denominated in dollar and one-time writings-off related to revaluation of investments and equipment of COMSTAR-UTS OJSC

Due to the balanced approach to the management of borrowed funds, the Company promptly

responded to rapid changes of currency exchange rates, ensured a positive cash flow and optimum currency ratio in credit portfolio. According to the results of 2009, total debt volume of the Group amounted to \$8.3 bln., 63% thereof are liabilities denominated in rubles.

Under conditions of radical changes that were taking place in the Russian mobile retail market the Company management adopted and implemented a strategic decision on construction of a proprietary monobrand retail network which during 2009 was the third according to the points of sales in Russia and included 2010 retail stores (less franchising stores). Availability of a proprietary monobrand retail channel enables the Company to launch new products and services, including convergent ones with maximum promptness and efficiency, offer branded equipment to customers, provide servicing and, therefore, increase the service use.

We consider the market of mobile broadband access and provision of VAS related to this area as one of the key markets ensuring growth of Company's revenues. In order to create value in this segment, the Company continues construction of 3G networks and backbone communication channels in this segment, develops new products and increases the number of users offering branded 3G subscriber equipment. According to the results of Q1 2010 the services in MTS OJSC third generation network are

provided in 69 cities of Russia, in Uzbekistan and Armenia.

In view of natural tendencies of telecommunication market development, change of external environment and the structure of MTS OJSC business, we changed the formulation of Company's development strategy. The concept of 3i — Integration, Internet, Innovations — is aimed to create value in all segments of telecommunication market while maintaining high profitability level and enhancement of subscribers' loyalty and the level of service use.

According to the results of 2009, MTS OJSC steadily maintains a leading position in the telecommunication market of Russia and the CIS. The number of mobile communication subscribers of the MTS Group increased up to 102.4 mln. subscribers vs. 95.7 in 2008 (including subscribers of MTS JLLC in Belarus).

The year 2009 proved that even in difficult macroeconomic conditions MTS OJSC is able to successfully stimulate demand gaining revenues in national currency, strictly monitor costs, maintaining high level of business efficiency indicators, ability to generate stable positive cash flow and net income available to the shareholders. The main objective for 2010 we consider implementation of 3i strategy aimed to increase the size of business while maintaining high level of economic efficiency and implementation of the Total Communications Principle — creation of value in all telecommunication market segments.

Ron Sommer

Chairman of MTS OJSC Board of Directors

Major Events

Major Events

1. Acquisition of Comstar –United TeleSystems OJSC

Within the framework of implementing 3i Strategy, in October 2009 MTS OJSC acquired 50.91% equity stake in Comstar –United TeleSystems OJSC, the major operator of integrated telecommunication services in Russia and the CIS, and in December increased its equity stake in Comstar –United TeleSystems OJSC up to 61.97%.

2. Development of proprietary monobrand retail network

In February 2009 MTS OJSC purchased the retail network of Telephone.Ru CJSC. In April MTS OJSC purchased Eldorado–Centre LLC and Eldorado Salon Svyazi LLC. In October the Company purchased a network of retail stores of TELEFORUM CJSC. At the end of 2009 the monobrand retail network of MTS OJSC totaled 2 010 proprietary stores (exclusively of franchising stores) in Russia.

3. Connection of MTS OJSC to the networks of leading global communication operators via the interconnection center of ancotel GmbH

In September 2009 MTS OJSC gained an opportunity to connect its network to the networks of more than 350 communication operators in the world through organization of a point of presence in the

largest in Europe interconnection center of ancotel GmbH in Frankfurt on Main.

4. Increase of extension of backbone networks due to acquisition of Eurotel OJSC operator

In December 2009 MTS OJSC purchased 100% of equity capital of backbone network operator, Eurotel OJSC, one of major federal backbone network operators. As a result of this acquisition by the end of 2009 total extension of backbone networks of MTS Group increased up to 35 thousand km.

5. MTS brand entrance on the Indian market

In March 2009 MTS brand came to the Indian market — Sistema Shyam TeleServices operator, a subsidiary of AFK Sistema OJSC, began to provide services under MTS brand in India.

6. Launch of proprietary branded telephones

In September 2009 MTS OJSC launched a line of proprietary branded handsets and presented to the market an economy class MTS 236 handset. And the first branded 3G–telephones, MTS 736 and MTS 835, were first offered for sale in October.

7. Signing agreements with leading Russian and global companies (Nokia Siemens Networks, MySpace, Eldorado, etc.)

In April, 2009 within the framework of implementation of strategy for development of mobile Internet services, MTS OJSC and Nokia Siemens Networks signed an agreement on the “turnkey” delivery of security solution that will ensure protection of MTS OJSC network when users of GSM standard mobile devices look through Internet web-pages.

At that time MTS OJSC and one of major social Internet-networks, MySpace, launched a joint mobile portal.

In July MTS OJSC and Eldorado, a major retail network for sales of home equipment and electronic equipment in Russia and Eastern Europe announced conclusion of a three-year partnership agreement in sales and promotion of mobile devices and services.

Successful development of the project with Auchan hypermarkets network in 2008 made it possible to start in 2009 in Russian regions similar partnership projects with other retail networks in the regions where Auchan is not present – with a network of food stores Assorti in the Komi Republic in July and the network of fuel stations in Tatarstan – Tatnefteproduct – in August.

In August MTS OJSC and Vodafone launched a program of free servicing MTS OJSC subscribers in Russian while in roaming within the framework of strategic non-equity partnership of two operators concluded in 2008.

8. Launch of multimedia portal OMLET.RU

In September MTS OJSC launched in commercial operation a multimedia portal OMLET.RU, a universal interactive shop with a wide range of licensed music, video and game content and additional functional of social network.

In October OMLET.RU became a third of those awarded with a prize in the nomination “Web-site of the Year” and received a special diploma «Break-through of the Year» of Russian Entertainment Awards, and in November 2009 became a winner of the sixth annual “Runet Award-2009” in the nomination “Culture and Mass Communications”.

9. Awards in leading Russian and global competitions (“HR Brand of the Year”, BRANDZ™, BRAND OF THE YEAR/EFFIE, Meffys Mobile Entertainment Award, Russian Mobile VAS Awards)

In February MTS OJSC became a winner of HR Brand of the Year, the award which is given to the best employers of Russia according to the results of the year.

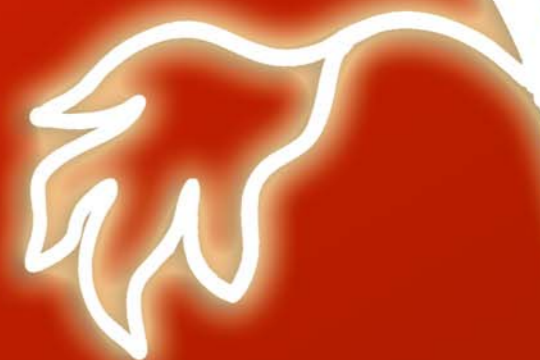
In April MTS OJSC for the second year in succession was recognized as the most expensive Russian brand in the annual rating of one hundred leading global brands BRANDZ™ published in the Financial Times and leading international research agency Millward Brown. At the same time MTS OJSC was awarded the first prize of the top Russian professional award in brand building BRAND OF THE YEAR/EFFIE 2008.

In June MTS OJSC became the first Russian company that was a winner in the leading international competition in the area of mobile entertainments Meffys Mobile Entertainment Award 2009. The prize was awarded in the category “Search & Discovery” for the “Supersearch” service.


The third year in succession Standard&Poor’s in 2009 named MTS OJSC the most transparent company in Russia in terms of information.

In November MTS OJSC for the second year in succession became a winner of the Russian Mobile VAS in two nominations: in the nomination “Mobile Content” for the Project “MTS’ Children’s Portal” and “Mobile Music Service” for the Project of multimedia entertainment portal OMLET.RU.

Company Results for 2009



Company Results for 2009



The mobile communications market in Russia was developing at a very high rate for a long time and that was due to continuous expansion of target segments and encompassing of a wider range of people and decrease of price level both for services and subscriber equipment. A tendency for decrease of subscriber base growth rate of mobile operators was first identified in 2005 and continued in the subsequent years.

Decrease of subscriber base growth rate may be connected with gradual market saturation and operators' focus on the "quality" of the subscriber base. In view of this, marketing efforts of operators shift from the acquisition of new subscribers to ensuring loyalty and enhancing profitability of existing subscribers and acquisition of subscribers from competitor companies in its network.

According to the results of 2009, the level of mobile communication penetration reached 143.2% and that places Russia among the most developed global telecommunication markets.

MTS OJSC is aimed for further strengthening of its positions using and developing factors determining competitiveness of the operator in the market. The following factors shall be specified as major factors of MTS OJSC competitiveness in the segment of mobile telephony: network coverage and internal network roaming, traditional high quality of communication

services, competitive rate offers that take into account subscriber needs, wide range of VAS.

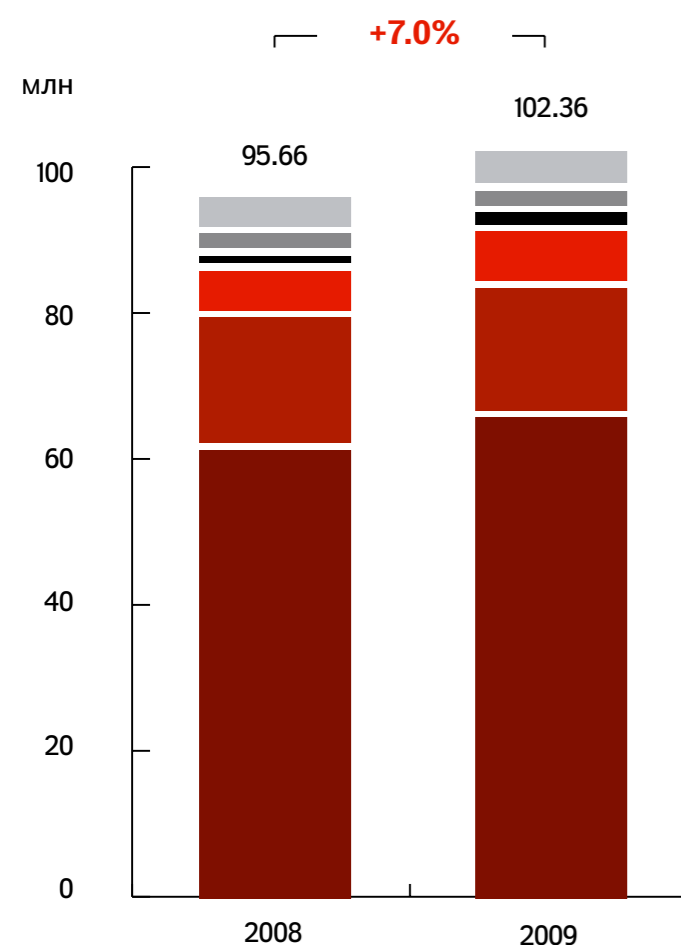
In 2009 MTS OJSC purchased the controlling stock of one the leading fixed communication operators, COMSTAR-UTS OJSC, and backbone network provider Eurotel OJSC, thus having received an opportunity to provide data transmission services using wire and wireless technologies. The basis for quality growth of mobile data traffic service use is development of MTS 3G network that operates in all federal regions of Russia, in Uzbekistan and Armenia, and continues to develop.

Moreover, MTS OJSC actively develops proprietary network of sales and service centers that enable to realize their own unique products and services to provide high quality servicing to customers and makes a positive impact on the level of MTS brand recognition.

These factors make it possible to the Company to gradually increase the level of revenues both due to the addition of the subscriber base and the enhancement of intensive use of services.

In addition to the above, the Company monitors opportunities of inorganic growth both in the markets of presence and beyond it. MTS OJSC has adequate experience in integration of acquired companies which allows to effectively include them in business structure and gain positive economic effect as soon as possible.

Dynamics of the Group's Subscriber Base Growth



Subscriber base (mln)	2008	2009	Change
Russia	64.63	69.34	7.3%
Ukraine	18.12	17.56	(3.1%)
Uzbekistan*	5.65	7.07	25.1%
Turkmenistan	0.93	1.76	89.2%
Armenia	2.02	2.07	2.5%
Belarus**	4.32	4.56	5.6%
Total	95.66	102.36	7.0%

* Since 1.01.2008 MTS OJSC applies a six-month policy for accounting the subscriber base in all markets of the Group.

** MTS OJSC owns 49% of shares in MTS JLLC in Belarus and does not consolidate the results of the company's performance with the financial statements of the Group.



Number of MTS Group subscribers exceeded 102 mln. as at the end of 2009

The number of subscribers in Russia in 2009 increased by 4.7 mln. due to launching of competitive tariffs, seasonal marketing offers and use of various sales channels (proprietary retail network and multibrand distribution channels)

Group subscriber base grew by 6.7 mln. for the year (+7.0%).



Russia

The Russian telecommunications market is characterized by rapid growth in the subscriber base and revenue. According to data from AC&M, at the end of 2009 the penetration (in SIM cards) was 143.2% or 207.9 million subscribers. The highest penetration levels were seen in Moscow and St. Petersburg, where they exceed 190.7% and 186.8%, respectively.

According to data from AC&M, MTS' share of subscribers in Moscow is 41.9%, in St. Petersburg 31.4% and in Russia as a whole 33.4%.

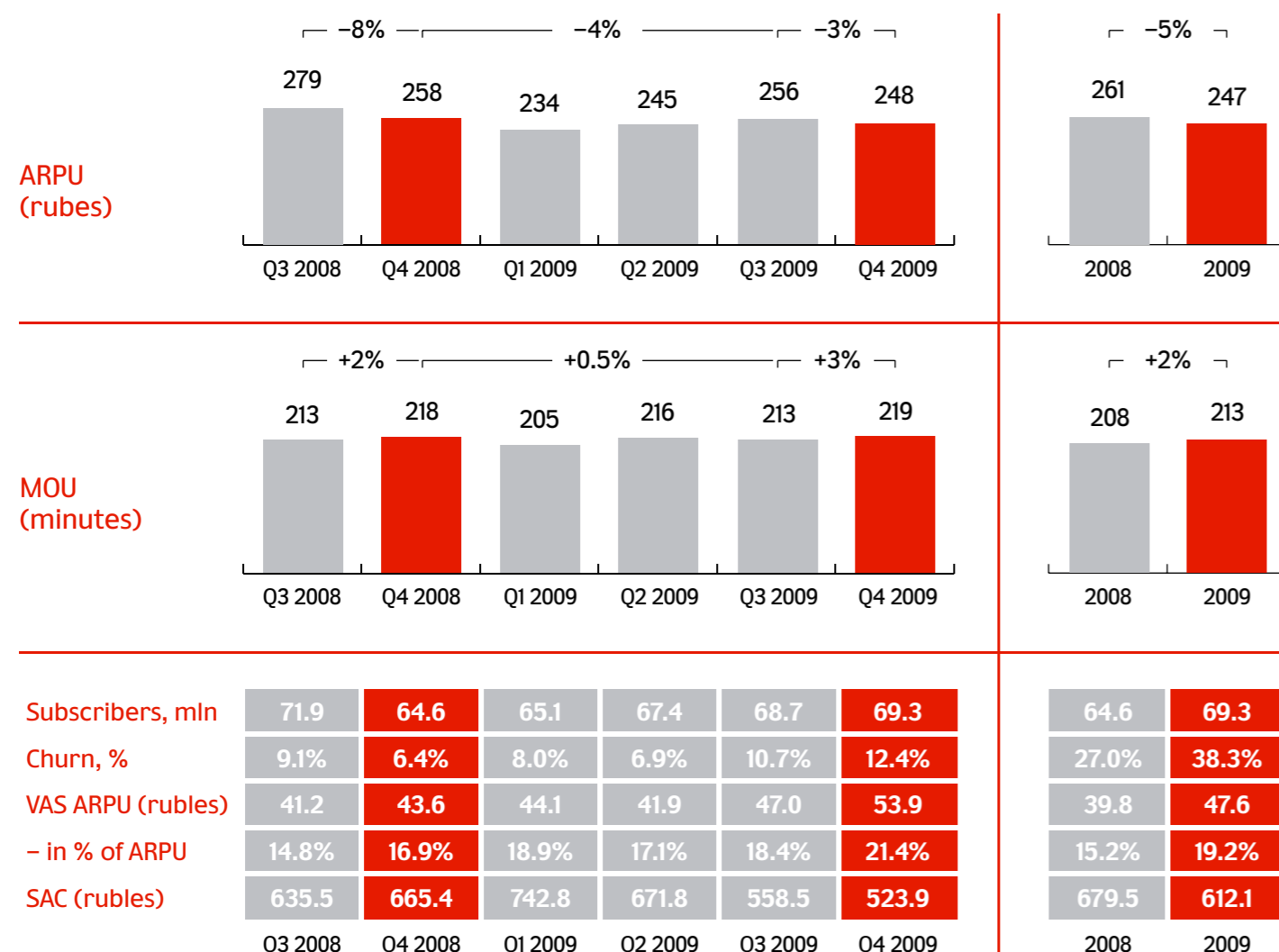
The year 2009 demonstrated MTS OJSC' ability to successfully stand against negative market tendencies and operate in complicated macroeconomic conditions. The favorable result of 2009 is the

Company's continued lead not only in revenue terms but also by growth of the subscribers number.

To retain its lead in the market the Company is continuing work aimed at providing subscribers not only with high-quality services, but also the cheapest tariff plans, and at increasing growth in service quality, network coverage, and level of customer service.

Moreover, it is necessary to specify the perspectives that are provided to the Company by its proprietary monobrand retail network whose active construction in Russia was activated in 2009. Availability of a proprietary sales channel enables to increase the number of subscriptions, monitor their quality and reduce the churn.

Russia: Operating Indicators

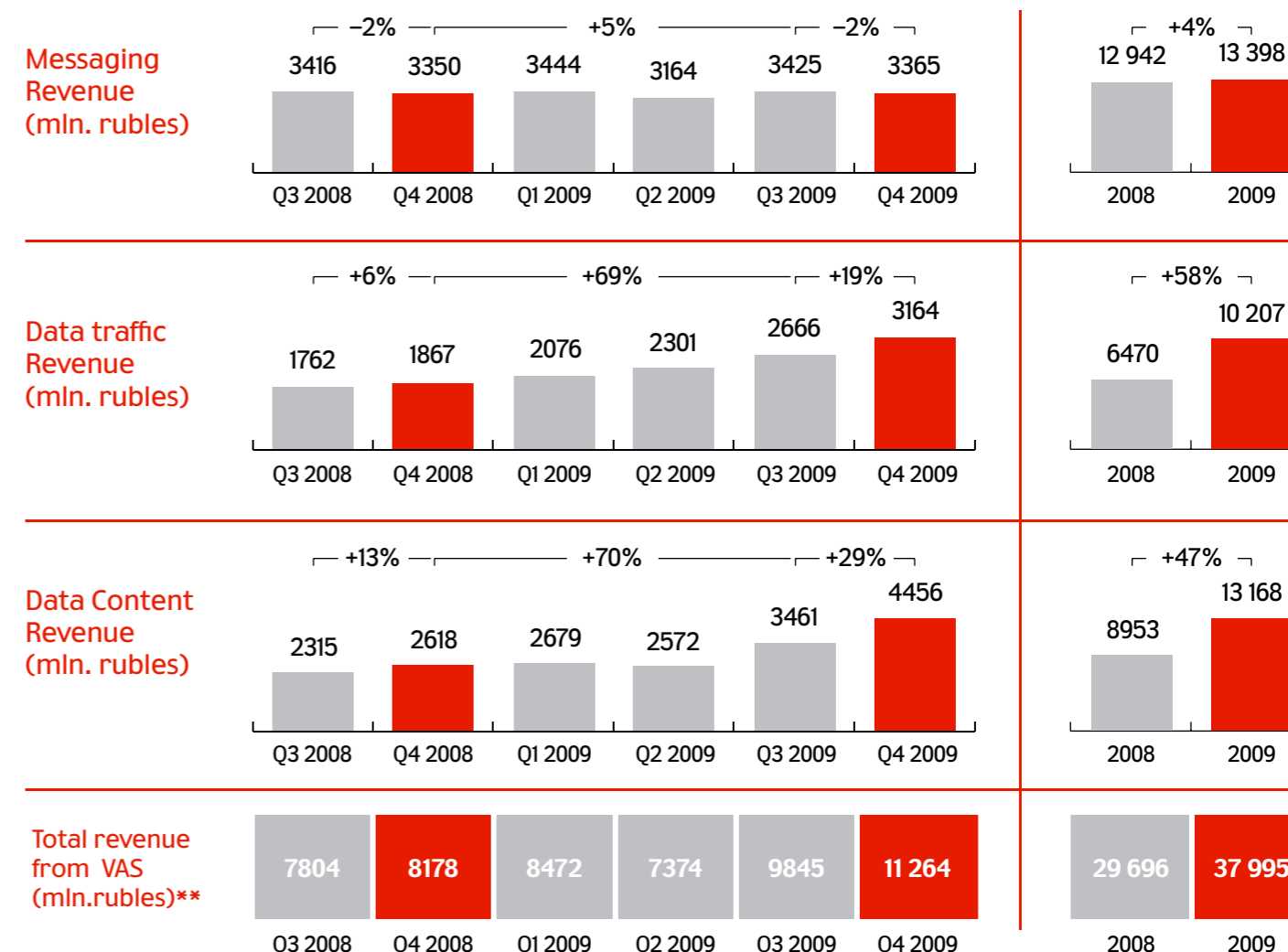


Decrease in quarterly ARPU due to seasonal decrease of use of high profitable roaming and long-distance calls services

Increase of use in Q4 2009 due to seasonal marketing initiatives

Reduction of costs for acquisition of subscribers as a result of decrease of dealer's commission

Russia: Operating Indicators*



* Split of revenue from VAS in three portions –messaging, data traffic and data content services– currently includes revenue from roaming services reallocated accordingly; we cannot present reallocated roaming data for until Q4 2007.

** Except SMS–messages and data packages included in tariff offers.



Key initiative in Q4 2009:

Expansion of 3G networks coverage in Russia and full-scale 3G launch in Moscow

Unlimited proposals for mobile Internet to stimulate growth rate of data traffic services

SMS–game “You Chance” stimulated **increase of revenues** from content services

Content promotion on Omlet.ru portal with special offers for “MTS–Bonus” loyalty program participants



Ukraine

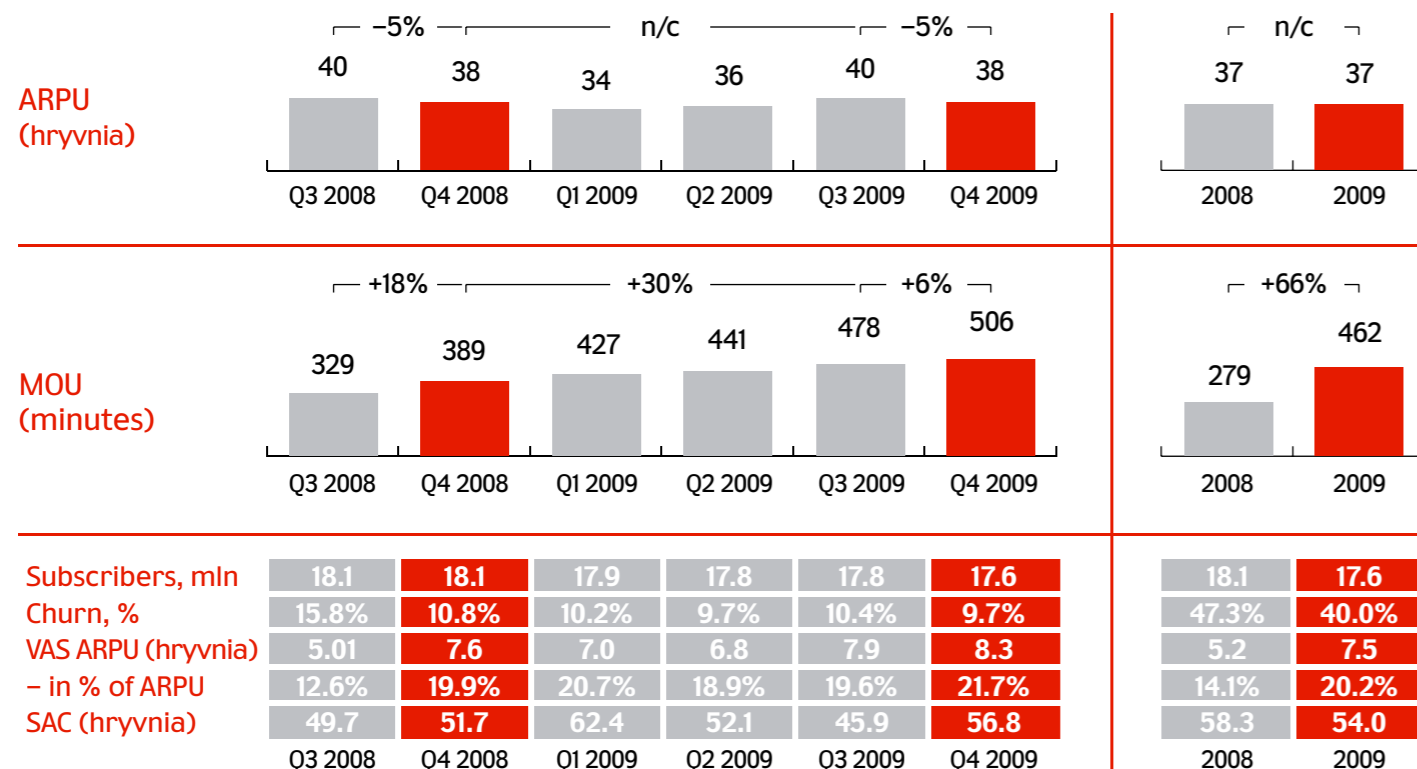
Decrease of subscriber base growth rate in the telecommunication market of Ukraine is related to gradual market saturation and focus of operators on the subscriber base "quality". According to data from ACM Consulting, at the end of 2009 the service penetration in the country was 120.6% or 55.3 million subscribers. MTS OJSC had 17.6 million subscribers or 31.8% of the market in Ukraine at the year end. The number of subscribers of the main competitor Kievstar at the year end was 22.0 mln. It should be noted that MTS OJSC lagging behind the competitor in 2009 reduced by

957 thousand subscribers. A positive result of MTS OJSC in the Ukrainian market also consists in retaining lead in the increase of the number of subscribers.

MTS OJSC provides and actively develops MTS Connect 3G services on the basis of technology CDMA 2000 1x EVDO Rev.A, offering to its subscribers a high-speed access to the Internet network. Also, to improve its own positions in the market, the Company continues to implement the program of regional customization of rates aimed to provide tariff plans that are tailored to the maximum to the subscriber profile in the certain territory.

The Company provides GSM 900/1800 and CDMA 450 services throughout the entire country.

Ukraine: Operating Indicators

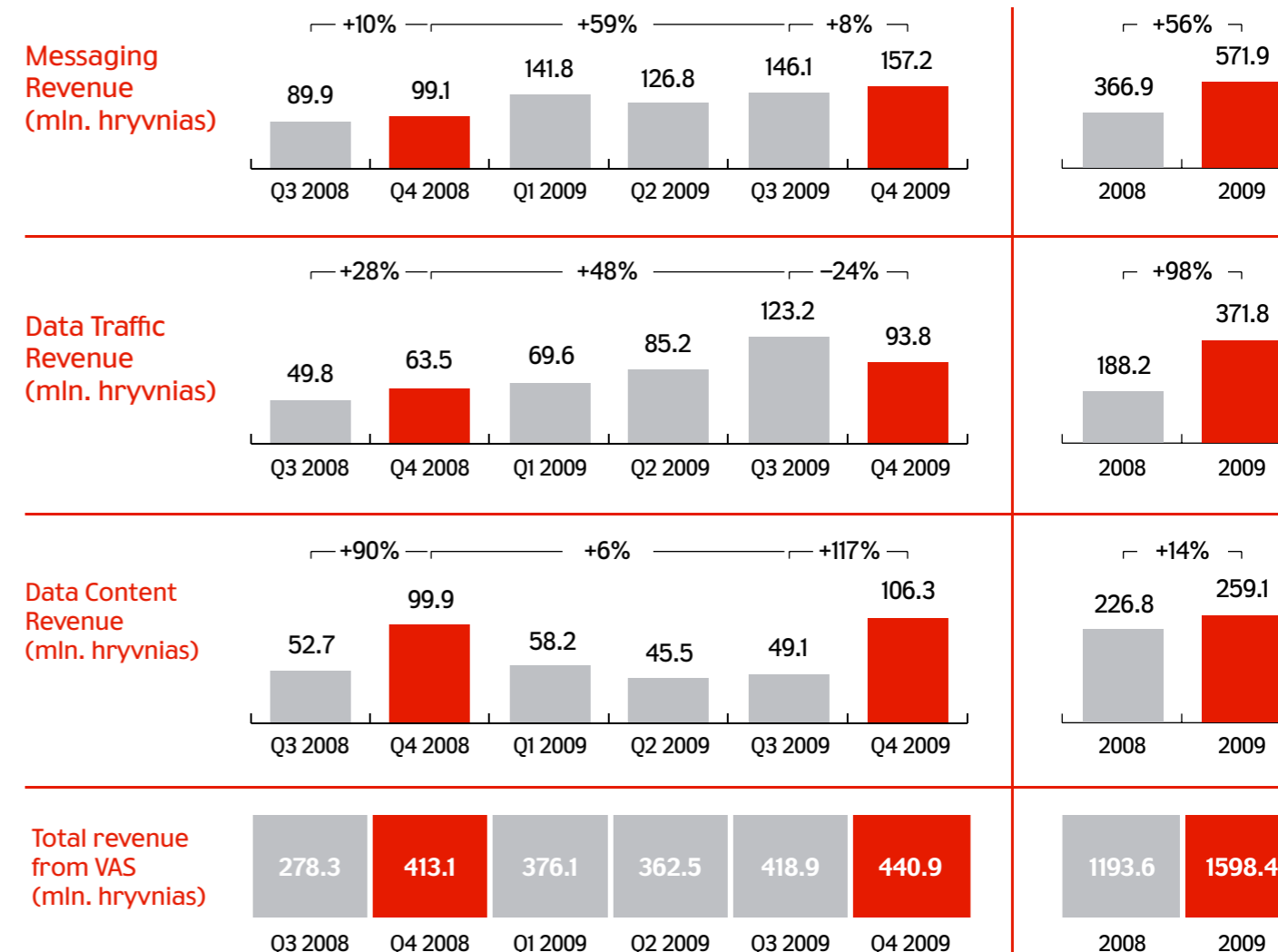


Decrease of ARPU in Q4 2009 due to traditional seasonal factors

Continued growth of voice services usage due to seasonal offers and high portion of internal network traffic

Decrease of subscriber base churn per annum due to implementation of company's strategy for enhancement of subscriber base quality and optimization of sales channels

Ukraine: Operating Indicators



Key initiatives in Q4 2009:

Promotion of "MTS Connect" modem for the mobile Internet in the period before the the New Year

Launch of package offer on data traffic "Super MTS Energy" (10 Mbyte of traffic per day with reduced subscription fee)

Launch of branded content services "MTSClick"

Promotion of the Good'OK service

Growth of revenues from sales of non-branded content

Promotion of bonus content and awards for active users on WAP-portal

Launch of LBS - game for car-drivers



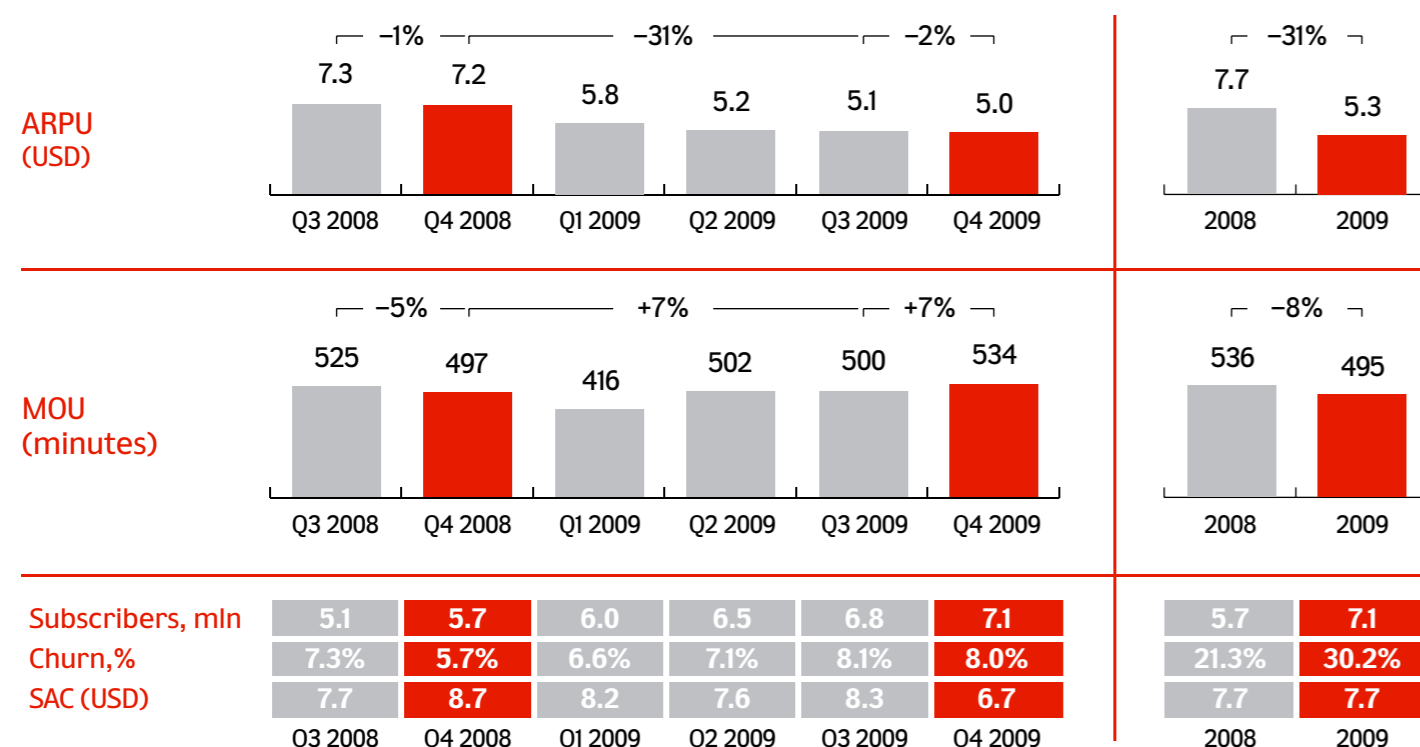
Uzbekistan

According to the Company's estimates, in 2009 the service penetration in the country grew by 12.3 pp and was 56.7%, or approximately 15.8 million subscribers.

MTS offers services in Uzbekistan using TDMA, GSM 900, and GSM 1800 technologies.

During the year, the number of MTS subscribers increased by 1.4 million and was 7.1 million subscribers, or 45% of the market of Uzbekistan. Due to the receipt of a license to provide Internet services and use of 3G networks throughout all of Uzbekistan, and also using WiMAX technology, the Company plans not only to retain its leading positions in the market, but also to gain a higher market share by concurrently offering innovative services, including wideband Internet access services.

Uzbekistan: Operating Indicators



Decrease in quarterly ARPU is due to acquisition of mass market segment subscribers of the subscriber base and increased competition

Quarterly growth of usage due to the launch of competitive marketing offers in Q4 (Dial'OK and Universal rates) aimed to stimulate service usage

Churn increase is caused by aggressive competitive environment

Strong growth of subscriber base in Q 2009 – about 300 thousand new subscriptions



Turkmenistan

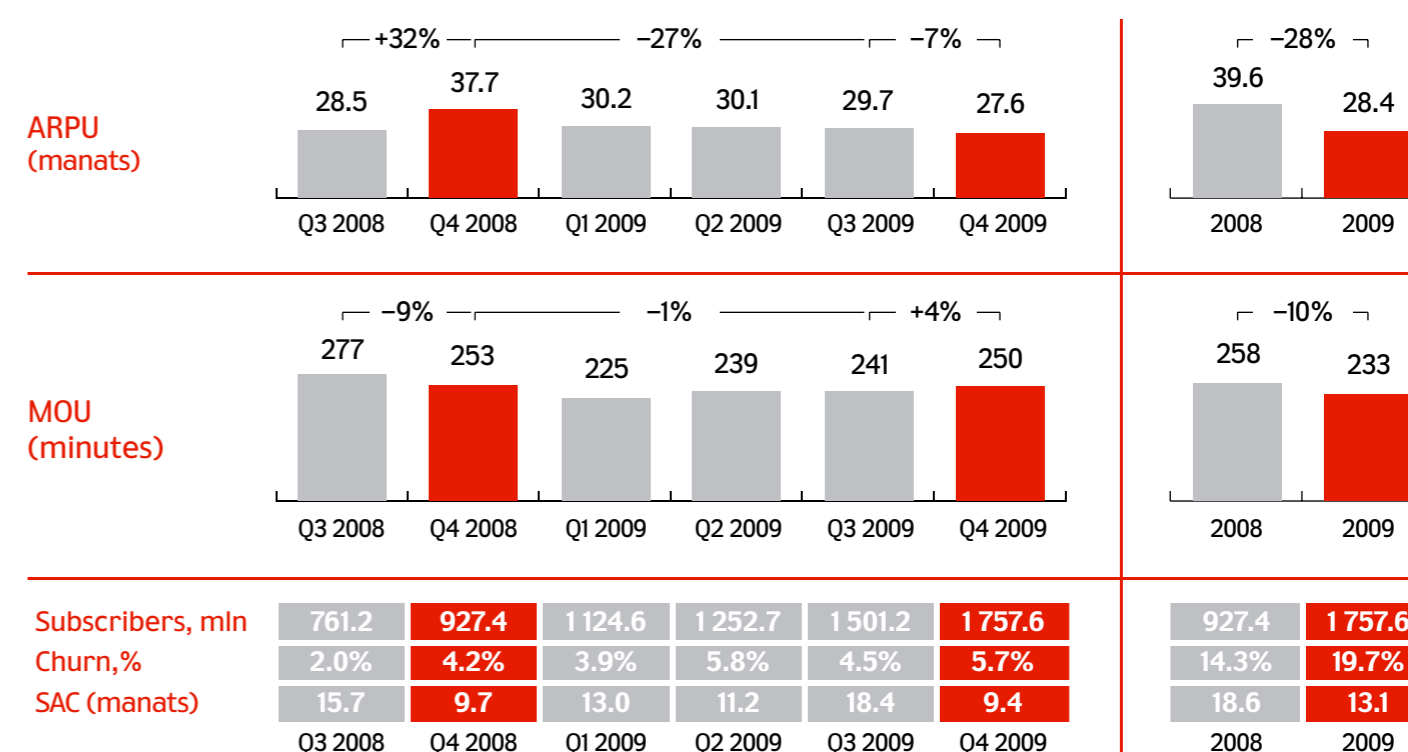
Along with Uzbekistan's telecommunications market, the market in Turkmenistan can also be characterized as one with a low level of penetration.

In 2009 the penetration increased by 21.4 pp and was 40.5%, or approximately 2.1 million subscribers.

MTS OJSC offers GSM 900/1800 services in Turkmenistan. The number of MTS OJSC subscribers at the end of 2009 was 1.8 million, the market share is 85%.

In 2009 the Company was able to offer its subscribers a number of completely new, even more inexpensive tariff plans ("Novruz", "Dlinnyye Razgovory" (Long Talks), "Novogodny" (New Year) and services ("Nochi Narpolyot" (All Nights Through), "Besplatnyye Bkhodyaschiye" (Free Terminating Calls), "Nomera MTS" (MTS Numbers), "Voskresny Den" (Day Off), "GPRS-packages", etc). In 2010 it is planned to launch into the market a number of new tariffs and services aimed to stimulate use of voice services and traditional VAS, including a line of special tariff plans for Internet users.

Turkmenistan: Operating Indicators



ARPU decline caused by growth of mass segment of the subscriber base

Quarterly growth of usage due to promotional campaigns of inexpensive calls within the network

Subscriber base addition by more than 250 thousand subscribers due to the launch of competitive marketing offers



Armenia

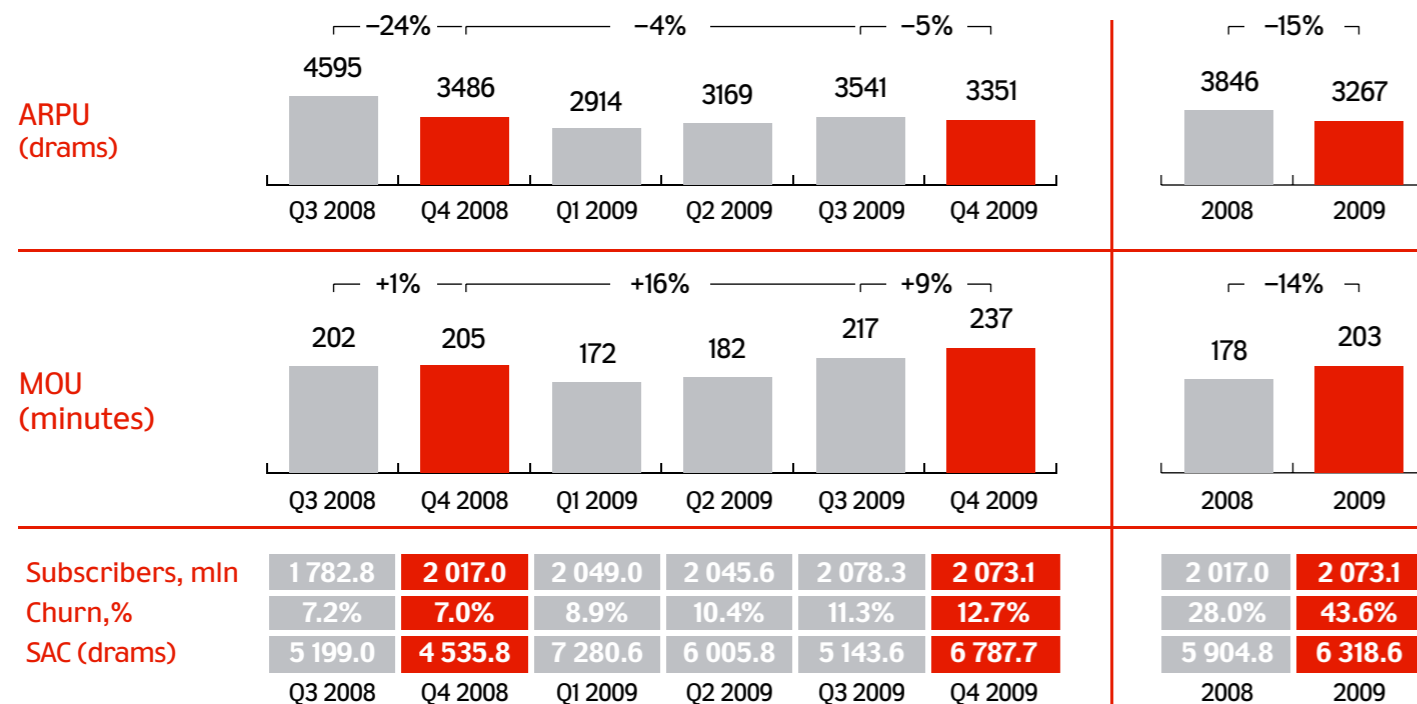
In September 2007 the Company acquired the leading operator in the Armenian market, offering mobile communications services under the VivaCell brand using GSM 900/1800. In Q3 2008 the VivaCell brand changed to VivaCell-MTS. The change in visual representation was the first stage of a complex re-branding of K-Telecom which involved all areas of interaction between the operator and subscribers: innovative services and rates, and also new convenient servicing formats, consistent with world standards applicable at MTS Group, became available to VivaCell-MTS subscribers.

According to the Company's estimates, during 2009 the penetration of services in the country

increased by 5.9 pp. and was 85.9%, or approximately 2.7 million subscribers. Number of MTS OJSC subscribers at the end of the year totaled 2.1 million subscribers (75% of the market).

Despite the entry of the third player to the telecommunication market of Armenia, the international company Orange, K-Telecom CJSC (VivaCell-MTS) not only retained but strengthened its leading position. In 2009 VivaCell-MTS launched 3G network in commercial operation and was the first to launch into the market such innovation services as mobile television, Home-Zone, Office-Zone. In 2009, VivaCell-MTS along with major services began to offer to the subscribers customized equipment (modems, telephones, routers). In 2009 the Company successfully launched a unique project Street Reseller.

Armenia: Operating Indicators



Decline in quarterly ARPU caused by the increased competition

Quarterly growth of usage due to the launch of competitive seasonal offers

Increase of churn caused by competition

Equity Capital and Securities

Equity Capital and Securities

Equity Capital and Issues of Shares

The equity capital of MTS OJSC as of December 31, 2009 was 199,332,613.80 rubles.

Outstanding and authorized shares of MTS OJSC as of December 31.12.2009

Categories/classes of shares	Number of shares	Nominal value per share (rubles)
Outstanding shares		
Common shares	1 993 326 138	0.1
Preferred shares	0	0
Authorized shares		
Common shares	103 649 654	0.1
Preferred shares	0	0

As at December 31, 2009 the registered shareholders of MTS OJSC had the following shares in the equity capital*

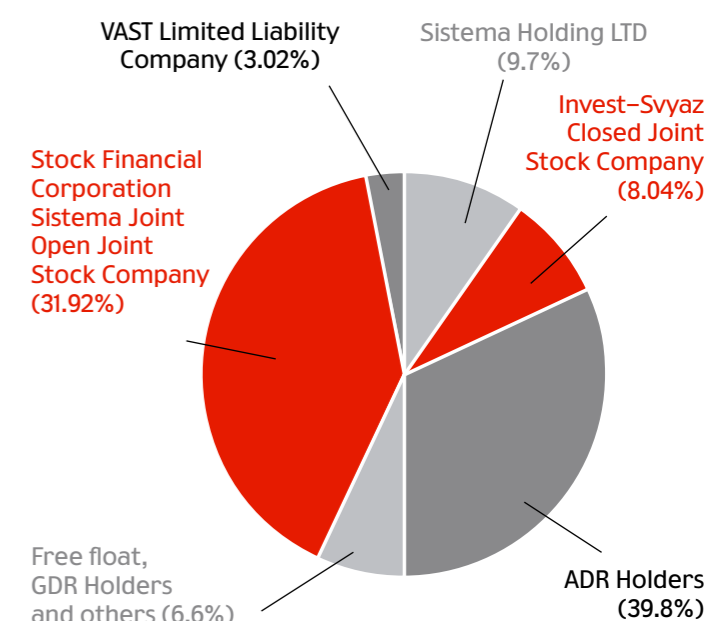
Stock Financial Corporation Sistema Joint Open Joint Stock Company	31.92%
Invest-Svyaz Closed Joint Stock Company**	8.04%
Sistema Holding LTD**	9.7%
VAST Limited Liability Company **	3.02%

ADR Holders	39.8%
Free float, GDR Holders and others	6.6%

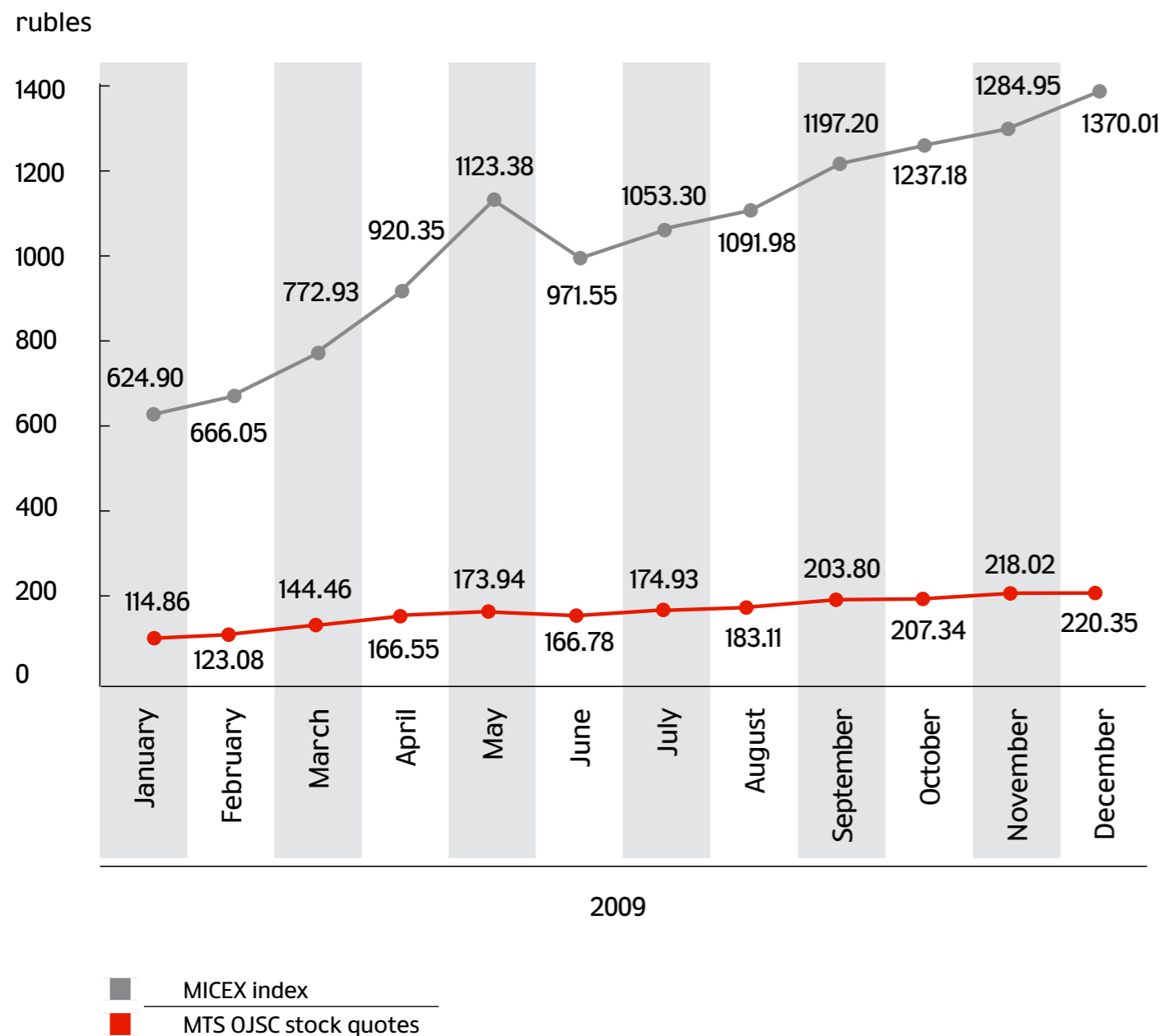
* Calculation of the shares of shareholders in the MTS OJSC equity capital was carried out without consideration of the following assumptions. MTS LLC and Capital LLC (100% subsidiaries of MTS OJSC hold 0.13% and 0.3% share of MTS OJSC accordingly.

Our 100% subsidiary MTS Bermuda Ltd. holds 67,995,335 of our shares in the form of ADR which were repurchased in the period of 2006-2008.

** Invest-Svyaz CJSC, Sistema Holding Limited and VAST LLC are affiliated companies of AFK Sistema OJSC.



Dynamics of the prices for MTS OJSC common shares as compared with the MICEX index, January 2009 – December 2009 *



* The quotes are stated as of the last trading day of the month, for the MICEX index – the closing price, for MTS shares – weighted average price

American depositary receipts

On June 30, 2000, MTS successfully placed a Level-III ADR issue on the New York Stock Exchange (NYSE: MBT), and became the second company in Russia to implement a program of the highest-level ADRs.

Since October 3, 2003, MTS shares have been traded as non-listed securities on the Moscow Inter-bank Currency Exchange (MICEX). In December 2003 MTS shares were included in MICEX Quotation List B.

On December 15, 2004, MTS announced the change in the ratio of American Depositary Receipts (ADR) on the New York Stock Exchange to common

shares of the Company. The changes took effect on January 3, 2005, the first trading day of the year. As a result of the changes, one MTS ADR became equal to 5 common shares of the Company. Previously 1 ADR had been equal to 20 common shares, i.e., the ratio was decreased by a factor of 4. To effect the change all ADR holders received 3 additional shares for each ADR held at December 27, 2004.

As of December 31.12.2009 a total of 155,479,301 ADRs had been issued for registered common shares (equal to 777,396,505 registered common shares).

Information on stock exchange listings of MTS OJSC shares

Trading floor	Stock ticker	Quotation list level
MICEX CJSC	MTS-ao	B
New York Stock Exchange	MBT	Level III ADRs

Information on the current listings and transaction prices is available in Russian and English at:

www.micex.ru

<http://finance.yahoo.com/q/hp?s=MBT>

Bond Issues

MTS is one of the largest issuers of corporate bonds in Russia. In 2009 the Company successfully placed ruble bonds for RUR 30 bln. The funds received as a result of the bond issue the Company uses for refinancing of the debt portfolio and other corporate purposes.

Credit ratings of MTS as an issuer *

Moody's	Ba2, outlook positive
S&P	BB, outlook positive
Fitch Ratings	BB+, outlook positive

* Data as of 31.12.2009.

Basic details of bond issues

Issuer	Mobile TeleSystems Finance SA (Luxembourg)
Type of security	Eurobonds (144A/Reg S), guaranteed by MTS OJSC
Coupon	8,375% fixed, payable semi-annually
Issue price	100%
Currency of issue	US\$
Amount of issue	400 000 000
Maturity date	October 14, 2010
Issuer	Mobile TeleSystems Finance SA (Luxembourg)
Type of security	Eurobonds (144A/Reg S), guaranteed by MTS OJSC
Coupon	8,00% fixed, payable semi-annually
Issue price	99,736%
Currency of issue	US\$
Amount of issue	400 000 000
Maturity date	January 28th, 2012

The first issue of the MTS OJSC ruble denominated bonded loan for 10 billion rubles took place in June 2008. In October 2008 MTS OJSC placed two more issues of bonds for 10 billion rubles each. In May 2009

the ruble denominated bonded loan was issued for 15 billion rubles and in July 2009 one more bonded loan was issued for 15 billion rubles. The funds received as a result of the bond issue were used for corporate purposes.

Issuer	Mobile TeleSystems Open Joint Stock Company
Type of security	Documentary non-convertible interest-bearing bonds payable to bearer subject to compulsory centralized storage, Series 01
Coupon	1-3 coupons — 14,01%, 4-10 coupons to be specified by the issuer
Issue price	100%
Currency of issue	Ruble
Amount of issue	10,000,000, 000
Date of placement	October 23rd, 2008
Maturity date	October 17th, 2013
ISIN Reg No	RU000A0JQ0D4
Offer	April 23rd, 2010

Issuer	Mobile TeleSystems Open Joint Stock Company
Type of security	Documentary non-convertible interest-bearing bonds payable to bearer subject to compulsory centralized storage, Series 02
Coupon	1-3 coupons — 14,01%, 4-14 coupons to be specified by the issuer
Issue price	100%
Currency of issue	Ruble
Amount of issue	10,000,000,000
Date of placement	October 28, 2008
Maturity date	October 20, 2015
ISIN Reg No	RU000A0JQ0E2
Offer	April 28, 2010

Issuer	Mobile TeleSystems Open Joint Stock Company
Type of security	Documentary non-convertible interest-bearing bonds payable to bearer subject to compulsory centralized storage, Series 03
Coupon	1-4 coupons — 8.7%, 5-20 coupons to be specified by the issuer
Issue price	100%
Currency of issue	Ruble
Amount of issue	10,000,000,000
Date of placement	June 24, 2008
Maturity date	June 12, 2018
ISIN Reg No	RU000A0JPTJ4
Offer	June 24, 2010

Issuer	Mobile TeleSystems Open Joint Stock Company
Type of security	Documentary non-convertible interest-bearing bonds payable to bearer subject to compulsory centralized storage, Series 04
Coupon	1,2 coupons — 16,75%, 3-5 coupons to be specified by the issuer
Issue price	100%

Currency of issue	Ruble
Amount of issue	15,000,000,000
Date of placement	May 19, 2009
Maturity date	May 13, 2014
ISIN Reg No	RU000A0JQ5E1
Offer	May 19, 2011

Issuer	Mobile TeleSystems Open Joint Stock Company
Type of security	Documentary non-convertible interest-bearing bonds payable to bearer subject to compulsory centralized storage, Series 05
Coupon	1-3 coupons — 14,25%, 4-7 coupons to be specified by the issuer
Issue price	100%
Currency of issue	Ruble
Amount of issue	15,000,000,000
Date of placement	July 28, 2009
Maturity date	July 19, 2016
ISIN Reg No	RU000A0JQ8Q9
Offer	July 24, 2012

Dividend Policy

The main objective of MTS OJSC, as the leading telecommunications group of companies in emerging markets, is to maintain sufficient resources and flexibility to meet its financial and operating requirements. At the same time, the Company continually seeks ways to create shareholder value both through its commercial and financial strategies — including both organic and inorganic development and through management of the Company's capital.

MTS OJSC uses the practice of annual dividend payments as a part of its policy aimed for enhancing shareholder value. When determining the amount of dividends payable by the Company, the Board of

Directors considers a variety of factors, including the prospects for the growth of revenues, requirements for capital expenses, cash flow from core operations, potential acquisition opportunities, as well as the Company's debt position. Decisions on dividends are proposed by the Board of Directors and later voted upon at annual general meetings of shareholders of MTS in the first half of the year.

MTS aims to return a minimum of 50% of net annual profit (according to US GAAP) to its shareholders through dividend payments, but this can vary depending on any of the circumstances mentioned above

Dividend history of MTS OJSC, 2002 to 2008

	2002	2003	2004	2005	2006	2007	2008
Total dividends (MUSD)	111	220	403	562	747	1257	1158
As% of net income	40	43	41	50	69	60	60
Per one ADR	0.3	0.6	1.0	1.4	1.9	3.1	3.0

Corporate Governance

Corporate Governance

Thanks to the Company's existing highly effective system of corporate governance, MTS is able not only to balance the interests of shareholders and management, but also to effect cooperation between them based on trust and a high culture of business relationships and ethical norms, which clearly illustrates the Company's impeccable business reputation in business circles.

The principal features of corporate governance for MTS are:

- full protection of the rights and interests of shareholders;
- transparency (disclosure) of relevant financial information and information on the Company's activities;
- ability to monitor the activities of the Company's Management Board;
- independence of the Board of Directors in defining the Company's strategy and approving business plans and important business decisions;
- centralization of decision-making on key issues relating to the Company's activities.

The Company aspires to meet international standards of corporate governance. We comply with the Code of Ethics and Code of Corporate Conduct which set out a number of important principles aimed at both directors and executives of the Company (detailed information on compliance with the Code of Corporate Conduct is set out in Annex 1). MTS fully complies with statutory requirements regarding prescribed procedures for major transactions and related-party transactions (detailed information on compliance with transaction approval procedures is set out in Annex 2).

The Company constantly strives to improve our corporate governance, drawing on the experience of other companies, following recent legislative changes and progressive standards in this area, and adjusting our corporate governance system accordingly. To improve our corporate governance system, during the reporting year we approved amendments to the Charter of MTS OJSC, as well as a number of internal regulations, including new Regulations of MTS OJSC Board of Directors, Regulations of MTS OJSC Management Board, and Regulations of Remunerations and Compensations Payable to Members of MTS OJSC Board of Directors.

The approved documents provide greater protection for the Company's shareholders, investors, and partners by strengthening the loyalty of the members of the Board of Directors and the Company's executives and fostering team spirit and a desire to work and achieve substantial results.

In the previous year, 2009, the Board of Directors of MTS OJSC held 16 meetings. When preparing and making decisions, the Board of Directors strove to consider the interests of the Company's shareholders, workforce, partners, creditors, local communities, and other public stakeholders.

To enhance the effectiveness of the Board of Directors, its previously established committees continued to operate: Budget Committee, Audit Committee, Remunerations and Nominations Committee, Committee for Corporate Conduct and Ethics, Strategy Committee. At the same time, because of necessity of monitoring the transaction involving the acquisition of stock in COMSTAR-UTS OJSC, an Ad Hoc Committee of Independent Directors of MTS OJSC Board of Directors was established on April 15, 2009 to govern the project for acquisition of controlling interest in COMSTAR-UTS OJSC.

Information on the Board of Directors

The Board of Directors was elected at the Annual General Meeting of Shareholders of MTS OJSC held on June 25, 2009, with a term commencing upon election and lasting through 2009.



Ron Sommer
Chairman of the Board of Directors

Born in 1949.

In 1980 Mr. Sommer joined the Sony Group as Managing Director of its German subsidiary, in 1986 he became Chairman of the Management Board of Sony Deutschland; in 1990 Mr. Sommer was appointed Director and Chief Operating Officer of Sony Corporation in the USA. In 1993 he joined Sony Europe in the same function.

From May 1995 to July 2002, Mr. Sommer was Chairman of the Management Board of Deutsche Telekom AG. In 2003 Mr. Sommer was elected Chairman of the International Advisory Board at AFK Sistema OJSC.

In 2005 Mr. Sommer joined the Board of Directors of AFK

Sistema OJSC as independent director, and also performed duties of Chairman of the Committee for Investor Relations. In 2009 Mr. Sommer was appointed the First Vice President of AFK Sistema OJSC, Head of the Telecommunication Assets Business Unit.

Mr. Sommer conducts vigorous activity in the corporate governance being a member of the Board of Directors of the Tata Consultancy Services, Munich Reinsurance, SISTEMA SHYAM TELESERVICES Limited and other companies, and also member of the International Advisory Council of Blackstone Group.

The member of the Board of Directors held no shares of MTS OJSC during the reporting year.



Alexey Nikolaevich Buyanov
Deputy Chairman of the Board of Directors

Born in 1969.

Mr. Buyanov graduated from the Moscow Physical-Technical Institute (MFTI).

From 1992 to 1994, he was an intern investigator with the Institute for Problems in Mechanics (IPM) of the Russian Academy of Sciences. He started work at AFK Sistema OJSC in 1994, and from 1994-1995 held various positions in Sistema's Property Complex. In 1995 he was appointed head of department at Sistema-Invest and later Vice President of Sistema-Invest. In 1997 he was appointed First Vice President of Sistema-Invest. From 1998 to 2002, he served

as Vice President of MTS OJSC. In July 2002 he was appointed Vice President of AFK Sistema OJSC to run the department for financial restructuring. Currently, he is Senior Vice President of AFK Sistema OJSC, heading the financial and investment complex.

Mr. Buyanov is a member of the Board of Directors of Sistema Holdings Ltd., ECU GEST HOLDING S.A., EAST-WEST UNITED BANK S.A., and a number of Russian companies.

Before May 28, 2009, the member of the Board of Directors held 100,000 registered common shares of MTS OJSC.

Anton Vladimirovich Abugov
member of the Board of Directors



Born in 1976.

Mr. Abugov graduated from the Academy of National Economy under the Government of the Russian Federation.

In 1995 he was involved in developing the infrastructure and a regulatory framework for the stock market in Russia. Between 1995 and 2002 Mr. Abugov was Director of Corporate Finance at United Financial Group, seeing through a number of major fundraising, strategic consultancy, and merger and acquisition projects in various industries in Russia and Eastern Europe.

In 1999 he was an advisor to RAO UES of Russia. From 2003 to 2006, he was in charge of the Corporate Finance Department at AKB Rosbank. He currently serves as Sistema's First Vice President and Head of Strategy and Development.

Mr. Abugov is a member of the Board of Directors of SI-TRONICS OJSC, Bashneft OJSC and other companies.

The member of the Board of Directors held no shares of MTS OJSC during the reporting year.



Mohanbir Singh Gyani
member
of the Board
of Directors

Non-executive Independent Director of MTS OJSC

Born in 1951.

Mr. Gyani graduated from San Francisco State University with a B.A. in business administration and holds an MBA in finance. He has 30 years of experience in telecommunications.

Mr. Gyani is the current Vice Chairman (and formerly CEO and Chairman) of Roamware.

Mr. Gyani began his career in 1978 with Pacific Telesis Group where he held various leading financial and management positions. In 1999, following the Vodafone and AirTouch merger, Mr. Gyani served as Head of Strategy and Corporate Development and member of the Board of Vodafone AirTouch. Mr. Gyani was Executive Vice President and Chief Financial Officer

of AirTouch Communications from 1994 to 1999.

From 2000 to 2003, Mr. Gyani was the President of AT&T Wireless Mobility Services. From 2003 to 2005 he was Senior Advisor to the President at AT&T Wireless Group with responsibility for strategy, development and current operations.

Currently Mr. Gyani is a member of the Boards of Keynote Systems, Safeway, Sirf Technology, and Union Banc of California, and a number of private firms and non-profit organizations. He is a former Board member of the Cellular Telecommunications and Internet Association (CTIA) and the GSM Association.

The member of the Board of Directors held no shares of MTS OJSC during the reporting year.

Tatiana Vladimirovna Yevtoushenkova member of the Board of Directors

Born in 1976.

Ms Yevtoushenkova graduated from the Finance Academy under the Government of the Russian Federation.

From 2007 to 2008, she was Advisor to the President of MTS OJSC. Ms. Yevtuoshenkova joined MTS in October 2002. Prior to that, from December 1999, she was the Director of the Investments Department at Sistema Telecom.

From 2002 to 2007, Ms. Yevtoushenkova was MTS OJSC Vice President of Strategy and Development.

Since 2008 she has been an advisor to the President of Sberbank of Russia OJSC.

The member of the Board of Directors held 136,968 common registered shares of MTS OJSC during the reporting period.



Sergey Alexeevich Drozdov member of the Board of Directors



Born in 1970.

Mr. Drozdov graduated from the S. Ordzhonikidze State Academy of Management in Economics in 1993. Cand, sc. (Economics).

From 1994 to 1995, Mr. Drozdov headed the financial innovations and marketing department at the City of Moscow's Property Fund. He has been working at Sistema since 1995. He was the executive director of the department of development and investments from 1995 to 1998, and from 1998 to 2002 served as Vice President, Acting President, and First Vice President of Sistema-Invest OJSC.

Mr. Drozdov became head of the Corporation's department of corporate property in April 2002. He was appointed Acting First Vice President of Sistema on May 15, 2002, and First Vice President of Sistema in September 2002. In April 2005 he became Senior Vice President and Chief of the property complex.

Mr. Drozdov is a member of the Board of Directors of Sviyazinvest OJSC, Bashneft OJSC and other companies.

The member of the Board of Directors held no shares of MTS OJSC during the reporting year.

Non-executive Independent Director of MTS OJSC

Born in 1948.

Paul Ostling holds a law degree from the Fordham University School of Law and a B.S. in Mathematics and Philosophy from Fordham University. He has 30 years of managerial experience.

From 2003 to 2007 he was the Chief Operating Officer (COO) of Ernst & Young. Prior to that he held a number of other management positions at Ernst & Young: Global Executive Partner from 1994 to 2003, Vice Chairman and National Director of Human Resources from 1985 to 1994, and associate and assistant general counsel from 1977 to 1985.

Mr. Ostling began his career at Chadbourne & Parke as an Associate Attorney Litigation and Corporate Matters.

From 2004 to 2008, Mr. Ostling was the Chairman of the Audit Commission of United Services Organization. From 2003 to 2007, he was a board member of Transatlantic Business Dialogue (TABD), and co-chairman of the Ukrainian Advisory Council with responsibility for foreign investments. Mr. Ostling is also the Chairman of the Business Council for International Understanding (BCIU).

From 2007 to 2009, Mr. Ostling was the CEO of KUNGUR Oil-field Equipment & Services.

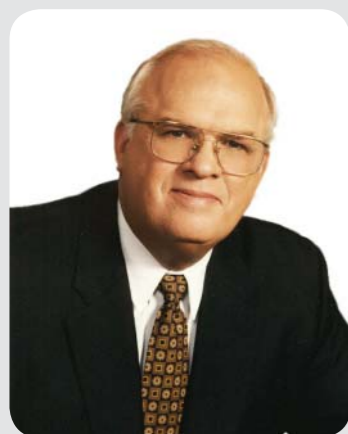
Since 2008 he has been a member of the Board of Directors of OKhK URALKHIM OJSC and Promsvyazbank OJSC.

The member of the Board of Directors held no shares of MTS OJSC during the reporting year.

Paul James Ostling member of the Board of Directors



Danial Eldon Crawford member of the Board of Directors



Non-executive Independent
Director of MTS OJSC

Born in 1939.

Mr. Crawford graduated with a master's degree in electrical engineering from the New York University.

Mr. Crawford has 30 years of experience in management in the telecommunication branch. From 1998 to 2004, Mr. Crawford was the Chairman of the Board of Directors of Embratel Participacoes, the holding company that controls Embratel, Brazil's

premier national telecommunications company. Previously, he was the Chairman of the Board of Directors of Star One, the Chief Operating Officer at Avantel and headed different departments at MCI.

From 2004 to 2006, he held the position of President of International Sales and Wholesale at MCI.

The member of the Board of Directors held no shares of MTS OJSC during the reporting year.

Born in 1970.

Mr. Shamolin graduated from Moscow Automobile and Road Institute in 1992. In 1993 he got the second degree from the Russian Academy of Government Service under the President of the Russian Federation. From 1996 to 1997, he studied at Wharton Business School, where he completed finance and management course for top managers.

Mr. Shamolin joined MTS in July 2005 as Vice President of Sales and Customer Service. On August 15, 2006 he was transferred to the position of Vice President and Director of MTS Russia Business Unit. On May 29, 2008 he was

appointed President and CEO of the Company.

Prior to joining MTS, Mr. Shamolin served at Interpipe Corp. in Ukraine as Managing Director of the Ferroalloys Division. From 1998 to 2004, he was employed with the international consulting company McKinsey&Co.

Mr. Shamolin is a member of the Board of Directors of SISTEMA SHYAM TELESERVICES LIMITED, International Cell Holding LTD and other companies.

The member of the Board of Directors held 174,890 common registered shares of MTS OJSC during the reporting period.

Mikhail Valeryevich Shamolin member of the Board of Directors



Members of the Company's Board of Directors prior to the Annual General Meeting of Shareholders in 2009:

- Anton Vladimirovich Abugov, b. 1976
- Alexey Nikolaevich Buyanov, b. 1969
- Mohanbir Singh Gyani, b. 1951
- Sergey A. Drozdov, b. 1970.
- Tatiana V. Yevtoushenkova, b. 1976
- Daniel Eldon Crawford, b. 1939
- Paul James Ostling, b. 1948
- Vitaly Gennadievich Saveliev, b. 1954
- Mikhail Valerievich Shamolin, b. 1970

The changes in the composition of the Board of Directors of MTS OJSC were related to compliance with the requirement of Federal Law No. 208-FZ of December 26, 1995, "On Joint-Stock Companies" of mandatory election of a company's board of directors at its annual general meeting of shareholders.

Main issues considered by the Board of Directors in 2009:

- Approval of MTS OJSC Corporate Social Responsibility Strategy;
- MTS OJSC participation in other organizations;
- Change in the composition of MTS OJSC Management Board;
- Approval of related-party transactions;
- Amendments to the Regulations of MTS OJSC Branches;
- Approval of MTS OJSC corporate structure, as a list of main MTS OJSC business subdivisions that report to the President, as amended;

- Report on Performance of MTS OJSC Internal Control and Audit Units in 2008;
- Approval of MTS OJSC Internal Control and Audit Strategy for 2009;
- Implementation of MTS OJSC Budget and CAPEX Program for 2008;
- Amendments to MTS OJSC Budget for 2009.
- Review of shareholders' proposals to the agenda of MTS OJSC Annual General Shareholders Meeting;
- Putting shareholders' nominees on the list of candidates to vote for at election of MTS OJSC Board of Directors and MTS OJSC Auditing Commission at the Annual General Meeting of MTS OJSC Shareholders;
- Convocation of the Annual General Meeting of MTS OJSC Shareholders;
- Changes in the composition of MTS OJSC Management Board;
- Establishment of a committee of MTS OJSC Board of Directors;
- Implementation of MTS OJSC Budget and CAPEX Program (including comprehensive information on the status of radio subsystem construction and debt management) for Q1 2009;
- Report on MTS OJSC Government Relations;
- Preliminary approval of MTS OJSC Annual Report, review of the annual financial statements and auditors' reports for 2008;
- Recommendations of the Board of Directors regarding the payment of dividends;
- Candidate for MTS OJSC auditor for 2009;
- Materials to be provided to shareholders in preparing the Annual General Meeting of MTS OJSC Shareholders;
- Cancellation of MTS OJSC branches, amendments to the Charter of MTS OJSC, and approval of the

- standard wording of the Regulations of MTS OJSC Branch Macro Region;
- Introduction of changes into the employment contract concluded with MTS OJSC President;
- Election of the Chairman and Deputy Chairman of MTS OJSC Board of Directors;
- Appointment of the Secretary of MTS OJSC Board of Directors;
- Establishment of committees of MTS OJSC Board of Directors;
- Determination of the status of members of MTS OJSC Board of Directors;
- Approval of the Regulations of MTS OJSC Information Policy;
- Amendments to MTS OJSC Stock Option Program;
- Sale of MTS OJSC common registered shares the title to which reverted to MTS OJSC due to the repurchase thereof from the Company's shareholders;
- Holding of more than one office by members of MTS OJSC Management Board in management bodies of other organizations;
- MTS OJSC participation in the Coral Sistema Strategic Fund;
- Approval of the market price of the property being the subject of the loan agreement entered by and between MTS OJSC and the banking syndicate (including ING BANK N.V., London Branch as agent) that is a related-party transaction involving the property with a value in excess of 2% of the book value of MTS OJSC assets according to the Company's accounting data;
- Convocation of an extraordinary general meeting of MTS OJSC shareholders;
- Implementation of MTS OJSC Budget and CAPEX Program (including comprehensive information on the status of radio subsystem construction and debt management) for HY1 2009;
- Approval of the adjusted budget of the MTS Group for 2009;
- Report on the performance of MTS OJSC internal control and audit units, including the efficiency of the risk management system at MTS OJSC, for HY1 2009;
- Determination of MTS OJSC attitude towards the participation of MTS OJSC subsidiary in other organization (acquisition of Color-IT Design);
- Approval of the related-party transaction with a value in excess of MUSD 100 (conclusion of the transaction for purchase of shares in RTC CJSC);
- Approval of transactions with a value in excess of MUSD 100 (Credits: SB RF, ECD, GPB, financing the supply of Huawei equipment);
- Approval of the Regulations of MTS OJSC Internal Control System;
- Approval of the Regulations of Use of MTS OJSC Insider Information, as amended;
- Insurance of the responsibility of members of MTS OJSC Board of Directors and senior officers of the MTS Group;
- Approval of MTS OJSC corporate structure as a list of MTS OJSC business subdivisions that report directly to MTS OJSC President;
- Approval of MTS OJSC Strategy for 2010-2012 including:
 - Prospects for LTE development (frequency allocation status, analysis of global experience, main suppliers, methods to ensure the leadership);
 - Action Program for 2010 taking into account possible change in the market situation (Sviyazinvest, Skylink);
- Content business development strategy on the basis of MTS-Comstar assets;
- Report on MTS OJSC Reputation Risk Management;

- Approval of MTS OJSC Code of Ethics and Corporate Conduct;
- Placement of MTS OJSC securities (06, 07 and 08 series bonds);
- Approval of MTS OJSC Budget for 2010;
- Amendments to MTS OJSC Stock Option Program;
- Improvement of MTS OJSC Corporate Governance System;
- Approval of the timetable of MTS OJSC Board of Directors for 2010;
- Approval of the contract with MTS OJSC' registrar.

Information on remuneration of members of the Board of Directors

The conditions of, and procedure for payment of remuneration to members of the Board of Directors of MTS OJSC are set out in the Regulations of Remunerations and Compensations Payable to the Members of the Board of Directors of MTS OJSC, a document approved by the General Meeting of MTS OJSC Shareholders.

Remunerations for performance of the duties of a member of the Board of Directors of OJSC "MTS" are only paid by the Company to the Board members who are either independent directors or otherwise not employees or officers of the Company's Group members.

In accordance with that Regulations, members of the Board of Directors of MTS OJSC during their term of office receive remuneration and are compensated for expenses associated with their duties as members of the Board of Directors. Compensation is paid for actually incurred and documented costs of travel to and from the venue of meetings of the Board of Directors, accommodation expenses, and other documented expenses to a maximum of \$200,000 per annum.

Members of the Company's Board of Directors receive remuneration in three forms:

• Basic remuneration

The basic remuneration is paid in money for the performance of duties as member of the Company's Board of Directors during the corporate year and does not depend on the number of meetings the Director attended.

The basic remuneration of each Director and the Chairman of the Board of Directors is \$250,000 and \$275,000, respectively, during a corporate year, and may be changed only if so decided by the general shareholders meeting of the Company based on the Company's performance for the reporting year.

If the powers of a Board member are terminated early, and Board members are elected at an extraordinary general shareholders meeting of the Company, the basic remuneration is paid in the amount proportional to the actual term of powers of the Director and determined as a product of the basic remuneration and the amount equal to the ratio of the actual term of powers and the duration of the corporate year that is deemed to be equal to 365 days.

The basic remuneration is paid by the Company quarterly at least with 30 days after the quarter end, on the basis of an office memo that must be provided by the Secretary of the Company (a person performing the duties of Corporate Secretary), and an extract from the minutes of the general shareholders meeting of the Company regarding the election of members of the Board of Directors. The amount of quarterly remuneration is equal to ¼ of the basic remuneration, and if the powers of a Board member arise after the beginning of the reporting period, to a part of the quarterly payment pro rata to the actual period of office.

• Remuneration for performing additional duties

Members of the Board of Directors receive additional remuneration for performing duties as-

sociated with work on committees of the Board of Directors:

- for work on mandatory committees of the Board of Directors: as Committee Chairman — \$25,000 per annum, as Committee member — \$15,000 per annum (for participation in each of committees);
- for work in other committees of the Board of Directors: as Committee Chairman — \$10,000 per annum, as Committee member — \$5,000 per annum (for participation in each of committees);
- for work on ad hoc committees of the Board of Directors: as Committee Chairman — \$25,000 per annum, as Committee member — \$20,000 per annum (for participation in each of committees).

The remuneration for performing additional duties is paid by the Company quarterly, in equal installments, at least within 30 days after the quarter end, on the basis of an office memo that must be provided by the Secretary of the Company (a person performing the duties of Corporate Secretary) and contain the number of Committees of the Board of Directors in which each of Directors participates, and an abstract from the minutes of the Board meeting that reflects the assignment of responsibilities between members of committees of the Board of Directors. In case of early termination of powers, the remuneration is paid in the amount proportional to the actual period of office of the Director during the corporate year.

- **Performance-based annual bonus**

Members of the Board of Directors receive a performance-based annual bonus depending on the Company's capitalization value where there is profit under the U.S. GAAP standards.

The amount of the bonus is determined using the following formula:

$$S = (\$175\,000 \times K / P1) \times P2.$$

where: S is the bonus amount:

K is the number of completed months between general shareholders' meetings of the Company at which an independent director is reelected, divided into 12 (K = 1, if an independent director was not re-elected during the corporate year);

PI is the weighted average price of one (1) ADR of the Company for 100 days before the date of election of an independent director; and

P2 is the weighted average price of one (1) ADR of the Company for 100 days before the date of termination of powers of an independent director.

Herewith, the maximum performance-based annual bonus payable to Directors may not exceed \$200,000. In case of early termination of powers of a director, the maximum bonus payable to the member of the Board of Directors may not exceed \$ 200,000.

The performance-based annual bonus is paid by the Company based on the Regulations and the office memo of the Corporate Secretary approved by the Vice President of Finance and Investments of the Company, at least within 45 days after the date of the annual general shareholders' meeting.

Total amount of remuneration paid to the members of the Board of Directors in 2009: RUR 51,298,204.

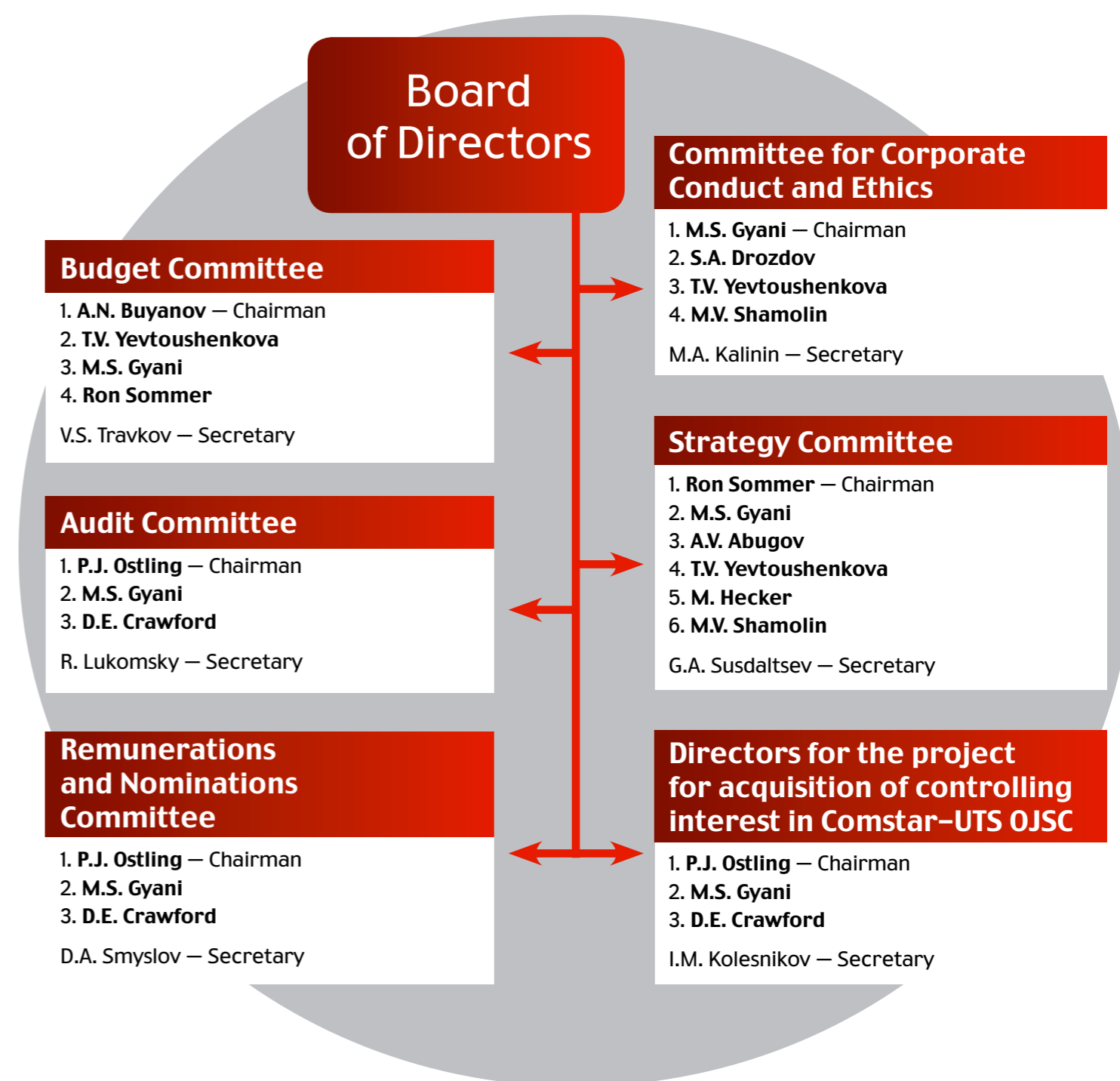
Limit of coverage of civil liability of members of the Board of Directors of MTS OJSC under concluded contracts:

- September 2006 to September 2007: \$100 million;
- October 2007 to October 2008: \$ 195 million;
- October 2008 to October 2009: \$ 250 million;
- October 2009 to October 2010: \$ 250 million.

Committees of the Board of Directors

The meeting of MTS OJSC Board of Directors, where the composition of committees of the Board of Directors was determined, was held on June 25, 2009. This composition of committees will be effective after the election though 2010.

Composition of Committees of MTS OJSC Board of Directors



Composition of Committees of MTS OJSC Board of Directors before the Annual General Shareholders' Meeting in 2009:

- **Budget Committee:** A.N. Buyanov (Chairman), T.V. Yevtoushenkova, M.S. Gyani, V.G. Saveliev
- **Audit Committee:** P.J. Ostling (Chairman), M.S. Gyani, D.E. Crawford
- **Remunerations and Nominations Committee:** P.J. Ostling (Chairman), M.S. Gyani, D.E. Crawford
- **Committee for Corporate Conduct and Ethics:** M.S. Gyani (Chairman), S.A. Drozdov, T.V. Yevtoushenkova, M.V. Shamolin
- **Strategy Committee:** V.G. Saveliev (Chairman), M.S. Gyani, A.V. Abugov, T.V. Yevtoushenkova, M. Hecker

Terms of Reference of the Committees and their Activities during the Reporting Year

■ Budget Committee

The Budget Committee is an auxiliary body of MTS OJSC Board of Directors to develop recommendations to the Board of Directors in reviewing issues related to preparation, approval and adjustment of MTS budgets, long-term business plans and investment plans, and overseeing their implementation.

During the reporting period the Committee reviewed and made decisions on such issues as:

- Adjusted MTS OJSC Budget for 2009;
- Introduction of changes to MTS OJSC Budget for 2009;

- Approval of MTS OJSC Financial Strategy for 2009–2010;
- Approval of the Report on MTS OJSC Debt Management for 1HY 2009;
- Proposals on change in the MTS Group WACC rate for 2009–2011;
- MTS OJSC draft budget for 2010;
- Organization of a single servicing center.

■ Audit Committee

The main function of the Audit Committee is to monitor accounting and the preparation and auditing of financial reports of MTS OJSC and its subsidiaries.

During the reporting period the Committee met several times and made decisions on such important issues as:

- Discussion of the draft report on MTS OJSC financial and operating results in Q4 2008 and 2008;
- Discussion of the review from Deloitte in Q4 2008 and 2008;
- Brief statement of the Audit Committee on some unusual and challenging operations with financial reporting in relation to financial documentation in Q4 2008;
- Presentation and discussion of the provisional status of SOX self certification;
- Preparing the report on the work schedule and 20–F Form status;
- Discussion of the 20–F Form Report;
- Discussion of the Risks Report of the MTS OJSC Group;
- Discussion of the draft report on MTS OJSC financial and operating results in Q1 2009;
- Discussion of the review from Deloitte in Q1 2009;

- Discussion of last changes to the 20–F Form Report;
- Discussion of the draft report on MTS OJSC financial and operating results in Q2 2009;
- Discussion of the review from Deloitte in Q2 2009;
- Review of procedure violations;
- Discussion of services related to the revision/audit;
- Discussion following the results of evaluation of the risk management and internal control systems;
- Discussion of the report on activities of the Control Department, Internal Control Systems Department and Internal Audit Department in HY1 2009, including the evaluation of the risk management system.

■ Remunerations and Nominations Committee

The main function of the Remunerations and Nominations Committee is to identify the Company's priorities relating to the development and implementation of human resources policy and development strategy in human resources and remuneration.

During the reporting period the Committee reviewed and made decisions on such issues as:

- Payment of annual remuneration to MTS OJSC top managers (President, members of the Management Board and managers who report directly to the President);
- Approval of the size of annual bonus for 2008 payable to the President of MTS OJSC;
- Approval of the size of annual bonus for 2008 payable to MTS OJSC top managers (members of the Management Board and managers who

- report directly to the President; other than the President);
- Provision of recommendations regarding the appointment of candidates nominated for election to MTS OJSC Management Board;
- Preliminary appraisal of candidates nominated for election to MTS OJSC Board of Directors and Auditing Commission;
- Preliminary review of the draft Regulations of Remunerations and Compensations Payable to Members of MTS OJSC Board of Directors;
- Review of changes in MTS OJSC Stock Option Program;
- Provision of recommendations regarding the appointment of F. Vanoosthuyze as Vice President of Information Technologies;
- Approval of the timetable of the Remunerations and Nominations Committee for 2010;
- Legislation on the disclosure of remuneration practice of executives and activities of committees;
- MTS OJSC strategy of compensations and positioning in the labor market;
- Review of proposals of the Chairman of the Board of Directors to increase the remuneration of MTS OJSC President in 2010;
- The practice of payment of remunerations to members of the Management Board:
 - 1) level and structure of short-term compensations (MTS OJSC, largest Russian companies and competitors). KPI for 2010;
 - 2) review of the proposal of the President to the Board of Directors to increase the remuneration of MTS OJSC top managers in 2010;
- Preliminary review of the new long-term bonus program of MTS OJSC.

Committee for Corporate Conduct and Ethics

The main function of the Committee for Corporate Conduct and Ethics is to prepare recommendations to the Board of Directors regarding priority areas of activity of the Company in developing and implementing corporate conduct (governance) and ethics standards, and also to prepare recommendations regarding the Company's development strategy in the area of corporate conduct (governance) and ethics.

During the reporting period no substantial breaches of corporate conduct rules or ethics were identified in the operation of the MTS Common Hotline.

During the reporting period the Committee met several times and made decisions on such important issues as:

- Review of the Report on Evaluation of Performance of MTS OJSC Board of Directors;
- Preliminary approval of MTS OJSC Code of Corporate Conduct and Ethics.

Strategy Committee

The main function of the Strategy Committee is the strategic development of the Company and formulating recommendations on other priority areas of the Company's development.

During the reporting period the Committee held one meeting and made decisions on the issue:

- Report on the implementation of MTS OJSC key functional strategies in 2008 (marketing strategy, sales and customer service strategy, IT strategy).

Ad Hoc Committee of Independent Directors for the project for acquisition of controlling interest in Comstar-UTS OJSC

The main function of the Ad Hoc Committee of Independent Directors for the project of acquisition of controlling interest in Comstar-UTS is to oversee the conditions for settlement of the transaction involving the acquisition of stock in Comstar-UTS OJSC.

During the reporting period the Committee reviewed and made decisions on such issues as:

- Appointment of advisors for the transaction;
- Project implementation status;
- Evaluation results;
- Transaction structure;
- Appointment of financial advisors for the transaction;
- Cooperation with outside advisors;
- Provision of recommendations to MTS OJSC Board of Directors regarding the transaction;
- Current status of discussion on the purchase contract;
- Brief review of the situation in the Russian stock market;
- Subsequent steps to perform the transaction;
- Report of the legal advisor of the Ad Hoc Committee on the compliance with corporate governance standards in the transaction;
- Conformation of recommendations regarding the transaction provided to MTS OJSC Board of Directors.

Individual Executive Body of the Company: The President

During 2009, the functions of the Individual Executive Body (President) of MTS OJSC were performed by Mikhail Valerievich Shamolin.

Mikhail Valerievich Shamolin
President of MTS OJSC



Mr. Shamolin was elected by resolution of the Board of Directors of May 29, 2008 (Minutes No. 120) to serve as MTS OJSC President from May 29, 2008 for a period of three years.

Born in 1970.

Mr. Shamolin graduated from Moscow Automobile and Road Institute in 1992. In 1993 he got the second degree from the Russian Academy of Government Service under the President of the Russian Federation. From 1996 to 1997 he studied at Wharton Business School, where he completed finance and management course for top managers.

Mr. Shamolin joined MTS in July 2005 as Vice President of Sales and Customer Service. On August 15, 2006 he was transferred to the position of Vice President and Director of MTS Russia Business Unit. On May 29, 2008 he was appointed President and CEO of the Company.

Prior to joining MTS, Mr. Shamolin served at Interpipe Corp. in Ukraine as Managing Director of the Ferroalloys Division. From 1998 to 2004 he was employed with the international consulting company McKinsey&Co.

Mr. Shamolin is a member of the Board of Directors of SISTEMA SHYAM TELESERVICES LIMITED, International Cell Holding LTD and other companies.

The member of the Board of Directors held 174,890 common registered shares of MTS OJSC during the reporting period.

Collective Executive Body: The Management Board

On May 29, 2008 the Board of Directors adopted a resolution electing new members of MTS OJSC Management Board (Minutes No. 120).

Composition of the Management Board as of December 31, 2009



Born in 1970.

Mr. Shamolin graduated from Moscow Automobile and Road Institute in 1992. In 1993 he got the second degree from the Russian Academy of Government Service under the President of the Russian Federation. From 1996 to 1997 he studied at Wharton Business School, where he completed finance and management course for top managers.

Mr. Shamolin joined MTS in July 2005 as Vice President of Sales and Customer Service. On August 15, 2006 he was transferred to the position of Vice President and Director of MTS Russia Business Unit. On May 29, 2008 he was appointed President and CEO of the Company.

Prior to joining MTS, Mr. Shamolin served at Interpipe Corp. in Ukraine as Managing Director of the Ferroalloys Division. From 1998 to 2004 he was employed with the international consulting company McKinsey&Co.

Mr. Shamolin is a member of the Board of Directors of SISTEMA SHYAM TELESERVICES LIMITED, International Cell Holding LTD and other companies.

The member of the Board of Directors held 174,890 common registered shares of MTS OJSC during the reporting period.

Mikhail Valerievich Shamolin
Chairman of the Management Board

Pavel Dmitrievich Belik



Born in 1966.

Mr. Belik graduated from the KGB's Orel Higher Military Command Communications School in 1987 specializing in the operation of radio-relay and tropospheric communication systems.

He served in the government communication forces from 1987 to 1992. From 1992 to 2004, he served in military counter-intelligence units and the Internal Security Director-

ate of the Russian Federal Security Service (FSB).

He graduated in law from the FSB Academy in 1999.

Mr. Belik joined MTS in February 2005 as Director of Security for the Moscow Macro Region. He has been Vice President of Security of MTS OJSC since October 3, 2005.

He held 13,916 registered common shares of MTS OJSC during the reporting year.

Born in 1972.

Mr. Gerchuk graduated from the M.V. Lomonosov Moscow State University in economic geography in 1994, and received an MBA from the INSEAD Business School in 1999.

He started his career at the advertising agency BBDO. From 1995 to 1997, he served as Brand Manager at MARS Inc. From 1997 to 1998, he was employed with Pepsi-Cola in the position of Category Marketing Manager. From 1999 to 2002, he worked as an Associate at Booz Allen Hamilton in London with a responsibility

for marketing and strategy projects. From 2003, prior to joining MTS OJSC, Mr. Gerchuk was employed with Vodafone, first in the position of Vodafone Group Senior Global Marketing Manager and, thereafter, as Chief Commercial Officer at Vodafone Malta.

Mr. Gerchuk joined MTS OJSC in 2007 as the Marketing Director of the Corporate Center.

Since 2008 he has been the MTS OJSC Vice President and Chief Commercial Officer.

He held no shares of MTS OJSC during the reporting year.

Mikhail Yurievich Gerchuk



Andrey Anatolyevich Dubovskov



Born in 1966.

Mr. Dubovskov graduated from the S.A. Gerasimov All-Union State Institute of Cinematography (VGIK) in 1993.

Mr. Dubovskov was appointed Director of MTS Ukraine Business Unit in January 2008. He joined the MTS Ukraine Business Unit as the First Deputy Director General in December 2007.

From 2006 to 2007, he was Director of MTS Ural Macro Region, from 2004 to 2006 served as Director of MTS OJSC branch in Nizhny Novgorod. From 2002 to 2004, he headed one of Tele2 Group companies in Nizhny Novgorod.

Mr. Dubovskov has a wealth of experience in working for Russian and foreign telecommunications companies. From 1993 onwards, he occupied a number of management positions in such companies as Millicom International Cellular S.A., Millicom International Cellular B.V., Regionalnaya Sotovaya Svyaz LLC and CJSC 800 as well as other companies in Moscow, Alma-Ata, Nizhny Novgorod and Perm.

He held 11,650 registered common shares of MTS OJSC during the reporting period.

Ruslan Sultanovich Ibragimov



Born in 1963.

Mr. Ibragimov graduated in law from the Moscow State University in 1986, where he continued to post-graduate studies. Cand. Cs. (Law).

Mr. Ibragimov joined MTS OJSC in 2006 as Director of the Legal Department, and in February 2007 was appointed to the position of Director for Legal Matters. In February 2007 he headed the Legal Block.

Prior to joining MTS OJSC, he worked at the Moscow college of

lawyers Ibragimov, Kagan, and Partners. From 1997 to 2002 he held the post of directing partner, Deputy General Director–Head of Tax and Legal Consultation at Top–Audit. From 1992 to 1996 he headed legal services in several commercial banks. He is a member of the Board of the Non-profit Organization Russian Corporate Counsel Association (RCCA).

He held 19,824 registered common shares of MTS OJSC during the reporting period.

Alexey Valeryevich Kornya



Born in 1975.

Mr. Kornya graduated from the Saint Petersburg State University of Economics and Finance in 1998.

Mr. Kornya joined MTS OJSC in July 2004 as the Chief Financial Officer of MTS OJSC Ural Macro Region. In October 2004 he occupied the position of Director of the Financial Planning and Analysis Department, the Financial Block, MTS Group CC, in March 2007 he was appointed Director

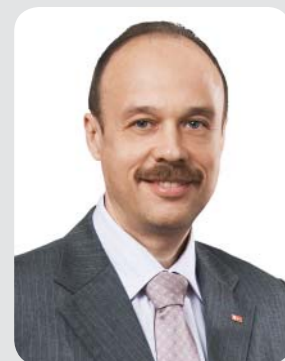
of Controlling, the Finance and Investment Block.

Since August 2008, he has headed the Finance and Investment Block.

Prior to joining MTS OJSC, Mr. Kornya was employed at Severo–Zapadny Telecom OJSC in Saint Petersburg, Petrazavodsk. Prior to that, he served as auditor at the Audit Department of PricewaterhouseCoopers CJSC in Saint Petersburg,

He held no shares of MTS OJSC during the reporting year.

Sergey Borisovich Nikonov



Born in 1960.

Mr. Nikonov graduated from the Military Institute of the USSR Ministry of Defense as a military interpreter in 1987.

Mr. Nikonov joined MTS OJSC in July 2006.

In October 2005 he became Deputy General Director of Power Machines OJSC responsible for human resources and administration.

From 2003 to 2005, he served as the Deputy General Director of ROSNO, where he headed human resources, administration, and internal control.

He worked with the Federal Tax Police Service from 1992 to 2002. He began his career in 1987 with state security agencies.

He held 19,982 registered common shares of MTS OJSC during the reporting period.

Alexander Valaryevich Popovsky



Born in 1977.

Mr. Popovsky graduated with a degree in computing machinery, systems and networks (system engineer) from the Vyatka State Technological University in 1999, where he continued to post-graduate studies (systems analysis). In 2005 he got an academic degree Cand. Sc. at the Moscow Aeronautical Institute, and participated in the program of Executive MBA London Business School.

From 1999 to 2001, he served as manager of the telecommunication

network transmission section of KirovElectrosвяз JC. In April 2001 he joined MTS OJSC as the Director of MTS OJSC Branch in Kirov. In July 2004 he became the Director of MTS OJSC Branch Volga Region–Northwest. In June 2007 he was appointed to the office of Director of MTS OJSC Macro Region South.

Since 2008 he has been the Director of MTS Russia Business Unit.

He held 20,717 registered common shares of MTS OJSC during the reporting period

Born in 1966.

Mr. Raspopov graduated in law from the Academy of the RF Ministry of Taxation in 2003, and graduated in economics from the Academy of Finance under the Government of the RF in 2006.

He has been the Vice President, Director of MTS–Foreign Subsidiaries Business Unit since January 2008.

Mr. Raspopov joined MTS OJSC in June 2006 as Director of the External Resources Management Department. In March 2007 he was appointed

acting Vice President, Director of MTS–Foreign Subsidiaries Business Unit.

Prior to joining MTS OJSC, in November 2004 he headed Insurance Broker–Energozashchita OJSC that was established by him. From 2002 to 2004, he occupied the position of assistant of the Chief Financial Officer of RAO UES of Russia OJSC. From 2001 to 2002 served as lawyer at Gaspromenergoservice CJSC.

He held no shares of MTS OJSC during the reporting year.

Oleg Yuryevich Raspopov



Andrey Borisovich Terebenin



Born in 1962.

Mr. Terebenin graduated from MGIMO (Moscow State Institute of International Relations) of the RF Foreign Ministry in international economic relations.

He has been the MTS OJSC Vice President of Corporate Communications since 2006.

In 1999 he became a partner in the communications agency Treugolnik

Porter Novelli, and from 2003 prior to joining MTS held the position of General Director and partner at the communications holding company R.I.M. Porter Novelli. He held management posts at Ekonomicheskaya Gazeta, Dun & Bradstreet CIS, and AIG Russia.

He held 29,735 registered common shares of MTS OJSC during the reporting period.

Andrey Eduardovich Ushatsky



Born in 1974.

Mr. Ushatsky graduated from the Moscow Power Engineering Institute in 1997. From 2002 to 2004, completed an MBA program for managers at the Academy of National Economy of the Government of the Russian Federation.

He joined MTS OJSC in 1996, first in the position of a specialist of the Macrowave Link Service and,

thereafter, he headed the Network Operation Service and the Network Operation Department and served as Deputy Director of the MTS Russia Business Unit.

Mr. Ushatsky was appointed MTS OJSC Vice President and Chief Technology Officer in April 2009.

He held 14,000 registered common shares of MTS OJSC during the reporting period.

Born in 1970.

Mr. Hecker is a graduate in administration and international politics from Pierre Mendez France University of Grenoble (France) and a graduate in law and modern history from Goettingen University (Germany), where he also earned a PhD in the history of constitutional law.

He joined MTS OJSC in May 2006 as the Director of Strategic Projects.

Since 2008 he has been the MTS OJSC Vice President of Strategy and Corporate Development.

Prior to joining MTS OJSC, Mr. Hecker worked at A.T. Kearney Europe, where he was involved in strategy, marketing, and finance projects for telecommunications companies and consumer-goods manufacturers. Prior to that he served as a junior associate lawyer in Berlin and Brandenburg (Germany).

He held no shares of MTS OJSC during the reporting year.

Michael Hecker



Valery Victorovich Shorzhin



Born in 1963.

Mr. Shorzhin graduated from the N.E. Bauman Moscow State Technical University in 1986 in automated communication devices.

From 2003 to 2006, he held various management positions at Sovintel.

From 2006 to 2008, he served at Farlep-Invest OJSC as Director for

IT and Information Management, and thereafter, as Chief Technical Officer.

Mr. Shorzhin joined MTS OJSC in 2008 as Director of Information Technologies, MTS Group Corporate Center IT Block.

He held no shares of MTS OJSC during the reporting year.

The following persons ceased to be members of the Management Board between January 01 and December 31, 2009, by resolution of the Board of Directors:

- Alexander Bogatyrev (the resolution of the Board of Directors was adopted on April 15, 2009)
- Cynthia Alison Gordon (the resolution of the Board of Directors was adopted on February 05, 2009)

Financial and Business Oversight Bodies

The financial and business oversight bodies of MTS OJSC are structured as follows:

MTS OJSC Auditing Commission

On June 25, 2009, the Annual General Meeting of MTS OJSC Shareholders elected the following persons as members of the Auditing Commission:

1. **Vasily Vasilyevich Platoshin**, citizen of the Russian Federation, b. 1965, Chief Accountant, Director of Accounting and Reporting Department, Financial Functional Division, AFK Sistema OJSC;

2. **Artem Yevgenyevich Popov**, citizen of the Russian Federation, b. 1979, Executive Director of Financial Planning and Budget Department, Financial Function Division, AFK Sistema OJSC.

3. **Dmitry Yevgenievich Frolov**, citizen of the Russian Federation, b. 1971, Director of Internal Control and Audit Complex, AFK Sistema OJSC.

The Auditing Commission is independent from officers of the Company's management bodies and reports solely to the General Meeting of Shareholders of the Company.

Based on the results of its work, the Auditing Commission presented its findings on the financial statements of MTS OJSC for 2009. According to the Auditing Commission, the audit provided a reasonable basis to express the opinion that the financial and business operations of MTS OJSC during the reporting year were in all material respects carried out in accordance with current legislation, and that

Total remuneration paid to members of the Management Board and the President of the Company in 2009: RUR 252,258,238.

this Report and the annual financial statements of MTS OJSC for 2009 fairly present the Company's financial condition as at December 31, 2009, and the results of its financial and business operations for the period from January 1 through December 31, 2009.

Auditor of MTS OJSC

On June 25, 2009, the Annual General Meeting of Shareholders of MTS OJSC approved as the Company's auditor ZAO Deloitte & Touche CIS (location: 5 Lesnaya St., Moscow, Russian Federation 125047, main state registration number (OGRN) 1027700425444, License No. E 002417 issued on November 6, 2002, by the RF Ministry of Finance for 5 years, extended by RF Ministry of Finance Order No. 676 of October 31, 2007, for five years from November 6, 2007, under the same number). Certificate of Membership in the Non-Profit Partnership Auditor Chamber of Russia No. 3026 of May 20, 2009.

Deloitte CIS is one of the leading auditing and advisory firms that provides auditing, tax, consulting and corporate finance services using the experience of approximately 3 000 employees in 14 offices in 9 countries of the region. Deloitte has received international recognition and numerous awards for its high quality of service and unique corporate culture. According to the independent research study conducted by the publication International Tax Review in 2009, Deloitte CIS received the Company of Year Award in tax consulting in Russia. In 2009 World Tax

rankings released by The International Tax Review, one of the most authoritative publications in the global tax field, 47 Deloitte tax practices, of 52 jurisdictions examined, were ranked at the highest levels. Deloitte CIS was rated number 1 Financial Advisor to the Russian Mid-Market M&A sector in 2008 by the international information and analytical agency Mergermarket.

In 2006 Kennedy Information ranked Deloitte as the world's number one provider of business advisory services (with respect to revenue amount). Deloitte was ranked at the highest level in the report on organization's risk management published by Forrester Research, a respected independent analytical company, in 2006.

In 2006 the London publication International Securitisation Report (ISR), for the eighth time, named Deloitte the world's best audit firm in the provision of securitization services.

Deloitte's tax practice was voted best in Europe in International Tax Review's survey of tax directors and CFOs.

Deloitte Touche Tomatsu was recognized by the World Business Council for Sustainable Development (WBCSD) as having the best scores for economic development.

The work performed by the Auditor:

- Audit of MTS' 2009 Annual Financial Statements prepared under Russian accounting standards;
- Integrated audit of MTS Group' 2008 Consolidated Financial Statements prepared under US GAAP and as required by the Sarbanes-Oxley Act.

Based on the audit the Auditor of MTS OJSC expressed the opinion that the financial statements of MTS OJSC were fairly presented and accounting procedures were consistent with the laws of the Russian Federation and GAAP requirements.

The Auditor's fee is approved by MTS OJSC Board of Directors and was, based on 2009 results, RUR 88,746,000, exclusive of the value added tax and on-costs.

Internal Audit Department of MTS OJSC

The Internal Audit Department of MTS OJSC was created in September 2003, and is an independent unit of the Company within the MTS Group's Corporate Center. The Department operates in accordance with its Regulations. Today the Department consists of a head of the department, deputy head of the department, a financial and business operations analysis section, and an operational audit and coordination section, and employees at the Company's macro-regional branches.

The Internal Control Department performs the following functions:

- provides guarantees of the fair presentation of information, compliance with requirements and verification of effectiveness through reviews, internal audits, diagnostic studies, and releases: regularly, as needed, or in the form of ad hoc audit projects;
- participates in investigations, transactions, and various operations of the Company, and in projects of other units of the Company: as needed or in the form of ad hoc projects/assignments;
- provides advice and recommendations, including explanations on selected issues, assists in finding solutions and improvements, educating employees in matters under review: as necessary, in the course of reviews, or in the form of ad hoc advisory and educational projects.

The Internal Audit Department reports directly to the President of MTS OJSC and is functionally subordinated to the Audit Committee of the Board of Directors of MTS OJSC.

Control Department of MTS OJSC

The Control Department was created in June 2006, and is an independent unit of MTS OJSC within the MTS Group's Corporate Center. The Department operates in accordance with its Regulations. The

Department consists of a head of the department, a deputy head of the department, a financial and business operations review section, and administrative control section, and a performance assessment section.

The Control Department performs the following functions:

- monitoring and analyzing the results of financial and business operations of the units of MTS OJSC;
- monitoring compliance with fiscal discipline at MTS OJSC and monitoring the implementation of decisions of its management bodies, including its collective management bodies;
- verifying that internal documents and decisions of the management bodies of MTS OJSC are consistent with the Company's financial and business interests;
- monitoring that the Company's agreements with third parties are consistent with MTS' financial and business interests;
- monitoring the preparation and implementation of operational and design plans;
- monitoring the implementation of internal regulations and business processes;
- monitoring the effectiveness and transparency of the system of governance at MTS OJSC, including identifying abuses by executive bodies and officers of MTS OJSC;
- monitoring compliance with instructions of the President of MTS OJSC;
- conducting independent investigations at the request of the President or collective management bodies of the Company;
- conducting independent investigations in the event of conflicts between different units of the Company;
- preparing opinions on violations brought before the disciplinary commission of MTS OJSC.

The Control Department reports directly to the Head of the MTS OJSC President's Office.

Internal Control Systems Department of MTS OJSC

The Internal Control Systems Department was created in 2006, and is an independent unit of MTS OJSC within the MTS Group's Corporate Center, Finance and Investment Block. The Department operates in accordance with its Regulations. The Department consists of a head of the department, a development and support section, and certification and testing section.

The Internal Control Systems Department performs the following functions:

- developing effective internal control systems at the MTS Group;
- supporting internal control systems;
- testing and certifying internal control systems at the MTS Group.

The Internal Control Systems Department reports directly to MTS Vice President of Finance and Investments and is accountable to the Audit Committee of MTS OJSC Board of Directors.

Audit Committee of MTS OJSC Board of Directors

The Audit Committee of the Board of Directors of MTS OJSC was created in October 2003. It is an advisory body of the Board of Directors that ensures that the Board of Directors is provided with objective information on a number of issues.

The Committee shall consist of at least two members. Members of the Committee may be only members of the Board of Directors. The Audit Committee operates in accordance with its Regulations approved by MTS OJSC Board of Directors.

The main duties of the Audit Committee are:

- overseeing the work of the management of MTS OJSC, evaluating its effectiveness, and providing information to the Board of Directors, and

formulating relevant recommendations, in the following areas:

- risk management and internal control systems;
- financial accounting and preparation of the Company's reports and evaluation of their fair presentation;
- compliance with requirements applicable to the activities of MTS OJSC;
- efficiency of implementation of goals and objectives by the Board of Directors.
- overseeing and coordinating activities and plans and evaluating the performance of the internal audit service of MTS OJSC;
- appointing and determining the qualifications, level of remuneration, and independence of the external auditor; evaluating the quality of services provided by the auditor; reviewing opinions and results of the work of external auditors;
- providing preliminary approval and confirmation of auditors' services in accordance with applicable requirements of regulators; and formulating relevant recommendations for the Board of Directors and management team;
- providing effective coordination of information exchange between external and internal auditors, maintaining proper independence of auditors, and assisting in addressing factors that diminish their independence;
- ensuring the development and implementation of effective policies and standards relating to risk management, compliance with the Company's requirements and internal controls, and compliance with measures to prevent fraud and abuse, including measures to support procedures for receiving, keeping, and reviewing complaints;
- advising employees of MTS OJSC on accounting, internal controls, and auditing, including whistleblower initiatives.

Company Financial Results for 2009



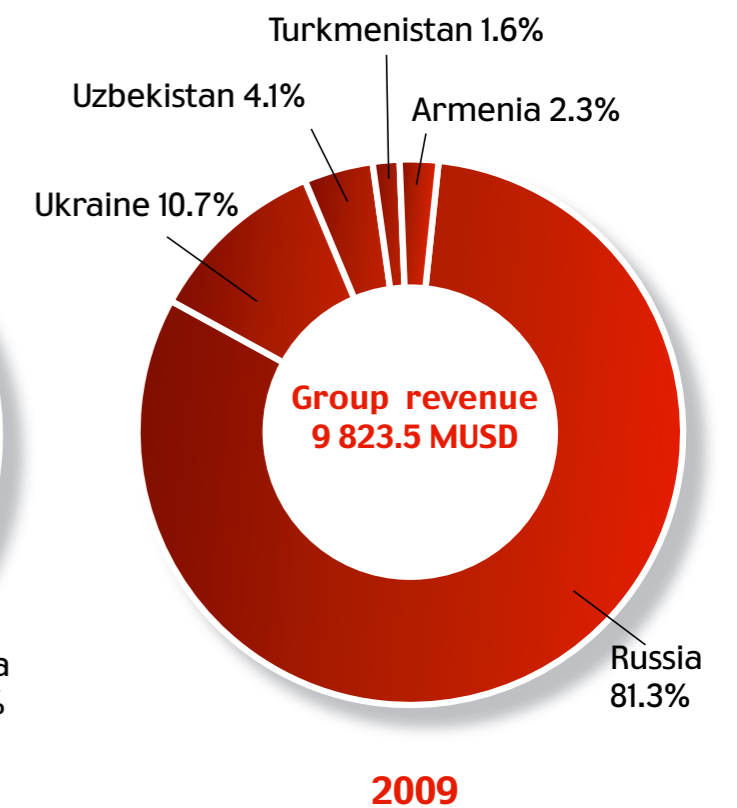
Company Financial Results for 2009

In the past several years MTS Group OJSC has transformed from being the leader of one regional market of Moscow into a major transnational operator, which provides services to 102.37 million subscribers in various regions and countries (including subscribers of Mobile TeleSystems

JLLC in Belarus, whose financial results are not consolidated in the US GAAP financial statements of MTS OJSC)

Below we present the data of consolidated financial statements, excluding the financial results of the MTS Group operations in the Republic of Belarus.

Group Revenue



Key financial indicators, 2009 (MUSD)*

Indicators	Q4 2009	Q4 2008	Q4 2009 vs Q4 2008	Q3 2009	Change over the quarter	2009	2008	Change over the year
Revenue	2 719	2 811	-3%	2 620	4%	9 824	11 901	-17%
OIBDA	1 193	1 329	-10%	1 216	-2%	4 474	5 848	-24%
OIBDA margin	43.9%	47.3%	-3.4 pp	46.4%	-2.5 pp	45.5%	49.1%	-3.6 pp
Net operating income	609	777	-22%	744	-18%	2 548	3 647	-30%
Net operating margin	22.4%	27.7%	-5.3 pp	28.4%	-6.0 pp	25.9%	30.6%	-4.7 pp
Net income/loss	-26	171	-115%	507	-105%	1 004	2 000	-50%



The full year consolidated **revenue decreased** by 17% to 9.824 billion USD

The full year consolidated **OIBDA decreased** by 24% vs. 2008 to 4.474 billion USD (OIBDA margin made up 45.5%)

The full year consolidated **net income decreased** by 50% to 1.004 billion USD

The Company's positive **net cash flow** in 2009 made up 1.071 billion USD

Revenue structure (MUSD) *

Region	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	2008	2009	Change over the year
Russia	2 248.1	1 695.8	1 926.9	2 148.9	2 259.5	9 495.9	8 031.1	-15%
Ukraine	353.9	243.2	258.2	283.6	263.8	1 662.0	1 048.8	-37%
Uzbekistan	115.7	101.6	97.0	101.1	105.2	391.4	404.9	+3%
Turkmenistan	33.2	32.6	37.7	43.1	47.4	131.4	160.8	+22%
Armenia	65.0	55.1	52.7	59.0	54.5	256.6	221.3	-14%

* taking into account the retrospective COMSTAR-UTS OJSC consolidation for all disclosure periods.

OIBDA (MUSD)

Region	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	2008	2009	Change over the year
Russia	1 121.3	780.3	929.9	1 008.3	1 013.9	4 857.1	3 732.4	-23%
Ukraine	142.0	103.4	116.3	136.5	116.0	759.3	472.3	-38%
Uzbekistan	70.6	60.5	53.5	52.0	56.7	242.9	222.7	-8%
Turkmenistan	20.5	18.2	17.0	25.7	30.2	77.5	91.0	+17%
Armenia	31.9	29.1	29.5	32.9	27.2	136.3	118.8	-13%

OIBDA MARGIN (MUSD) *

Region	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	2008	2009
Russia	49.9%	46.0%	48.3%	46.9%	44.9%	51.1%	46.5%
Ukraine	40.1%	42.5%	45.1%	48.1%	44.0%	45.7%	45.0%
Uzbekistan	61.0%	59.5%	55.1%	51.4%	53.9%	62.1%	55.0%
Turkmenistan	61.7%	55.8%	45.2%	59.5%	63.7%	59.0%	56.6%
Armenia	49.1%	52.9%	55.9%	55.8%	50.0%	53.1%	53.7%

* taking into account the retrospective COMSTAR-UTS OJSC consolidation for all disclosure periods.

Main conclusions



Strategy evolution and establishing a universal operator on the market of mobile and fixed-line telecommunications services within the framework of this strategy implementation

Successful implementation of the financial strategy including raising additional finance and decreasing debt servicing costs

Retaining leadership positions in the operations markets through making sought after offers to customers and provision of high quality services

Ensuring the growth of revenues from data services while expanding the 3G network, launching innovative services and selling USB modems

Implementation of programs for optimization and control over expenses for maintaining the company's operating profit margin

Main Risk Factors

Main Risk Factors

We are an operator, which provides chargeable telecom services to subscribers. Our financial position and operating indicators depend among other things on the paying capacity of the population, competitive environment in the countries of presence, demand for our services and operations effectiveness. Our activities are regulated by the state, in particular, through licensing and the laws effective in the countries of our presence. For provision of wireless services we use radio frequencies, which are allocated by the states of these countries. We are planning to develop the infrastructure of our network through the expansion of the coverage and the increase of capacity of the existing network in the licensed territories, further expansion of our operations in the countries of our presence and other countries through new acquisitions or new licenses, which is taken into account in our program of capital investments.

Macroeconomic instability and slowdown in the economic growth in the countries, where the company operates, may result in the decrease of demand for the services provided, decrease of revenues and indicators of effectiveness of the Company. The financial market crisis may restrict the Company's ability to raise debt financing, limit the Company growth rates, affect the financial position of the Company.

In addition to Russia we are present in the markets of Ukraine, Uzbekistan, Turkmenistan, Belarus, Armenia, and we can further expand our presence in future to other countries. Our business activities, operating indicators and financial position may depend on the relations between Russia and other countries of our presence, effectiveness of local and

regional authorities, economic situation in these countries and in Russia, social situation. The economies of the countries of our presence are subject to the influence of the world economic slump and economic slowdown and also depend on the dynamics of the prices for raw materials in the world market.

The telecommunications market is subject to rapid and significant changes in technology and features continuously appearing new products and services, which require constant alignment with them. Consequently the technologies that we currently use may become less profitable and even obsolete. The competition is growing including the competition from potential new mobile and fixed lines operators in the markets, where our Company already operates. To manage this risk the Company invests in the increase of the portfolio of value added services as well in the roll-out of 3G network and development of other wireless and fixed line services. Among other things our competitive position, financial and operating indicators depend on the implementation of these initiatives.

In 2009 the share of sales via MTS OJSC controlled channels grew significantly which resulted in financial indicators being less dependent on the sales via dealers that sell products of all telecom operators. However independent dealers still account for a significant share of our new acquisitions and our financial indicators depend on their loyalty.

The state bodies of the countries of our presence have a high degree of freedom with respect to granting, extension, suspension and withdrawal of licenses, definition of criteria for classifying companies in certain territories as monopolists, companies having a dominant position and/or a significant

position by issuing corresponding decrees and laws. If we or any of our subsidiaries are classified as having a dominant position in the country of our presence, the government of this country will be able to apply certain restrictions to our activities, tariffs for telecom services and traffic transmission, which may affect our business, financial position and operating results. The capacity of our network and the feasibility of its expansion, which among other factors are important for maintaining the market share as for subscribers and revenues, will depend on the ability to timely extend the right to use the allocated frequencies and get new frequencies.

We keep the main portion of our ruble and hard currency reserves in Russian banks, including the subsidiaries of foreign banks. A notable portion of our expenses, costs and liabilities, including capital expenses and loans are nominated in USD and/or EURO, while the main portion of our revenues is nominated in local currencies of the countries of our presence. The situation in the markets of our

presence, including the stability of the banking system, inflation, fluctuation of exchange rate of local currencies to USD and/or EURO, influences our operating indicators and operating results.

Agreements on our active bonds and bonds of our controlling shareholder AFK Sistema as well as some loan agreement contain liabilities, which among other things restrict our capability as well as the capability of AFK Sistema OJSC and its subsidiaries (including our company) to raise borrowed funds, create security interests, dispose of assets, carry out merger and consolidation with other parties, sell or transfer our GSM licenses or GSM licenses of our subsidiaries, including those of our foreign subsidiaries. Non-performance of these obligations as well as the change of the majority shareholder may result in the early redemption of Eurobonds.

For more information on the risks please see section "Item 3 — Key Information — D. Risk Factors" in the annual MTS OJSC 20-F Report and the quarterly MTS OJSC Reports for 2009.

Human Resources and Social Policy

Human Resources and Social Policy

Work and Compensation

As of December 2009 MTS OJSC had 22 262 employees on its payroll list.

At present the Company has a competitive compensation system that consists of fixed and variable portions. The Company employees are provided with a packet of compensations and benefits in line with the current market practice

The fixed portion (the salary) is determined taking into account the salary ranges established for each grade based on the analysis of the Labour market in the region of presence and the Company's policy on positioning in the remuneration market. Social programs intended for providing material support to employees are provided independently of an employee's position in the Company.

The variable portion is provided in the form of the incentive program, which establishes explicit and transparent principles for setting bonus target amounts and calculating their actual amounts on the basis of key performance indicators and individual targets, set in the bonus plans of all employees.

The incentive program for

employees, who are not engaged in sales activities and customer care services, was introduced in 2007.

It allowed the Company to achieve the following results:

- to link an employee's income to his/her performance and the performance of the Company as a whole;
- to provide incentives for achieving both short-term and long-term goals, set to the Company.

In 2008 similar approaches were used with respect to the incentive program for employees, who are engaged in sales activities and customer care services (S&CC). The basic objective is to provide incentives for achieving specific results and close correlation between the bonus amount and the actual result for the Company. The feature of the S&CC incentive program is the income structure with a larger variable portion and higher payment frequency.

Moreover, additional incentive programs have been introduced in the Company for encouraging employees to make innovative proposals aimed at improving the Company operation effectiveness.

To ensure more flexible response to the market changes in 2009 and to retain leadership under the conditions of economic instability the Company took actions aimed at ensuring the compliance of existing appraisal and incentive systems with the new conditions:

- new principles of annual employee performance appraisal were developed to enhance the role of managers in the appraisal process and to improve the appraisal quality;
 - key performance indicators of the incentive system were amended to comply with the new economic conditions.
- Moreover, MTS OJSC performed a detailed analysis of the market and the leading companies' practices relating to cost optimization methods. Based on the analysis results labour cost optimizations measures were taken and additional control over expenses was introduced.
- Actions taken in 2009 allowed to:**
- improve the effectiveness of labour costs;
 - maintain the existing compensation level for the Company employees while refocusing the employees on updated targets;
 - maintain the image of an attractive employer, recruit and retain the best employees, maintain the image of an attractive employer.

Improvement of the MTS OJSC Organizational Structure in 2009

	Results of the changes
30.01.2009 Reorganization of the Commercial Block. Centralization of the marketing functions of Business Unit MTS Russia and Corporate Centre (at the Corporate Centre level) with respect to: <ul style="list-style-type: none"> management of the product and service development; Group and BU MTS Russia marketing planning and execution of the BU MTS Russia Federal Marketing Plan; consolidation of the federal advertising development, manufacture and placement functions; – consolidation of marketing research functions. 	<ul style="list-style-type: none"> Optimization of procedures for agreeing, launching and analysis of approved federal and regional marketing plans for all segments and products, simplification of the procedure for Macro Regions and reduction of the timescales for approval processes. Consolidation of pricing functions for all segments and products in one sub-division allowed to ensure maximum economic efficiency Setting-up a single Commercial Assessment Centre allowed to decrease function overlapping at the BU MTS Russia level as well as to improve the quality of assessment of all commercial indicators and to ensure the required assessment periodicity. Budget planning and analysis process at the BU MTS Russia level was simplified.
29.04.2009 Reorganization of the Corporate Governance Department in order to improve the Corporate governance quality based on the S&P Recommendations	<ul style="list-style-type: none"> Setting-up a separate subdivision comprising the Corporate Secretary Function

15.05.2009

The Regions were clustered based on the following parameters:

- the share in the total revenue of all Macro Regions;
- number of subscribers;
- region population.

All regions were grouped into four clusters, each of which having its organizational structure.

- Optimization of the excessive headcount in small Regions, including managers;
- Improvement of employee motivation for Region development

29.05.2009

Large-scale reorganization in the BU MTS Russia IT divisions

- Decrease of the BU MTS Russia IT divisions headcount through optimization of the IT structure;
- A single IT subdivision for interworking with business customers and partners and a back office division were established in BU MTS Russia (including centralization of IT functions of the Macro Region Centre, Macro Region Moscow and BU MTS Russia at the level of BU MTS Russia);
- Billing and IN Platform Competence Centres were established.

05.06.2009

MTS OJSC Branches, which were the head offices, were abolished in the following Regions: in Saint Petersburg, Krasnodar Territory, Primorski Territory, Novosibirsk Region, Sverdlovsk Region, Samara and Nizhny Novgorod

- Significant reduction in management functions at the level of Regions;
- Elimination of function overlapping between Regions and Macro Regions;
- Improvement of the Macro Region Managers' involvement in the operating activities of Regions.

13.08.2009

Reorganization of the Technical Block in order to consolidate strategic planning and governance in the Corporate Center and operation activities – at the level of BUs

- Setting-up a competency centre at the Corporate Centre level, intended for strategic development of technical solutions; strengthening the position of the CC Technical Block in the MTS Group with respect to expert functions;
- Increase of the percentage of completion of the Technical Block strategic projects across the MTS Group on time and within the allocated budget;
- General decrease of the headcount of technical subdivisions at all levels.

29.10.2009

Department for the work with strategic partners will report directly to the MTS OJSC President

- Initiation and performance of control over the implementation of the projects in all MTS Group functional divisions within the framework of the partnership with Vodafone on behalf of the MTS OJSC President

01.11.2009

Reorganization of the MTS OJSC Finance Block – two levels of the finance function management were combined at the Corporate Centre level and financial divisions in BU MTS Russia were abolished

- Elimination of function overlapping at different management levels;
- Optimization of the total Block headcount;
- Improving the effectiveness and strengthening a number of functions in line with the growing business requirements, including strengthening via centralization (taxes, Regulatory and Reference Information).
- Improved communication efficiency with other divisions (a single financial decision-making point).

31.12.2009

Reorganization of the HR Management Block. Two management levels were combined at the Corporate Centre level and HR divisions in BU MTS Russia were abolished

- Optimization of the headcount, centralization of the HR management function at the CC HR Management Block level;
- Elimination of HR management function duplication at different levels.

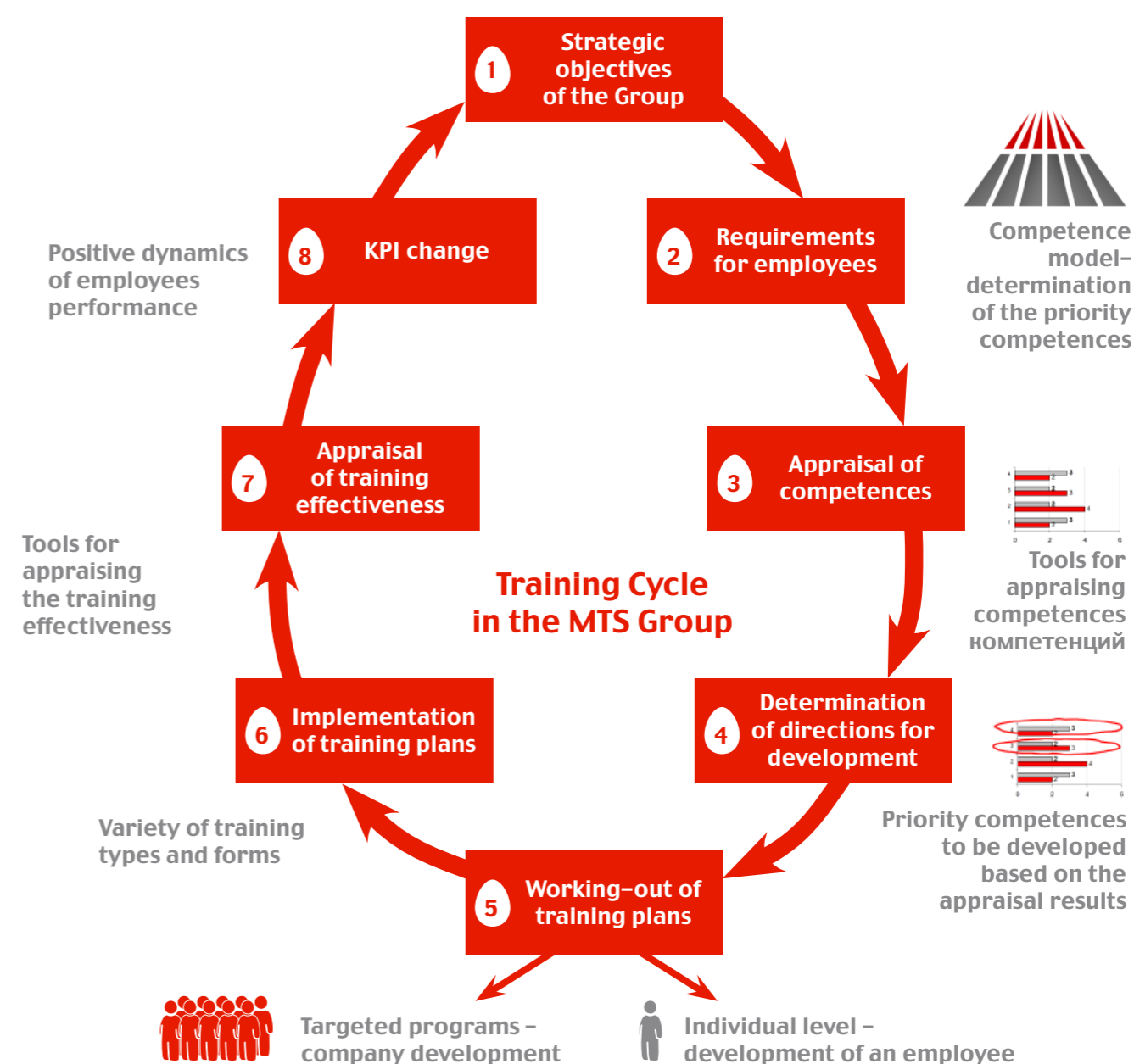
In 2009 the basic changes in the MTS OJSC organizational structure were aimed at headcount optimization (including managers) at all levels, beginning from Regions up to the Corporate Centre. Moreover, the purpose of the changes in the organizational structure was to improve the

functional subdivisions' operating effectiveness and elimination of function overlapping (duplication). To this end, in addition to major changes some local actions were taken to abolish small subdivisions and to optimize manageability standards.

Staff Development

MTS OJSC has a well-developed system training model, based on the company strategic objectives and objectives of HR management. The training system is also based on the MTS Group Competencies model and requirements for professional knowledge and skills of the employees.

MTS Group Training System



The Company has a Corporate University, which sets the training standards and coordinates the processes in the field of training and development of employees. The Corporate University mission is to create conditions for improving employee performance and development of the MTS Group business through the provision of high-quality, innovative and system-based training.

The main objective of the training and development of employees is to provide system-based, effective development of employees in competences, which are key for the Company, to form the expertise, skills and principles that will be necessary to the employees and managers for improving the performance in their current position and to create a resource of expertise and skills for the candidate pool in future, as well as to create self-learning environment where each manager and each employee would be interested in his/her development and involved in the processes of creating, keeping and building expertise and skills in the company.

Staff training and development are carried out using the following forms and methods:

- **Induction training.** The Company conducts uniform, centralized induction training for all new employees, whose purpose is to ensure the understanding of the Company business, culture and structure, as well as understanding of internal processes and organizational procedures by new employees. For new managers we provide additional programs of introduction to the Company's internal structure, business processes, and established interaction procedures. For existing employees we conduct team-building activities to enhance corporate spirit and strengthen corporate culture. The heads of Company functional sub-divisions carry out training of existing employees according to the rules specified in bylaws. Functional seminars are conducted for newly implemented processes.
- **Vocational training.** The Company has a system of vocational training aimed at ensuring constant development of expertise and skills of the

employees. Standards and contents of training programs are set in accordance with the requirements for particular positions as well as in accordance with the requirements for professional knowledge of employees. Vocational training is planned based on the results of appraisal of professional skills and annual performance appraisals and in accordance with the needs of a particular sub-unit. This element of the training system accounts for the major portion of activities and the largest number of employees involved in training. Vocational training for frontline employees is provided mainly through in-house resources according to uniform standards (taking into account regional differences).

- **Managerial training for managers.** The basis of this system is the concept of targeted and modular training of managers. Targeted programs are mandatory for selected categories of managers, while modular programs are created based on annual appraisal of managers' competencies. Particular attention is given to training managers in the methods of personnel management (selection, appraisal, grading, feedback, creation of personalized development plans, mentoring, motivation of employees, etc.) and interaction with subordinates on the basis of uniform corporate standards. In addition to ensuring a uniform approach of managers to performance of managerial functions, an important objective of managerial training is to motivate and retain Company managers. The direction and content of managers training programs are determined based on the Company development strategy, the business objectives of the relevant sub-unit, and the level of managers' competencies according to the appraisal results.
- **Candidate pool training.** The basis of the candidate pool training system is the individual development plans of each employee included in the Candidate Pool. The training program is worked out individually based on the appraisal results and the level of competences. A unique program is used for training the high-potential employees

(Top Talents). This program combines Mini-MBA and business simulation in the telecom field and is called the Academy of Success.

Staff training and development are carried out using the following forms and methods:

- **Self-education.** The Company has created the conditions for the self-education of employees. The internal library of study materials by competences was created. The Smart-Book is available, which helps an individual to develop the required competences;
- **Full-time training,** workshops. When conducting such trainings and workshops the internal resources are actively involved, internal training programs are developed and local tutors are trained;
- **Post-training follow-up.** Conducting follow up workshops on the subjects of training to sustain employees skills and expertise and to discuss the scope for using the skills and expertise that they acquired, in practice;
- **Distance training.** Distance forms of training are actively used in the company for all types of training. Theory courses are conducted mainly in the distance form. Distance methods are also actively used to evaluate the effectiveness of training: to test the knowledge gained as result of training and to evaluate satisfaction with training programs;
- **On-the-job training** is deemed the preferred and most effective method. One of the main objectives of a manager at any level is the professional growth of his or her subordinates;
- **Master classes of the Company's top managers.** The company's top managers actively participate in the training and development of the Company's employees. Master classes of the key managers of the Company are held on a regular basis to give a message to the employees regarding the main objective of the Company and its strategy as well as to discuss the key projects. When holding master classes the top managers can get the feedback from the employees and discuss the

prospective changes in their processes. Video records are made of all master classes, distance training courses are developed and are made available in the Distance Training System for testing and training employees. Thus each Company employee has an opportunity to familiarize himself/herself with information, ask questions and receive responses;

- **Long-term development of a candidate pool** is one of the key elements for implementation of the Company strategy. In collaboration with Human Resources Division, managers formulate long-term career development programs for the candidate pool, oversee their implementation, and work personally with these employees and their supervisors and mentors. The company creates conditions that allow promising leaders to manage their own career;
- **Staff rotation and development appointments** are regarded as an effective tool for developing, training, and retaining promising employees. The rotation mechanism is actively used to develop reserve personnel;
- **Special tasks, projects.** This form of development is actively used in the Company for developing employees of the Candidate Pool within the framework of individual development plans;
- **And the other.**

MTS Internal Training Courses as of 31.12.2009

As of December 31st 2009 54 in-house training courses had been developed in the Company, including:



By the end of 2009 targeted and modular training programs for managers were developed and introduced in the Company, a system of internal tutors was established, standards for training and certification of on-staff and corporate tutors were approved, rules for planning and organizing the employee training were approved, the rules for appraisal of professional knowledge were approved, the Employee Distance Testing and Training system was implemented, the program for training managers and Candidate Pool was developed, modular program for the President's Candidate Pool (the Academy of Success) was implemented; **during 2009 32 employees included in the President's Candidate Pool completed their training.** A distributed Distance System for testing and training employees has been introduced. **97 distance training courses and 327 professional tests has been developed and launched** within the framework of this system. A system for training the employees of the Commercial Block (Marketing Academy) has been developed and launched. A program for improving client orientation has been developed and launched. The Master Classes of Top Managers Project has been launched. A project for introduction of the Coaching Management Style in the MTS Group has been developed and launched.

The approved model of competences of the MTS Group as well as various criteria and standards on the number of programs depending on the employee category and the cost of programs, are used as a basis for planning the training programs and for sending employees for training.

Induction training is provided to all new employees, and in the event of introduction of a new regulatory document — to all existing Company employees.

The criteria for sending for vocational training are the approved vocational training plans, which are produced by functional managers based on the professional expertise appraisal results.

The criteria used for sending employees for training in management competencies are the results of management competency appraisals, shaping of the personal development plans and formation of targeted training programs focused on group

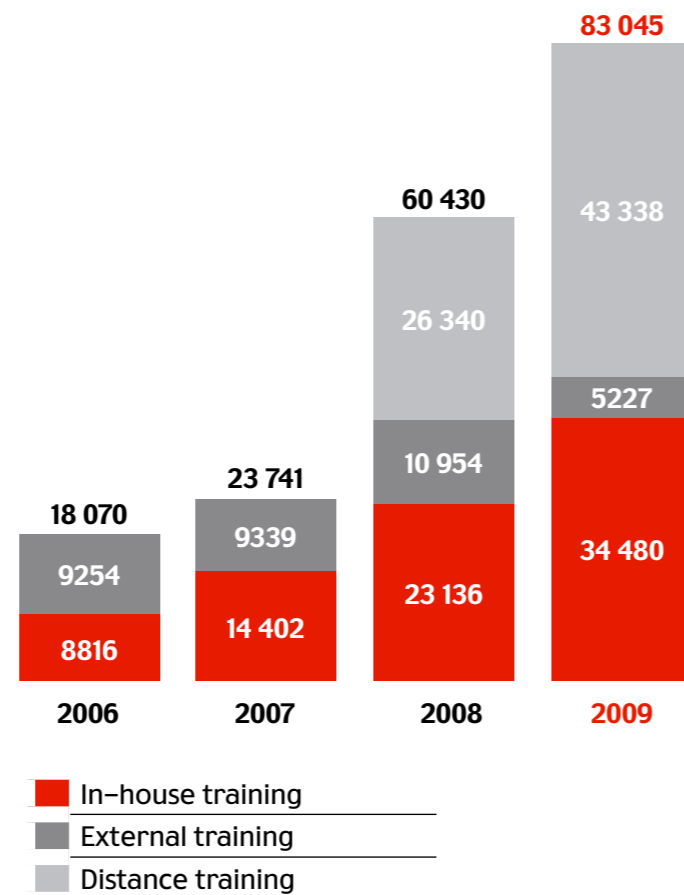
priorities, which are based of the competency appraisal results for MTS OJSC in general.

The best employees from the candidate pool are selected for long-term development programs and MBAs and mini-MBAs.

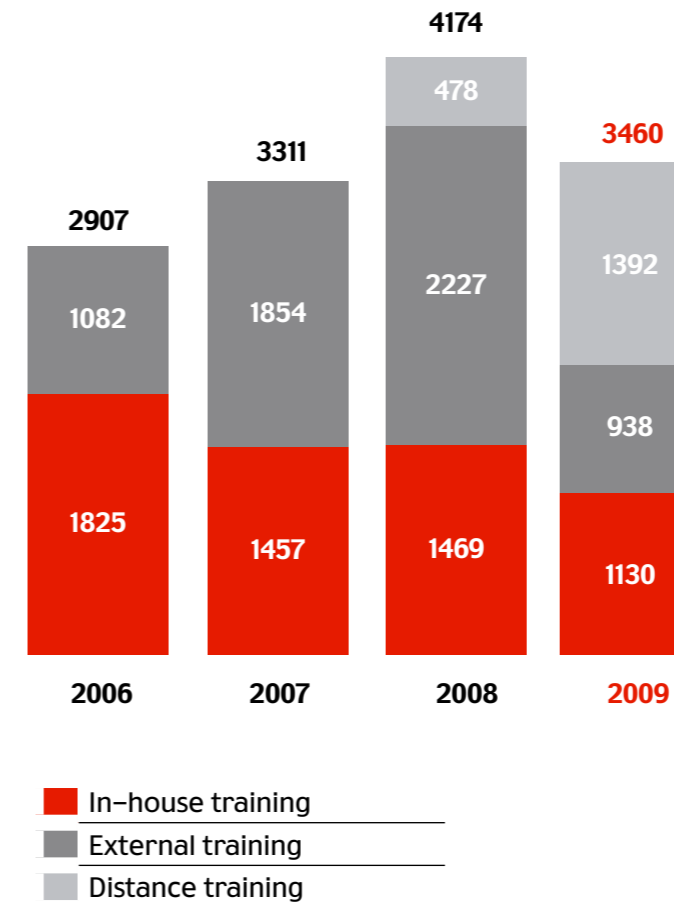
Training dynamics in 2006–2009:

	2006	2007	2008	2009
Number of employees trained (in total)	18 070	23 741	60 430	83 045
Number of training sessions (in total)	2907	3311	4174	3460

Dynamics of the number of employees trained

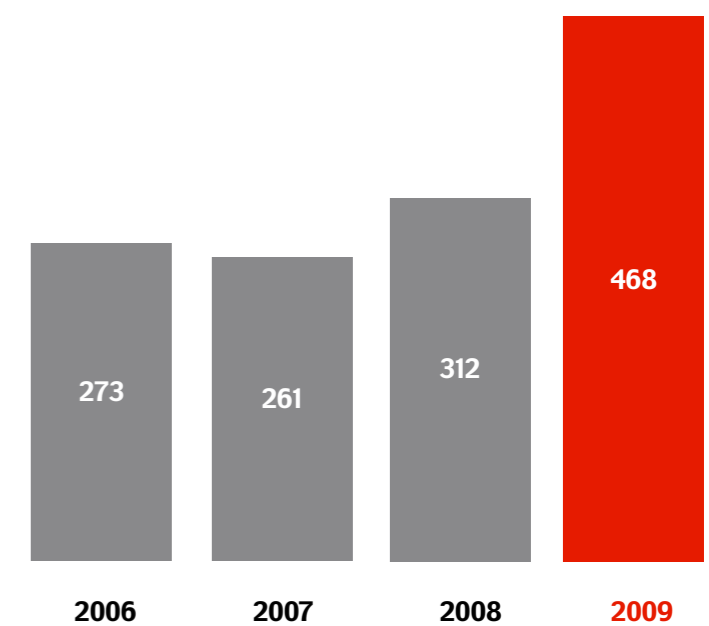


Dynamics of the number of training sessions



In 2009 the number of **training programs decreased by 18%** compared to 2008 **due to unification of corporate training programs and standardization of training courses.** At the same time, **the number of employees who completed training, increased by 37%,** mainly due to the organization of in-house training, development of the system of internal tutors, active involvement of top managers and managers in developing, implementation and support of training programs, as well as due to the development of the Distance Training and Testing System (DTTS) of the MTS Group.

Dynamics of the number of trained internal tutors



The System of Internal Tutors that has been put in place in the Company, allows to maintain effectiveness of the Group training system during the crisis year 2009 and to significantly optimize the expenses on external providers. **MTS OJSC savings resulting from the introduction of the in-house training system made up more than USD 8,000,000.**

The Company's training system meets the Company's business requirements and contributes to achieving its strategic targets. According to the feedback questionnaire results the level of satisfaction with training programs in 2009 made up **95,6%** (the ratio of questionnaires with the average score equal to 8 or more (on a scale of 1 to 10) to the total number of questionnaires). **The level of satisfaction with training increased by 2.3% compared to 2008,** which proves high effectiveness of the training programs.

Social Policy of the Company

Being the major cellular operator in Russia and the CIS countries MTS OJSC believes that its social responsibility is the responsibility for the influence of the MTS OJSC decisions and actions on the society and environment, which in the event of the Company's ethic and transparent behavior will:

- contribute to sustainable development, health promotion and social welfare;
- take into account the expectations of the parties concerned;
- comply with the applicable legislation and be in line with the international conduct norms;
- be integrated in the activities of the Company as a whole and implemented by the Company in its relations with other parties;
- contribute to the information transparency of the Company and improvement of its corporate governance

One of the MTS OJSC objectives is the integration of this responsibility at all Company levels, including the products, services and processes.

The Company determines its development strategy in accordance with the requirements of the society and consumers, and the main objective of this strategy is the improvement of the quality of life of a human being.

By the quality of life MTS OJSC means the combination of social, economic and other criteria that reflect the level and extent of the welfare of a human being achieved in various spheres of life, as a basic precondition for a stable development of the civil society and an individual.

Principles and Strategy of Corporate Social Responsibility at MTS OJSC

The key MTS OJSC principles of running socially responsible business are aimed at ensuring a

sustainable development of the company, growth of its welfare and formation of a competitive economy. These principles were determined taking into account the expectations of all parties concerned, are of a long-term nature and contribute to the implementation of the MTS OJSC development strategy.

Running a responsible business

MTS OJSC implements the principle of running a responsible business. The company plans and carries out its activities so that they would contribute to the positive changes in the society, improve social climate, decrease social tension and stimulate the development of the society. For MTS OJSC social responsibility means active attitude and maximum possible contribution to the society, state and an individual, wherever the Company can make it.

Responsibility of a telecom operator

Being the major cellular operator in Russia and the CIS countries MTS OJSC believes that its main objective is the provision of high quality, innovative and affordable telecom products and services to all users. As a telecom operator MTS OJSC is responsible for providing high quality services at fair prices, expanding network coverage and developing new affordable and socially significant telecommunication technologies. Accepting this responsibility MTS OJSC implements specific social initiatives. One of them is to develop and offer socially oriented tariffs, which would meet the requirements of certain socially vulnerable groups. In particular, "Zabotliviy" (considerate) tariff was intended specifically for elderly people, and the "Mir SMS" (SMS World) service, comprising a SMS packet at a reduced price, is intended for hearing impaired people, for which the exchange of

short text messages is practically the only means of distance communication.

Equal opportunities

The company makes the largest possible contribution to creation of equal opportunities for everyone through provision of equal access to modern technologies, innovative products and services, which contribute to the fulfillment of personal potential. To the extent of this priority one of the key directions of MTS OJSC activities is the provision of equal conditions and opportunities for both the population of remote areas and large cities.

MTS OJSC aims at making the advanced technologies an indispensable part of the modern society. We believe that increasing the level of informatization of the population would directly contribute to improving the living standards, trigger the processes of integration of the society in the global social and cultural environment. In this connection, provision of all inhabitants of Russia with equal access to modern technologies, and introduction of the most up-to-date telecommunication technologies in the sphere of education are particularly important. To this end during 2009 MTS OJSC was implementing the "Mobile Literacy Lesson" Education Project. Within the framework of this project MTS OJSC employees helped to more than two thousand pupils of primary schools in Russia, Turkmenistan, Ukraine and Belarus to familiarize themselves with the mobile communication facilities, the history of mobile communication, learned the basics of the mobile phone etiquette.

Innovations

We believe that the objectives in the field of improving the life quality can be achieved through large-scale introduction of innovative technologies, products and services. Proliferation of innovations, their use in the day-to-day life contributes to formation of innovative way of thinking, which, in its turn, stimulates the development

of the society, contributes to the growth of the economy and integration of the country into the world community as well as forms a successful tomorrow's society.

Contribution to economic growth and social welfare

The Company growth strategy is based on significant investments in setting-up and development of the country's telecom infrastructure, which is required for successful implementation of key strategic state-wise projects.

The activities of MTS OJSC, the largest cellular operator in Russia and the CIS countries, are aimed at the development of the high-technology segment of economy and the growth of investment attractiveness of the country. The telecommunication industry is an important element of the economy and the driver of the economic growth. In the countries of MTS OJSC presence the mobile telecommunication segment shows very high growth rates and secures the general economic growth.

MTS OJSC supports the state initiatives aimed at the improvement of the life quality, social welfare in general and the welfare of each individual and contributes to the implementation of these initiatives by the state.

Responsibility towards the state

The MTS OJSC activities in all markets of its presence are solely based on the prevailing legislation and regulatory acts of the relevant state bodies, including those in the field of taxation, financial control, sanitation and epidemiological norms and labour law.

Long-term investments

We consider the investments in the development of social sphere to be long-term investments, which contribute not only to the development of the society, but also create the basis for sustainable development of the Company.

Drive for results

One of the MTS OJSC key principles in the social sphere is the drive for achievable and measurable results. In the company's perception this means the pursue of a policy of well thought through investments with foreseeable results, aimed at solving the most acute social problems for the benefit of the society.

Information openness

We believe that a continuous dialogue with the representatives of all parties concerned is a prerequisite for effective implementation of the social policy. MTS OJSC is open for such dialogue and is interested in it. Being a public company, we inform the public on all aspects of our activities in compliance with the rules set by the Russian legislation and international norms, which are established for public companies. As a basic tool for informing the public on MTS OJSC social activities we established the practice of annual social reports, which are published using MTS OJSC open access information resources. In 2009 the first in the MTS Group history social report was published.

The MTS OJSC strategy in the field of social responsibility is based on continuous analysis of the company's current business processes and the extent of their compliance with the principles of socially responsible business, on planning and implementation of projects, which extend beyond the minimum statutory requirements and are aimed at increasing the positive influence of the Company business on the society.

In order to improve the effectiveness of our social policy we attentively examine the best Russian and world practices in the sphere of social responsibility and are open to cooperation with expert and investment communities.

Philanthropy policy

We believe that philanthropy is one of the components of the Company social responsibility policy. Therefore our activities in this

area are governed by the principles similar to the principles of the social policy of MTS OJSC.

Projects aimed at the improvement of the life quality of the society have the highest priority;

We focus on long-term projects in the sphere of philanthropy, which contribute to solving the most acute social problems faced by broad layers of population and are in line with the priorities of the social policy of the state;

In terms of the geography of the charity projects we are mainly interested in the projects that can be implemented on the largest possible scale both within one country and in all countries where MTS OJSC carries out its activities;

Pursuant to the MTS OJSC social policy we are interested in implementing the projects aimed at creation of equal conditions and opportunities both for the population of remote areas and large cities;

We believe that modern innovative technologies make a significant contribution to improving the life quality and contribute to the implementation of the personal potential of an individual, therefore charity projects, where our technologies, products and services contribute to achieving this objective, are of the highest priority for the Company;

Bearing in mind the existing most acute social problems we believe that charity projects aimed at improving health and contributing to the harmonious development of the young generation will be most welcome. The active social position of the business in solving such problems will contribute to formation of a harmonious and successful society in future;

We are open to cooperation with federal and regional authorities, nonprofit organizations and representatives of the business community within the framework of implementation of joint charity programs, which are compliant with the MTS OJSC social policy and philanthropy policy, on the terms and conditions of equal partnership and subject to legal and other restrictions applicable to the Company

Code of Ethics and Corporate Conduct of MTS OJSC Employees

The Code of Ethics and Corporate Conduct of MTS OJSC employees is the internal policy (bylaw) of the company whose purpose is to specify various aspects of interaction of MTS OJSC employees with the Company as an employer, corporate conduct standards as well as the rules for interaction of MTS OJSC employees with business partners and external auditors. The Code is binding on all Company's employees irrespective of their position.

The Code guarantees the MTS OJSC employees:

- Freedom from any discrimination. Recruitment, development, promotion, disciplinary measures, etc. shall be irrespective of sex, race, nationality, language, origin, age, place of residence, religion, political convictions, participation or nonparticipation in public associations, social position or official capacity of an employee.
- Protection against discriminative behavior towards them, negligence or other forms of harassment
- Safe labor conditions
- Company commitment to decrease the impact of its activities on the environment
- Observance of all statutory norms with respect to the employer– employee relations
- Fair and unbiased settlement of all disputes by the Company Management

At the same time the Code specifies the following aspects:

- Flat prohibition and disapproval of child and forced labor
- Prohibition of jobbery
- Prohibition of any actions breaching local anti-corruption laws, the Foreign Corrupt Practices Act (FCPA), as well as MTS OJSC bylaws

- Prohibitions of actions breaching customs and tax laws
- Aspects of MTS OJSC copyright protection and protection of other copyright holders
- Rules of business communication with colleagues and partners

Environmental Protection

While carrying out our activities we try to produce the minimal impact on the environment and to decrease this impact as and when possible. To solve this problem we observe the requirements of the environmental laws and the regulations on running responsible business.

MTS OJSC is keen to attract the attention of the business as well as the general public to environmental issues by way of its own example. To this end in many regions volunteer clean-up events are held under the aegis of MTS OJSC, and any volunteer can participate even if he/she is not a Company employee. In Armenia MTS OJSC is a long-term partner of the Foundation for the Preservation of Wildlife and Cultural Assets of Armenia.

Interaction with Stakeholders

For our Company the key aspect of interaction with stakeholders is information openness and transparency of the company.

With respect to disclosure of information and interaction with shareholders the MTS OJSC is governed by the requirements of the US Securities and Exchange Commission, New York Stock Exchange, Russian legislation, Company Charter and bylaws. We use a strict and thorough approach to preparation of financial statements, which ensures a high level of public information disclosure.

All material financial and operating information, published by the Company, is audited by external auditors.

Over the past several years MTS OJSC has been declared one of the most transparent companies

in Russia and the CIS (according to the Standard & Poor's assessments).

MTS OJSC aspires to provide equal opportunities to all shareholders both in terms of provision of timely access to information and protection of their rights.

To improve the procedures of interaction with MTS OJSC shareholders MTS OJSC participates in international ratings in the field of corporate governance, information transparency and credit ratings.

The existing Investor Relations Department makes it possible for MTS OJSC to effectively interact with analytics and investors through timely

provision of information as well as by organizing road shows and meetings with the Company Management.

All material information is accessible on the corporate site in the section for Investors and Shareholders.

The dialogue with the users of MTS OJSC services, company employees, representatives of authorities, nonprofit organizations and other stakeholders is carried out via various communication channels, the details of which are available on the corporate site www.mts.ru.

President
Mobile TeleSystems OJSC

M.V. Shamolin

Chief Accountant
Mobile TeleSystems OJSC

I.R. Borisenkova

Additional information about the company

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Entity maintaining records of the rights to securities

Registrar NIKoil OJSC
Postal address: 125993 Moscow, 3rd street Yamskogo Polya, 28
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Issuing authority: RF Federal Commission for the Securities Market

Mass media publication publishing information about the Company

Annex to the Bulletin of the Federal Financial Markets Service (FFMS)

