



a step ahead

## Press release

---

### **Mobile TeleSystems Announces Financial Results for the First Quarter Ended March 31, 2013**

June 7, 2013

**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, 2013.**

#### **Key Financial Highlights of Q1 2013**

- Consolidated revenues up 2% y-o-y to RUB 93 billion
- Increase in mobile service revenue in Russia of 7% y-o-y to RUB 63 billion
- Consolidated Adjusted OIBDA<sup>1</sup> up 3% y-o-y to RUB 39 billion
- Group Adjusted OIBDA margin improved 0.3 pp to 42.1% Adjusted OIBDA y-o-y
- Consolidated net income<sup>2</sup> of RUB 13 billion
- Free cash-flow<sup>3</sup> reached RUB 24 billion for the first three months of 2013

#### **Key Corporate and Industry Highlights**

- Entered into transaction to acquire a 25.095% stake in MTS Bank through a share issuance for RUB 5.09 billion; the transaction was completed in early April 2013
- Approved a new dividend policy aimed at a payout of a minimum dividend distribution of at least 75% of free cash-flow for the relevant financial period or, if greater, RUB 40.0 billion per year
- Annual dividend recommendation by the MTS Board of Directors 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 billion, and a semi-annual dividend recommendation of up to RUB 11.0 billion on the basis of H1 2013 financial and operating results
- Issued USD-denominated Loan Participation Notes in the amount of \$500 million with an annual interest rate of 5.00% and a maturity in June 2023
- Placed exchange-traded ruble bond, which is worth RUB 10.0 billion and has a maturity of ten years
- 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 billion

---

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

<sup>2</sup> Attributable to the Group.

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



a step ahead

## Press release

---

### Commentary

Andrei Dubovskov, President and CEO of MTS, commented, "During the quarter, Group revenues increased by 2% to 92.9 billion rubles. Overall growth compared to Q1 2012 was limited by the suspension of our operations in Uzbekistan. Excluding Uzbekistan, our topline grew by 6% year-over-year due to sustained growth in consumption of voice and data services in our markets. Our revenues in Russia increased by 5% to 82.7 billion rubles. Mobile service revenues increased by 7%, but overall growth in total mobile revenues was slightly lower – at 5% - due to a decline in retail sales. In Q1 2013, we rebalanced our product portfolio, decreasing the share of premium-priced handsets in the sales mix, which directly led to the decrease in sales of handsets and equipment by 6% year-over-year. Instead, we focused on promoting sales of low-budget smartphones, including MTS-branded devices, which naturally have a greater impact in stimulating ARPU growth."

He continued, "In Q1 2013, we delivered a 37% increase in data traffic revenue compared to Q1 2012. This growth outpaces average growth rates in the market and is attributable to a number of factors, including the quality of our network, our market-leading distribution platform, bundled tariff plans designed to upsell customers and stimulate usage, our focus on sales of affordable data-enabled devices and partnership with handset manufacturers to bundle data plans with handset sales. Our fixed-line operations showed strong performance during the quarter. Fixed-line revenues went up by 4% year-over-year to 14.1 billion rubles. The growth resulted from continued network modernization in the regions enabling us to upsell existing broadband and Pay-TV customers and enhance market share."

Alexey Kornya, MTS Vice President and Chief Financial Officer, said, "In Q1 2013, Group Adjusted OIBDA increased by 3% year-over-year to 39.1 billion rubles. Excluding Uzbekistan, Adjusted OIBDA grew year-over-year by 8%. This was driven by top-line growth, although we faced continuing cost pressure from our network roll-out, retail expansion and increase in personnel costs. On a margin basis, the Group's Adjusted OIBDA margin came in for Q1 2013 at 42.1%. In Q1, net income came in at 13.0 bln rubles, which include a foreign currency loss in the amount of 1.5 billion rubles. During the quarter, our total debt decreased slightly to 222 billion rubles. Our net debt/ LTM Adjusted OIBDA ratio improved to 1.1x due to improving operating performance and strong debt management practices."

Mr. Dubovskov concluded, "Overall we see continued stability and consistency in our markets of operation. With this in mind, MTS introduced a new dividend policy in April 2013. For the calendar years 2013-2015, MTS aims to pay out a minimum dividend distribution 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 pay out dividends on a semi-annual basis using interim H1 and full-year financial results as a foundation. In April 2013, the MTS Board of directors recommended that AGM approve FY 2012 dividends of RUB 14.6 per ordinary MTS share. In addition, the Board advised that MTS consider a semi-annual dividend payout of up to RUB 11 bln on the basis of its H1 2013 financial results, which should become available in Autumn 2013. Overall, the payout could increase the cumulative amount returned to investors in 2013 by over 35% relative to 2012.

"In our view, aligning our dividend policy with free cash flow allows the market to better forecast our shareholder return and more clearly anticipate future performance of the company. In effect, this policy allows MTS to ensure it has sufficient flexibility to meet our investment needs, cover our financial obligations and then return extra cash to investors. To meet this commitment, we do not envision any change in our current leverage ratios or require us to borrow additional funds. When our H1 2013 results become available, we will make another proposal to the Board of Directors on an interim dividend payout, which we would envision being paid by the end of 2013."

*This press release provides a summary of some of the key financial and operating indicators for the three months ended March 31, 2013. For full disclosure materials, please visit <http://www.mtsghm.com/resources/reports/>.*

## Press release

### Financial Summary

RUB mln	Q1'13	Q1'12	y-o-y	Q4'12	q-o-q
Revenues	92,856.4	91,092.8	1.9%	98,414.8	-5.6%
Adjusted OIBDA	39,080.1	38,080.7	2.6%	40,040.6	-2.4%
- margin	42.1%	41.8%	+0.3pp	40.7%	+1.4pp
Net operating income	22,691.6	19,648.4	15.5%	25,032.9	-9.4%
- margin	24.4%	21.6%	+2.8pp	25.4%	-1.0pp
Net income	12,962.7	15,602.8	-16.9%	16,997.1	-23.7%
- margin	14.0%	17.1%	-3.1pp	17.3%	-3.3pp

### Russia Highlights

RUB mln	Q1'13	Q1'12	y-o-y	Q4'12	q-o-q
Revenues	82,747.7	78,679.1	5.2%	88,186.6	-6.2%
- mobile service <sup>4</sup>	63,027.2	59,109.9	6.6%	65,759.2	-4.2%
- sales of handsets & accessories <sup>4</sup>	5,640.1	6,002.4	-6.0%	8,114.8	-30.5%
- fixed <sup>4</sup>	14,080.4	13,566.8	3.8%	14,312.6	-1.6%
OIBDA	35,846.5	33,917.8	5.7%	37,075.9	-3.3%
- margin	43.3%	43.1%	+0.2pp	42.0%	+1.3pp
Net income	11,833.2	16,064.4	-26.3%	14,710.7	-19.6%
- margin	14.3%	20.4%	-6.1pp	16.7%	-2.4pp

	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
ARPU (RUB)	280.6	297.1	313.2	306.1	292.1
MOU (min)	282	309	311	323	310
Churn rate (%)	11.3%	10.5%	10.3%	11.0%	9.5%

### Ukraine Highlights

UAH mln	Q1'13	Q1'12	y-o-y	Q4'12	q-o-q
Revenues	2,383.8	2,218.1	7.5%	2,396.9	-0.5%
OIBDA	1,227.4	1,059.6	15.8%	1,200.3	2.3%
- margin	51.5%	47.8%	+3.7pp	50.1%	+1.4pp
Net income	503.5	312.8	61.0%	496.4	1.4%
- margin	21.1%	14.1%	+7.0pp	20.7%	+0.4pp

	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
ARPU (UAH)	37.16	40.06	43.77	38.17	37.40
MOU (min)	601	611	610	602	600
Churn rate (%)	8.5%	7.7%	9.0%	5.8%	6.7%
SAC (UAH)	64.7	61.7	56.7	60.4	51.9
- dealer commission	35.9	33.7	33.8	35.8	30.6
- adv & mktg	17.5	16.5	13.0	14.3	12.3
- handset subsidy	3.2	2.6	2.3	2.7	1.6
- SIM card & voucher	8.1	8.9	7.6	7.6	7.3

<sup>4</sup> Revenue, net of intercompany

## Press release

---

### Armenia Highlights

AMD mln	Q1'13	Q1'12	y-o-y	Q4'12	q-o-q
Revenues	17,802.9	16,682.1	6.7%	20,053.1	-11.2%
OIBDA	8,946.5	11,346.9	-21.2%	10,702.5	-16.4%
- margin	50.3%	68.0%	-17.7pp	53.4%	-3.1pp
Net income/(loss)	2,669.7	1,267.4	110.6%	2,329.7	14.6%
- margin	15.0%	7.6%	+7.4pp	11.6%	+3.4pp

	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
ARPU (AMD)	2,380.3	2,739.2	3,054.6	2,761.8	2,433.6
MOU (min)	315	342	346	347	330
Churn rate (%)	13.2%	8.7%	7.2%	6.7%	8.2%
SAC (AMD)	7,248.3	4,572.7	6,294.7	6,332.7	6,506.2

### Turkmenistan Highlights

TMT mln	Q3'12	Q4'12	Q1'13
Revenues	3.3	27.0	48.3
OIBDA	(9.5)	8.5	13.2
- margin	n/a	31.5%	27.2%
Net income	(9.5)	8.5	12.5
- margin	n/a	31.6%	25.8%

	Q3'12	Q4'12	Q1'13
ARPU (TMT)	n/a	7.9	9.7
MOU (min)	n/a	302	473
Churn rate (%)	n/a	n/a	n/a
SAC (TMT)	n/a	6.2	9.5



a step ahead

## Press release

### CAPEX Highlights

<b>RUB mln</b>	<b>FY'10</b>	<b>FY'11</b>	<b>FY'12</b>	<b>Q1'13</b>
Russia	69,277.8	66,868.7	82,896.2	11,847.6
- as % of rev	24.2%	21.4%	24.5%	14.3%
Ukraine	4,694.0	4,486.9	4,124.6	491.7
- as % of rev	14.5%	13.4%	10.9%	5.4%
Armenia	913.0	1 343.7	751.0	34.9
- as % of rev	14.5%	22.8%	12.5%	2.6%
Turkmenistan	1,353.6	n/a	11.2	124.2
- as % of rev	21.5%	n/a	3.4%	24.1%
Uzbekistan	4,818.2	4,251.9	2,462.9	n/a
- as % of rev	35.4%	32.8%	29.1%	n/a
Group	81,056.6	77,050.2	90,246.0	12,498.3
- as % of rev	23.6%	21.3%	23.3%	13.5%

\* \* \*

For further information, please contact in Moscow:

Joshua B. Tulgan  
Director, Corporate Finance & Investor Relations  
Mobile TeleSystems OJSC  
Tel: +7 495 223 2025  
E-mail: [ir@mts.ru](mailto:ir@mts.ru)

Learn more about MTS. Visit the official blog of the Investor Relations Department at [www.mtsgsm.com/blog/](http://www.mtsgsm.com/blog/) and follow us on Twitter: JoshatMTS

\* \* \*

Mobile TeleSystems OJSC ("MTS") is the leading telecommunications group in Russia and the CIS, 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 nearly 100 million mobile subscribers. The Group has been awarded GSM licenses in Russia, Ukraine, Turkmenistan, Armenia and Belarus, a region that boasts a total population of more than 200 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](http://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, 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.

\* \* \*

## Press release

### Attachments to the First Quarter 2013 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, Russian ruble and functional currency margins, as well as other non-GAAP financial measures, may differ.

Operating Income Before Depreciation and Amortization (OIBDA), OIBDA margin, Adjusted OIBDA and Adjusted OIBDA margin. OIBDA represents operating income before depreciation and amortization. Adjusted OIBDA represents OIBDA adjusted for the impairment and provision for claims in Uzbekistan. OIBDA margin and Adjusted OIBDA margin are defined as OIBDA and Adjusted OIBDA as a percentage of our net revenues. OIBDA and Adjusted OIBDA may not be similar to OIBDA measures of other companies, are not measurements 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 and Adjusted OIBDA provide useful information to investors because they are indicators 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. The impairment and provision for claims in Uzbekistan are also operating costs under generally accepted accounting principles and represent material and unusual changes occurred in Uzbekistan in the prior year. Our OIBDA and Adjusted 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 and Adjusted OIBDA can be reconciled to our consolidated statements of operations as follows:

Group (RUB mln)	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
Operating income	19,648.4	(10,853.4)	26,440.8	25,032.9	22,691.6
Add: D&A	18,432.3	17,934.4	17,749.1	16,538.4	17,769.6
OIBDA	38,080.7	7,081.1	44,189.8	41,571.3	40,461.2
Add: Uzbekistan Impairment	-	19,057.3	-	979.3	-
Add: Provision for claims in Uzbekistan	-	16,458.5	-	(2,510.0)	(1,381.1)
Adjusted OIBDA	38,080.7	42,596.9	44,189.8	40,040.6	39,080.1

Russia (RUB mln)	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
Operating income	19,898.5	23,216.6	25,833.3	22,824.8	20,865.0
Add: D&A	14,019.3	13,712.8	14,251.7	14,251.0	14,981.5
OIBDA	33,917.8	36,929.4	40,085.0	37,075.9	35,846.5

Ukraine (RUB mln)	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
Operating income	1,492.2	2,508.8	3,258.8	2,387.3	2,261.2
Add: D&A	2,526.9	2,348.9	2,413.1	2,282.1	2,410.5
OIBDA	4,019.1	4,857.7	5,671.9	4,669.4	4,671.7

## Press release

Uzbekistan (RUB mln)	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
Operating income	201.7	(34,631.9)	(601.0)	1,620.3	1,113.7
Add: D&A	1,351.4	1,363.1	534.8	(505.0)	0.0
OIBDA	1,553.1	(33,268.8)	(66.3)	1,115.3	1,113.7
Add: Uzbekistan Impairment	-	19,057.3	-	979.3	-
Add: Provision for claims in Uzbekistan	-	16,458.5	-	(2,510.0)	(1,381.1)
Adjusted OIBDA	1,553.1	2,247.0	(66.3)	(415.4)	(267.3)

Armenia (RUB mln)	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
Operating income	348.2	261.7	424.1	310.9	279.6
Add: D&A	533.2	507.3	546.7	507.7	385.4
OIBDA	881.4	768.9	970.8	818.6	665.0

Turkmenistan (RUB mln)	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
Operating income	-	-	(107.4)	92.0	137.5
Add: D&A	-	-	0.5	0.2	2.2
OIBDA	-	-	(106.8)	92.2	139.7

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

Group	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
Operating margin	21.6%	(11.2%)	26.4%	25.4%	24.4%
Add: D&A	20.2%	18.5%	17.7%	16.8%	19.1%
OIBDA margin	41.8%	7.3%	44.1%	42.2%	43.5%
Add: Uzbekistan Impairment	-	19.7%	-	1.0%	-
Add: Provision for claims in Uzbekistan	-	17.0%	-	(2.5%)	(1.5%)
Adjusted OIBDA margin	41.8%	44.0%	44.1%	40.7%	42.1%

Russia	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
Operating margin	25.3%	28.0%	29.3%	25.9%	25.2%
Add: D&A	17.8%	16.6%	16.1%	16.1%	18.1%
OIBDA margin	43.1%	44.6%	45.4%	42.0%	43.3%

Ukraine	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
Operating margin	17.8%	26.9%	30.5%	25.6%	24.9%
Add: D&A	30.0%	25.2%	22.6%	24.5%	26.6%
OIBDA margin	47.8%	52.1%	53.1%	50.1%	51.5%



a step ahead

## Press release

---

Uzbekistan	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
Operating margin	5.8%	n/a	n/a	n/a	n/a
Add: D&A	38.6%	n/a	n/a	n/a	n/a
OIBDA margin	44.4%	n/a	n/a	n/a	n/a
Add: Uzbekistan Impairment	-	-	-	-	-
Add: Provision for claims in Uzbekistan	-	-	-	-	-
Adjusted OIBDA margin	44.4%	n/a	n/a	n/a	n/a

Armenia	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
Operating margin	26.8%	17.7%	25.0%	20.3%	21.1%
Add: D&A	41.0%	34.4%	32.2%	33.1%	29.1%
OIBDA margin	67.8%	52.1%	57.2%	53.4%	50.3%

Turkmenistan	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
Operating margin	-	-	n/a	31.3%	26.7%
Add: D&A	-	-	n/a	0.1%	0.4%
OIBDA margin	-	-	n/a	31.4%	27.1%

\*\*\*



## Press release

### 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:

RUB mln	As of Dec 31, 2012	As of Mar 31, 2013
Current portion of debt and of capital lease obligations	27,624.3	19,235.3
Long-term debt	204,432.3	203,142.5
Capital lease obligations	48.5	36.7
<b>Total debt</b>	<b>232,105.1</b>	<b>222,414.5</b>
Less:		
Cash and cash equivalents	22,014.2	20,584.9
Short-term investments	4,034.4	18,779.7
<b>Net debt</b>	<b>206,056.5</b>	<b>183,049.9</b>

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

RUB mln	Nine months ended Dec 31, 2012	Three months ended Mar 31, 2013	Twelve months ended Mar 31, 2013
	A	B	C=A+B
Net operating income	40,620.3	22,691.6	63,311.9
Add: D&A	52,221.9	17,769.6	69,991.5
Add: Uzbekistan Impairment	20,036.6	-	20,036.6
Add: Provision for claims in Uzbekistan	13,948.5	(1,381.1)	12,567.4
<b>Adjusted OIBDA</b>	<b>126,827.3</b>	<b>39,080.1</b>	<b>165,907.4</b>

## Press release

---

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

RUB mln	For the three months ended Mar 31, 2012	For the three months ended Mar 31, 2013
Net cash provided by operating activities	37,862.6	36,269.2
Less:		
Purchases of property, plant and equipment	(12,273.6)	(9,193.9)
Purchases of intangible assets	(1,633.5)	(3,304.4)
Proceeds from sale of property, plant and equipment	22.3	140.5
Proceeds from sale of other investments	463.9	-
Free cash-flow	24,441.7	23,911.4

\*\*\*

### 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.

\*\*\*



a step ahead

## Press release

**MOBILE TELESYSTEMS**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012 (UNAUDITED)**

(Amounts in millions of RUB except per share amount)

	Three months ended March 31, 2013	Three months ended March 31, 2012
<b>Net operating revenue</b>		
Service revenue and connection fees	87 174	85 018
Sales of handsets and accessories	5 682	6 075
	<b>92 856</b>	<b>91 093</b>
<b>Operating expenses</b>		
Cost of services	(20 268)	(20 118)
Cost of handsets and accessories	(4 750)	(5 675)
Sales and marketing expenses	(5 166)	(4 681)
General and administrative expenses	(21 462)	(20 197)
Depreciation and amortization expense	(17 770)	(18 432)
Provision for doubtful accounts	(508)	(1 178)
Impairment of long-lived assets	(56)	(61)
Gain on reversal of provision for claims in Uzbekistan	1 381	
Other operating expenses	(1 565)	(1 103)
<b>Net operating income</b>	<b>22 692</b>	<b>19 648</b>
Currency exchange and transaction (loss)/gain	(1 476)	5 421
<b>Other (expenses)/income:</b>		
Interest income	553	869
Interest expense, net of capitalized interest	(4 295)	(4 884)
Other income/loss	265	(342)
<b>Total other expenses, net</b>	<b>(3 477)</b>	<b>(4 357)</b>
<b>Income before provision for income taxes</b>	<b>17 739</b>	<b>20 712</b>
Provision for income taxes	(4 532)	(4 900)
<b>Net income</b>	<b>13 207</b>	<b>15 812</b>
Less net income attributable to the noncontrolling interests	(244)	(209)
<b>Net income attributable to the Group</b>	<b>12 963</b>	<b>15 603</b>
<b>Other comprehensive income/(loss), net of taxes</b>		
Currency translation adjustment	749	(6 963)
Unrealized (losses)/gains on derivatives	(21)	73
Unrecognized actuarial gains	9	6
<b>Total other comprehensive income/(loss), net of taxes</b>	<b>737</b>	<b>(6 884)</b>
<b>Total comprehensive income</b>	<b>13 944</b>	<b>8 928</b>
Less comprehensive income attributable to the noncontrolling interests	(227)	(86)
<b>Comprehensive income attributable to the Group</b>	<b>13 717</b>	<b>8 842</b>
Weighted average number of common shares outstanding, in millions - basic and diluted	1 989	1 989
Earnings per share - basic and diluted	6.5	7.8



a step ahead

## Press release

**MOBILETELESYSTEMS**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF MARCH 31, 2013 AND DECEMBER 31, 2012 (UNAUDITED)**

(Amounts in millions of RUB)

	As of March 31, 2013	As of December 31, 2012
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	20 585	22 014
Short-term investments	18 780	4 034
Trade receivables, net	35 900	33 372
Accounts receivable, related parties	324	336
Inventory and spare parts	8 055	8 586
VAT receivable	5 202	5 415
Prepaid expenses and other current assets	20 872	18 605
<b>Total current assets</b>	<b>109 718</b>	<b>92 362</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>266 482</b>	<b>271 782</b>
<b>INTANGIBLE ASSETS</b>	<b>74 433</b>	<b>73 448</b>
<b>INVESTMENTS IN AND ADVANCES TO ASSOCIATES</b>	<b>5 700</b>	<b>5 532</b>
<b>OTHER INVESTMENTS</b>	<b>5 874</b>	<b>5 814</b>
<b>OTHER NON CURRENT ASSETS</b>	<b>3 820</b>	<b>6 040</b>
<b>Total assets</b>	<b>466 027</b>	<b>454 978</b>
<b>CURRENT LIABILITIES</b>		
Trade accounts payable	23 131	22 588
Accrued expenses and other current liabilities	65 918	60 855
Accounts payable, related parties	1 922	2 338
Current portion of long-term debt, capital lease obligations	19 235	27 624
<b>Total current liabilities</b>	<b>110 206</b>	<b>113 405</b>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt	203 142	204 432
Capital lease obligations	37	49
Deferred income taxes	12 522	10 670
Deferred revenue and other long-term liabilities	9 906	10 133
<b>Total long-term liabilities</b>	<b>225 607</b>	<b>225 284</b>
<b>Total liabilities</b>	<b>335 813</b>	<b>338 689</b>
<b>Redeemable noncontrolling interests</b>	<b>2 351</b>	<b>2 298</b>
<b>SHAREHOLDERS' EQUITY:</b>		
<b>Total shareholders' equity attributable to the MTS Group</b>	<b>124 424</b>	<b>110 723</b>
<b>Noncontrolling interest</b>	<b>3 439</b>	<b>3 268</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>127 863</b>	<b>113 991</b>
<b>Total liabilities and shareholders' equity</b>	<b>466 027</b>	<b>454 978</b>



a step ahead

## Press release

---

**MOBILE TELESYSTEMS**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012**  
**(UNAUDITED)**

---

(Amounts in millions of RUB)

	<u>Three months ended</u> <u>March 31, 2013</u>	<u>Three months ended</u> <u>March 31, 2012</u>
<b>Net cash provided by operating activities</b>	<b>36 269</b>	<b>37 863</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(9 194)	(12 274)
Purchases of intangible assets	(3 304)	(1 633)
Proceeds from sale of property, plant and equipment	140	22
Purchases of short-term investments	(17 191)	(18 363)
Proceeds from sale of short-term investments	2 656	1 540
Proceeds from sale of other investments		464
Decrease/(increase) in restricted cash	98	(54)
<b>Net cash used in investing activities</b>	<b>(26 795)</b>	<b>(30 298)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repurchase of common stock	(20)	
Repayment of notes		(12 350)
Capital lease obligation principal paid	(53)	(42)
Dividends paid	(50)	(101)
Proceeds from loans		1 600
Loan principal paid	(10 856)	(26 371)
<b>Net cash used in financing activities</b>	<b>(10 979)</b>	<b>(37 264)</b>
Effect of exchange rate changes on cash and cash equivalents	76	(1 595)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS:</b>	<b>(1 429)</b>	<b>(31 294)</b>
<b>CASH AND CASH EQUIVALENTS, at beginning of the period</b>	<b>22 014</b>	<b>59 589</b>
<b>CASH AND CASH EQUIVALENTS, at end of the period</b>	<b>20 585</b>	<b>28 295</b>