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Press release

Mobile TeleSystems Announces Financial Results for the Second Quarter Ended June 30, 2011

September 6, 2011

Moscow, Russian Federation – Mobile TeleSystems OJSC ("MTS" - NYSE: MBT), the leading telecommunications provider in Russia and the CIS, today announces its unaudited US GAAP financial results for the three months ended June 30, 2011.

Key Financial Highlights of Q2 2011

- Consolidated revenues up 6.6% q-o-q to $3,128 million
- Consolidated OIBDA[1] up 15.7% q-o-q to $1,303 million with 41.6% OIBDA margin
- Consolidated net income[2] of $367 million
- Free cash-flow[3] positive with $848 million for the six months ended June 30, 2011

Key Corporate and Industry Highlights

- Conversion of Comstar ordinary shares into MTS ordinary shares on April 1, 2011 and subsequent completion of the statutory merger of Comstar with MTS
- Continued acquisitions of regional fixed operators with a purchases of alternative operators in Kurgan and Altai Krai for RUB 435.0 million and RUB 545.8 million respectively[4]
- Receipt of GSM 900 MHz license in Penza region giving MTS full 2G coverage in Russia
- MTS' brand has been named as one of the BRANDZ™ Top 100 Most Powerful Brands with the 80th position and a brand value of $10.9 billion
- Repurchase of the series 04 ruble bond in the amount of approximately RUB 1.103 billion and change in the bond's coupon rate from an annual rate of 16.75% to 7.6%
- Secondary placement of the series 02 ruble bond on the Moscow Interbank Currency Exchange ("MICEX") in the total amount of RUB 6.3 billion
- Amendment of the Group's organizational structure and appointments of Mr. Aleksander Popovskiy to the position of Vice President, Chief Operating Officer, Mr. Vadim Savchenko to the position of Vice President, Sales and Customer Service, and Ms. Nataliya Bereza to the position of Vice President, Human Resources

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1 See Attachment A for definitions and reconciliation of OIBDA and OIBDA margin to their most directly comparable US GAAP financial measures.

2 Attributable to the Group.

3 See Attachment B for reconciliation of free cash-flow to net cash provided by operating activity.

4 In addition, an asset in Altai Krai had net debt of RUB 58.5 million.

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- Acquisition of Altair, the largest cable TV provider and leading broadband provider in Tula for RUB 680.0 million[5]
- Completion of the dividend payment of RUB 14.54 per ordinary MTS share (approximately $1.04 per ADR[6]) for the 2010 fiscal year, amounting to a total of RUB 30.05 billion (approximately $1.08 billion or 78% of US GAAP net income)
- Appointment of Mr. Vasyl Latsanych to the position of MTS Vice President, Marketing
- An indicative offer to Sistema JSFC for the acquisition of Sistema Inventure CJSC ("Sistema Inventure"), which directly owns 29% of the voting stock of Moscow City Telephone Network ("MGTS").

Commentary

Mr. Andrei Dubovskov, President and CEO of MTS, commented, "Group revenue for the quarter increased 13% year-over-year to reach 3.128 billion US dollars. During the quarter we have delivered healthy revenue growth on the back of the seasonally strong mobile business performance and growing contributions from our retail and fixed business. Total revenues in Russia - including mobile, fixed and handset and equipment sales - have increased year-over-year by 9% to 76.1 billion rubles. Our mobile business demonstrated 10% year-over-year growth up to 63.1 billion rubles on the back on of higher voice and data usage; strong net subscriber additions coupled with a sequential decline in churn; rising sales of handsets and active sales of modems and data tariff plans as demand continues to grow for data as we expand our 3G networks."

Mr. Alexey Kornya, MTS Vice President and Chief Financial Officer, said, "During the second quarter 2011, for the Group we realized strong sequential OIBDA growth of 16% for a margin of 41.6%.In Russia, OIBDA increased by 12% quarter-on-quarter to 32.5 billion rubles. This led to a sequential improvement in OIBDA margin of 42.7%. Seasonal factors, such as increased business activity and roaming, contributed to the growth, but we have also seen improvements in the underlying business stemming from: higher usage of data and value-added services; improvements in our fixed-line business, namely through the closing of our Comstar transaction and progress related to the integration of other acquired companies; a sequential reduction in dealer commissions as we have reduced our SIM-card sales, focused sales through our own stores and shifted more commissions to a revenue-sharing structure; and reduced G&A expenses by optimizing headcount and other costs throughout our retail network."

Mr. Dubovskov added, "In April we announced our OIBDA margin guidance for the full-year 2011. Our range of 42-43% was based on an improved competitive environment and lower SIM-card sales. Since this time, we have reduced our SIM-card monthly sales by 25%. We have also moved many of our dealer contracts away from a fee-based system to a more aggressive revenue sharing model to improve subscriber quality and reduce the practice of discounting. While we were optimistic that the market would see the logic in reducing SIM sales, we are witnessing increased sales by our competitors. Though for now we have not yet increased our own sales of SIM-cards, we believe it is prudent to withdraw our guidance on OIBDA for the year due to the risk of increased competitive activity in SIM-card sales. Though we are making progress on other issues affecting profitability, including our interconnect balance; integration in our fixed-line business; and broader cost control measures, we can only indicate that margins should end the year in the low 40s."

This press release provides a summary of some of the key financial and operating indicators for the period ended June 30, 2011. For full disclosure materials, please visit http://www.mtsgsm.com/resources/reports/.

[5] The price includes assumption of Altair's net debt.

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

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Financial Summary

USD million	Q2'11	Q2'10	y-o-y	Q1'11	q-o-q
Revenues	3,128.3	2,772.6	12.8%	2,934.0	6.6%
OIBDA	1,302.7	1,238.8	5.2%	1,125.8	15.7%
- margin	*41.6%*	*44.7%*	*-3.1pp*	*38.4%*	*+3.2pp*
Net operating income	672.2	758.3	-11.4%	563.8	19.2%
- margin	*21.5%*	*27.3%*	*-5.8pp*	*19.2%*	*+2.3pp*
Net income/(loss)	367.0	357.7	2.6%	321.6	14.1%
- margin	*11.7%*	*12.9%*	*-1.2pp*	*11.0%*	*+0.7pp*

Russia Highlights

RUB mln	Q2'11	Q2'10	y-o-y	Q1'11	q-o-q
Revenues[7]	76,081.2	69,524.5	9.4%	74,297.9	2.4%
- mobile	63,143.2	*57,495.3*	*9.8%*	61,334.0	*2.9%*
- fixed	15,608.8	*12,841.4*	*21.6%*	14,049.6	*11.1%*
OIBDA	32,484.0	31,530.2	3.0%	29,027.2	11.9%
- margin	42.7%	45.4%	*-2.7pp*	39.1%	*+3.6pp*
Net income/(loss)	9,888.9	8,989.8	10.0%	9,765.7	1.3%
- margin	*13.0%*	*12.9%*	*+0.1pp*	*13.1%*	*-0.1pp*

	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11
ARPU (RUB)[8]	253.9	269.4	261.9	252.1	265.0
MOU (min)	230	244	259	249	269
Churn rate (%)	9.8%	13.5%	12.7%	12.0%	11.3%

[7] Revenue, net of intercompany.

[8] ARPU is now calculated 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.

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Ukraine Highlights

UAH mln	Q2'11	Q2'10	y-o-y	Q1'11	q-o-q
Revenues	2,236.8	2,146.4	4.2%	2,057.0	8.7%
OIBDA	1,083.1	1,004.9	7.8%	918.9	17.9%
- margin	*48.4%*	*46.8%*	*+1.6pp*	*44.7%*	*+3.7pp*
Net income	323.8	208.3	55.4%	131.1	146.9%
- margin	*14.5%*	*9.7%*	*+4.8pp*	*6.4%*	*+8.1pp*

	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11
ARPU (UAH)	39.49	41.57	37.59	36.05	38.79
MOU (min)	541	541	550	564	586
Churn rate (%)	7.2%	6.6%	8.2%	7.6%	7.0%
SAC (UAH)	64.3	58.0	68.1	73.0	64.7
- dealer commission	*31.8*	*29.4*	*32.8*	*36.1*	32.8
- adv & mktg	*21.4*	*17.8*	*24.9*	*18.1*	18.3
- handset subsidy	*1.8*	*1.3*	*1.6*	*9.9*	5.1
- SIM card & voucher	*9.2*	*9.5*	*8.9*	*8.9*	8.6

Uzbekistan Highlights[9]

USD mln	Q2'11	Q2'10	y-o-y	Q1'11	q-o-q
Revenues	108.6	113.3	-4.2%	104.7	3.7%
OIBDA	58.1	65.8	-11.7%	56.6	2.7%
- margin	*53.5%*	*58.1%*	*-4.6pp*	*54.1%*	*-0.6pp*
Net income	17.8	31.7	-43.8%	16.0	11.3%
- margin	*16.4%*	*28.0%*	*-11.6pp*	*15.3%*	*+1.1pp*

	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11
ARPU (USD)	5.0	4.8	4.6	3.9	3.9
MOU (min)	534	508	461	402	416
Churn rate (%)	6.1%	7.2%	6.0%	9.2%	6.9%
SAC (USD)	6.0	7.8	8.1	7.4	7.7

Armenia Highlights

AMD mln	Q2'11	Q2'10	y-o-y	Q1'11	q-o-q
Revenues	18,697.0	19,287.0	-3.1%	16,286.5	14.8%
OIBDA	10,136.2	10,315.9	-1.7%	8,305.6	22.0%
- margin	*54.2%*	*53.5%*	*+0.7pp*	*51.0%*	*+3.2pp*
Net income	(167.1)	3,606.6	n/a	(3,032.9)	n/a
- margin	*n/a*	*18.7%*	*n/a*	*n/a*	*n/a*

	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11
ARPU (AMD)	3,013.5	3,194.2	2,725.5	2,141.3	2,432.7
MOU (min)	255	294	294	294	272
Churn rate (%)	8.5%	7.7%	7.0%	6.7%	8.5%
SAC (AMD)	7,192.0	6,719.4	3,867.8	6,005.4	8,237.3

[9] The functional currency in Uzbekistan is the US dollar.

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CAPEX Highlights

USD mln	Q2'10	Q1'11	Q2'11
Russia	248.0	241.1	438.7
- as % of rev	*10.8%*	*9.5%*	*16.1%*
Ukraine	36.5	19.3	11.3
- as % of rev	*13.5%*	*7.5%*	*4.0%*
Uzbekistan	18.9	16.4	62.5
- as % of rev	*16.7%*	*15.6%*	*57.6%*
Turkmenistan	8.4	n/a	n/a
- as % of rev	*15.8%*	*n/a*	*n/a*
Armenia	3.1	1.8	15.0
- as % of rev	*6.2%*	*4.1%*	*30.0%*
Group	314.8	278.6	527.5
- as % of rev	*11.4%*	*9.5%*	*16.9%*

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For further information, please contact in Moscow:

Joshua B. Tulgan
Director, Investor Relations
Acting Director, Corporate Finance

Department of Investor Relations
Mobile TeleSystems OJSC
Tel: +7 495 223 2025
E-mail: ir@mts.ru

Learn more about MTS. Visit the official blog of the Investor Relations Department at www.mtsgsm.com/blog/

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Attachments to the Second Quarter 2011 Earnings Press Release

Attachment A

Non-GAAP financial measures. This press release 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) and OIBDA margin. OIBDA represents operating income before depreciation and amortization. OIBDA margin is defined as OIBDA as a percentage of our net revenues. Our 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 and fixed 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:

Group (USD mln)	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11
Operating income	758.3	803.7	493.0	563.8	672.2
Add: D&A and impairment loss	480.5	513.8	666.2	562.0	630.5
Adjusted OIBDA[10]	1,238.8	1,317.5	1,159.2	1,125.8	1,302.7

Russia (USD mln)	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11
Operating income	708.3	728.1	572.4	576.9	676.9
Add: D&A	333.9	368.4	383.6	417.3	484.0
OIBDA	1,042.2	1,096.5	956.0	994.2	1,160.9

Ukraine (USD mln)	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11
Operating income	35.8	59.8	37.7	27.9	49.2
Add: D&A	91.1	85.0	84.5	87.7	86.6
OIBDA	126.9	144.8	122.2	115.7	135.9

Uzbekistan (USD mln)	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11
Operating income	37.5	31.5	29.6	22.1	21.3
Add: D&A	28.3	32.9	32.4	34.6	36.8
OIBDA	65.8	64.4	62.0	56.6	58.1

Armenia (USD mln)	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11

10 Adjusted OIBDA results for Q4 2010 do not include long-lived and other assets impairment loss in the amount of $137.8 million

Operating income/ (loss)	4.2	8.8	4.6	0.4	4.2
Add: D&A	22.7	22.8	22.8	22.2	22.9
OIBDA	26.9	31.5	27.4	22.7	27.1

OIBDA margin can be reconciled to our operating margin as follows:

Group	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11
Operating margin	27.3%	27.6%	16.5%	19.2%	21.5%
Add: D&A and impairment loss	17.4%	17.7%	22.2%	19.2%	20.1%
Adjusted OIBDA margin[11]	44.7%	45.3%	38.7%	38.4%	41.6%

Russia	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11
Operating margin	30.8%	30.2%	22.6%	22.7%	24.9%
Add: D&A	14.5%	15.3%	15.1%	16.4%	17.8%
OIBDA margin	45.3%	45.5%	37.7%	39.1%	42.7%

Ukraine	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11
Operating margin	13.2%	20.5%	14.0%	10.8%	17.5%
Add: D&A	33.6%	29.2%	31.4%	33.9%	30.9%
OIBDA margin	46.8%	49.7%	45.3%	44.7%	48.4%

Uzbekistan	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11
Operating margin	33.1%	27.5%	25.5%	21.1%	19.6%
Add: D&A	25.0%	28.6%	27.8%	33.0%	33.9%
OIBDA margin	58.1%	56.1%	53.3%	54.1%	53.5%

Armenia	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11
Operating margin	8.3%	15.3%	8.5%	1.0%	8.4%
Add: D&A	45.2%	39.8%	42.6%	50.0%	45.8%
OIBDA margin	53.5%	55.2%	51.1%	51.0%	54.2%

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[11] Adjusted OIBDA results for Q4 2010 do not include long-lived and other assets impairment loss in the amount of $137.8 million

Attachment B

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.

Net debt can be reconciled to our consolidated balance sheets as follows:

USD mln	As of Dec 31, 2010	As of Jun 30, 2011
Current portion of debt and of capital lease obligations	757.1	622.7
Long-term debt	6,392.6	6,818.6
Capital lease obligations	10.9	8.6
Total debt	7,160.6	7,449.9
Less:		
Cash and cash equivalents	927.7	1,223.4
Short-term investments	333.6	368.3
Net debt	5,899.3	5,858.2

Last twelve month (LTM) OIBDA can be reconciled to our consolidated statements of operations as follows:

US$ million	Six months ended Dec 31, 2010	Six months ended Jun 30, 2011	Twelve months ended Jun 30, 2011
	A	B	C=A+B
Net operating income	1,296.7	1,236.1	2,532.8
Add: depreciation and amortization	1,042.2	1,192.5	2,234.7
Add: impairment loss of long-lived and other assets	137.8	-	137.8
Adjusted OIBDA[12]	2,476.7	2,428.5	4,905.2

[12] Adjusted OIBDA results for Q4 2010 do not include long-lived and other assets impairment loss in the amount of $137.8 million

Free cash-flow can be reconciled to our consolidated statements of cash flow as follows:

USD mln	For the six months ended Jun 30, 2010[13]	For the six months ended Jun 30, 2011
Net cash provided by operating activities	1,682.6	1,669.2
Less:		
Purchases of property, plant and equipment	(434.2)	(660.6)
Purchases of intangible assets	(131.7)	(145.6)
Proceeds from sale of property, plant and equipment	4.3	8.3
Proceeds/(purchases) of other investments	2.9	7.0
Investments in and advances to associates	0.1	3.0
Acquisition of subsidiaries, net of cash acquired	(31.7)	(33.8)
Free cash-flow	1,092.3	847.5

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Attachment C

Definitions

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.

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.

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.

[13] Free cash flow was retrospectively adjusted for six months ended Jun 30, 2010

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MOBILE TELESYSTEMS
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(Amounts in thousands of US Dollars except per share amount)

	Six months ended		Three months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Net operating revenue				
Service revenue	$5 625 971	$5 122 096	$2 924 756	$2 641 304
Sales of handsets and accessories	436 270	265 310	203 500	131 322
	6 062 241	**5 387 406**	**3 128 256**	**2 772 626**
Operating expenses				
Cost of services	(1 305 937)	(1 077 739)	(672 329)	(550 495)
Cost of handsets and accessories	(432 990)	(277 061)	(212 315)	(140 537)
Sales and marketing expenses	(461 556)	(355 720)	(226 199)	(187 155)
General and administrative expenses	(1 291 269)	(1 123 266)	(644 128)	(568 460)
Depreciation and amortization expense	(1 192 458)	(958 356)	(630 491)	(480 486)
Provision for doubtful accounts	(61 986)	(57 908)	(30 566)	(23 828)
Impairment of long-lived assets and acquisition related costs	(11 351)		(1 713)	
Other operating expenses	(68 629)	(99 494)	(38 292)	(63 356)
Net operating income	**1 236 065**	**1 437 862**	**672 223**	**758 309**
Currency exchange and transaction gain	79 138	20 084	(10 012)	(57 014)
Other income / (expenses):				
Interest income	26 978	37 696	15 934	15 930
Interest expense, net of capitalized interest	(331 890)	(441 796)	(161 437)	(213 445)
Other income	19 428	12 122	10 248	9 301
Total other expenses, net	**(285 484)**	**(391 978)**	**(135 255)**	**(188 214)**
Income before provision for income taxes and noncontrolling interest	**1 029 719**	**1 065 968**	**526 956**	**513 081**
Provision for income taxes	(270 277)	(239 209)	(129 002)	(112 290)
Net income	**759 442**	**826 759**	**397 954**	**400 791**
Net income attributable to the noncontrolling interest	(70 787)	(85 894)	(30 945)	(43 053)
Net income attributable to the Group	**688 655**	**740 865**	**367 009**	**357 738**
Weighted average number of common shares outstanding, in thousands - basic and diluted	1 952 692	1 916 869	1 988 125	1 916 869
Earnings per share - basic and diluted	0.35	0.38	0.18	0.19

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MOBILE TELESYSTEMS
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2011 AND DECEMBER 31, 2010

(Amounts in thousands of US dollars)

	As of June 30, 2011	As of December 31, 2010
CURRENT ASSETS:		
Cash and cash equivalents	$1 223 406	$927 694
Short-term investments	368 344	333 594
Trade receivables, net	932 062	798 102
Accounts receivable, related parties	3 150	2 673
Inventory and spare parts	381 487	319 956
VAT receivable	138 599	164 761
Prepaid expenses and other current assets	621 316	569 823
Total current assets	**3 668 364**	**3 116 603**
PROPERTY, PLANT AND EQUIPMENT	8 401 212	7 971 830
INTANGIBLE ASSETS	2 822 809	2 817 701
INVESTMENTS IN AND ADVANCES TO ASSOCIATES	173 785	241 792
OTHER INVESTMENTS	125 618	128 582
OTHER ASSETS	190 696	201 534
Total assets	**$15 382 484**	**$14 478 042**
CURRENT LIABILITIES		
Accounts payable	764 524	629 077
Accrued expenses and other current liabilities	2 764 281	1 715 970
Accounts payable, related parties	84 494	52 984
Current portion of long-term debt, capital lease obligations	622 743	757 110
Total current liabilities	**4 236 042**	**3 155 141**
LONG-TERM LIABILITIES		
Long-term debt	6 818 589	6 392 629
Capital lease obligations	8 601	10 873
Deferred income taxes	240 028	292 070
Deferred revenue and other	383 558	383 582
Total long-term liabilities	**7 450 776**	**7 079 154**
Total liabilities	**11 686 818**	**10 234 295**
Redeemable noncontrolling interests	**86 942**	**86 944**
SHAREHOLDERS' EQUITY:		
Common stock: (2,096,975,792 shares with a par value of 0.1 rubles authorized and 2,066,413,562 shares issued as of June 30, 2011 and 2,096,975,795 shares with a par value of 0.1 rubles authorized and 1,993,326,138 issued as of December 31, 2010 (777,396,505 of which are in the form of ADS as of June 30, 2011 and December 31, 2010)	50 814	50 558
Treasury stock (77,496,725 and 76,456,876 common shares at cost as of June 30, 2011 and December 31, 2010, respectively)	(992 141)	(1 054 926)
Additional paid-in capital	326 916	
Accumulated other comprehensive income	(757 661)	(771 957)
Retained earnings	4 529 925	4 901 140
Total shareholders' equity attributable to the Group	3 157 853	3 124 815
Noncontrolling interest	450 871	1 031 988
TOTAL SHAREHOLDERS` EQUITY	**3 608 724**	**4 156 803**
Total liabilities and shareholders' equity	**$15 382 484**	**$14 478 042**

MTS a step ahead

Press release

MOBILE TELESYSTEMS
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(Amounts in thousands of U.S. dollars)

	Six months ended	
	June 30, 2011	**June 30, 2010***
Net cash provided by operating activities	**1 669 225**	**1 682 556**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries and non-controlling interests, net of cash acquired	(33 803)	(31 740)
Purchases of property, plant and equipment	(660 578)	(434 173)
Purchases of intangible assets	(145 599)	(131 704)
Proceeds from sale of property, plant and equipment and assets held for sale	8 347	4 287
Purchases of short-term investments	(371 199)	(385 817)
Proceeds from sale of short-term investments	351 692	127 036
Proceeds from sale of other investments	7 026	2 923
Investments in and advances to associates	3 000	50
Decrease in restricted cash	(1 844)	(223)
Net cash used in investing activities	**(842 958)**	**(849 361)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Acquisition of noncontrolling interests in existing subsidiaries and subsidiaries from related parties	(187 280)	(64 191)
Contingent consideration paid on acquisition of sudsidiaries	(7 540)	
Proceeds from issuance of notes	1 659	750 000
Repurchase of common stock	(67)	
Repayment of notes	(49 409)	(462 403)
Notes and debt issuance cost		(15 039)
Capital lease obligation principal paid	(5 093)	(2 138)
Dividends paid	(203 742)	(11 360)
Proceeds from loans	22 547	506 522
Loan principal paid	(161 606)	(1 633 875)
Net cash used in financing activities	**(590 531)**	**(932 484)**
Effect of exchange rate changes on cash and cash equivalents	59 976	5 300
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS:	**295 712**	**(93 989)**
CASH AND CASH EQUIVALENTS, at beginning of period	927 694	2 529 010
CASH AND CASH EQUIVALENTS, at end of period	**1 223 406**	**2 435 021**

*Figures were restated due to retrospective consolidation of TS-Retail, Metro-Telecom and Sistema Telecom