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Group financial results for the second quarter 2013

Investor conference call – August 20, 2013

Mr. Andrei Dubovskov, President, Chief Executive Officer
Mr. Alexey Kornya, Vice President, Chief Financial Officer

Safe harbor

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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, potential fluctuations in quarterly results, our competitive environment, dependence on new service development and tariff structures, rapid technological and market change, acquisition strategy, risks associated with telecommunications infrastructure, governmental regulation of the telecommunications industries and other risks associated with operating in Russia and the CIS, volatility of stock price, financial risk management and future growth subject to risks.

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Contents

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Group news summary for Q2 2013 and recent events

Q2 2013 highlights

- Approved a new dividend policy aimed at a payout of a minimum dividend distribution amount of at least 75% of Free Cash Flow for the relevant financial period or, if greater, RUB 40.0 bln per year
- Approved annual dividends of RUB 14.6 per ordinary MTS share (approximately RUB 29.2 per ADR) for the 2012 fiscal year, amounting to a total of RUB 30.2 bln
- Acquisition of 25.095% stake in MTS Bank through a share issuance for RUB 5.09 bln
- Reached an agreement with Altimo, Nomihold and other associated parties to settle all disputes related to investment in Bitel LLC, a mobile telephony services provider in the Kyrgyz Republic
- Issued USD-denominated Loan Participation Notes in the amount of $500 mln with an annual interest rate of 5.00% and maturity in June 2023
- Placed exchange-traded ruble bond of RUB 10.0 bln with a maturity of 10 years and a five-year put option
- Appointed Mr. Mikhail Arkhipov to the position of Vice President, Human Resources
- MTS's brand was ranked in the BRANDZ™ Top 100 Most Powerful Brands, a ranking published by the Financial Times and Millward Brown Optimor, with a brand value of $10.63 bln
- Signed an agreement with Ericsson to jointly develop telecommunications infrastructure for an LTE network rollout in Russia's Volga, Siberian, Ural and Southern Federal Districts

Thereafter

- Semi-annual dividend recommendation by the MTS Board of Directors of RUB 5.22 per ordinary MTS share (RUB 10.44 per ADR) on the basis of H1 2013 financial and operating results for a total payout of RUB 10.8 bln
- Partnership with Nokia Siemens Networks to jointly develop telecommunications infrastructure and build 4G networks in the Moscow region and Russia's Central Federal District

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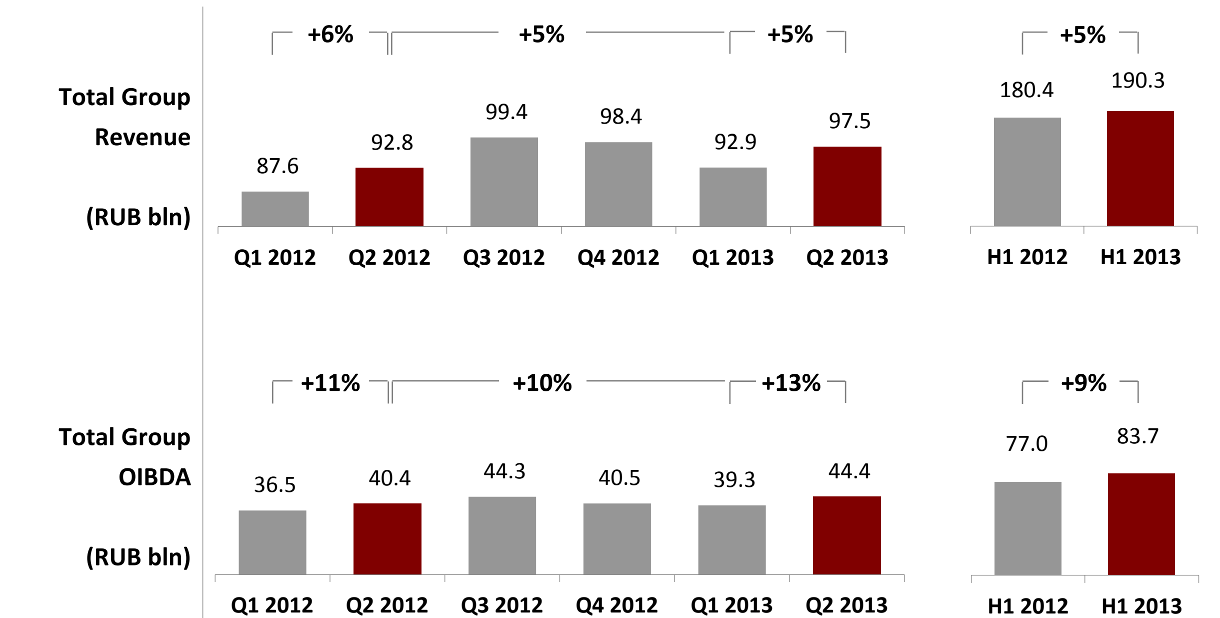
Group financial highlights: Revenue and OIBDA*



OIBDA margin	41.7%	43.6%	44.5%	41.1%	42.4%	45.5%	42.7%	44.0%
	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	H1 2012	H1 2013

- Year-over-year revenue growth driven by increasing consumption of voice and data products in all markets of operations
- Quarter-over-quarter revenue dynamics reflective of seasonal factors and lower contribution from retail sales
- OIBDA improvement due to growing contribution from high-marginal data services, reduced sales of handsets, and a 200 bps impact of a number of one-off factors, including compensation related to the settlement of the disputes over Bitel LLC

*Financial results of continuing operations. Excluding Uzbekistan subsidiary, which was deconsolidated starting Q2 2013

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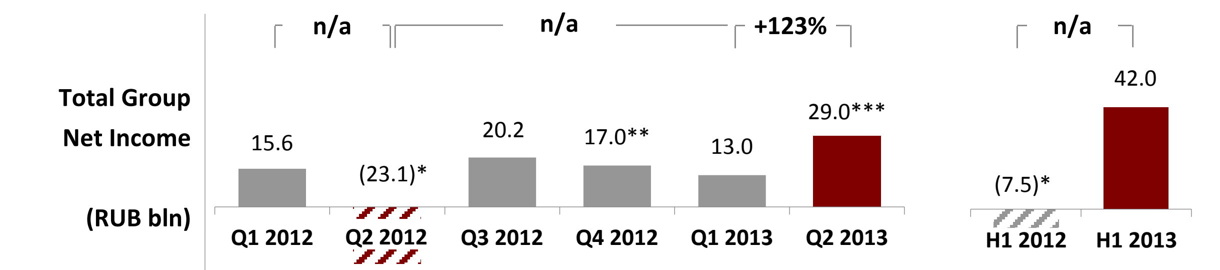
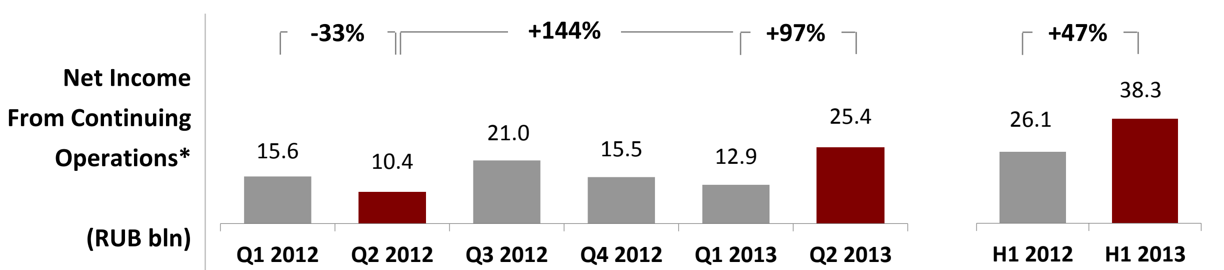
Group financial highlights: Net Income



Net income margin	17.8%	n/a	20.3%	17.3%	14.0%	**29.8%**	n/a	**22.1%**
	Q1 2012	**Q2 2012**	**Q3 2012**	**Q4 2012**	**Q1 2013**	**Q2 2013**	**H1 2012**	**H1 2013**

*Includes a non-cash impairment for goodwill and long-lived assets of RUB 19 057 mln and provision for claims in Uzbekistan of RUB 16 458 mln resulting from the suspension of operations in July 2012
**Includes a non-cash impairment for goodwill and long-lived assets of RUB 979 mln and a gain from the reversal of provision for claims in Uzbekistan of RUB 2 510 mln resulting from the suspension of operations in July 2012
***Includes a non-cash gain on deconsolidation of Uzbekistan of RUB 3 682 mln

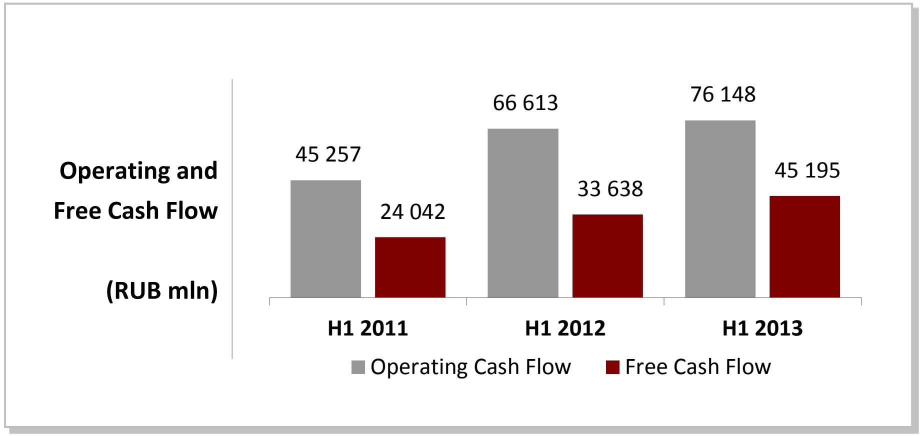


Net income margin	17.8%	**11.2%**	21.1%	15.7%	13.9%	**26.0%**	14.4%	**20.1%**
	Q1 2012	**Q2 2012**	**Q3 2012**	**Q4 2012**	**Q1 2013**	**Q2 2013**	**H1 2012**	**H1 2013**

*Represents ongoing MTS operations exclusive of operations in Uzbekistan

- Strong net income growth aided by:
  - Cash compensation in the amount of RUB 4.1 bln and reversal of provision of RUB 7.3 bln relating to settlement of litigation over Bitel LLC
  - Non-cash gain of RUB 3.7 bln from discontinuation of operations in Uzbekistan and deconsolidation of local subsidiary from financial statements
- Growth in net income offset by non-cash FOREX loss of RUB 3.1 bln

Group balance sheet, Operating and Free Cash Flow



Balance sheet (RUB mln unless noted)	As of Dec 31, 2012	As of Jun 30, 2013
Cash and cash equivalents	22 014.2	64 155.9
Short-term investments	4 034.4	17 213.1
Total debt	232 105.1	246 723.8
Long-term debt	204 480.8	197 268.0
Short-term debt	27 624.3	49 455.8
Net debt*	206 056.5	165 354.8
LTM OIBDA*	161 703.2	168 470.2
Net debt/LTM OIBDA	1.3x	1.0x

- Sequential increase in operating and free cash flows*
- Free cash flow reached RUB 45.2 bln for the first half of 2013
- Increase in cash on hand and short-term investments in preparation for FY2012 dividend payout
- Reduction in Net debt/LTM OIBDA ratio due to improvement in operating performance and our success in managing debt portfolio

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

Group capital expenditures

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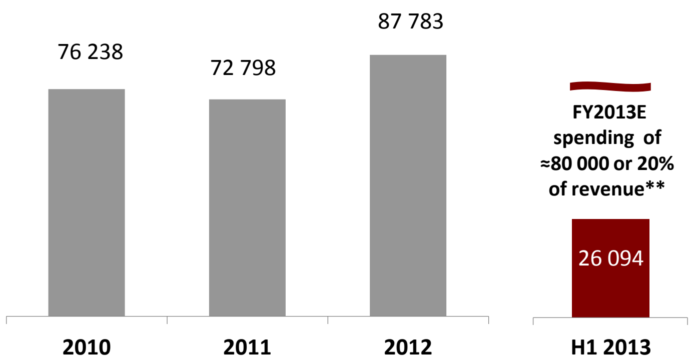


(in RUB mln)	2010*	2011	2012	H1 2013
Russia	69 277.8	66 868.7	82 896.2	22 973.4
Ukraine	4 694.0	4 486.9	4 124.6	2 471.0
Armenia	913.0	1 343.7	751.0	294.9
Turkmenistan	1 353.6	n/a	11.2	354.7
Group	76 238.4	72 798.3	87 783.1	26 094.0
- as % of revenue	n/a	20.9%	23.2%	13.7%

*Group CAPEX excluding Uzbekistan. Uzbekistan subsidiary was not deconsolidated from FY2010 financial results.
**Estimated CAPEX spending for 2013E

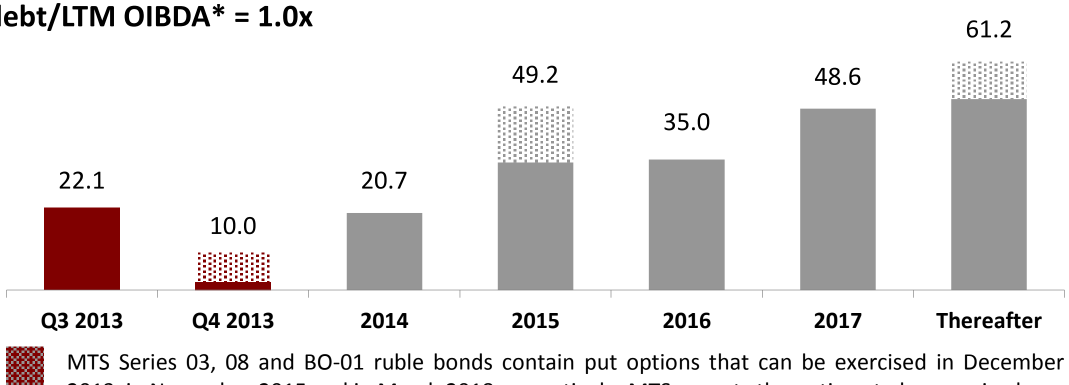
- Capital expenditures year-to-date equaled RUB 26.1 bln due to enhancement of 2G and 3G networks in Russia, start of roll-out of LTE/4G networks throughout Russia, and digitization of MGTS's networks in Moscow (GPON project)

Group debt at the end of Q2 2013

Debt repayment schedule (RUB bln)

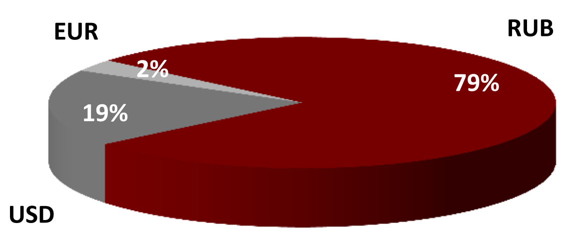
Total Group Debt = RUB 246.6 bln

Net debt/LTM OIBDA* = 1.0x

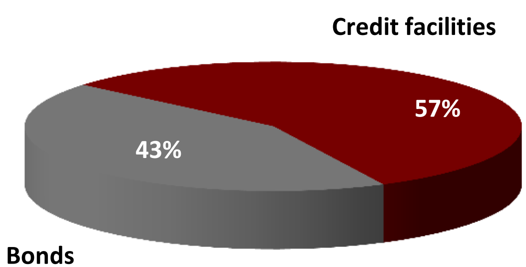


*LTM = Last Twelve Months OIBDA

Debt composition by currency Q2 2013**



Debt composition by type Q2 2013



**Debt composition by currency includes FOREX hedging in the amount of $857 mln as of Q2 2013

- In April 2013, MTS placed its first exchange-traded ruble bond of RUB 10 bln with a maturity of ten years and semi-annual coupon rate of 8.25% with a five-year put option
- In May 2013, MTS issued USD-denominated Eurobond in the amount of $500 mln with a maturity of 10 years and coupon rate of 5.00%.
- In June 2013, MTS repurchased 03-series ruble-denominated bond in the amount of RUB 1.88 bln and changed the coupon rate to 7.00% with a 6-month put option
- Debt composition reflective of the Company's internal target of maintaining 70% of its portfolio in ruble-denominated instruments

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Group subscriber base dynamics during the quarter

MTS subscribers (mln unless noted)	Q1 2013	Q2 2013	% change
Total mobile	**101.86**	**102.77**	**0.9%**
Russia:			
- mobile	71.33	71.68	0.5%
- households passed, 000s	11 930	12 070	1.2%
- broadband Internet, 000s*	2 314	2 317	stable
- pay TV, 000s	2 885	2 806	-2.7%
Ukraine**	21.00	21.59	2.8%
Turkmenistan	1.89	1.88	-0.5%
Armenia	2.38	2.36	-0.8%
Belarus***	5.24	5.26	0.4%

*Numbers were retrospectively restated due to reclassification of subscribers of acquired companies with those of MTS
**Including CDMA subscribers
***MTS owns a 49% stake in Mobile TeleSystems LLC, a mobile operator in Belarus, which is not consolidated

- In Russia, MTS continues to focus on mobile subscriber quality and churn optimization by driving sales through its mono-brand network and motivating third-party dealers to drive top-offs
- Number of broadband and pay TV subscribers impacted by reconciliation of acquired companies' subscriber definitions with those of MTS as well as completion of the statutory merger of Comstar-Regions

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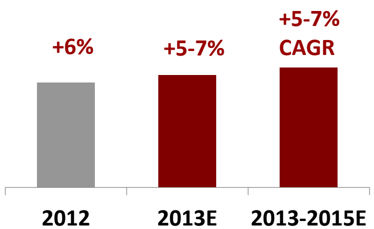
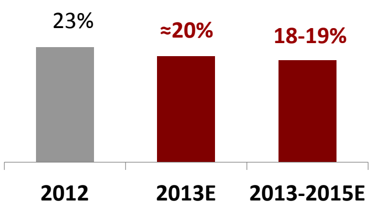
Revised outlook for 2013*

Total Group Revenue*



OIBDA margin	42.8%	>43%	≈42%
	2012	**2013E**	**2013-2015E**

Group CAPEX as % of Revenue and in RUB bln



*Based on regional currency FOREX rates relative to the US dollar as of March 19, 2013; excluding revenue of Uzbekistan subsidiary, which as of Q2 2013 has been deconsolidated

- Management reiterates revenue growth guidance to **5-7%** in core Russian and Ukraine businesses; key factors may include:
  - 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
  - Macroeconomic developments in core markets
- Guidance for OIBDA margin increased to **>43%,** which reflects both expected growth in service revenues as well as anticipated cost pressures:
  - Lower sales of higher-value handsets in own retail chain
  - Improvements in churn and increased customer loyalty
  - Rise in data usage and improved monetization
  - Higher labor costs due to expansion of retail and fixed-line networks
  - Inflationary pressure in operational expenses
  - Q2 one-offs related to settlement of Bitel litigation and other factors
- CAPEX guidance for FY2013 remains as percent of revenue of **≈20%** driven by:
  - Launch of roll-out of LTE networks in regions throughout Russia
  - Continued build-out of our GPON network in Moscow
  - Sustained improvements in our 3G networks, including the expansion of IP-connected base stations and enablement of HSPA+ connectivity
- CAPEX guidance may be revised toward the end of the year based on analyses of recent market developments and overall development of 4G/LTE services in Russia.
- Any potential increase in CAPEX would not impact new dividend policy or commitment.

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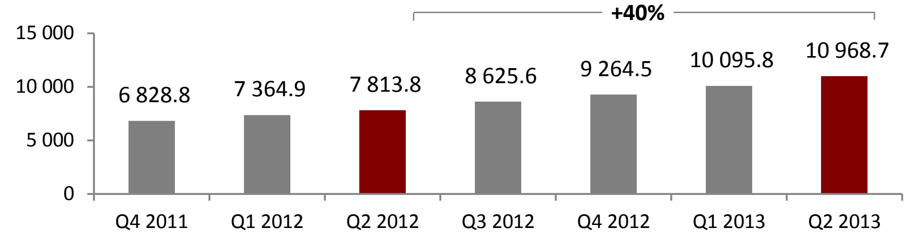
Drivers of data growth

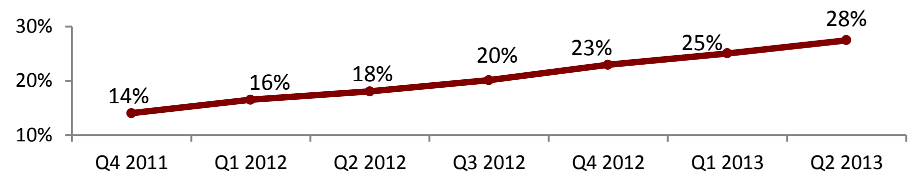
Data revenue growth driven by three factors:

- Increased smartphone penetration:
  - MTS leverages its market-leading retail network to deliver smartphones bundled with data tariff plans and preloaded with usage-generating apps and functionality
  - MTS offers point-of-sale loans to encourage customers to upgrade from feature phones to smartphones
  - MTS smartphone ranges in price from RUB 1,890 to RUB 35,000 to attract all types of customers
- Data-generating tariff plans:
  - MTS boasts highest rate of user penetration in data market in Russia largely driven by smart tariffs designed to promote data usage
  - Mobile Internet penetration increased 3 pp year-over-year
- Network development:
  - MTS roll-out of 3G HSPA-enabled and 4G/LTE networks provides customers with extensive coverage and fastest speeds for a market-best customer experience

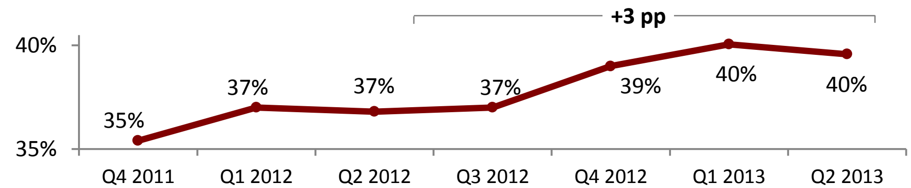
Data Revenue Growth (in RUB mln)



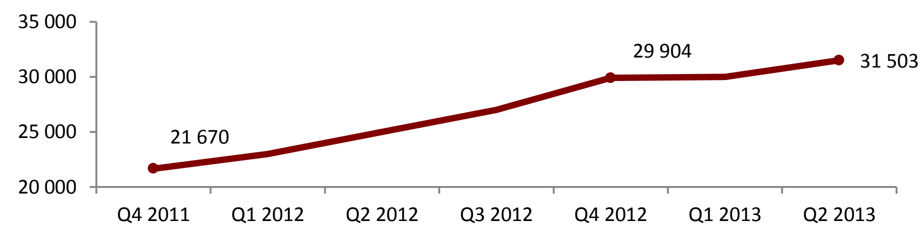
Smartphone Penetration (as % of phones in use)



Data Attach Rate (mobile Internet penetration as % of active base)



No. of 3G & 4G/LTE Base Stations



Drivers of loyalty

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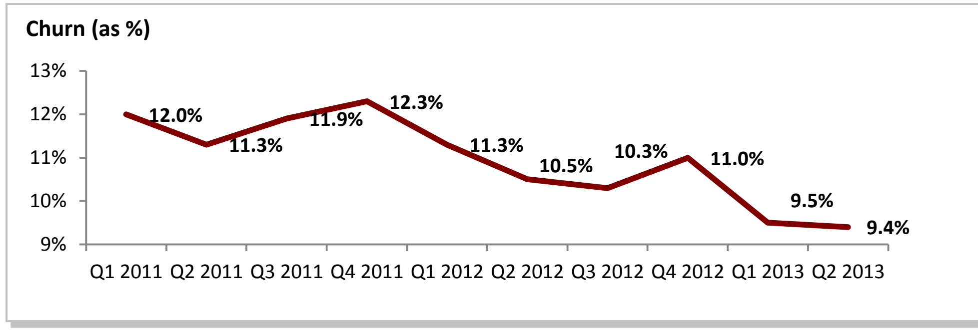
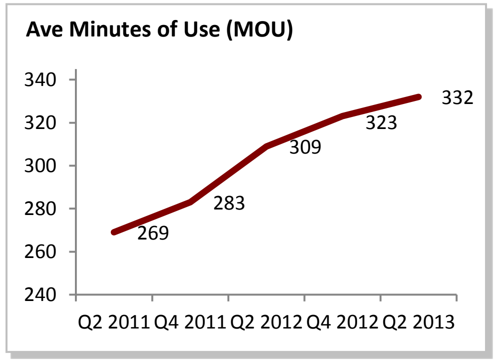
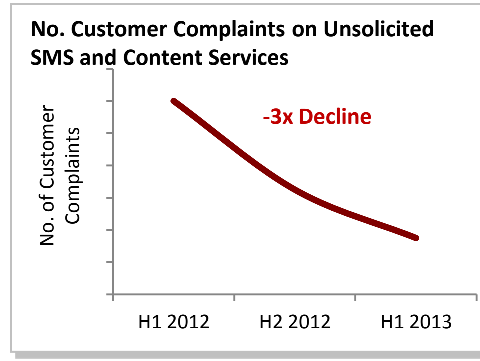
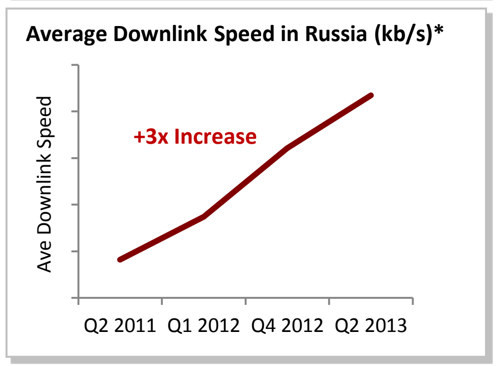
MTS has reduced churn by nearly 300 bps over the past 2.5 years through specific commercial and operational steps to increase customer loyalty:

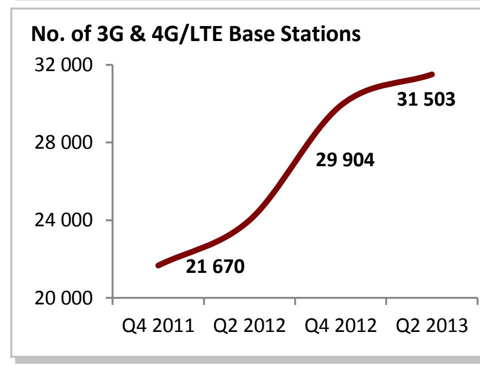
- Driving increased voice usage:
  - MTS has introduced tariff plans designed to increase on-net calling to drive MOU
  - Higher on-net calling creates a network effect so that customers realize more value when communicating with other MTS subscribers
  - Higher voice usage drives higher usage of messaging and data services as customer increases affinity for MTS products
- Improved customer experience
  - Efforts to mitigate unsolicited SMS and content, including compulsory notification of subscribers about the costs of content services, sanctions against content providers involved in providing unsolicited SMS-based services and a dedicated unit for monitoring and testing content-services to protect users from unsolicited services
  - Additionally MTS has invested significantly into IT systems to promote security on networks and enhance its customer-relationship management capabilities
- Improved customer experience
  - Build out of 3G- and LTE-enabled networks
  - Enhanced network speeds through deployment of HSPA+ and dual-carrier technologies
  - Increased fiber to the base station connections











*Results of identical tests taken in each of Russia's 83 regions, areas which included large cities, towns and interregional roadways, using devices that include a Nokia C700, Samsung Galaxy S4 as well as modems available for sale in MTS retail locations.

Dividend history and new dividend policy

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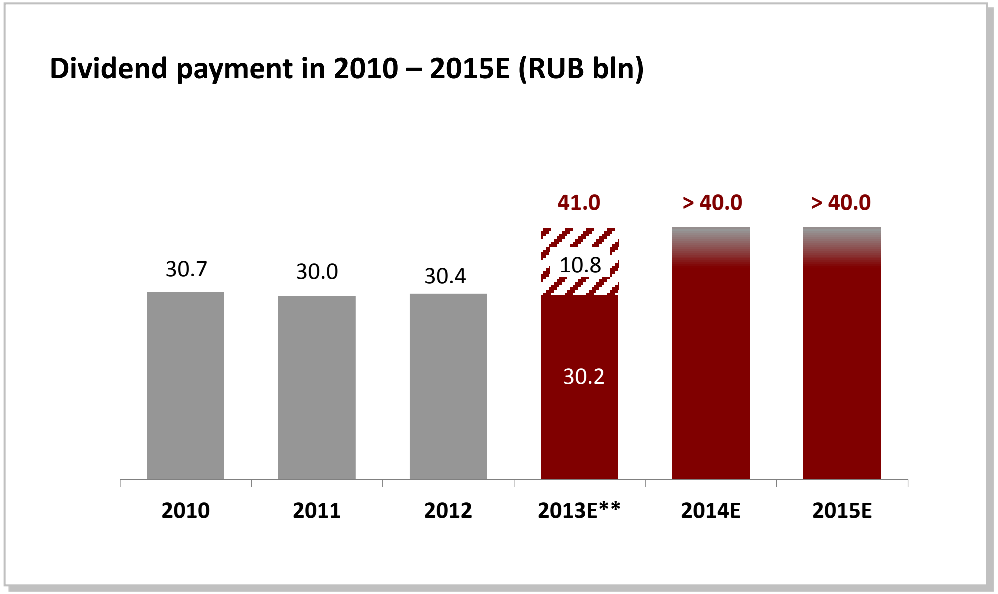

Year of payment	2010	2011	2012	2013**
RUB per share	15.4	14.5	14.7	19.8
Dividend yield***	6.2%	5.7%	6.3%	7.1%

- For the calendar years 2013-2015, MTS aims to payout a minimum dividend distribution of an amount equal to at least 75% of Free Cash Flow* for the relevant financial period or, if greater, RUB 40 bln per year
- MTS will begin to payout dividends on a semi-annual basis using interim H1 and full-year financial results
- In June 2013, AGM approved FY 2012 dividends of RUB 14.6 per ordinary MTS share
- In August 2013, the MTS Board of Directors recommended that MTS pay a semi-annual dividend of RUB 5.22 per ordinary MTS share on the basis of H1 2013 financial and operating results
- Overall, the payout increases the cumulative amount returned to investors in 2013 by 35% relative to 2012

*Free Cash Flow here is defined by Operating Cash Flow less Capex

**Dividend amount of RUB 14.6 per MTS ordinary share for FY 2012 approved at the Company's Annual General Meeting of Shareholders on June 25, 2013 and a semi-annual dividend amount of RUB 5.22 per MTS ordinary share for H1 2013 recommended by MTS' Board of directors for approval at the Company's Extraordinary General Meeting of Shareholders on September 30, 2013. Dividend yield calculated based on FY 2012 dividend yield of 5.3% + semi-annual dividend yield of 1.7%

***Calculated based on closing price as of the record date of the MTS ordinary share traded on the Moscow Interbank Currency Exchange

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Contents

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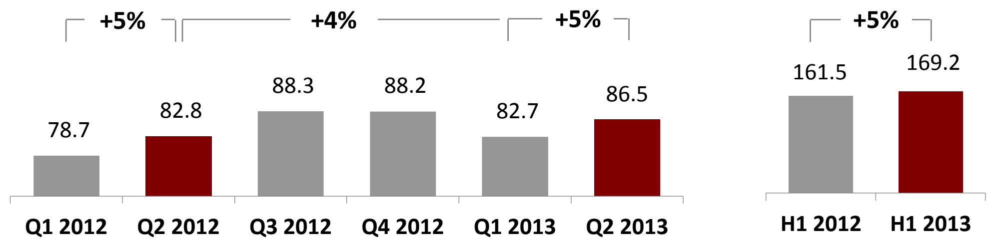
Russia financial highlights

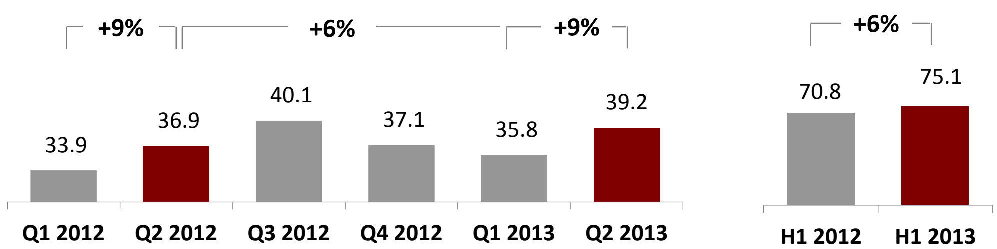
Total Russia Revenue

(RUB bln)



Total Russia OIBDA

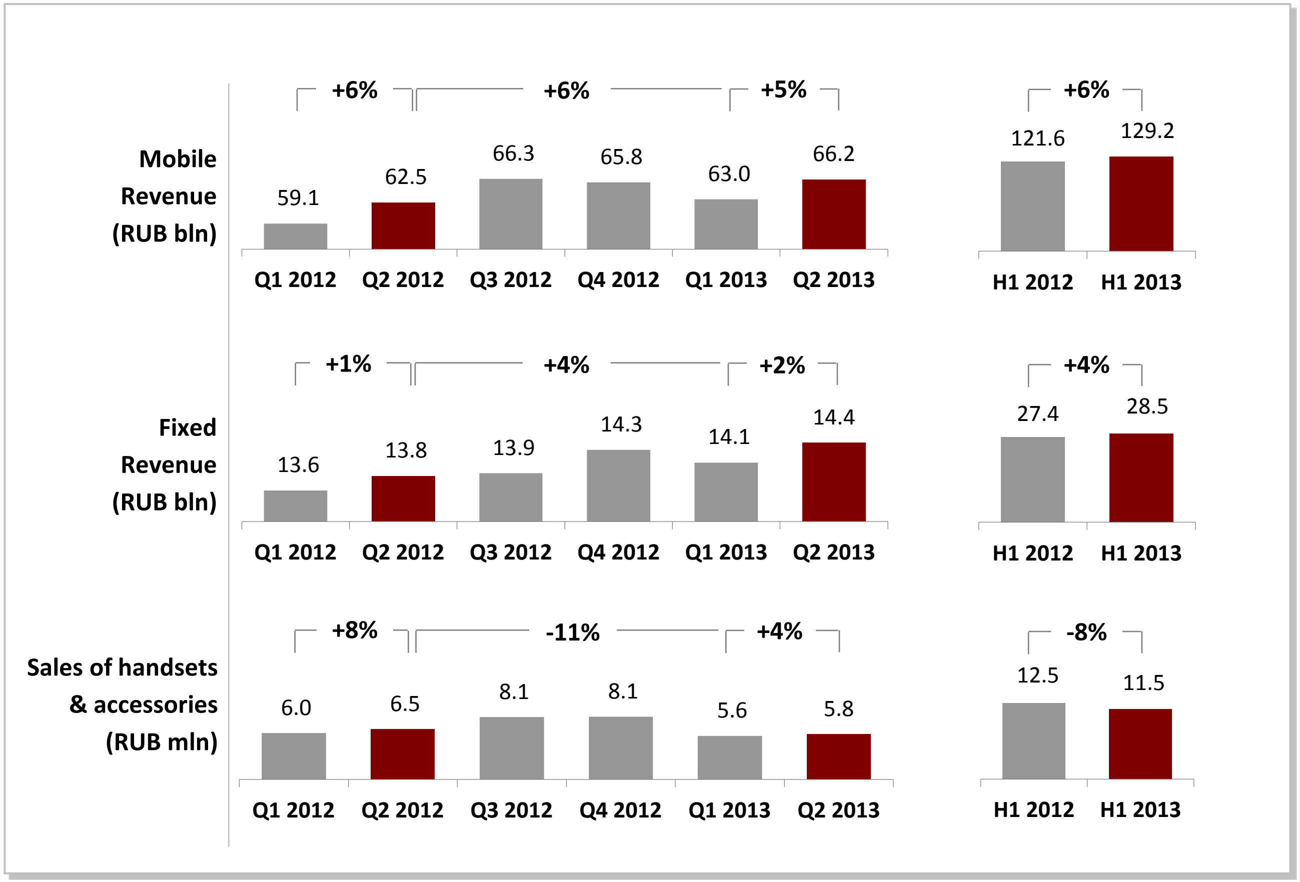
(RUB bln)



	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	H1 2012	H1 2013
OIBDA margin	43.1%	**44.6%**	45.4%	42.0%	43.3%	**45.4%**	43.9%	**44.4%**

- Year-over-year revenue improvement driven by growth in data usage and Company’s focus on attracting and retaining of higher-quality subscribers
- Strong year-over-year improvement in OIBDA due to reduced sales of less-profitable handsets in retail operations, growing contribution from data revenues

Russia revenue breakdown



- Strong year-over-year growth in mobile service revenue driven by higher voice and data usage
- Quarterly growth in mobile revenue as a result of traditional seasonal factors, including higher roaming revenues
- Year-over-year fixed revenue growth enhanced by network modernization, launch of digital TV offerings in the regions, upselling of customers and growth of B2G services
- Year-over-year decline in sales of handsets attributable to Company's focus on promoting sales of affordable low-budget smartphones, including MTS branded devices, to drive further smartphone penetration

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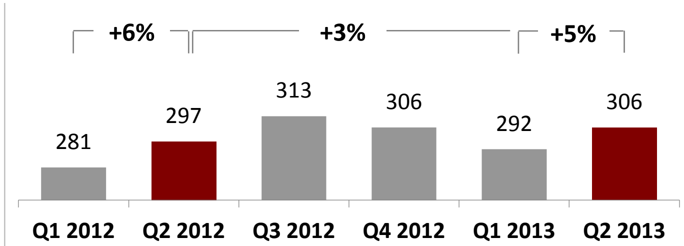
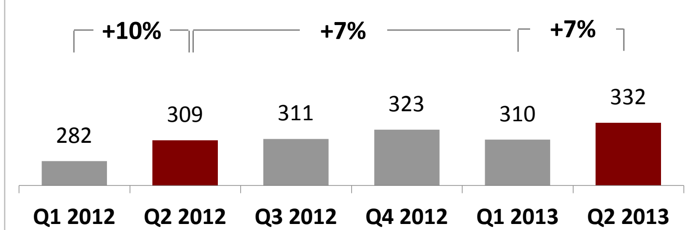
Russia mobile operating indicators

ARPU (RUB)



MOU (min)



Subs, mln	69.4	**69.6**	70.7	71.2	71.3	**71.7**
Churn rate, %	11.3%	**10.5%**	10.3%	11.0%	9.5%	**9.4%**
VAS ARPU	81.7	**77.5**	80.0	90.2	91.8	**90.1**
- as % of ARPU	29.1%	**26.1%**	25.5%	29.5%	31.4%	**29.5%**
APPM	1.00	**0.96**	1.01	0.95	0.94	**0.92**
	Q1 2012	**Q2 2012**	**Q3 2012**	**Q4 2012**	**Q1 2013**	**Q2 2013**

- Year-on-year ARPU growth driven by policies aimed at increasing voice and data consumption, including promotion of tariffs stimulating on-net calling and tariffs to boost data usage on smartphones and tablets
- MOU growth reflective of designed tariffs to stimulate voice usage and enhance customer loyalty
- Sustained churn improvement reflective of change in dealer commission structure and focus on attraction and retention of higher value customers

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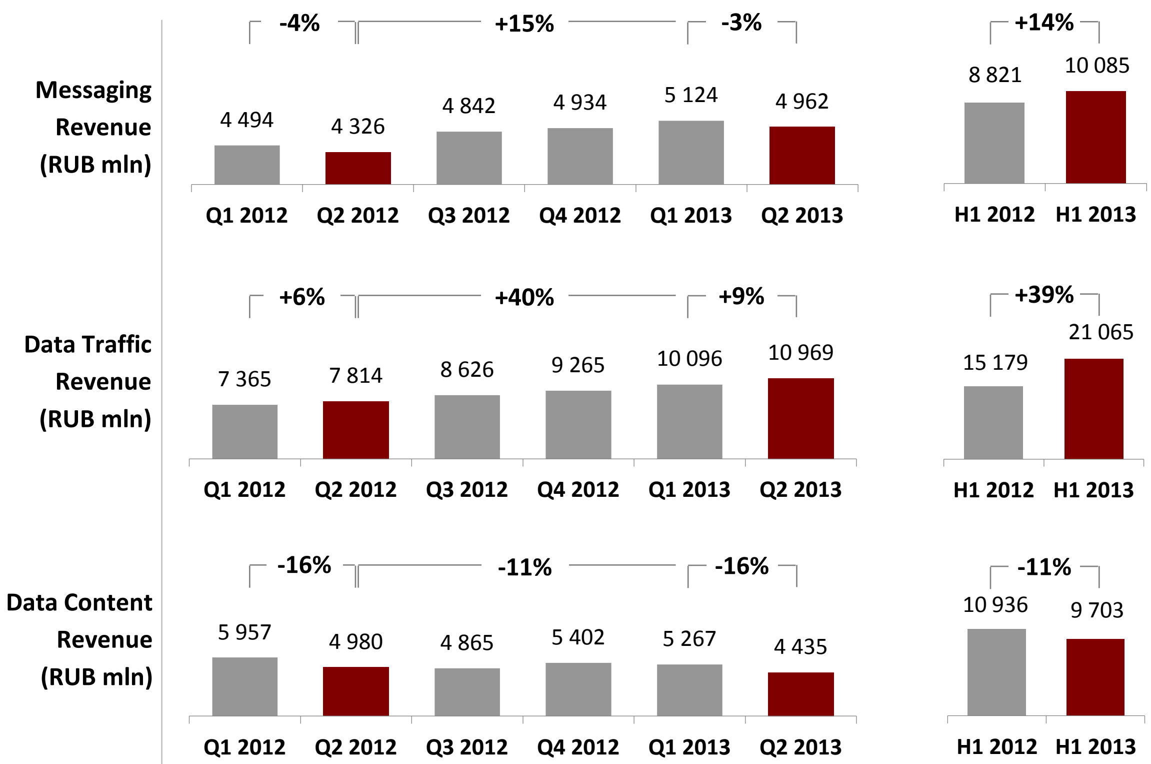
Russia mobile operating indicators



Total VAS (RUB mln)*	18 264	**17 613**	18 875	20 256	21 163	**21 091**	35 876	**42 254**
	Q1 2012	**Q2 2012**	**Q3 2012**	**Q4 2012**	**Q1 2013**	**Q2 2013**	**H1 2012**	**H1 2013**

- Growth in messaging revenue due to on-going tariff policies that drive higher voice usage and in turn lead to higher overall usage of devices
- Sequential improvement in data traffic driven by growing smartphone and tablet penetration and enhancement of voice and data offerings
- Key initiatives included:
  - Launch of *Smart* family of tariffs for smartphones
  - Promo campaign “Year of free Internet with purchase of Nokia Lumia 520”
  - Promotional campaigns to boost sales of tablets in the MTS retail chain
- Decline in content revenues reflective of the Company’s policies to restrict unsolicited SMS-based services

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

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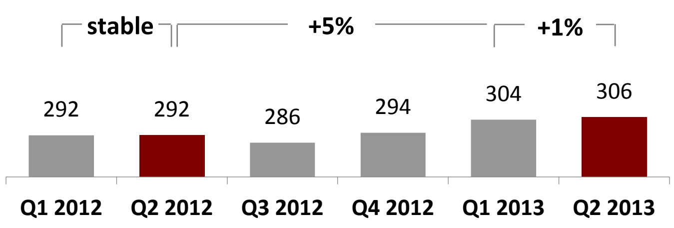
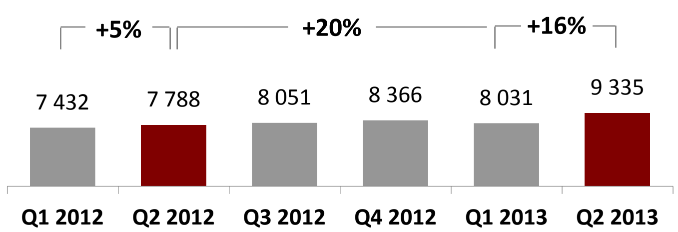
Russia fixed operating indicators

ARPU Residential* (RUB)



ARPU Corporate* (RUB)



Total households passed, 000s	11 448	**11 507**	11 761	11 723	11 930	**12 070**
Total BB subs, 000s	2 182	**2 231**	2 219	2 313	2 314	**2 317**
Total pay-TV subs, 000s*	2 971	**2 936**	2 952	2 938	2 885	**2 806**
	Q1 2012	**Q2 2012**	**Q3 2012**	**Q4 2012**	**Q1 2013**	**Q2 2013**

- Year-on-year residential ARPU growth reflective of Company's focus on upselling existing customers through modernization of networks in the regions and upward revision of tariffs on fixed-line telephony in Q2 2013

- Corporate ARPU year-on-year growth attributable to a focus on VPN sales and value-added "intelligent" in the B2B market as well as B2G services, part of which constitutes a one-time contribution from launch of projects in Moscow

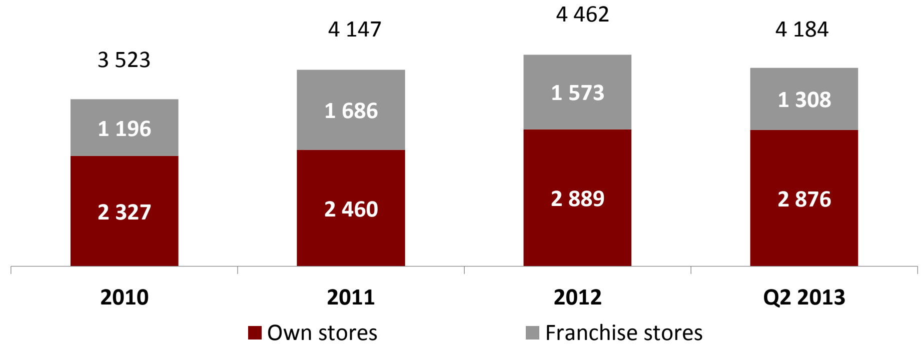
*Figures retrospectively adjusted in line with MTS definitions; does not include collective access subscribers

a step ahead

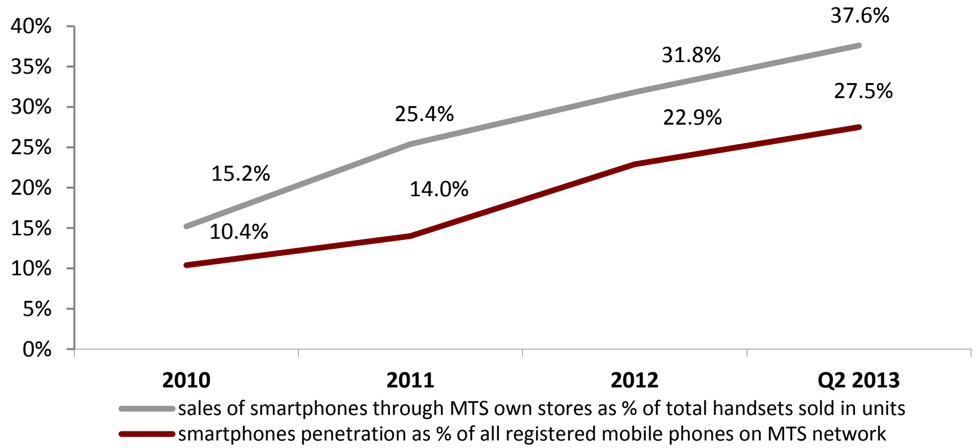
MTS retail network development

- At the end of Q2 2013, MTS retail network comprised 4 184 stores, including 1 308 franchised outlets.
- In 2013, MTS focuses on improving point-of-sale efficiency and optimization of franchise network
- In Q2 2013, smartphones accounted for 37.6% of phones sold in MTS stores
- Focus on promoting sales of affordable low-budget smartphones, including MTS branded devices

Development of MTS retail network, 2010 – 2013

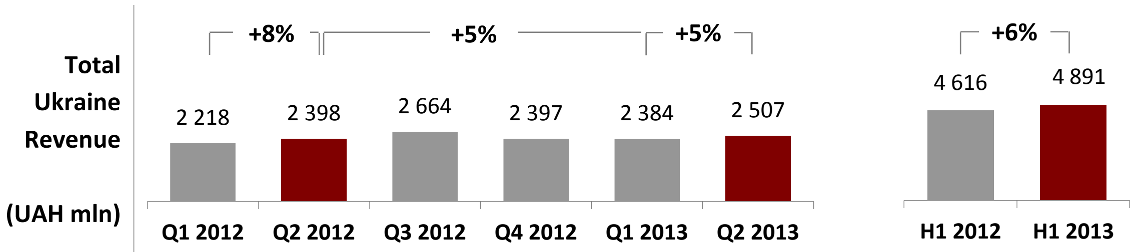


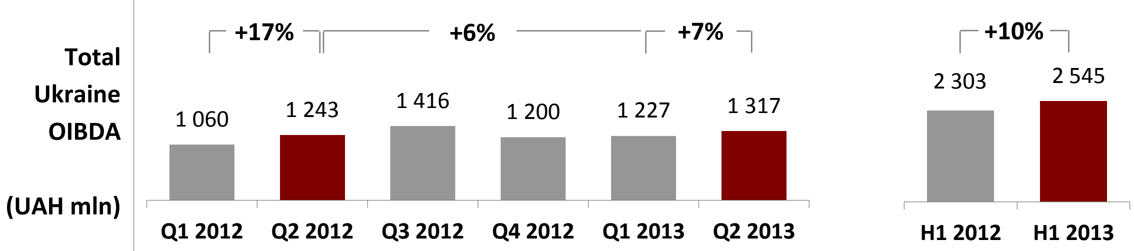
Smartphones* sales and penetration, 2010 – 2013



*MTS defines a smartphone as a handset with one of the following operating systems: iOS, Android, Windows, Blackberry OS, Symbian, Linux or Bada

Ukraine financial highlights

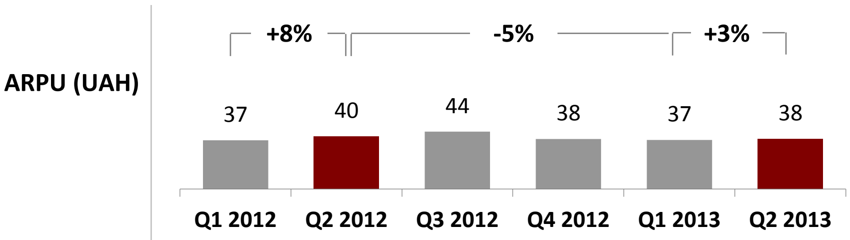


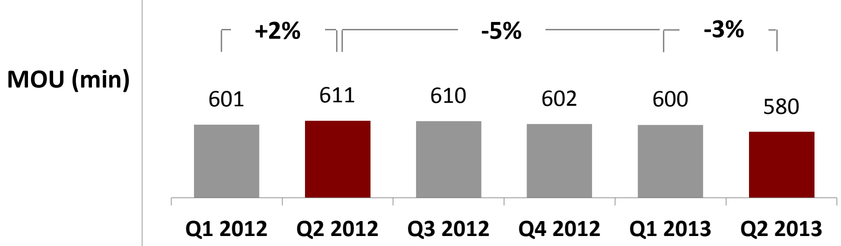


OIBDA margin	47.8%	51.9%	53.1%	50.1%	51.5%	52.5%	49.9%	52.0%
	Q1 2012	**Q2 2012**	**Q3 2012**	**Q4 2012**	**Q1 2013**	**Q2 2013**	**H1 2012**	**H1 2013**

- Year-over-year revenue growth due to increase in subscriber base and higher usage of value-added services
- Sequential increase in revenue attributable to seasonally higher roaming revenues and influx of subscribers
- Sustained OIBDA growth faster than top-line due to attraction of higher-value customers, reduced customer churn and increased monetization of customer base

Ukraine operating indicators





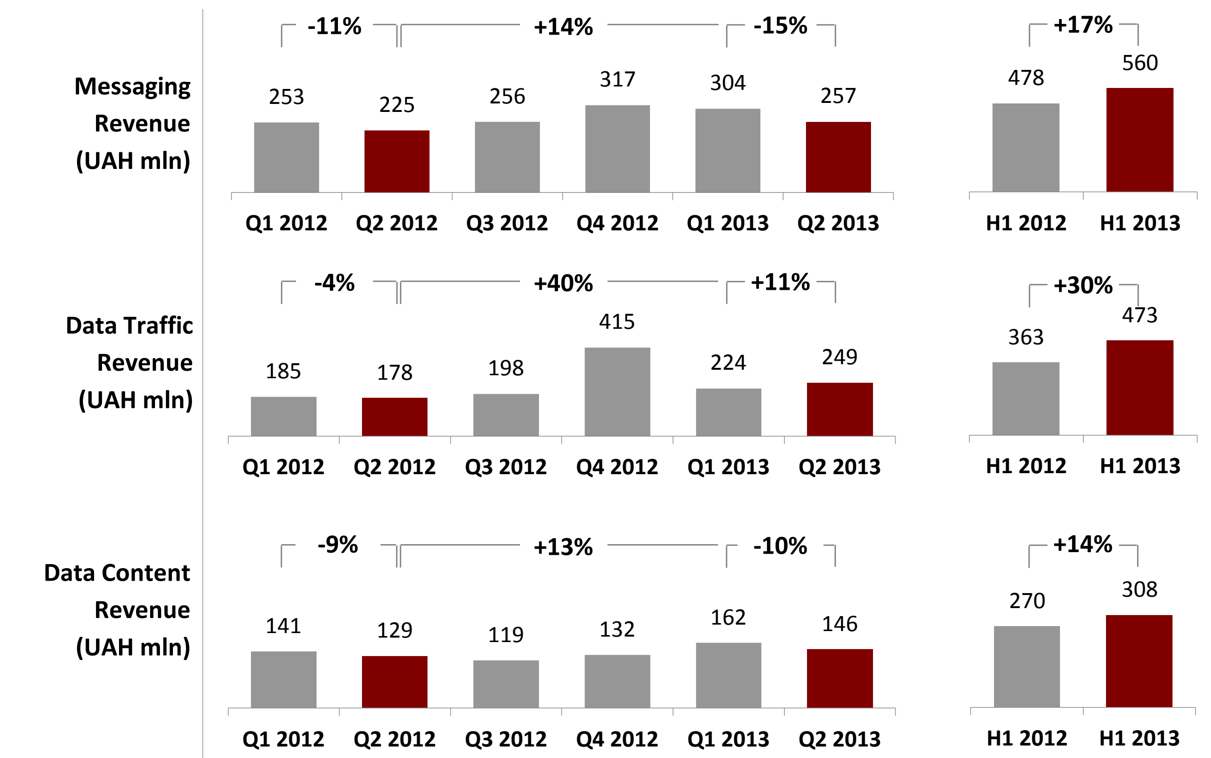
Subs, mln*	19.4	**19.6**	20.1	20.7	21.0	**21.6**
Churn rate, %	8.5%	**7.7%**	9.0%	5.8%	6.7%	**6.0%**
VAS ARPU	11.8	**11.1**	11.8	16.3	12.7	**12.1**
- as % of ARPU	31.9%	**27.6%**	26.9%	42.7%	34.1%	**31.5%**
SAC	64.7	**61.7**	56.7	60.4	51.9	**56.2**
APPM	0.062	**0.066**	0.072	0.063	0.062	**0.066**
	Q1 2012	**Q2 2012**	**Q3 2012**	**Q4 2012**	**Q1 2013**	**Q2 2013**

- Year-over-year ARPU and MOU decline due to increase of subscriber base
- Sequential increase in ARPU under the impact of seasonal factors, including higher roaming revenues

*Including CDMA subscribers

MTS a step ahead

Ukraine operating indicators



	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	H1 2012	H1 2013
Total VAS (UAH mln)	691	**648**	701	996	798	**772**	1 339	**1 570**

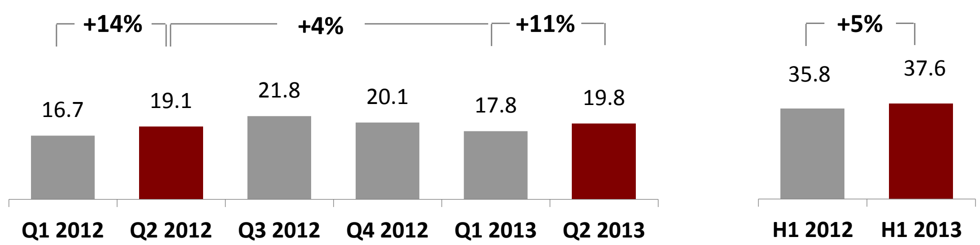
- Key initiatives in Q1 2013:
  - Launch of MTS branded lotteries
  - Promo campaigns on Good'OK RBT service
- Year-over-year increase in data traffic revenues attributable the reclassification of revenues from bundles starting in Q4 2012

MTS a step ahead

Armenia financial highlights

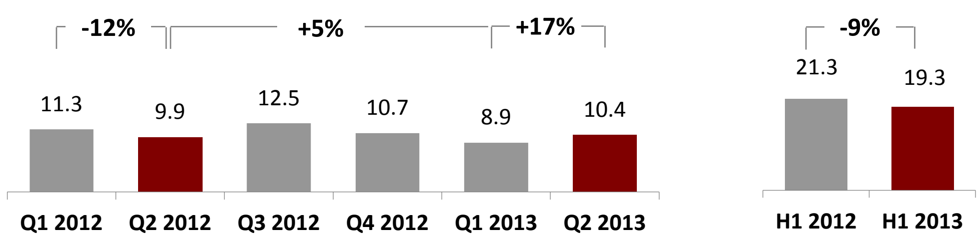
Total Armenia Revenue

(AMD bln)



Total Armenia OIBDA

(AMD bln)

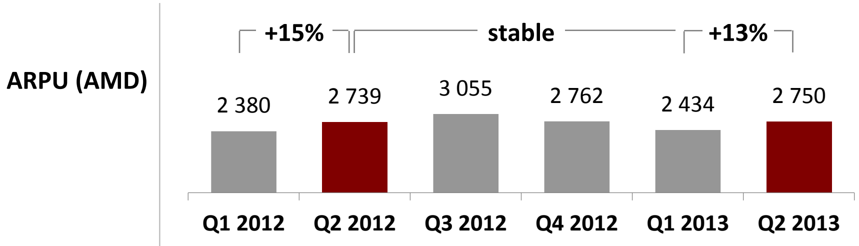


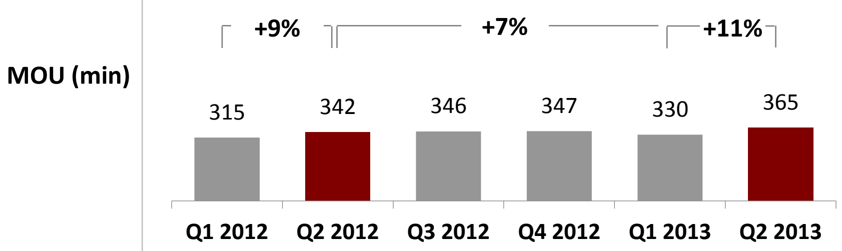
OIBDA margin	68.0%	**52.1%**	57.2%	53.4%	50.3%	**52.3%**	59.5%	**51.3%**
	Q1 2012	**Q2 2012**	**Q3 2012**	**Q4 2012**	**Q1 2013**	**Q2 2013**	**H1 2012**	**H1 2013**

- Year-over-year revenue growth attributable to efforts to drive voice usage as well as the focus on promotion of data usage from smartphones and tablets
- Quarterly increase in OIBDA in line with topline dynamics and seasonal factors

MTS a step ahead

Armenia operating indicators





Subs, 000s	2 230.3	**2 314.4**	2 353.9	2 405.0	2 379.2	**2 356.4**
Churn rate, %	13.2%	**8.7%**	7.2%	6.7%	8.2%	**8.6%**
SAC	7 248.3	**4 572.7**	6 294.7	6 332.7	6 506.2	**6 287.4**
APPM	7.6	**8.0**	8.8	8.0	7.4	**7.5**
	Q1 2012	**Q2 2012**	**Q3 2012**	**Q4 2012**	**Q1 2013**	**Q2 2013**

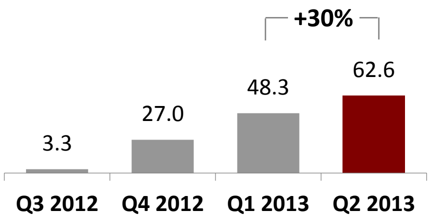
- Quarterly increase in ARPU due to seasonally higher revenues from voice, data, own and guest roaming
- Year-over-year rise in MOU as a result of the efforts to drive on-net usage to improve customer loyalty
- Improving churn dynamics due to efforts to promote customer loyalty

MTS a step ahead

Turkmenistan financial highlights

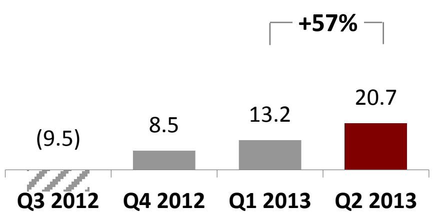
Total Turkmenistan Revenue

(TMT mln)



Total Turkmenistan OIBDA

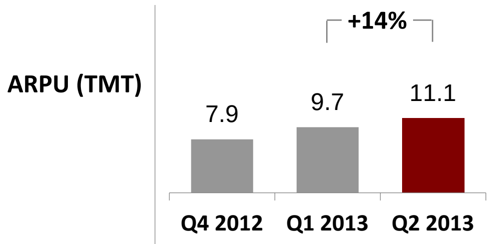
(TMT mln)

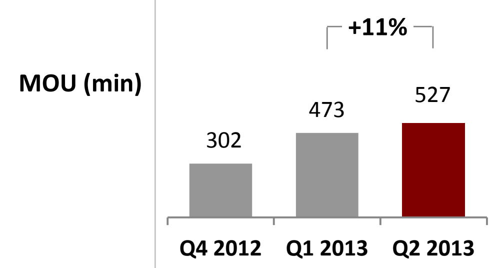


OIBDA margin	n/a	31.5%	27.2%	**33.1%**
	Q3 2012	**Q4 2012**	**Q1 2013**	**Q2 2013**

- On August 30, 2012, MTS re-launched its network in Turkmenistan and allowed existing subscribers to re-activate SIM cards
- On October 1, 2012, MTS began commercial sales of new SIM cards
- In Q2 2013 total revenue increased by 30% q-o-q and reached TMT 62.6 mln with a positive OIBDA margin of 33.1%
- Key figures as of Q2 2013:
  - No. of subscribers: 1 882 615
  - Market share based on MTS estimates – 39%

Turkmenistan operating indicators





Subs, 000s	1 440.0	1 888.2	**1 882.6**
Churn rate, %	n/a	n/a	**17%**
SAC	6.2	9.5	**13.6**
APPM	0.03	0.02	**0.02**
	Q4 2012	**Q1 2013**	**Q2 2013**

- ARPU growth stems from the combination of reactivated SIM-cards and attraction of new subscribers
- Growth in MOU driven by promotion of tariffs stimulating on-net calling

MTS a step ahead

Contents

Appendix – Definitions and reconciliations

MTS a step ahead

Non-GAAP financial measures. This presentation includes financial information prepared in accordance with accounting principles generally accepted in the United States of America, or US GAAP, as well as other financial measures referred to as non-GAAP. The non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with US GAAP. Due to the rounding and translation practices, Russian ruble and functional currency margins, as well as other non-GAAP financial measures, may differ.

Operating Income Before Depreciation and Amortization (OIBDA) and OIBDA margin. OIBDA represents operating income before depreciation and amortization. OIBDA margin is defined as OIBDA as a percentage of our net revenues. OIBDA may not be similar to OIBDA measures of other companies, is not a measurement under accounting principles generally accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of operations. We believe that OIBDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions of mobile operators and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Our OIBDA calculation is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within the wireless telecommunications industry. OIBDA can be reconciled to our consolidated statements of operations as follows:

	Q2 2012					Q1 2013					Q2 2013				
RUB mln	Group	RUS	UKR	ARM	TUK	Group	RUS	UKR	ARM	TUK	Group	RUS	UKR	ARM	TUK
Operating income	23 850.7	23 216.6	2 508.8	261.7	-	21 577.8	20 865.0	2 261.2	279.6	137.5	25 566.1	22 977.1	2 978.3	446.7	228.7
Add: D&A	16 571.4	13 712.8	2 348.9	507.3	-	17 769.6	14 981.5	2 410.5	385.4	2.2	18 818.9	16 245.3	2 235.5	344.6	1.1
OIBDA	40 422.1	36 929.4	4 857.7	768.9	-	39 347.4	35 846.5	4 671.7	665.0	139.7	44 384.9	39 222.4	5 213.8	791.3	229.8

	Q2 2012					Q1 2013					Q2 2013				
	Group	RUS	UKR	ARM	TUK	Group	RUS	UKR	ARM	TUK	Group	RUS	UKR	ARM	TUK
Operating margin	25.7%	28.0%	26.9%	17.7%	-	23.2%	25.2%	24.9%	21.1%	26.7%	26.2%	26.6%	30.0%	29.5%	32.9%
Add: D&A	17.9%	16.6%	25.2%	34.4%	-	19.1%	18.1%	26.6%	29.1%	0.4%	19.3%	18.8%	22.5%	22.8%	0.2%
OIBDA margin	43.6%	44.6%	52.1%	52.1%	-	42.4%	43.3%	51.5%	50.3%	27.1%	45.5%	45.4%	52.6%	52.3%	33.1%

MTS a step ahead

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.

RUB mln	As of Dec 31, 2012	As of Jun 30, 2013
Current portion of LT debt and of capital lease obligations	27 624.3	49 455.8
LT debt	204 432.3	197 241.8
Capital lease obligations	48.5	26.2
Total debt	232 105.1	246 723.8
Less:		
Cash and cash equivalents	22 014.2	64 155.9
ST investments	4 034.4	17 213.1
Net debt	206 056.5	165 354.8

Free cash flow is represented by net cash from operating activities less cash used for certain investing activities. Free cash flow is commonly used by investors, analysts and credit rating agencies to assess and evaluate our performance over time and within the wireless telecommunications industry. Because free cash flow is not based in US GAAP and excludes certain sources and uses of cash, the calculation should not be looked upon as an alternative to our Consolidated statement of cash flows or other information prepared in accordance with US GAAP.

RUB mln	For six months ended Jun 30, 2012	For six months ended Jun 30, 2013
Net cash provided by operating activities	66 612.7	76 147.7
Less:		
Purchases of property, plant and equipment	(28 994.7)	(20 514.7)
Purchases of intangible assets	(3 076.2)	(5 579.3)
Proceeds from sale of property, plant and equipment	68.3	230.0
Proceeds from sale of other investments	463.9	-
Investments in and advances to associates	-	(5 088.9)
Acquisition of subsidiaries, net of cash acquired	(1 435.8)	-
Free cash flow	33 638.2	45 194.8

Appendix – Definitions and reconciliations

a step ahead

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

RUB mln	Six months ended Dec 31, 2012	Six months ended Jun 30, 2013	Twelve months ended Jun 30, 2013
	A	B	C = A + B
Net operating income	50 480.1	47 143.9	97 624.0
Add: D&A	34 257.7	36 588.5	70 846.2
OIBDA	84 737.8	83 732.4	168 470.2

MTS a step ahead

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.

a step ahead

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