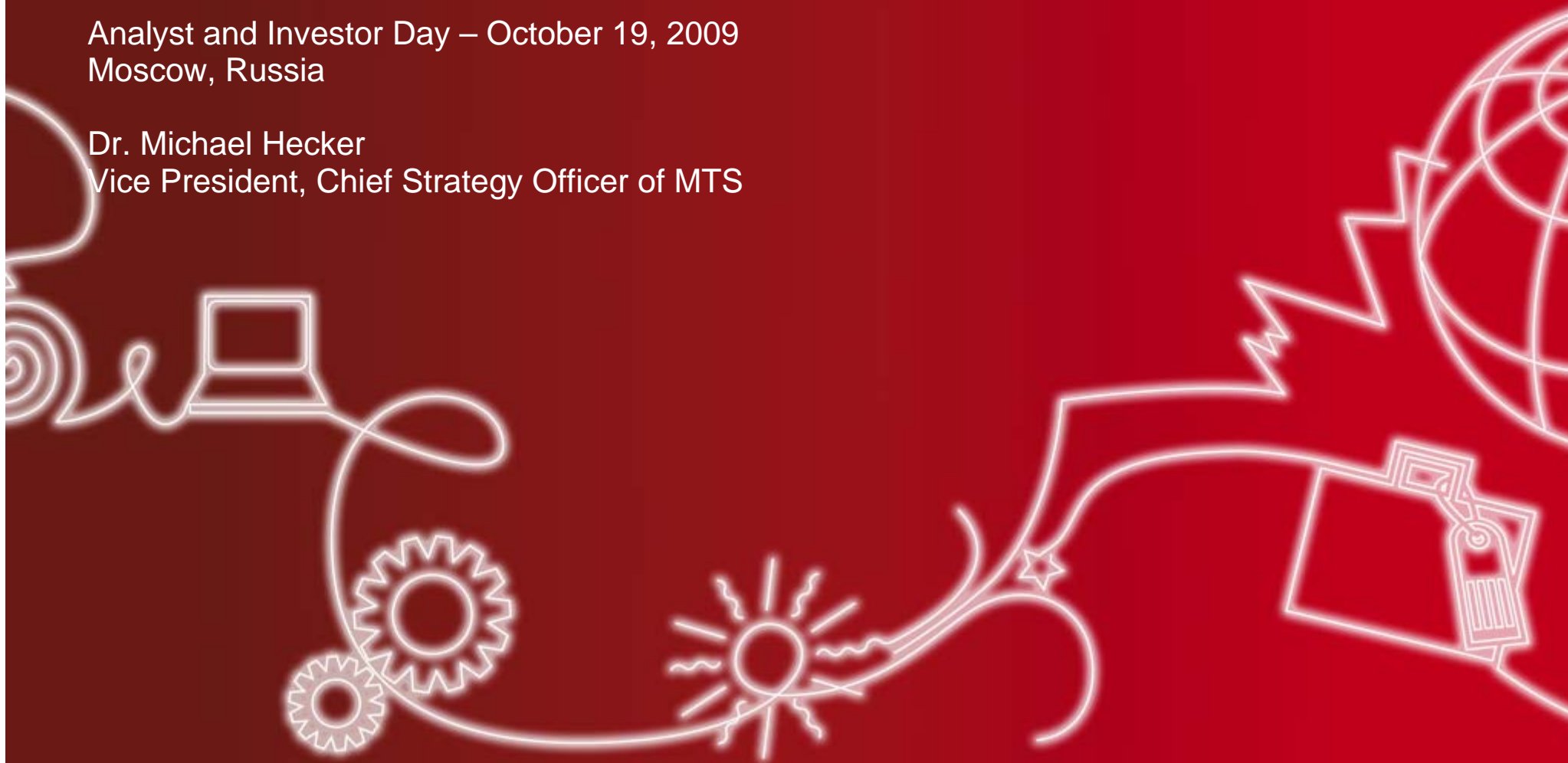


МТС оператор связи 

Cost Efficiency & Organizational Development

Analyst and Investor Day – October 19, 2009
Moscow, Russia

Dr. Michael Hecker
Vice President, Chief Strategy Officer of MTS





MTS Group has continuously pushed cost optimization efforts in the last years

Strategic rationale for cost optimization: Key reasons

- APPM decrease
- Inflation
- Start of retail development

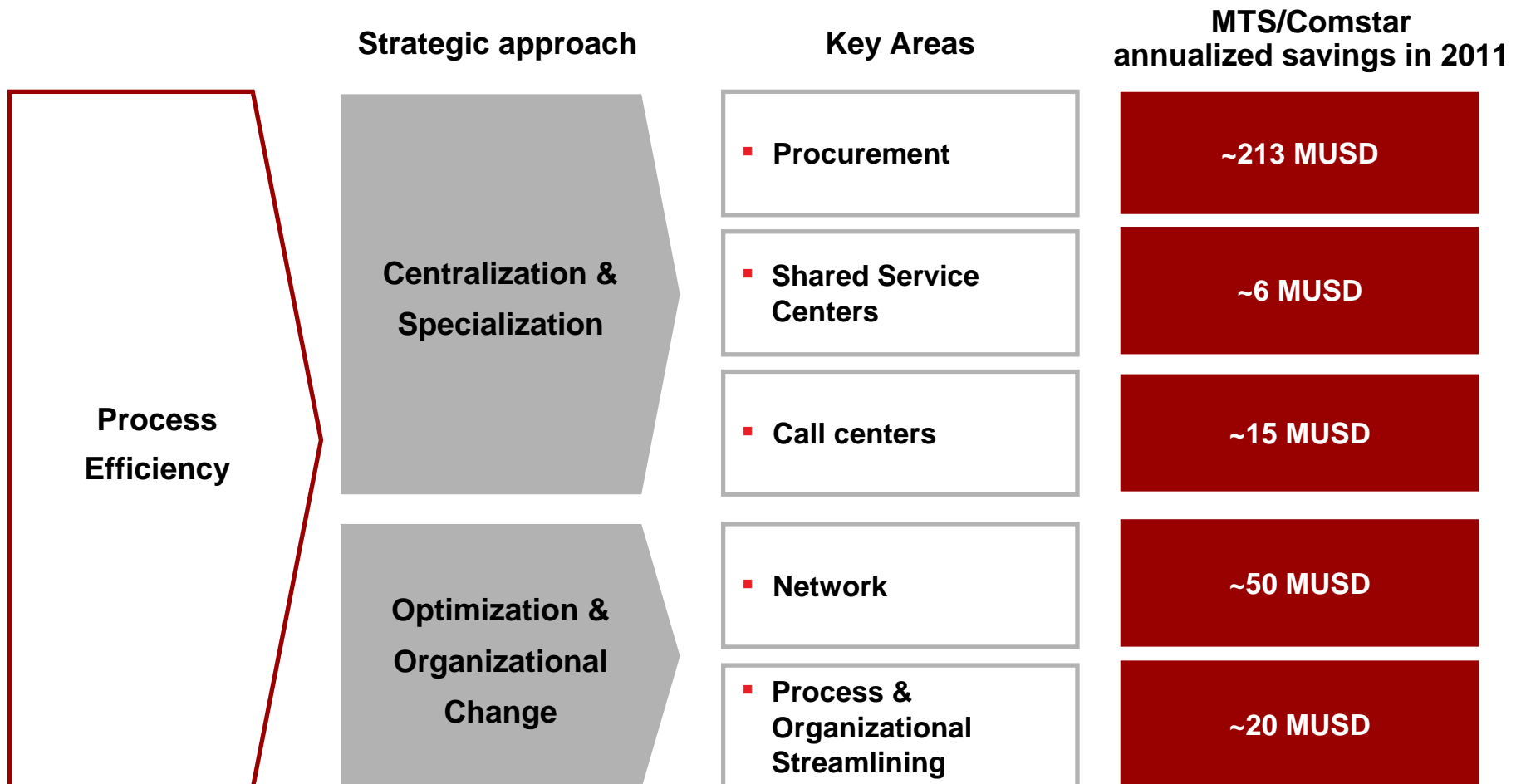
2006-2009
Classical “Low-Hanging”
Fruits

- COGS optimization (interconnect, roaming, content, etc.)
- Budget cuts
- Transparent cost allocation (cost-based responsibility and motivation)

2009-2012
Focus on Strategic
Process Efficiency

- Functional and organizational centralization
- Core and support process optimization
- Organizational streamlining and corporate culture change

Process efficiency: key projects



Process efficiency: centralization and specialization

Procurement	Service centres	Call centres
<ul style="list-style-type: none"> ▪ Introduction of a holistic centralized procurement model with higher degree of specialization ▪ Realization of key savings potential: vendor harmonization, specs reduction, etc. ▪ Modern procurement infrastructure implementation (eProcurement) ▪ Flexible procurement planning reflecting changes in actual company needs ▪ Leveraging quick-wins from acquisition of Comstar: volume consolidation, best practices, etc. 	<ul style="list-style-type: none"> ▪ Centralization of support functions across Finance, HR, Accounting, etc. ▪ Pilot phase in H1 2010: creation of the Shared Service Centre and transfer of support functions from 2 macro-regions of MTS Russia ▪ Project completion, including transfer of Comstar support functions to SSC – H1 2012 ▪ Expected key benefits: support labor capacity increase and headcount optimization ▪ Based on successful Vodafone experience (pan-European SSC) 	<ul style="list-style-type: none"> ▪ Reduction of number of call centers and increase of service automation degree ▪ 1st phase: reduction of MTS Russia call centers from 9 to 7 and moving the centers to the regions with low operational costs ▪ Development and promotion of self service systems, including different pricing of customer care operations provided via self service vs. call centre ▪ Expected results: decrease of call centre costs by 13,8%; increase of automation degree to 60%*
<p>Key centralization project with the largest cost saving potential</p>	<p>Following int'l best practices in structuring support functions</p>	<p>Service cost reduction via physical optimization and outsourcing of simple operations to the customer</p>

* Automation degree – share of operations processed through self-service systems vs. manual operations

Process efficiency: optimization and organizational change

Network optimization

- Network audit exercise with Vodafone across all network segments (radio, core, VAS and transport)
- Fully integrated OSS implementation
- Vendor harmonization (including Comstar)
- Transport leased lines' substitution with own fiber network
- Transition to optimized IMS-ready solutions: reduced time-to-market for VAS, OPEX & CAPEX reductions for VAS platforms and core network
- Gradual shift to LTE-enabled architecture

Better network quality and cost reduction through enhanced planning, procurement and technological solutions

Organizational & process streamlining

- Red Tape elimination from routine processes
- Increase of process transparency
- Control level analysis
- Key target: overall process acceleration and transparency increase
- Change of corporate culture towards higher delegation and less control environment
- Key benefits: more efficient management time use and simplification

Process simplification and transparency increase to ensure smooth integration of Comstar and flexibility in the future