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Press release

Mobile TeleSystems Announces Financial Results for the First Quarter Ended March 31, 2011

May 26, 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 March 31, 2011.

Key Financial Highlights of Q1 2011

- Consolidated revenues down 2.0% q-o-q to \$2,934 million
- Consolidated OIBDA¹ down 2.9% q-o-q to \$1,126 million with 38.4% OIBDA margin
- Consolidated net income² of \$322 million
- Free cash-flow³ positive with \$621 million for the first three months of 2011

Key Corporate and Industry Highlights

- Appointment of Andrei Dubovskov, former Head of Business Unit MTS Ukraine, as President and CEO of MTS
- Completion of share buyback in March 2011 related to the statutory merger of Comstar with MTS
- 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
- Annual dividend recommendation by the MTS Board of Directors of RUB 14.54⁴ per ordinary MTS share (approximately \$1.04 per ADR⁵) 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)
- 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

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 The dividend yield per share is 5.7% based on the closing price of the MTS ordinary share on the Moscow Interbank Currency Exchange as of April 26, 2011.

⁵ 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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Commentary

Andrei Dubovskov, President and CEO of MTS, commented, “Group revenue for the quarter increased 12% year-over-year to reach \$2.93 billion on the back of strong subscriber additions and growth in data traffic and handset revenues. Revenues in Russia – including mobile, fixed and handset and equipment sales – increased 14% year-over-year to RUB 74.3 billion.”

Alexey Kornya, MTS Vice President and Chief Financial Officer, said, “In the first quarter, Group OIBDA declined by 3% year-over-year to \$1.1 billion with the OIBDA margin for the period reaching 38.4%. Our Russia OIBDA margin increased sequentially from 37.7% to 39.1% in Q1 2011. The improvement is mainly attributable to the growing share of higher-margin data traffic revenues on the back of our modem sales push and expanding 3G networks.”

Mr. Dubovskov added, “With the completion of the Comstar merger, we can now focus on the broader optimization of our business. Operationally, we can concentrate on rationalizing headcount to eliminate redundancies. We can also begin to examine asset disposals like real estate in our fixed line business in order to lower costs. For the customer, we can move ahead with critical steps in integrating our business, including convergent billing, so as to further improve our customer experience, increase loyalty and drive future growth.”

This press release provides a summary of some of the key financial and operating indicators for the period ended March 31, 2011. For full disclosure materials, please visit <http://www.mtsgsm.com/resources/reports/>.

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Financial Summary

| USD million | Q1'11 | Q1'10 | y-o-y | Q4'10 | q-o-q |
|-----------------------------|---------|---------|--------|---------|--------|
| Revenues | 2,934.0 | 2,614.8 | 12.2% | 2,995.1 | -2.0% |
| Adjusted OIBDA ⁶ | 1,125.8 | 1,157.4 | -2.7% | 1,159.2 | -2.9% |
| - margin | 38.4% | 44.3% | -5.9pp | 38.7% | -0.3% |
| Net operating income | 563.8 | 679.6 | -17.0% | 493.0 | 14.4% |
| - margin | 19.2% | 26.0% | -6.8pp | 16.5% | 2.7pp |
| Net income/(loss) | 321.6 | 383.1 | -16.1% | 156.3 | 105.8% |
| - margin | 11.0% | 14.7% | -3.7pp | 5.2% | 5.8pp |

Russia Highlights

| RUB mln | Q1'11 | Q1'10 | y-o-y | Q4'10 | q-o-q |
|-----------------------|----------|----------|--------|----------|-------|
| Revenues ⁷ | 74,297.9 | 65,307.9 | 13.8% | 77,822.8 | -4.5% |
| - mobile | 61,334.0 | 53,494.6 | 14.7% | 64,428.1 | -4.8% |
| - fixed | 14,049.6 | 12,538.4 | 12.1% | 14,380.5 | -2.3% |
| Adjusted OIBDA | 29,027.2 | 29,779.0 | -2.5% | 29,372.1 | -1.2% |
| - margin | 39.1% | 45.6% | -6.5pp | 37.7% | 1.4pp |
| Net income/(loss) | 9,765.7 | 10,898.2 | -10.4% | 7,363.1 | 32.6% |
| - margin | 13.1% | 16.7% | -3.6pp | 9.5% | 3.6pp |

| | Q1'10 | Q2'10 | Q3'10 | Q4'10 | Q1'11 |
|-------------------------|-------|-------|-------|-------|-------|
| ARPU (RUB) ⁸ | 236.7 | 253.9 | 269.4 | 261.9 | 252.1 |
| MOU (min) | 211 | 230 | 244 | 259 | 249 |
| Churn rate (%) | 10.4% | 9.8% | 13.5% | 12.7% | 12.0% |
| SAC (RUB) | 534.4 | 612.8 | 508.2 | 656.6 | 669.6 |
| - dealer commission | 351.0 | 399.9 | 341.0 | 461.5 | 488.9 |
| - adv & mktg | 183.4 | 212.9 | 167.2 | 195.1 | 180.7 |

⁶ Adjusted OIBDA results for Q4 2010 do not include long-lived and other assets impairment loss and acquisition related costs in the amount of \$137.8 million

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 | Q1'11 | Q1'10 | y-o-y | Q4'10 | q-o-q |
|------------|---------|---------|--------|---------|--------|
| Revenues | 2,057.0 | 1,921.9 | 7.0% | 2,138.9 | -3.8% |
| OIBDA | 918.9 | 836.9 | 9.8% | 969.0 | -5.2% |
| - margin | 44.7% | 43.5% | 1.2pp | 45.3% | -0.6pp |
| Net income | 131.1 | 59.6 | 120.0% | 119.9 | 9.3% |
| - margin | 6.4% | 3.1% | 3.3pp | 5.6% | 0.8pp |

| | Q1'10 | Q2'10 | Q3'10 | Q4'10 | Q1'11 |
|----------------------|-------|-------|-------|-------|-------|
| ARPU (UAH) | 35.21 | 39.49 | 41.57 | 37.59 | 36.05 |
| MOU (min) | 527 | 541 | 541 | 550 | 564 |
| Churn rate (%) | 9.4% | 7.2% | 6.6% | 8.2% | 7.6% |
| SAC (UAH) | 66.9 | 64.3 | 58.0 | 68.1 | 73.0 |
| - dealer commission | 34.2 | 31.8 | 29.4 | 32.8 | 36.1 |
| - adv & mktg | 21.2 | 21.4 | 17.8 | 24.9 | 18.1 |
| - handset subsidy | 2.1 | 1.8 | 1.3 | 1.6 | 9.9 |
| - SIM card & voucher | 9.4 | 9.2 | 9.5 | 8.9 | 8.9 |

Uzbekistan Highlights⁹

| USD mln | Q1'11 | Q1'10 | y-o-y | Q4'10 | q-o-q |
|------------|-------|-------|--------|-------|--------|
| Revenues | 104.7 | 103.5 | 1.2% | 116.3 | -10.0% |
| OIBDA | 56.6 | 56.5 | 0.2% | 62.0 | -8.7% |
| - margin | 54.1% | 54.6% | -0.5pp | 53.3% | 0.8pp |
| Net income | 16.0 | 24.5 | -34.7% | 27.3 | -41.4% |
| - margin | 15.3% | 23.7% | -8.4pp | 23.5% | -8.2pp |

| | Q1'10 | Q2'10 | Q3'10 | Q4'10 | Q1'11 |
|----------------|-------|-------|-------|-------|-------|
| ARPU (USD) | 4.8 | 5.0 | 4.8 | 4.6 | 3.9 |
| MOU (min) | 520 | 534 | 508 | 461 | 402 |
| Churn rate (%) | 5.9% | 6.1% | 7.2% | 6.0% | 9.2% |
| SAC (USD) | 6.1 | 6.0 | 7.8 | 8.1 | 7.4 |

Armenia Highlights

| AMD mln | Q1'11 | Q1'10 | y-o-y | Q4'10 | q-o-q |
|------------|-----------|-----------|-------|----------|---------|
| Revenues | 16,286.5 | 17,786.2 | -8.4% | 19,326.4 | -15.7% |
| OIBDA | 8,305.6 | 8,687.7 | -4.4% | 9,877.6 | -15.9% |
| - margin | 51.0% | 48.8% | 2.2pp | 51.1% | -0.10pp |
| Net income | (3,032.9) | (2,409.3) | n/a | 974.5 | n/a |
| - margin | n/a | n/a | n/a | 5.0% | n/a |

| | Q1'10 | Q2'10 | Q3'10 | Q4'10 | Q1'11 |
|----------------|---------|---------|---------|---------|---------|
| ARPU (AMD) | 2,813.4 | 3,013.5 | 3,194.2 | 2,725.5 | 2,141.3 |
| MOU (min) | 220 | 255 | 294 | 294 | 294 |
| Churn rate (%) | 8.6% | 8.5% | 7.7% | 7.0% | 6.7% |
| SAC (AMD) | 6,868.7 | 7,192.0 | 6,719.4 | 3,867.8 | 6,005.4 |

⁹ The functional currency in Uzbekistan is the US dollar.



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CAPEX Highlights

| USD mln | Q1'10 | Q4'10 | Q1'11 |
|----------------|--------------|--------------|--------------|
| Russia | 178.4 | 1,505.6 | 238.3 |
| - as % of rev | 8.2% | 59.4% | 9.4% |
| Ukraine | 40.5 | 50.6 | 19.3 |
| - as % of rev | 16.8% | 18.8% | 7.5% |
| Uzbekistan | 23.9 | 95.5 | 16.4 |
| - as % of rev | 23.1% | 82.1% | 15.6% |
| Turkmenistan | 4.3 | 14.6 | 2.8 |
| - as % of rev | 8.9% | 29.2% | n/a |
| Armenia | 3.9 | 17.8 | 1.8 |
| - as % of rev | 8.5% | 33.1% | 4.1% |
| Group | 251.0 | 1,684.1 | 278.6 |
| - as % of rev | 9.6% | 56.2% | 9.5% |

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

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Mobile TeleSystems OJSC ("MTS") is the leading telecommunications group in Russia, Eastern Europe and Central Asia, offering mobile and fixed voice, broadband, pay TV as well as content and entertainment services in one of the world's fastest growing regions. Including its subsidiaries, the Group services over 108.9 million mobile subscribers in Russia, Ukraine, Uzbekistan, Turkmenistan, Armenia and Belarus, a region that boasts a total population of more than 230 million. Since June 2000, MTS' Level 3 ADRs have been listed on the New York Stock Exchange (ticker symbol MBT). Additional information about the MTS Group can be found at www.mtsgsm.com.

* * *

Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of MTS, as defined in the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify forward looking statements by terms such as "expect," "believe," "anticipate," "estimate," "intend," "will," "could," "may" or "might," and the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not undertake or intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. We refer you to the documents MTS files from time to time with the U.S. Securities and Exchange Commission, specifically the Company's most recent Form 20-F. These documents contain and identify important factors, including those contained in the section captioned "Risk Factors" that could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, the severity and duration of current economic and financial conditions, including volatility in interest and exchange rates, commodity and equity prices and the value of financial assets; the impact of Russian, U.S. and other foreign government programs to restore liquidity and stimulate national and global economies, our ability to maintain our current credit rating and the impact on our funding costs and competitive position if we do not do so, strategic actions, including acquisitions and dispositions and our success in integrating acquired businesses, including Comstar-UTS, potential fluctuations in quarterly results, our competitive environment, dependence on new service development and tariff structures, rapid technological and market change, acquisition strategy, risks associated with telecommunications infrastructure, governmental regulation of the telecommunications industries and other risks associated with operating in Russia and the CIS, volatility of stock price, financial risk management and future growth subject to risks.

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Attachments to the First 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) | Q1'10 | Q2'10 | Q3'10 | Q4'10 | Q1'11 |
|------------------------------|---------|---------|---------|---------|---------|
| Operating income | 679.6 | 758.3 | 803.7 | 493.0 | 563.8 |
| Add: D&A and impairment loss | 477.9 | 480.5 | 513.8 | 666.2 | 562.0 |
| Adjusted OIBDA ¹⁰ | 1,157.4 | 1,238.8 | 1,317.5 | 1,159.2 | 1,125.8 |

| Russia (USD mln) | Q1'10 | Q2'10 | Q3'10 | Q4'10 | Q1'11 |
|------------------------------|-------|---------|---------|-------|-------|
| Operating income | 663.9 | 708.3 | 728.1 | 572.4 | 576.9 |
| Add: D&A and impairment loss | 332.5 | 333.9 | 368.4 | 383.6 | 417.3 |
| Adjusted OIBDA | 996.4 | 1,042.2 | 1,096.5 | 956.0 | 994.2 |

| Ukraine (USD mln) | Q1'10 | Q2'10 | Q3'10 | Q4'10 | Q1'11 |
|-------------------|-------|-------|-------|-------|-------|
| Operating income | 11.2 | 35.8 | 59.8 | 37.7 | 27.9 |
| Add: D&A | 93.5 | 91.1 | 85.0 | 84.5 | 87.7 |
| OIBDA | 104.7 | 126.9 | 144.8 | 122.2 | 115.7 |

| Uzbekistan (USD mln) | Q1'10 | Q2'10 | Q3'10 | Q4'10 | Q1'11 |
|----------------------|-------|-------|-------|-------|-------|
| Operating income | 32.0 | 37.5 | 31.5 | 29.6 | 22.1 |
| Add: D&A | 24.5 | 28.3 | 32.9 | 32.4 | 34.6 |
| OIBDA | 56.5 | 65.8 | 64.4 | 62.0 | 56.6 |

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

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

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| | | | | | |
|--------------------------|-------|------|------|------|------|
| Operating income/ (loss) | (0.5) | 4.2 | 8.8 | 4.6 | 0.4 |
| Add: D&A | 23.1 | 22.7 | 22.7 | 22.8 | 22.2 |
| OIBDA | 22.6 | 26.9 | 31.5 | 27.4 | 22.7 |

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

| Group | Q1'10 | Q2'10 | Q3'10 | Q4'10 | Q1'11 |
|-------------------------------------|-------|-------|-------|-------|-------|
| Operating margin | 26.0% | 27.3% | 27.6% | 16.5% | 19.2% |
| Add: D&A and impairment loss | 18.3% | 17.4% | 17.7% | 22.2% | 19.2% |
| Adjusted OIBDA margin ¹¹ | 44.3% | 44.7% | 45.3% | 38.7% | 38.4% |

| Russia | Q1'10 | Q2'10 | Q3'10 | Q4'10 | Q1'11 |
|------------------------------|-------|-------|-------|-------|-------|
| Operating margin | 30.4% | 30.8% | 30.2% | 22.6% | 22.7% |
| Add: D&A and impairment loss | 15.2% | 14.5% | 15.3% | 15.1% | 16.4% |
| Adjusted OIBDA margin | 45.6% | 45.3% | 45.5% | 37.7% | 39.1% |

| Ukraine | Q1'10 | Q2'10 | Q3'10 | Q4'10 | Q1'11 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 4.7% | 13.2% | 20.5% | 14.0% | 10.8% |
| Add: D&A | 38.8% | 33.6% | 29.2% | 31.3% | 33.9% |
| OIBDA margin | 43.5% | 46.8% | 49.7% | 45.3% | 44.7% |

| Uzbekistan | Q1'10 | Q2'10 | Q3'10 | Q4'10 | Q1'11 |
|------------------------------|-------|-------|-------|-------|-------|
| Operating margin | 30.9% | 33.1% | 27.5% | 25.5% | 21.1% |
| Add: D&A and impairment loss | 23.7% | 25.0% | 28.6% | 27.8% | 33.0% |
| OIBDA margin | 54.6% | 58.1% | 56.1% | 53.3% | 54.1% |

| Armenia | Q1'10 | Q2'10 | Q3'10 | Q4'10 | Q1'11 |
|------------------|--------|-------|-------|-------|-------|
| Operating margin | (1.0%) | 8.3% | 15.3% | 8.5% | 1.0% |
| Add: D&A | 49.8% | 45.2% | 39.8% | 42.6% | 50.0% |
| OIBDA margin | 48.8% | 53.5% | 55.2% | 51.1% | 51.0% |

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



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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 Mar 31, 2011 |
|--|--------------------|--------------------|
| Current portion of debt and of capital lease obligations | 757.1 | 1,127.1 |
| Long-term debt | 6,392.6 | 6,320.5 |
| Capital lease obligations | 10.9 | 9.4 |
| Total debt | 7,160.6 | 7,457.0 |
| Less: | | |
| Cash and cash equivalents | 927.7 | 1,194.6 |
| Short-term investments | 333.6 | 480.4 |
| Net debt | 5,899.3 | 5,782.0 |

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

| US\$ million | Nine months ended Dec 31, 2010 | Three months ended Mar 31, 2011 | Twelve months ended Mar 31, 2011 |
|--|--------------------------------|---------------------------------|----------------------------------|
| | A | B | C=A+B |
| Net operating income | 2,055.0 | 563.8 | 2,618.8 |
| Add: depreciation and amortization | 1,522.7 | 562.0 | 2,084.7 |
| Add: long-lived assets impairment loss and acquisition related costs | 137.8 | | 137.8 |
| OIBDA | 3,715.5 | 1,125.8 | 4,841.3 |

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

| USD mln | For the three months ended Mar 31, 2010 | For the three months ended Mar 31, 2011 |
|---|---|---|
| Net cash provided by operating activities | 965.5 | 908.0 |
| Less: | | |
| Purchases of property, plant and equipment | (188.1) | (232.7) |
| Purchases of intangible assets | (63.0) | (46.0) |
| Proceeds from sale of property, plant and equipment | 1.6 | 3.3 |
| Proceeds/(purchases) of other investments | 0.1 | 4.3 |
| Investments in and advances to associates | 0.1 | 3.0 |
| Acquisition of subsidiaries, net of cash acquired | (6.2) | (19.0) |
| Free cash-flow | 710.0 | 620.9 |

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.



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MOBILE TELESYSTEMS CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

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

| | Three months ended | |
|--|--------------------|------------------|
| | March 31, 2011 | March 31, 2010 |
| Net operating revenue | | |
| Service revenue | \$2 701 215 | \$2 480 792 |
| Sales of handsets and accessories | 232 770 | 133 988 |
| | 2 933 985 | 2 614 780 |
| Operating expenses | | |
| Cost of services | (633 608) | (527 244) |
| Cost of handsets and accessories | (220 675) | (136 524) |
| Sales and marketing expenses | (235 357) | (168 565) |
| General and administrative expenses | (647 141) | (554 806) |
| Depreciation and amortization expense | (561 967) | (477 870) |
| Provision for doubtful accounts | (31 420) | (34 080) |
| Impairment of long-lived assets and acquisition related costs | (9 638) | |
| Other operating expenses | (30 337) | (36 138) |
| Net operating income | 563 842 | 679 553 |
| Currency exchange and transaction gain | 89 150 | 77 098 |
| Other income / (expenses): | | |
| Interest income | 11 044 | 21 766 |
| Interest expense, net of capitalized interest | (170 453) | (228 351) |
| Other income | 9 180 | 2 821 |
| Total other expenses, net | (150 229) | (203 764) |
| Income before provision for income taxes and noncontrolling interest | 502 763 | 552 887 |
| Provision for income taxes | (141 275) | (126 919) |
| Net income | 361 488 | 425 968 |
| Net income attributable to the noncontrolling interest | (39 842) | (42 841) |
| Net income attributable to the Group | 321 646 | 383 127 |
| Weighted average number of common shares outstanding, in thousands - basic and diluted | 1 916 865 | 1 916 869 |
| Earnings per share - basic and diluted | 0.17 | 0.20 |



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MOBILE TELESYSTEMS CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF MARCH 31, 2011 AND DECEMBER 31, 2010

(Amounts in thousands of US dollars)

| | As of March 31, 2011 | As of December 31, 2010 |
|--|-------------------------|----------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$1 194 560 | \$927 694 |
| Short-term investments | 480 449 | 333 594 |
| Trade receivables, net | 917 478 | 798 102 |
| Accounts receivable, related parties | 3 356 | 2 673 |
| Inventory and spare parts | 370 063 | 319 956 |
| VAT receivable | 161 079 | 164 761 |
| Prepaid expenses and other current assets | 605 833 | 569 823 |
| Total current assets | 3 732 818 | 3 116 603 |
| PROPERTY, PLANT AND EQUIPMENT | 8 243 304 | 7 971 830 |
| INTANGIBLE ASSETS | 2 878 644 | 2 817 701 |
| INVESTMENTS IN AND ADVANCES TO ASSOCIATES | 243 116 | 241 792 |
| OTHER INVESTMENTS | 126 646 | 128 582 |
| OTHER ASSETS | 195 594 | 201 534 |
| Total assets | \$15 420 122 | \$14 478 042 |
| CURRENT LIABILITIES | | |
| Accounts payable | 648 584 | 629 077 |
| Accrued expenses and other current liabilities | 1 961 812 | 1 715 970 |
| Accounts payable, related parties | 78 238 | 52 984 |
| Current portion of long-term debt, capital lease obligations | 1 127 122 | 757 110 |
| Total current liabilities | 3 815 756 | 3 155 141 |
| LONG-TERM LIABILITIES | | |
| Long-term debt | 6 320 499 | 6 392 629 |
| Capital lease obligations | 9 442 | 10 873 |
| Deferred income taxes | 307 239 | 292 070 |
| Deferred revenue and other | 383 870 | 383 582 |
| Total long-term liabilities | 7 021 050 | 7 079 154 |
| Total liabilities | 10 836 806 | 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 1,993,326,138 shares issued as March 31, 2011 and December 31, 2010 (777,396,505 of which are in the form of ADS as of March 31, 2011 and December 31, 2010) | 50 558 | 50 558 |
| Treasury stock (76,464,876 and 76,456,876 common shares at cost as of March 31, 2011 and December 31, 2010, respectively) | (1 054 993) | (1 054 926) |
| Accumulated other comprehensive income | (705 646) | (771 957) |
| Retained earnings | 5 187 831 | 4 901 140 |
| Total shareholders' equity attributable to the Group | 3 477 750 | 3 124 815 |
| Noncontrolling interest | 1 018 624 | 1 031 988 |
| TOTAL SHAREHOLDERS' EQUITY | 4 496 374 | 4 156 803 |
| Total liabilities and shareholders' equity | \$15 420 122 | \$14 478 042 |



a step ahead

Press release

**MOBILE TELESYSTEMS
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010**

(Amounts in thousands of U.S. dollars)

| | Three months ended | |
|--|--------------------|------------------|
| | March 31, 2011 | March 31, 2010* |
| Net cash provided by operating activities | 908 041 | 965 541 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of subsidiaries and non-controlling interests, net of cash acquired | (19 038) | (6 245) |
| Purchases of property, plant and equipment | (232 676) | (188 118) |
| Purchases of intangible assets | (45 954) | (62 955) |
| Proceeds from sale of property, plant and equipment and assets held for sale | 3 309 | 1 550 |
| Purchases of short-term investments | (309 161) | (322 123) |
| Proceeds from sale of short-term investments | 177 751 | 111 888 |
| Proceeds from sale of other investments | 4 341 | 137 |
| Investments in and advances to associates | 3 000 | 50 |
| Decrease in restricted cash | (1 843) | 51 |
| Net cash used in investing activities | (420 271) | (465 765) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Acquisition of noncontrolling interests in existing subsidiaries and subsidiaries from related parties | (178 699) | (5 856) |
| Contingent consideration paid on acquisition of subsidiaries | (7 540) | |
| Proceeds from issuance of notes | 1 659 | |
| Repurchase of common stock | (67) | |
| Repayment of notes | (4 698) | |
| Notes and debt issuance cost | | (835) |
| Capital lease obligation principal paid | (2 485) | (1 002) |
| Dividends paid | (19) | 1 122 |
| Proceeds from loans | 21 865 | 47 396 |
| Loan principal paid | (102 319) | (793 738) |
| Net cash used in financing activities | (272 303) | (752 913) |
| Effect of exchange rate changes on cash and cash equivalents | 51 399 | 7 603 |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS: | 266 866 | (245 534) |
| CASH AND CASH EQUIVALENTS, at beginning of period | 927 694 | 2 529 010 |
| CASH AND CASH EQUIVALENTS, at end of period | 1 194 560 | 2 283 476 |

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