

GROUP FINANCIAL RESULTS FOR THE FOURTH QUARTER AND FULL YEAR 2014

Investor conference call – March 17, 2015

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from words to digits



Data+Differentiation+Dividends

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- Uzbekistan: re-entering the market

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FINANCIAL & CORPORATE HIGHLIGHTS



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KEY PERIOD & FY 2014 HIGHLIGHTS: 3D STRATEGY

CONS. REVENUE (RUB bln)



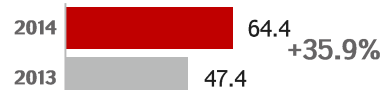
CONS. REVENUE (RUB bln)



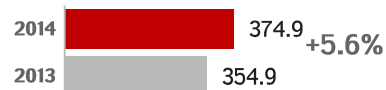
ADJUSTED OIBDA* (RUB bln)



DATA TRAFFIC REVENUE IN RUSSIA (RUB bln)



TOTAL RUSSIA REVENUE (RUB bln)



MOBILE REVENUE IN RUSSIA (RUB bln)



RUSSIA OIBDA (RUB bln)



DATA: Growth in a year of challenges

- Rise in Group revenue in spite of macroeconomic challenges throughout our markets of operation
- Market-leading growth in data traffic revenue in Russia
- Highest smartphone penetration in the Russian market
- Launch and development of LTE in 76 regions of Russia
- Won license to provision 3G-services throughout Ukraine

DIFFERENTIATION: Focus on a unique customer value proposition

- Leading retail network and improved sales of smartphones
- Continued build out of GPON and improved market share in Moscow broadband and pay-tv markets
- Acquired regional assets of SMARTS OJSC in Penza Region, Ivanovo Region and Bashkiria for RUB 3.1 bln including debt
- Acquired a 10.82% stake in OZON Holdings ("OZON"), the leading Russian e-commerce company, for USD 75 mln

DIVIDENDS: Efficiency and value creation

- Payout of record RUB 51.2 bln in dividends for calendar year 2014
- Growth in Adj. OIBDA year-over-year despite intense cost, currency pressure and macroeconomic volatility in key markets
- Reduced net interest expense by RUB 771 mln despite volatile markets
- Partnered with VimpelCom to roll-out LTE networks in 36 regions

* OIBDA net off gain in the amount of RUB 6.7 bln mln from reentrance into Uzbekistan and excluding provision for investments in DeltaBank in Ukraine of RUB 5.1 bln.



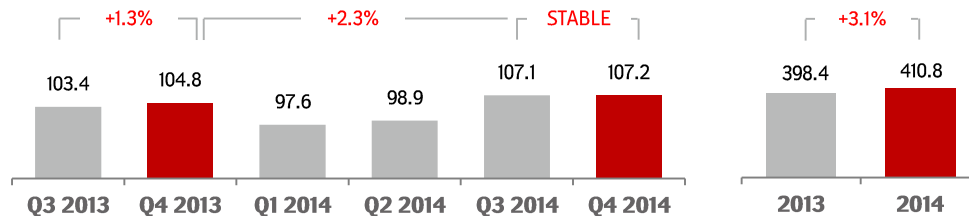
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GROUP FINANCIAL HIGHLIGHTS: REVENUE

TOTAL GROUP REVENUE
(RUB bln)



- Y-on-Y revenue growth due to increase in voice and data traffic revenues and subscriber base growth in Russia
 - Group revenue performance offset by decline in subscriber base and fall in revenues in Ukraine, due to discontinuation of operations in Crimea, ongoing hostilities in the East of Ukraine and sustained macroeconomic weakness
- Q-on-Q revenue growth mitigated by seasonally lower roaming revenues in the key markets



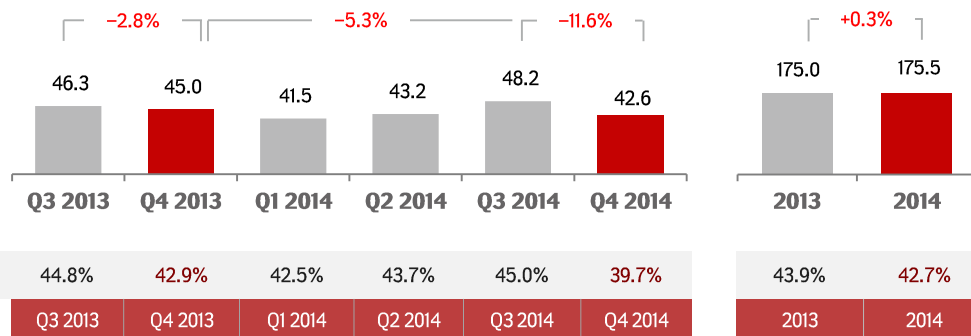
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GROUP FINANCIAL HIGHLIGHTS: ADJUSTED OIBDA

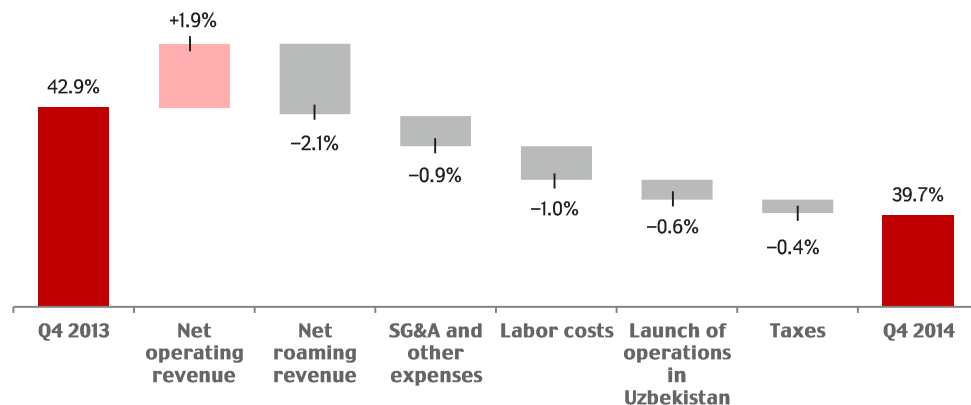
TOTAL GROUP ADJUSTED OIBDA* (RUB bln)



ADJ. OIBDA MARGIN*

Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2013	2014
44.8%	42.9%	42.5%	43.7%	45.0%	39.7%	43.9%	42.7%

ADJUSTED OIBDA MARGIN: FACTOR ANALYSIS



- In Q4, OIBDA margins typically decline due to seasonal factors, including fewer working days, lower roaming and higher end-of-year costs
- Key one-time or limited factors that contributed to the q-on-q decline include the launch of operations in Uzbekistan and a periodic payroll increase in September 2014
- Inflationary expenses continue to pressure OIBDA, such as increased utility expenses, lines and sites rental costs, higher network maintenance and IT costs and increased taxes and frequency fees in Ukraine

*Adjusted for a gain in the amount of RUB 6.7 bln (RUB 3.6 bln in Q3 2014 and RUB 3.1 bln in Q4 2014) from reentrance into Uzbekistan and adjusted for provision for investments in DeltaBank in Ukraine of RUB 5.1 bln in Q4 2014



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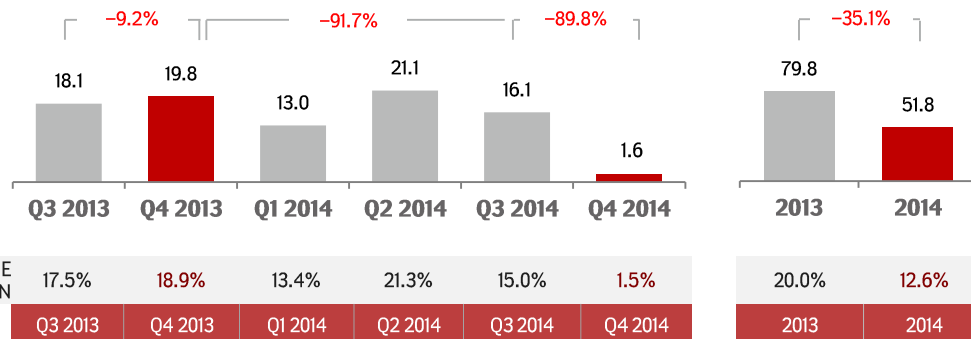


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GROUP FINANCIAL HIGHLIGHTS: NET INCOME

TOTAL GROUP NET INCOME*

(RUB bln)



- Net income dynamics in Q4 2014 reflect:
 - OIBDA trends
 - A FOREX loss of RUB 8.9 bln based on the value of MTS's foreign currency-denominated debt due to ruble depreciation
 - A reserve related to the insolvency of JSC DeltaBank, Ukraine's fourth-largest bank, in the amount of RUB 5.1 bln
 - A gain in the amount of RUB 3.1 bln from reentrance into Uzbekistan, recognized upon completion of an appraisal of the asset by an independent consultancy
 - Additional expenses due to impairment charges at MTS Bank and share of losses at associates
- MTS continues to see sustained macroeconomic volatility in its markets of operations that may impact the financial and operational performance throughout the Group

*Includes gain in the amount of RUB 6.7 bln (RUB 3.6 bln in Q3 2014 and RUB 3.1 bln in Q4 2014) from reentrance into Uzbekistan



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GROUP MOBILE SUBSCRIBER BASE DYNAMICS

MTS SUBSCRIBERS (MLN UNLESS NOTED)	Q3 2014	Q4 2014	% Change
TOTAL MOBILE	105.1	104.1	-0.9%
RUSSIA	73.3	74.6	+1.8%
UKRAINE*	22.7	20.2	-11.0%
TURKMENISTAN	1.7	1.7	+1.6%
ARMENIA	2.2	2.2	-0.2%
UZBEKISTAN	0.0	0.2	N/A
BELARUS**	5.3	5.3	STABLE

- In Russia, MTS continues to attract and retain high-quality subscribers by promoting innovative tariff plans and driving sales through its proprietary retail network
- In Q3 2014, MTS adjusted its subscriber reporting methodology to reflect three-months of subscriber activity instead of the previously used six-month methodology
- MTS sustains its active subscriber base through:
 - Best-in-class customer service
 - Market-leading network performance and
 - Tariff plans and a market-leading retail platform designed to migrate voice-only customers to data plans

*Including CDMA subscribers

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

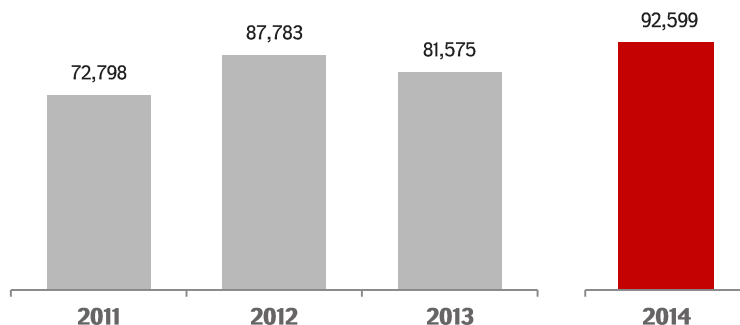


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GROUP CAPITAL EXPENDITURES



RUSSIA	66,869	82,896	70,910	86,162
UKRAINE	4,487	4,125	8,840	4,210
ARMENIA	1,344	751	1,093	1,142
TURKMENISTAN	n/a	11	732	1,084
GROUP	72,798	87,783	81,575	92,599
– AS % OF REVENUE	20.9%	23.2%	20.5%	22.5%
(IN RUB mln)	2011	2012	2013	2014

- In 2014, CAPEX amounted to RUB 92.6 bln slightly exceeding management guidance of RUB 90.0 bln due to prepayment to the vendors in Q3 2014 prior to substantial depreciation of the ruble
- Key projects include the enhancement of 3G networks in Russia, roll-out of LTE/4G networks throughout Russia, and the ongoing deployment of GPON in Moscow as well as network modernization in other markets of operations



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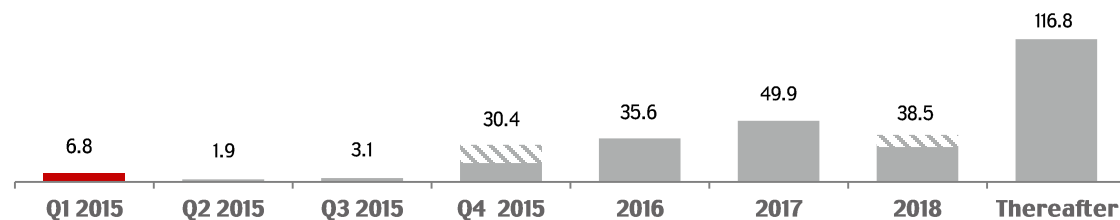


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GROUP DEBT AT THE END OF Q4 2014

DEBT REPAYMENT SCHEDULE (RUB bln)

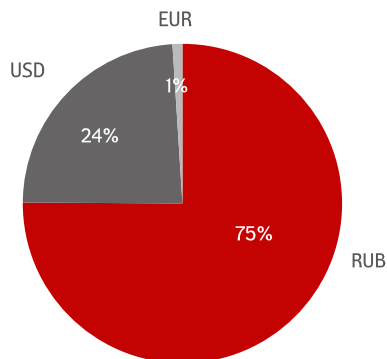
Total Group Debt* = 283.0 RUB bln



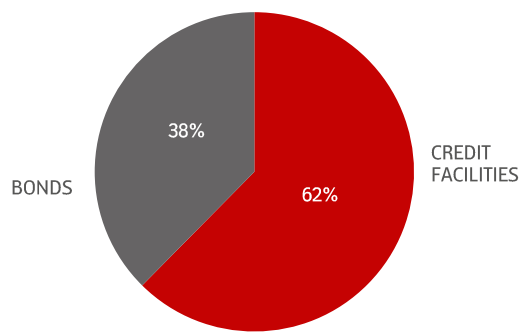
MTS 08 and BO-01 ruble bonds contain put options that can be exercised in November 2015 and in March 2018 respectively. MTS expects the options to be exercised.

*Net of financial leasing

DEBT COMPOSITION BY CURRENCY Q4 2014**



DEBT COMPOSITION BY TYPE Q4 2014*



**Debt composition by currency includes FOREX hedging in the amount of \$675.3 mln as of Q4 2014

- Signed an agreement with Sberbank of Russia to open a non-revolving line of credit for a total amount of RUB 50.0 bln and maturity in September 2021 and amended the terms of an existing credit agreement in the amount of RUB 20.0 bln by extending maturity from July 2015 to September 2017
- Repurchased the Series 03 ruble bond in the amount of RUB 3.7 bln
- High proportion of ruble-denominated debt mitigates risks associated with currency volatility and enhances MTS's balance sheet strength
- The share of US dollar-denominated debt increased 2pp in comparison with the Q3 2014 due to ruble depreciation



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GROUP BALANCE SHEET

BALANCE SHEET (RUB mln UNLESS NOTED)	As of December 31, 2013	As of December 31, 2014
CASH AND CASH EQUIVALENTS	30,612	61,410
SHORT-TERM INVESTMENTS	14,633	9,849
LONG-TERM DEPOSITS	–	13,671
TOTAL DEBT*	219,148	292,391
LONG-TERM DEBT	194,084	249,717
SHORT-TERM DEBT	25,064	42,674
NET DEBT**	172,078	185,525
LTM ADJUSTED OIBDA	175,011	175,463
NET DEBT/LTM ADJUSTED OIBDA	1.0x	1.1x

- Quarterly increase in cash and cash equivalents and decline in short-term investments, while operating cash flow remains strong
- Quarterly increase in the amount of total debt due drawing of a RUB 25.0 bln from a credit line signed with Sberbank and revaluation of the foreign currency denominated portion of debt portfolio

*Including capital lease obligations

**Adjusted for the effects of hedging of non-ruble denominated debt



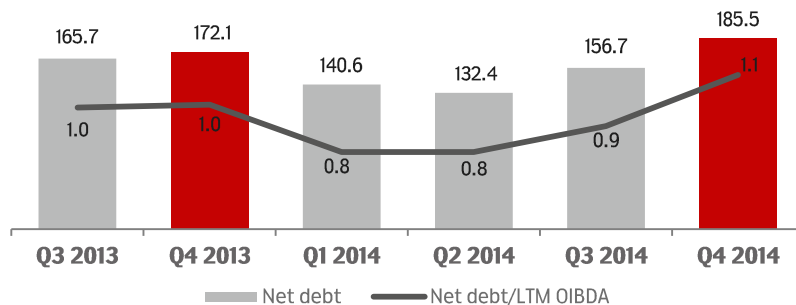
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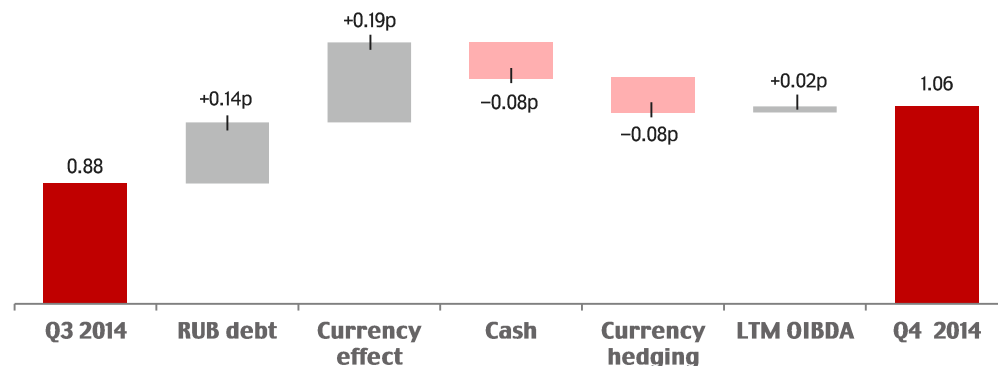
NET DEBT

NET DEBT*
(RUB bln)



LTM OIBDA/ Net Interest Expenses	11.8	13.8	14.5	15.4	16.1	14.7
	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014

NET DEBT/OIBDA: FACTOR ANALYSIS



*Adjusted for the effects of hedging of non-ruble denominated debt

- Net debt/OIBDA increase primarily due to currency translation effect of MTS's USD- and EUR-denominated debt
- Most of MTS's non-ruble debt is in the form of two Eurobonds with maturities in 2020 and 2023
- MTS also holds roughly USD 675 mln in fully hedged bilateral USD-denominated debt
- In Q4 2014, MTS drew RUB 25 bln in bank credit to provide additional flexibility in liquidity



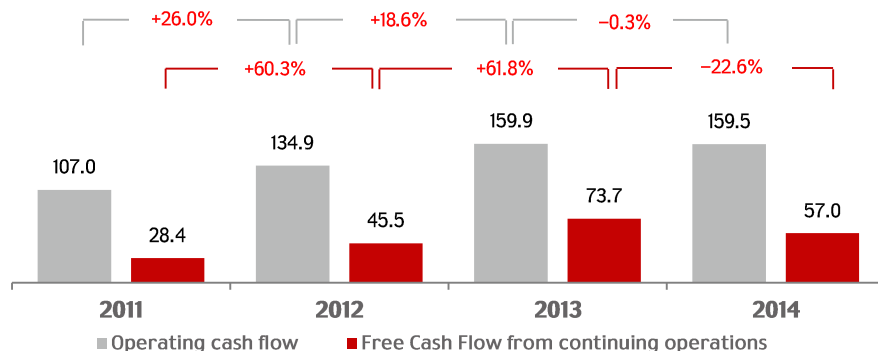
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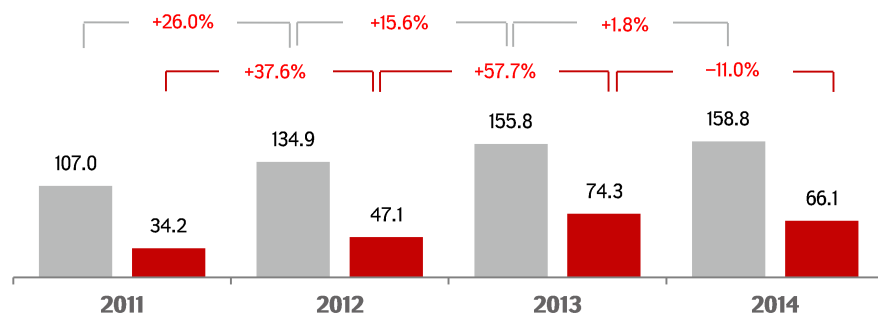
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GROUP CASH FLOWS

OPERATING AND FREE CASH FLOW FROM CONTINUING OPERATIONS (RUB bln)



ADJUSTED OPERATING AND FREE CASH FLOW FROM CONTINUING OPERATIONS* (RUB bln)



* Operating and Free Cash Flow from continuing operations net of one-off effect related to the compensation for the settlement over Bitel LLC and excluding proceeds from sale of PPE and investments in associates and acquisition of subsidiaries

- MTS boasts stable operating cash flows despite currency weakness in its markets of operation
 - Year-over-year increase in adjusted operating cash flow from continuing operations due to:
 - Improvements in working capital
 - Reduction of net interest expense due to astute debt management
 - higher dividends from Belarus
- Year-over-year decline in FCF due to
 - increased CAPEX as the Company prepaid a higher amount of foreign currency denominated equipment in anticipation of further weakening of the ruble
 - M&A activities, including acquisition of a stake in Ozon Holdings, participation in the additional share issuance of MTS-Bank OJSC and acquisition of a three regional assets of SMARTS OJSC
- MTS continues to demonstrate strong cash generation through its operations



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OUTLOOK FOR 2015

TOTAL GROUP REVENUE (RUB bln)



GROUP ADJUSTED OIBDA MARGIN



TOTAL RUSSIA REVENUE (RUB bln)



GROUP CAPEX (RUB bln)



- MTS expects to realize:
 - Group revenue growth of more than 2%
 - Revenue growth in MTS Russia more than 3%
 - Group OIBDA margin of more than 40%
 - Group CAPEX of RUB 85.0 bln
- Group revenue and OIBDA dynamics will continue to be impacted by currency volatility in Russia and Ukraine
- MTS sees significant macroeconomic uncertainty and volatility across its markets of operation, which may cause MTS to revisit its revenue and OIBDA guidance and, in turn, impact its financial and operating results

*Without the costs of 3G license and investments in 3G network in Ukraine



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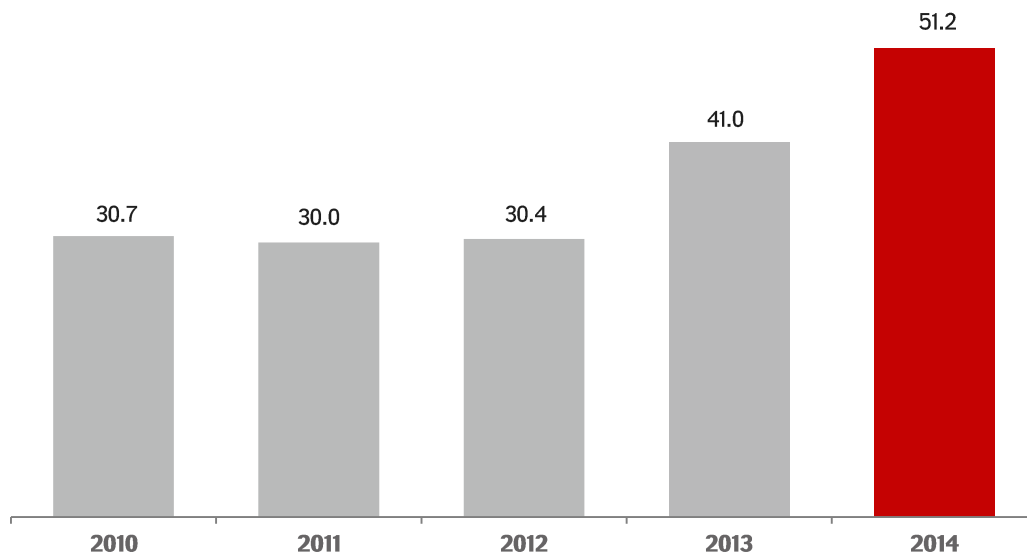


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DIVIDEND OUTLOOK

DIVIDEND HISTORY AND OUTLOOK

(RUB bln)



DIVIDEND POLICY

- In April 2013, MTS Board approved a new dividend policy, which stipulates that for the calendar years 2013–2015, MTS aims to payout a minimum dividend distribution of an amount equal to at least 75% of Free Cash Flow for the relevant financial period or, if greater, RUB 40.0 bln per year
- In 2013, MTS also started paying out dividends on a semi-annual basis using interim H1 and full-year financial result
- MTS paid out in total RUB 41.0 bln in 2013 and RUB 51.2 bln in 2014

OUTLOOK FOR 2014+

- MTS confirms its dividend guidance for 2014 – 2015 of at least RUB 90.0 bln for the period
- MTS aims to sustain its level of dividend payout in 2015

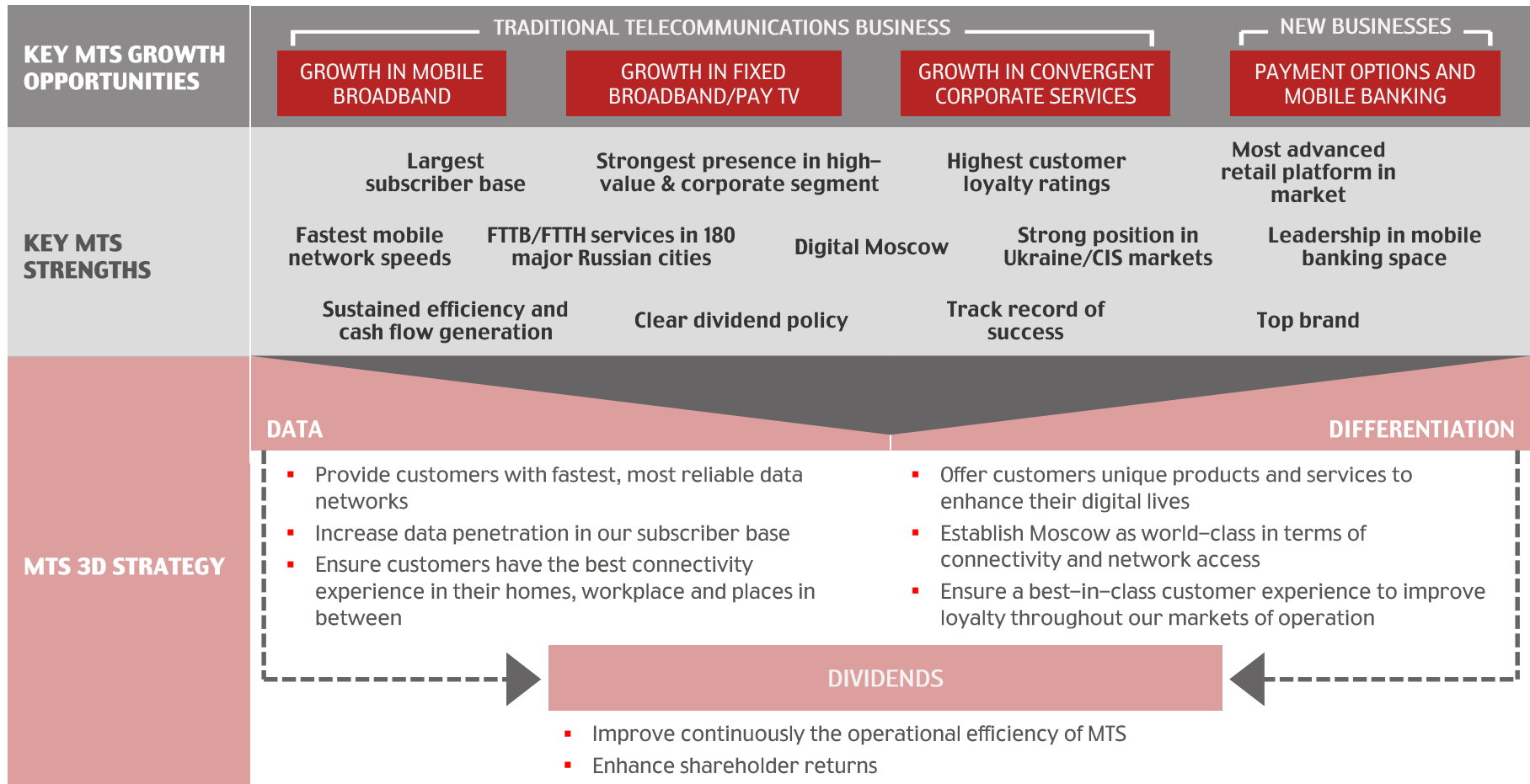


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3D STRATEGY: LEVERAGING STRENGTHS & OPPORTUNITIES



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KEY FINANCIAL & OPERATING RESULTS

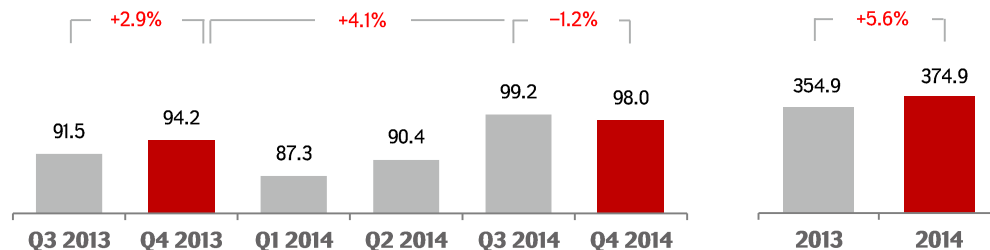


MTS

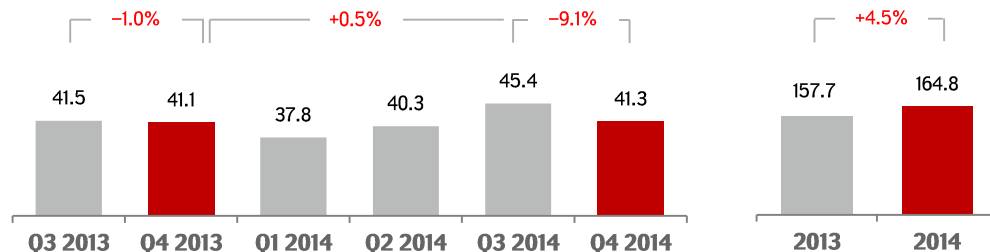
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RUSSIA FINANCIAL HIGHLIGHTS

TOTAL RUSSIA REVENUE (RUB bln)



TOTAL RUSSIA OIBDA (RUB bln)



OIBDA MARGIN	45.4%	43.7%	43.3%	44.6%	45.8%	42.1%
	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014

	44.4%	44.0%
	2013	2014

- Y-on-Y revenue expansion driven by:
 - Higher usage of voice, messaging and data products
 - Increased data adoption among subscribers
 - Strong subscriber additions
 - Higher sales of handsets

- Slight Q-on-Q decline in revenue demonstrate seasonal trends, including lower roaming revenues

- Quarterly OIBDA decline reflective of:
 - Seasonally lower contribution from roaming revenues
 - Impact of increased costs related to international calling and international roaming
 - Increase of payroll in September 2014
 - Inflationary expenses



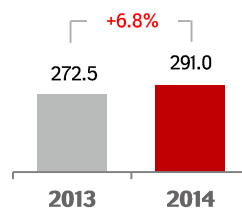
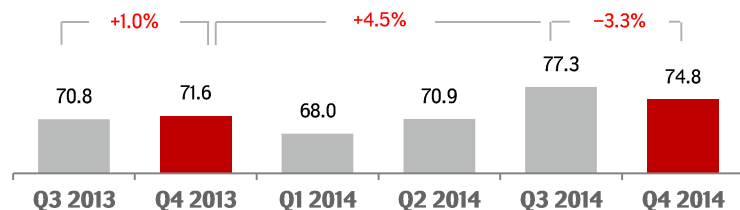
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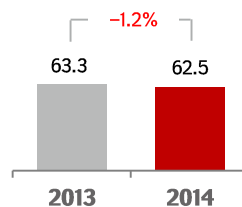
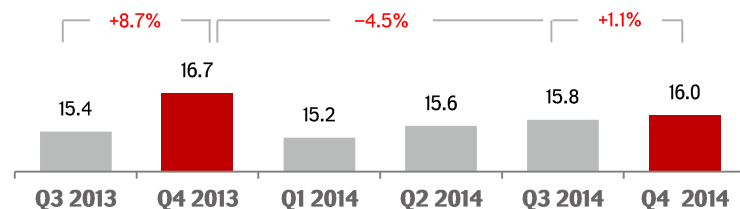
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RUSSIA REVENUE BREAKDOWN

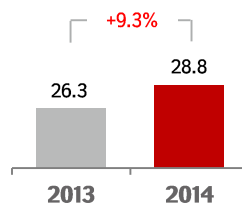
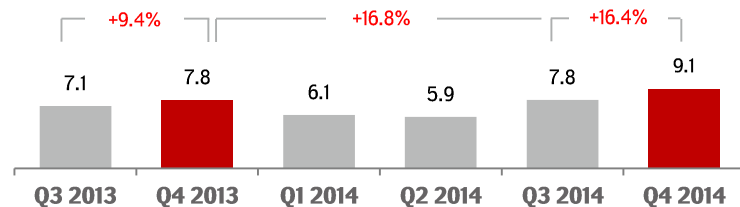
MOBILE REVENUE (RUB bln)



FIXED LINE REVENUE (RUB bln)



SALES OF HANDSETS & ACCESSORIES (RUB bln)



- Y-on-Y growth in mobile service revenue attributable to:
 - Increased adoption of data through higher penetration of smartphones and tablets
 - Upselling of existing data users to tariff plans and options with higher traffic allowances
 - Expansion of the subscriber base
 - Growth in messaging revenues
- Quarterly decrease in mobile service revenues due to traditional seasonal factors, such as lower roaming
- Y-on-Y decline in fixed-line revenue due to a one-off effects from recognition of revenue derived from a fixed-line telecommunications projects with the Government of Moscow in Q4 2013
- Quarterly rise in sales of handsets due to increased purchases due to currency volatility at end of year



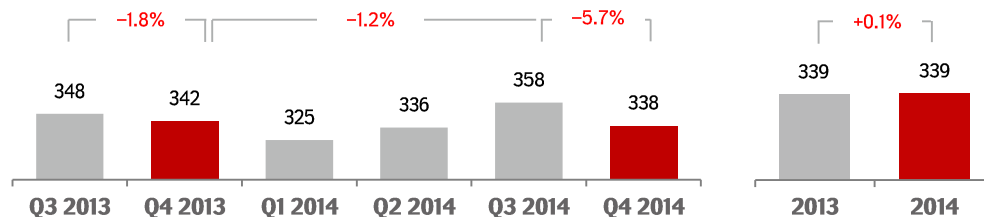
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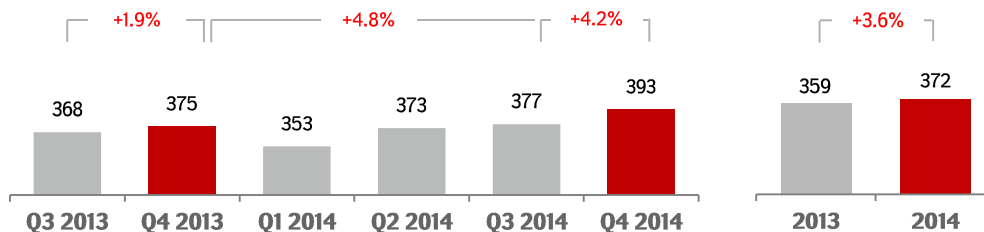
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RUSSIA MOBILE OPERATING INDICATORS

ARPU (RUB)



MOU (MIN)



SUBS, MLN	67.3	69.4	70.0	70.6	73.3	74.6	69.4	74.6
CHURN, %	8.9%	9.8%	10.1%	10.9%	9.2%	11.0%	38.1%	41.1%
VAS ARPU	102.2	111.8	112.0	112.6	118.3	120.8	102.7	115.3
- AS % OF ARPU	29.3%	32.7%	34.4%	33.5%	33.0%	35.8%	30.3%	34.0%
APPM	0.95	0.91	0.92	0.90	0.95	0.86	0.94	0.91
	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2013	2014

- ARPU dynamics demonstrate success of upselling customers to tariff plans with larger data packages, as well as the increased penetration of smartphones and tablets
- Quarterly decline in ARPU attributable to traditional seasonal factors, including lower roaming revenues and higher seasonal sales
- MOU dynamics showcase success in driving usage by promoting tariff plans with free on-net calling
- Churn increased slightly due to seasonal factors, but remains at the lowest level in the market



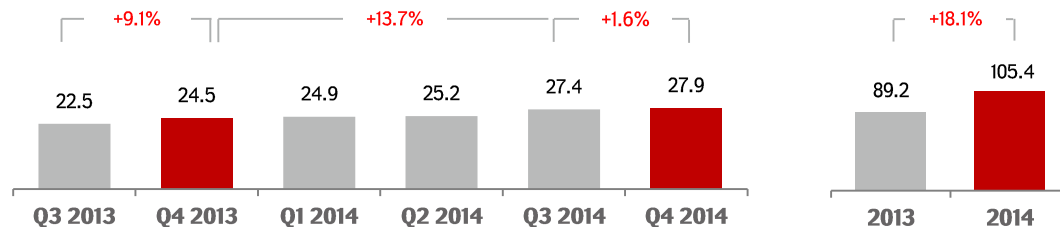
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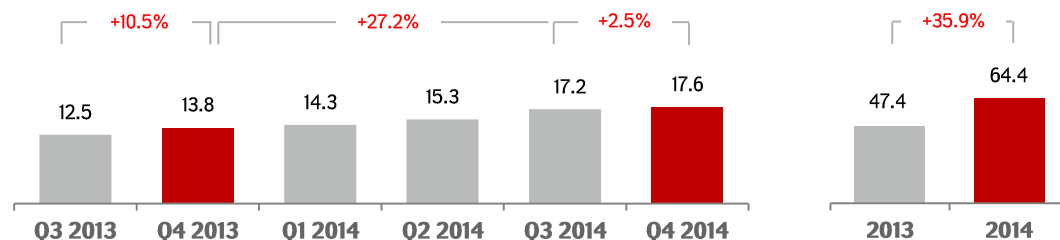
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RUSSIA MOBILE OPERATING INDICATORS

TOTAL VAS REVENUE (RUB bln)



DATA TRAFFIC REVENUE (RUB bln)



- Growth in data revenues demonstrates success in upselling customers on data plans, promotion of affordable smartphones in its retail chain, sustained investment in 3G/LTE networks, and success in creating the market's strongest value proposition to customers
- Sustained data traffic revenue growth driven by growth in smartphone and tablet penetration and migration of customers to larger data packages
- Key initiatives included:
 - Launch and development of LTE networks in 76 Russia's regions
 - New Year promo campaigns – data packages, minutes of usage and sms for free to increase customer loyalty
 - Pilot launches of “shared” tariff plans in four regions
 - Partnerships with Nokia and Samsung to bundle Internet access with purchase of smartphone



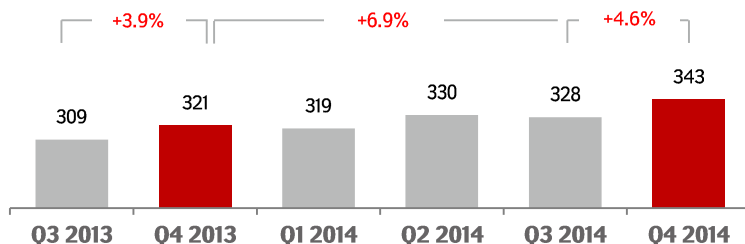
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RUSSIA FIXED OPERATING INDICATORS

ARPU RESIDENTIAL (RUB)



TOTAL HOUSEHOLDS PASSED, 000S	12,134	12,269	12,347	12,390	12,471	12,541
NUMBER OF SUBS, 000S*	7,690	7,563	7,426	7,294	7,185	7,062
	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014

- Residential ARPU growth highlights the rising share of double-play and triple-play customers in the customer base, migration of Pay-TV subscribers to MTS's digital TV platform, upselling of broadband subscribers through modernization of fixed-line networks in the regions and migration of ADSL customers in Moscow to GPON
- Increase in the number of households passed highlights ongoing network expansion in the regions
- Decline in residential subscriber base highlights the migration of Pay TV subscribers from analog to digital platforms, which results in defection of certain types of subscribers and decline in the number of fixed telephony subscribers in Moscow

*Including residential fixed-line telephony, broadband, and pay-TV subscribers



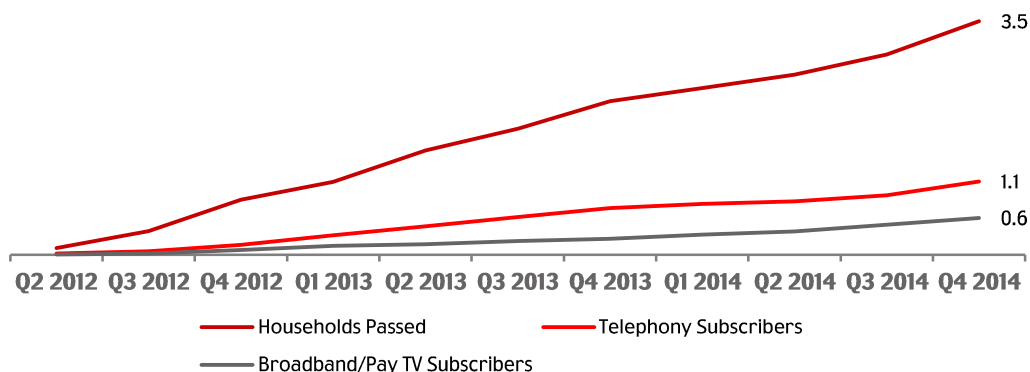
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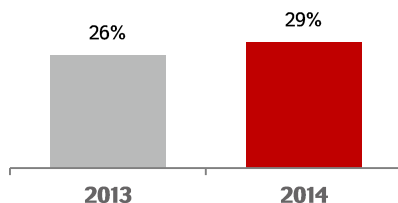
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MGTS

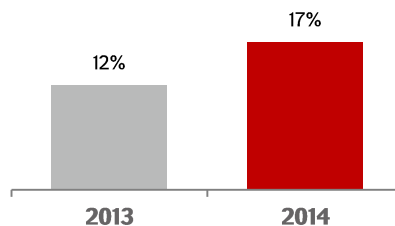
GPON ROLLOUT/SUBSCRIBERS (mln)



MTS SUBSCRIBER SHARE IN THE MOSCOW B2C BROADBAND MARKET*



MTS SUBSCRIBER SHARE IN THE MOSCOW B2C PAY TV MARKET*



*Source: TMT Consulting



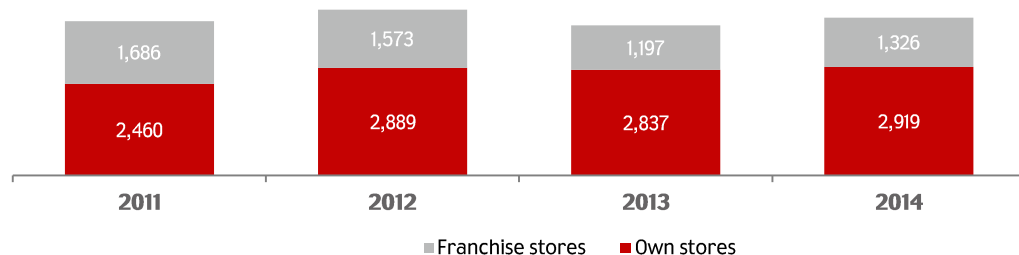
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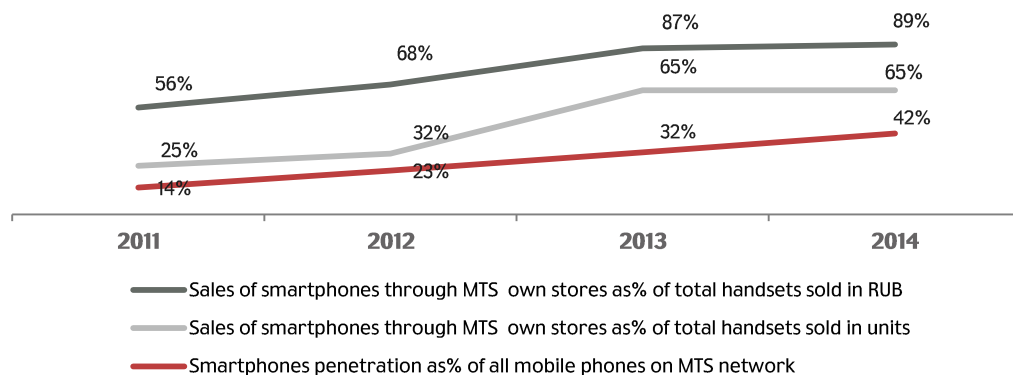
- In H2 2011, MGTS began a RUB 50.0 bln investment project to replace outdated ADSL networks with state-of-the-art Gigabit Capable Passive Optic Network (GPON), which allow Internet access speeds of up to 1 Gb/s to all of Moscow's and Moscow region's 4.4 million lines
- MGTS has so far installed over 40,000 km of fiber-optic lines
- MGTS currently offers broadband access at the speeds up to 500 Mb/s and 190 TV channels, including 24 HD channels as well as VoD services over IPTV
 - MGTS is growing its subscriber base by upselling its existing customers from ADSL and acquiring new subscribers
- The project is expected to be completed by the end of 2015, which will enable MTS/MGTS to introduce unrivaled services, unmatched reliability and the fastest Internet access in B2C broadband and Pay-TV markets
- Construction of GPON network enabled MTS to markedly increase its subscriber share in the Moscow B2C broadband and Pay TV markets

MTS RETAIL NETWORK DEVELOPMENT

DEVELOPMENT OF MTS RETAIL NETWORK



SMARTPHONES SALES AND PENETRATION, 2011 – 2014



- At the end of Q4 2014, MTS's retail network comprised 4,245 stores, including 1,326 franchised outlets
- During the quarter, MTS increased its retail footprint by 83 own stores
- In Q4 2014, smartphones accounted for 65.0% of phones sold in MTS stores in units
- In Q4 2014, total smartphone penetration reached 42.4%



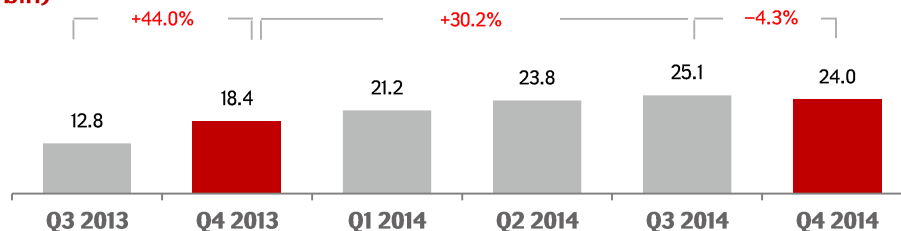
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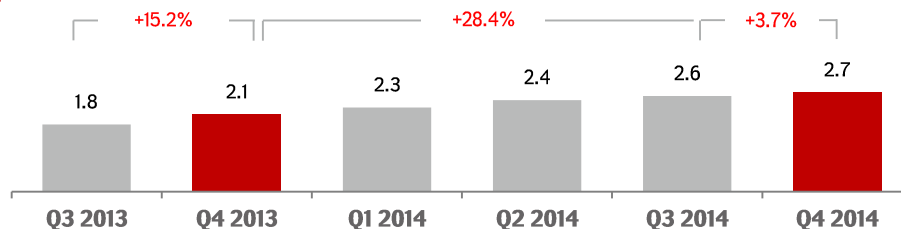
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FINANCIAL SERVICES

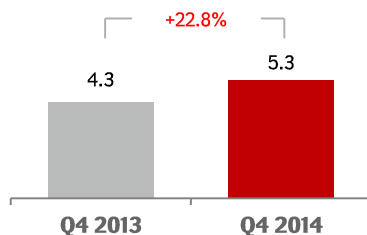
TOTAL CREDIT PORTFOLIO
(RUB bln)



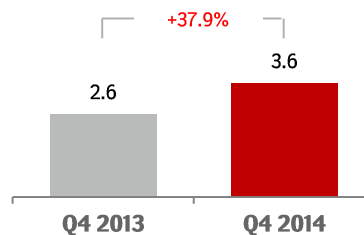
TOTAL NUMBER OF MTS DENGIG CARDS ISSUED
(mln)



MOBILE PAYMENTS TURNOVER
(RUB bln)



MOBILE PAYMENTS USERS
(mln)



- During the quarter MTS continued to see strong demand for point-of-sale loans for smartphones with 20.6% of smartphones sold with the assistance of some P-o-S credit through MTS's banking partners
 - On December 17, 2014, sales of handsets on credit were discontinued due to the change in the banks' commercial policies following the rate increase by the Central Bank of Russia

- Turnover and number of users of mobile payments through SMS-based services, MTS's mobile application *Easy Payment* and website continue to rise due to enhancement of mobile commerce platform and marketing campaigns aimed at promoting mobile payments



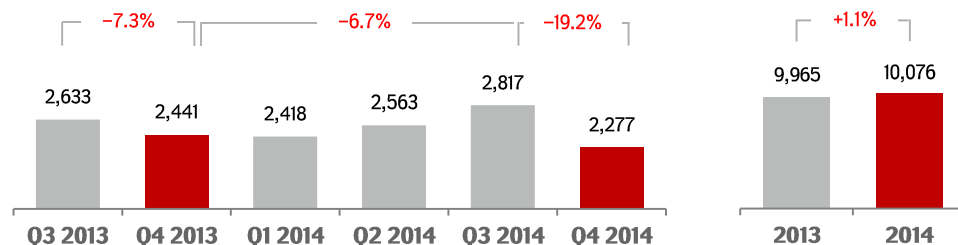
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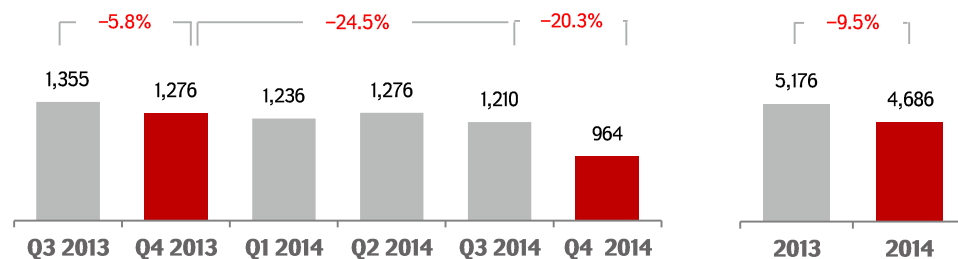
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UKRAINE FINANCIAL HIGHLIGHTS

TOTAL UKRAINE REVENUE (UAH mln)



TOTAL UKRAINE ADJUSTED OIBDA* (UAH mln)



ADJUSTED OIBDA MARGIN	51.5%	52.3%	51.1%	49.8%	42.9%	42.3%
	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014

- Y-on-Y revenue decline attributable to:
 - Discontinuation of operations in Crimea
 - Ongoing hostilities in the East of Ukraine
 - Sustained macroeconomic weakness resulting in lower consumption of voice and data products throughout the country

- Key factors related to decline in OIBDA:
 - Revenue dynamics
 - Increased operating expenses due to inflationary pressure, higher utility prices, and a 2x increase in monthly frequency fees
 - One-off charge related to non-recoverable VAT expenses
 - Hryvna devaluation impact on the costs denominated in foreign currencies, including international calling and international roaming
 - Reserve of UAH 1.4 bln booked due to insolvency of JSC Delta Bank

*Adjusted for provision for investments in DeltaBank in Ukraine of RUB 5.1 bln. in Q4 2014



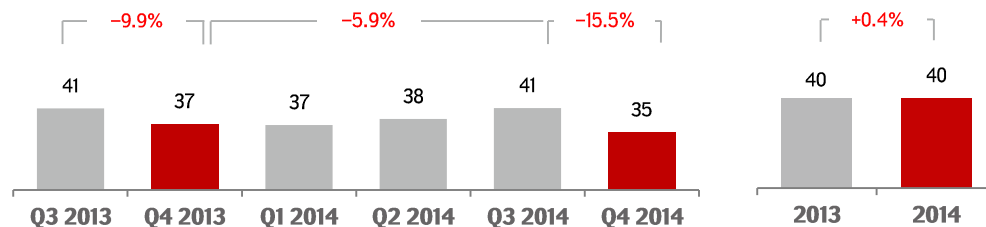
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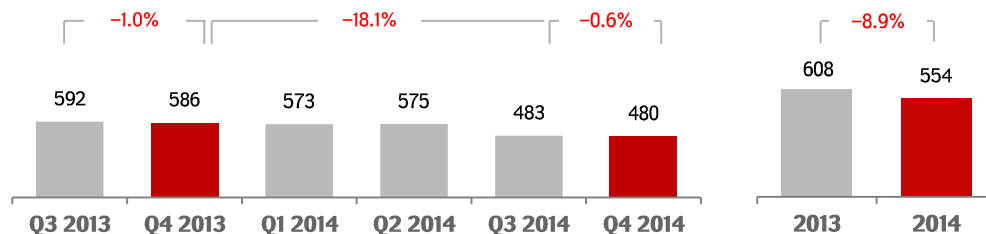
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UKRAINE OPERATING INDICATORS

ARPU (UAH)



MOU (MIN)



SUBS, MLN	21.3	21.5	21.7	22.3	22.7	20.2
CHURN, %	6.8%	7.4%	6.2%	4.5%	4.6%	17.6%
VAS ARPU	12.9	12.8	12.6	11.3	10.3	9.4
- AS % OF ARPU	31.3%	34.5%	34.2%	29.6%	25.0%	26.9%
SAC	57.1	53.3	49.4	50.8	63.4	69.3
APPM	0.069	0.063	0.064	0.067	0.085	0.072
	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014

	21.5	20.2
	27.2%	34.2%
	13.0	11.4
	32.9%	28.8%
	54.8	57.6
	0.065	0.072
	2013	2014

- Y-on-Y decline in ARPU due to lower usage of voice, data, messaging and content products due to macroeconomic factors and challenges of provisioning services in eastern Ukraine
- Quarterly decline in ARPU attributable to the challenging macro environment and seasonal factors
- Year-over-year decline in minutes of use attributable to difficulty in provisioning services in eastern Ukraine and impact of macroeconomic factors on overall voice traffic
- Quarterly rise in churn attributable to cessation of business activity in Crimea and churn of Crimea-based MTS Ukraine customers



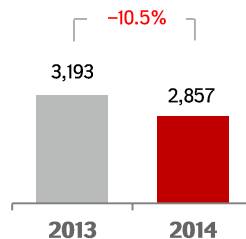
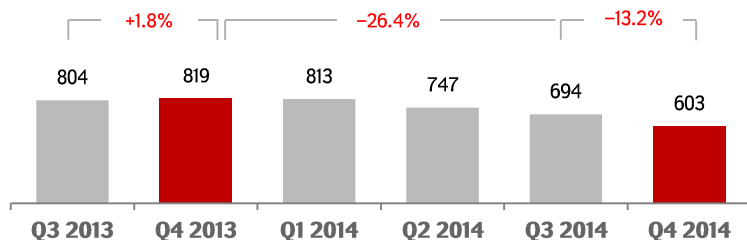
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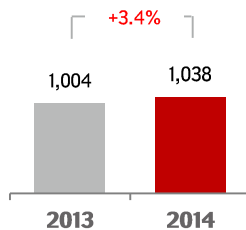
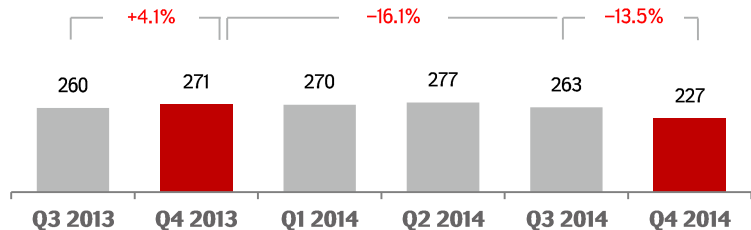
UKRAINE OPERATING INDICATORS

TOTAL VAS REVENUE (UAH mln)



- Decline in total VAS revenue as a result of reduced consumption of value-added services, messaging and SMS-based content related to overall drop in domestic traffic

DATA TRAFFIC REVENUE (UAH mln)



- Period decline in data traffic revenue reflects overall decrease in usage



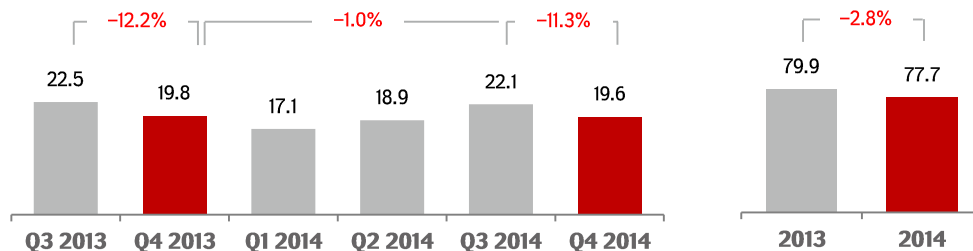
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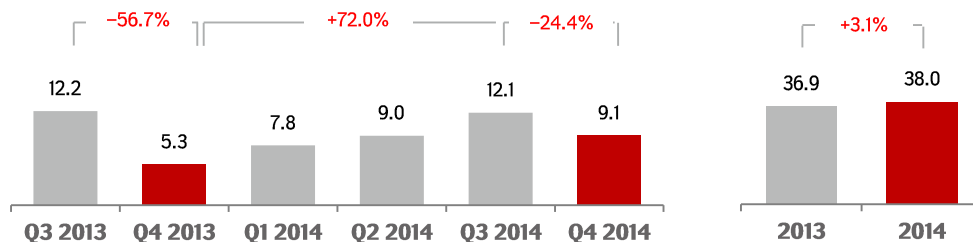
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ARMENIA FINANCIAL HIGHLIGHTS

TOTAL ARMENIA REVENUE (AMD bln)



TOTAL ARMENIA OIBDA (AMD bln)



OIBDA MARGIN	54.4%	26.8%	45.5%	47.9%	54.6%	46.6%
	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014

46.1%	49.0%
2013	2014

- Revenue dynamics driven by a sustained decline in international calling due to macroeconomic factors
- Quarterly revenue decline attributable to seasonal factors
- Y-on-Y OIBDA growth attributable to:
 - increase in the termination rates with MTS Russia in December 2013 which negatively impacted Q4 2013 results
 - regulatory decision to increase termination rates for international calling starting from Q3 2014
- Quarterly OIBDA dynamic reflect topline dynamics and a write-off of bad debt



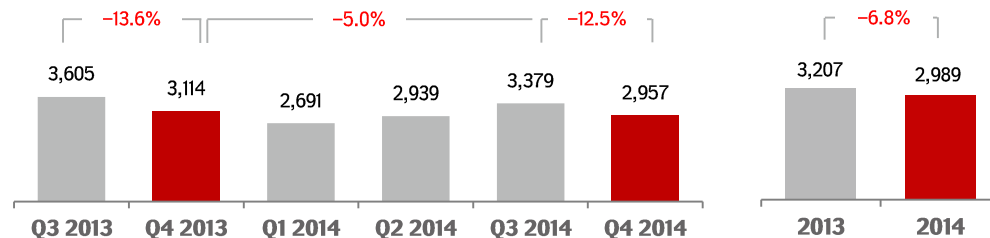
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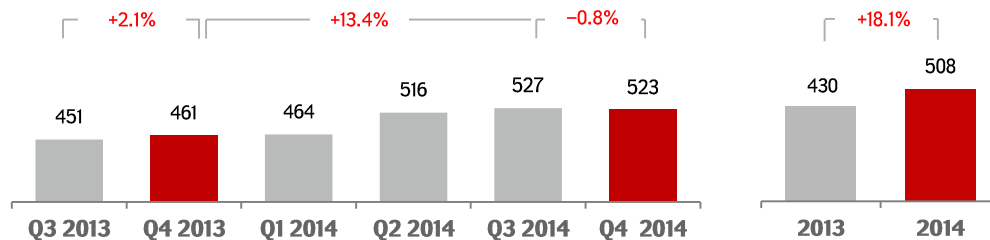
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ARMENIA OPERATING INDICATORS

ARPU (AMD)



MOU (MIN)



- Y-on-Y decline in ARPU attributable to an increase in free on-net calls included in the packages as well as reduced international calling
- Quarterly decline in ARPU in line with traditional seasonal trends due to lower subscriber roaming revenues
- Y-on-Y rise in MOU reflects MTS's efforts to drive voice usage

SUBS, 000S	2,063.2	2,099.7	2,102.5	2,121.8	2,149.4	2,145.5
CHURN, %	8.5%	8.3%	7.8%	7.7%	9.0%	9.5%
SAC	6,077.1	6,800.7	5,129.8	5,302.3	4,773.3	6,261.6
APPM	7.99	6.77	5.80	5.70	6.41	5.65
	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014

	2,099.7	2,145.5
	33.2%	33.9%
	6,415.7	5,362.8
	7.46	5.88
	2013	2014



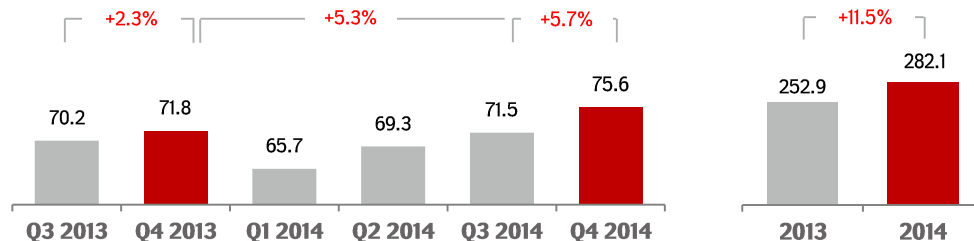
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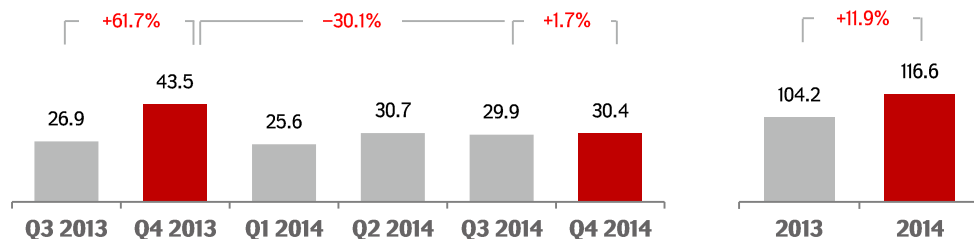
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TURKMENISTAN FINANCIAL HIGHLIGHTS

TOTAL TURKMENISTAN REVENUE (TMT mln)



TOTAL TURKMENISTAN OIBDA (TMT mln)



OIBDA MARGIN	38.3%	60.6%	39.0%	44.3%	41.8%	40.2%
	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014

	41.2%	41.3%
	2013	2014

- Y-on-Y topline growth driven by increased data and content revenues due to network enhancement and promotion of data services
- Quarterly revenue growth due to the launch of voice & data tariff plan *Smart*
- Sharp drop in OIBDA due to:
 - one-off effect on OIBDA in Q4 2013 attributable to the cancellation of reserves for salaries and stock options, reserves for frequency payments, line rentals and network dismantling due to liquidation of BCTI, the former MTS subsidiary
 - increased line rentals costs from June 2014
- Quarterly OIBDA improvement attributable to growing contribution from data revenues



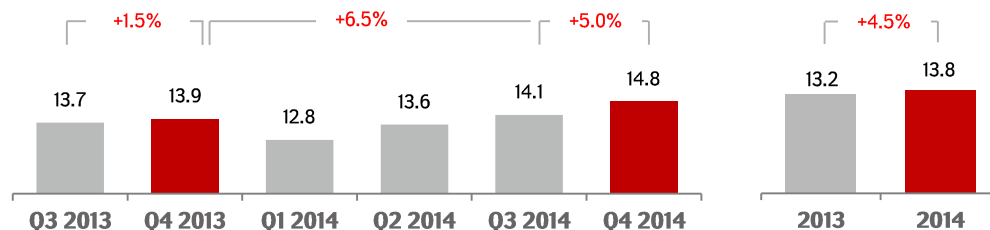
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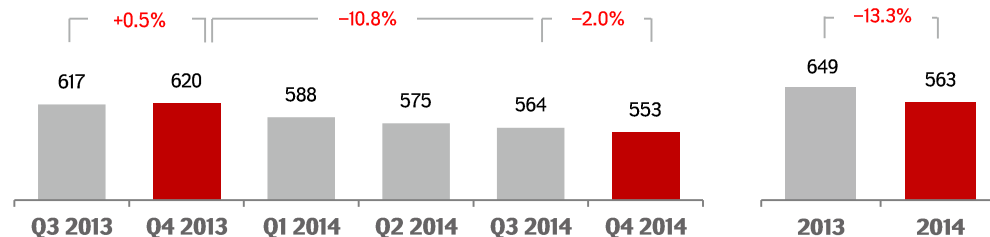
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TURKMENISTAN OPERATING INDICATORS

ARPU (TMT)



MOU (MIN)



SUBS, 000S	1,725.1	1,723.5	1,691.9	1,699.4	1,691.3	1,718.8
CHURN, %	13.0%	13.5%	12.0%	10.4%	11.2%	10.3%
SAC	18.1	22.1	23.9	24.1	26.7	26.1
APPM	0.022	0.022	0.022	0.024	0.025	0.027
	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014

	1,723.5	1,718.8
	49.8%	43.3%
	14.9	25.2
	0.020	0.025
	2013	2014

- Y-on-Y growth in ARPU reflects MTS's success in monetizing its subscriber base and rising data traffic revenues
- Sequential decline in MOU attributable to MTS's initiatives aimed at reducing the share of free on-net calling in the traffic mix



from words to digits

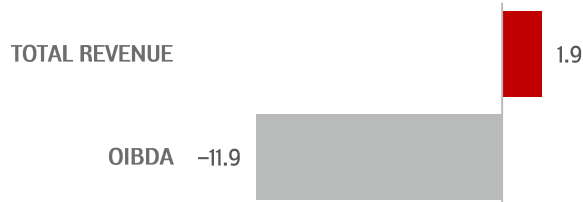


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UZBEKISTAN: RE-ENTERING THE MARKET

KEY FINANCIAL METRICS

(USD mln)



OPERATING INDICATORS

SUBSCRIBERS, 000S	188.1
MOU (MIN)	445
Q4 2014	

- On September 24, 2014, MTS took possession of a 50.01% stake in the Russian-Uzbek entity Universal Mobile Systems LLC (UMS)
- The assets, equipment and infrastructure, which were previously owned by Uzdunrobita FE LLC, former MTS subsidiary in Uzbekistan, were transferred to UMS
- UMS has been granted 2G, 3G and LTE licenses, and received frequencies, numbering capacity and other permits required for the launch of the operations
- MTS launched operations throughout the territory of Uzbekistan on December 1, 2014



from words to digits



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APPENDIX



MTS

from words to digits

DEFINITIONS & 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, Russian ruble and functional currency margins, as well as other non-GAAP financial measures, may differ.

Operating Income Before Depreciation and Amortization (OIBDA) and OIBDA margin. 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. We use a term Adjusted for OIBDA and operating income when there were significant excluded one off effects. OIBDA can be reconciled to our consolidated statements of operations as follows:

RUB mln	Q4 2013					Q3 2014					Q4 2014				
	Group	RUS	UKR	ARM	TUK	Group	RUS	UKR	ARM	TUK	Group	RUS	UKR	ARM	TUK
OPERATING INCOME	27,219	25,865	3,109	(27)	488	32,756	28,249	2,071	642	352	21,183	24,212	(3,467)	464	457
Less: Gain from reentrance into Uzbekistan	-	-	-	-	-	(3,604)	-	-	-	-	(3,130)	-	-	-	-
Add: Provision for investment in Delta bank	-	-	-	-	-	-	-	-	-	-	5,138	-	5,138	-	-
ADJUSTED OPERATING INCOME/LOSS	27,219	25,865	3,109	(27)	488	29,152	28,249	2,071	642	352	23,191	24,212	1,671	464	457
ADD: D&A	17,769	15,243	2,085	448	11	19,034	17,188	1,410	425	27	19,404	17,112	1,449	523	48
ADJUSTED OIBDA	44,988	41,107	5,194	420	498	48,186	45,437	3,481	1,067	379	42,596	41,324	3,120	986	506



from words to digits



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DEFINITIONS & RECONCILIATIONS

	Q4 2013					Q3 2014					Q4 2014				
	Group	RUS	UKR	ARM	TUK	Group	RUS	UKR	ARM	TUK	Group	RUS	UKR	ARM	TUK
OPERATING INCOME MARGIN	26.0%	27.5%	31.3%	n/a	59.5%	30.6%	28.5%	25.5%	32.9%	38.7%	19.8%	24.7%	(46.5%)	21.7%	36.4%
Less: Gain from reentrance into Uzbekistan	-	-	-	-	-	(3.4%)	-	-	-	-	(2.9%)	-	-	-	-
Add: Provision for investment in Delta bank	-	-	-	-	-	-	-	-	-	-	4.7%	-	68.9%	-	-
ADJUSTED OPERATING MARGIN	26.0%	27.5%	31.3%	n/a	59.5%	27.2%	28.5%	25.5%	32.9%	38.7%	21.6%	24.7%	22.4%	21.7%	36.4%
ADD: D&A	17.0%	16.2%	21.0%	28.2%	1.3%	17.8%	17.3%	17.4%	21.8%	3.0%	18.1%	17.5%	19.4%	24.4%	3.8%
ADJUSTED OIBDA MARGIN	42.9%	43.7%	52.3%	26.5%	60.8%	45.0%	45.8%	42.9%	54.6%	41.7%	39.7%	42.1%	41.8%	46.1%	40.2%

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

RUB mln	2013					2014				
	Group	RUS	UKR	ARM	TUK	Group	RUS	UKR	ARM	TUK
OPERATING INCOME	101,758	94,873	11,745	1,299	1,159	102,349	99,075	3,390	1,674	1,452
Less: Gain from reentrance into Uzbekistan	-	-	-	-	-	(6,734)	-	-	-	-
Add: Provision for investment in Delta bank	-	-	-	-	-	5,138	-	5,138	-	-
ADJUSTED OPERATING INCOME	101,758	94,873	11,745	1,299	1,159	100,753	99,075	8,528	1,674	1,452
ADD: D&A	73,253	62,825	8,896	1,560	18	74,710	65,768	6,780	1,807	123
ADJUSTED OIBDA	175,011	157,699	20,641	2,859	1,177	175,463	164,844	15,308	3,481	1,576



from words to digits



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DEFINITIONS & RECONCILIATIONS

	2013					2014				
	Group	RUS	UKR	ARM	TUK	Group	RUS	UKR	ARM	TUK
OPERATING INCOME MARGIN	25.5%	26.7%	29.6%	20.9%	40.8%	24.9%	26.4%	10.3%	23.4%	38.0%
Less: Gain from reentrance into Uzbekistan	–	–	–	–	–	(1.6%)	–	–	–	–
Add: Provision for investment in Delta bank	–	–	–	–	–	1.2%	–	15.7%	–	–
ADJUSTED OPERATING MARGIN	25.5%	26.7%	29.6%	20.9%	40.8%	24.5%	26.4%	26.0%	23.4%	38.0%
ADD: D&A	18.4%	17.7%	22.4%	25.0%	0.6%	18.2%	17.5%	20.7%	25.3%	3.2%
ADJUSTED OIBDA MARGIN	43.9%	44.4%	52.0%	45.9%	41.5%	42.7%	44.0%	46.7%	48.7%	41.2%



from words to digits



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DEFINITIONS & RECONCILIATIONS

Net debt represents total debt less cash and cash equivalents and short-term investments and long-term deposits. 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.

RUB mln	As of Dec 31, 2013	As of Dec 31, 2014
Current portion of LT debt and of capital lease obligations	25,064	42,674
LT debt and capital lease obligations	194,083	249,717
Total debt	219,147	292,391
Less:		
Cash and cash equivalents	30,612	61,410
ST investments	14,633	9,849
LT deposits	–	13,671
Effects of hedging of non-ruble denominated debt	1,825	21,936
Net debt	172,078	185,525

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.

RUB mln	For the year ended Dec 31, 2013	For the year ended Dec 31, 2014
Net cash provided by operating activities from continuing operations	159,924	159,518
Less:		
Purchases of property, plant and equipment	(67,146)	(74,243)
Purchases of intangible assets	(14,429)	(18,356)
Proceeds from sale of property, plant and equipment	418	619
Investments in and advances to associates	(5,089)	(7,767)
Acquisition of subsidiaries, net of cash acquired	–	(2,755)
Free cash flow from continuing operations	73,678	57,016



from words to digits



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DEFINITIONS & 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 organization or individual, whose SIM-card:

- shows traffic-generating activity or
- accrues a balance for services rendered or
- is replenished or topped off

Over the course of any three-month period, inclusive within the reporting period, and was not blocked at the end of the 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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Latest Financial Information

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