FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED 31ST MARCH 2003

- **MTS reports revenues of $446.1 million for Q1 2003, up 80.2% year on year.**
- **EBITDA increase of 82.0% to $224.8 million year on year; EBITDA margin was 50.4%.**
- **Net income rose by 87.3% to $80.2 million from prior year Q1.**
- **UMC, MTS' subsidiary in Ukraine, which MTS has consolidated from March 1, 2003, contributed $29.9 million to MTS' revenues and $1.5 million to net income.**
- **As of June 25, 2003, MTS' consolidated subscriber base was over 11.22 million customers of which 9.23 million were in Russia and 1.99 million were in Ukraine.**

Moscow, Russian Federation – June 26, 2003 – Mobile TeleSystems OJSC ("MTS" - NYSE: MBT), the largest mobile phone operator in Russia and Central and Eastern Europe[1], today announced its financial results for the first quarter ended March 31, 2003.

Revenues for the first quarter of 2003 were $446.1 million, an 80.2% increase on the same quarter in 2002, and a 9.0% increase on the previous quarter.

First quarter EBITDA (see Attachment A) was $224.8 million, an 82.0% increase on the same quarter in 2002, and a 23.1% rise on the previous quarter. EBITDA margin (see Attachment A) in the first quarter was 50.4%.

First quarter net income was $80.2 million, an 87.3% increase on the same quarter in 2002, and a 5.8% decrease compared to the previous quarter.

Financial Highlights (Unaudited)

US$ million	**Q1 2003**	**Q1 2002**	**Change Y-on-Y**	**Q4 2002**	**Change Q-on-Q**
Net revenues	$446.1	$247.6	80.2%	$409.3	9.0%
Operating income	$149.6	$81.9	82.6%	$123.7	20.9%
Net income	$80.2	$42.8	87.3%	$85.2	-5.8%
EBITDA	$224.8	$123.5	82.0%	$182.7	23.1%
EBITDA margin	50.4%	49.9%	-	44.6%	-

Note: See Attachment A for definitions of EBITDA and EBITDA margin and a reconciliation of both financial measures.

As of March 31, 2003, MTS together with its subsidiaries serviced 9.42 million subscribers. During the first quarter of the year, the Company's subscriber base increased by approximately 2.77 million subscribers, of which 956,000 users were added through organic growth of the Company's business in Russia, and 1.82 million were added via the acquisition of UMC in Ukraine. In addition, MTS' unconsolidated subsidiary in Belarus, Mobile TeleSystems LLC,

[1] In terms of numbers of subscribers

serviced approximately 83,200 users as of March 31, 2003 compared to 43,000 users as of year-end 2002.

As of June 25, 2003, MTS' consolidated subscriber base was comprised of 11.22 million customers, of which 9.23 million were in Russia and 1.99 million were in Ukraine. In addition, Mobile TeleSystems LLC serviced 165,000 subscribers in Belarus as of June 25, 2003.

Commenting on the results, Mikhail Smirnov, President of MTS, said: "The Company's financial performance continues to benefit from a growing demand for cellular services in all the markets in which we operate. The first quarter of the year was also marked by an important development – consolidation of UMC, one of the leading mobile operators in Ukraine. The strengthening of our operations in the neighboring countries remains an important part of MTS' strategy".

Operational Highlights

	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Q1 2003
Total subscribers, end of period (mln)	3.53	4.37	5.43	6.64	9.42
Russia	3.53	4.37	5.43	6.64	7.60
Ukraine	-	-	-	1.70	1.82
MTS Belarus [2]	-	3,881	14,378	42,525	83,200
Russia					
ARPU (US$)	$26.7	$25.0	$25.2	$21.2	$18.5
MOU (minutes)	142	167	175	175	148
Churn rate (%)	9.8	7.7	6.5	10.1	11.6
SAC per gross additional sub (US$)	$36	$39	$32	$34	$30
Ukraine					
ARPU (US$)	-	-	-	-	$15.9
MOU (minutes)	-	-	-	-	87
Churn rate (%)	-	-	-	-	8.9
SAC per gross additional sub (US$)	-	-	-	-	$51

Note: See Attachment B for definitions of ARPU, MOU, Churn and SAC

MTS Operations in Russia

As of March 31, 2003 MTS serviced 7.60 million subscribers, of which 634,618 were enrolled in the Company's pre-paid *Jeans* tariff plans. The Company's average monthly revenue per user (ARPU) was $18.5 in the first quarter of 2003, compared to $21.2 reported for the fourth quarter of 2002.

Average monthly minutes of usage per subscriber (MOU) in the first quarter of 2003 declined to 148 minutes from 175 minutes in the fourth quarter of 2002. Management believes that the

[2] MTS' unconsolidated subsidiary in Belarus, Mobile TeleSystems LLC

decline is largely attributable to lower usage of mobile phones in Russia during the winter period as well as a long holiday period in the beginning of January.

The general market trend of growing churn that the Company experienced during 2002 continued during the first quarter of 2003. MTS' churn rate in the first quarter of 2003 was 11.6% compared to 10.1% during the fourth quarter of 2002. Today, programs aimed at encouraging customer loyalty have become increasingly important for the Company.

The Company's subscriber acquisition cost (SAC) per gross subscriber addition continued to decline in the first quarter of 2003 reflecting the lower cost of attracting mass-market subscribers (and, in particular, lower commissions that we pay to dealers for *Jeans* subscribers) and increased economies of scale. SAC for the quarter was at $30 compared to $34 in the fourth quarter of 2002.

MTS' capital expenditures in Russia on property, plant and equipment during the first quarter of 2003 totaled $92.3 million. In addition, MTS spent $10.6 million on purchases of intangible assets during the first quarter of 2003.

In the first quarter of 2003, MTS' provisions for doubtful accounts increased to $14.6 million compared to $2.5 million in the fourth quarter of 2002. The increase is largely attributable to increase in fraud on domestic and international long distance calls. MTS has discovered the fraud and has taken measures to prevent further fraud of this nature.

MTS' business is organized on a geographical operations basis. Performance is measured and reported based on operating income by legal entity. Currently, MTS reports operations in Russia in two segments: MTS OJSC and Rosico[3] ("Moscow Segment") and all other legal entities in Russia combined. The Moscow Segment includes operations in the Moscow license area in addition to operations in Ivanovo, Kirov, Kaluga, Kostroma, Komi Republic, Kurgan, Nizhny Novgorod, Orenburg, Perm, Ryazan, Pskov, Saratov, Smolensk, Tambov, Tula, Tumen, Tver, Vladimir, Chelyabinsk, and Yaroslavl.

The second geographical segment includes all of our other Russian legal entities not included above, most notably our operation in the north-west of Russia, including St. Petersburg, and southern Russia, including Krasnodar. These regional operations contributed $18.9 million to MTS's net income for the first quarter of 2003.

MTS Operations in Ukraine

At the beginning of March 2003 MTS acquired a 57.7% stake in Ukrainian mobile operator Ukrainian Mobile Communications (UMC) for $194.2 million and began to consolidate UMC into its financial statements effective March 1, 2003.

As of March 31, 2003 UMC provided services to 1.82 million subscribers compared to 1.70 million as of December 31, 2002. As of March 31, 2003 71% of UMC subscribers were enrolled in the company's pre-paid tariff plan.

UMC's net revenues for the month ended March 31, 2003 were $29.9 million, operating income was $10.8 million, EBITDA was $16.5 million, which translates into an EBITDA margin of 55% for the period, and net income amounted to $1.5 million.

UMC ARPU in Q1 2003 was $15.9, compared to $17.7 for the full-year 2002.

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[3] On June 9, 2003 Rosico was merged into Mobile TeleSystems OJSC. Rosico's licence have been re-issued to Mobile TeleSystems OJSC.

UMC’s capital expenditures on property, plant and equipment during March of 2003 amounted to $6.3 million. In addition, UMC spent $3.7 million on purchases of intangible assets during the month.

On June 4, 2003, MTS completed the acquisition of a 26.0% stake in UMC for $87.6 million pursuant to the terms and conditions of a call option agreement with Ukrtelecom signed on November 5, 2002. As the result of the transaction, MTS’ ownership in UMC has increased from 57.7% to 83.7%.

Capital Markets Activity

MTS also completed a $400 million Eurobond offering on January 30, 2003. The net proceeds from this offering of $396.1 million have been partially used for general corporate purposes, including the acquisition of 57.7% and 26.0% stakes in UMC in March and June 2003, respectively, and other acquisitions of mobile operators in Russia.

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Mobile TeleSystems OJSC (or "MTS") is the largest mobile phone operator in Russia, and Central and Eastern Europe in terms of subscibers. Together with its subsidiaries, the company services over 11 million subscribers. The 58 regions of Russia as well as in Belarus and Ukraine in which MTS and its subsidiaries are licensed to provide GSM services have a total population of approximately 169.2 million. Since June 2000, MTS' shares have been listed on the New York Stock Exchange with the ticker symbol MBT. Additional information about MTS can be found on MTS' website at www.mtsgsm.com

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Attachments to The First Quarter 2003 Earnings Press Release

Attachment A

EBITDA should not be considered in isolation as an alternative to net income, operating income, net cash provided by operating activity or any other measure of performance under U.S. GAAP. We believe that EBITDA is viewed as a relevant supplemental measure of performance in the wireless telecommunications industry and we define EBITDA as operating income excluding depreciation and amortization. EBITDA margin is defined as EBITDA as a percentage of our net revenues. We believe EBITDA and EBITDA margin to be relevant and useful information as these are one of important measurements used by our management to measure the operating profits or losses of our business. EBITDA is also one of many factors used by the credit rating agencies to determine our credit ratings. EBITDA and EBITDA margin should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with accounting principles generally accepted in the United States of America. EBITDA and EBITDA margin, as we have defined them, may not be comparable to similarly titled measures reported by other companies, who may refer to EBITDA as Adjusted EBITDA. EBITDA is often calculated by adjusting net income to exclude only depreciation and amortization, income taxes and interest. If EBITDA were so calculated it would have been: $211.5 million, $116.5 million, $172.0 million for Q1 2003, Q1, 2002 and Q4 2002, respectively.

The following table provides a reconciliation of EBITDA to operating income:

US$ million (unaudited)	**Q1 2003**	**Q1 2002**	**Q4 2002**
EBITDA	$224.8	$123.5	$182.7
Less: depreciation and amortisation	($75.2)	($41.6)	($59.0)
Operating income	$149.6	$81.9	$123.7

The following table provides a reconciliation of EBITDA margin to operating income as a percentage of net revenues:

As a percentage of net revenues (unaudited)	**Q1 2003**	**Q1 2002**	**Q4 2002**
EBITDA margin	50.4%	49.9%	44.6%
Less: depreciation and amortization as a % of net revenues	-16.9%	-16.8%	-14.4%
Operating income as a % of net revenues	33.5%	33.1%	30.2%

If the Company were to reconcile EBITDA to net income, following would be the reconciliation:

US$ million	**Q1 2003**	**Q1 2002**	**Q4 2002**
Net income	$80.2	$42.8	$85.2
Add: depreciation and amortisation	$75.2	$41.6	$59.0
Add: income taxes	$40.5	$25.9	$16.3
Add: interest	$15.6	$6.2	$11.6
Add: minority interest	$13.8	$4.3	$14.8
Add (less): currency exchange and translation losses (gains)	($0.7)	$0.8	$1.0
Add (less): Other expenses (income)	$0.2	$1.9	($5.2)
EBITDA as reported	$224.8	$123.5	$182.7

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Attachment B

Definitions

Subscriber. We define a "subscriber" as an individual or organization whose account does not have a negative balance for more than sixty-one days, or one hundred and eighty three days in the case of our *Jeans* brand tariff launched in November 2002.

Average monthly service revenue per subscriber (ARPU). We calculate our average monthly service revenue per subscriber by dividing our service revenues for a given period, including guest roaming fees, by the average number of our subscribers during that period and dividing by the number of months in that period.

Average monthly minutes of usage per subscriber (MOU). MOU is calculated by dividing the total number of minutes of usage during a given period by the average number of our subscribers during the period and dividing by the number of months in that period.

Churn. We define our "churn" as the total number of subscribers who cease to be a "subscriber" as defined above during the period (whether involuntarily due to non-payment or voluntarily, at such subscriber's request), expressed as a percentage of the average number of our subscribers during that period.

Subscriber acquisition cost (SAC). We define SAC as total sales and marketing expenses for a given period. Sales and marketing expenses are comprised of advertising expenses, commissions to dealers, and handset subsidies. SAC per gross additional subscriber is calculated by dividing SAC during a given period by the total number of gross subscribers added by us during the period.

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MOBILE TELESYSTEMS
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE QUARTERS ENDED MARCH 31, 2002 & MARCH 31, 2003

(Amounts in thousands of U.S. dollars, except share and per share data)

	For the three months ended March 31 2002	For the three months ended March 31 2003
NET REVENUES:		
Service revenues, net	$228 072	$421 298
Connection fees	6 541	7 314
Equipment sales	12 991	17 483
	247 604	446 095
COST OF SERVICES AND PRODUCTS		
Interconnection and line rental	23 715	34 400
Roaming expenses	17 116	20 543
Cost of equipment	18 118	27 885
	58 949	82 828
OPERATING EXPENSES	39 846	80 725
SALES AND MARKETING EXPENSES	25 301	57 736
DEPRECIATION AND AMORTIZATION	41 589	75 190
Net operating income	81 919	149 616
CURRENCY EXCHANGE AND TRANSLATION LOSSES (G	831	(742)
OTHER EXPENSES (INCOME):		
Interest income	(3 404)	(3 232)
Interest expenses, net of amounts capitalized	9 603	18 812
Other expense	1 857	250
Total other expenses, net	8 056	15 830
Income before provision for income taxes and minority	73 032	134 528
PROVISION FOR INCOME TAX	25 915	40 469
MINORITY INTEREST	4 299	13 841
NET INCOME	**42 818**	**80 218**
Weighted average number of shares outstanding	**1 983 399 507**	**1 983 399 507**
Per common share	0.022	0.040

MOBILE TELESYSTEMS
CONDENCED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2002 & MARCH 31, 2003

(Amounts in thousands of U.S. dollars)

	For the three months ended March 31, 2002	For the three months ended March 21, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$42 818	$80 218
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interest	4 299	13 841
Depreciation and amortization	41 589	75 190
Amortization of deferred connection fees	(6 541)	(7 314)
Provision for obsolete inventory	1 572	2 378
Provision for doubtful accounts	1 292	14 563
Loan interest accrued	9 401	18 812
Loan interest paid	(2 198)	(4 089)
Deferred taxes	(267)	(2 758)
Non-cash expenses associated stock bonus and stock options		-
Changes in operating assets and liabilities:		
Increase in accounts receivable	(8 143)	(19 973)
Decrease (Increase) in inventory	842	(2 736)
Increase in prepaid expenses and other current assets	(21 998)	(20 227)
Decrease in accounts payable, accrued liabilities and other payables	(20 653)	(19 962)
Total adjustments	(805)	47 725
Net cash provided by operating activities	42 013	127 943
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(113 774)	(98 621)
Purchase of intangible assets	(5 559)	(14 276)
Increase in short-term investments	(79 862)	(167 239)
Increase in investments in and advances to affiliates	(185)	(9 961)
Purchases, net of cash aquired	(71 212)	(151 327)
Net cash used in investing activities	(270 592)	(441 424)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes issue	50 808	400 000
Notes issuance cost	(649)	(3 929)
Capital lease obligaiton principal paid	(3 546)	(5 048)
Proceeds from short-term debt and other payments	9 271	9 795
Loan principal paid	(450)	(5 460)
Net cash used in financing activities	55 434	395 358
Effect of exchange rate changes on cash and cash equivalents	(447)	172
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS:	(173 592)	82 049
CASH AND CASH EQUIVALENTS, at beginning of period	219 629	34 661
CASH AND CASH EQUIVALENTS, at end of period	$46 037	$116 710
SUPPLEMENTAL INFORMATION:		
Income taxes paid	$9 183	$26 699

MOBILE TELESYSTEMS
CONDENSED UNAUDITED CONSOLIDATED BALANCE SHEETS
AT DECEMBER 31, 2002 and MARCH 31, 2003

(Amounts in thousands of U.S. dollars, except share amounts)

	December 31 2002	March 31 2003
CURRENT ASSETS:		
Cash and cash equivalents	$34 661	$116 710
Short-term investments	30 000	197 239
Trade receivables, net	40 501	65 437
Accounts receivable, related parties	3 569	8 705
Inventory, net	41 386	55 308
Prepaid expenses and other current assets	208 213	260 717
Total current assets	358 330	704 116
PROPERTY, PLANT AND EQUIPMENT	1 344 633	1 649 648
INTANGIBLE ASSETS,	525 009	641 391
INVESTMENTS IN AND ADVANCES TO AFFILIATES	34 034	43 995
OTHER ASSETS	21 290	27 447
Total assets	$2 283 296	$3 066 597
CURRENT LIABILITIES		
Accounts payable	$117 623	$118 459
Accrued expenses and other	213 291	306 415
Accounts payable, related parties	4 968	5 324
Current portion of long-term debt, capital lease and finance obligations	88 330	134 259
Total current liabilities	424 212	564 457
LONG-TERM LIABILITIES		
Long-term debt	358 914	773 471
Capital lease and finance obligations	7 241	5 017
Deferred income taxes	105 818	123 534
Deferred revenue and other	19 694	36 186
Total long-term liabilities	491 667	938 208
Total liabilities	915 879	1 502 665
COMMITMENTS AND CONTINGENCIES	—	—
MINORITY INTEREST	65 373	179 873
STOCKHOLDERS' EQUITY:		
Common stock: (2,096,975,792 shares with a par value of 0.1 rubles authorized and 1,993,326,138 shares issued as of June 30, 2001 and December 31,2000, 345,244,080 of which are in the form of ADS)	50 558	50 558
Treasury stock (9,966,631 common shares at cost)	(10 206)	(10 206)
Additional paid-in capital	558 102	558 373
Unearned Compensation P&L	(212)	(212)
Shareholder receivable	(34 412)	(32 887)
Retained earnings	738 214	818 433
Total shareholders' equity	1 302 044	1 384 059
Total liabilities and stockholders' equity	2 283 296	3 066 597