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# Group financial results for the fourth quarter and full year 2011

Investor conference call – March 12, 2012

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# Group highlights for the fourth quarter 2011 and recent events

## Q4 2011 highlights

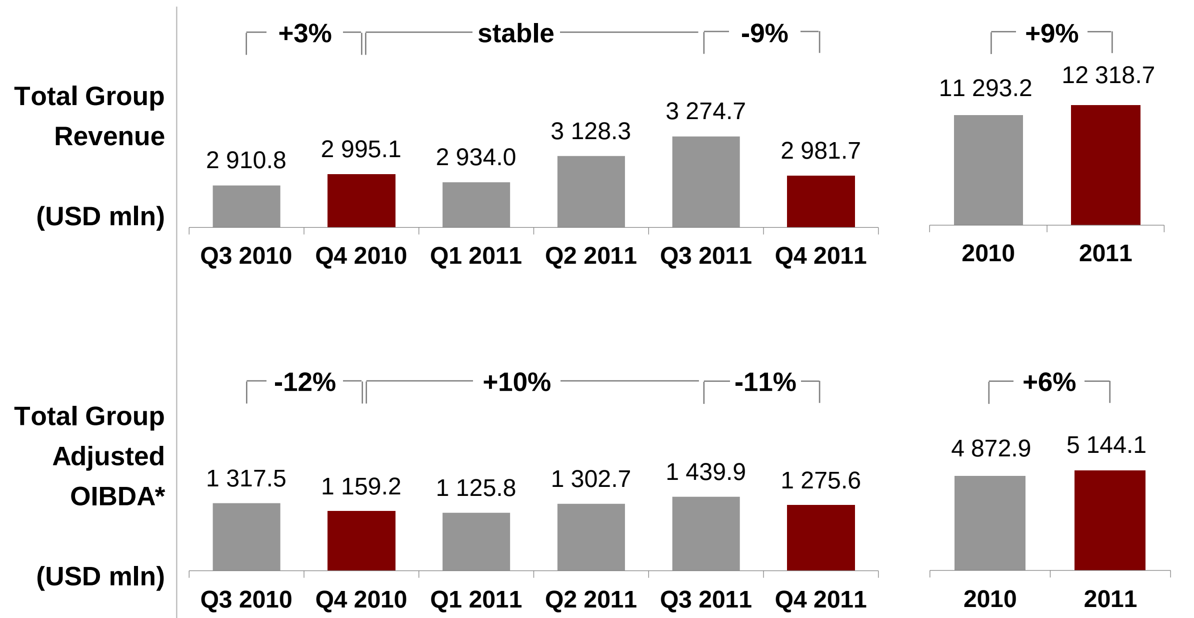
- Acquisition of TVT, leading provider of cable TV and fixed broadband services in the Republic of Tatarstan, for $162.9 mln*
- Completion of the acquisition of a 100% stake in CJSC Sistema-Inventure, which directly owns 29% of the ordinary shares of Moscow City Telephone Network, for RUB 10.56 bln**

## Thereafter

- Redemption of $400 mln 2012 Eurobond
- Commercial launch of the 3G network in the 900 MHz range in Moscow and the Moscow region
- Received first license in Russia to provide wireless communication services in the LTE TDD (time-division duplexing) standard in the 2595–2620 MHz range in Moscow and the Moscow region

*MTS also assumed net debt in the amount of $17.1 mln
**MTS also assumed debt in the amount of RUB 10.41 bln

# Group financial highlights

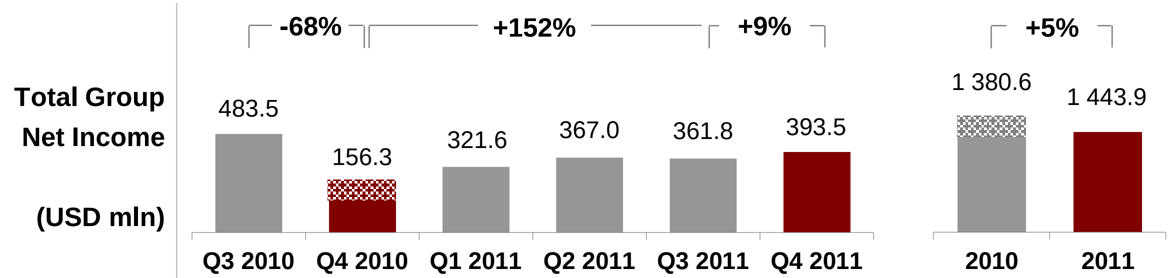



| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Adjusted OIBDA margin | 45.3% | **38.7%** | 38.4% | 41.6% | 44.0% | **42.8%** | 43.1% | **41.8%** |
| | **Q3 2010** | **Q4 2010** | **Q1 2011** | **Q2 2011** | **Q3 2011** | **Q4 2011** | **2010** | **2011** |

- Year-over-Year revenue growth in markets of operation due to rising voice and data consumption
- Quarterly revenue decline driven by seasonality, lower wholesale retail sales due to retail network optimization initiatives and currency volatility
- Year-over-year OIBDA improvement due to headcount rationalization, optimization of sales and marketing expenses and enhancements in retail sales channels

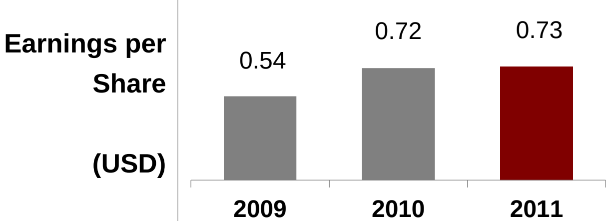
*Adjusted OIBDA represents operating income before depreciation & amortization, impairment of long-lived and other assets. For further information, please see the Appendix for definitions and reconciliations

# Group financial highlights




| | Q3 2010 | Q4 2010 | Q1 2011 | Q2 2011 | Q3 2011 | Q4 2011 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|
| Net income margin | 16.6% | 5.2% | 11.0% | 11.7% | 11.1% | 13.2% | 12.2% | 11.7% |

Q4 2010 and 2010 net income figures adjusted for write-offs in the amount of $137.8 mln resulting from the suspension of operations in Turkmenistan in December 2010




| | 2009 | 2010 | 2011 |
|---|---|---|---|
| Shares outstanding (mln)* | 1 885.8 | 1 916.9 | 1 971.0 |

*Weighted average number of common shares outstanding

- Strong bottom line performance over the course of the year mitigated by currency volatility and non-cash FOREX losses in H2 2011
- Interest expense improved by over $120 mln year-over-year through effective management of debt portfolio
- D&A expense in line with expansion of networks and M&A activity
- EPS increasing despite currency volatility and transformation of both business strategy and shareholder structure

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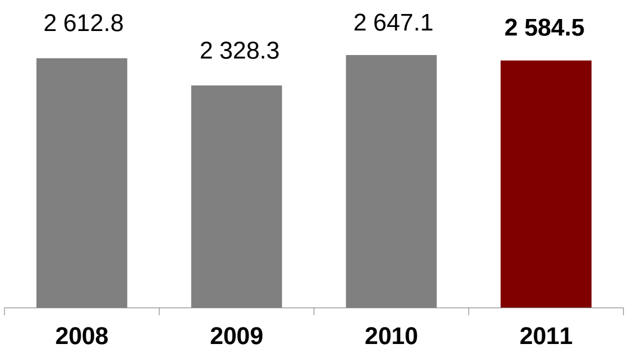
# Group capital expenditures




| (in USD mln) | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| Russia | 1 784.7 | 1 389.7 | 2 260.0 | 2 245.7 |
| Ukraine | 595.6 | 377.4 | 154.9 | 148.0 |
| Uzbekistan | 139.7 | 460.3 | 157.9 | 145.7 |
| Turkmenistan | 58.2 | 52.4 | 44.4 | n/a |
| Armenia | 34.6 | 48.5 | 29.9 | 45.0 |
| Group | 2 612.8 | 2 328.3 | 2 647.1 | 2 584.5 |
| - as % of revenue | 22.0% | 23.7% | 23.4% | 21.0% |

- CAPEX/sales reached 21% or $2.6 bln due to the expansion of MTS's 3G network in Russia
- By the end of 2011 MTS expanded its 3G network to roughly 23,000 3G base stations and extended coverage to over 14,000* population centers in Russia. The length of the MTS fiber networks exceeds 117,000 km**
- In 2011, MTS began its GPON project, which will lead to the full digitization of MGTS's networks in Moscow and Moscow region

*With population of over 1,000 inhabitants
**Including leased lines

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# Group balance sheet

| Balance sheet (USD mln unless noted) | As of Dec 31, 2010 | As of Dec 31, 2011 |
|---|---|---|
| Cash and cash equivalents | $927.7 | $1 850.8 |
| Short-term investments | $333.6 | $86.2 |
| Total debt | $7 160.6 | $8 715.2 |
| Long-term debt | $6 403.5 | $7 559.5 |
| Short-term debt | $757.1 | $1 155.7 |
| Net debt* | $5 899.3 | $6 778.2 |
| Shareholders' equity | $4 156.8 | $3 570.6 |
| Total assets | $14 478.0 | $15 318.2 |
| LTM OIBDA | $4 872.9 | $5 144.1 |
| Net debt/assets | 0.4x | 0.4x |
| Net debt/equity | 1.4x | 1.9x |
| Net debt/LTM OIBDA | 1.2x | 1.3x |

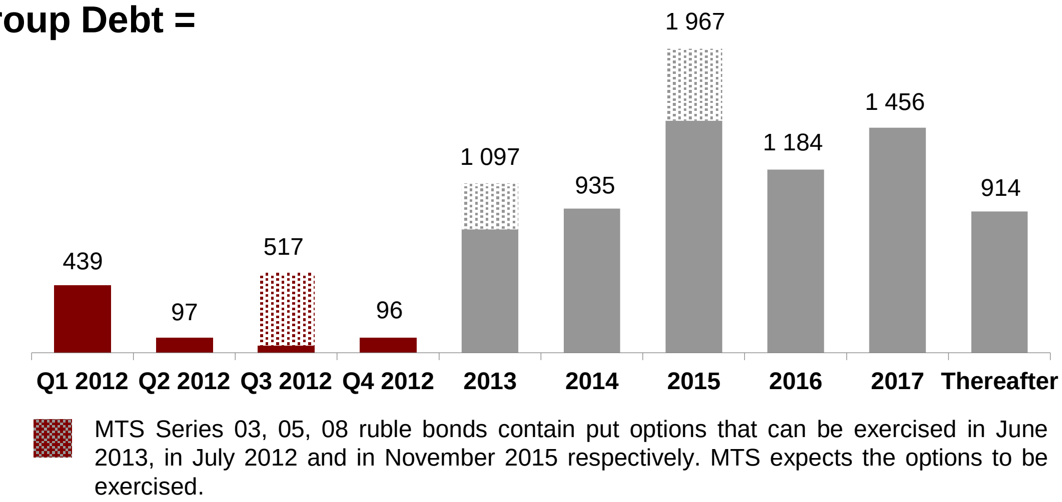
- High cash amount of $1.9 bln due to draw down of credit lines with Sberbank to maintain low interest rates, as well as to meet scheduled principal repayments in Q1 2012 and other corporate needs
- Excess cash to be used for debt portfolio optimization in H1 2012
- Free cash flow* of over $1.0 bln for the twelve months of 2011

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

# Debt obligations at the end of Q4 2011

**Debt Repayment Schedule (USD mln)**

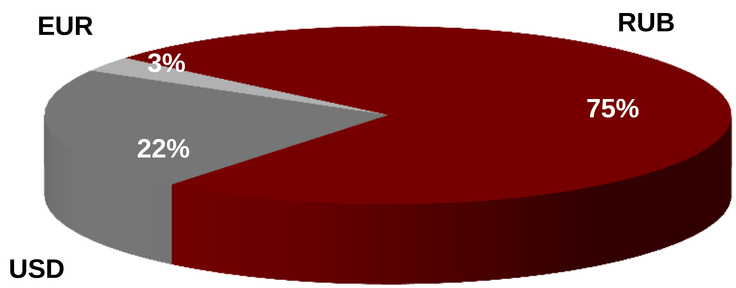
**Total Group Debt = $8.7 bln**



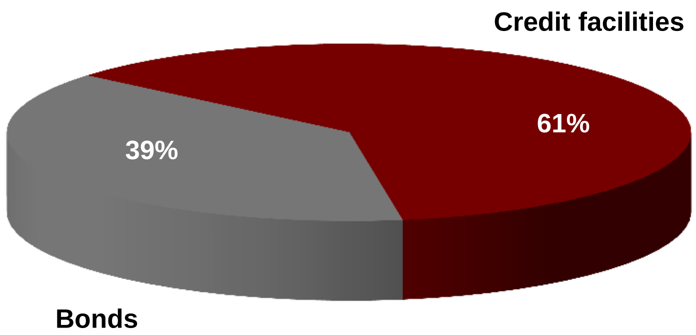

- Debt optimization initiatives has created a portfolio with manageable principal repayment schedules in the short- and medium-term
- High cash balance has enabled MTS to already payback higher-cost debt in Q1 2012 and potentially buyback ruble-denominated bonds in H2 2012
- In January 2012, MTS completed redemption of $400 mln Eurobond
- In February 2012, MTS repaid a RUB 15.2 bln loan held by Gazprombank

# Debt composition at the end of Q4 2011

**Debt composition by currency Q4 2011***




**Debt composition by type Q4 2011**




- Debt composition reflective of the Company's internal target of maintaining 70% of its portfolio in ruble-denominated instruments
- MTS continues to optimize its debt portfolio by:
  - Increasing the tenor of its debt instruments
  - Working towards lowering the cost of certain debt instruments through repayments, reissuances and negotiations with our bilateral lenders
  - Sustaining an optimal ruble/dollar balance to match revenues and account for necessary capital investments

*Debt composition by currency includes FOREX hedging in the amount of $250 mln as of Q4 2011

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# Group subscriber base dynamics during the quarter

| MTS subscribers (mln unless noted) | Q3 2011 | Q4 2011 | % change |
| --- | --- | --- | --- |
| Russia: | | | |
| - mobile | 70.12 | 69.95 | stable |
| - households passed, 000s | 10 415 | 11 433 | 9.8% |
| - broadband Internet, 000s | 2 032 | 2 152 | 5.9% |
| - pay TV, 000s | 2 741 | 2 987 | 9.0% |
| Ukraine* | 19.26 | 19.51 | 1.3% |
| Uzbekistan** | 9.97 | 9.30 | -6.7% |
| Armenia | 2.46 | 2.38 | -3.3% |
| Belarus*** | 4.84 | 4.93 | 1.9% |
| **Total mobile** | **106.65** | **106.07** | **stable** |

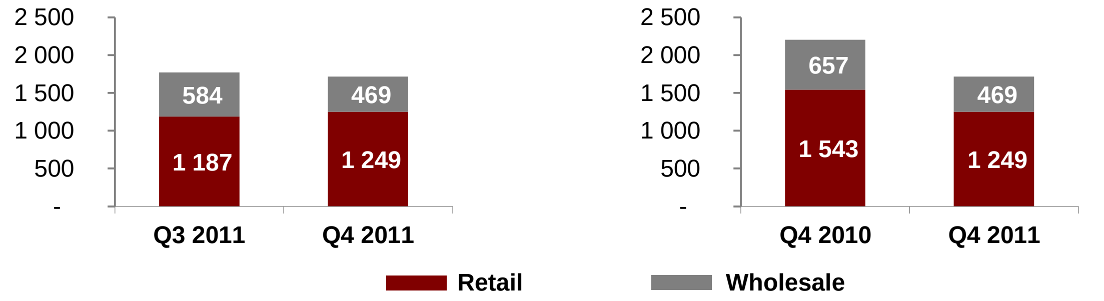
*Including CDMA subscribers
**Starting October 2011 MTS switched from 6 months to 3 months subscriber accounting policy in Uzbekistan
***MTS owns a 49% stake in Mobile TeleSystems LLC, a mobile operator in Belarus, which is not consolidated

- In Russia, MTS sustained its leading mobile market share in Q4 2011
- In Russia, MTS continues to stabilize gross SIM-card sales in an effort to push more quality sales through its own retail network, improve churn and create incentives for dealers to promote top-offs over SIM-card sales
- Increase in broadband and Pay-TV subscribers due to expansion of fixed-line networks, M&A activity and redefinition of subscribers in newly acquired companies
- Decrease in subscribers in Uzbekistan due to change of subscriber accounting policy in light of new policy on taxation of subscriber base

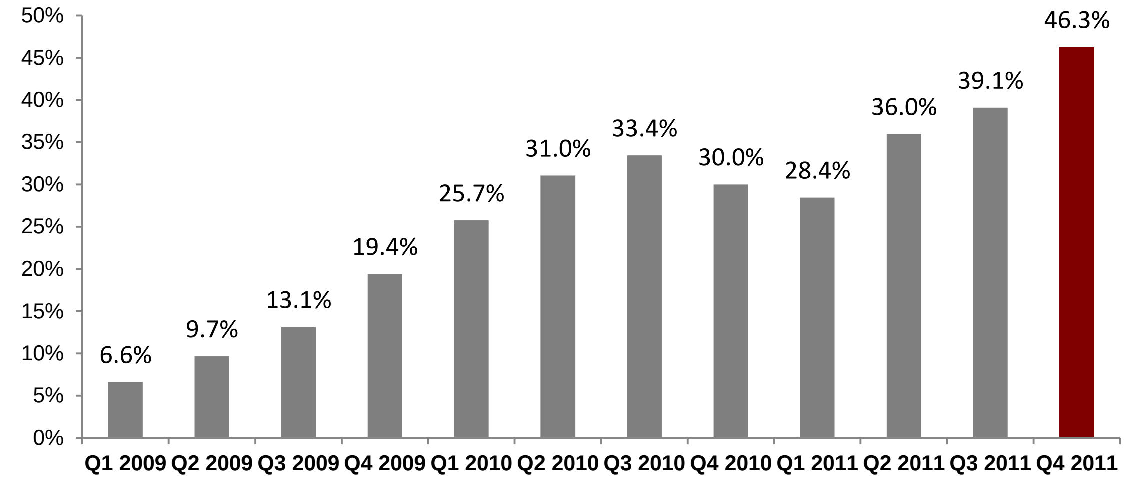
# MTS retail network development

- In H2 2011, MTS refocused its retail networks to focus more on handset sales that drive customer behavior and usage of our wireless and fixed-line networks
- As part of this change, wholesale sales fell 20% in Q4, which impacted Group revenues, even though retail sales grew 5%
- MTS continues to push more SIM-card sales through its own networks to economize on dealer commissions, potentially upsell clients on more products and services, and attract higher-value subscribers
- MTS retail network currently spans 4,147 retail stores, including 1,686 franchise stores and 2,461 own stores

**Handsets sales through MTS retail network (thousands of units sold)**




**Share of MTS SIM-cards sold through MTS Retail***




*Including franchise stores

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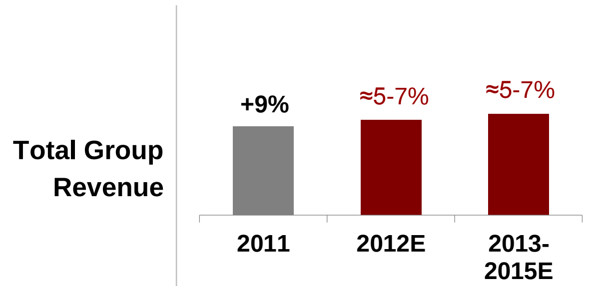
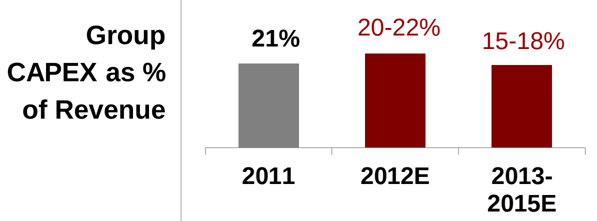
# Outlook for 2012*




| OIBDA margin | 42% | **40-42%** | **>40%** |
|---|---|---|---|
| | **2011** | **2012E** | **2013-2015E** |




*Based on regional currency FOREX rates compared to the US dollar as of March 12, 2012

- Management expects MTS Group revenues to grow by around 5-7%; 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 of 40-42% reflective of:
  - Slower topline growth
  - Delayed OIBDA impact of dealer commissions due to transition to revenue sharing model
  - Increasing labor costs due to higher social taxes
  - Retail development and sales of handsets and devices
- CAPEX guidance for the year as percent of revenue of 20-22% as MTS completes its 3G network build out and expected investments in improving fixed-line networks in Moscow and other regions

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# 3i: MTS strategy

| Strategic direction | Tactics | Key benefits |
|---|---|---|
| **Integration**<br>New pipelines and customer touch-points | ▪ Seamless user experience for all segments<br>▪ Rapid broadband infrastructure (fixed/3G/LTE) deployment<br>▪ Integrated sales channels | Increasing customer lifetime value<br><br>Generating shareholder returns |
| **Internet**<br>Smarter pipelines to capture additional value | ▪ Enhanced connectivity<br>▪ Compelling Internet user experience<br>▪ Best-in-class content apps and services | |
| **Innovation**<br>Differentiation through product and service mix | ▪ Delivery of exclusive devices<br>▪ Cutting-edge products and services for all customer segments<br>▪ End-to-end user experience at home, at work and on the move | |

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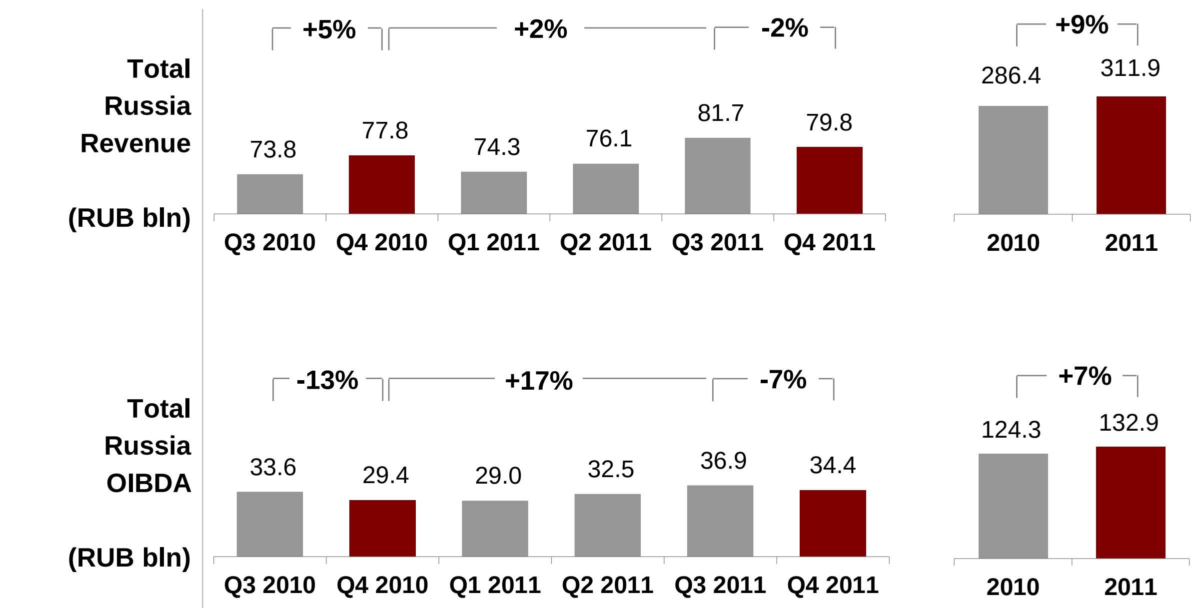
# Russia financial highlights




| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| OIBDA margin | 45.5% | **37.7%** | 39.1% | 42.7% | 45.1% | **43.2%** | 43.4% | **42.6%** |
| | **Q3 2010** | **Q4 2010** | **Q1 2011** | **Q2 2011** | **Q3 2011** | **Q4 2011** | **2010** | **2011** |

- Quarterly revenue decline attributable to seasonal factors in fixed and wireless businesses, and strategic decisions to lower wholesale retail sales and reduce low-margin transit business
- Negative quarterly OIBDA dynamics due to quarterly seasonal factors
- Strong annual absolute OIBDA growth in Q4 2011 due to optimization of operating, sales and marketing expenses, improvement of interconnect balance, and the growing contribution from data products

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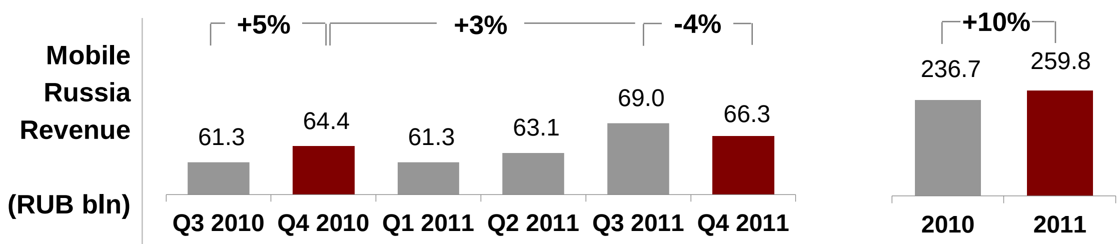
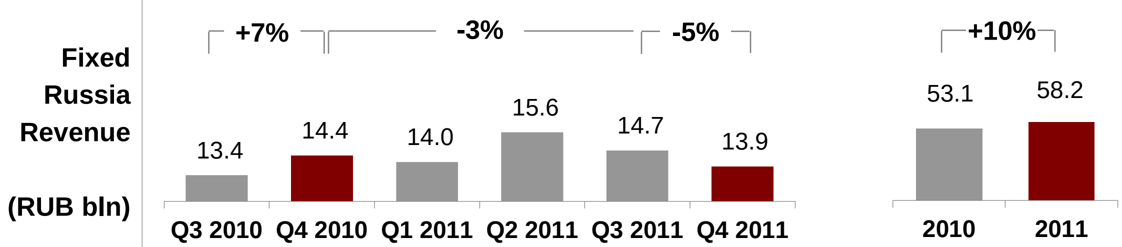
# Russia revenue breakdown




| | Q3 2010 | Q4 2010 | Q1 2011 | Q2 2011 | Q3 2011 | Q4 2011 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|
| Incl. sales of handsets & accessories | 5.0 | 8.5 | 6.7 | 5.6 | 7.3 | 6.0 | 21.4 | 25.7 |




- Quarterly decrease in mobile revenues due to seasonally lower contribution from roaming revenues and reduction in sales of handsets and modems
- Year-over-Year fixed revenue growth enhanced by Company's M&A activity, subscriber growth, and network modernization
- Quarterly decrease in fixed-line revenue impacted by seasonally lower revenue in the corporate segment and reduction in low-margin transit business

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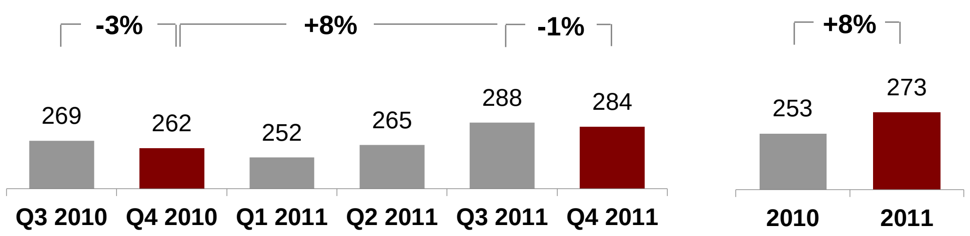
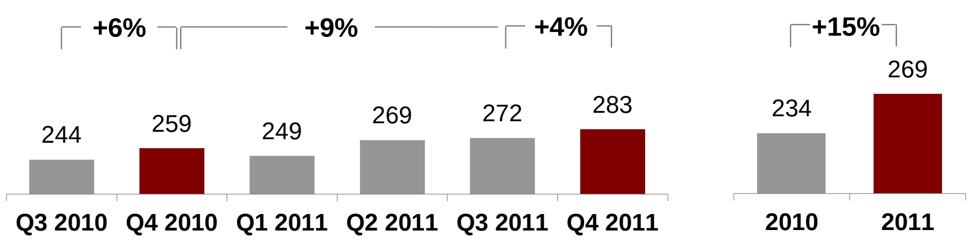
# Russia mobile operating indicators

ARPU (RUB)




MOU (min)




| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Subs, mln | 69.7 | **71.4** | 71.5 | 71.1 | 70.1 | **70.0** | 71.4 | **70.0** |
| Churn rate, % | 13.5% | **12.7%** | 12.0% | 11.3% | 11.9% | **12.3%** | 45.9% | **47.6%** |
| VAS ARPU | 55.1 | **58.4** | 67.4 | 64.4 | 69.7 | **72.8** | 54.7 | **62.6** |
| - as % of ARPU | 20.5% | **22.3%** | 26.7% | 24.3% | 24.2% | **25.7%** | 21.6% | **22.9%** |
| APPM | 1.10 | **1.01** | 1.01 | 0.98 | 1.06 | **1.00** | 1.08 | **1.01** |
| | **Q3 2010** | **Q4 2010** | **Q1 2011** | **Q2 2011** | **Q3 2011** | **Q4 2011** | **2010** | **2011** |

- Quarterly seasonal ARPU decline due to low roaming revenues
- Strong MOU growth as a result of the Company’s continued focus on subscriber quality and efforts to stimulate on-net usage
- Stable churn dynamics not yet affected by new commercial policies
- Growth in absolute VAS ARPU as a result of take-up in data usage enhanced by rising smartphone penetration and roll-out of the 3G networks

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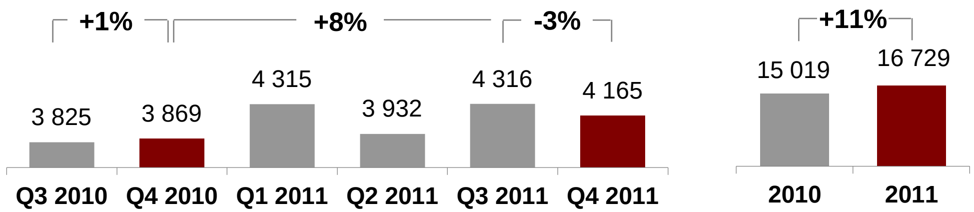
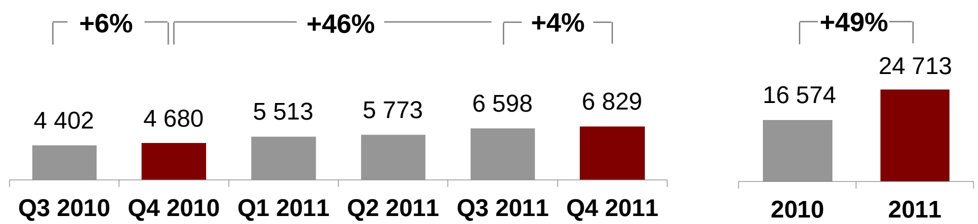
# Russia mobile operating indicators*

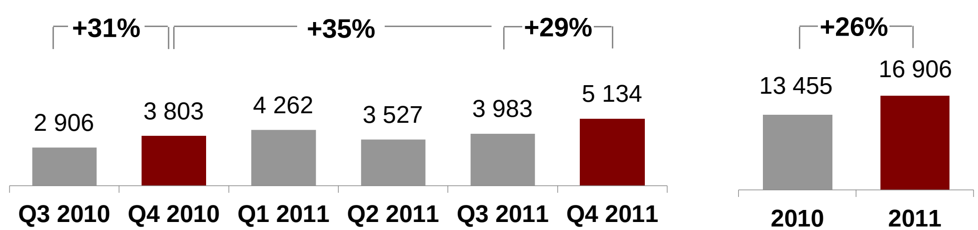
Messaging Revenue (RUB mln)




Data Traffic Revenue (RUB mln)

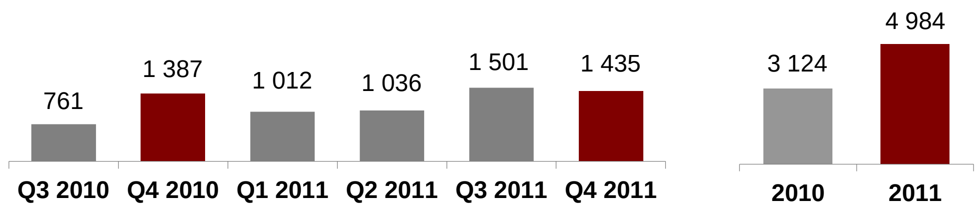



Data Content Revenue (RUB mln)




| | Q3 2010 | Q4 2010 | Q1 2011 | Q2 2011 | Q3 2011 | Q4 2011 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|
| Total VAS (RUB mln)* | 11 409 | **12 669** | 14 365 | 13 616 | 15 290 | **16 578** | 46 191 | **59 849** |

MTS Connect modem and data tariff sales (000s)




- Key initiatives included:
  - Launch of campaigns aimed at stimulating messaging and optimizing unlimited SMS packages
- Strong increase in content revenues due to seasonal factors and usage of credits accumulated as a result of new tariff offerings
- Lower sales of modems and data tariffs due to discontinuation of certain promotions and launch of new offerings focusing on modem reactivations

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

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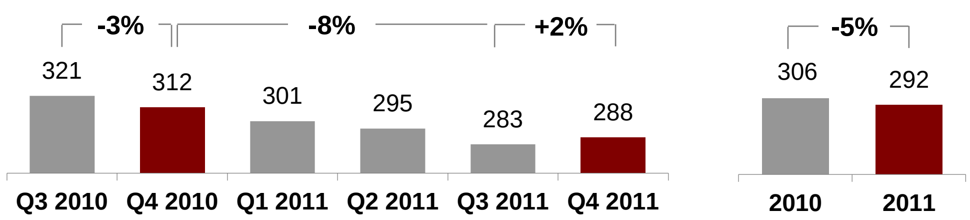
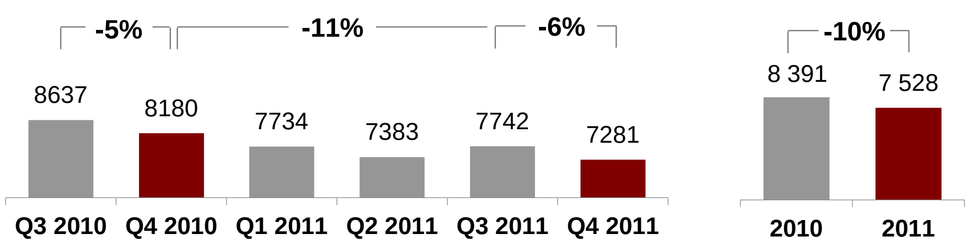
# Russia fixed operating indicators

**ARPU Residential (RUB)**




**ARPU Corporate (RUB)**

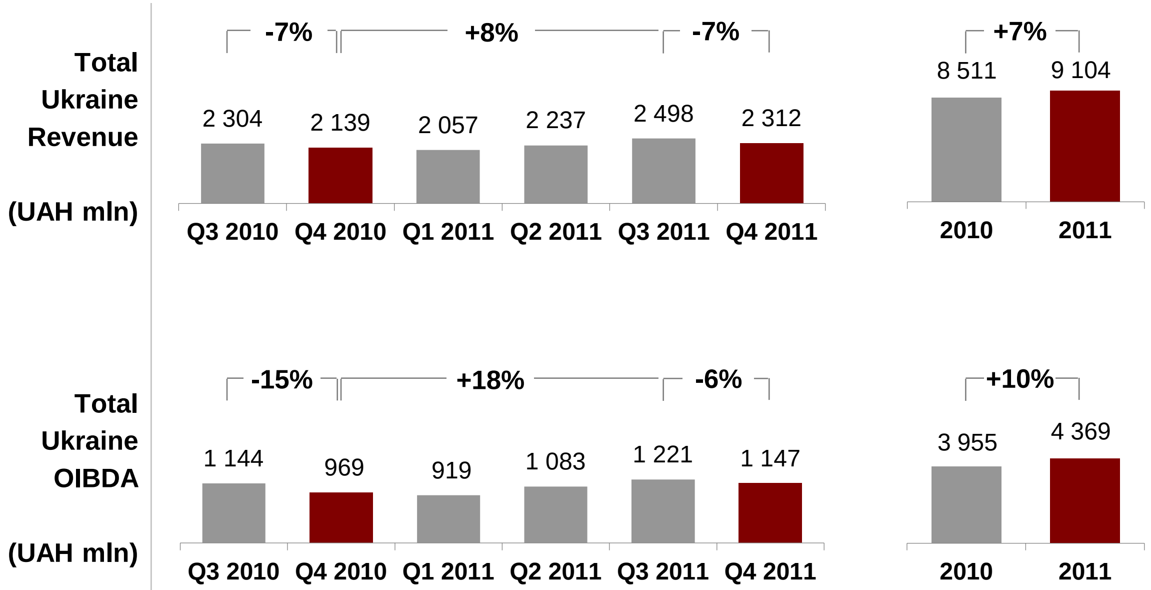



| | Q3 2010 | Q4 2010 | Q1 2011 | Q2 2011 | Q3 2011 | Q4 2011 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|
| Total households passed, 000s | 7 799 | **9 890** | 9 985 | 10 079 | 10 415 | **11 433** | 9 890 | **11 433** |
| Total BB subs, 000s | 1 466 | **1 805** | 1 892 | 1 957 | 2 032 | **2 152** | 1 805 | **2 152** |
| Total pay-TV subs, 000s* | 1 853 | **2 580** | 2 637 | 2 635 | 2 741 | **2 987** | 2 580 | **2 987** |

- Quarterly residential ARPU growth due to network modernization and upselling existent customers
- Yearly ARPU decline due to addition of lower-value customers to networks through M&A activity
- Corporate ARPU dynamics reflect seasonal factors, increased competition on the corporate market and impact of lower-value regional subscribers through M&A activities

*Figures retrospectively adjusted in line with MTS definitions; does not include collective access subscribers. Total number of pay-TV subscribers estimated at 3,252,000

# Ukraine financial highlights




| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| OIBDA margin | 49.7% | 45.3% | 44.7% | 48.4% | 48.9% | 49.6% | 46.5% | 48.0% |
| | Q3 2010 | Q4 2010 | Q1 2011 | Q2 2011 | Q3 2011 | Q4 2011 | 2010 | 2011 |

- Revenue dynamics reflective of seasonal factors and steady subscriber growth
- OIBDA growth faster than revenue due to on-going efficiency measures and market focus on increasing customer value and cash flow maximization

# Ukraine operating indicators

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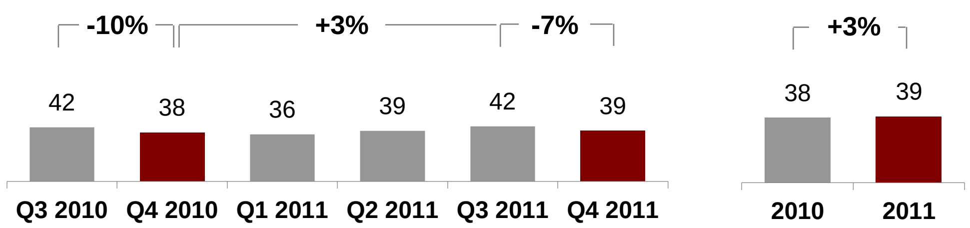
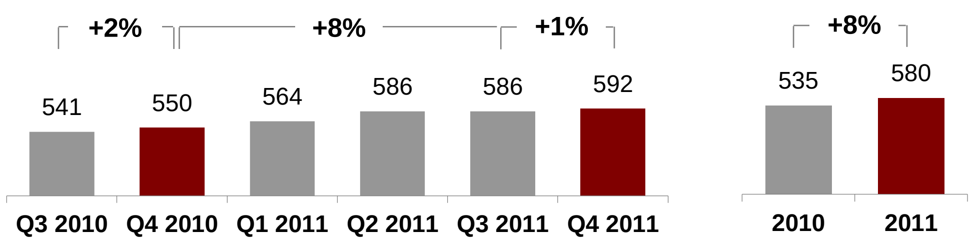
ARPU (UAH)




MOU (min)

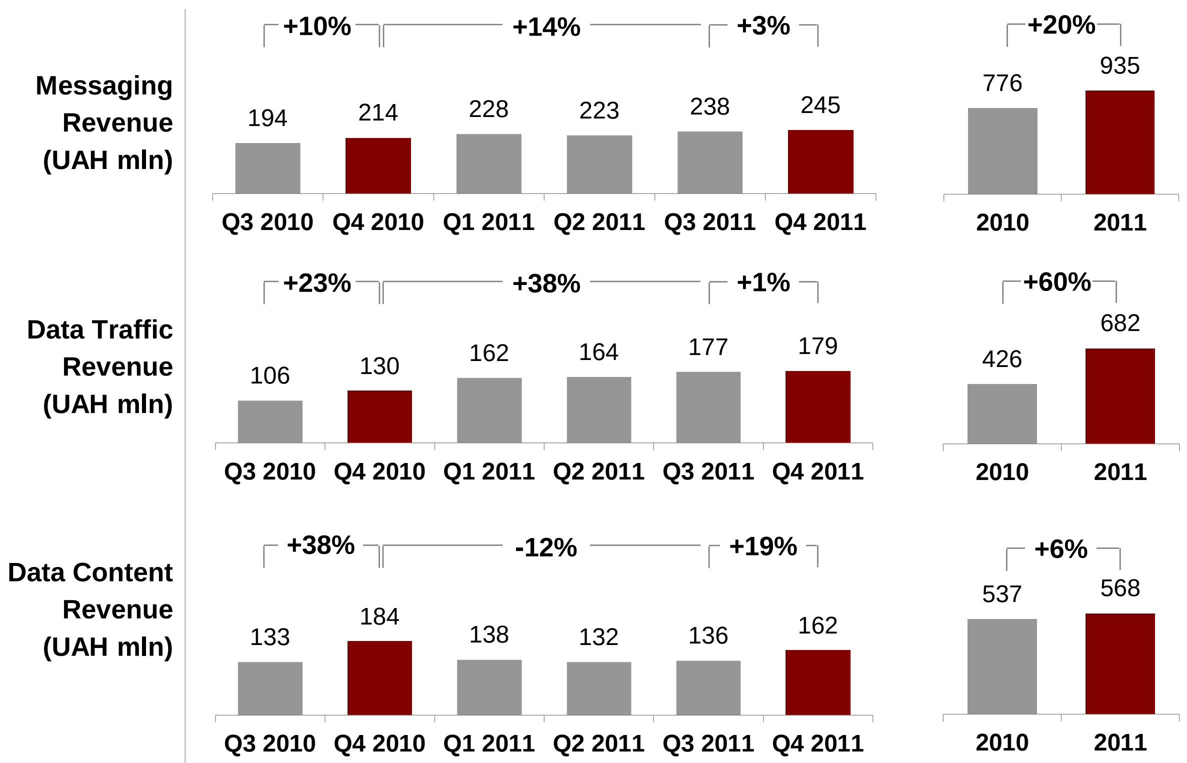



| | Q3 2010 | Q4 2010 | Q1 2011 | Q2 2011 | Q3 2011 | Q4 2011 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|
| Subs, mln* | 18.2 | **18.2** | 18.5 | 18.8 | 19.3 | **19.5** | 18.2 | **19.5** |
| Churn rate, % | 6.6% | **8.2%** | 7.6% | 7.0% | 8.1% | **8.1%** | 31.0% | **30.7%** |
| VAS ARPU | 9.1 | **12.5** | 11.2 | 11.0 | 11.5 | **11.8** | 9.7 | **11.3** |
| - as % of ARPU | 21.9% | **33.4%** | 31.0% | 28.3% | 27.1% | **30.5%** | 25.5% | **29.2%** |
| SAC | 58.0 | **68.1** | 73.0 | 64.7 | 64.5 | **60.4** | 64.1 | **65.3** |
| APPM | 0.077 | **0.068** | 0.064 | 0.066 | 0.072 | **0.065** | 0.071 | **0.067** |

- ARPU reflective of seasonal factors and sustained efforts to monetize subscriber base
- Strong year-over-year usage growth due to the efforts aimed at stimulating subscribers' activity to enhance customer loyalty
- Decline in yearly churn attributable to Company efforts to improve customer loyalty
- Revenue from VAS impacted by positive seasonality and New Year promotional campaigns

*Including CDMA subscribers starting Q1 2011

# Ukraine operating indicators

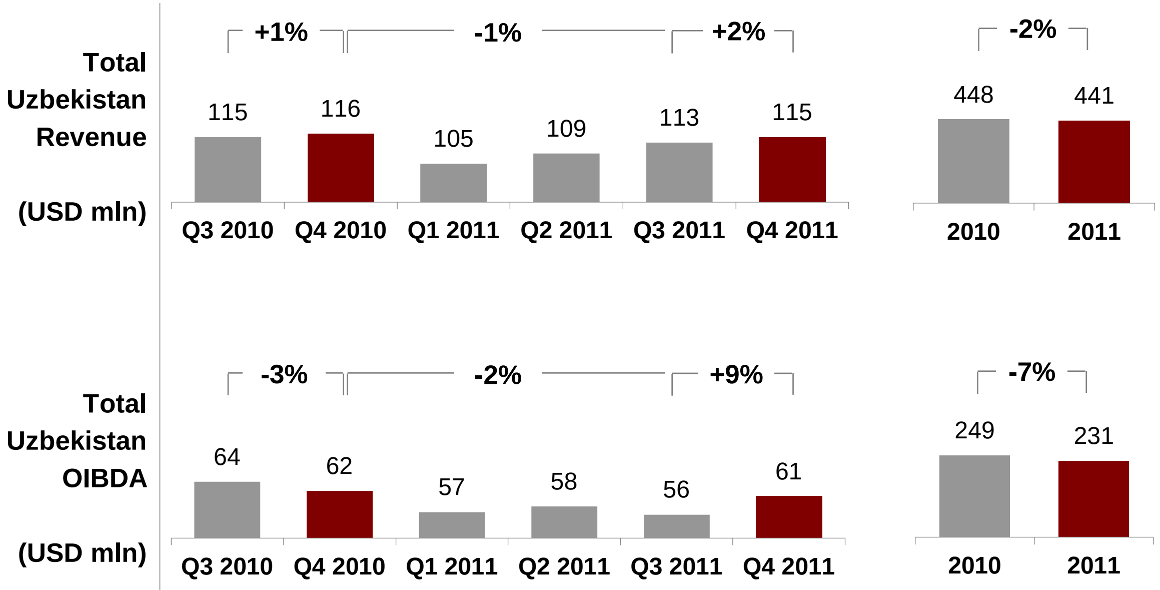



| | Q3 2010 | Q4 2010 | Q1 2011 | Q2 2011 | Q3 2011 | Q4 2011 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|
| Total VAS (UAH mln) | 488 | **685** | 619 | 614 | 654 | **687** | 2 086 | **2 575** |

- Key initiatives in Q4 2011:
  - Promo campaigns on Good’OK RBT service
  - Launch of new SMS quizzes and LBS games
  - Launch of the first MTS-branded Android MTS-916
  - Launch of the MTS-branded tablet PC

# Uzbekistan financial highlights

MTS a step ahead

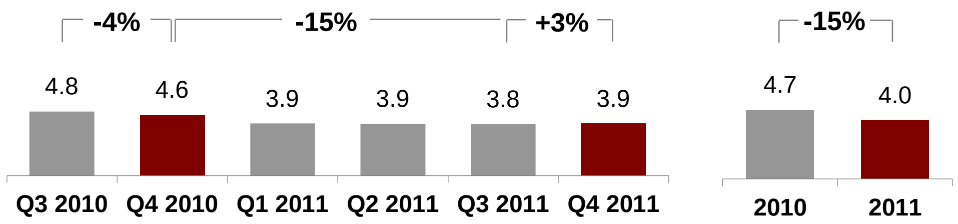



| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| OIBDA margin | 56.1% | **53.3%** | 54.1% | 53.5% | 49.6% | **52.8%** | 55.5% | **52.5%** |
| | **Q3 2010** | **Q4 2010** | **Q1 2011** | **Q2 2011** | **Q3 2011** | **Q4 2011** | **2010** | **2011** |

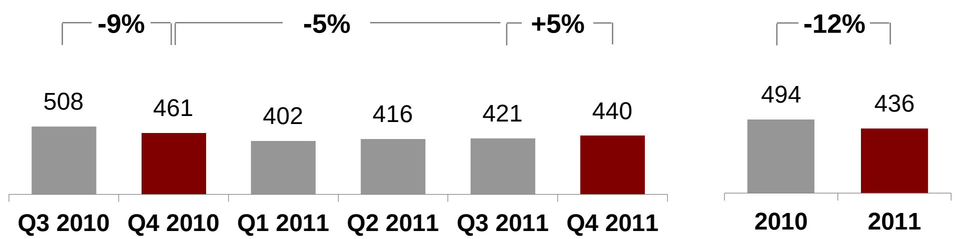
- Quarterly revenue growth due to overall usage increase, as well as higher contribution from data revenues on the back of 3G network expansion and USB modems sales
- Quarterly OIBDA improvement due to optimization in sales and marketing expenses, decrease of dealer commissions expenses and reduction in subscriber additions through dealers

# Uzbekistan operating indicators

**ARPU (USD)**



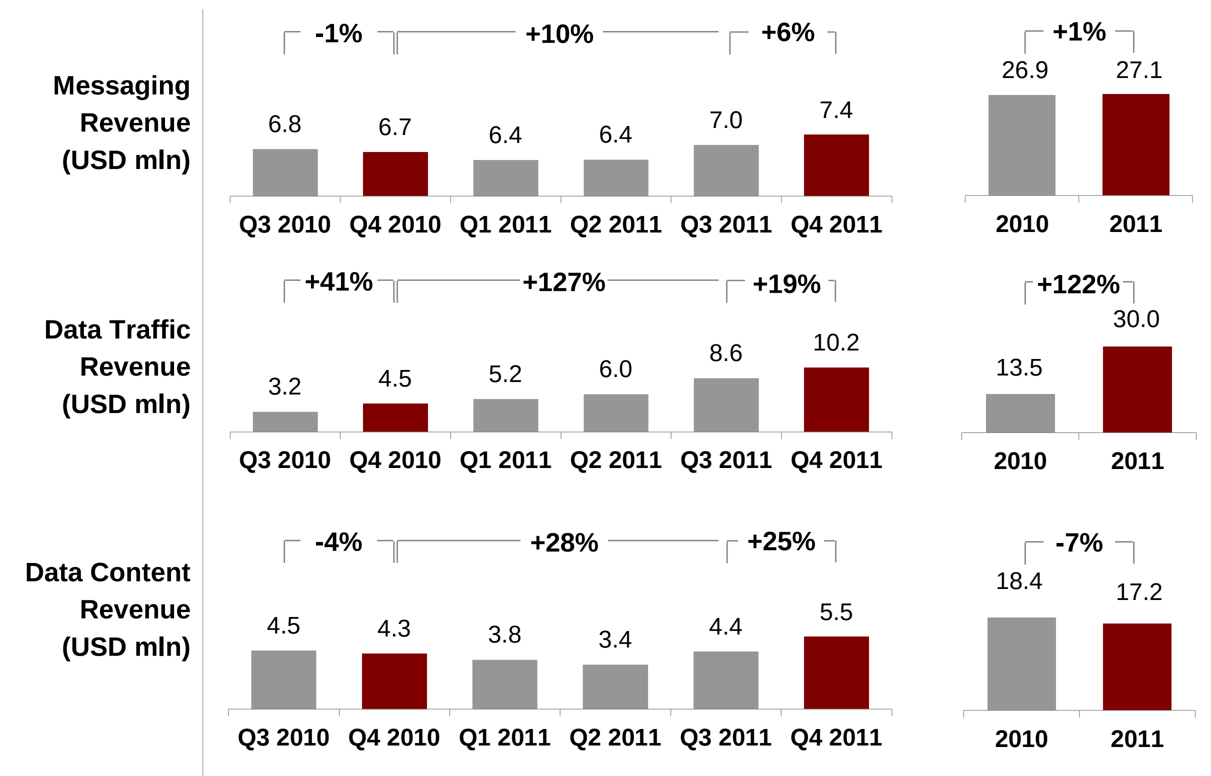

**MOU (min)**




| | Q3 2010 | Q4 2010 | Q1 2011 | Q2 2011 | Q3 2011 | Q4 2011 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|
| Subs, mln | 8.2 | **8.8** | 9.1 | 9.4 | 10.0 | **9.3** | 8.8 | **9.3** |
| Churn rate, % | 7.2% | **6.0%** | 9.2% | 6.9% | 9.3% | **20.2%** | 24.7% | **47.9%** |
| SAC | 7.8 | **8.1** | 7.4 | 7.7 | 6.5 | **5.6** | 7.2 | **6.7** |
| APPM | 0.01 | **0.01** | 0.01 | 0.01 | 0.01 | **0.01** | 0.01 | **0.01** |

- ARPU dynamics reflective of subscriber dynamics and impact of lower-value subscribers
- MOU dynamics year-over-year due to addition of lower-activity subscribers
- High churn in Q4 attributable to one-time change to three-month subscriber accounting methodology due to changes in taxation policies on subscriber bases in market

# Uzbekistan operating indicators



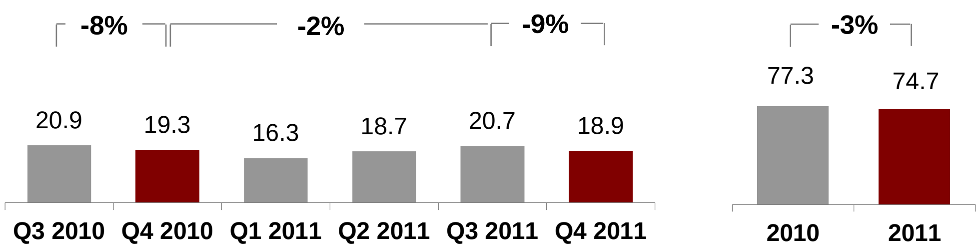

| Total VAS (USD mln) | 16.8 | **17.8** | 17.8 | 18.1 | 22.1 | **25.5** | 68.0 | **83.6** |
|---|---|---|---|---|---|---|---|---|
| | Q3 2010 | Q4 2010 | Q1 2011 | Q2 2011 | Q3 2011 | Q4 2011 | 2010 | 2011 |

- Key initiatives in Q4 2011:
  - Launch of 3.5G modems
  - Reduced prices for 3G modems with speeds up to 7.2 Mb/s
  - Launch of MMS-subscription services MTS Pulse
  - Unlimited access to mobile versions of social networks at a flat rate
  - Switching to per day pricing of Good'Ok RBT service
  - New Year SMS quiz

# Armenia financial highlights

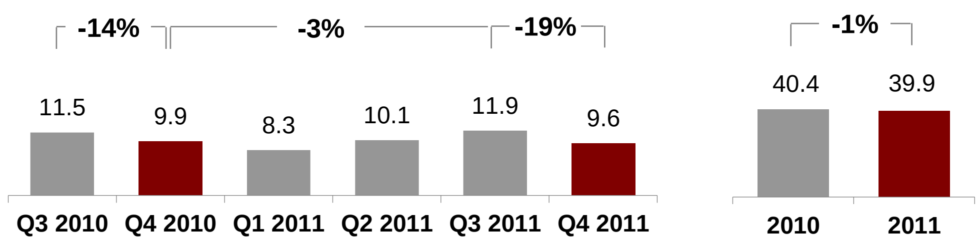
Total Armenia Revenue

(AMD bln)




Total Armenia OIBDA

(AMD bln)



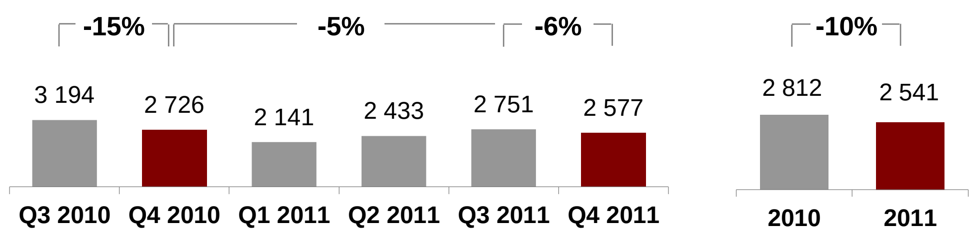

| | Q3 2010 | Q4 2010 | Q1 2011 | Q2 2011 | Q3 2011 | Q4 2011 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|
| OIBDA margin | 55.2% | **51.1%** | 51.0% | 54.2% | 57.3% | **50.5%** | 52.3% | **53.4%** |

- Revenue dynamics reflective of increased competition in market and weak macroeconomic environment
- Quarterly decline in OIBDA attributable to seasonal factors

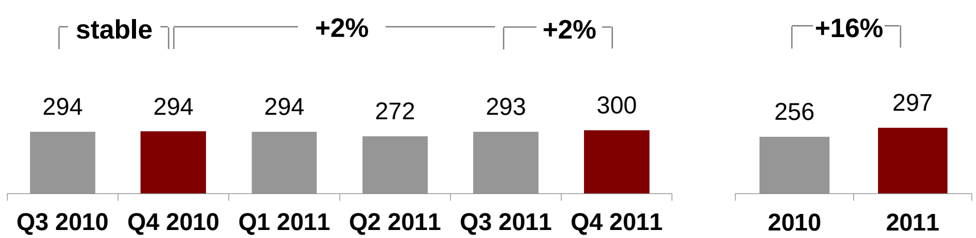
# Armenia operating indicators

MTS a step ahead

ARPU (AMD)




MOU (min)




| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Subs, mln | 2 192.3 | **2 461.0** | 2 549.7 | 2 509.8 | 2 461.8 | **2 377.8** | 2 461.0 | **2 377.8** |
| Churn rate, % | 7.7% | **7.0%** | 6.7% | 8.5% | 10.0% | **13.0%** | 30.4% | **39.1%** |
| SAC | 6 719.4 | **3 867.8** | 6 005.4 | 8 237.3 | 7 625.3 | **6 595.9** | 5 695.3 | **6 995.3** |
| APPM | 10.9 | **9.3** | 7.3 | 8.9 | 9.4 | **8.6** | 11.0 | **8.6** |
| | **Q3 2010** | **Q4 2010** | **Q1 2011** | **Q2 2011** | **Q3 2011** | **Q4 2011** | **2010** | **2011** |

- Decline in ARPU in 2011 illustrative of increasing competition on the market and introduction of new voice and data tariffs
- MOU growth due to introduction of tariff plans to stimulate voice consumption to improve customer loyalty
- High churn in Q4 2011 attributable to competitive pressures

a step ahead

# Contents


Financial and corporate highlights

Key financial and operating results

**Appendix**

- 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.

***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:

| | Q4 2010 | | | | | Q3 2011 | | | | | Q4 2011 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| USD mln | Group | RUS | UKR | UZB | ARM | Group | RUS | UKR | UZB | ARM | Group | RUS | UKR | UZB | ARM |
| Operating income | 493.0 | 572.4 | 37.7 | 29.6 | 4.6 | 852.8 | 829.3 | 66.3 | 14.8 | 12.3 | 720.0 | 691.3 | 60.1 | 18.2 | 7.1 |
| Add: D&A | 666.2 | 383.6 | 84.5 | 32.4 | 22.8 | 587.1 | 439.1 | 86.8 | 41.2 | 19.9 | 555.6 | 411.5 | 83.5 | 42.5 | 18.0 |
| OIBDA | 1,159.2 | 956.0 | 122.2 | 62.0 | 27.4 | 1,439.9 | 1,268.4 | 153.1 | 56.0 | 32.2 | 1,275.6 | 1,102.8 | 143.7 | 60.7 | 25.1 |

| | Q4 2010 | | | | | Q3 2011 | | | | | Q4 2011 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Group | RUS | UKR | UZB | ARM | Group | RUS | UKR | UZB | ARM | Group | RUS | UKR | UZB | ARM |
| Operating margin | 16.5% | 22.6% | 14.0% | 25.5% | 8.5% | 26.0% | 29.5% | 21.2% | 13.1% | 21.8% | 24.1% | 27.1% | 20.8% | 15.8% | 14.3% |
| Add: D&A | 22.2% | 15.1% | 31.3% | 27.8% | 42.6% | 18.0% | 15.6% | 27.7% | 36.5% | 35.4% | 18.6% | 16.1% | 28.8% | 37.0% | 36.2% |
| OIBDA margin | 38.7% | 37.7% | 45.3% | 53.3% | 51.1% | 44.0% | 45.1% | 48.9% | 49.6% | 57.3% | 42.8% | 43.2% | 49.6% | 52.8% | 50.5% |

# Appendix – Definitions and Reconciliations

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

| | 2010 | | | | | 2011 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| USD mln | Group | RUS | UKR | UZB | ARM | Group | RUS | UKR | UZB | ARM |
| Operating income | 2,734.6 | 2,672.7 | 144.5 | 130.7 | 17.1 | 2,808.9 | 2,774.4 | 203.6 | 76.3 | 24.0 |
| Add: D&A and impairment loss | 2,138.3 | 1,418.4 | 354.2 | 118.0 | 91.3 | 2,335.2 | 1,752.0 | 344.7 | 155.1 | 83.1 |
| Adjusted OIBDA* | 4,872.9 | 4,091.1 | 498.6 | 248.7 | 108.4 | 5,144.1 | 4,526.4 | 548.3 | 231.4 | 107.1 |

| | 2010 | | | | | 2011 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Group | RUS | UKR | UZB | ARM | Group | RUS | UKR | UZB | ARM |
| Operating margin | 24.2% | 28.4% | 13.5% | 29.2% | 8.2% | 22.8% | 26.1% | 17.8% | 17.3% | 12.0% |
| Add: D&A and impairment loss as a % of revenues | 18.9% | 15.0% | 33.0% | 26.3% | 44.1% | 19.0% | 16.5% | 30.2% | 35.2% | 41.4% |
| Adjusted OIBDA margin | 43.1% | 43.4% | 46.5% | 55.5% | 52.3% | 41.8% | 42.6% | 48.0% | 52.5% | 53.4% |

*OIBDA results for FY 2010 and Q4 2010 do not include long-lived and other assets impairment loss of $137.8 mln

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# Appendix – Definitions and Reconciliations

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

| USD mln | As of Dec 31, 2010 | As of Dec 31, 2011 |
|---|---|---|
| Current portion of LT debt and of capital lease obligations | 757.1 | 1,155.7 |
| LT debt | 6,392.6 | 7,554.0 |
| Capital lease obligations | 10.9 | 5.5 |
| Total debt | 7,160.6 | 8,715.2 |
| Less: | | |
| Cash and cash equivalents | 927.7 | 1,850.8 |
| ST investments | 333.6 | 86.2 |
| Net debt | 5,899.3 | 6,778.2 |

**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, 2010 | For the year ended Dec 31, 2011 |
|---|---|---|
| Net cash provided by operating activities | 3,617.2 | 3,849.0 |
| Less: | | |
| Purchases of property, plant and equipment | (1,914.3) | (2,239.8) |
| Purchases of intangible assets | (732.8) | (344.7) |
| Proceeds from sale of property, plant and equipment | 6.8 | 22.6 |
| Proceeds/ (purchases) of other investments | 749.7 | (44.2) |
| Investments in and advances to associates | (2.9) | 3.0 |
| Acquisition of subsidiaries, net of cash acquired | (195.1) | (219.5) |
| Free cash flow | 1,528.6 | 1,026.4 |

# 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 – Adjusted OIBDA definition

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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 that relates to Q4 2010.

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# Contact information

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