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# Group financial results for the first quarter year 2011

Investor conference call – May 26, 2011

Mr. Andrei Dubovskov, President, Chief Executive Officer  
Mr. Alexey Kornya, Vice President, Chief Financial Officer



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## Safe harbor

Some of the information in this presentation may contain projections or other forward-looking statements regarding future events or the future financial performance of MTS, as defined in the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify forward looking statements by terms such as “expect,” “believe,” “anticipate,” “estimate,” “intend,” “will,” “could,” “may” or “might,” and the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not undertake or intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. We refer you to the documents MTS files from time to time with the U.S. Securities and Exchange Commission, specifically the Company’s most recent Form 20-F. These documents contain and identify important factors, including those contained in the section captioned “Risk Factors” that could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, the severity and duration of current economic and financial conditions, including volatility in interest and exchange rates, commodity and equity prices and the value of financial assets; the impact of Russian, U.S. and other foreign government programs to restore liquidity and stimulate national and global economies, our ability to maintain our current credit rating and the impact on our funding costs and competitive position if we do not do so, strategic actions, including acquisitions and dispositions and our success in integrating acquired businesses, potential fluctuations in quarterly results, our competitive environment, dependence on new service development and tariff structures, rapid technological and market change, acquisition strategy, risks associated with telecommunications infrastructure, governmental regulation of the telecommunications industries and other risks associated with operating in Russia and the CIS, volatility of stock price, financial risk management and future growth subject to risks.



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## **Financial and corporate highlights**

Key financial and operating results

Appendix

- Group highlights for the period
- Group financial highlights
- Group capital expenditures
- Group balance sheet
- Debt obligations and composition
- Dividend history and recommendation
- Subscriber base dynamics
- 3i Strategy



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# Group highlights for the first quarter 2011 and recent events

## Q1 2011 highlights

- Appointment of Andrei Dubovskoy, former Head of Business Unit MTS Ukraine, as President and CEO of MTS
- Completion of share buyback in March 2011 related to the statutory merger of Comstar with MTS

## Thereafter

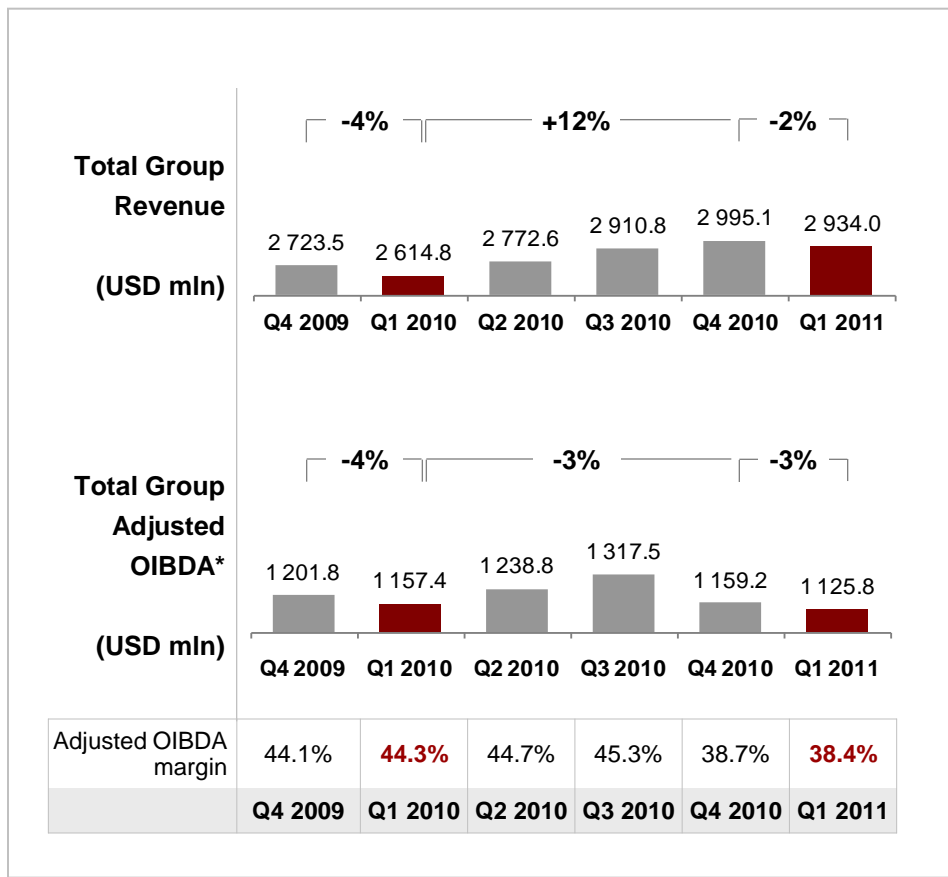
- Conversion of Comstar ordinary shares into MTS ordinary shares on April 1, 2011 and subsequent completion of the statutory merger of Comstar with MTS
- Continued acquisitions of regional fixed operators with a purchases of alternative operators in Kurgan and Altai Krai for RUB 435.0 mln and RUB 545.8 mln respectively
- Annual dividend recommendation by the MTS Board of Directors of RUB 14.54 per ordinary MTS share (approximately \$1.04 per ADR\*) for the 2010 fiscal year, amounting to a total of RUB 30.05 bln (approximately \$1.08 bln or 78% of US GAAP net income)
- Receipt of GSM 900 MHz license in Penza region giving MTS full 2G coverage in Russia
- MTS' brand has been named as one of the BRANDZ™ Top 100 Most Powerful Brands with the 80th position and a brand value of \$10.9 bln

\* According to the Russian Central Bank exchange rate of 27.8964 RUB/USD as of April 27, 2011. The dividend amount is set in Russian rubles by the Board of Directors; U.S. dollar amounts provided for reference using the foreign exchange rate as of April 27, 2011



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## Group financial highlights



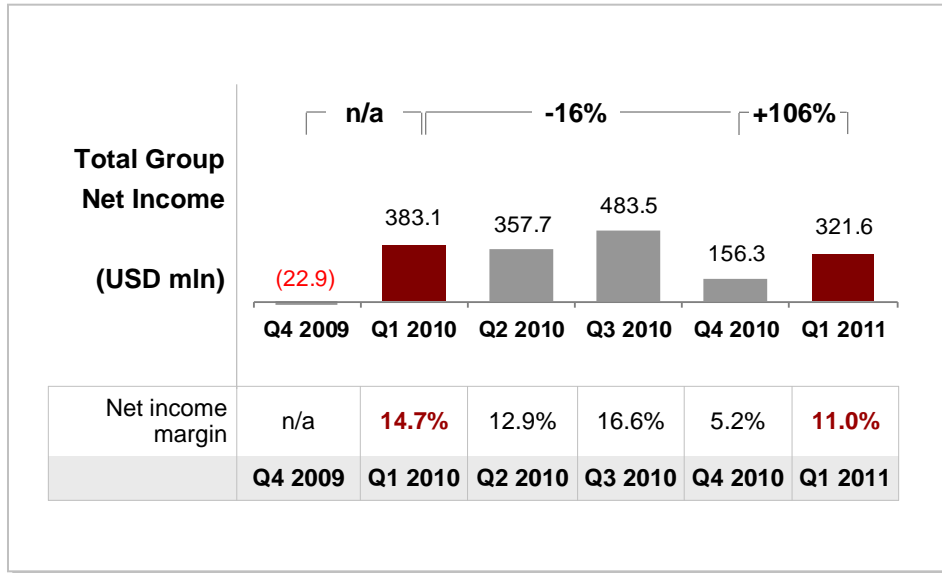
- In Q1 2011, Group revenue grew y-o-y as result of high subscriber additions, rising contributions from sales of handsets & accessories and increasing consumption of data products through all major markets of operation
- Sequentially, absolute OIBDA impacted by seasonal factors and one-time costs related to the statutory merger with Comstar-UTS, the acquisition and integration of other fixed-line assets, shuttering of assets in Turkmenistan, as well as fees associated with high gross additions in Russia during the quarter

\* Adjusted OIBDA represents operating income before depreciation & amortization, impairment of long-lived and other assets and acquisition related costs. For further information, please see the Appendix for definitions and reconciliations



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## Group financial highlights

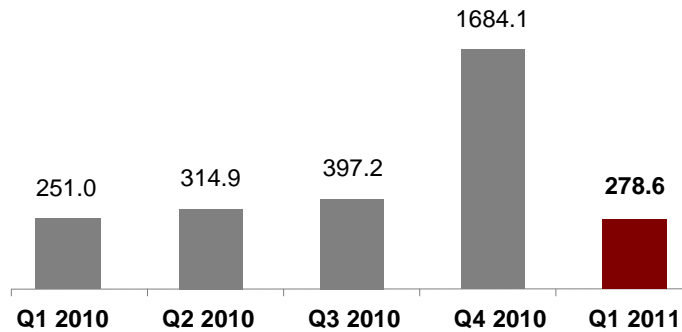


- Net income of \$322 mln attributable to Group revenue growth
- The appreciation of the Ruble translated into a foreign currency gain in the amount of \$89 mln



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## Group capital expenditures



- Capital expenditures for the quarter came in at \$278.6 mln
- The Company aims to significantly build out its 3G and backhaul networks during the course of 2011 as reflected in the 22-24% CAPEX-to-sales guidance for the full year

Russia	178.4	248.0	328.1	1 505.5	<b>238.3</b>
Ukraine	40.5	36.5	27.4	50.6	<b>19.3</b>
Uzbekistan	23.9	18.9	19.6	95.5	<b>16.4</b>
Turkmenistan	4.3	8.4	17.1	14.6	<b>2.8</b>
Armenia	3.9	3.1	5.0	17.8	<b>1.8</b>
Group	251.0	314.9	397.2	1 684.1	<b>278.6</b>
- as % of revenue	9.6%	11.4%	13.6%	56.2%	<b>9.5%</b>
<b>(in USD mln)</b>	<b>Q1 2010</b>	<b>Q2 2010</b>	<b>Q3 2010</b>	<b>Q4 2010</b>	<b>Q1 2011</b>



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## Group balance sheet

Balance sheet (USD mln unless noted)	As of Dec 31, 2010	As of Mar 31, 2011
Cash and cash equivalents	\$927.7	\$1 194.6
Short-term investments	\$333.6	\$480.4
Total debt	\$7 160.6	\$7 457.0
Long-term debt	\$6 403.5	\$6 329.9
Short-term debt	\$757.1	\$1 127.1
Net debt*	\$5 899.3	\$5 782.0
Shareholders' equity	\$4 156.8	\$4 496.4
Total assets	\$14 478.0	\$15 420.1
LTM OIBDA*	\$4 872.9	\$4 841.3
Net debt/assets	0.4x	0.4x
Net debt/equity	1.4x	1.3x
Net debt/LTM OIBDA*	1.2x	1.2x

- \$1.2 bln in cash at the end of Q1 2011 in anticipation of further debt repayments, capital expenditures and other corporate needs
- Total debt increase due to currency fluctuations with the ruble appreciating versus the US dollar during the quarter
- Free cash flow\* of over \$621 mln for the first three months of 2011

\*See reconciliations of net debt, LTM OIBDA and free cash flow to consolidated financial statements in the appendix



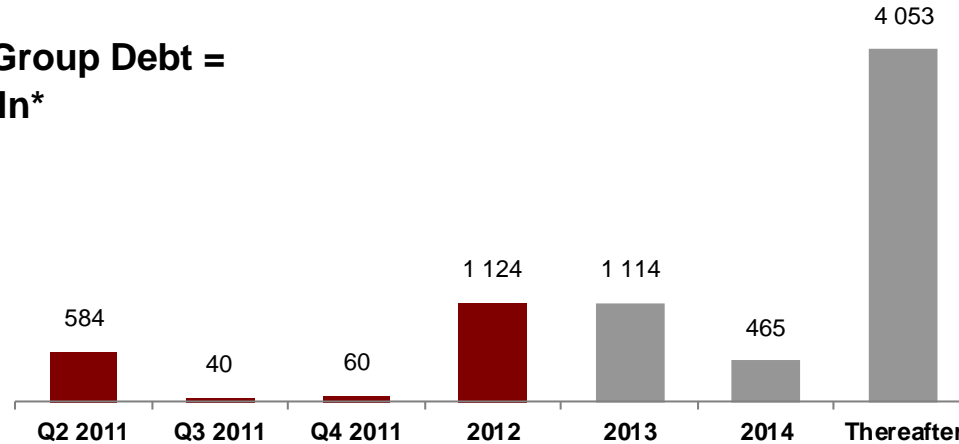


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# Debt obligations at the end of Q1 2011

## Debt Repayment Schedule (USD mln)

**Total Group Debt =  
\$7.5 bln\***



Q2 2011 payments include those for the MTS Series 04 ruble bond a portion of which were repurchased in May 2011 in the amount of ≈\$39.3 mln\*\*. As result, starting from the Q2 2011 disclosure, the remaining portion in the amount of ≈\$490.9 mln\*\* will be reflected in the repayments for the year 2014. MTS Series 03, 05, 08 ruble bonds contain put options that can be exercised in June 2013, in May 2011, in July 2012 and in November 2015 respectively. MTS expects the options to be exercised.

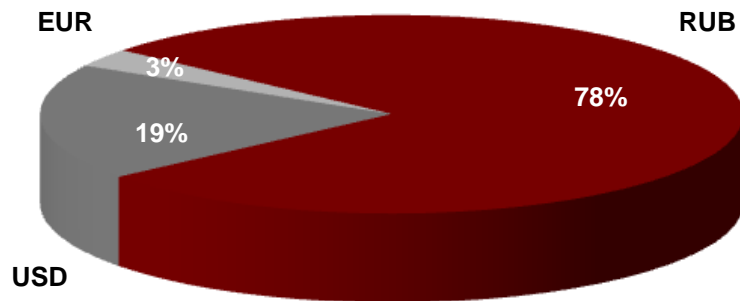
- MTS continues to optimize its debt portfolio by:
  - Increasing the tenor of its debt instruments
  - Working towards lowering the cost of certain debt instruments through repayments, reissuances and negotiations with our bi-lateral lenders
  - Sustaining an optimal ruble/dollar balance to match revenues and account for necessary capital investments

\* Including capital lease obligations

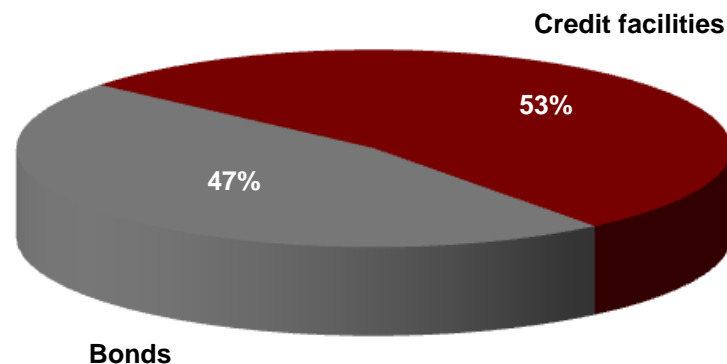
\*\* According to the Russian Central Bank exchange rate of 28.0466 RUB/USD as of May 19, 2011

## Debt composition at the end of Q1 2011

Debt composition by currency Q1 2011\*



Debt composition by type Q1 2011



- Debt composition reflective of the Company's preference for RUB-denominated financing with vendor financing contributing to the USD/EUR portion
- Maintaining a balanced currency structure of liabilities with a preference for ruble-denominated funding

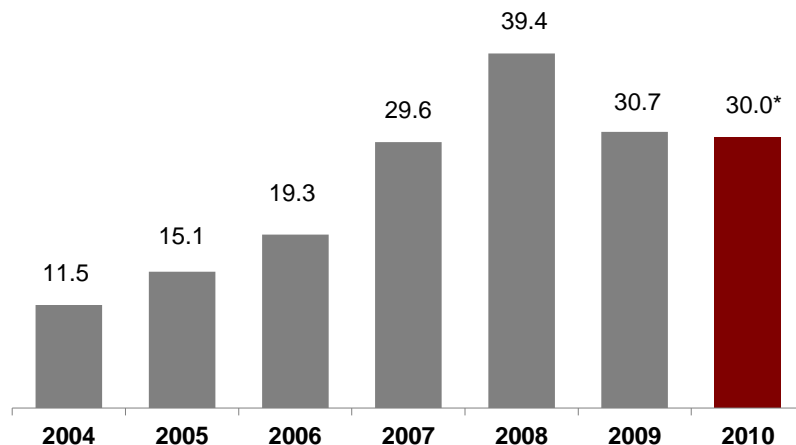
\* Debt composition by currency includes FOREX hedging in the amount of \$304 mln as of Q1 2011



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## Dividend history and recommendation for FY 2010

Dividend payment history, 2004-2010 (RUB bln)



- The Company's sustained levels of profitability and its ability to generate healthy cash flows continue to allow MTS to honor its dividend commitment before the shareholders
- The payment period shortened to two months in line with changes stipulated by Russian law i.e. dividends for FY 2010 will be paid till the end of August following the AGM approval

	2004	2005	2006	2007	2008	2009	2010*
<b>RUB per share</b>	5.8	7.6	9.7	14.8	20.2	15.4	14.5
<b>Dividend yield**</b>	3.1%	4.0%	4.0%	5.0%	11.1%	6.2%	5.7%
<b>% of net income***</b>	41%	50%	60%	60%	60%	75%****	78%

\* Dividend amount recommended by the MTS Board of Directors for approval at the Company's Annual General Meeting of Shareholders on June 27, 2011

\*\* Calculated based on closing price as of the record date of the MTS ordinary share traded on the Moscow Interbank Currency Exchange

\*\*\* As % of US GAAP net income reported by the Company

\*\*\*\*As % of US GAAP net income adjusted for the non-cash impairment charges



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## Group subscriber base dynamics during the quarter

MTS subscribers (mln unless noted)	Q4 2010	Q1 2011*	% change
Russia:			
- mobile	71.44	71.46	stable
- households passed, 000s	9 890	9 979	0.9%
- broadband Internet, 000s	1 805	1 892	4.8%
- pay TV, 000s**	2 553	2 606	2.1%
Ukraine	18.24	18.28	0.2%
Uzbekistan	8.79	9.11	3.6%
Turkmenistan***	2.42	2.39	n/a
Armenia	2.46	2.55	3.6%
Belarus****	4.72	4.75	0.6%
<b>Total mobile</b>	<b>108.07</b>	<b>108.54</b>	<b>0.4%</b>

- In Russia, MTS sustained its leading mobile market share in Q1 2011
- Fixed subscriber base numbers, impacted by Company's M&A activity and redefinition of acquired companies' subscriber definitions with those of MTS
- Continued focus on subscriber quality reflected in the stable subscriber base dynamics in Ukraine
- Growth in the Company's other CIS markets driven by strong net adds in Uzbekistan and Armenia

\* Q1 2011 subscriber numbers include those of Inteleca

\*\* Figures retrospectively adjusted in line with MTS definitions

\*\*\* MTS operations in Turkmenistan are suspended since December 21, 2010

\*\*\*\* MTS owns a 49% stake in Mobile TeleSystems LLC, a mobile operator in Belarus, which is not consolidated



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## 3i: MTS strategy

Strategic direction	Tactics	Key benefits
<b>Integration</b> New pipelines and customer touch-points	<ul style="list-style-type: none"><li>▪ Seamless user experience for all segments</li><li>▪ Rapid broadband infrastructure (fixed/3G/LTE) deployment</li><li>▪ Integrated sales channels</li></ul>	Increasing customer lifetime value  Generating shareholder returns
<b>Internet</b> Smarter pipelines to capture additional value	<ul style="list-style-type: none"><li>▪ Enhanced connectivity</li><li>▪ Compelling Internet user experience</li><li>▪ Best-in-class content apps and services</li></ul>	
<b>Innovation</b> Differentiation through product and service mix	<ul style="list-style-type: none"><li>▪ Delivery of exclusive devices</li><li>▪ Cutting-edge products and services for all customer segments</li><li>▪ End-to-end user experience at home, at work and on the move</li></ul>	




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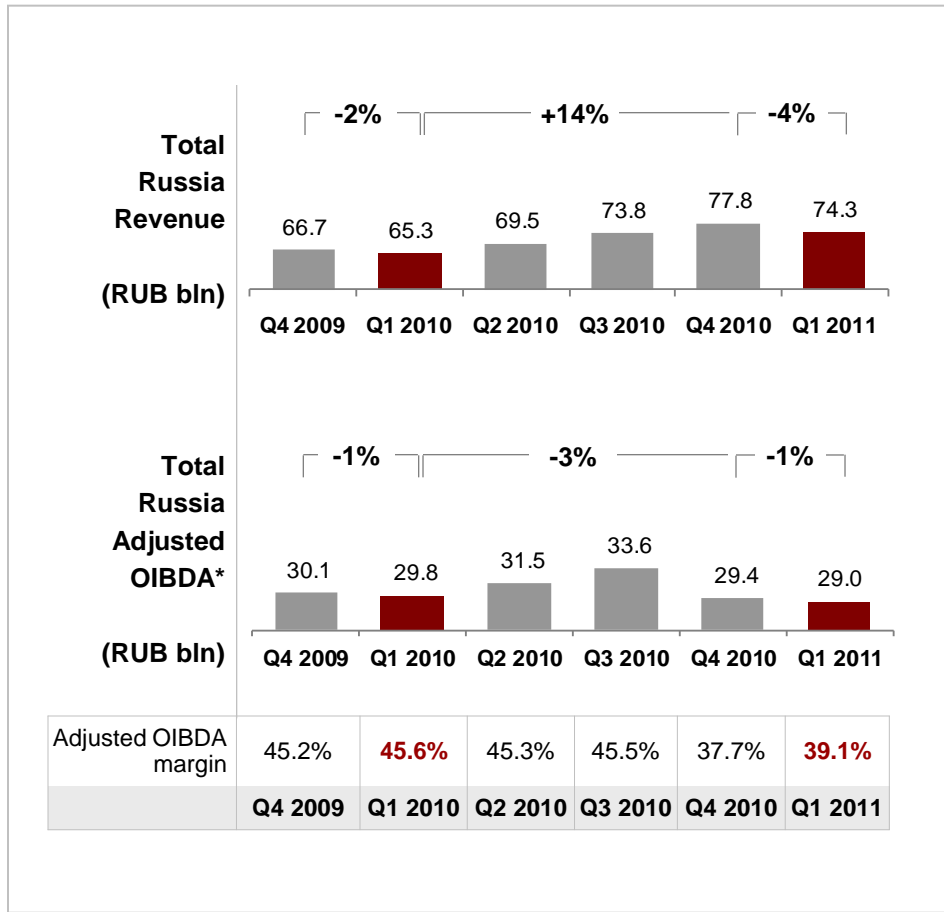
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## Russia financial highlights



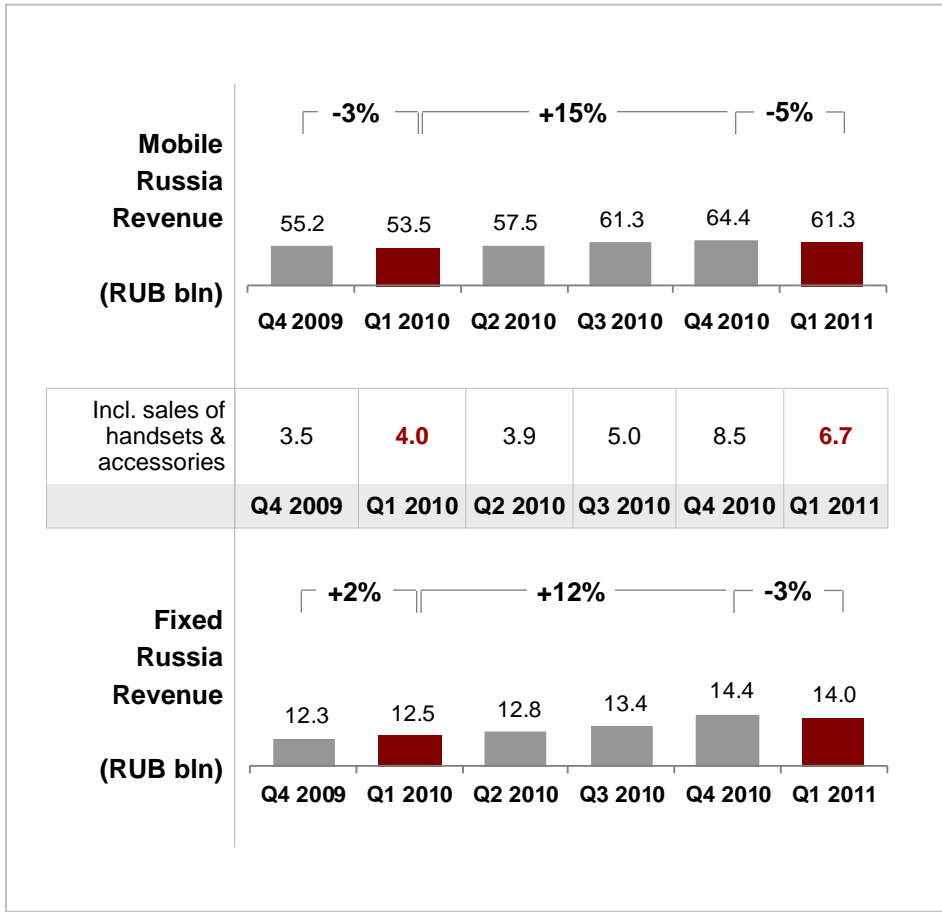
- Revenue increased y-o-y in Q1 2011 due to strong subscriber growth, contribution from retail and consumption of fixed and mobile data products; quarterly dynamic reflective of seasonal decline in usage and roaming
- Absolute OIBDA decreased y-o-y due to higher handset and USB modem sales, higher G&A costs due to Comstar merger closing, the acquisition of smaller regional fixed-line assets and higher sales and marketing expenses due to strong gross subscriber additions in mobile business
- Sequential quarterly improvement in OIBDA margin as result of rising data usage due to increased USB modem sales, discontinuation of New Year's marketing campaigns and a relative decrease in subscriber gross additions

\* Adjusted OIBDA represents operating income before depreciation & amortization, impairment of long-lived and other assets and acquisition related costs. For further information, please see the Appendix for definitions and reconciliations



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# Russia revenue breakdown



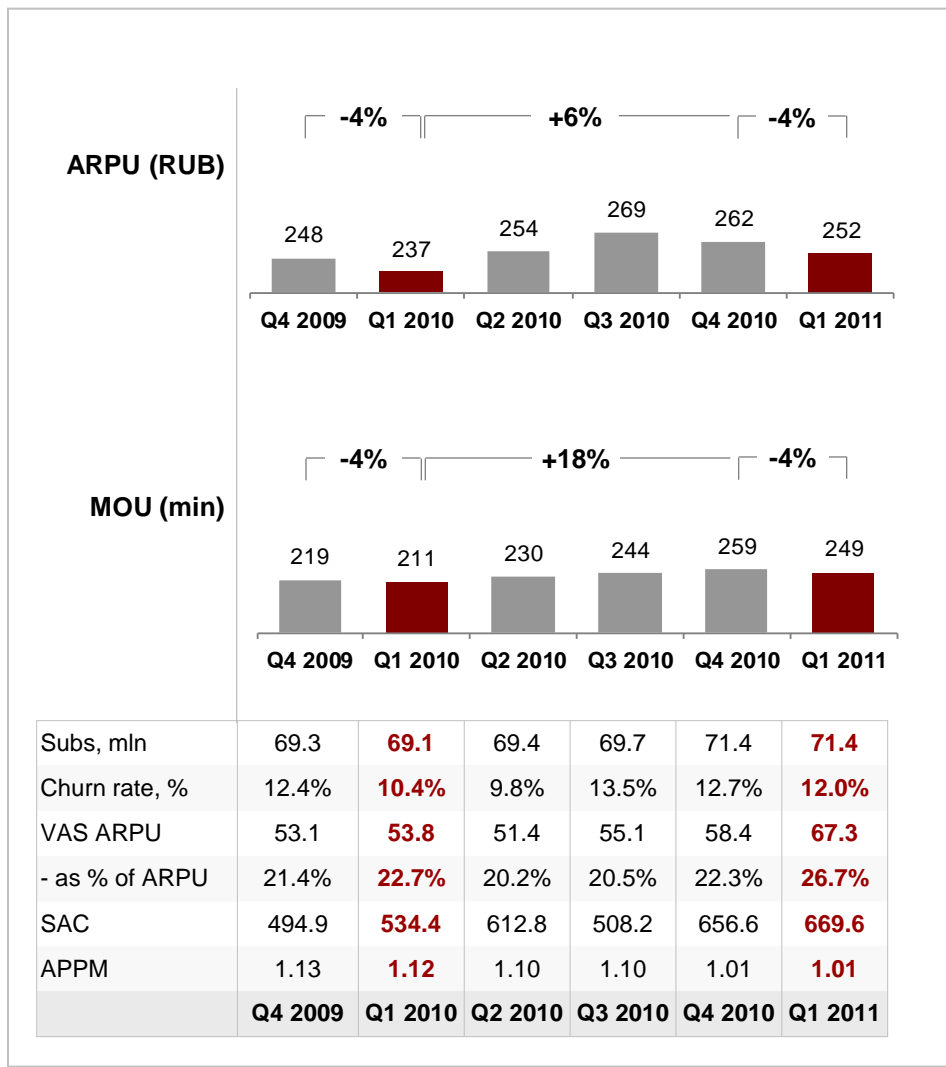
- Mobile revenue increased y-o-y as result of subscriber intake and contributions from value-added services in particular revenue from data traffic
- Fixed revenue y-o-y dynamic enhanced by Company's M&A activity, subscriber growth and increasing consumption of DLD/ILD services as well as tariff adjustments undertaken by MGTS





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# Russia mobile operating indicators

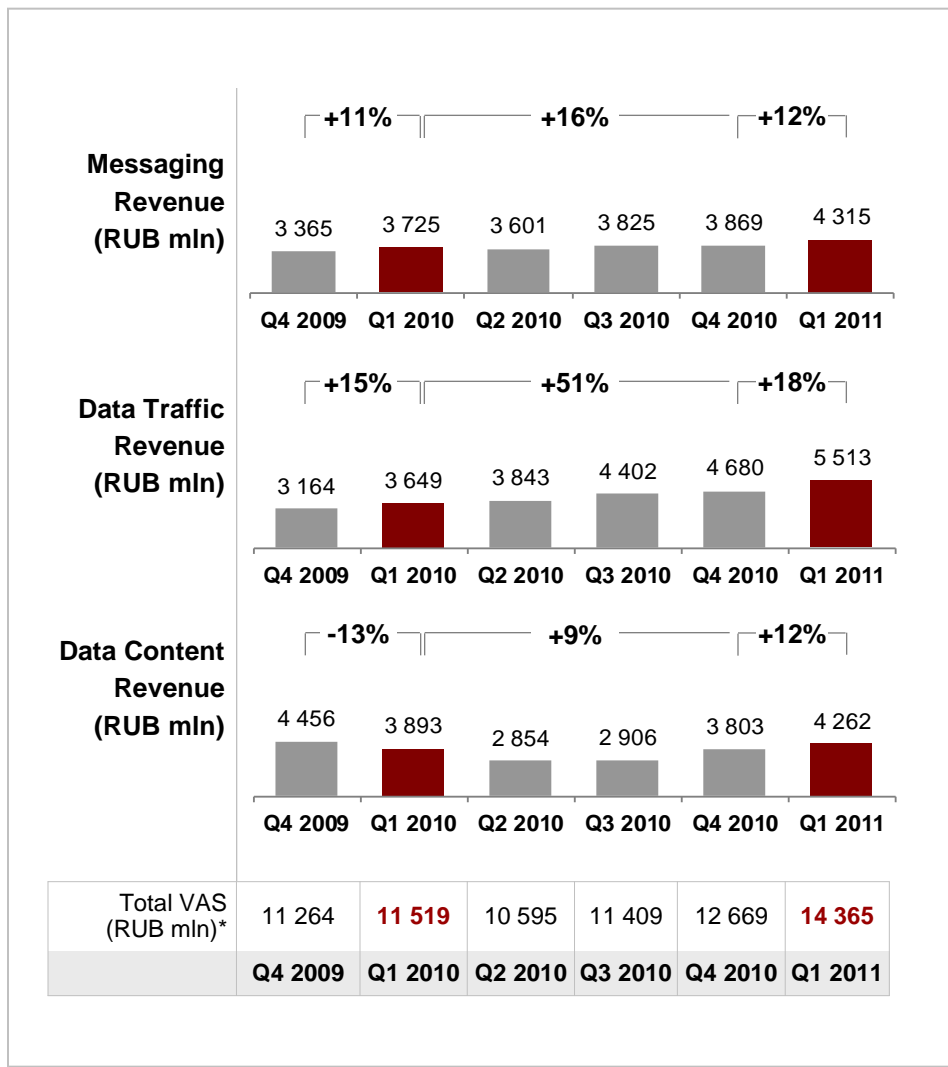


- Sequential decline in ARPU due to seasonal factors such as lower roaming revenue, fewer calendar and work days and an overall reduction in business activity as result of an extended holiday period
- MOU dynamic in line with seasonal trends
- SAC increase in Q1 2011 as result of fewer gross additions with a higher share coming through premium distribution channels, as well as strong modem sales and data usage



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# Russia mobile operating indicators\*



- Strong data traffic revenue growth due to increased sales of modems and expansion of 3G network
- Key initiatives in Q1 2011:
  - Launch of MTS Connect-4, a new data tariff plan for active data users
  - Launch of “Useful Applications” service, which allows MTS subscribers to purchase paid software using their mobile account
  - Introduction of “Video call” service in Moscow
  - Expansion of “Easy Payment” service functionality
  - Launch of MTS Navigator app for iOS devices
  - Promotion of the Company’s branded and co-branded handsets with built-in MTS apps

\* Does not include revenue from SMS and data bundles, which is included in airtime revenue



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# Development of MTS retail network and handset distribution

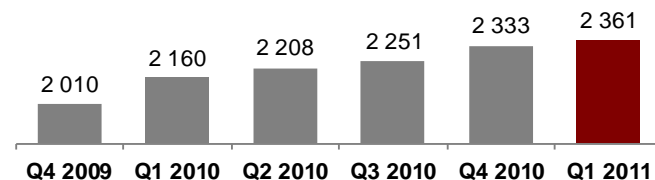
## MTS retail network

- Opening of 28 new stores during Q1 2011
- Launch of 16 flagship stores in Q1 2011 bringing the total to 46 stores in Russia, of which 22 are in Moscow
- Around 1,000 franchisee stores operated under the MTS brand

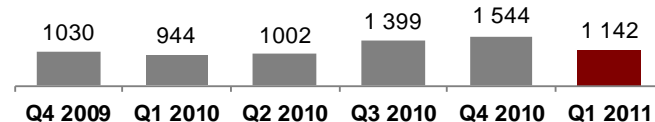
## Device distribution

- MTS' market share in handset sales was 17.4%\*\* at the end of Q1 2011
- Strong modem and data tariff sales with more than 1 mln units sold during the quarter
- Further expansion of the Company's handset portfolio with the introduction of the co-branded devices such as the Nokia C5-03, the MTS exclusive Samsung S5260 Star 2, the HTC Incredible 5 and the Nokia C3-01 and the MTS 252
- Launch of new marketing campaigns focused on popularization of smartphones and stimulation of sales and data usage

### Retail network development (MTS-owned stores)\*

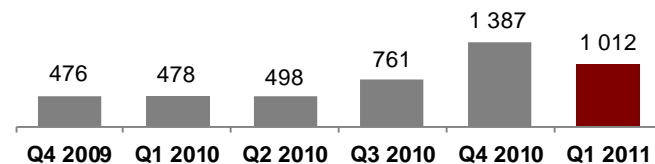


### Handset sales through MTS retail network (000s)



Market share**	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011
	11.7%	13.1%	13.7%	14.2%	20.9%	17.4%

### MTS Connect modem and data tariff sales (000s)



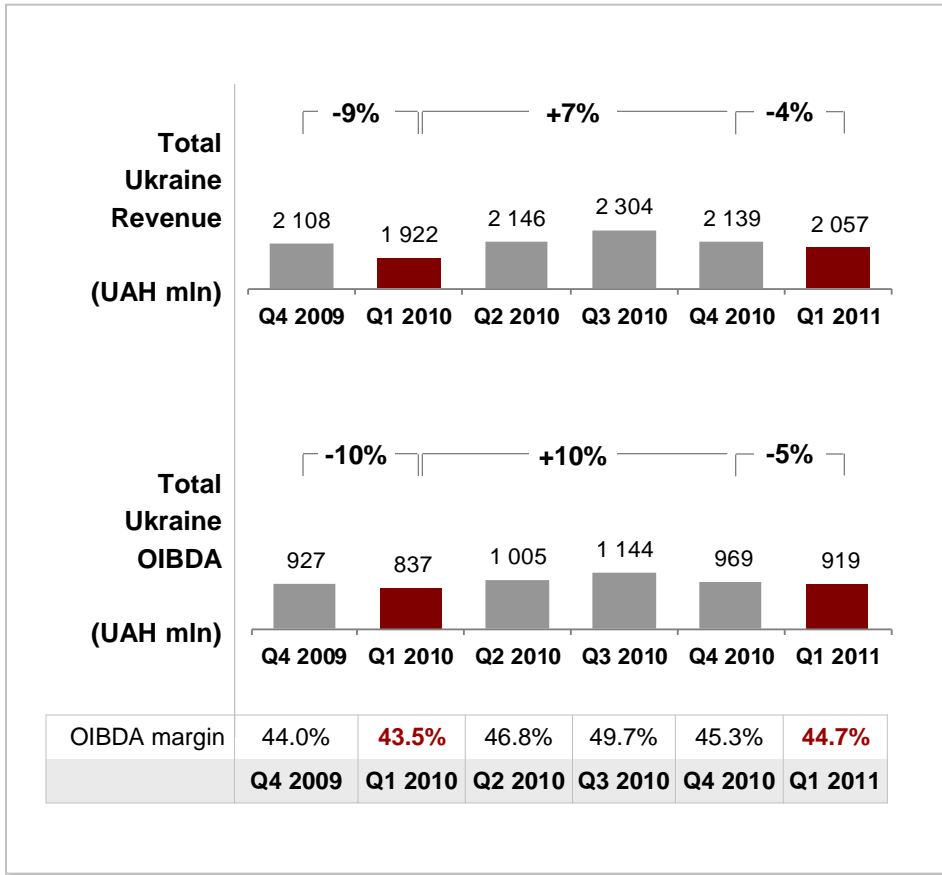
\*Does not include franchisee stores

\*\*Market share in terms of number of handsets sold based on MTS estimates, incl. wholesale



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## Ukraine financial highlights

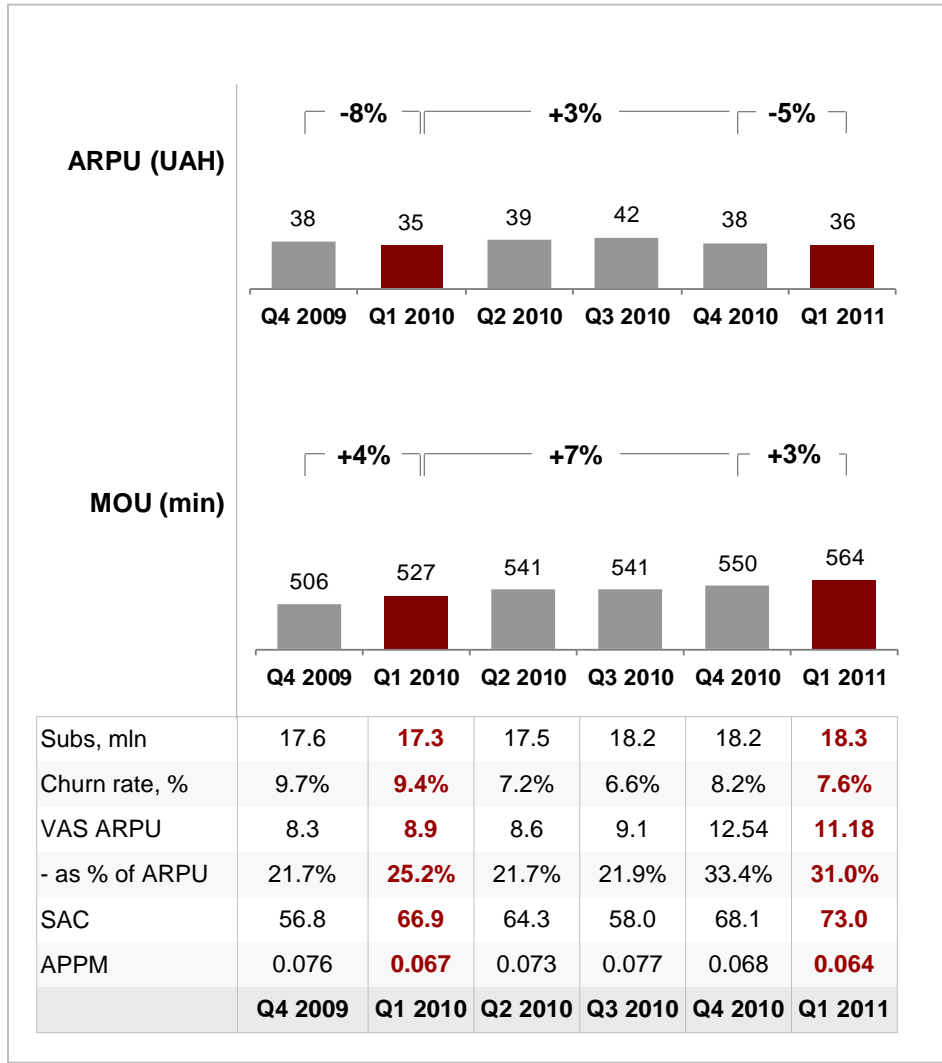


- Revenue increased y-o-y as result of continued growth in voice usage and consumption of value-added services
- OIBDA y-o-y improvement reflective of top-line revenue growth and cost control
- Sequential decline in OIBDA margin due to seasonal factors



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## Ukraine operating indicators

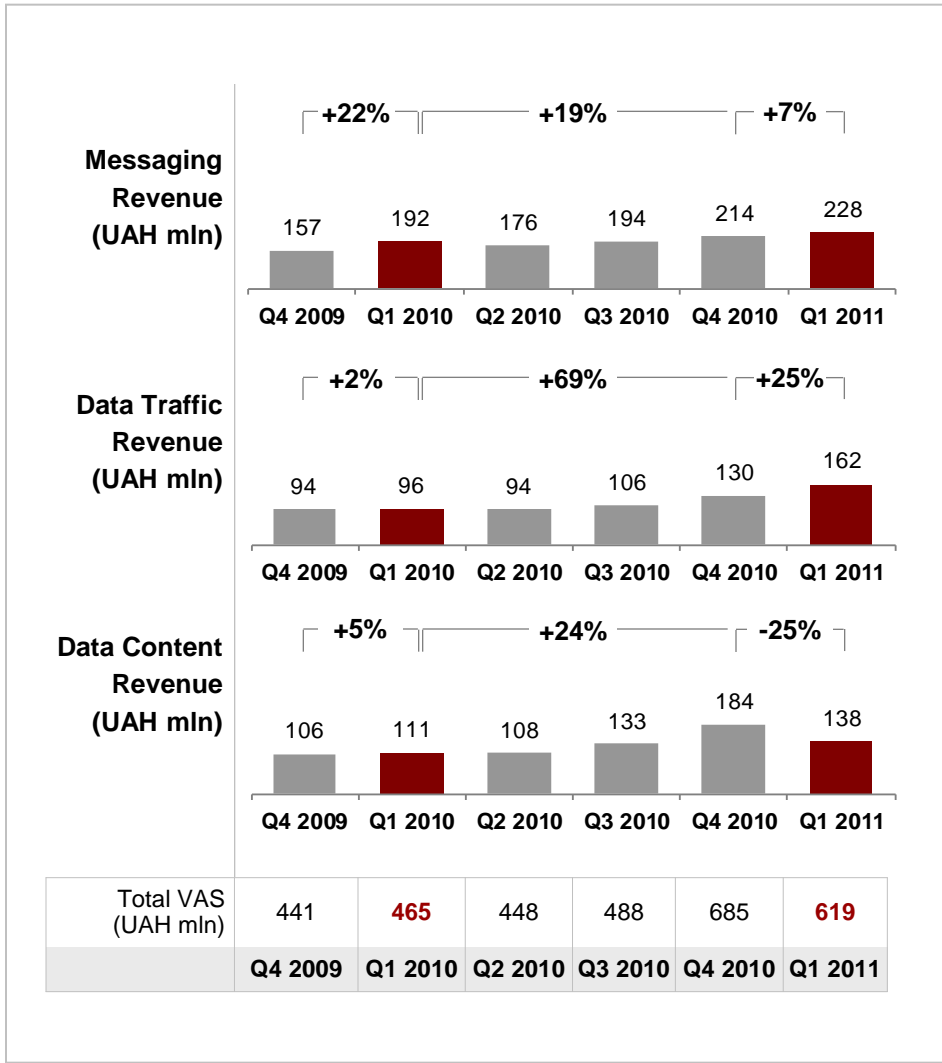


- ARPU for the quarter reflects seasonal trends
- Usage growth due to attractive on-net calling propositions
- Decline in churn rate on the back of Company's focus on subscriber quality and relative market stability



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# Ukraine operating indicators

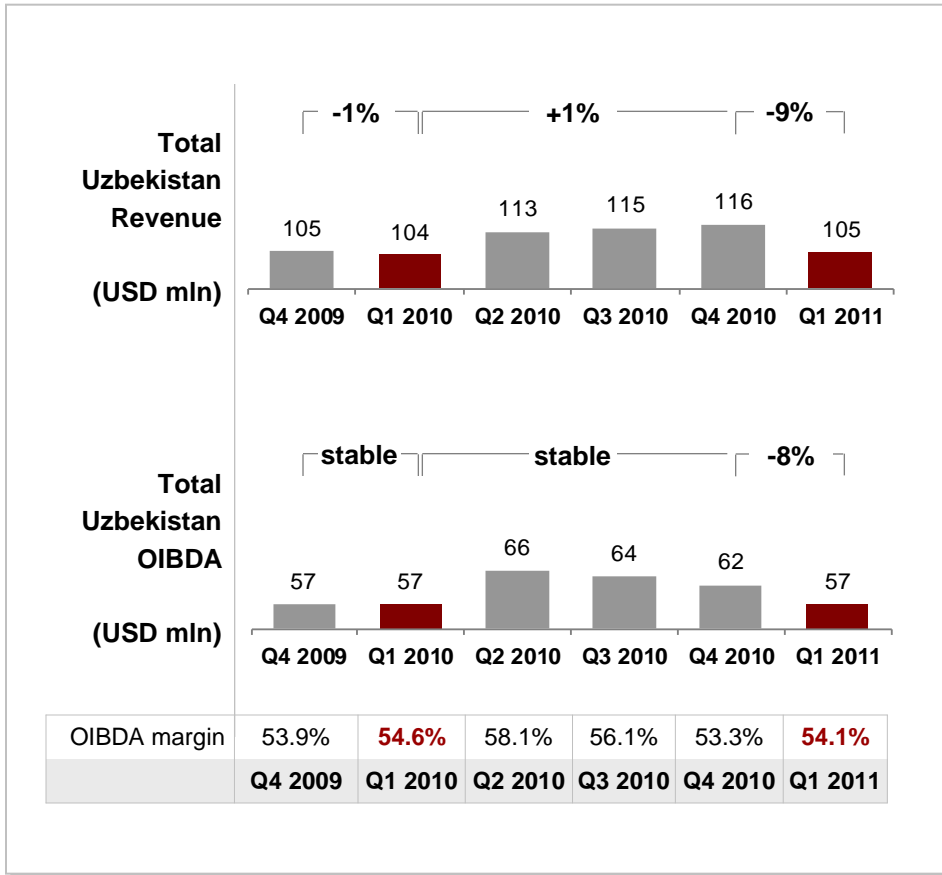


- Key initiatives in Q1 2011:
  - Introduction of new service “Rejected Call”
  - Launch of new option allowing subscribers to transfer funds from MTS Russia mobile accounts to the MTS Ukraine mobile accounts
  - Commercial launch of “My New Number” service
  - Free Wi-Fi hotspots in MTS retail stores to showcase the advantages of mobile internet



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# Uzbekistan financial highlights



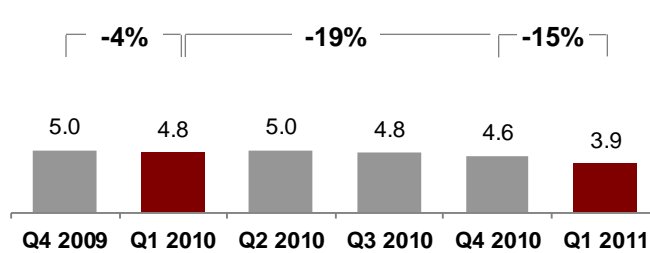
- Revenue decline during the quarter due to seasonal and competitive factors as well as lower subscriber activity
- Decline in OIBDA in line with revenue performance



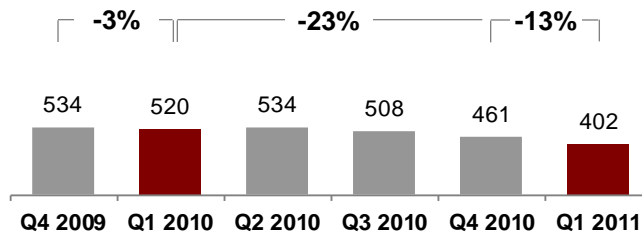
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# Uzbekistan operating indicators

ARPU (USD)



MOU (min)



Subs, mln	7.1	<b>7.4</b>	7.6	8.2	8.8	<b>9.1</b>
Churn rate, %	8.0%	<b>5.9%</b>	6.1%	7.2%	6.0%	<b>9.2%</b>
SAC	6.7	<b>6.1</b>	6.0	7.8	8.1	<b>7.4</b>
APPM	0.01	<b>0.01</b>	0.01	0.01	0.01	<b>0.01</b>
	<b>Q4 2009</b>	<b>Q1 2010</b>	<b>Q2 2010</b>	<b>Q3 2010</b>	<b>Q4 2010</b>	<b>Q1 2011</b>

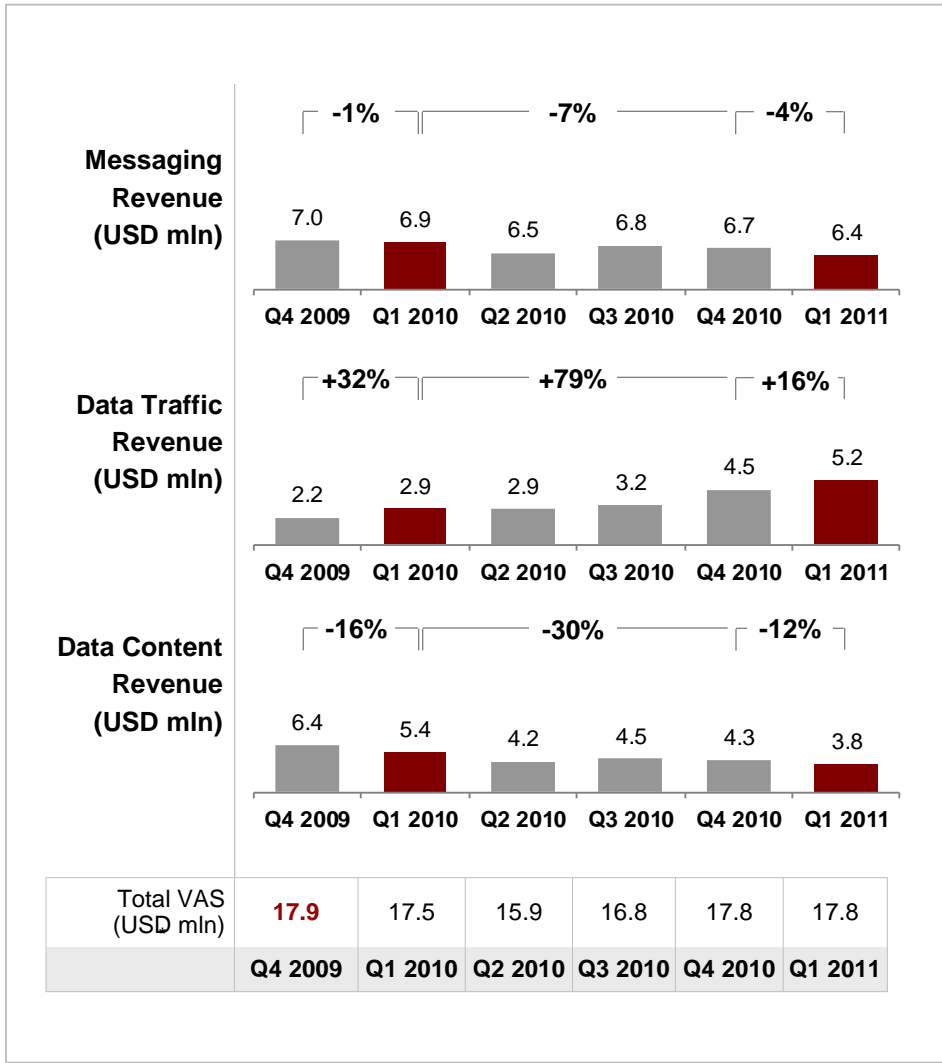
- ARPU decline reflective of seasonality and dilution of subscriber base through addition of mass market subscribers
- MOU performance in line with seasonal dynamic and addition of lower-value subscribers
- Continued growth in subscriber net additions during the quarter





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# Uzbekistan operating indicators



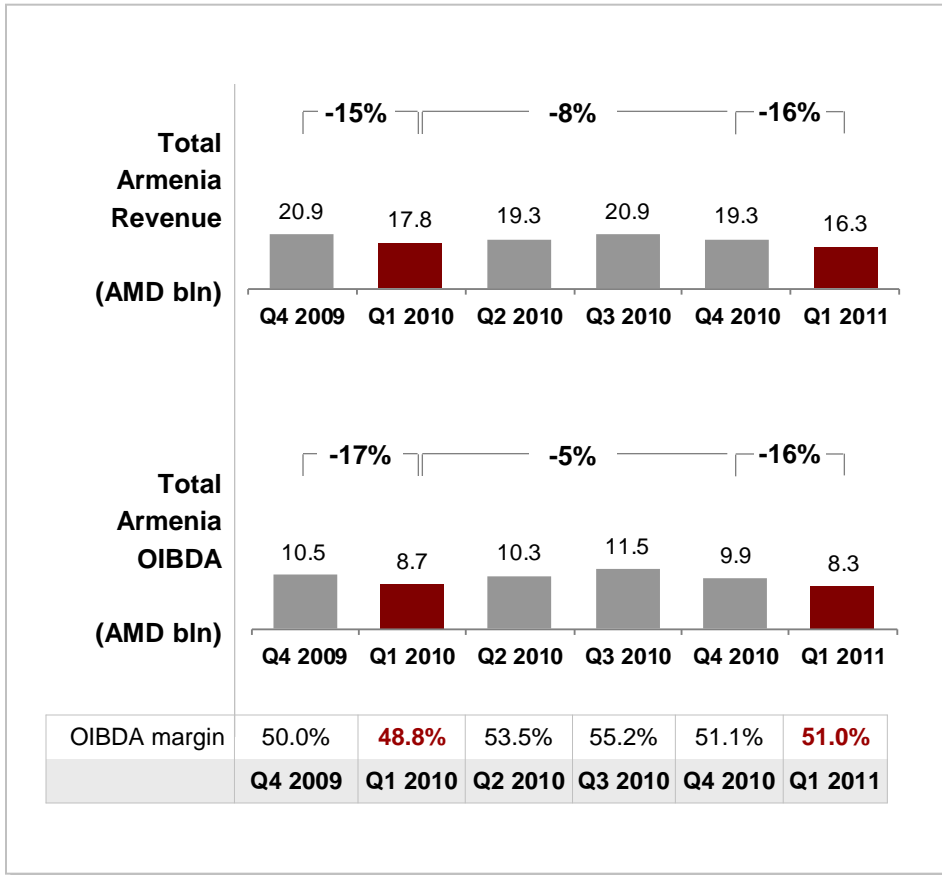
■ Key initiatives in Q1 2011:

- Renewal of “APN Access to corporate network” with new price options aimed at the corporate segment
- Launch of java app for popular “GOOD’ok” service introducing additional functionality
- Launch of a new service “Voice Greetings”
- Expansion of USB-modem product line with addition of affordable Huawei 3.6 and 7.2 Mbit/s modems



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# Armenia financial highlights

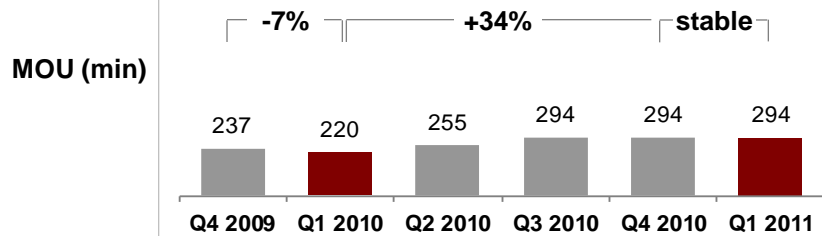
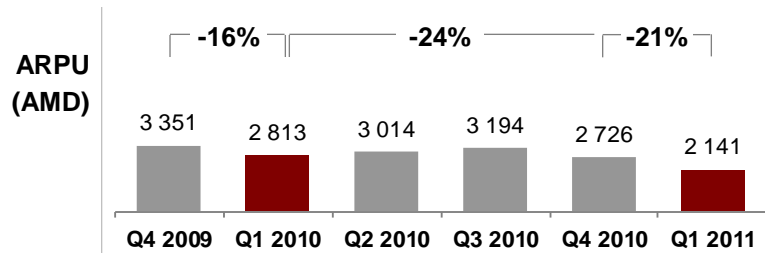


- Revenue dynamic impacted by seasonality and competitive factors
- OIBDA decline in line with revenue performance



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# Armenia operating indicators



Subs, mln	2 073.1	<b>2 108.9</b>	2 126.4	2 192.3	2 461.0	<b>2 549.7</b>
Churn rate, %	12.7%	<b>8.6%</b>	8.5%	7.7%	7.0%	<b>6.7%</b>
SAC	6 787.7	<b>6 868.7</b>	7 192.0	6 719.4	3 867.8	<b>6 005.4</b>
APPM	14.1	<b>12.8</b>	11.8	10.9	9.3	<b>7.3</b>
	<b>Q4 2009</b>	<b>Q1 2010</b>	<b>Q2 2010</b>	<b>Q3 2010</b>	<b>Q4 2010</b>	<b>Q1 2011</b>

- ARPU decline on the back of increasing price competition
- Usage stimulated through launch of tariffs and special promotions aimed at retaining existing and attracting new subscribers to compensate for competitive pressures




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Financial and corporate highlights

Key financial and operating results

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- Definitions and reconciliations
  - Russia fixed operating indicators



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## Appendix – Definitions and Reconciliations

**Non-GAAP financial measures.** This presentation includes financial information prepared in accordance with accounting principles generally accepted in the United States of America, or US GAAP, as well as other financial measures referred to as non-GAAP. The non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with US GAAP. Due to the rounding and translation practices, US dollar and functional currency margins, as well as other non-GAAP financial measures, may differ.

**Return on Invested Capital (ROIC)** is measured as (net income + interest expense + depreciation expense) / closing (equity + minority interest + long-term financial obligations).

**Operating Income Before Depreciation, and Amortization (OIBDA).** OIBDA represents operating income before depreciation and amortization. OIBDA margin is defined as OIBDA as a percentage of our net revenues. OIBDA may not be similar to OIBDA measures of other companies, is not a measurement under accounting principles generally accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of operations. We believe that OIBDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions of mobile operators and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Our OIBDA calculation is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within the wireless telecommunications industry. OIBDA can be reconciled to our consolidated statements of operations as follows:

	Q1 2010					Q4 2010					Q1 2011				
USD mln	Group	RUS	UKR	UZB	ARM	Group	RUS	UKR	UZB	ARM	Group	RUS	UKR	UZB	ARM
Operating income	679.6	663.9	11.2	32.0	-0.5	493.0	572.4	37.7	29.6	4.6	563.8	576.9	27.9	22.1	0.4
Add: D&A and impairment loss	477.9	332.5	93.5	24.5	23.1	666.2	383.6	84.5	32.4	22.8	562.0	417.3	87.7	34.6	22.2
Adjusted OIBDA*	1157.4	996.4	104.8	56.5	22.6	1159.2	956.0	122.2	62.0	27.4	1125.8	994.2	115.7	56.6	22.7

	Q1 2010					Q4 2010					Q1 2011				
	Group	RUS	UKR	UZB	ARM	Group	RUS	UKR	UZB	ARM	Group	RUS	UKR	UZB	ARM
Operating margin	26.0%	30.4%	4.7%	30.9%	-1.0%	16.5%	22.6%	14.0%	25.5%	8.5%	19.2%	22.7%	10.8%	21.1%	1.0%
Add: D&A and impairment loss	18.3%	15.2%	38.9%	23.7%	49.8%	22.2%	15.1%	31.3%	27.8%	42.6%	19.2%	16.4%	33.9%	33.0%	50.0%
Adjusted OIBDA margin	44.3%	45.6%	43.5%	54.6%	48.8%	38.7%	37.7%	45.3%	53.3%	51.1%	38.4%	39.1%	44.7%	54.1%	51.0%

\*Adjusted OIBDA represents operating income before depreciation & amortization, impairment of long-lived and other assets and acquisition related costs. For further information, please see the Appendix for definitions and reconciliations



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## Appendix – Definitions and Reconciliations

**Net debt** represents total debt less cash and cash equivalents and short-term investments. Our net debt calculation is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare our periodic and future liquidity within the wireless telecommunications industry. The non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with US GAAP.

USD mln	As of Dec 31, 2010	As of Mar 31, 2011
Current portion of LT debt and of capital lease obligations	757.1	1,127.1
LT debt	6,392.6	6,320.5
Capital lease obligations	10.9	9.4
Total debt	7,160.6	7,457.1
Less:		
Cash and cash equivalents	927.7	1,194.6
ST investments	333.6	480.4
Net debt	5,899.3	5,782.0

**Free cash flow** is represented by net cash from operating activities less cash used for certain investing activities. Free cash flow is commonly used by investors, analysts and credit rating agencies to assess and evaluate our performance over time and within the wireless telecommunications industry. Because free cash flow is not based in US GAAP and excludes certain sources and uses of cash, the calculation should not be looked upon as an alternative to our Consolidated statement of cash flows or other information prepared in accordance with US GAAP.

USD mln	For three months ended Mar 31, 2010	For three months ended Mar 31, 2011
Net cash provided by operating activities	965.5	908.0
Less:		
Purchases of property, plant and equipment	-188.1	-232.7
Purchases of intangible assets	-63.0	-46.0
Proceeds from sale of property, plant and equipment	1.6	3.3
Proceeds/ (purchases) of other investments	-	4.3
Investments in and advances to associates	0.1	3.0
Acquisition of subsidiaries, net of cash acquired	-6.2	-19.0
Free cash flow	710.0	620.9



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## Appendix – Definitions and Reconciliations

LTM OIBDA can be reconciled to our consolidated statements of operations as follows:

USD mln	Nine months ended Dec 31, 2010	Three months ended Mar 31, 2011	Twelve months ended Mar 31, 2011
	A	B	C = A + B
Net operating income	2,055.0	563.8	2,618.8
Add: depreciation and amortization	1,522.7	562.0	2,084.7
Add: long-lived assets impairment loss and acquisition related costs	137.8	-	137.8
Adjusted OIBDA*	3,715.5	1,125.8	4,841.3

\*Adjusted OIBDA results for FY 2010 do not include long-lived and other assets impairment loss and acquisition related costs \$137.8 mln in Q4 2010



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# Russia fixed operating indicators

	Q1 2011*	Q1 2010	Y-o-Y	Q4 2010	Q-o-Q
Total households passed, 000s	9 979	7,756	29%	9,890	1%
Total BB subs, 000s	1 892	1,359	39%	1,805	5%
Total pay-TV subs, 000s**	2 606	1767	47%	2553	2%
<b>Traditional segment in Moscow (MGTS)</b>					
<b>Residential</b>					
Number of subscribers / active lines (000s)	3,616	3,609	stable	3,615	stable
<i>incl. BB subscribers</i>	353	276	28%	336	5%
ARPU (RUR)	374	349	7%	355	5%
<b>Corporates</b>					
Number of subscribers (000s)	66	70	-6%	66	stable
<i>incl. BB subscribers</i>	29	30	-3%	29	stable
ARPU (excl. revenue from points of interconnect) (RUR)	7,320	6,468	13%	7,493	-2%
<b>Alternative segment in Moscow</b>					
<b>Residential subscribers</b>					
Number of subscribers (000s)	536	583	-8%	541	-1%
<i>incl. BB subscribers</i>	521	583	-11%	525	-1%
ARPU (RUR)	586	527	11%	625	-6%
<b>Corporate subscribers</b>					
Number of subscribers (000s)	29	27	7%	29	stable
<i>incl. BB subscribers</i>	14	16	-13%	14	stable
ARPU (RUR)	11,875	13,668	-13%	13,029	-9%
<b>Alternative segment in the regions &amp; CIS</b>					
<b>Residential subscribers</b>					
Number of subscribers (000s)	3,746	2,630	42%	3,661	2%
<i>incl. pay-TV subscribers**</i>	2,524	1,642	54%	2,461	3%
<i>incl. BB subscribers</i>	933	426	119%	863	8%
ARPU (RUR)	178	158	13%	204	-13%
<b>Corporate subscribers</b>					
Number of subscribers (000s)	81	58	40%	73	11%
<i>incl. BB subscribers</i>	41	28	46%	38	8%
ARPU (RUR)	2,850	3,299	-14%	3,177	-10%

\* Q1 2011 subscriber numbers include those of Inteleca. ARPU calculations are based on financials and subscriber numbers excluding those of Inteleca.

\*\* Figures retrospectively adjusted in line with MTS definitions





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## Appendix – Definitions and Reconciliations

**Average monthly service revenue per subscriber (ARPU).** We calculate our ARPU by dividing our service revenues for a given period, including interconnect, guest roaming fees and connection 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.

**Subscriber.** We define a “subscriber” as an individual or organization whose account shows chargeable activity within sixty one days in the case of post-paid tariffs, or one hundred and eighty three days in the case of our pre-paid tariffs, or whose account does not have a negative balance for more than this 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 and handset subsidies for a given period. Sales and marketing expenses include advertising expenses and commissions to dealers. 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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## Appendix – Adjusted OIBDA definition

According to the SEC definition Sec. 103 EBIT and EBITDA, measures that are calculated differently than those described as EBIT and EBITDA in the materials should not be characterized as "EBIT" or "EBIDTA." Instead, the titles of these measures should clearly identify the earnings measure being used and all adjustments. MTS reports adjusted OIBDA due to its treatment of the impairment of long-lived and other assets and acquisition-related costs that relates to Q4 2009 and Q4 2010.



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