

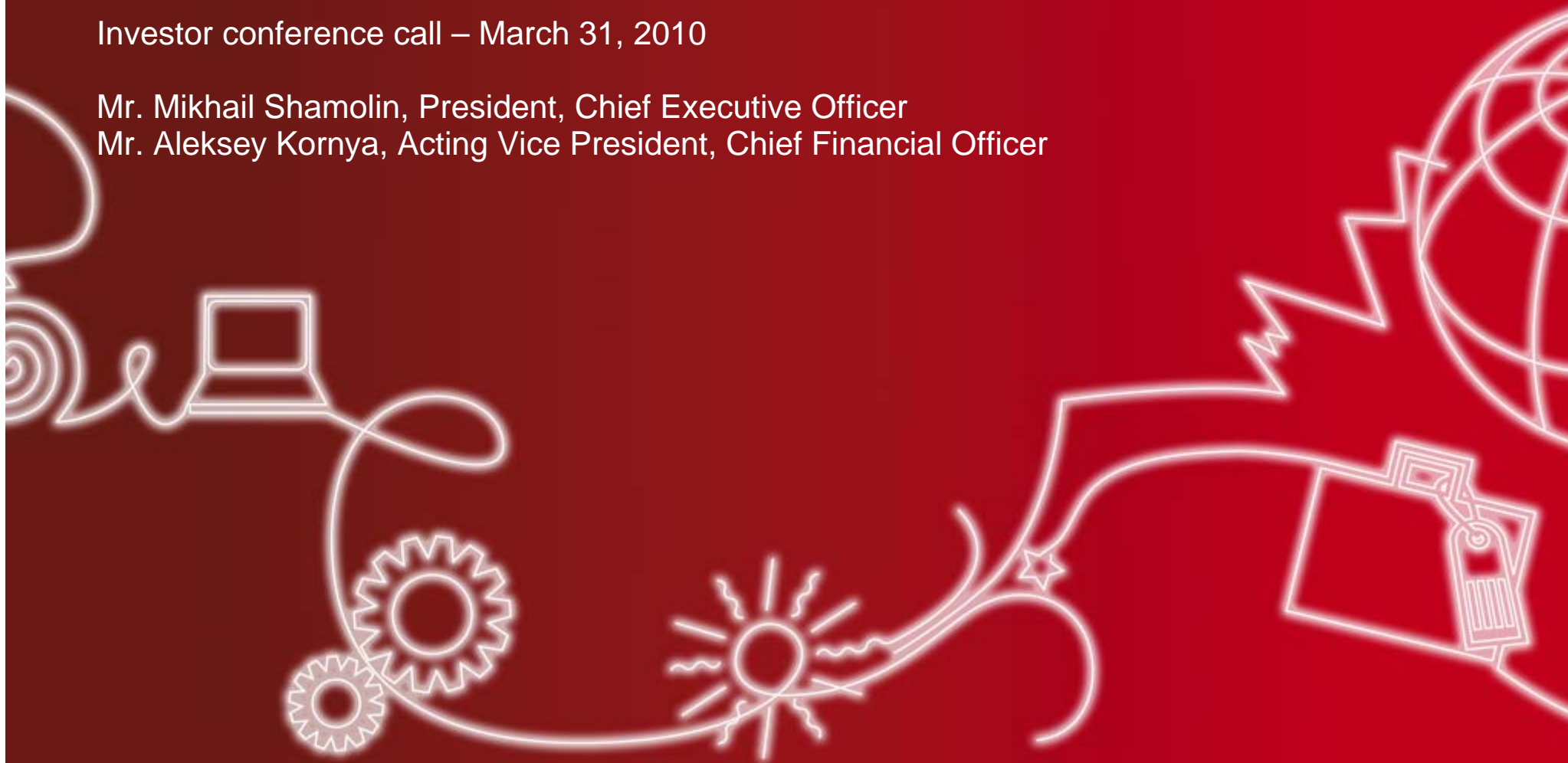
**МТС оператор связи** 

# **Group financial results for the fourth quarter and full year 2009**

Investor conference call – March 31, 2010

Mr. Mikhail Shamolin, President, Chief Executive Officer

Mr. Aleksey Kornya, Acting Vice President, Chief Financial Officer





## 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, including Comstar-UTS, 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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- Group CAPEX
- Outlook for 2010
- 3i Strategy

## Group highlights for the fourth quarter 2009

### October

- Acquisition of 50.91% stake in Comstar-UTS
- Affirmation of credit ratings by Fitch and Moody's at BB+ and Ba2 respectively with outlook stable

### November

- Affirmation of credit rating by S&P at BB with outlook stable
- Amendment of terms on Euro 300 mln credit facility from Gazprombank
- Signing of the MOU by Comstar with Sistema and Svyazinvest on reorganization of assets
- Securing of vendor financing from export credit agency EKN

### December

- Increase in direct ownership of Comstar-UTS to 61.97%\* through a share swap
- Acquisition of Eurotel
- Roll-out of 3G in Moscow
- Securing of vendor financing from export credit agencies SINOSURE and EDC

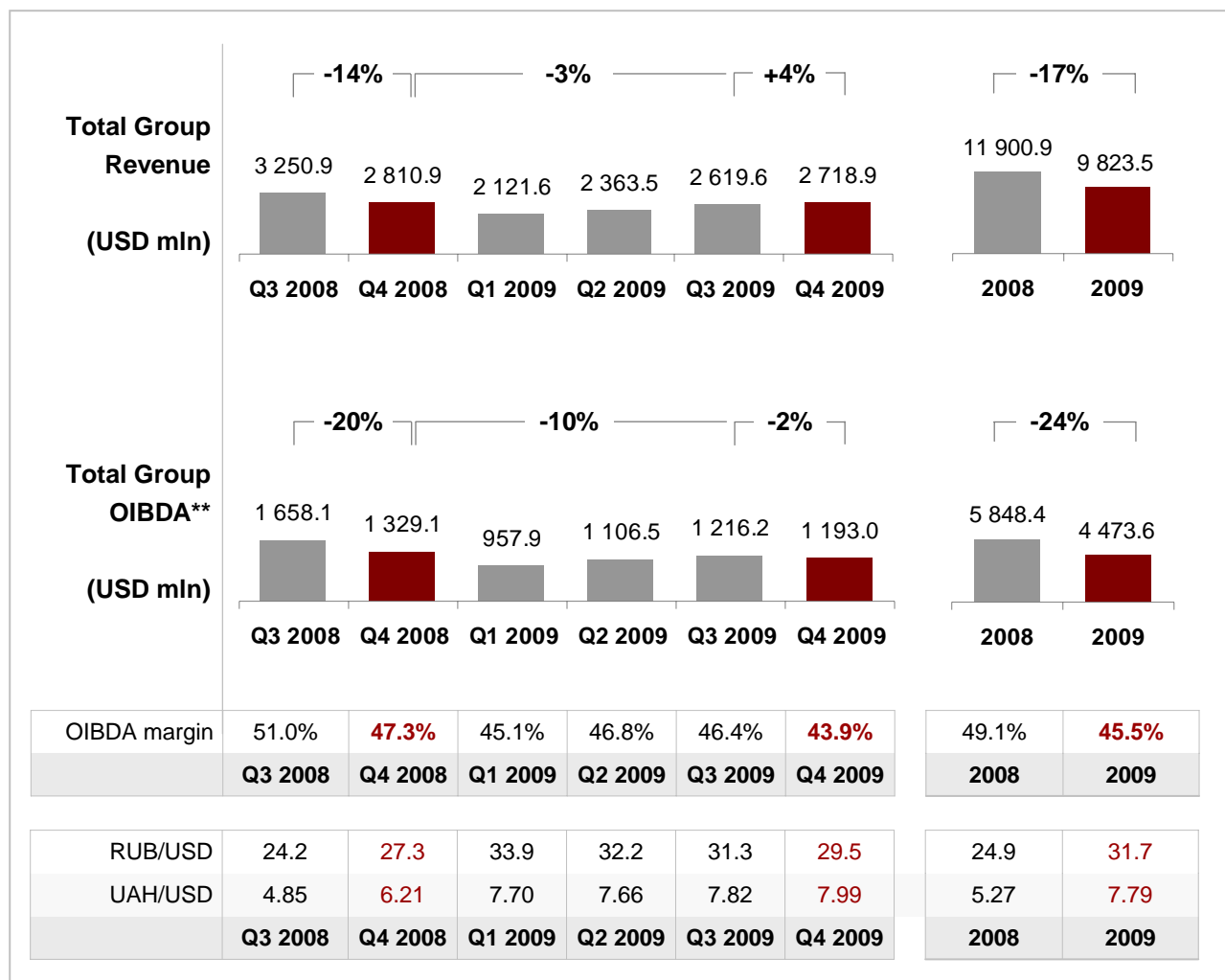
### Market commentary

- MTS continues to see sustained macroeconomic volatility in its markets of operations that may impact the financial and operational performance throughout the Group

\* Through cross-holdings between Comstar-UTS, Svyazinvest and MGTS, MTS' effective stake is 65.19%.



## Group financial highlights\*

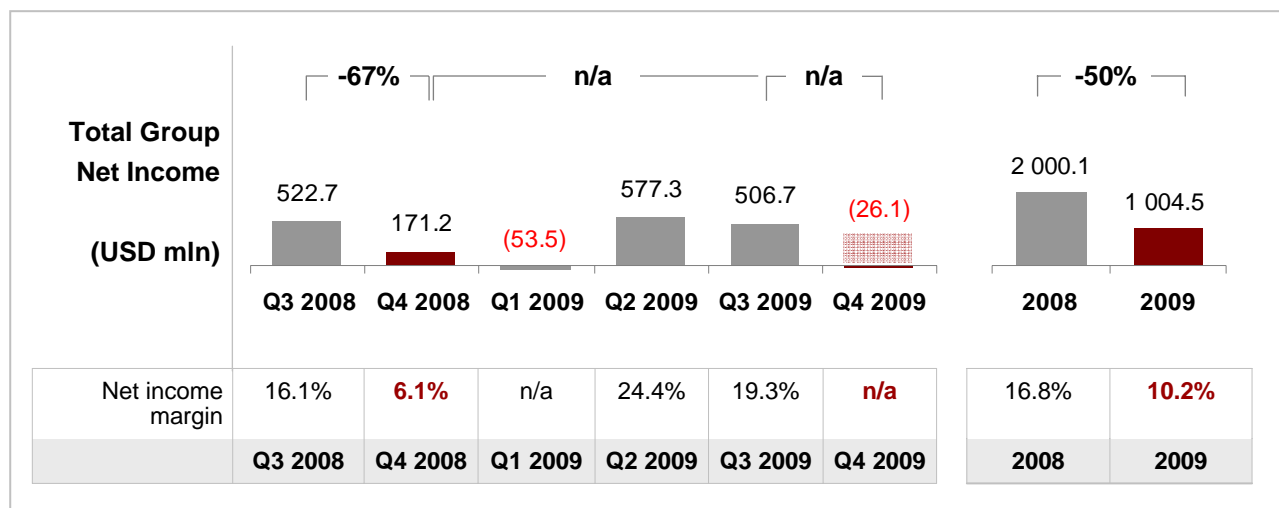


- Seasonal revenue dynamics aided by appreciation of our core currencies vs. the US dollar
- OIBDA reflects seasonal trends as well as on-going investments in proprietary retail distribution
- OIBDA margin decline on the back of seasonal factors, retail expansion, competition in markets of operations, inflationary cost pressures and top-line revenue dynamics

\* The figures are unaudited. See appendix for treatment of Comstar-UTS acquisition and reallocation of Headquarters' costs.

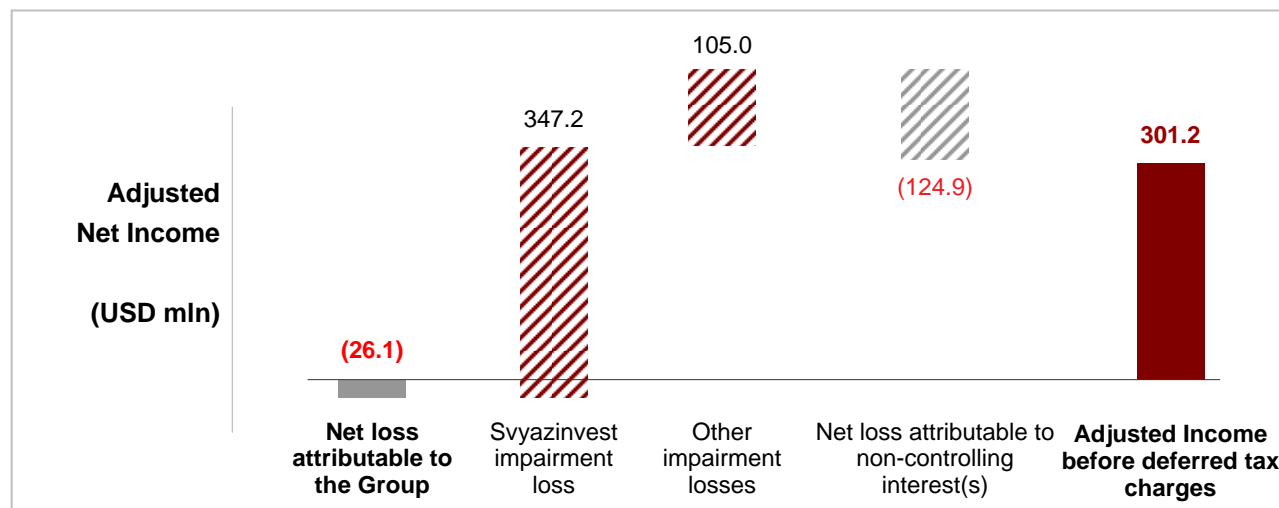
\*\* OIBDA represents operating income before depreciation & amortization, long-lived assets & goodwill, impairment loss and acquisition related costs.

## Group financial highlights\*



▨ Q4 2009 net income adjusted for write-offs

\* The figures are unaudited. See appendix for treatment of Comstar-UTS acquisition and reallocation of Headquarters' costs.



■ Quarterly net income impacted by a series of one-time or periodic events, including:

- Write off of \$368 million in investments, most of which is attributable to the re-valuation of our investment in Svyazinvest held on the Comstar-UTS level;
- Charges of \$86 million related to the write-off of obsolete equipment tied to the roll-out of our 3G networks and expenses related to our acquisition of Comstar-UTS;
- Higher non-cash tax provisions related to our anticipated upstreaming of dividends from our foreign subsidiary companies as their markets mature

■ Total USD impact of impairment losses: \$327 million

■ Adjusted income of \$301 million without effect of impairment

## Group balance sheet

Balance sheet (USD mln unless noted)	As of Dec 31, 2008	As of Dec 31, 2009
Cash and cash equivalents	\$1 121.7	\$2 522.8
Short-term investments	\$360.1	\$217.2
Total debt	\$5 368.3	\$8 329.5
Long-term debt	\$3 672.1	\$6 327.7
Short-term debt	\$1 696.2	\$2 001.8
Net debt*	\$3 886.5	\$5 589.5
Shareholders' equity**	\$6 219.9	\$4 403.1
Total assets	\$14 717.2	\$15 780.7
OIBDA	\$5 848.4	\$4 473.6
Net debt/assets	0.3x	0.4x
Net debt/equity	0.6x	1.3x
Net debt/OIBDA	0.7x	1.2x

- Free cash flow\* positive for the FY 2009 with \$1.1 billion
- Increase in total debt due to additional capital raised for the acquisition of Comstar-UTS in Q3 2009
- Company efforts aimed at lowering interest expenses through negotiations with financial institutions
- Relatively low LTM net debt/OIBDA despite increase in debt and the impact of currency depreciation on our OIBDA

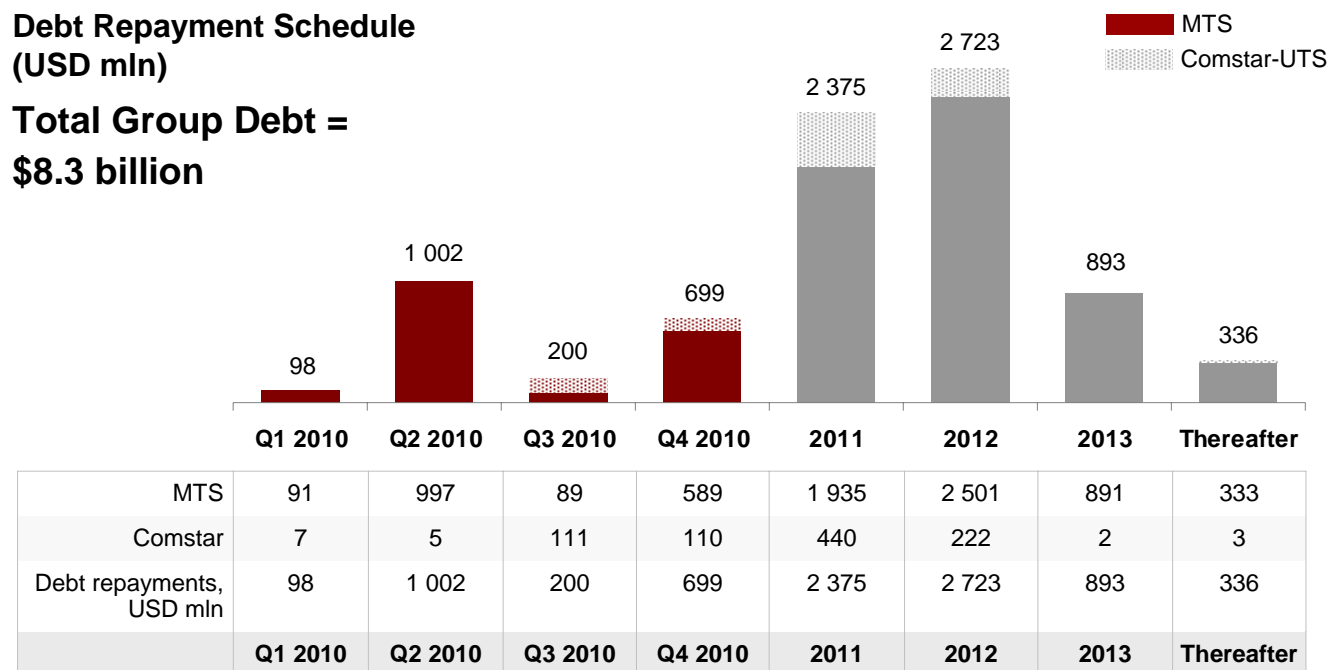
\*See reconciliations of net debt and free cash flow to consolidated financial statements in the appendix

\*\*The figures are unaudited. See appendix for treatment of Comstar-UTS acquisition and reallocation of Headquarters' costs.

## Debt obligations at the end of 2009

### Debt Repayment Schedule (USD mln)

**Total Group Debt =  
\$8.3 billion**

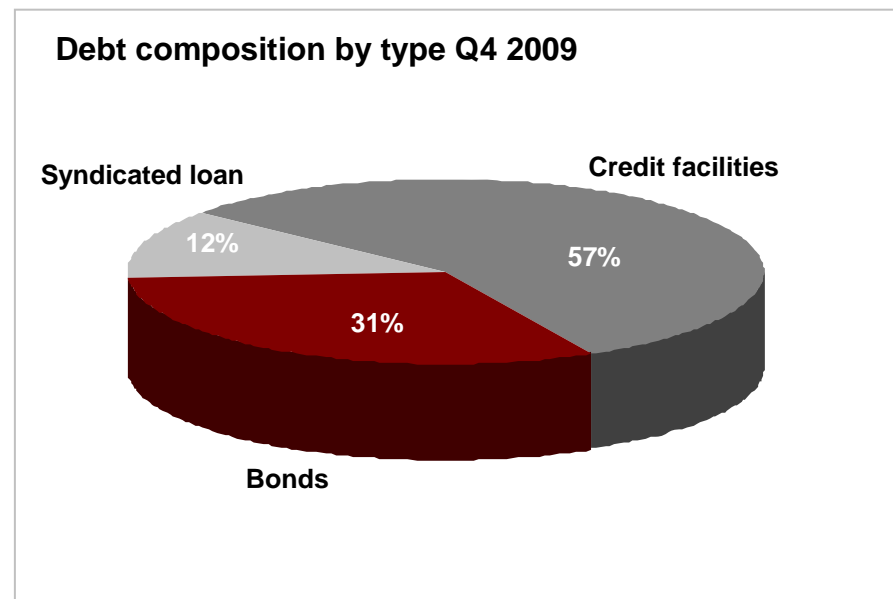
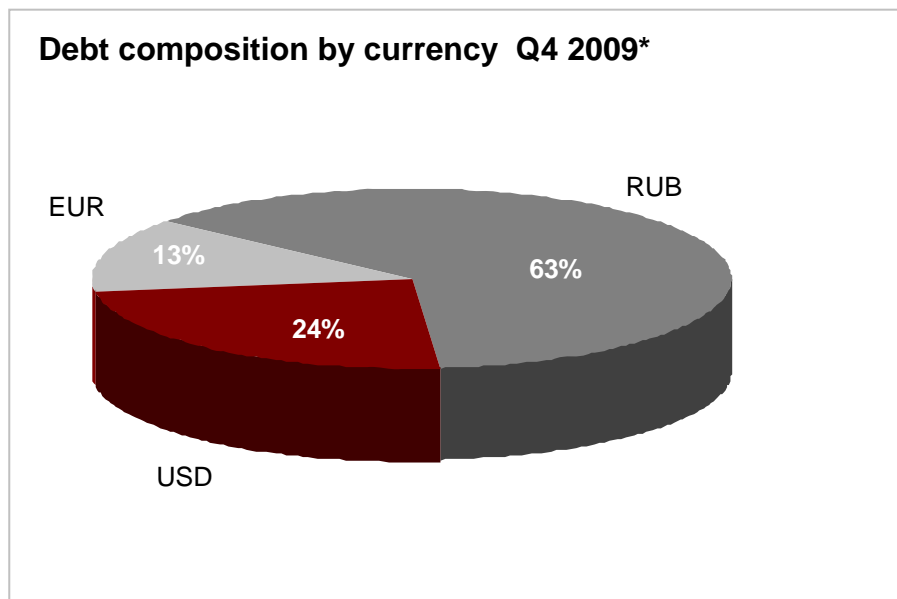


\*MTS' three ruble bonds placed in 2008 contain put options that can be exercised from April through June 2010. The ruble bonds placed in 2009 contain put options that can be exercised in May 2011 and in July 2012. MTS expects the options to be exercised, thereby increasing 2010-2012 debt and decreasing long-term debt

- \$2.5 bln in cash at the end of Q4 2009 in anticipation of further debt obligations and additional corporate needs
- In February 2010, MTS prepaid the principal and loan interest amounts on facility A of \$373.8 million and on facility B of €247.6 million of the syndicated loan agreement originally signed in May 2009 and amended in June 2009



## Debt composition at the end of 2009



- Maintaining balanced currency structure of liabilities with a preference for ruble-denominated funding
- Beginning in Q2 2009, MTS began hedging some liabilities by means of cross-currency swaps
- FY 2010 maturities of credit lines and a Eurobond may provide MTS with additional opportunities to balance its currency exposure
- Further improvement in credit markets allowed MTS to lower interest rates on EUR 300 million credit facility and on RUB 47 billion and RUB 12 billion Sberbank loans in Q1 2010

\* Debt composition by currency includes FX hedging in the amount of \$335 mln as of Q4 2009

## Group subscriber base dynamics during the quarter

MTS subscribers (mln unless noted)	Q3 2009	Q4 2009	% change
Russia:			
- mobile	68.70	69.34	0.9%
- households passed, 000s	7 485	7 502	0.2%
- broadband Internet, 000s	1 227	1 298	5.8%
- pay TV, 000s	2 085	2 124	1.9%
Ukraine	17.78	17.56	(1.2%)
Uzbekistan*	6.79	7.07	4.1%
Turkmenistan	1.50	1.76	17.3%
Armenia	2.08	2.07	(0.5%)
Belarus**	4.52	4.56	0.9%
<b>Total mobile</b>	<b>101.37</b>	<b>102.36</b>	<b>1.0%</b>

- Maintaining leading share in Russian mobile market by leveraging attractive tariffs and a mix of proprietary and multi-brand distribution channels
- Healthy growth of Comstar-UTS operations with increasing demand for new innovative services based on high-speed Internet technologies
- Subscriber dynamics in Ukraine reflective of the overall market performance
- Strong additions in Central Asian markets as services become more widely available and at more affordable price levels

\*As of January 1, 2008, MTS adopted its Group-wide six month-churn policy for the market

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

## Development of MTS retail network and handset distribution

### Q1 2009

- Acquisition of Telefon.Ru mobile retail network
- Svyaznoy management team to lead MTS retail network

### Q2 2009

- Acquisition of Eldorado mobile retail network
- Partnership with Nokia and exclusive launch of N97

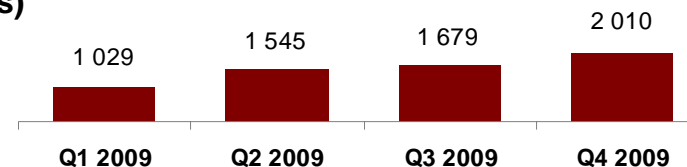
### Q3 2009

- Exclusive launch of HTC Hero
- Launch of the first MTS-branded phone, MTS 236

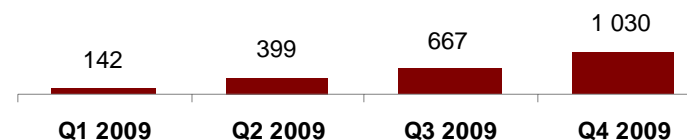
### Q4 2009

- Launch of MTS-branded phones with 3G capability
- Acquisition of Teleforum mobile retail network
- Comstar products sold through MTS retail network

### MTS retail network development (MTS-owned stores)

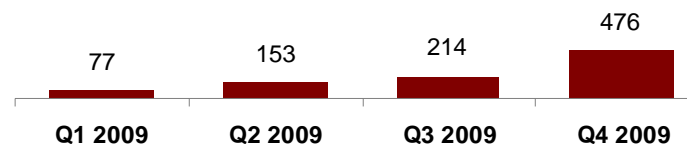


### Handset sales through MTS retail network (000s)



Market share**	Q1 2009	Q2 2009	Q3 2009	Q4 2009
	2.4%	7.0%	9.1%	11.7%
	Q1 2010	Q2 2010	Q3 2010	Q4 2010

### MTS Connect modem sales (000s)



\*Does not include franchisee stores.

\*\*Market share in terms of number of handsets sold based on MTS estimates



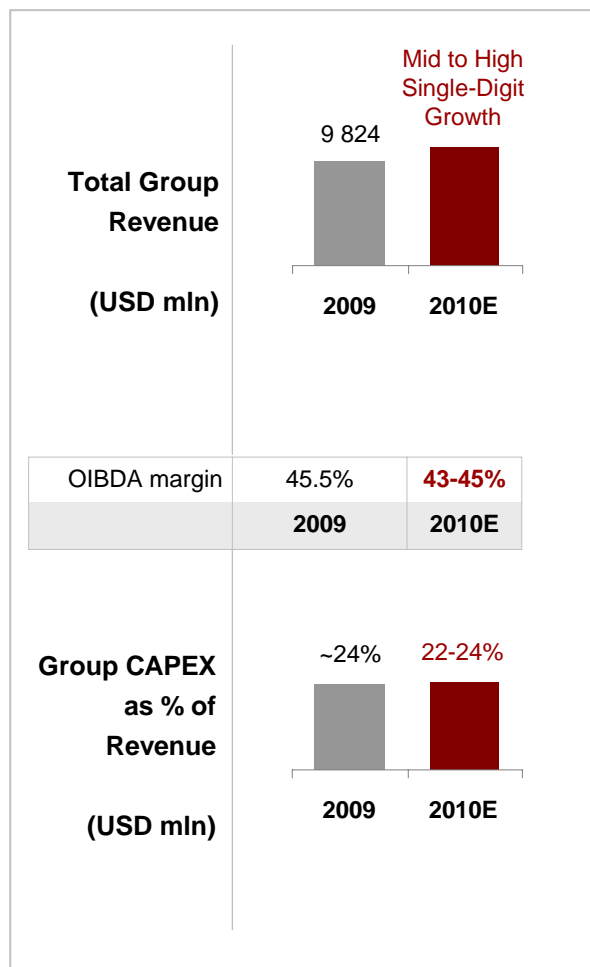
## Group CAPEX

CAPEX per country (in USD mln)	Q4 2008	Q3 2009	Q4 2009	2008	2009
Russia*	564.2	248.7	418.6	1 753.3	1 389.7
Ukraine	139.4	71.3	76.9	595.6	377.4
Uzbekistan	41.0	134.2	102.7	139.7	460.3
Turkmenistan	20.2	13.3	14.1	58.2	52.4
Armenia	24.8	11.9	25.9	34.6	48.5
<b>Group</b>	<b>789.6</b>	<b>479.4</b>	<b>638.2</b>	<b>2 581.4</b>	<b>2 328.3</b>
<b>- as % of revenue</b>	<b>28.1%</b>	<b>18.3%</b>	<b>23.5%</b>	<b>21.7%</b>	<b>23.7%</b>

\*The figures are unaudited. See appendix for treatment of Comstar-UTS acquisition and reallocation of Headquarters' costs.



## Group outlook for 2010\*



\*Based on regional currency FOREX rates compared to the US dollar as of March 31, 2010

- MTS expects mid to high single-digit growth in local currencies in 2010 due to organic growth in traffic, stable consumer spending, sustained sales of handsets and accessories, and increased corporate use of voice and data services
  - Macroeconomic developments will continue to impact the Company's operational and financial results in 2010
  
- Group OIBDA margin guidance of 43 – 45% based on the profitability of MTS' retail expansion, including the number of handsets sold, as well as competitive factors in our core markets of operation
  
- CAPEX spending will be driven by investments in LD/ILD networks, expansion of our 3G networks, a one-time expenditure on an equipment swap in Moscow region and the continued modernization of existing fixed-line Moscow-based and regional networks
  - Final CAPEX figure will depend upon factors including currency volatility, vendor terms, project implementation schedules and other developments MTS cannot accurately predict

## 3i: MTS strategy

Strategic direction	Tactics	Key benefits
<p><b>Integration</b></p> <p>New pipelines and customer touch-points</p>	<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>
<p><b>Internet</b></p> <p>Smarter pipelines to capture additional value</p>	<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>	
<p><b>Innovation</b></p> <p>Differentiation through product and service mix</p>	<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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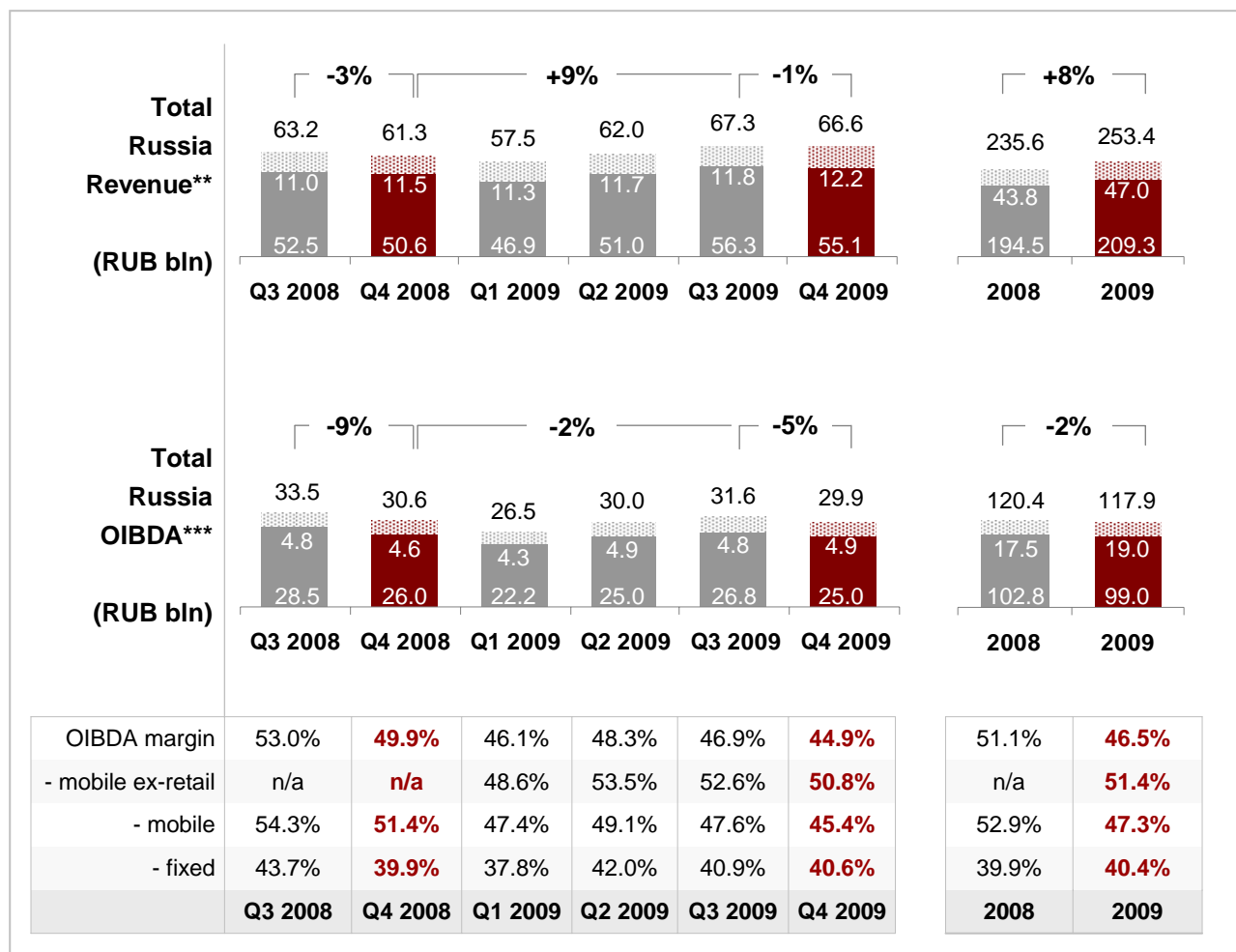
Financial and corporate highlights

**Key financial and operating results**

Appendix

- Russia
- Ukraine
- Uzbekistan
- Turkmenistan
- Armenia

## Russia financial highlights\*



■ Mobile ■ Fixed

\*The figures are unaudited. See appendix for treatment of Comstar-UTS acquisition and reallocation of Headquarters' costs.

\*\* Revenue, gross of intercompany.

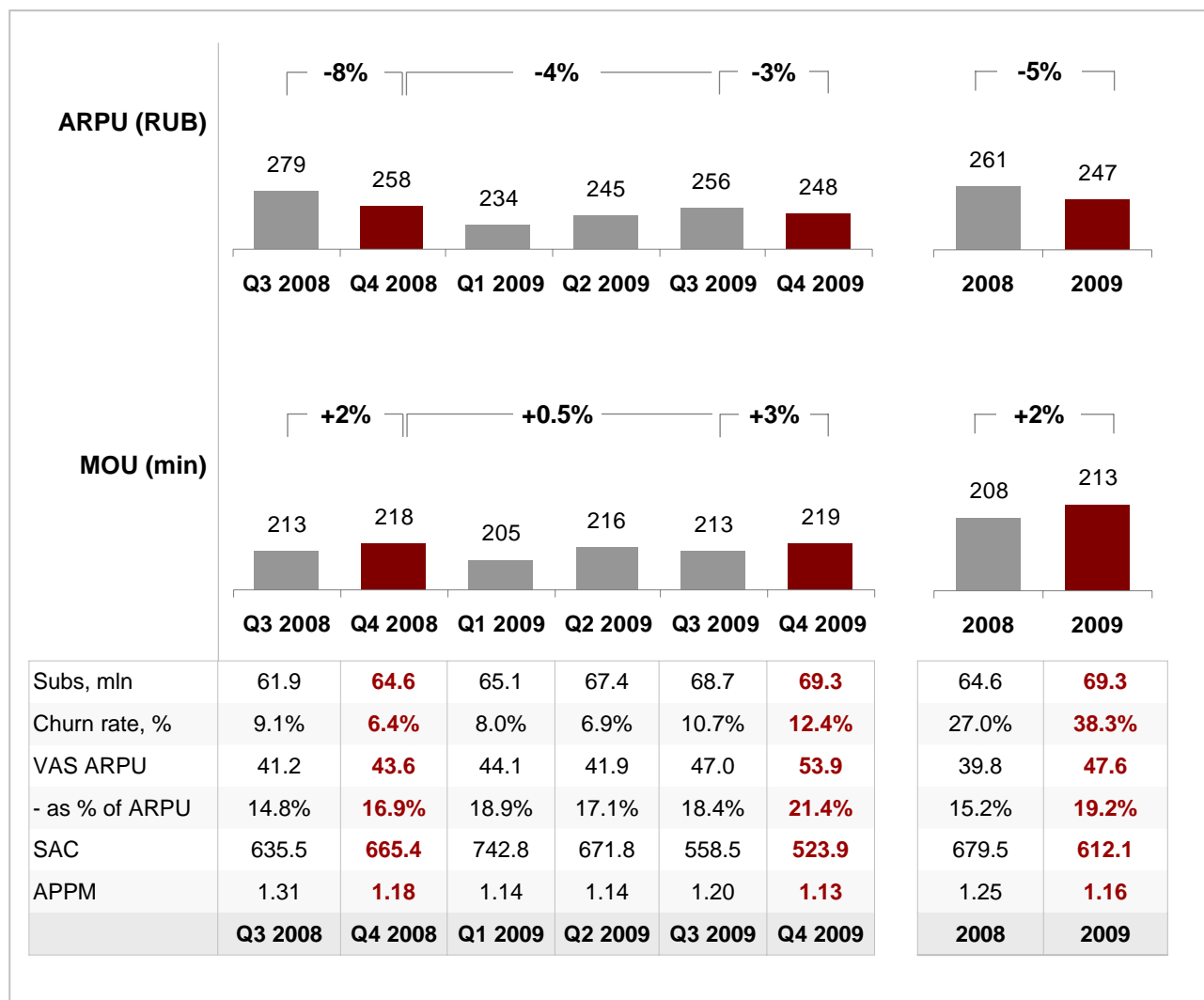
\*\*\* OIBDA represents operating income before depreciation & amortization, long-lived assets & goodwill, impairment loss and acquisition related costs.

- Mobile revenues in Q4 2009 impacted by a seasonal decline in higher-value roaming and long distance services
- Decrease in OIBDA q-o-q as result of top-line performance and seasonal cost factors
- Pressure on the OIBDA margin in line with seasonal factors combined with the expansion and development of MTS proprietary retail network



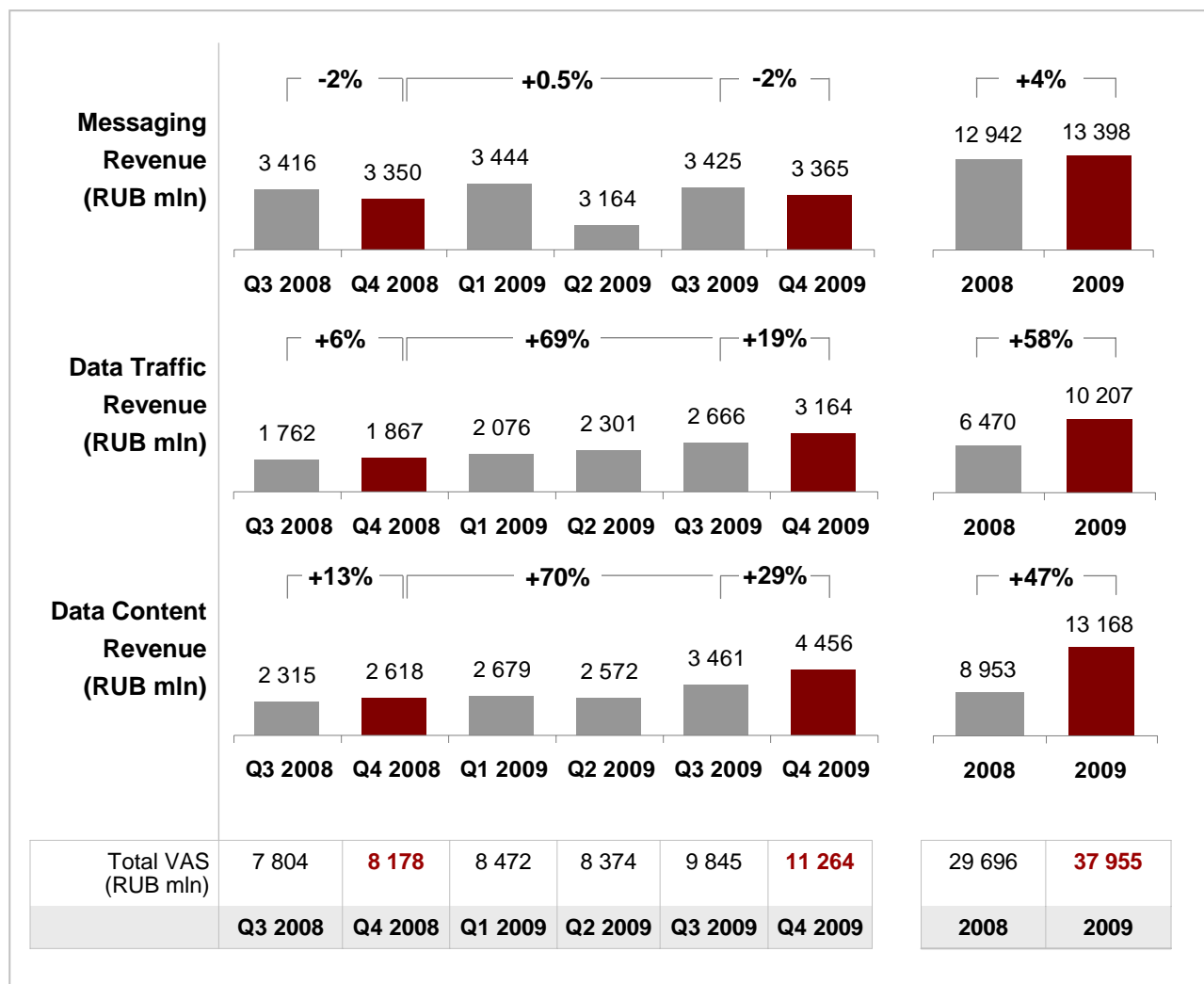


## Russia mobile operating indicators



- Decrease in ARPU during the quarter resulting from a seasonal decline in higher-value services such as roaming and long distance traffic
- Positive MOU dynamics in Q4 2009 reflective of seasonal usage stimulating promotions
- Decline in APPM q-o-q due to seasonal factors
- Decrease in SAC q-o-q on the back of a reduction in dealer commissions

## Russia mobile operating indicators\*



### Key initiatives in Q4:

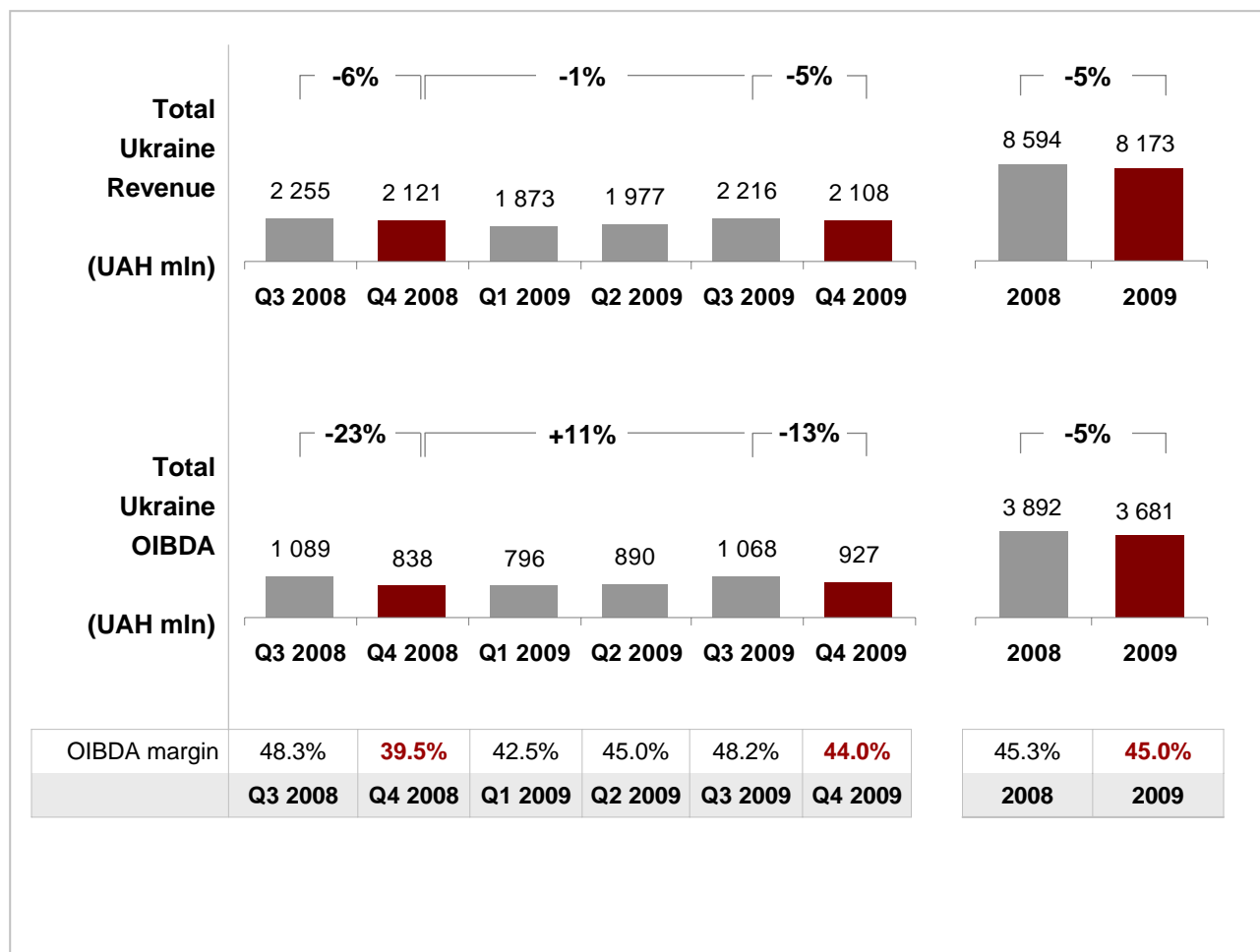
- Expansion of 3G coverage in Russia and full launch in Moscow
- Holiday promotions of *MTS Connect* mobile Internet modems driving rapid uptake in sales
- Unlimited offers for mobile Internet driving higher data usage
- SMS game “*Your Chance*” contributing to content revenues
- Promotions on *Omlet.ru* content portal with special offers to members of the *MTS Bonus* loyalty program
- Launch of LBS service “*Points of Interest*” for local listings

\* VAS revenue breakdown into the three categories – messaging, data traffic and content – now includes roaming revenues that have been allocated accordingly; as such, we cannot provide allocated roaming data prior to Q4 2007

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



## Ukraine financial highlights\*

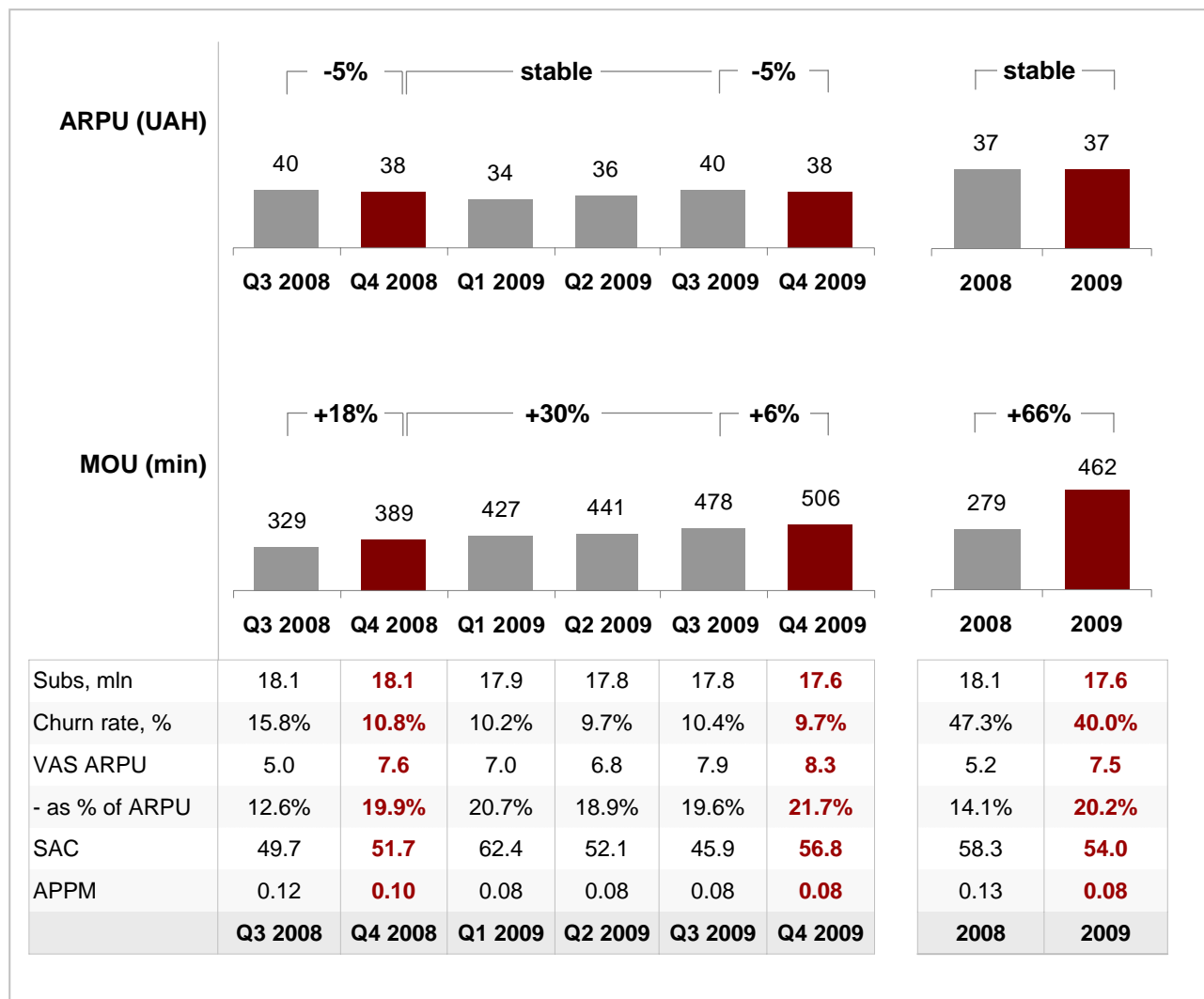


- Revenue during Q4 2009 affected by seasonality with a decline in roaming and by the revision of interconnect terms with Ukrtelekom
- OIBDA dynamics reflect top-line performance as well as the revision of interconnect terms; improved OIBDA margin vs. Q4 2008 as a result of cost control initiatives and a reduction of hard-currency related expenses

\*The figures are unaudited.

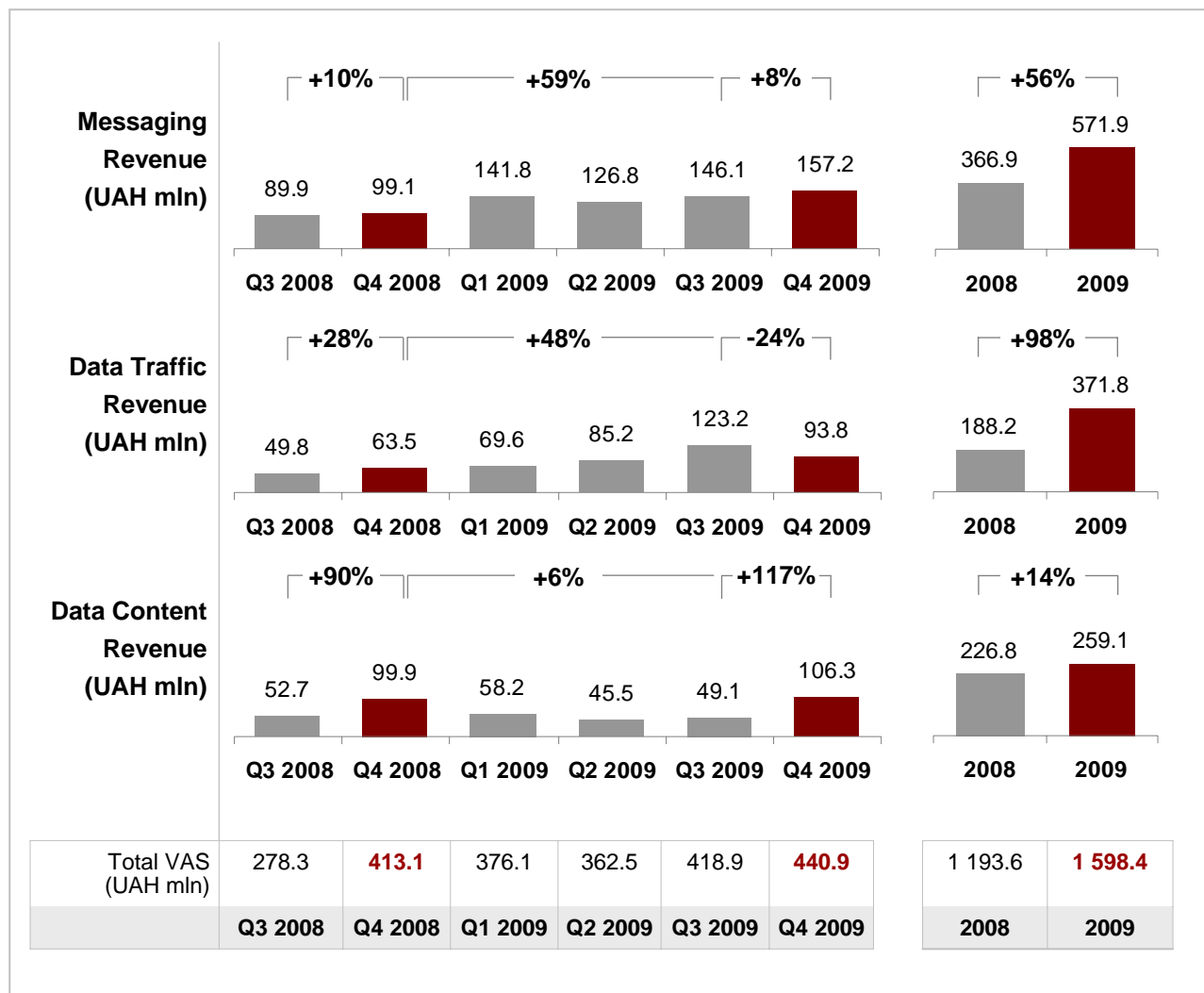


## Ukraine operating indicators



- Decline in ARPU in Q4 2009 due to traditional seasonal factors
- Continuing growth in voice usage as result of seasonal offers and relatively high share of on-net calling
- Relatively stable APPM throughout 2009 as market competition stabilizes vis-à-vis previous years
- Reduction in annual churn on the back of Company's efforts at improving subscriber quality and optimization of distribution

## Ukraine operating indicators

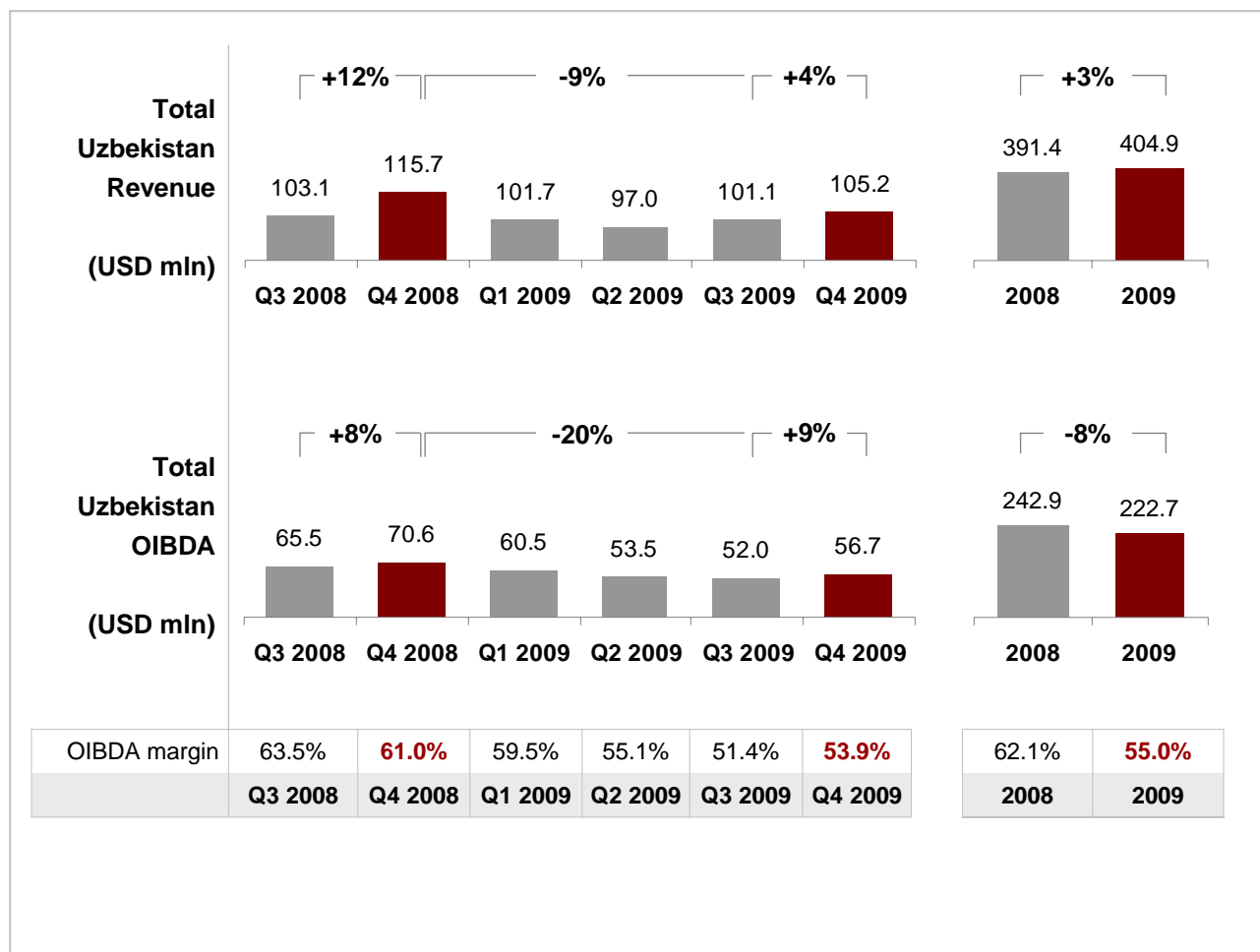


### Key initiatives in Q4:

- *MTS Connect* mobile Internet modem promotion driving higher sales during the holiday season
- Launch of *Super MTS Energy* data package (10Mb of traffic per day for a low monthly fee)
- Launch of branded content services *MTS Click*
- Promotion of ring-back tone service *Good'OK*
- Increasing use of premium-priced SMS for purchasing non-branded content
- WAP-portal promotions, including exclusive content and prizes to active users
- Launch of a LBS game for car enthusiasts



## Uzbekistan financial highlights\*

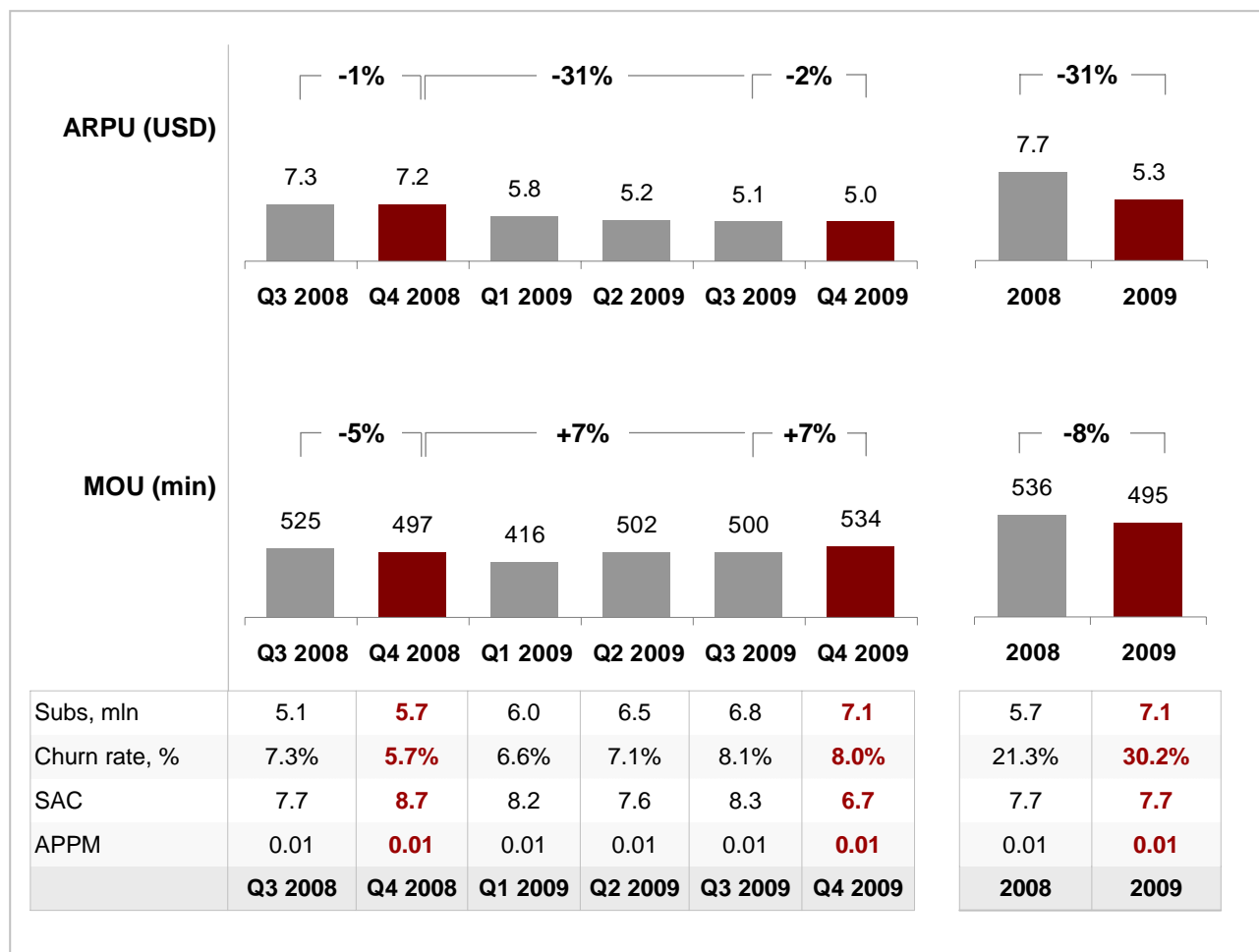


- Increase in revenue in Q4 2009 despite aggressive competition on the back of continuing healthy subscriber additions and positive dynamics in the VAS revenues
- Increase in OIBDA margin q-o-q through reduction of sales and marketing and operating expenses

\*The figures are unaudited.

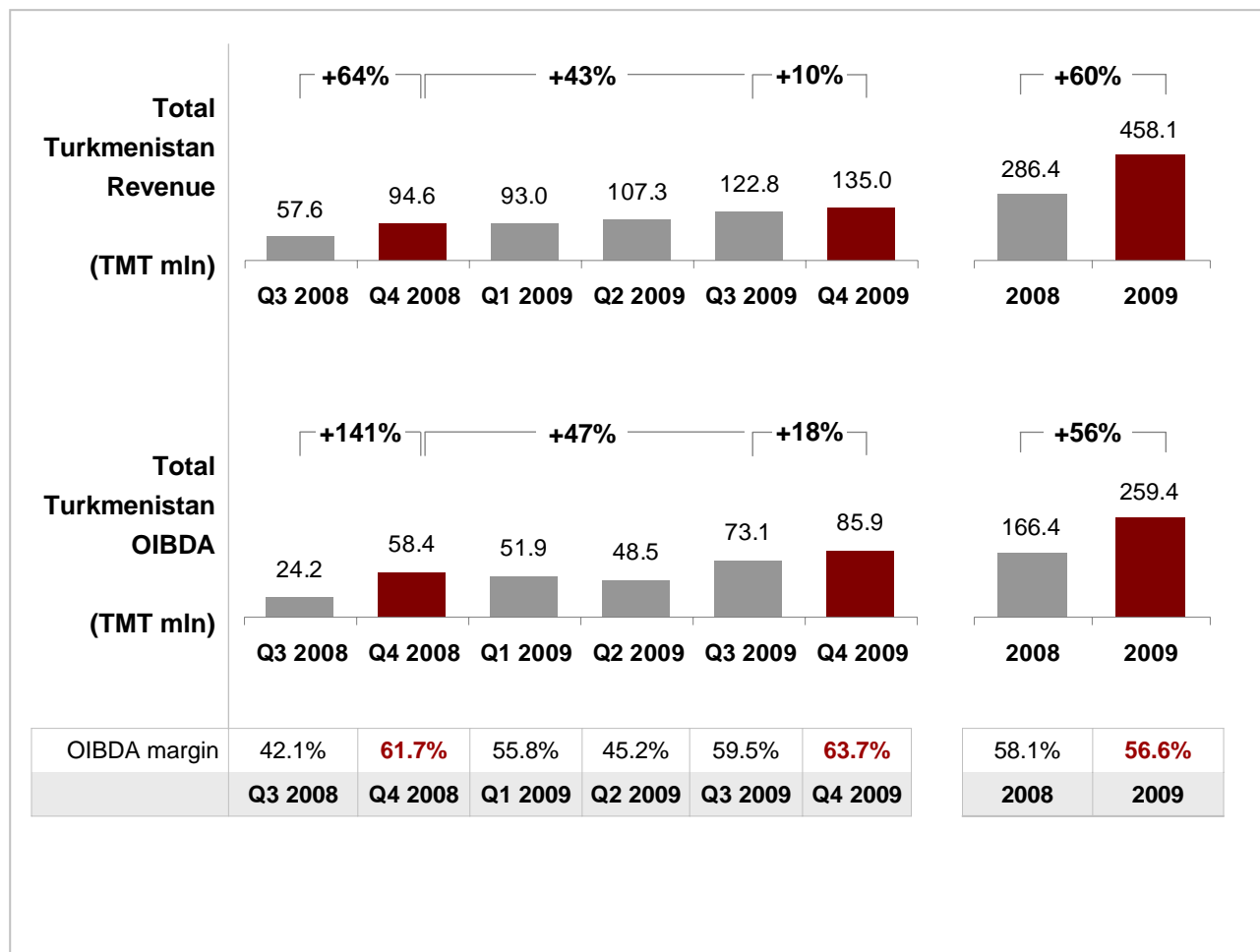


## Uzbekistan operating indicators



- Q-o-q decline in ARPU with subscriber base further diluted by lower-value mass market subscribers
- Growth in MOU q-o-q due to attractive propositions such as tariff plans *Dial'OK* and *Universal* aimed at stimulating usage
- Increase in annual churn as result of highly competitive market environment
- Strong subscriber growth with around 300 thousand in net additions in Q4 2009

## Turkmenistan financial highlights\*



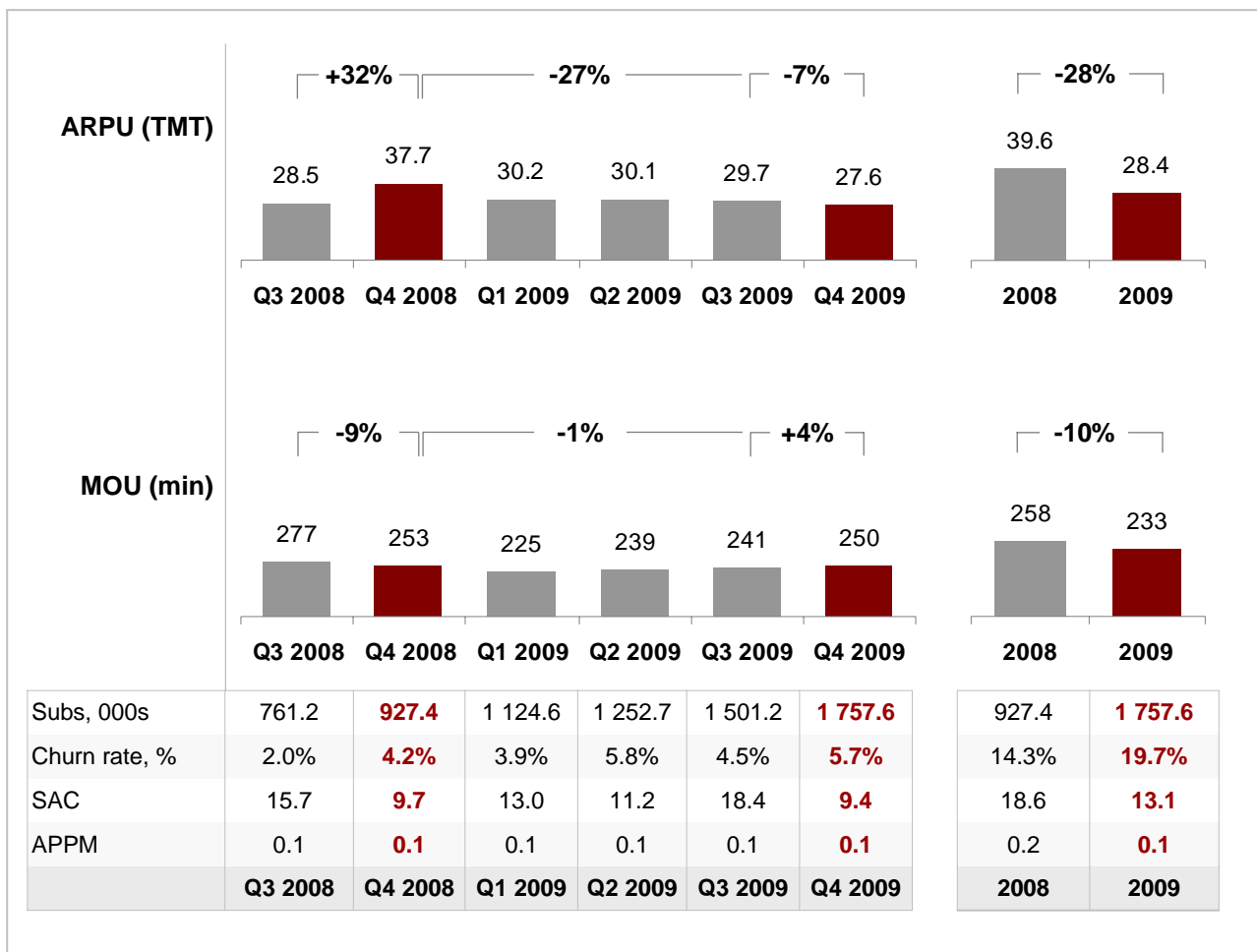
- Q-o-q growth in revenues inline with strong subscriber intake, increasing voice and data consumption as well as the Company's leadership position in the market
- Increase in OIBDA reflective of top-line growth with the margin benefiting from a reduction in advertising and operating expenses

\*The figures are unaudited.



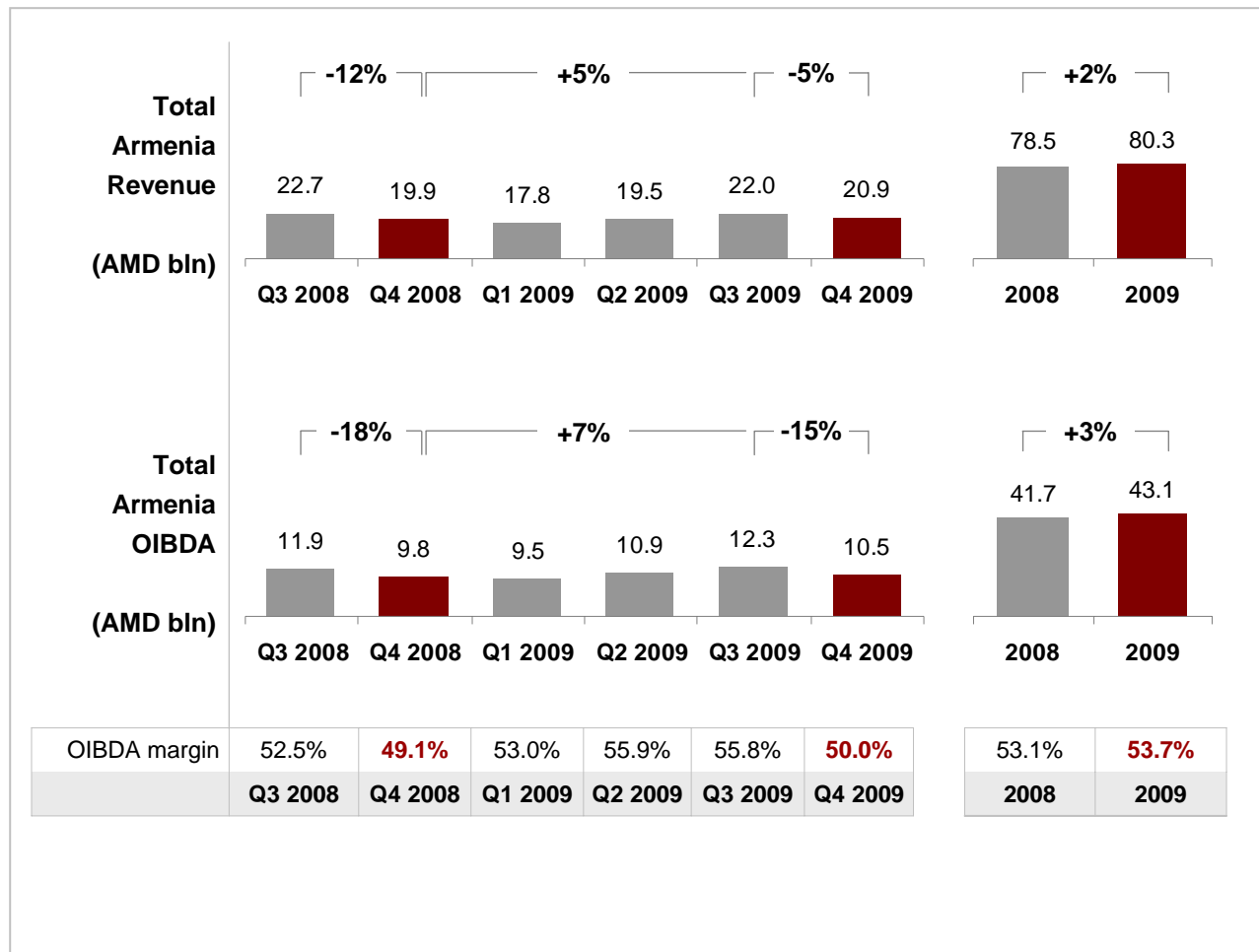


## Turkmenistan operating indicators



- ARPU declined due to incoming lower value mass market subscribers
- Increase in MOU during the quarter due to promotions providing for discounted on-net calling
- Strong subscriber additions with over 250 thousand additions due to attractive propositions such as the *Otlichnyi* tariff plan and the *Coupon* promotion

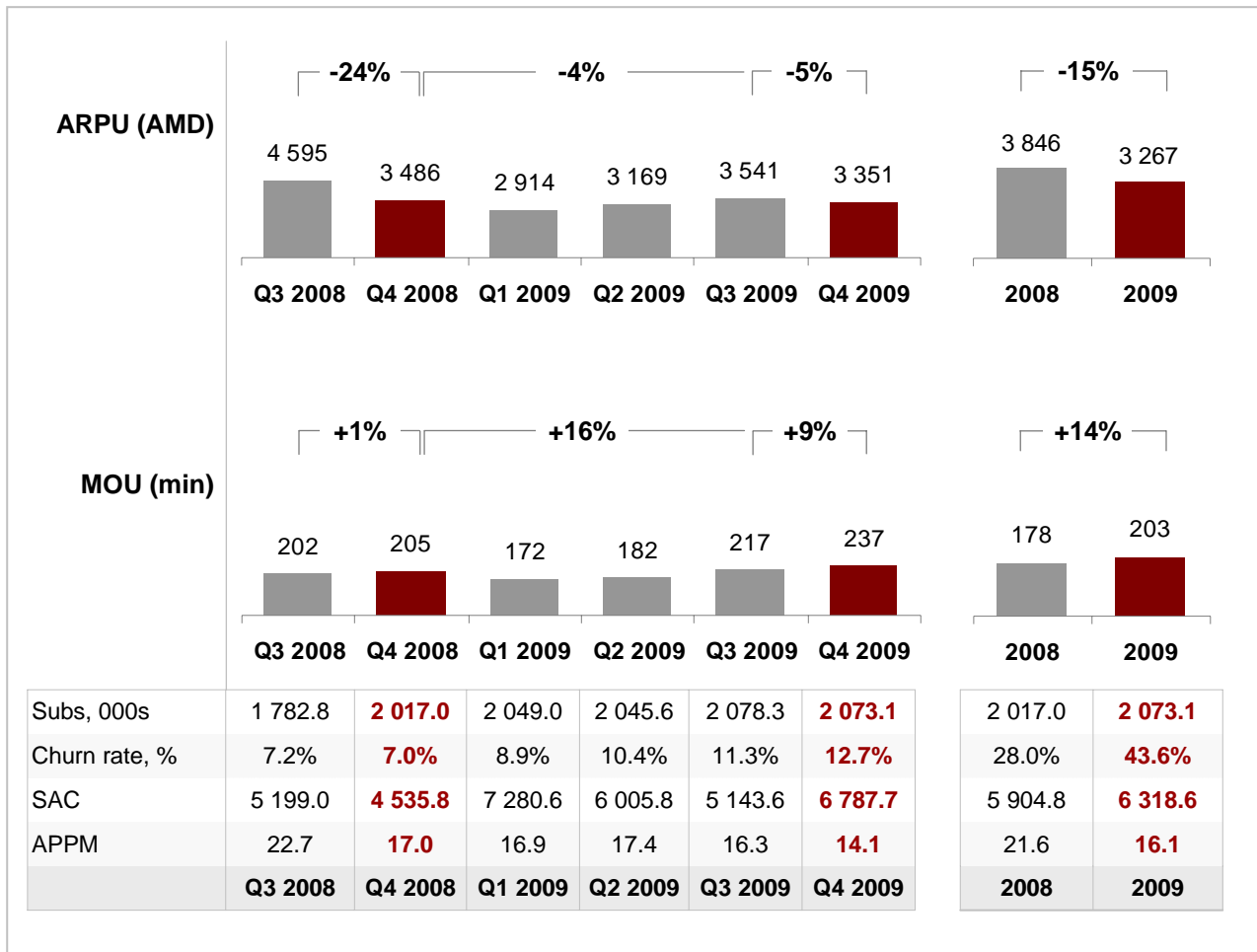
## Armenia financial highlights\*



- Q4 2009 revenue negatively affected by seasonal factors and by the entry of a new player into the market
- OIBDA margin declined q-o-q as result of increasing seasonal sales and marketing costs and a decline in the service revenue

\*The figures are unaudited.

## Armenia operating indicators



- ARPU declining q-o-q as result of increasing competitive pressures
- Growth in MOU q-o-q due to seasonal promotions and attractive offers to the market
- Increase in churn y-o-y reflective of increasing competition
- APPM decline q-o-q inline with prevailing market conditions

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- Definitions and reconciliations

## 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:

USD mln	Q4 2008**						Q3 2009**						Q4 2009**					
	Group	RUS	UKR	UZB	TUK	ARM	Group	RUS	UKR	UZB	TUK	ARM	Group	RUS	UKR	UZB	TUK	ARM
Operating income	777.3	665.5	41.4	50.7	17.3	9.8	743.5	673.8	45.8	29.2	22.5	11.4	609.2	573.3	22.9	32.0	26.9	5.2
Add: D&A and impairment loss*	551.8	455.9	100.7	19.9	3.2	22.1	472.7	334.5	90.7	22.8	3.2	21.5	583.8	440.6	93.1	24.7	3.2	22.1
OIBDA	1,329.1*	1,121.3*	142.0	70.6	20.5	31.9	1,216.2	1,008.3	136.5	52.0	25.7	32.9	1,193.0*	1,013.9*	116.0	56.7	30.2	27.2

	Q4 2008**						Q3 2009**						Q4 2009**					
	Group	RUS	UKR	UZB	TUK	ARM	Group	RUS	UKR	UZB	TUK	ARM	Group	RUS	UKR	UZB	TUK	ARM
Operating margin	27.7%	29.6%	11.7%	43.8%	52.2%	15.1%	28.4%	31.4%	16.1%	28.9%	52.1%	19.3%	22.4%	25.4%	8.7%	30.5%	56.8%	9.5%
Add: D&A and impairment loss as a % of revenues*	19.6%	20.3%	28.4%	17.2%	9.5%	34.1%	18.0%	15.6%	32.0%	22.5%	7.4%	36.5%	21.5%	19.5%	35.3%	23.5%	6.8%	40.5%
OIBDA margin	47.3%*	49.9%	40.1%	61.0%	61.7%	49.1%	46.4%	46.9%	48.1%	51.4%	59.5%	55.8%	43.9%*	44.9%*	44.0%	53.9%	63.7%	50.0%

\*OIBDA results for Q4 2008 and Q4 2009 do not include long-lived assets and goodwill, impairment loss and acquisition related costs - \$49.9 mln in Q4 2008 and \$86.4 mln in Q4 2009.

\*\*The figures are unaudited. See appendix for treatment of Comstar-UTS acquisition and reallocation of Headquarters' costs.

## Appendix – Definitions and Reconciliations

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

USD mln	2008**						2009**					
	Group	RUS	UKR	UZB	TUK	ARM	Group	RUS	UKR	UZB	TUK	ARM
Operating income	3,647.3	3,230.6	321.3	177.5	63.9	28.8	2,547.6	2,345.1	120.2	133.8	79.0	33.2
Add: D&A and impairment loss	2,201.0	1,626.5	438.0	65.4	13.7	107.4	1,926.0	1,387.4	352.0	88.9	12.0	85.6
OIBDA	5,848.4*	4,857.1*	759.3	242.9	77.6	136.2	4,473.6*	3,732.4*	472.3	222.7	91.0	118.8

	2008**						2009**					
	Group	RUS	UKR	UZB	TUK	ARM	Group	RUS	UKR	UZB	TUK	ARM
Operating margin	30.6%	34.0%	19.3%	45.4%	48.6%	11.2%	25.9%	29.2%	11.5%	33.0%	49.1%	15.0%
Add: D&A and impairment loss as a % of revenues	18.5%	17.1%	26.4%	16.7%	10.4%	41.9%	19.6%	17.3%	33.6%	22.0%	7.5%	38.7%
OIBDA margin	49.1%*	51.1%*	45.7%	62.1%	59.0%	53.1%	45.5%*	46.5%*	45.0%	55.0%	56.6%	53.7%

\*OIBDA results for FY 2008 and FY 2009 do not include long-lived assets and goodwill, impairment loss and acquisition related costs - \$49.9 mln in Q4 2008 and \$86.4 mln in Q4 2009.

\*\*The figures are unaudited. See appendix for treatment of Comstar-UTS acquisition and reallocation of Headquarters' costs.

**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, 2008	As of Dec 31, 2009
Current portion of LT debt and of capital lease obligations	1,696.2	2,001.8
LT debt	3,668.0	6,326.8
Capital lease obligations	4.0	0.9
Total debt	5,368.3	8,329.5
Less:		
Cash and cash equivalents	1,121.7	2,522.8
ST investments	360.1	217.2
Net debt	3,886.5	5,589.5

## Appendix – Definitions and Reconciliations

**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 year ended Dec 31, 2008	For the year ended Dec 31, 2009
Net cash provided by operating activities	5,030.0	3,596.1
Less:		
Purchases of property, plant and equipment	(2,207.9)	(1,942.4)
Purchases of intangible assets	(405.0)	(385.9)
Proceeds from sale of property, plant and equipment	35.6	28.6
Proceeds/ (purchases) of other investments	(49.5)	43.4
Investments in and advances to associates	(3.7)	2.0
Acquisition of subsidiaries, net of cash acquired	(87.0)	(270.5)
Free cash flow	2,312.7	1,071.2

## 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.



## **Appendix – Treatment of Comstar-UTS acquisition and reallocation of Headquarters' costs**

Because Comstar-UTS was acquired from JSC Sistema, the majority owner of both MTS and Comstar, the acquisition was accounted for as a transaction between entities under common control. Similar to a pooling of interest, whereby the assets and liabilities of Comstar were recorded at Sistema's carrying value, MTS' historical financial information was recast to include the acquired entity for all periods presented. In addition, given the scale of the transaction, MTS has reallocated its headquarters' costs more equitably to its business units according to international practices.



## **Contact information**

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