



a step ahead

## Group financial results for the third quarter 2012

Investor conference call – November 14, 2012

Mr. Andrei Dubovskov, President, Chief Executive Officer

Mr. Alexey Kornya, Vice President, Chief Financial Officer



a step ahead

**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.



a step ahead

# Contents

## Financial and corporate highlights

MTS Bank

Key financial and operating results

Appendix

- News summary and recent events
- Group financial highlights
- Group balance sheet and Free Cash Flow
- Group capital expenditures
- Group debt
- Subscriber base dynamics
- Revised outlook for 2012
- Dividend history and projected dividends
- 3i Strategy



a step ahead

## Group news summary for Q3 2012 and recent events

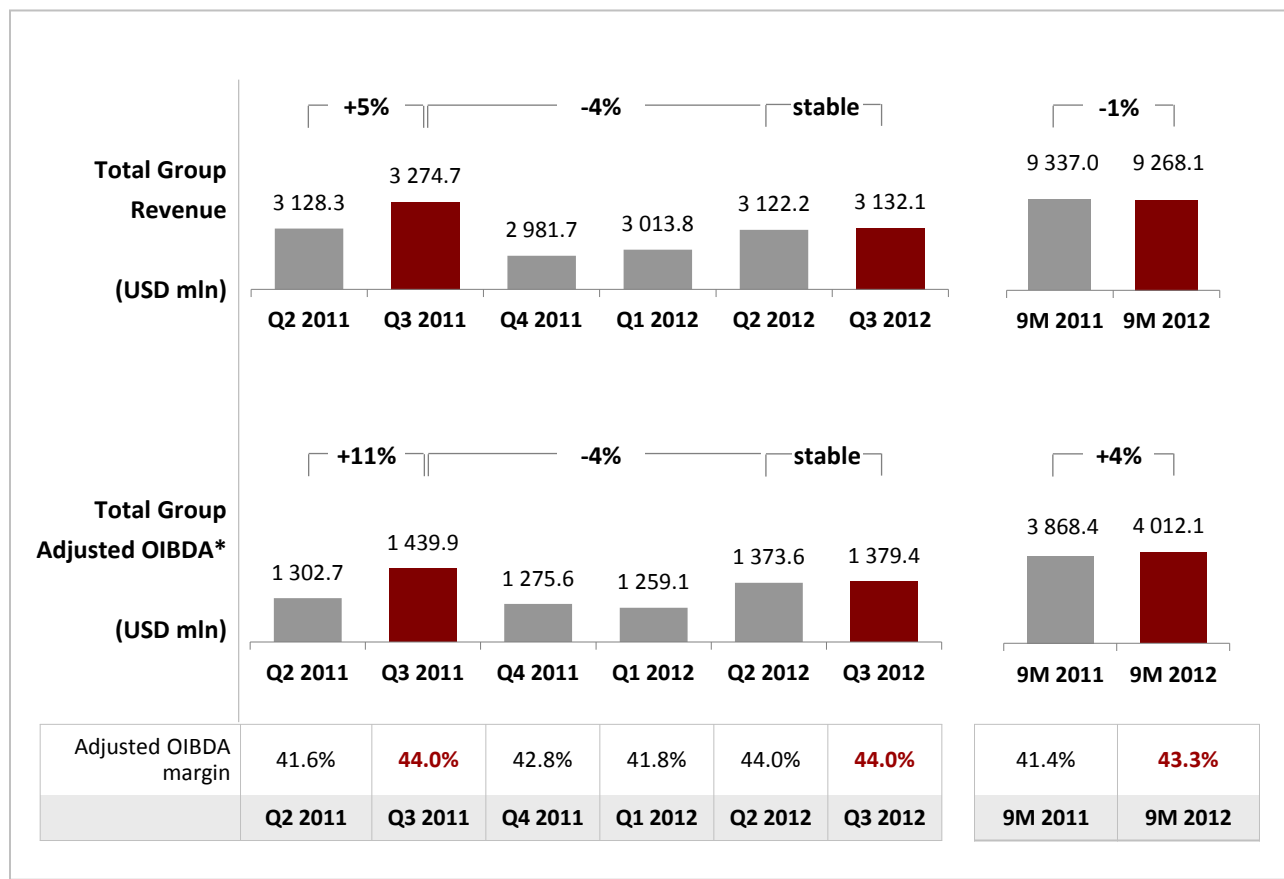
### Q3 2012 highlights

- Obtained license and frequencies to provide LTE telecommunication services in Russia in the FDD (frequency division duplexing) standard
- Announced the withdrawal of operating licenses of Uzdunrobita FE LLC (“MTS-Uzbekistan”), MTS’s wholly owned subsidiary in Uzbekistan
- Completed the dividend payment of RUB 14.71 per ordinary MTS for the 2011 fiscal year, amounting to a total of RUB 30.4 bln
- Resumed operations in Turkmenistan
- Repurchased the series 05 ruble-denominated bond in the amount of approximately RUB 13.2 bln and changed the bond’s coupon rate from an annual rate of 14.25% to 8.75%
- Launched MVNO LTE network in Kazan
- Launched Russia’s first TDD (time division duplexing) LTE network in Moscow and the Moscow region
- Acquired a 100% stake in Elf group of companies, a fixed broadband and pay-TV services provider in Belgorod and the Belgorod region, for RUB 220 mln
- Acquired a 100% stake in LLC “Intercom”, a broadband and cable TV provider in the Mari El Republic, for RUB 90 mln

### Thereafter

- Signed a non-binding indicative offer between MTS, MTS Bank and Sistema JSFC to purchase up to 25.095% stake in MTS Bank through a share issuance for up to RUB 5.09 bln
- Pursuant to the decision of the appeals court of the Tashkent City Criminal Court the amount of penalties to be paid by MTS-Uzbekistan was determined at approximately \$600 mln and the previously arrested assets of MTS-Uzbekistan were unfrozen

# Group financial highlights: Revenue and OIBDA

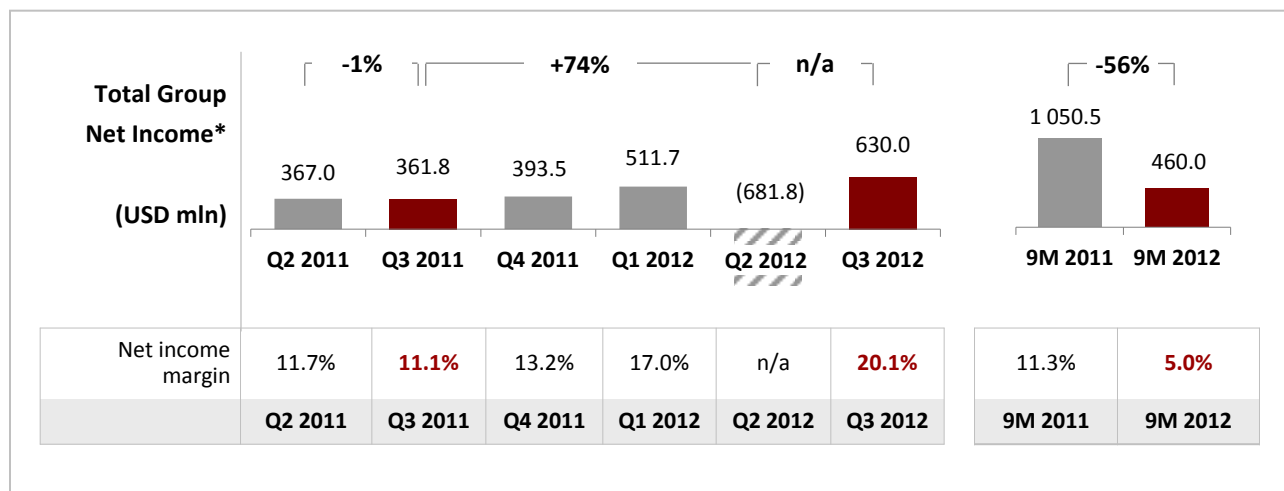


- Quarter-over-quarter revenue dynamics impacted by loss of Uzbekistan revenue due to suspension of operating license
- Revenue further weakened by ruble dynamics vs. US dollar during the period despite positive seasonal factors and higher consumption of voice and data products
- Higher year-to-date OIBDA margin improvement due to improved sales & marketing expenses and sustained general & administrative cost controls

\*Adjusted OIBDA represents operating income before depreciation and amortization, impairment of long-lived and other assets and tax and antimonopoly claims in Uzbekistan in Q2 2012

For further information, please see the Appendix for definitions and reconciliations

## Group financial highlights: Net Income



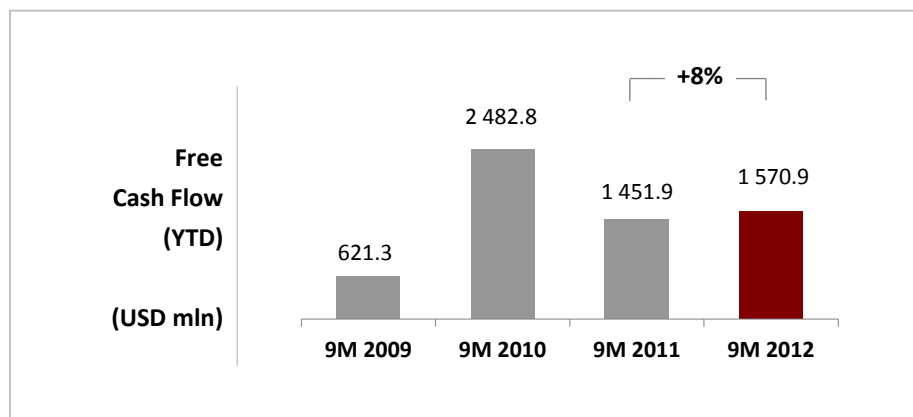
- Strong bottom line in Q3 2012 due to lower interest expenses and a non-cash foreign currency gain of \$100.0 mln

\*Includes in Q2 2012 a non-cash impairment for goodwill and long-lived assets of \$579 mln and provision for tax and antimonopoly claims of \$500 mln recorded in the second quarter resulting from the suspension of operations in Uzbekistan in July 2012



a step ahead

## Group balance sheet and Free Cash Flow



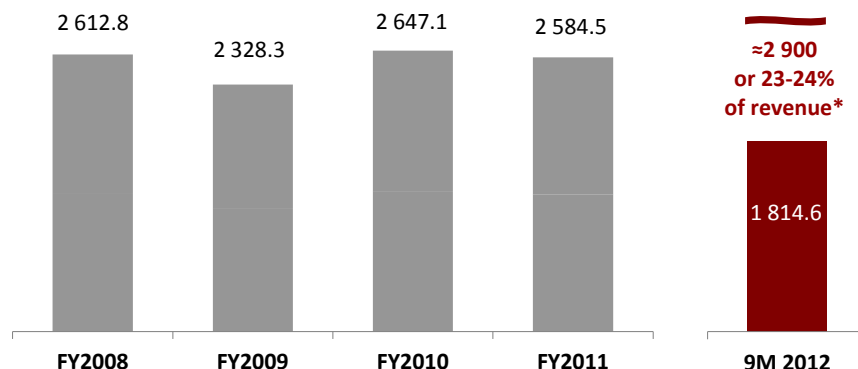
- Free cash flow\* of \$1.6 bln for the nine months of 2012

Balance sheet (USD mln unless noted)	As of Dec 31, 2011	As of Sep 30, 2012
Cash and cash equivalents	\$1 850.8	\$751.8
Short-term investments	\$86.2	\$131.7
Total debt	\$8 715.2	\$7 305.0
Long-term debt	\$7 559.5	\$6 523.5
Short-term debt	\$1 155.7	\$781.5
Net debt*	\$6 778.2	\$6 421.5
LTM Adjusted OIBDA*	\$5 144.1	\$5 287.8
Net debt/LTM Adjusted OIBDA	1.3x	1.2x

- Decline in cash on hand due to FY2011 dividend payment
- Decline in net debt/LTM OIBDA due to improving operating performance and strong debt management practices

\*See reconciliations of net debt, LTM OIBDA and free cash flow to consolidated financial statements in the appendix; certain figures, like Free Cash Flow, are subject to currency volatility between the US dollar and currencies of those markets where MTS operates.

## Group capital expenditures



	FY2008	FY2009	FY2010	FY2011	9M 2012
Russia	1 784.7	1 389.7	2 260.0	2 245.7	1 652.4
Ukraine	595.6	377.4	154.9	148.0	68.1
Uzbekistan	139.7	460.3	157.9	145.7	80.8
Turkmenistan	58.2	52.4	44.4	n/a	n/a
Armenia	34.6	48.5	29.9	45.0	13.2
Group	2 612.8	2 328.3	2 647.1	2 584.5	1 814.6
- as % of revenue	22.0%	23.7%	23.4%	21.0%	19.6%
(in USD mln)	2008	2009	2010	2011	9M 2012

- Capital expenditures for nine months of 2012 total \$1 814.6 mln
- Continuation of 3G network build-out in Russia with a total of over 26 000 3G base stations at the end of Q3 2012
- Upgrade of 3G base stations to support LTE standard in the Moscow region
- Continuation of roll-out of GPON project in Moscow
- Sustained modernization of regional fixed-line networks

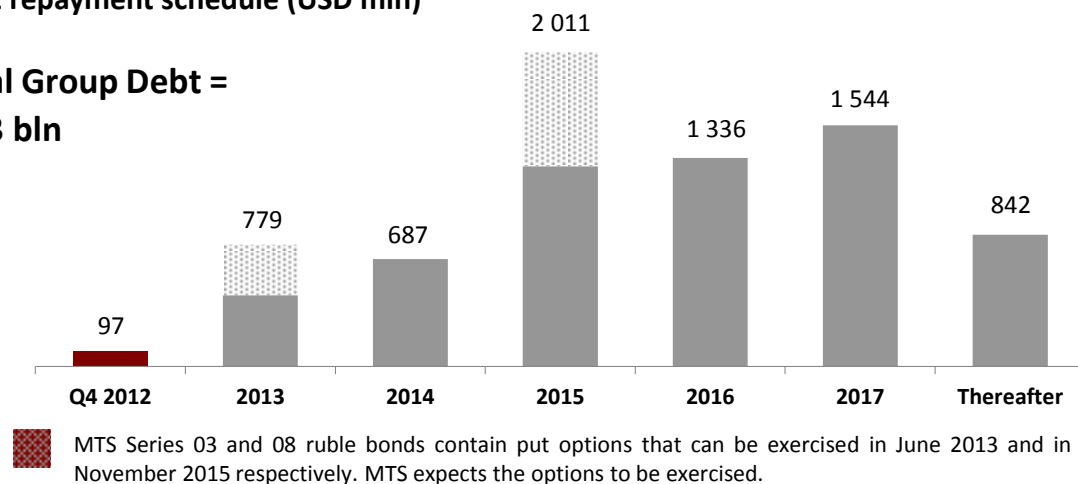
\* Estimated CAPEX spend for 2012E; see slide 'Revised Outlook for 2012' for more information



## Group debt at the end of Q3 2012

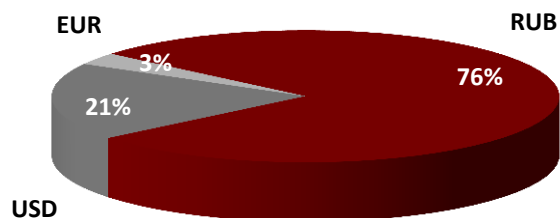
### Debt repayment schedule (USD mln)

**Total Group Debt =  
\$7.3 bln**

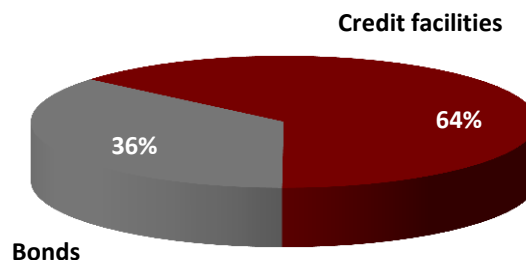


- Debt optimization initiatives created a portfolio with manageable principal repayment schedules in the short- and medium-term
- In July 2012, MTS repurchased the series 05 ruble-denominated bond in the amount of approximately RUB 13.2 bln
- Debt composition reflective of the Company's internal target of maintaining 70% of its portfolio in ruble-denominated instruments

### Debt composition by currency Q3 2012\*



### Debt composition by type Q3 2012



\*Debt composition by currency includes FOREX hedging in the amount of \$300 mln as of Q3 2012



a step ahead

## Group subscriber base dynamics during the quarter

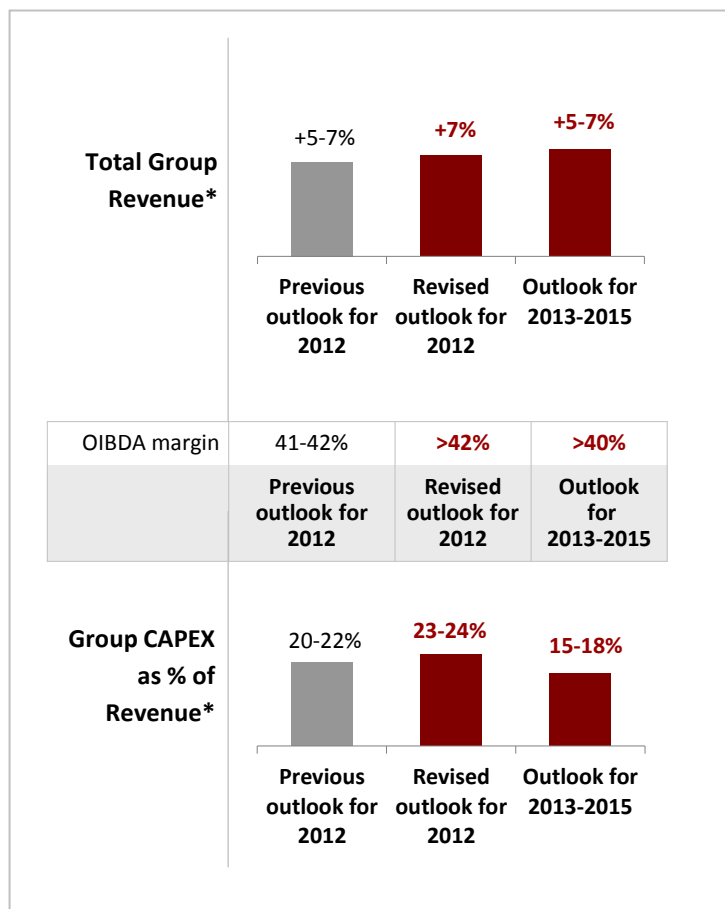
MTS subscribers (mln unless noted)	Q2 2012	Q3 2012	% change
<b>Total mobile</b>	<b>105.56</b>	<b>99.16</b>	<b>-6.1%</b>
Russia:			
- mobile	69.59	70.73	1.6%
- households passed, 000s	11 507	11 761	2.2%
- broadband Internet, 000s	2 285	2 224	-2.7%
- pay TV, 000s	2 937	2 949	stable
Ukraine*	19.64	20.09	2.3%
Uzbekistan	9.00	-	n/a
Turkmenistan	-	0.85	n/a
Armenia	2.31	2.35	1.7%
Belarus**	5.02	5.14	2.4%

\*Including CDMA subscribers

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

- Overall mobile subscribers decline due to suspension of operations in Uzbekistan
- In Russia, MTS continues to focus on mobile subscriber quality and churn optimization by driving sales through its mono-brand network and motivating third-party dealers to drive top-offs
- Decrease in a number of broadband subscribers due to termination of WiMAX operations in Moscow as we transition to LTE
- Number of broadband and pay TV subscribers impacted by reconciliation of acquired companies' subscriber definitions with those of MTS

## Revised outlook for 2012\*

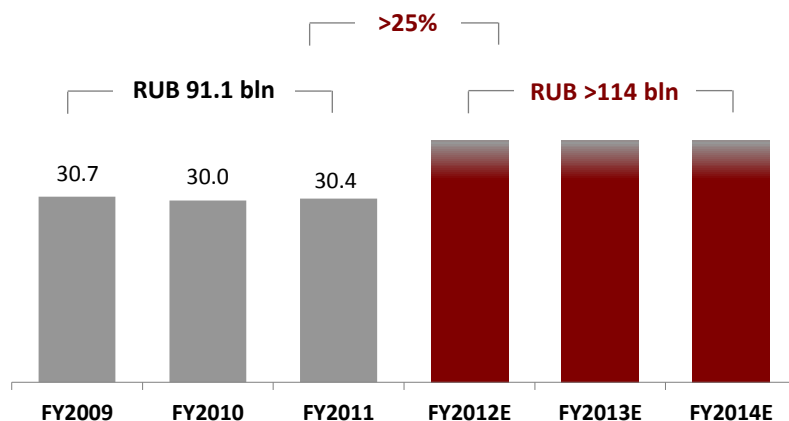


\*Based on regional currency FOREX rates relative to the US dollar as of March 12, 2012 or when MTS disclosed its full-year 2011 financial and operating results

- Management amends revenue growth guidance to **7%** in local currency; Key factors may include:
  - Macroeconomic developments in core markets
  - Increase in voice usage through tariffs designed to drive on-net usage and improve customer loyalty
  - Growth in data revenues through higher penetration of smartphones and modems penetration
  - Further development of our businesses in the CIS
- Guidance for OIBDA margin amended to **>42%**, which reflects improved competitive outlook in the market, despite cost pressure due to:
  - Slower top-line growth year-over-year
  - Increasing labor costs due to higher social taxes
  - Inflationary pressure in operational expenses
  - Retail development and sales of handsets and devices
  - Suspension of higher-margin operating activities in Uzbekistan
- CAPEX guidance for the year as percent of revenue amended to **23 – 24%** or **≈\$2.9 billion** due to:
  - Weakening of core ruble currency versus the US dollar
  - Modest acceleration in build-out of 3G networks and preparation for LTE roll-out
- Longer-term guidance to be amended during Q4 2012 disclosure

## Dividend history and projected dividends

Dividend payment, 2009-2014E (RUB bln)



	FY2009	FY2010	FY2011	FY2012E - 2014E
RUB per share	15.4	14.5	14.7	>18.3 per annum

- MTS's philosophy remains to pay out a fair remuneration based upon the operational performance of MTS while factoring earnings growth, capital expenditure requirements, cash flow from operations, opportunities for inorganic growth as well as the Company's overall debt position
- MTS is currently devising an amended dividend policy tying its payout to free cash flow
- MTS will recommend to its Board of Directors to increase our cumulative dividend payout over the next three years by at least 25% in relation to the roughly RUB 91 bln we have paid out since FY2009
- This implies a total cumulative dividend of at least RUB 114 bln or at least RUB 18.3 per share per annum for FY2012 to FY2014
- Decisions on dividends are ultimately however proposed by the Board of Directors and voted upon thereafter at an annual general meeting of shareholders (AGM) in the first half of the year

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>	<p>Increasing customer lifetime value</p> <p>Generating shareholder returns</p>
<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>	



a step ahead

## Contents

Financial and corporate highlights

### MTS Bank

Key financial and operating results

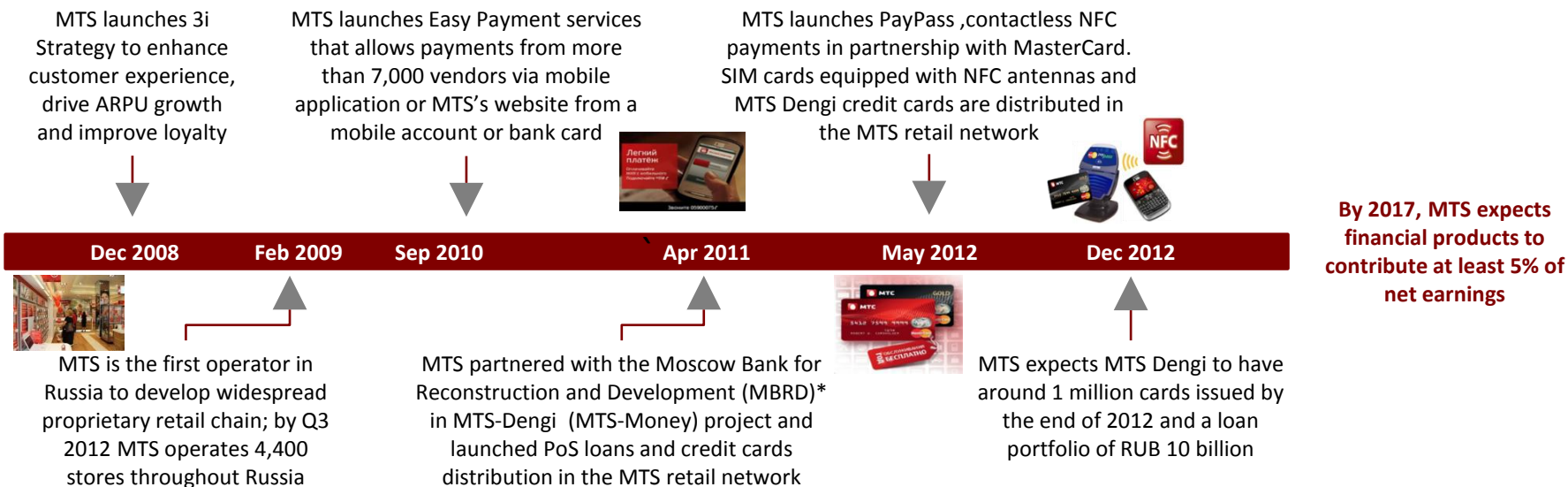
Appendix

- MTS & Financial Services
- Strong growth in retail banking
- Growth in retail lending
- Expected growth in payments
- MTS Bank transaction & МТС Деньги/MTS Dengi



a step ahead

## MTS & Financial Services



### Twin pillars of MTS's strategy in Financial Services

#### Mobile payments

- Enhancing capability of mobile payments
- Broadening mobile commerce platforms

#### Financial products

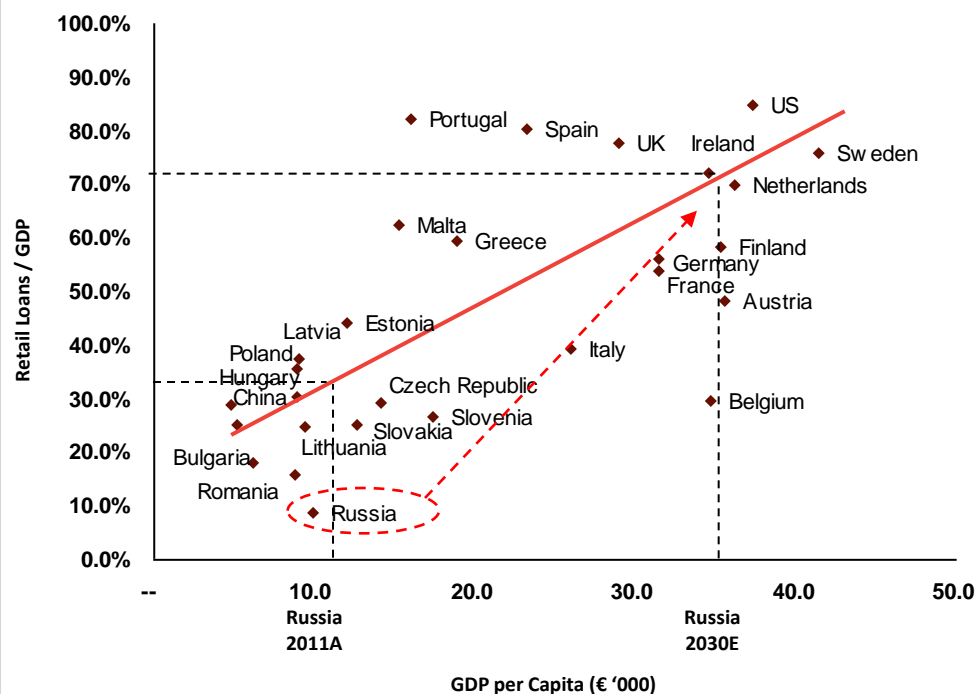
- Promoting innovative financial products in the "unbanked" Russian market
- Stimulating sales of smartphones and data-generating devices

\*In February 2012, MBRD rebranded to MTS-Bank

## Research analysts expect strong earnings growth in Russian banking sector

	Average EPS Growth			CAGR '11-'14	ROAE 2014E
Russia	14.4%	15.8%	16.8%	15.7%	14.4%
	2012E	2013E	2014E		
Latin America	12.8%	10.7%	11.8%	12.2%	17.8%
	2012E	2013E	2014E		
Asia ex. Japan	13.2%	11.7%	11.9%	12.2%	13.6%
	2012E	2013E	2014E		
Emerging Europe ex. Russia	6.8%	8.4%	9.2%	7.9%	11.1%
	2012E	2013E	2014E		
US	4.0%	7.3%	7.5%	6.2%	8.4%
	2012E	2013E	2014E		
Western Europe	(4.9%)	3.1%	2.3%	(1.4%)	6.3%
	2012E	2013E	2014E		

## Regression analysis suggests further growth potential in retail banking



**Russia's retail loans are expected to grow at 19% CAGR 2011 – 2030 based on regression analysis**

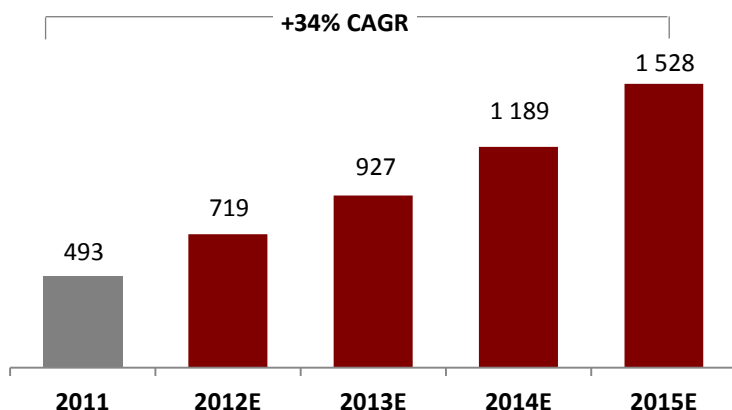




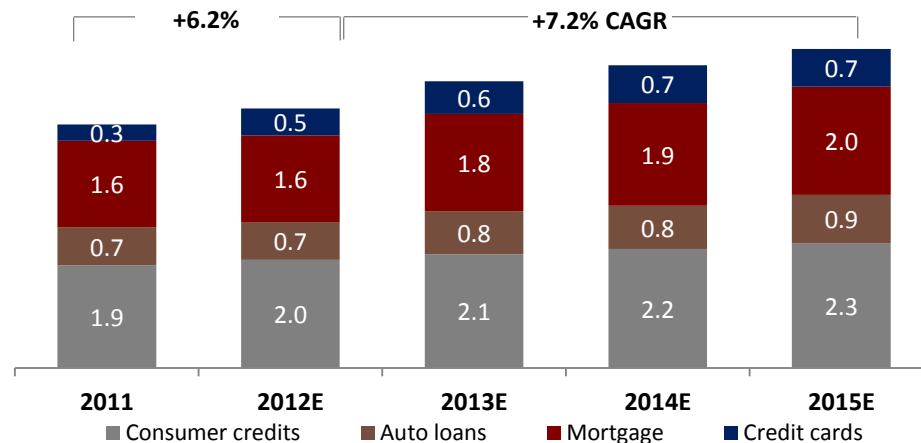
a step ahead

## Growth in retail lending

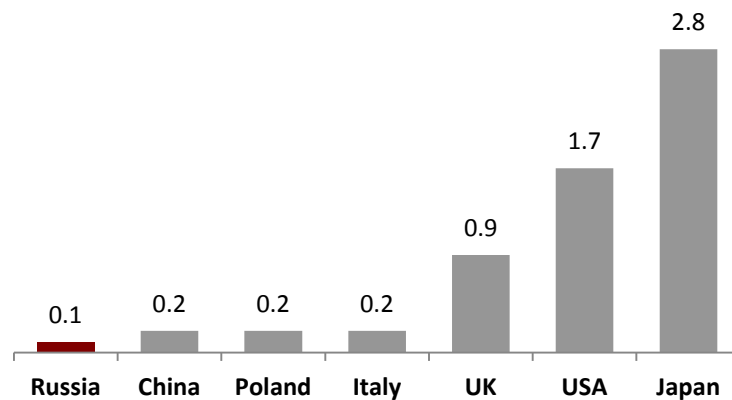
Revenue in Russian retail loan products sector, RUB bln



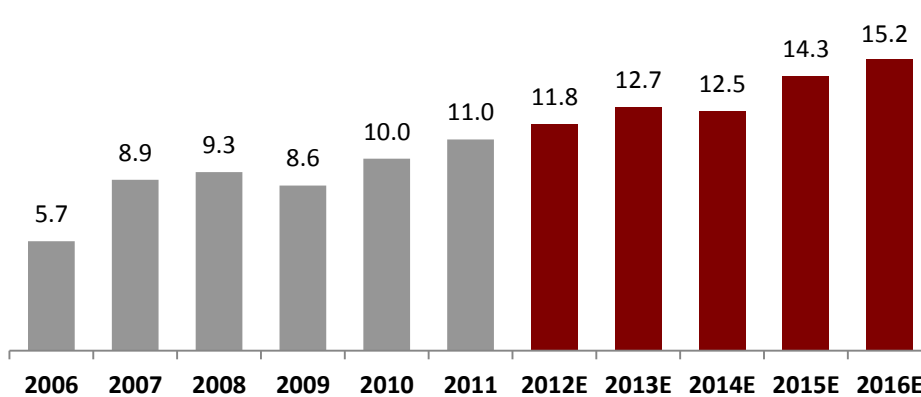
Retail lending products in Russia by volumes issued, RUB trln



Number of credit cards per capita, 2011



Number of credit cards issued in Russia as at the end of the year, mln



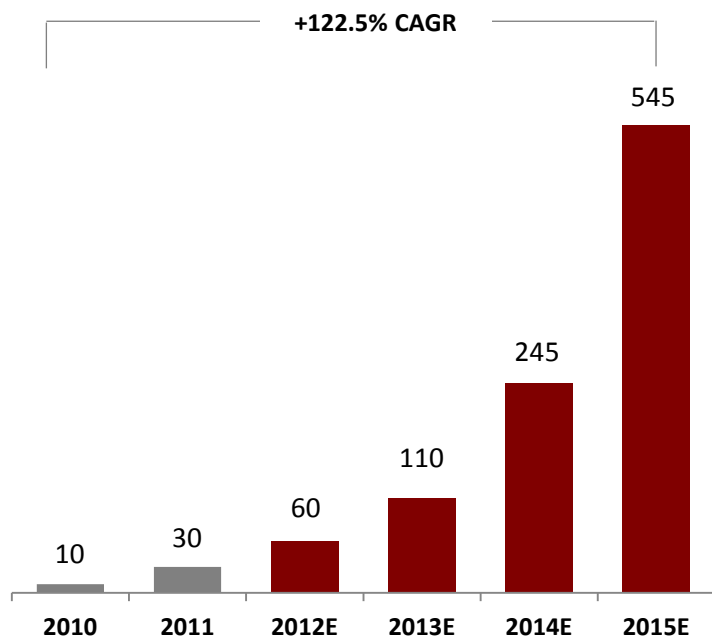
- Penetration of credit products in Russia is significantly lower than in developed and developing markets
- Volume of retail lending is forecasted to grow at 7.2% CAGR in 2012-2015
- Under-penetration in Russia's credit cards is even more pronounced than in the broader retail banking and indicates more rapid expected growth



a step ahead

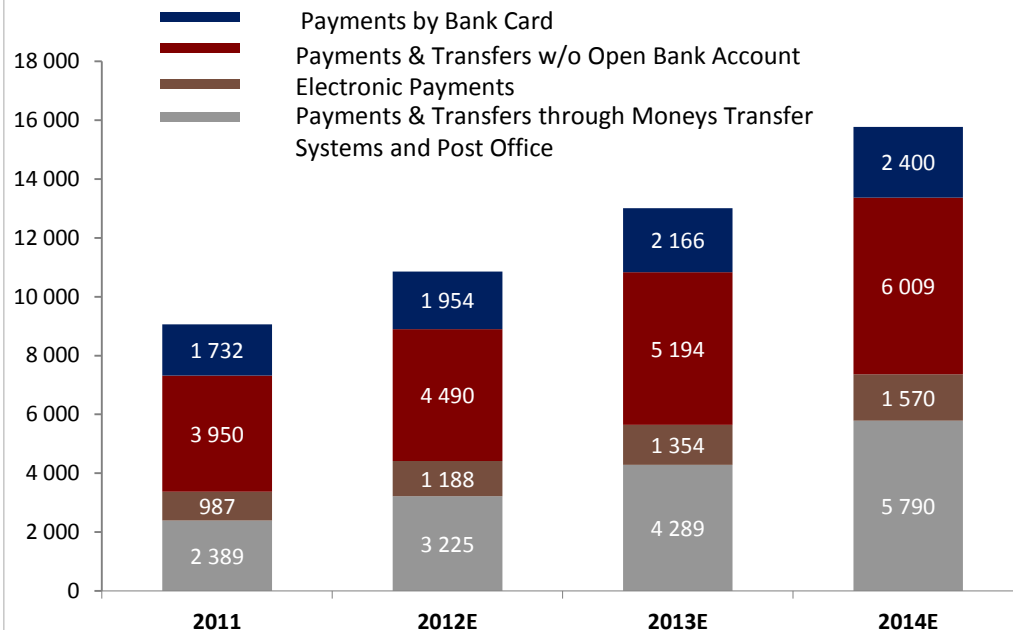
## Expected growth in payments

Gross Value of Global Mobile Payment Transactions, USD bln



- Mobile penetration globally by far exceeds penetration of financial services: 2 billion credit card users versus 5 billion mobile phone users
- Mobile payments will be growing much faster than e-commerce: CAGR of 122.5% is forecasted in mobile payments 2010-2015E compared to only 15% CAGR in turnover of e-commerce

Market volume for payments and money transfer by individuals in Russia, RUB mln



- Volume of e-payments in 2011 in Russia is estimated at RUB 987 bln
- In 2012-2014 volume of payments and transfers by individuals is expected to grow at an annual rate of 20% in Russia
- Quick growth of credit cards penetration will be driving turnover of payments



# MTS Bank transaction & МТС Деньги/MTS Dengi



## Key Benefits

- Enables MTS to better capture growth in financial services
- Provides MTS with a voice through representation at the MTS Bank BoD and influence over the operations of the bank
- Utilizes the MTS brand, the most powerful telecommunications brand in Russia
- Allows MTS to distribute financial products to a larger share of its 70 million mobile customers
- Creates data mining/CRM possibilities
- Leverages pan-Russia retail network of 4,400 stores

## Valuation of MTS Bank

Implied equity value= RUB 15.2 bln  
Book value\* = RUB 16.9 bln  
P/B ratio = 0.90\*



**МТС Деньги**

**Deal structure and valuation enables MTS and MTS Bank to agree on profit-sharing agreement for the development of the MTS Dengi project**

## Key Benefits

- Provides capital infusion to fund the development of MTS Dengi project
- Funding through subordinated loan for retail improvement to ensure MTS customers enjoy a high-quality customer experience throughout all MTS-branded properties
- Banking license and existing footprint
- Expertise in financial services
- Trained personnel to sell financial products
- Scoring methodology and existing IT infrastructure
- Balanced and transparent dual shareholder structure
- Subsequent funding of the bank development commensurate with ownership stakes



## MTS Dengi Products



Credit Cards



PoS Loans  
Cash Loans



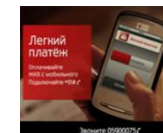
NFC-Enabled Cards



Virtual Cards



Gift Cards



Mobile Commerce

\*Based on the Book Value as of H1 2012 in accordance with the IFRS standards.



a step ahead

## Contents

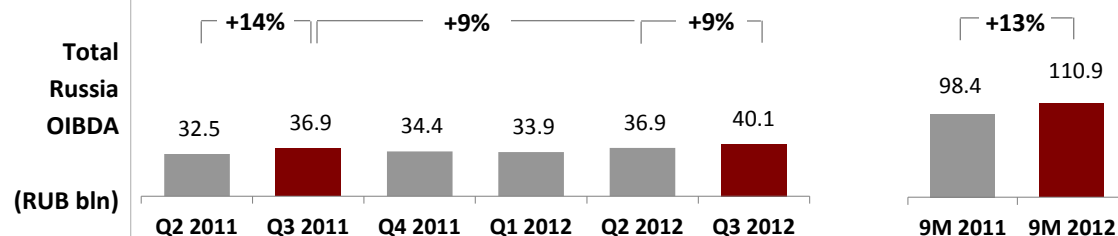
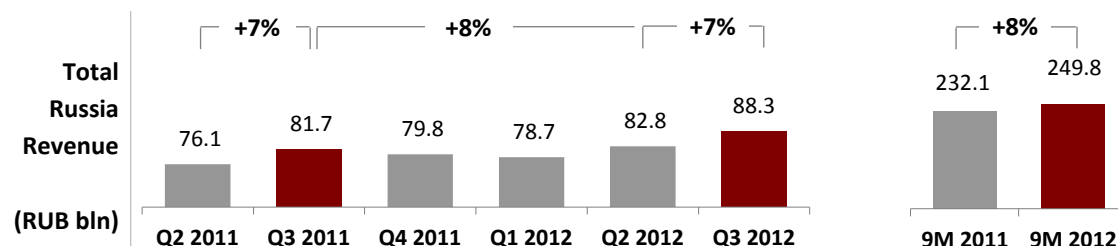
Financial and corporate highlights

MTS Bank

**Key financial and operating results**

Appendix

- Russia
- Ukraine
- Armenia
- Turkmenistan
- Uzbekistan

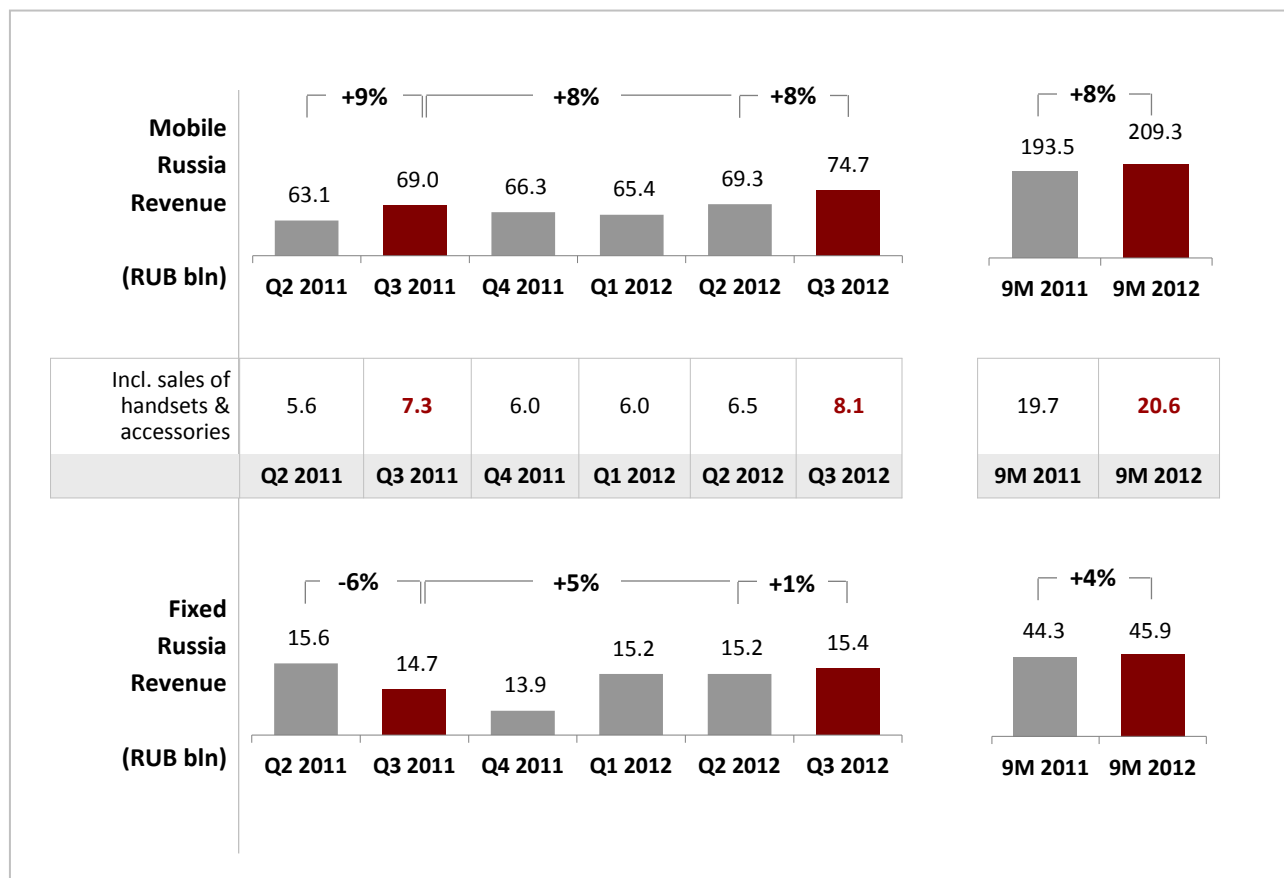


OIBDA margin	42.7%	45.1%	43.2%	43.1%	44.6%	45.4%
	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012

	42.4%	44.4%
	9M 2011	9M 2012

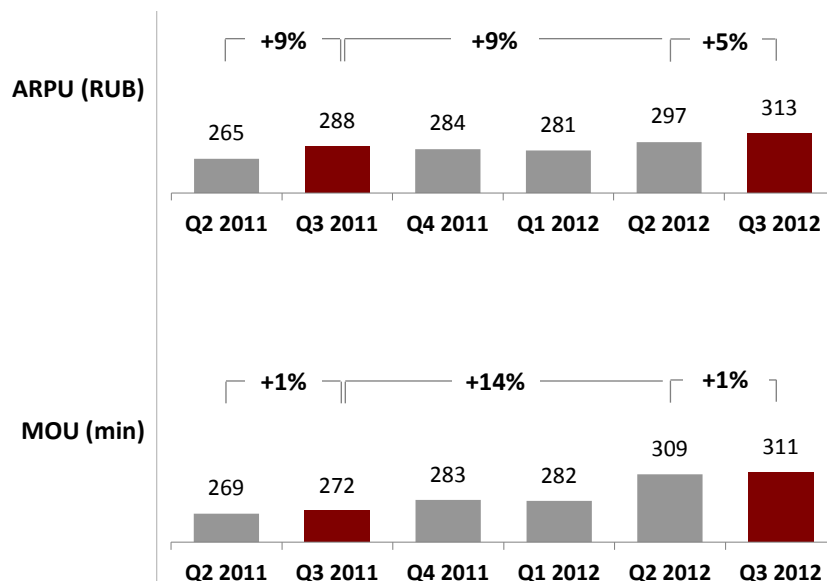
- Quarter-over-quarter revenue growth in line with positive seasonal trends and reflective of higher contribution from roaming revenues and growth in sales of handsets
- Year-over-year revenue growth as a result of sustained increase in voice and data usage
- Absolute OIBDA year-over-year improvement indicative of continued cost optimization, change in dealer remuneration policies and increasing share of high-margin data revenues

## Russia revenue breakdown



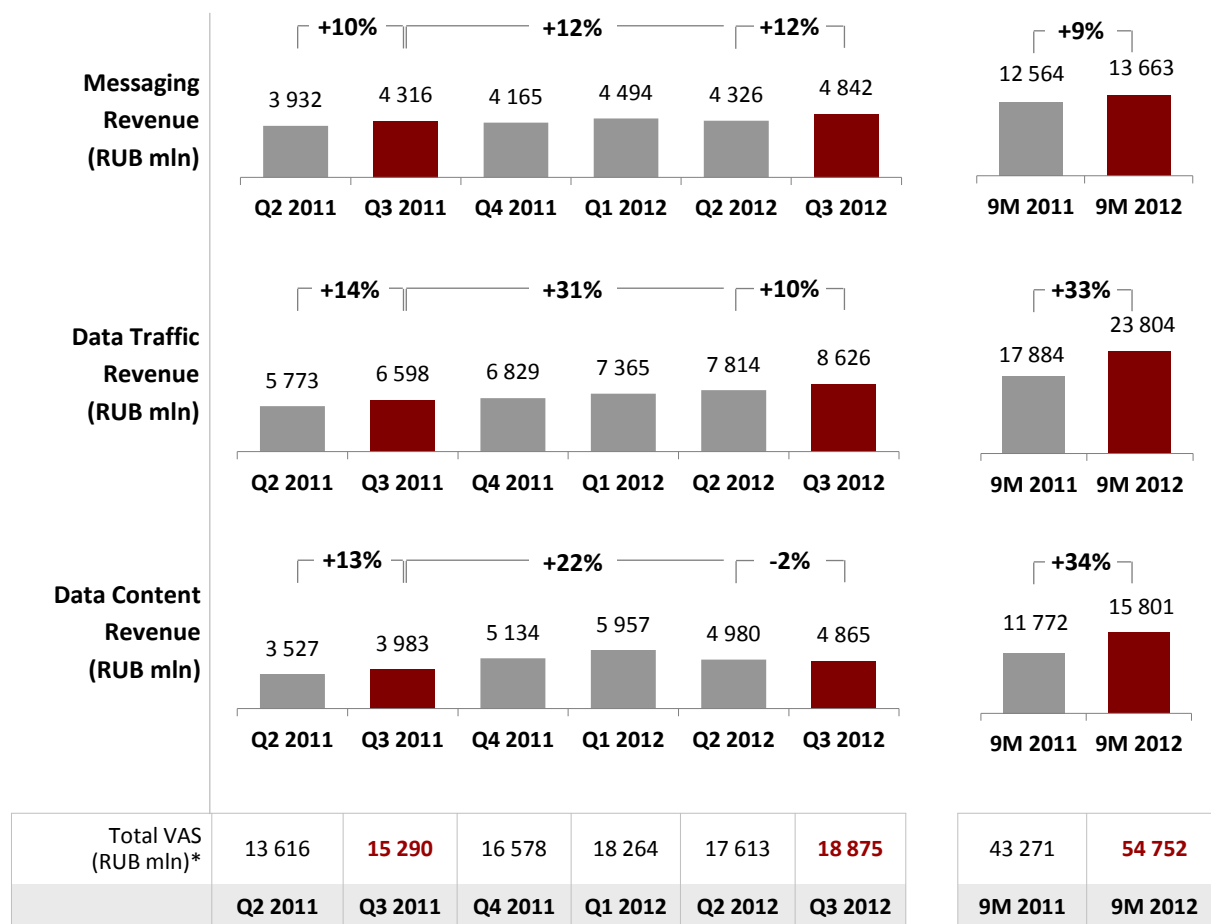
- Mobile service revenue year-over-year growth as a result of sequential increase in voice and data usage, as well as higher sales in handsets
- Sales of handsets and accessories increased driven by seasonal trends, expansion of the retail network, a greater share of smartphones in the sales mix, and increased usage of point-of-sale credit for purchases
- Year-over-year growth in fixed revenue enhanced by Company's M&A activity and modernization of regional networks

## Russia mobile operating indicators



Subs, mln	71.1	<b>70.1</b>	70.0	69.4	69.6	<b>70.7</b>
Churn rate, %	11.3%	<b>11.9%</b>	12.3%	11.3%	10.5%	<b>10.3%</b>
VAS ARPU	64.4	<b>69.7</b>	72.8	81.7	77.5	<b>80.0</b>
- as % of ARPU	24.3%	<b>24.2%</b>	25.7%	29.1%	26.1%	<b>25.6%</b>
APPM	0.98	<b>1.06</b>	1.00	0.99	0.96	<b>1.01</b>
	<b>Q2 2011</b>	<b>Q3 2011</b>	<b>Q4 2011</b>	<b>Q1 2012</b>	<b>Q2 2012</b>	<b>Q3 2012</b>

- Strong year-on-year ARPU growth driven by the Company's efforts to stimulate voice and data usage
- MOU growth as a result of the Company's continued focus on increasing voice usage to drive loyalty and increase customer value
- Sequential churn improvement reflective of the Company's efforts to attract high-quality subscribers, stimulate subscriber loyalty and sustained effect of revised dealer remuneration policies



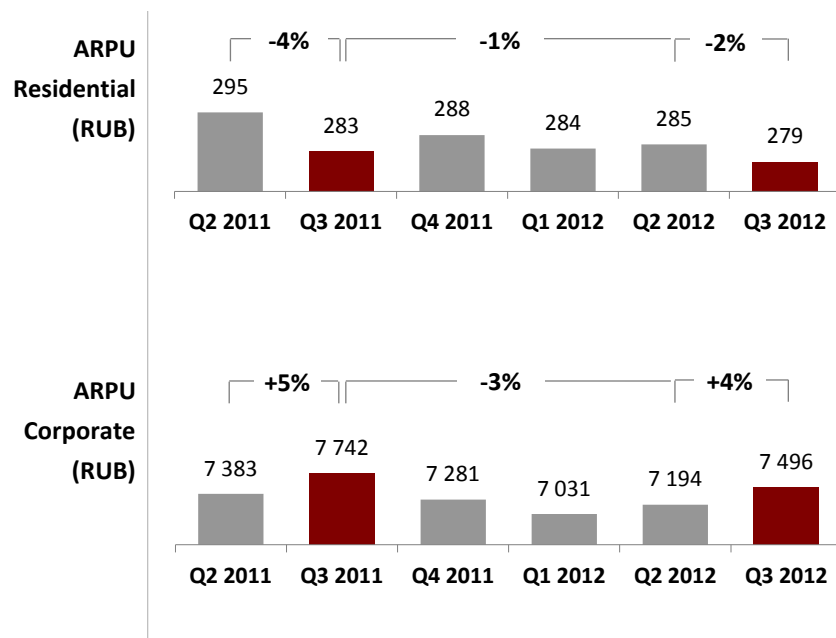
■ Key initiatives included:

- Launch of campaign: month of “Unlimited Internet on Phone” (BIT) for free with Super MTS tariff plan
- Active promotion of data usage in roaming
- Month of unlimited internet for free for clients purchasing Samsung and Nokia smartphones

- Sequential decrease in content revenues due to seasonal factors and anti-fraud activities



## Russia fixed operating indicators



Total households passed, 000s	10 079	10 415	11 433	11 448	11 507	11 761
Total BB subs, 000s	1 957	2 032	2 152	2 238	2 285	2 224
Total pay-TV subs, 000s*	2 635	2 741	2 987	2 971	2 937	2 949
	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012

- Residential ARPU quarter-on-quarter decline impacted by seasonal factors with a generally lower subscriber activity during Summer
- Quarter-on-quarter increase in corporate ARPU in-line with seasonal trends in the corporate market and impacted by growing share of value-added products

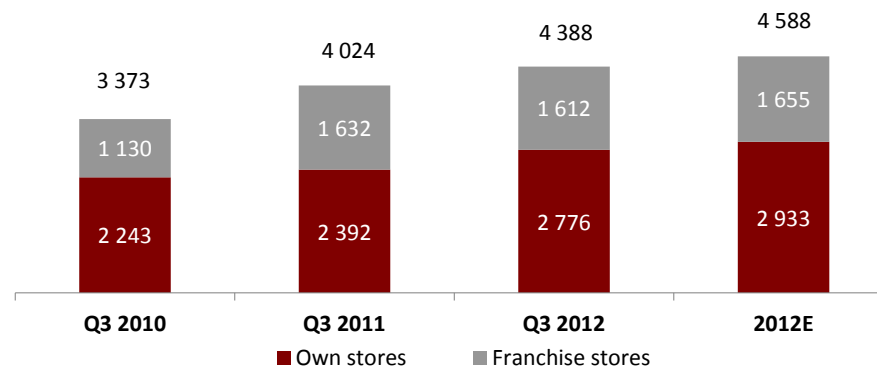


a step ahead

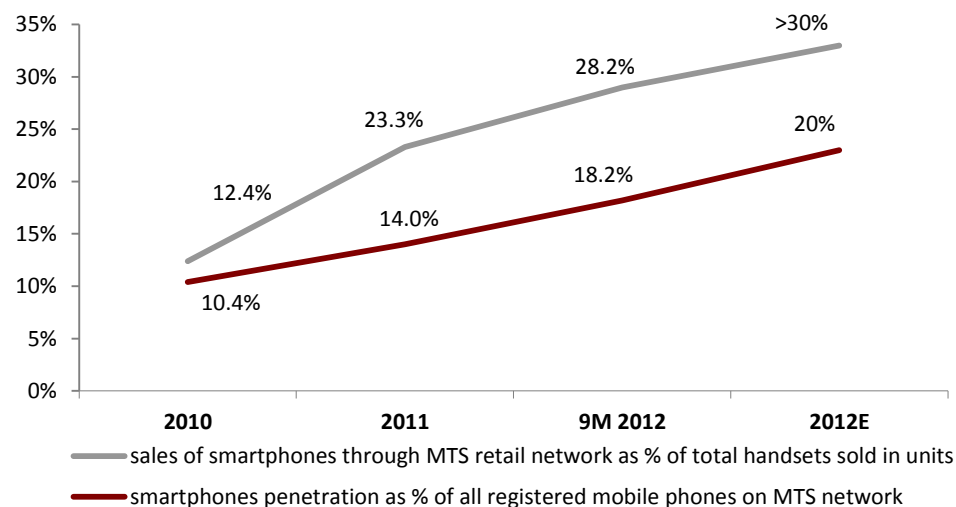
## MTS retail network development

- MTS continues to expand its retail chain with a focus on smaller markets to drive sales of higher-margin data products and services
- At the end of Q3 2012, MTS retail network comprised 4,388 stores, including 1,612 franchised outlets. MTS plans to increase its retail footprint by up to 200-300 stores till the end of the year
- Sales increased by 29% quarter-over-quarter in terms of units sold in Q3 2012
- Sales of smartphones in the sales mix advanced by 8pp year-over-year in terms of units sold in Q3 2012

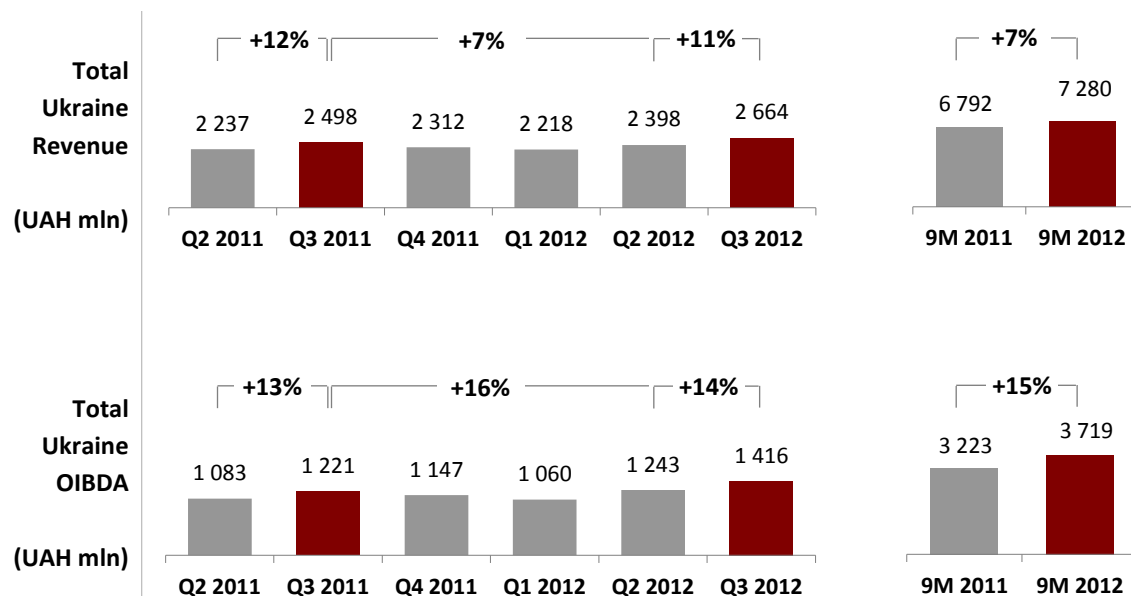
Expansion of the MTS retail network, 2010 – 2012



Smartphones\* sales and penetration, 2010 – 2012



\*MTS defines a smartphone as a handset with one of the following operating systems: iOS, Android, Windows, Blackberry OS, Symbian, Linux or Bada

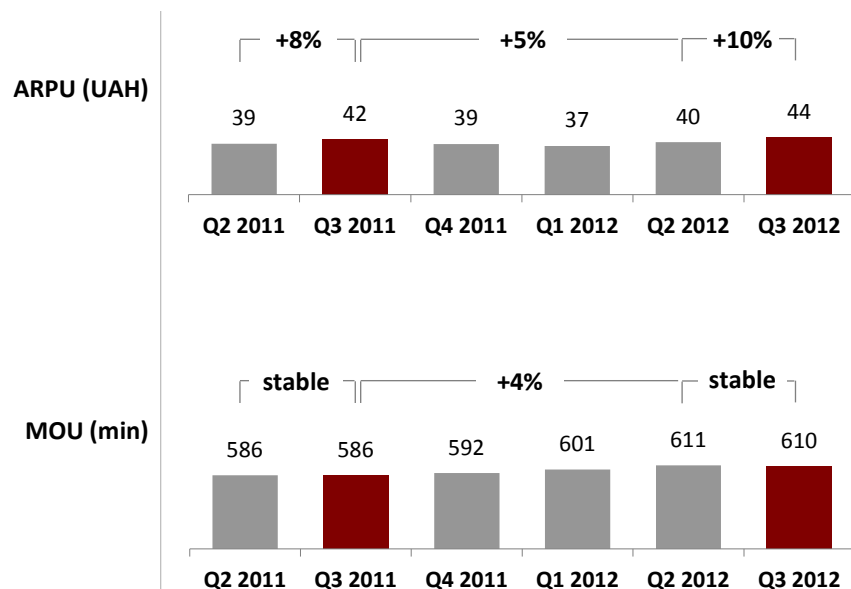


OIBDA margin	48.4%	48.9%	49.6%	47.8%	51.9%	53.1%
	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012

	47.4%	51.1%
	9M 2011	9M 2012

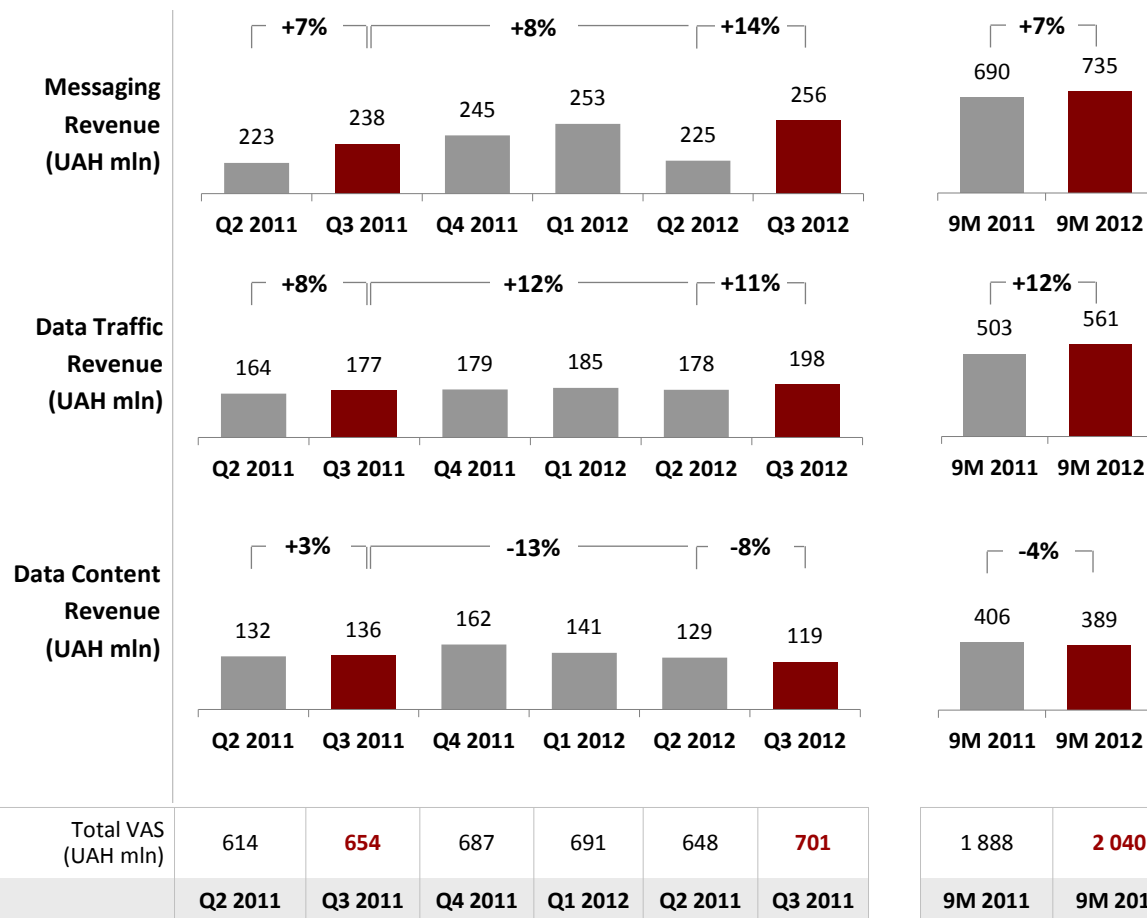
- Sustained revenue growth due to growth in active subscriber base, sustained higher usage and price revisions
- Strong OIBDA margin growth in Q3 2012 due to strong top-line increase and sustained cost discipline

## Ukraine operating indicators

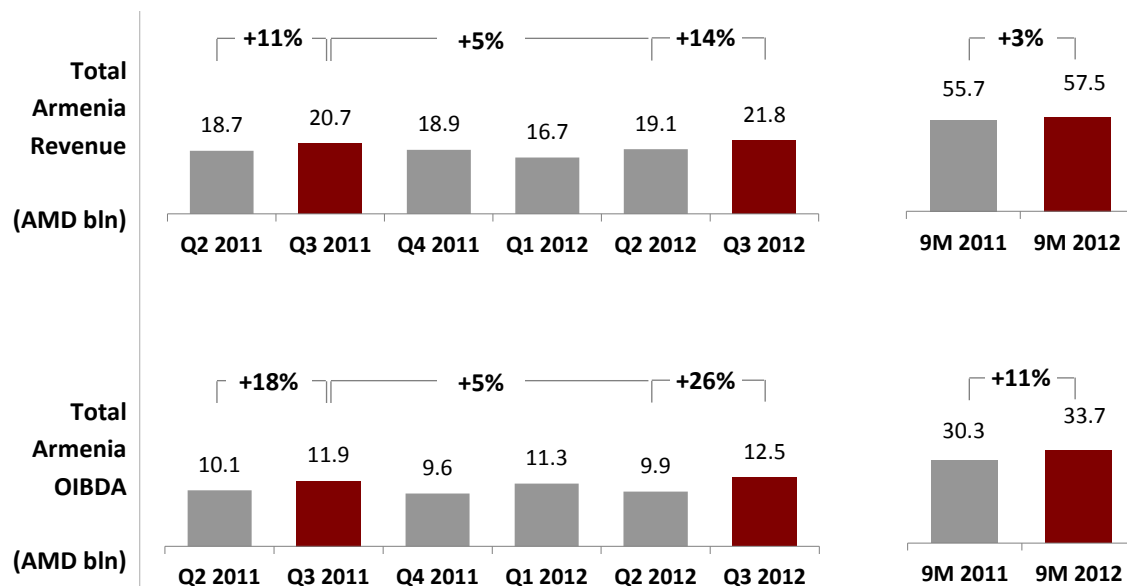


Subs, mln*	18.8	19.3	19.5	19.4	19.6	20.1
Churn rate, %	7.0%	8.1%	8.1%	8.5%	7.7%	9.0%
VAS ARPU	11.0	11.5	11.8	11.8	11.1	11.8
- as % of ARPU	28.3%	27.1%	30.5%	31.9%	27.6%	26.9%
SAC	64.7	64.5	60.4	64.7	61.7	56.7
APPM	0.066	0.072	0.065	0.062	0.066	0.072
	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012

- Quarter-over-quarter ARPU growth reflective of seasonally higher roaming revenues as well as efforts aimed to further monetize the subscriber base, including an increase to the minimum amount of top-ups on the tariff plans with unlimited on-net calls and increase of flat rates on a number of other tariff plans
- MOU remains stable at a high level in Q3 2012
- Churn increase due to seasonal factors



- Data traffic growth on the back of network modernization, which increases consumption of GPRS traffic
- Increase in messaging revenue due to price increases
- Lower content revenues due to seasonal factors and fewer promotions
- Key initiatives in Q3 2012:
  - Launch of a CDMA modem supporting higher speeds
  - Launch of a new MTS Connect tariff plan for Internet



- Strong quarterly revenue growth due to positive seasonality and an increase in roaming revenues

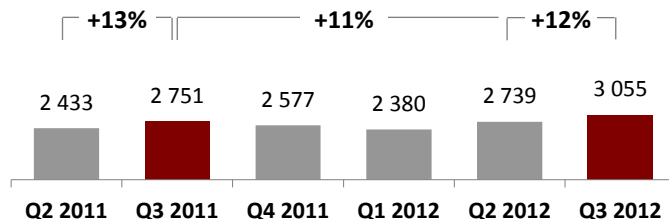
- OIBDA dynamics in line with revenue trends and overall cost optimization efforts

OIBDA margin	54.2%	57.3%	50.5%	68.0%	52.1%	57.2%
	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012

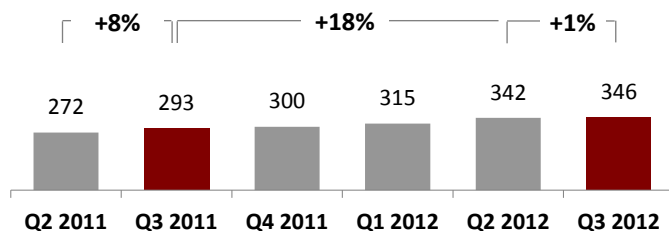
	54.4%	58.7%
	9M 2011	9M 2012

## Armenia operating indicators

ARPU (AMD)



MOU (min)



Subs, mln	2 509.8	2 461.8	2 377.8	2 230.3	2 314.4	2 353.9
Churn rate, %	8.5%	10.0%	13.0%	13.2%	8.7%	7.2%
SAC	8 237.3	7 625.3	6 595.9	7 248.3	4 572.7	6 294.7
APPM	8.9	9.4	8.6	7.6	8.0	8.8
	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012

- Year-on-year ARPU growth reflective of Company's efforts to retain and attract higher-value subscribers and improving competitive environment
- Year-over-year MOU increase a result of on-net usage stimulation

- On August 30, 2012, MTS re-launched its network in Turkmenistan and allowed existing subscribers to re-activate SIM cards
- On September 30, 2012, MTS started selling SIM cards to new subscribers
- Key figures as of Q3 2012:
  - No. of subscribers: 845,295
  - \$1.1 mln of revenues
  - 96% of base stations are in operation
  - 7 own retail stores and 165 franchise stores
- MTS targets to have app. 1 mln subscribers at the end of 2012

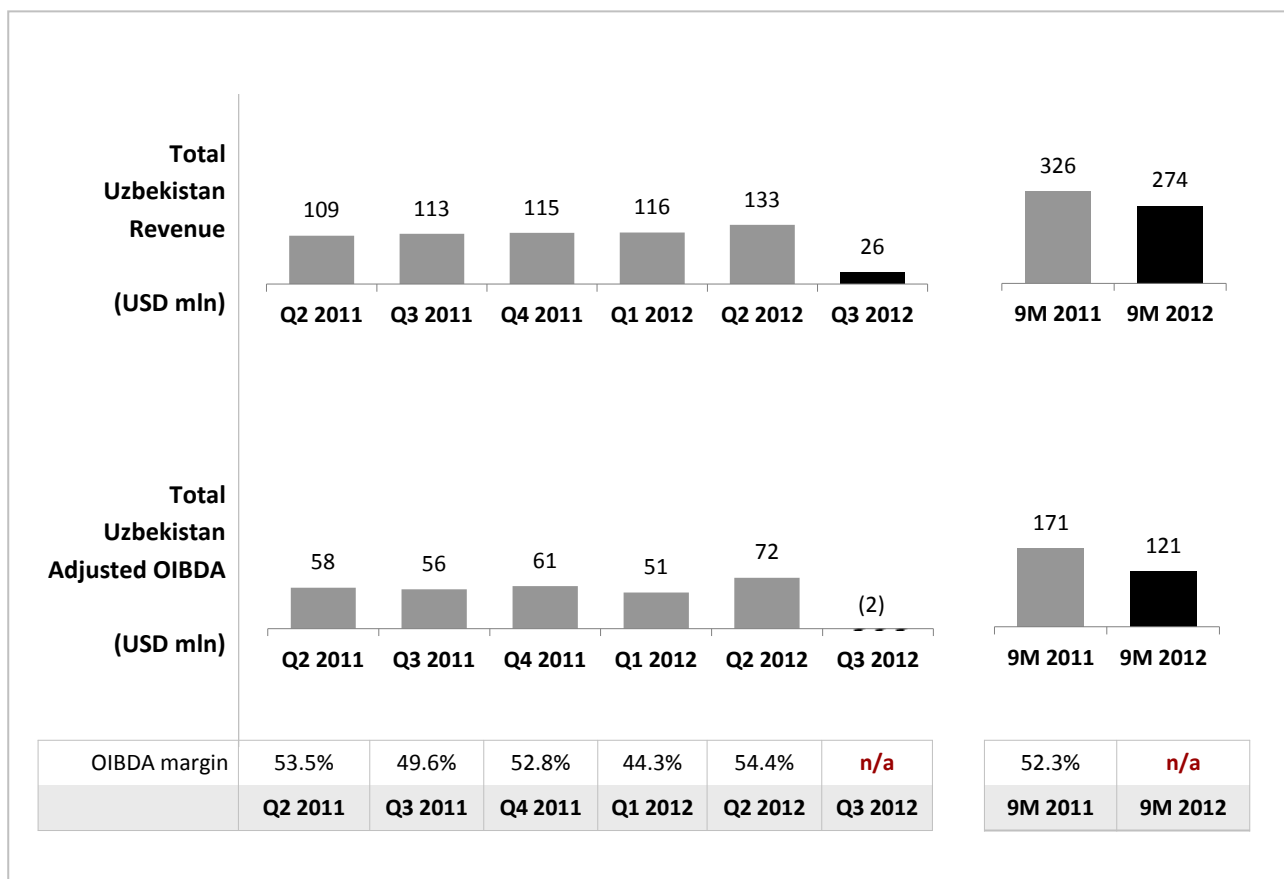


## Key facts about Turkmenistan\*

- Population: 5.4 mln
- Population density: 11 per km<sup>2</sup>
- GDP<sub>real</sub> growth 2012-2013: 8.0%

\*Source: IMF, July 2012





- Recognition of revenues for the period till July 17, 2012, when the operations were suspended
- On August 13, 2012, the Tashkent Commercial Court granted petition of the State Agency for Communications and Information of Uzbekistan to withdraw all operating licenses of MTS's wholly-owned subsidiary in Uzbekistan



a step ahead

## Contents

Financial and corporate highlights

Key financial and operating results

MTS Bank

**Appendix**



- Definitions and reconciliations



a step ahead

## 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.

**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:

	Q3 2011					Q2 2012					Q3 2012				
USD mln	Group	RUS	UKR	UZB	ARM	Group	RUS	UKR	UZB	ARM	Group	RUS	UKR	UZB	ARM
Operating income	852.8	829.3	66.3	14.8	12.3	(284.4)	745.3	79.8	(1,050.7)	8.3	824.8	806.0	101.7	(18.9)	13.3
Add: D&A	587.1	439.1	86.8	41.2	19.9	579.0	442.8	75.8	44.0	16.4	554.6	445.4	75.4	16.7	17.0
Add: Impairment	-	-	-	-	-	579.0	-	-	579.0	-	-	-	-	-	-
Add: Tax and antimonopoly claims	-	-	-	-	-	500.0	-	-	500.0	-	-	-	-	-	-
Adjusted OIBDA	1,439.9	1,268.4	153.1	56.0	32.2	1,373.6	1,188.1	155.6	72.3	24.7	1,379.4	1,251.4	177.1	(2.2)	30.3
	Q3 2011					Q2 2012					Q3 2012				
	Group	RUS	UKR	UZB	ARM	Group	RUS	UKR	UZB	ARM	Group	RUS	UKR	UZB	ARM
Operating margin	26.0%	29.5%	21.2%	13.1%	21.8%	(9.1%)	27.9%	26.6%	(790.9%)	17.6%	26.3%	29.2%	30.5%	(72.6%)	25.0%
Add: D&A	18.0%	15.6%	27.7%	36.5%	35.4%	18.6%	16.6%	25.3%	33.1%	34.4%	17.7%	16.2%	22.6%	64.0%	32.2%
Add: Impairment	-	-	-	-	-	18.5%	-	-	435.8%	-	-	-	-	-	-
Add: Tax and antimonopoly claims	-	-	-	-	-	16.0%	-	-	376.4%	-	-	-	-	-	-
Adjusted OIBDA margin	44.0%	45.1%	48.9%	49.6%	57.3%	44.0%	44.5%	51.9%	54.4%	52.0%	44.0%	45.4%	53.1%	(8.6%)	57.2%



a step ahead

## 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, 2011	As of Sep 30, 2012
Current portion of LT debt and of capital lease obligations	1,155.7	781.5
LT debt	7,554.0	6,520.9
Capital lease obligations	5.5	2.6
Total debt	8,715.2	7,305.0
Less:		
Cash and cash equivalents	1,850.8	751.8
ST investments	86.2	131.7
Net debt	6,778.2	6,421.5

**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 the nine months ended Sep 30, 2011	For the nine months ended Sep 30, 2012
Net cash provided by operating activities	2,988.4	3,446.2
Less:		
Purchases of property, plant and equipment	(1,308.3)	(1,658.4)
Purchases of intangible assets	(202.2)	(156.2)
Proceeds from sale of property, plant and equipment	20.8	2.9
Purchases of other investments	-	(66.0)
Proceeds from sale of other investments	7.5	43.4
Investments in and advances to associates	3.0	-
Acquisition of subsidiaries, net of cash acquired	(57.3)	(41.0)
Free cash flow	1,451.9	1,570.9



a step ahead

## Appendix – Definitions and Reconciliations

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

USD mln	Three months ended Dec 31, 2011	Nine months ended Sep 30, 2012	Twelve months ended Sep 30, 2012
	A	B	C = A + B
Net operating income	720.0	1,190.0	1,910.0
Add: D&A	555.6	1,743.1	2,298.7
Add: Impairment	-	579.0	579.0
Add: Tax and antimonopoly claims	-	500.0	500.0
Adjusted OIBDA	1,275.6	4,012.1	5,287.7



a step ahead

## 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.



a step ahead

## 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, as well as tax and antimonopoly claims in Uzbekistan that relates to Q2 2012.



a step ahead

## Contact information

For further information

MTS Investor Relations

+7 495 223 20 25

[ir@mts.ru](mailto:ir@mts.ru)

[www.mtsgsm.com](http://www.mtsgsm.com)