МТС оператор связи MTS

Group financial results for the first quarter year 2010

Investor conference call – June 8, 2010

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Mr. Aleksey Kornya, 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.

Contents

Group highlights for the first quarter 2010 and recent events

Q1 2010 highlights

- Agreement with Sberbank to lower the interest rates on RUB 59 bln in financing
- Agreement to lower interest rates on Gazprombank financing
- Voluntary prepayment of principal and loan interest amounts on facility A of $373.8 million and on facility B of €247.6 million of syndicated loan agreement

Thereafter

- Opening of credit line with the Bank of Moscow in the amount of RUB 22 bln
- Voluntarily repayment of RUB 6 bln of Sberbank loan and EUR 413 mln on EBRD, NIB and EIB loans
- ADR ratio change from 1:5 to 1:2 ADR per common share effective May 3, 2010
- Repurchase of Series 01 and 02 ruble-denominated bonds
- Conclusion of agreements by Comstar-UTS, MGTS Finance S.A., a company controlled by Comstar, and OAO Rostelecom involving the sale of the 25%+1 share of OAO Svyazinvest to OAO Rostelecom for RUB 26 bln
- Recommendation of annual dividend of RUB 15.40 per ordinary MTS share (approx. $1.00 per ADR*) for FY 2009, amounting to a total of RUB 30.70 bln (approx. $999.3 mln or 99% of US GAAP net income or 75% of US GAAP net income adjusted for the non-cash impairment charges)

Market commentary

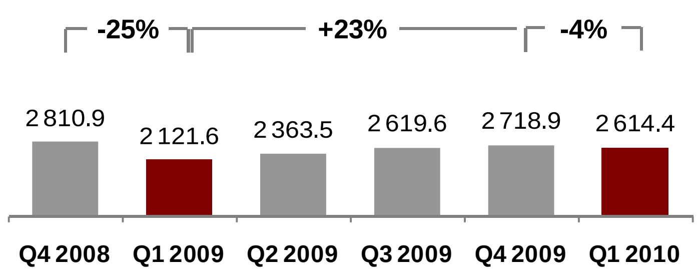
- MTS continues to see sustained macroeconomic volatility in its markets of operations that may impact the financial and operational performance throughout the Group

* According to the Russian Central Bank exchange rate of 30.7193 RUB/USD as of May 11, 2010. The dividend amount is set in Russian rubles by the Board of Directors; U.S. dollar amounts provided for reference using the foreign exchange rates as of May 11, 2010.

Group financial highlights*

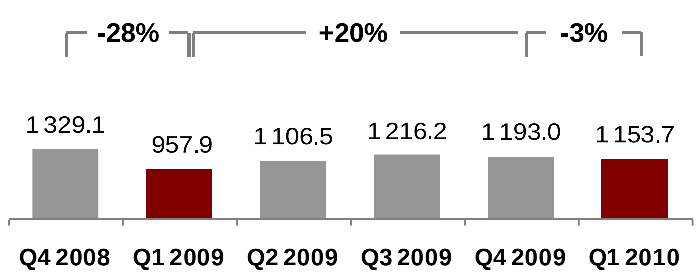
Total Group Revenue

(USD mln)



Total Group OIBDA**

(USD mln)



OIBDA margin	47.3%	**45.1%**	46.8%	46.4%	43.9%	**44.1%**
	Q4 2008	**Q1 2009**	**Q2 2009**	**Q3 2009**	**Q4 2009**	**Q1 2010**

RUB/USD	27.3	**33.9**	32.2	31.3	29.5	**29.9**
UAH/USD	6.21	**7.70**	7.66	7.82	7.99	**7.99**
	Q4 2008	**Q1 2009**	**Q2 2009**	**Q3 2009**	**Q4 2009**	**Q1 2010**

- Group revenue y-o-y dynamics reflective of growth in voice and data usage, increasing sales of handsets and the 12% appreciation of the ruble versus the dollar
- Increase y-o-y in OIBDA reflective of top-line growth
- Improvement in Q1 2010 margin vis-à-vis Q4 2009 despite pressure from increasing sales of handsets and expansion of proprietary retail networks

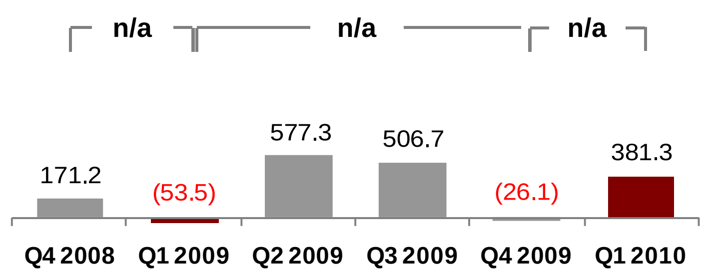
* See appendix for treatment of Comstar-UTS acquisition and reallocation of Headquarters' costs.

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

Group financial highlights

Total Group Net Income

(USD mln)



Net income margin	6.1%	**n/a**	24.4%	19.3%	n/a	**14.6%**
	Q4 2008	**Q1 2009**	**Q2 2009**	**Q3 2009**	**Q4 2009**	**Q1 2010**

- Net income of over $381 mln attributable to Group revenue growth and absence of significant currency movements during the quarter

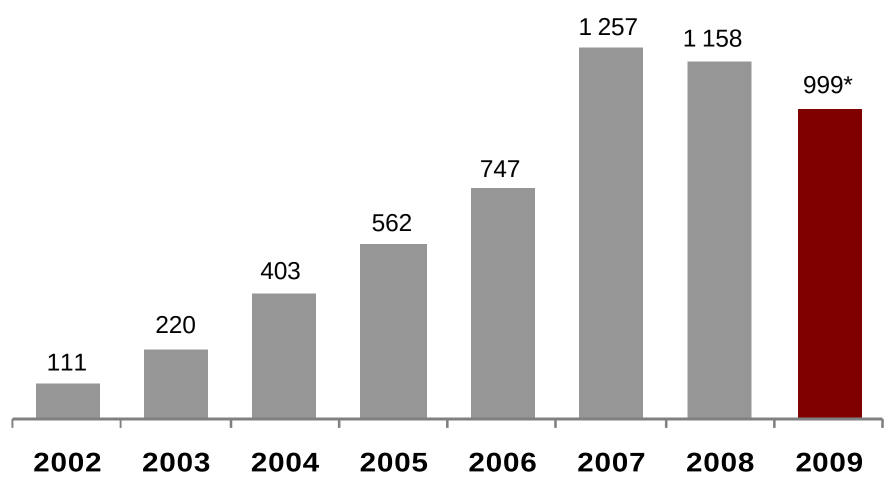
Group balance sheet

Balance sheet (USD mln unless noted)	As of Dec 31, 2009	As of Mar 31, 2010
Cash and cash equivalents	$2 522.8	$2 278.5
Short-term investments	$217.2	$435.3
Total debt	$8 329.5	$7 665.2
Long-term debt	$6 327.7	$5 331.9
Short-term debt	$2 001.8	$2 333.3
Net debt*	$5 589.5	$4 951.4
Shareholders' equity	$4 403.1	$4 842.1
Total assets	$15 780.7	$15 709.5
LTM OIBDA*	$4 473.6	$4 669.4
Net debt/assets	0.4x	0.3x
Net debt/equity	1.3x	1.0x
Net debt/LTM OIBDA*	1.2x	1.1x

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

- Free cash flow* of over $709 mln for the first three months of 2010
- Decrease in debt levels after repayment of around $794 mln in Q1 2010 following the early termination of the syndicated loan in February
- Additional debt optimization initiatives undertaken in Q2 2010

Dividend payout



- The Company's sustained levels of profitability and its ability to generate healthy cash flows continue to allow MTS to honor its dividend commitment before the shareholders
- Though the bottom-line has been affected by non-cash write-offs and currency fluctuations during 2009, the proposed dividend is broadly in line with previous dividend recommendations in absolute terms and is fully supportive of MTS' dividend policy of paying out no less than 50% of US GAAP net income

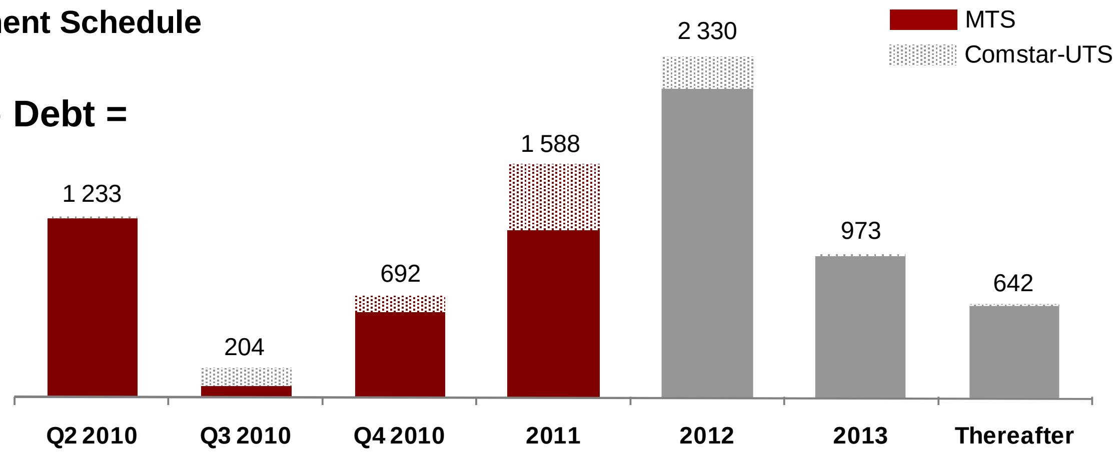
	2002	2003	2004	2005	2006	2007	2008	2009*
RUB per share	1.7	3.2	5.8	7.6	9.7	14.8	20.2	15.4
USD per ADR**	0.1	0.2	0.4	0.6	0.8	1.2	1.2	1.0
Dividend yield***	2.4%	2.4%	3.2%	4.1%	3.3%	4.0%	8.0%	5.1%
% of net income	40%	43%	41%	50%	69%	60%	60%	75%****

*Dividend amount recommended by MTS' Board of Directors for approval at the Company's Annual General Meeting of Shareholders on June 24, 2010
** USD per ADR amounts have been retrospectively adjusted to reflect the ADR ratio change from 1 ADR per 5 common shares to 1 ADR per 2 common shares
*** Calculated based on closing share price on record date
**** As % of US GAAP net income adjusted for the non-cash impairment charges

Debt obligations at the end of Q1 2010

Debt Repayment Schedule (USD mln)

Total Group Debt = $7.7 billion



MTS	1 227	90	579	1 136	2 101	971	639
Comstar	6	114	113	452	229	2	3
Debt repayments, USD mln	1 233	204	692	1 588	2 330	973	642
	Q2 2010	**Q3 2010**	**Q4 2010**	**2011**	**2012**	**2013**	**Thereafter**

MTS' 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

- $2.3 bln in cash at the end of Q1 2010 in anticipation of further debt obligations and additional corporate needs
- In April 2010 MTS repurchased Series 01 ruble-denominated bond in the amount of RUB 7.1 bln and Series 02 ruble-denominated bond in the amount of RUB 6.3 bln; put option on the Series 03 ruble-denominated RUB 10 bln bond can be exercised in June 2010
- In April and May 2010 MTS signed a credit agreement with the Bank of Moscow in the amount of RUB 22 bln, as well as voluntarily repaid RUB 6 bln of a Sberbank loan and EUR 413 mln EBRD, NIB, EIB loan*

* European Bank for Reconstruction and Development (EBRD), Nordic Investment Bank (NIB), European Investment Bank (EIB)

Debt portfolio optimization initiatives in 2010

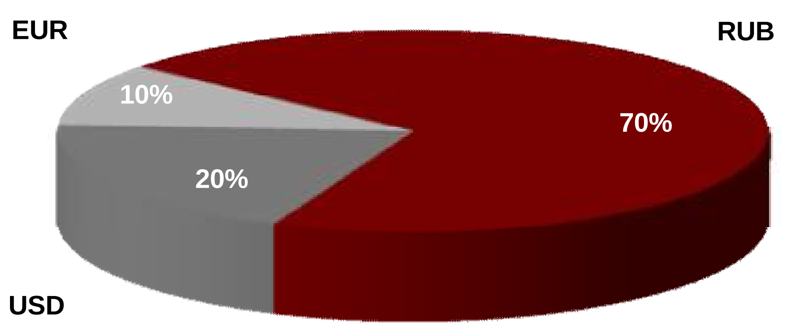
Loan Source	Amount	Annual interest rate	
		Initial	New
Sberbank	RUB 47 bln	16.00%	10.65%
	RUB 12 bln	15.00%	9.75%
Gazprombank	EUR 100 mln	12.00%	7.00%
	EUR 100 mln	8.00%	7.00%
	RUB 6.5 bln	13.00%	10.50%
Sberbank (Comstar)	RUB 26 bln	13.35%*	10.50% - 11.75%

- In 2010 MTS successfully renegotiated interest rates on its credit facilities totaling $3.4 bln in order to decrease interest expenses
- In May 2010, MTS extended the maturity of its Gazprombank facility from the current 1.5 to 2.5 years to 5 years
- In March 2010, Comstar agreed to amend the repayment schedule of RUB 26 billion Sberbank credit facility (eight quarterly installments of RUR 3 250 mln each starting from September 2010)
- The reduction of interest expenses and the extension of debt maturities are part of the Company's strategy at optimizing its debt portfolio

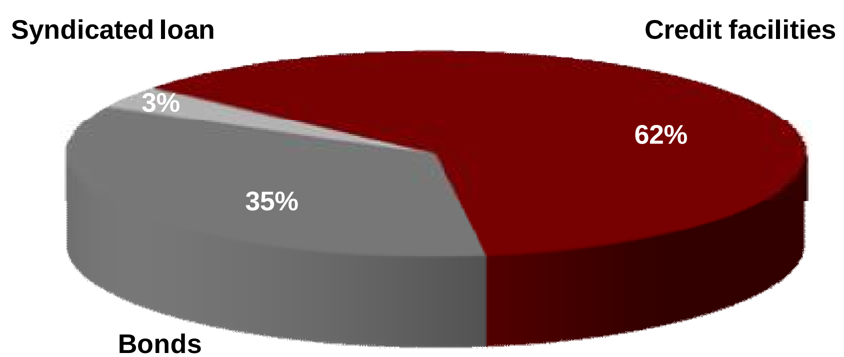
* In June 2007, at the time of the signing, the annual interest rate was set at 7.6%; after a series of amendments, the rate was set at 13.35% in January 2009

Debt composition at the end of Q1 2010

Debt composition by currency Q1 2010*



Debt composition by type Q1 2010



- 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 Eurobond'10 may provide MTS with additional opportunities to balance its currency exposure

* Debt composition by currency includes FOREX hedging in the amount of $382 mln as of Q1 2010

Group subscriber base dynamics during the quarter

MTS subscribers (mln unless noted)	Q4 2009	Q1 2010	% change
Russia:			
- mobile	69.34	69.08	(0.4%)
- households passed, 000s	7 502	7 756	3.4%
- broadband Internet, 000s	1 298	1 359	4.7%
- pay TV, 000s	2 124	2 122	(0.1%)
Ukraine	17.56	17.35	(1.2%)
Uzbekistan**	7.07	7.38	4.3%
Turkmenistan	1.76	1.90	7.9%
Armenia	2.07	2.11	1.9%
Belarus***	4.56	4.57	0.2%
Total mobile	**102.36**	**102.38**	**stable**

* According to AC&M-Consulting as of March 31, 2010
** 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

- Leading position in Russia maintained with a 33%* share of the mobile market
- Quarterly growth in the Russian fixed business with an increase in households passed and broadband Internet subscriptions
- Ukraine performance reflective of overall market dynamics
- Continued subscriber growth in Central Asian markets due to larger network footprints and relatively low penetration levels

Development of MTS retail network and handset distribution

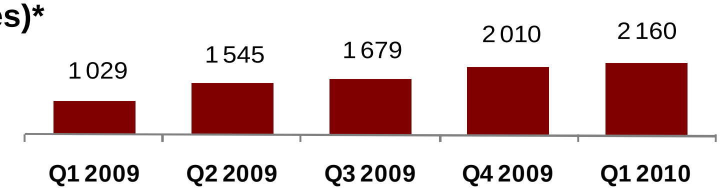
MTS retail network

- Opening of 150 new stores during the quarter
- Launch of flagship stores in major cities
- Introduction of Comstar cable TV and broadband products to the MTS retail network

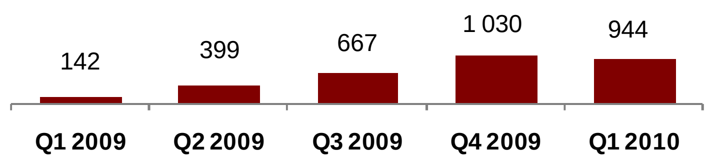
Device distribution

- Steady increase in market share in terms of number of handsets sold to 13.1%**
- Seasonal effect in Q1 2010 following high sales during New Year holidays in Q4
- Launch of iPhone 3GS sales in Russia in March 2010
- Promotion of *MTS Connect* mobile Internet modems
- Special offers on MTS-branded phones with 3G functionality
- Partnership with *Svyaznoy* retail chain to sell BlackBerry handsets with MTS contracts

MTS retail network development (MTS-owned stores)*

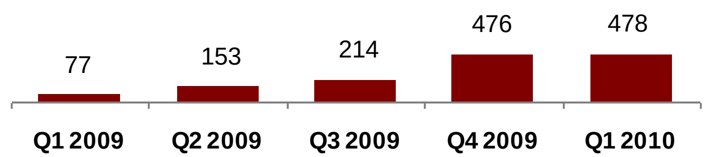


Handset sales through MTS retail network (000s)



	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Market share**	2.4%	7.0%	9.1%	11.7%	13.1%

MTS Connect modem and data tariff 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)	Q1 2009	Q4 2009	Q1 2010
Russia	454.4	418.6	178.4
Ukraine	146.0	76.9	40.5
Uzbekistan	87.4	102.7	23.9
Turkmenistan	11.1	14.1	4.3
Armenia	6.5	25.9	3.9
Group	**705.2**	**638.3**	**251.1**
- as % of revenue	**33.2%**	**23.5%**	**9.6%**

3i: MTS strategy

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

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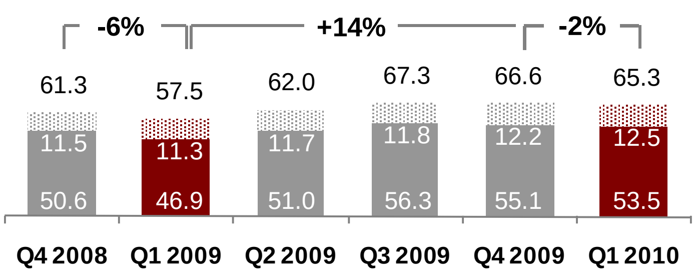
Russia financial highlights

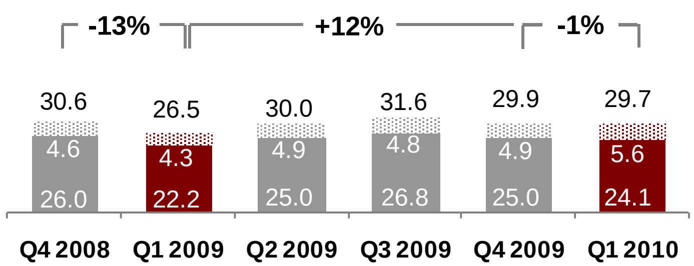
Total Russia Revenue*

(RUB bln)



Total Russia OIBDA**

(RUB bln)



OIBDA margin	49.9%	**46.1%**	48.3%	46.9%	44.9%	**45.4%**
- mobile ex-retail	n/a	**48.6%**	53.5%	52.6%	50.8%	**51.1%**
- mobile	51.4%	**47.4%**	49.1%	47.6%	45.4%	**45.1%**
- fixed	39.9%	**37.8%**	42.0%	40.9%	40.6%	**44.2%**
	Q4 2008	**Q1 2009**	**Q2 2009**	**Q3 2009**	**Q4 2009**	**Q1 2010**

Mobile Fixed

- Revenue increase y-o-y due to growth in data consumption and fixed business revenue; quarterly dynamic reflective of seasonal usage trends
- OIBDA performance in line with revenue performance; seasonal factors in Q1 largely offset by cost optimization in retail and marketing expenses
- Quarterly improvement of OIBDA margin in mobile and fixed-line business segments mitigated by expansion of retail networks and increase in sales of handsets

* Gross of intercompany.

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

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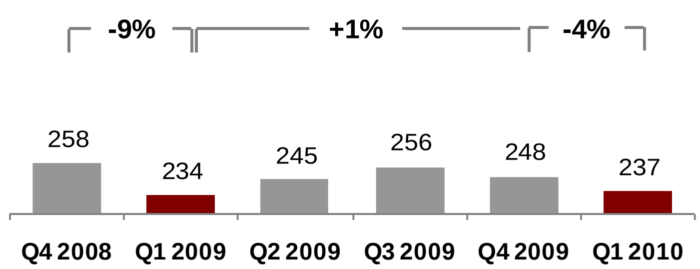
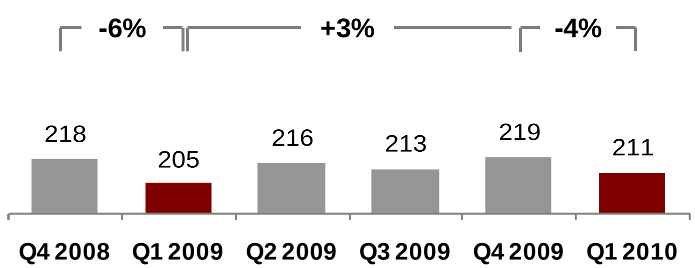
Russia mobile operating indicators

ARPU (RUB)



MOU (min)



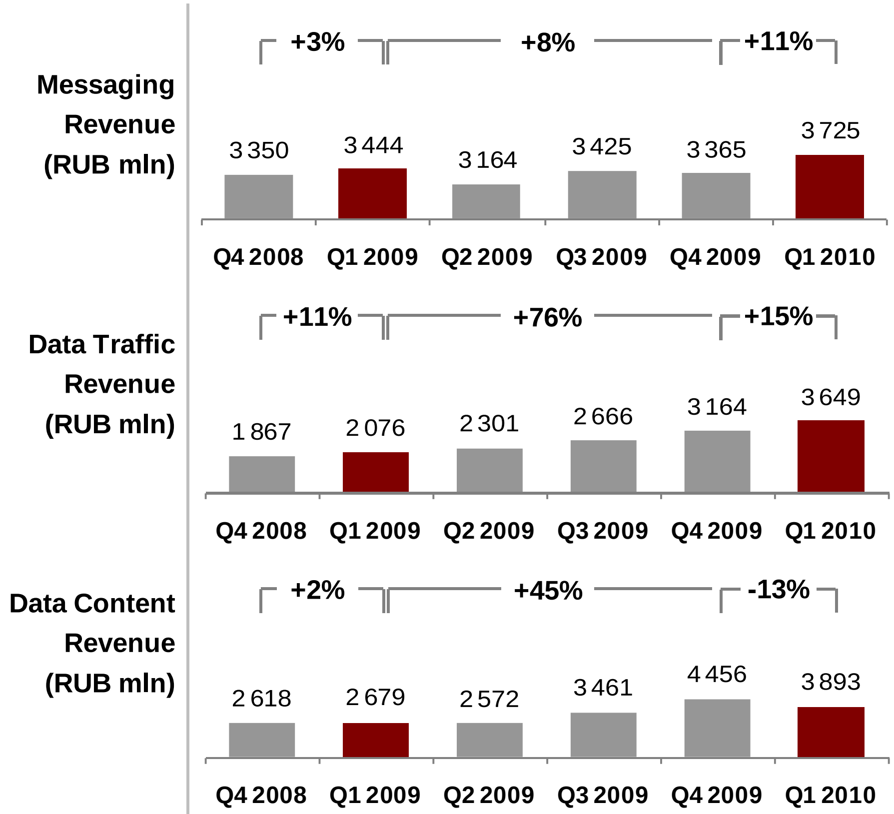
Subs, mln	64.6	**65.1**	67.4	68.7	69.3	**69.1**
Churn rate, %	6.4%	**8.0%**	6.9%	10.7%	12.4%	**10.4%**
VAS ARPU	43.6	**44.1**	41.9	47.0	53.9	**53.8**
- as % of ARPU	16.9%	**18.9%**	17.1%	18.4%	21.4%	**22.7%**
SAC	665.4	**742.8**	671.8	558.5	523.9	**550.9**
APPM	1.18	**1.14**	1.14	1.20	1.13	**1.12**
	Q4 2008	**Q1 2009**	**Q2 2009**	**Q3 2009**	**Q4 2009**	**Q1 2010**

- Quarterly ARPU decline attributable to seasonal factors and continued lower consumption of higher-value products such as roaming and long distance calling

- Seasonal usage decline due to fewer working calendar days and lower business activity

- Growing share of VAS as % of ARPU on the back of increasing demand for data products and services

Russia mobile operating indicators



Total VAS (RUB mln)*	8 178	**8 472**	8 374	9 845	11 264	**11 519**
	Q4 2008	**Q1 2009**	**Q2 2009**	**Q3 2009**	**Q4 2009**	**Q1 2010**

Key initiatives in Q1 2010:

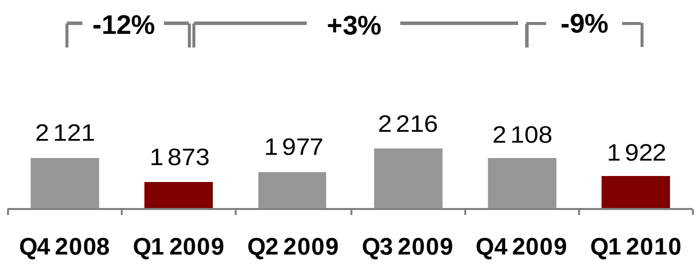
- Further expansion of 3G coverage in Moscow and the regions
- Launch of SMS packages
- Major MMS promotion to stimulate usage
- *Good'OK* ring-back tone multiple-track bundles
- Unified subscriptions service through WAP and USSD interfaces
- Launch of video-on-demand service on *Omlet.ru* content portal
- Introduction of mobile Internet data packages for the mass market
- Promotion of co-branded Opera Mini browser

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

Ukraine financial highlights

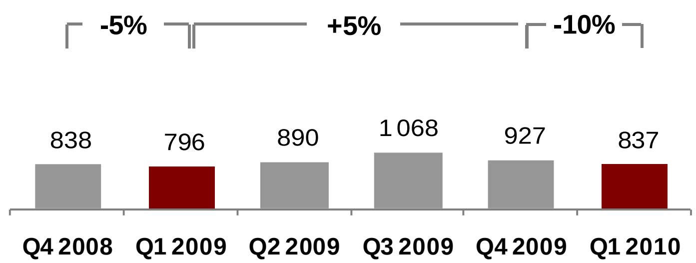
Total Ukraine Revenue

(UAH mln)



Total Ukraine OIBDA

(UAH mln)



OIBDA margin	39.5%	**42.5%**	45.0%	48.2%	44.0%	**43.5%**
	Q4 2008	**Q1 2009**	**Q2 2009**	**Q3 2009**	**Q4 2009**	**Q1 2010**

- Revenue growth y-o-y attributable to improved market position and higher active subscribers
- Improvements in seasonal revenue dynamics mitigated by revision of interconnect terms with Ukrtelekom
- OIBDA margin for the quarter up 1pp y-o-y and in line with top-line performance

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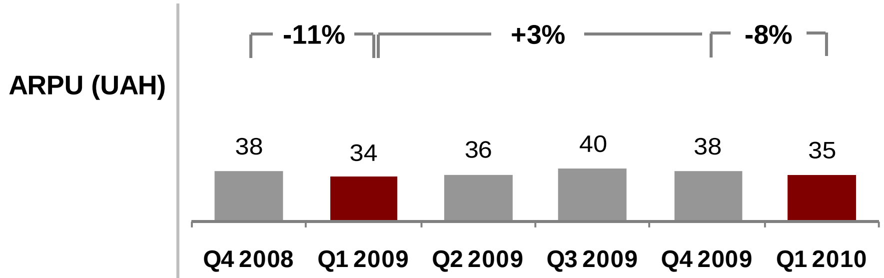
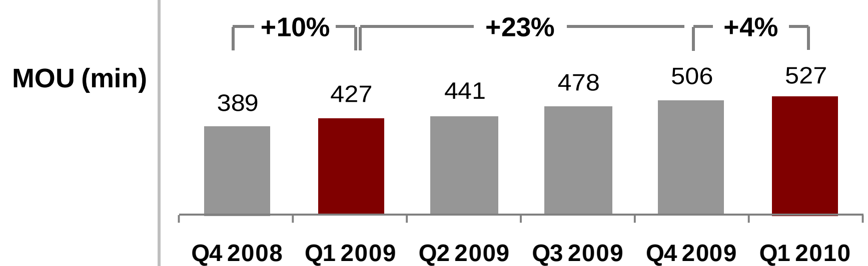
Ukraine operating indicators

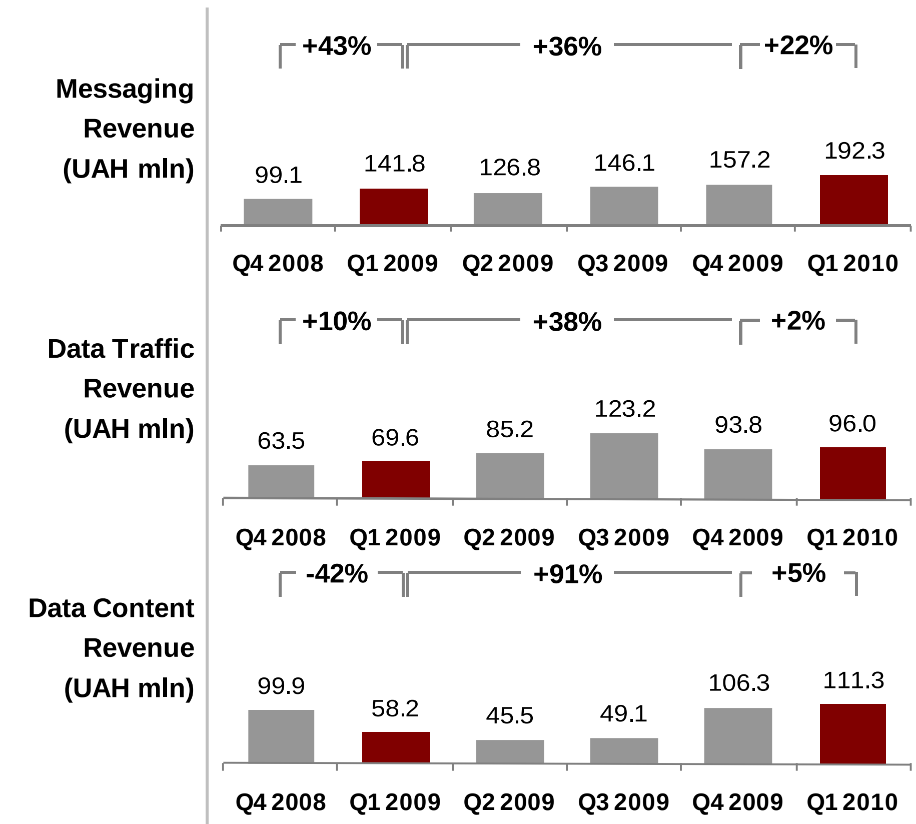




Subs, mln	18.1	**17.9**	17.8	17.8	17.6	**17.3**
Churn rate, %	10.8%	**10.2%**	9.7%	10.4%	9.7%	**9.4%**
VAS ARPU	7.6	**7.0**	6.8	7.9	8.3	**8.9**
- as % of ARPU	19.9%	**20.7%**	18.9%	19.6%	21.7%	**25.2%**
SAC	51.7	**62.4**	52.1	45.9	56.8	**66.9**
APPM	0.10	**0.08**	0.08	0.08	0.08	**0.07**
	Q4 2008	**Q1 2009**	**Q2 2009**	**Q3 2009**	**Q4 2009**	**Q1 2009**

- ARPU decrease in Q1 2010 due to seasonal factors; slight improvement y-o-y
- Higher usage driven by winter promotions geared towards higher on-net usage
- APPM impacted by seasonal promotions and is in line with market dynamics
- Growing contribution from value-added services due to expansion of CDMA network and an increase in data product portfolio

Ukraine operating indicators



Total VAS (UAH mln)	413.1	**376.1**	362.5	418.9	440.9	**465.0**
	Q4 2008	**Q1 2009**	**Q2 2009**	**Q3 2009**	**Q4 2009**	**Q1 2010**

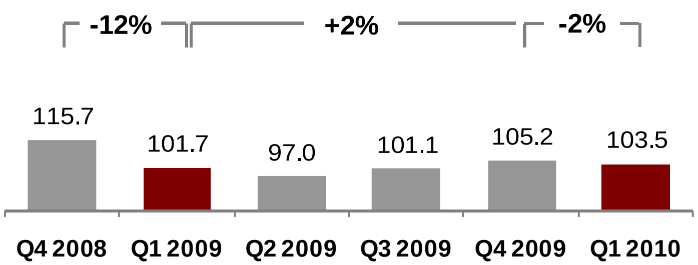
Key initiatives in Q1:

- *Remote Call Forwarding* service launch
- Introduction of new SMS-based services
- SMS game *Love Quest* around Valentine’s day
- Launch of new *MTS Connect* mobile Internet modems for the GSM network (EDGE and 3G)
- Special offers for contract *MTS Connect* subscribers
- Launch of additional *Good’OK* ring-back tone functionality
- Special women’s section on WAP portal to celebrate March 8 holiday
- Content offers surrounding Winter Olympics

Uzbekistan financial highlights

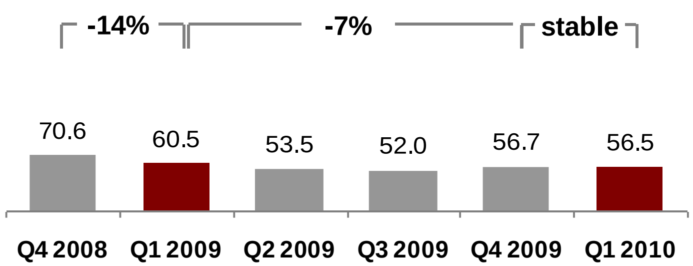
Total Uzbekistan Revenue

(USD mln)



Total Uzbekistan OIBDA

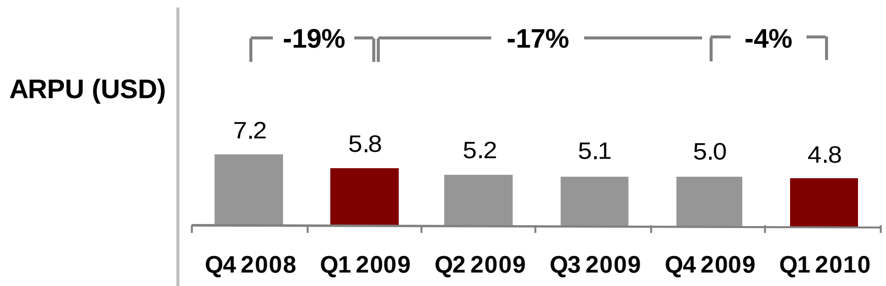
(USD mln)

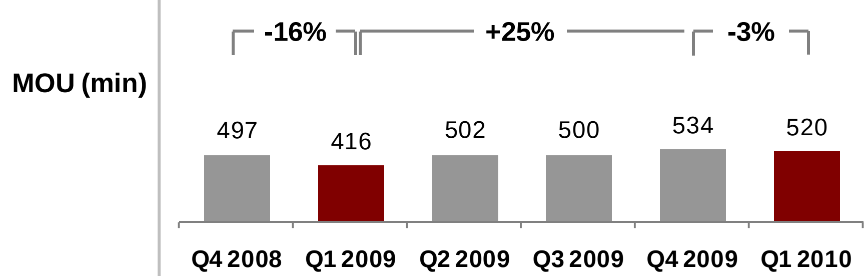


OIBDA margin	61.0%	**59.5%**	55.1%	51.4%	53.9%	**54.6%**
	Q4 2008	**Q1 2009**	**Q2 2009**	**Q3 2009**	**Q4 2009**	**Q1 2010**

- Revenue dynamics reflective of seasonal factors and increased penetration among addressable market
- OIBDA stable with margin improving due to cost optimization activities and an improved competitive environment

Uzbekistan operating indicators





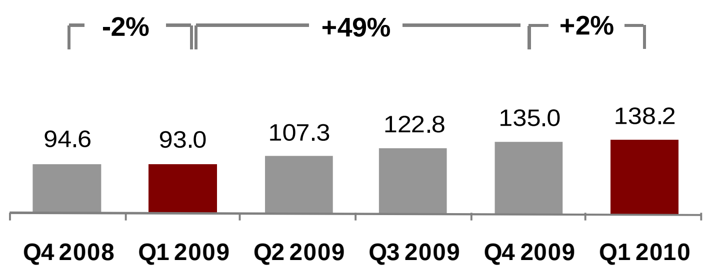
	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Subs, mln	5.7	**6.0**	6.5	6.8	7.1	**7.4**
Churn rate, %	5.7%	**6.6%**	7.1%	8.1%	8.0%	**5.9%**
SAC	8.7	**8.2**	7.6	8.3	6.7	**6.1**
APPM	0.01	**0.01**	0.01	0.01	0.01	**0.01**

- ARPU decline due to seasonal factors and addition of lower-value subscribers in maturing market
- Decline in usage reflects seasonal trends
- Continued growth in subscribers as MTS maintains market leadership

Turkmenistan financial highlights

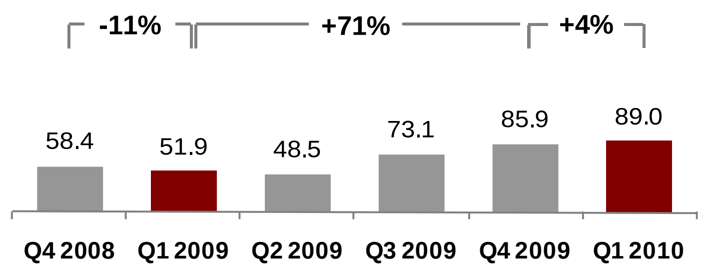
Total Turkmenistan Revenue

(TMT mln)



Total Turkmenistan OIBDA

(TMT mln)

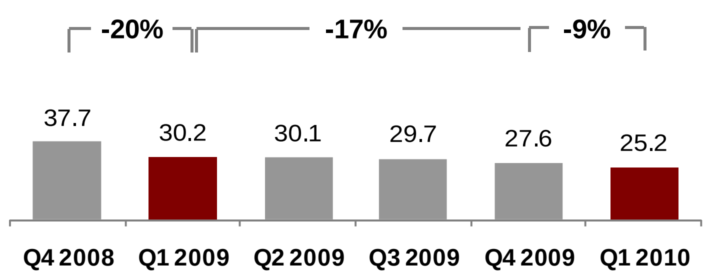


OIBDA margin	61.7%	**55.8%**	45.2%	59.5%	63.7%	**64.4%**
	Q4 2008	**Q1 2009**	**Q2 2009**	**Q3 2009**	**Q4 2009**	**Q1 2010**

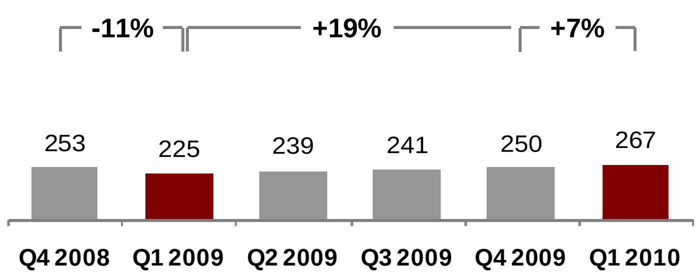
- Revenue growth fostered by subscriber additions and usage growth
- OIBDA growth reflects top-line growth and a stable operating environment

Turkmenistan operating indicators

ARPU (TMT)



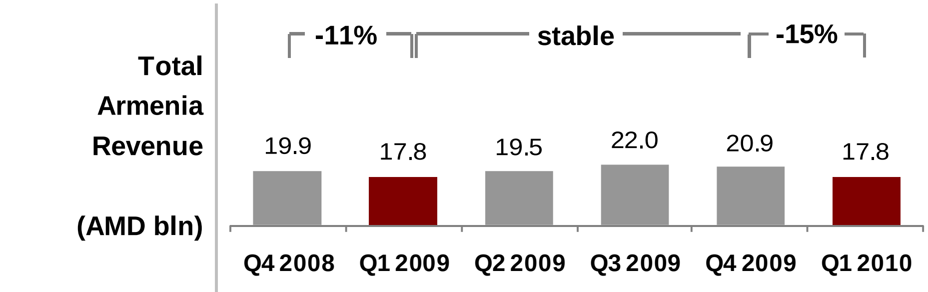
MOU (min)

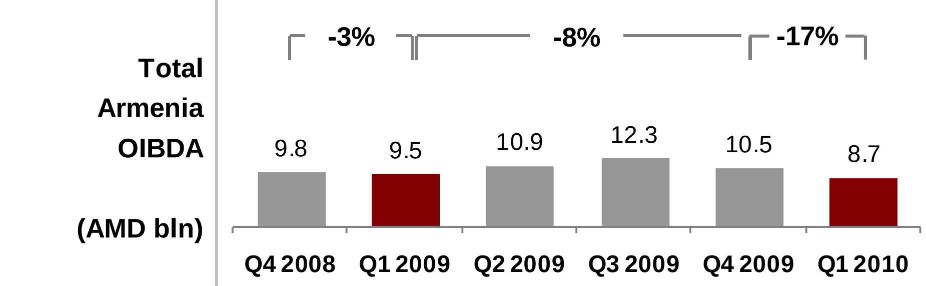


Subs, 000s	927.4	**1 124.6**	1 252.7	1 501.2	1 757.6	**1 896.3**
Churn rate, %	4.2%	**3.9%**	5.8%	4.5%	5.7%	**9.9%**
SAC	9.7	**13.0**	11.2	18.4	9.4	**10.5**
APPM	0.1	**0.1**	0.1	0.1	0.1	**0.1**
	Q4 2008	**Q1 2009**	**Q2 2009**	**Q3 2009**	**Q4 2009**	**Q1 2010**

- ARPU decline reflects growing penetration as lower-end subscribers enter the market
- Growth in usage as the Company introduces tariffs with special rates for nighttime calling and weekends, as well as more attractive on-net rates

Armenia financial highlights

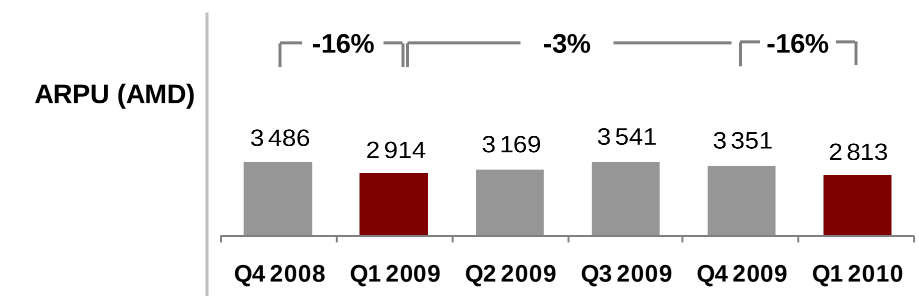


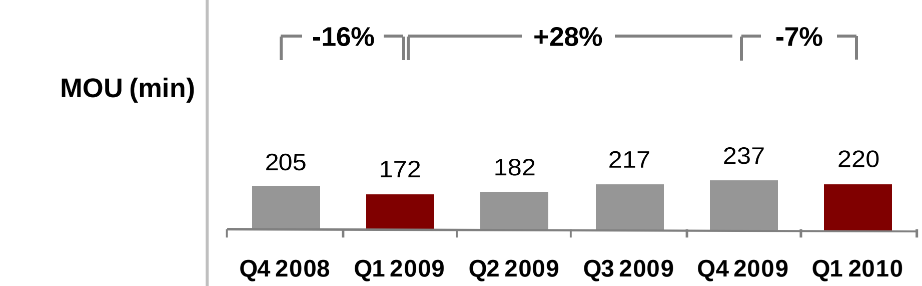


OIBDA margin	49.1%	**53.0%**	55.9%	55.8%	50.0%	**48.8%**
	Q4 2008	**Q1 2009**	**Q2 2009**	**Q3 2009**	**Q4 2009**	**Q1 2010**

- Seasonal revenue dynamics exacerbated by increased competition in marketplace
- OIBDA performance reflective of revenue dynamics

Armenia operating indicators





Subs, 000s	2 017.0	**2 049.0**	2 045.6	2 078.3	2 073.1	**2 108.9**
Churn rate, %	7.0%	**8.9%**	10.4%	11.3%	12.7%	**8.6%**
SAC	4 535.8	**7 280.6**	6 005.8	5 143.6	6 787.7	**6 868.7**
APPM	17.0	**16.9**	17.4	16.3	14.1	**12.8**
	Q4 2008	**Q1 2009**	**Q2 2009**	**Q3 2009**	**Q4 2009**	**Q1 2010**

- ARPU decline due to seasonal factors as well as pricing pressures in a gradually more competitive market
- Seasonal effect on usage offset by tariffs launched in Q4 to promote usage
- Continued growth in subscriber additions during the quarter

Contents

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:

	Q1 2009						Q4 2009**						Q1 2010					
USD mln	Group	RUS	UKR	UZB	TUK	ARM	Group	RUS	UKR	UZB	TUK	ARM	Group	RUS	UKR	UZB	TUK	ARM
Operating income	542.5	490.4	22.4	40.6	15.4	7.4	609.2	659.7	22.9	32.0	26.9	5.2	676.2	660.5	11.2	32.0	27.1	-0.5
Add: D&A and impairment loss*	415.4	289.9	81.0	19.9	2.9	21.7	583.8	354.2	93.1	24.7	3.2	22.1	477.5	312.8	93.5	24.5	4.2	23.1
OIBDA	957.9	780.3	103.4	60.5	18.2	29.1	1,193.0*	1,013.9*	116.0	56.7	30.2	27.2	1,153.7	992.7	104.8	56.5	31.2	22.6

	Q1 2009						Q4 2009**						Q1 2010					
	Group	RUS	UKR	UZB	TUK	ARM	Group	RUS	UKR	UZB	TUK	ARM	Group	RUS	UKR	UZB	TUK	ARM
Operating margin	25.6%	28.9%	9.2%	40.0%	47.0%	13.5%	22.4%	29.2%	8.7%	30.5%	56.8%	9.5%	25.9%	30.2%	4.7%	30.9%	55.9%	-1.0%
Add: D&A and impairment loss as a % of revenues*	19.6%	17.1%	33.3%	19.6%	8.8%	39.4%	21.5%	15.7%	35.3%	23.5%	6.8%	40.5%	18.3%	14.3%	38.9%	23.7%	8.6%	49.8%
OIBDA margin	45.1%	46.0%	42.5%	59.5%	55.8%	52.9%	43.9%*	44.9%*	44.0%	53.9%	63.7%	50.0%	44.1%	45.4%	43.5%	54.6%	64.4%	48.8%

* OIBDA results for Q4 2009 do not include long-lived assets impairment loss and acquisition related costs in amount of $86.4 mln.

** See appendix for treatment of Comstar-UTS acquisition and reallocation of Headquarters' costs.

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, 2009	As of Mar 31, 2010
Current portion of LT debt and of capital lease obligations	2,001.8	2,333.3
LT debt	6,326.8	5,330.8
Capital lease obligations	0.9	1.1
Total debt	8,329.5	7,665.2
Less:		
Cash and cash equivalents	2,522.8	2,278.5
ST investments	217.2	435.3
Net debt	5,589.5	4,951.4

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 three months ended Mar 31, 2009	For three months ended Mar 31, 2010
Net cash provided by operating activities	855.9	965.1
Less:		
Purchases of property, plant and equipment	(601.9)	(188.1)
Purchases of intangible assets	(103.4)	(63.0)
Proceeds from sale of property, plant and equipment	0.9	1.6
Proceeds/ (purchases) of other investments	(0.4)	-
Investments in and advances to associates	0.6	0.1
Acquisition of subsidiaries, net of cash acquired	(105.6)	(6.2)
Free cash flow	46.1	709.5

Appendix – Definitions and Reconciliations

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

USD mln	Nine months ended Dec 31, 2009	Three months ended Mar 31, 2010	Twelve months ended Mar 31, 2010
	A	B	C = A + B
Net operating income	2,005.1	676.2	2,681.3
Add: depreciation and amortization	1,424.2	477.5	1,901.7
Add: long-lived assets impairment loss and acquisition related costs	86.4	-	86.4
OIBDA	3,515.7	1,153.7	4,669.4

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 – 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.

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