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Group financial results for the third quarter 2013

Investor conference call – November 19, 2013

Mr. Andrei Dubovskov, President, Chief Executive Officer

Mr. Alexey Kornya, Vice President, Chief Financial Officer



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Safe harbor

Some of the information in this presentation may contain projections or other forward-looking statements regarding future events or the future financial performance of MTS, as defined in the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify forward looking statements by terms such as “expect,” “believe,” “anticipate,” “estimate,” “intend,” “will,” “could,” “may” or “might,” and the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not undertake or intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. We refer you to the documents MTS files from time to time with the U.S. Securities and Exchange Commission, specifically the Company’s most recent Form 20-F. These documents contain and identify important factors, including those contained in the section captioned “Risk Factors” that could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, the severity and duration of current economic and financial conditions, including volatility in interest and exchange rates, commodity and equity prices and the value of financial assets; the impact of Russian, U.S. and other foreign government programs to restore liquidity and stimulate national and global economies, our ability to maintain our current credit rating and the impact on our funding costs and competitive position if we do not do so, strategic actions, including acquisitions and dispositions and our success in integrating acquired businesses, 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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Financial and corporate highlights

Key financial and operating results

Appendix

- News summary and recent events
- Group financial highlights
- Net income decomposition
- Group balance sheet, Operating and Free Cash Flow
- Group capital expenditures
- Group debt
- Group mobile subscriber dynamics
- Outlook for 2013



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Group news summary for Q3 2013 and recent events

Q3 2013 highlights

- Completed payment of the dividend for the fiscal year 2012 which amounted to total of RUB 30.2 billion or RUB 14.6 per ordinary MTS share (approximately RUB 29.2 per ADR)
- Announced partnership with Nokia Siemens Networks to jointly develop telecommunications infrastructure and build LTE networks in the Moscow region and Russia's Central Federal District
- Deployed LTE networks in the Tambov Region

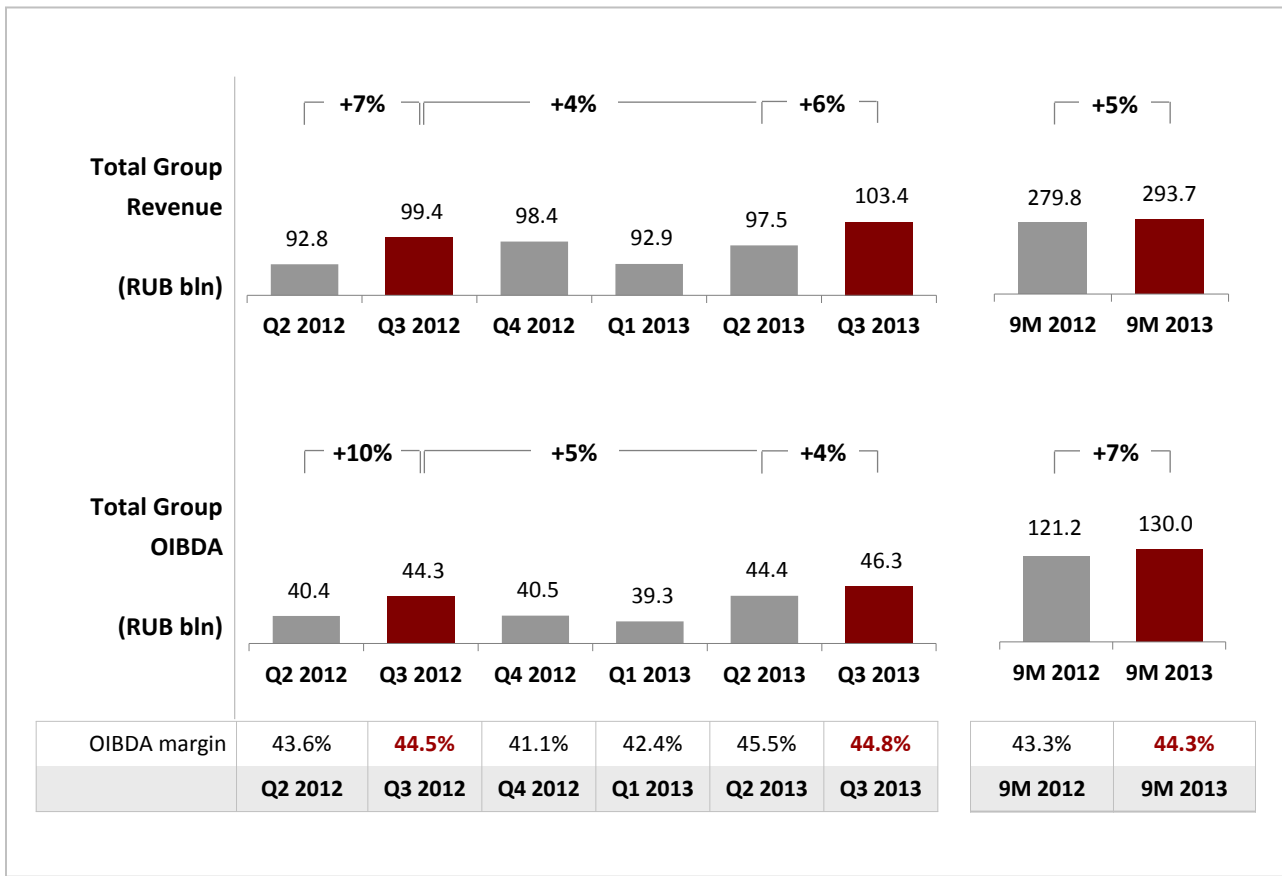
Thereafter

- EGM approved payout of semi-annual dividends of RUB 5.22 per ordinary MTS share (RUB 10.44 per ADR) amounting to the total of RUB 10.8 billion on the basis of the Company's H1 2013 financial and operating results
- Redeemed remaining amount of the RUB 10.0 billion series 01 bond
- Launched LTE networks in the Pskov Region, Kirov Region, North Ossetia-Alania, Khabarovsk Krai, Udmurtia, Zabaikalsky Krai, Amur Region
- Launched sales of iPhone 5s/5c in the MTS retail network
- Appointed Mr. Andrei Smelkov as Vice President for Foreign Subsidiaries, Member of the Executive Board



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Group financial highlights: Revenue and OIBDA*



- Year-over-year revenue increase driven by sustained growth in consumption of data and voice services
- Quarter-over-quarter revenue dynamics reflective of seasonal factors
- OIBDA improvement reflects top-line revenue growth, sustained improvements in the Company's operating efficiency and the growing contribution of higher-margin data services

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

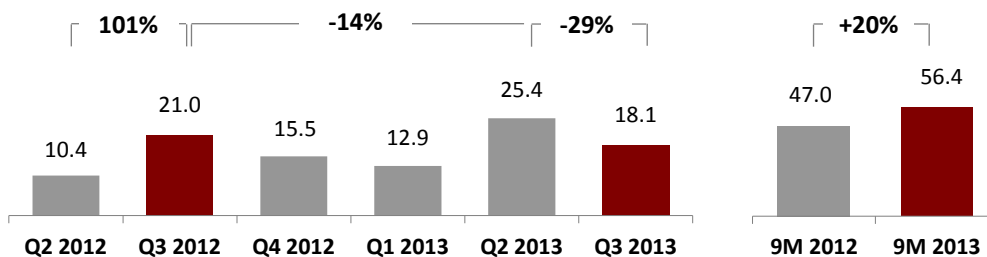


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Group financial highlights: Net Income

Group Net Income From Continuing Operations*

(RUB bln)



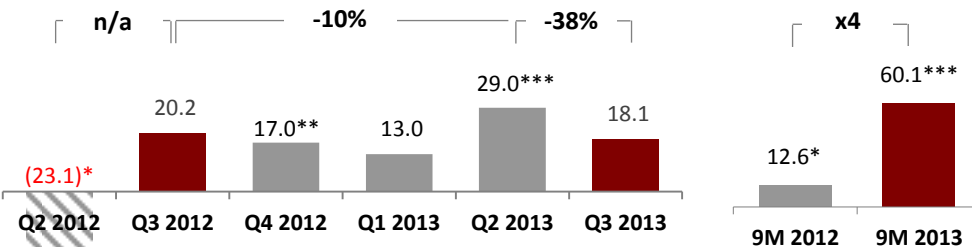
Net income margin	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
	11.2%	21.1%	15.7%	13.9%	26.0%	17.5%

Net income margin	9M 2012	9M 2013
	16.8%	19.2%

*Represents ongoing MTS operations exclusive of operations in Uzbekistan

Total Group Net Income

(RUB bln)



Net income margin	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
	n/a	20.3%	17.3%	14.0%	29.8%	17.5%

Net income margin	9M 2012	9M 2013
	4.5%	20.5%

*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

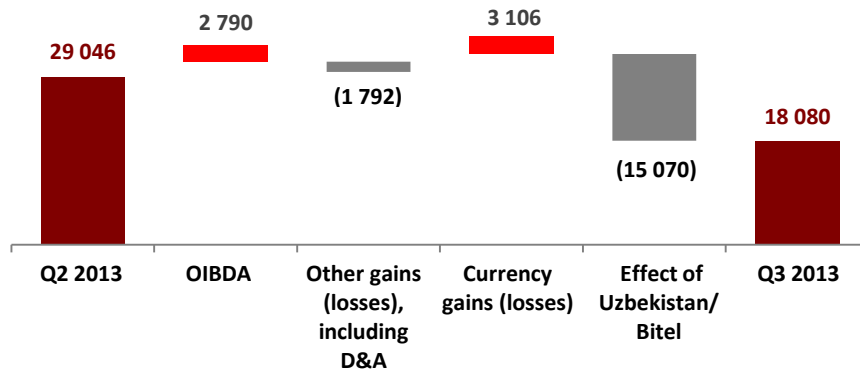
**Includes a non-cash impairment for goodwill and long-lived assets of RUB 979 mln and a gain from the reversal of provision for claims in Uzbekistan of RUB 2 510 mln resulting from the suspension of operations in July 2012

***Includes a non-cash gain on deconsolidation of Uzbekistan of RUB 3 682 mln

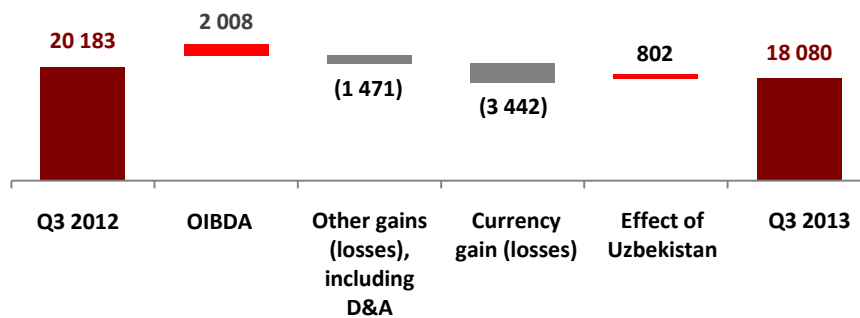
- MTS continues to show strong growth in net profit throughout the year
- Year-over-year net income difference attributable to non-cash FOREX gains of nearly RUB 3.4 bln in Q3 2012
- Quarterly net income dynamics reflect one-off gains realized in connection with settlement of litigation over Bitel LLC and discontinuation of operations in Uzbekistan in Q2 2013

Group Net Income Decomposition

Q-o-Q Group Net Income dynamics



Y-o-Y Group Net Income dynamics



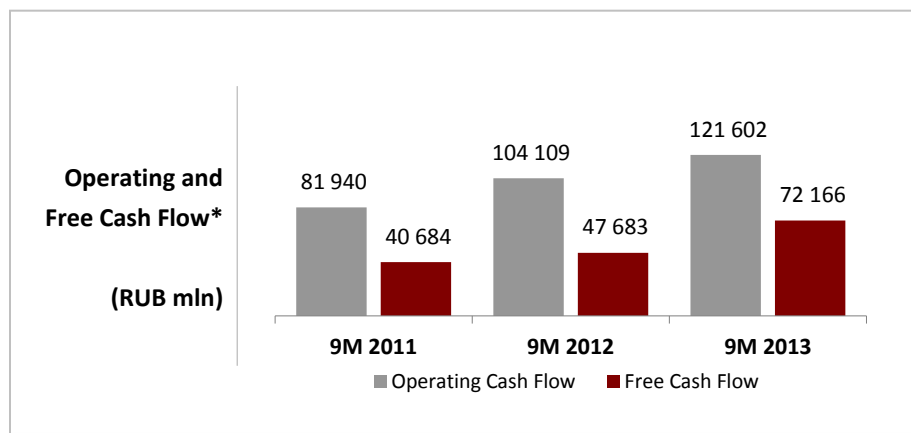
- Quarterly Group net income dynamics reflect one-off gains realized in Q2 2013 in connection with:
 - compensation for the settlement of litigation over Bitel LLC
 - deconsolidation of operations in Uzbekistan;
 - non-cash FOREX loss in Q2 2013 in the amount of 3.1 bln RUB
 - higher amortization for the period due to seasonally higher CAPEX spending

- Year-over-year Group Net Income difference attributable to:
 - non-cash FOREX gains of nearly RUB 3.4 bln in Q3 2012;
 - deconsolidation of operations in Uzbekistan
 - higher depreciation and amortization due to higher on-going CAPEX spending



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Group balance sheet, Operating and Free Cash Flow



*Data were retrospectively adjusted on discontinued operations in Uzbekistan

Balance sheet (RUB mln unless noted)	As of Dec 31, 2012	As of Sep 30, 2013
Cash and cash equivalents	22 014.2	45 083.8
Short-term investments	4 034.4	11 345.2
Total debt	232 105.1	223 918.8
Long-term debt	204 480.8	194 804.1
Short-term debt	27 624.3	29 114.7
Net debt*	206 056.5	167 489.8
LTM OIBDA*	161 703.2	170 478.1
Net debt/LTM OIBDA	1.3x	1.0x

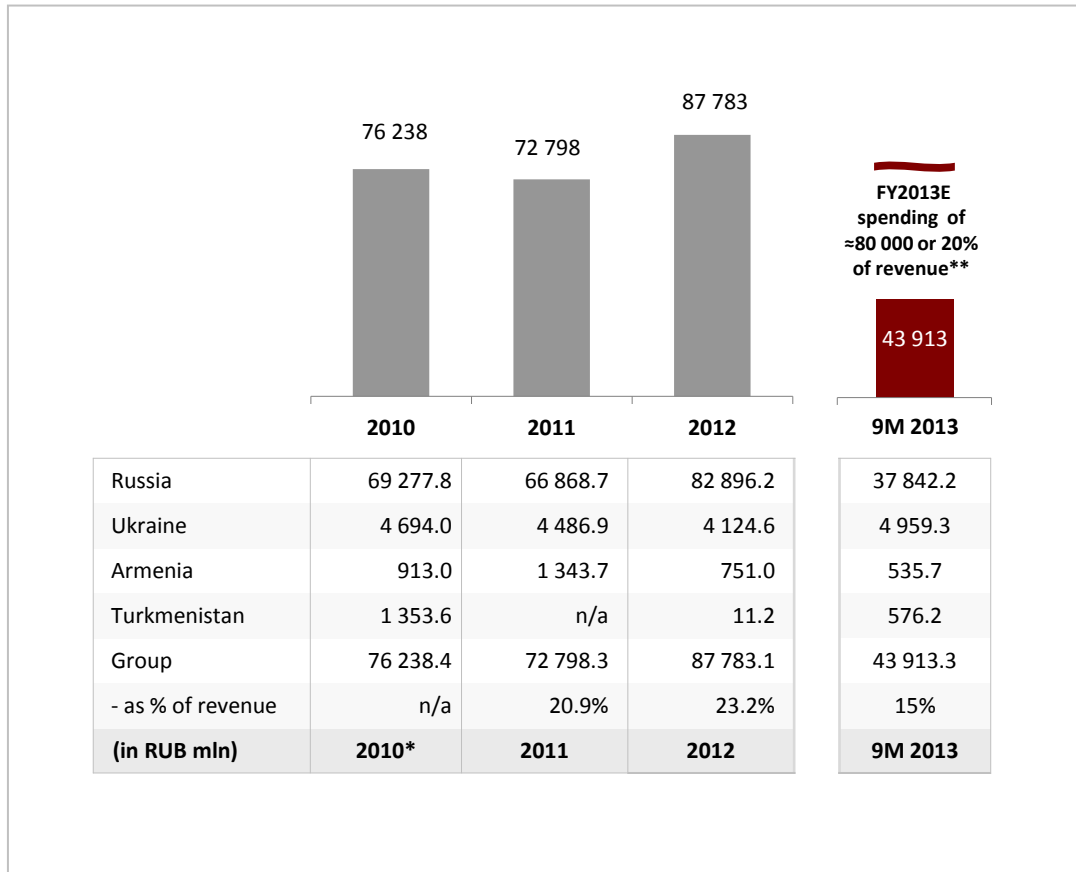
- Sequential increase in operating and free cash flows*
- Free cash flow reached RUB 72.2 bln for the first nine months of 2013
- Increase in cash on hand and short-term investments in preparation for H1 2013 interim dividend payout
- Reduction in Net debt/LTM OIBDA ratio due to improvement in operating 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. LTM – Last Twelve Months OIBDA.



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Group capital expenditures



- Capital expenditures year-to-date equaled RUB 43.9 bln due to enhancement of 2G and 3G networks in Russia, roll-out of LTE/4G networks throughout Russia, the ongoing deployment of GPON in Moscow and modernization of regional fixed-line networks
- Overall CAPEX spending for FY2013 expected to be in line with guidance of RUB 80 bln or roughly 20% of sales

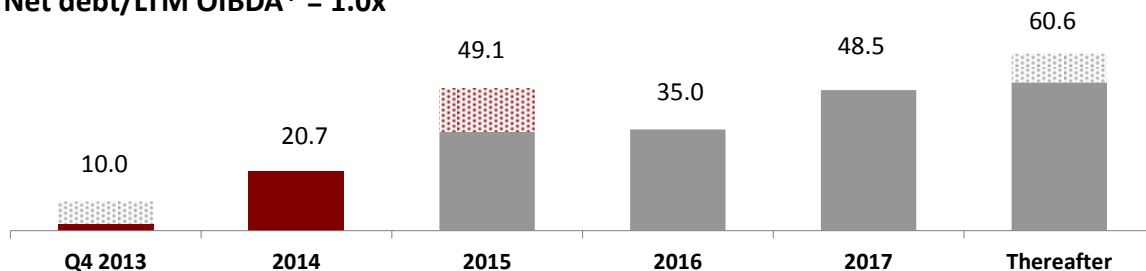
*Group CAPEX excluding Uzbekistan. Uzbekistan subsidiary was not deconsolidated from FY2010 financial results.


**Estimated CAPEX spending for 2013E

Debt repayment schedule (RUB bln)

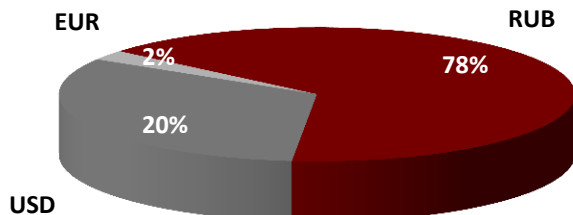
Total Group Debt = RUB 223.9 bln

Net debt/LTM OIBDA* = 1.0x

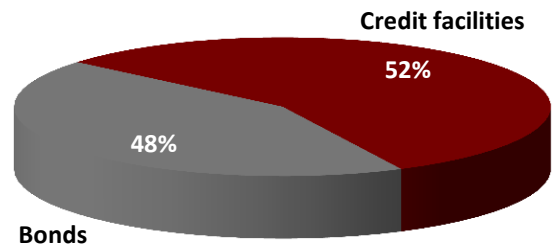


 MTS Series 03, 08 and BO-01 ruble bonds contain put options that can be exercised in December 2013, in November 2015 and in March 2018 respectively. MTS expects the options to be exercised.

Debt composition by currency Q3 2013*



Debt composition by type Q3 2013



- In July 2013, MTS repaid a portion of its credit facilities with Sberbank in the amount of RUB 20.0 billion

- Debt composition within the Company's internal target of maintaining about 70% of its portfolio in ruble-denominated instruments



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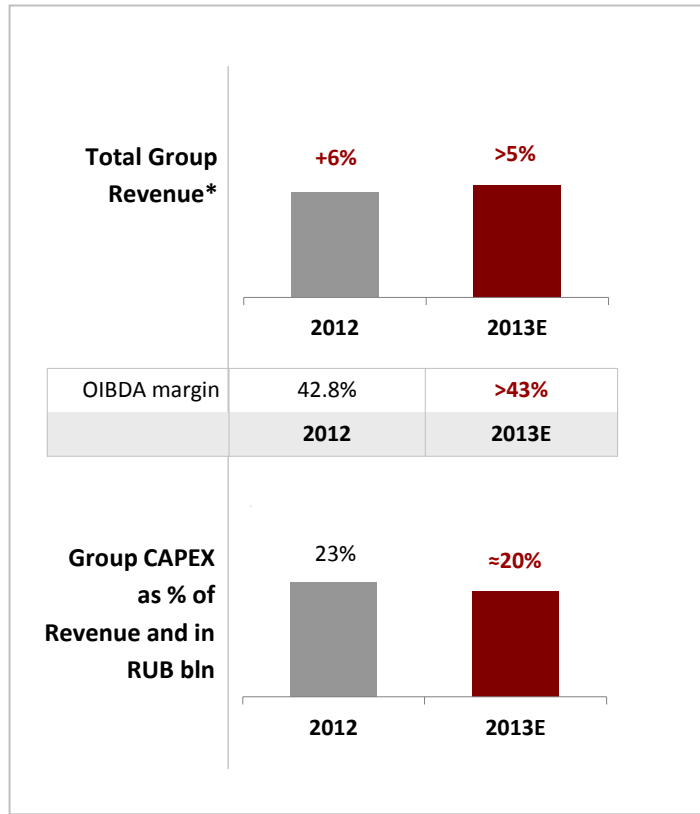
Group mobile subscriber dynamics

MTS subscribers (mln unless noted)	Q2 2013	Q3 2013	% change
Total mobile	102.77	105.27	2.4%
Russia	71.68	73.14	2.0%
Ukraine*	21.59	22.41	3.8%
Turkmenistan	1.88	2.01	6.7%
Armenia	2.36	2.38	1.1%
Belarus**	5.26	5.33	1.3%

*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 through innovative tariff plans and by driving sales through its mono-brand network and motivating third-party dealers to drive top-offs



- Management reiterates Group revenue growth guidance of at least **5%**; key factors may include:
 - Growth in data revenues through rising penetration of smartphones and modems
 - Lower sales of handsets due to reduced sales of high-value devices
 - Absence of any 3G licenses in Ukraine
 - Macroeconomic developments in core markets

- Guidance for OIBDA margin reiterated at **>43%**, which reflects both expected growth in service revenues as well as anticipated cost pressures:
 - Improvements in churn and increased customer loyalty
 - Higher labor costs due to expansion of retail and fixed-line networks
 - Inflationary pressure in operational expenses

- 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



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Financial and corporate highlights

Key financial and operating results

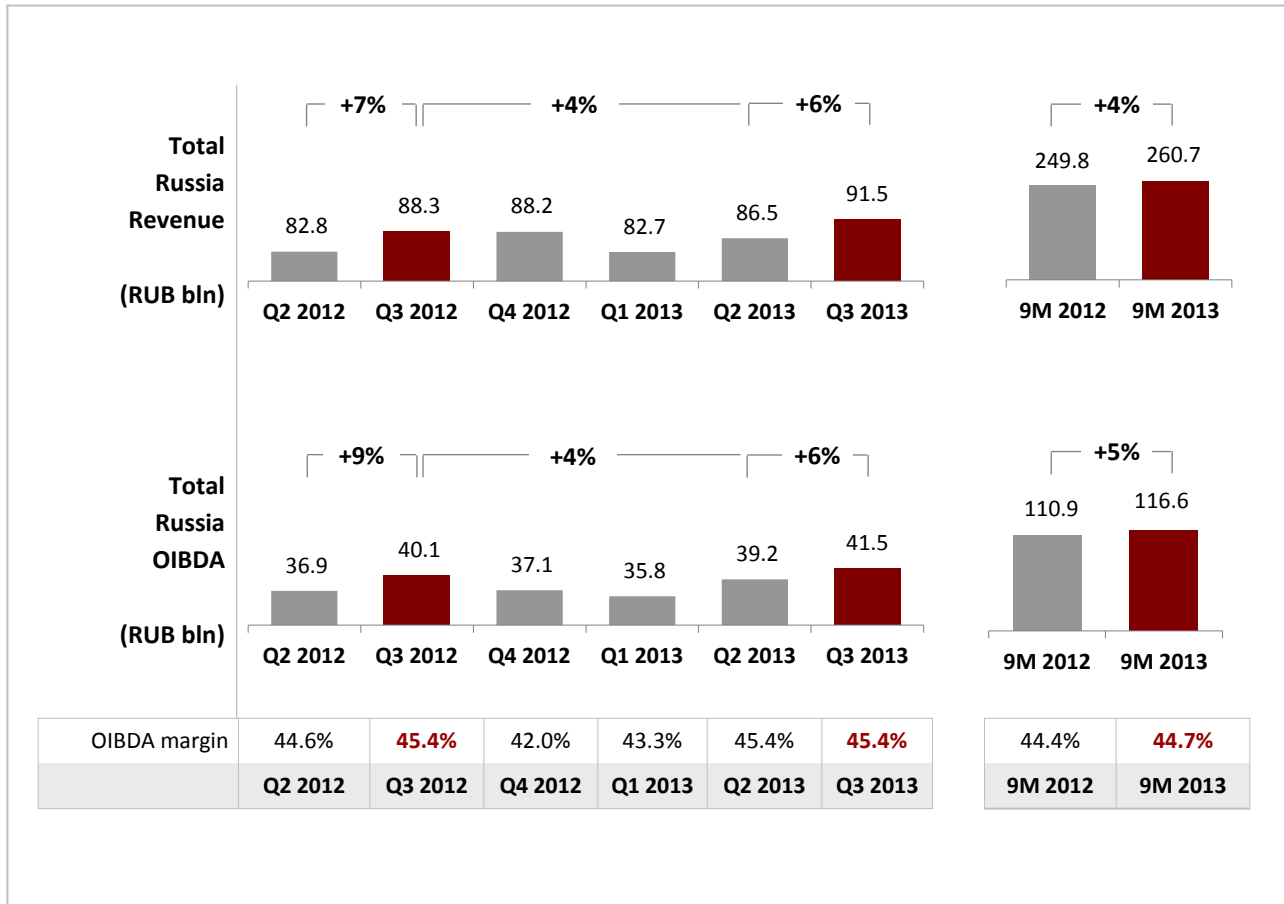
Appendix

- Russia
- Ukraine
- Armenia
- Turkmenistan



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Russia financial highlights

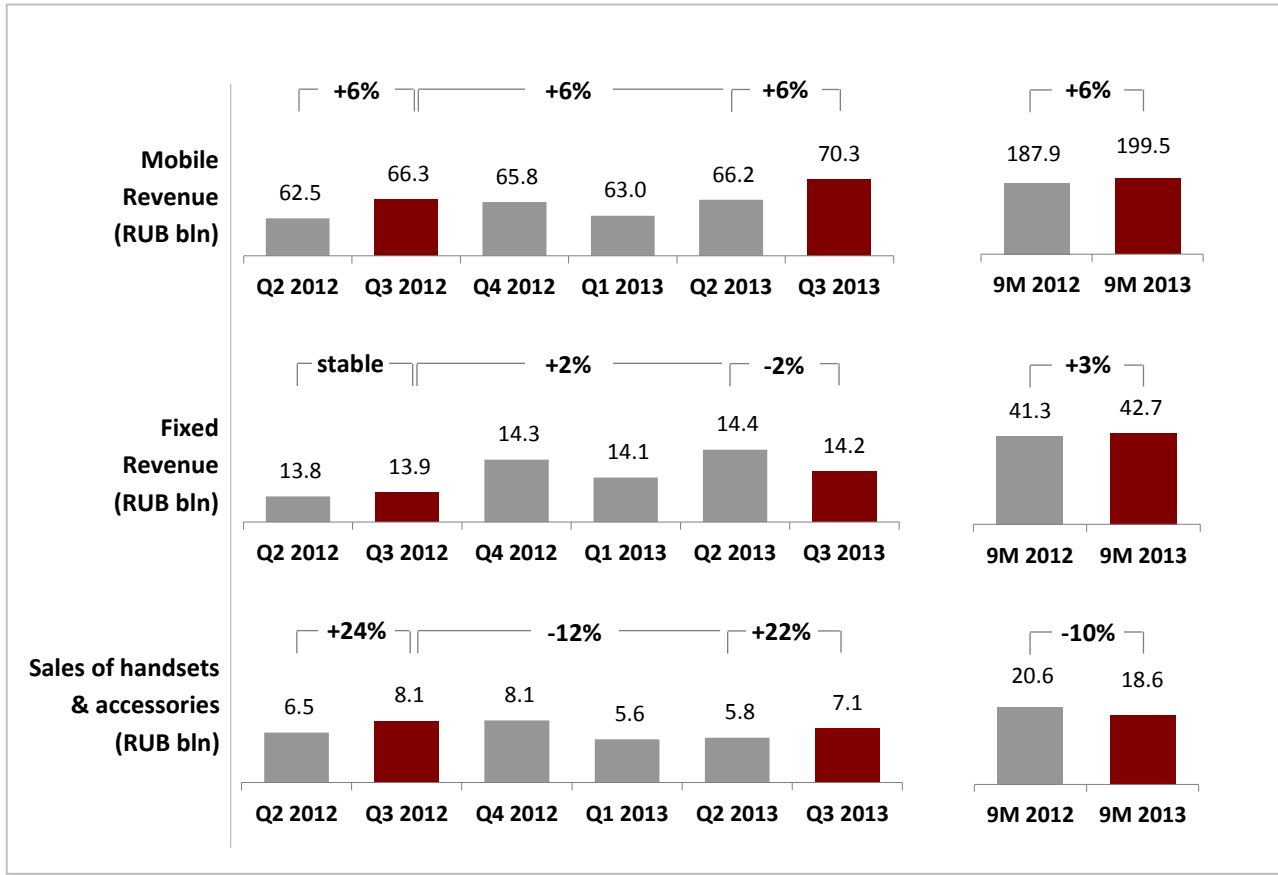


- Year-over-year revenue improvement driven by growth in data usage and Company’s focus on attracting and retaining of higher-quality subscribers
- Quarter-over-quarter dynamics reflective of the traditional seasonal factors, including higher roaming revenues and increased sales of handsets
- OIBDA dynamics in line with revenue trends



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Russia revenue breakdown

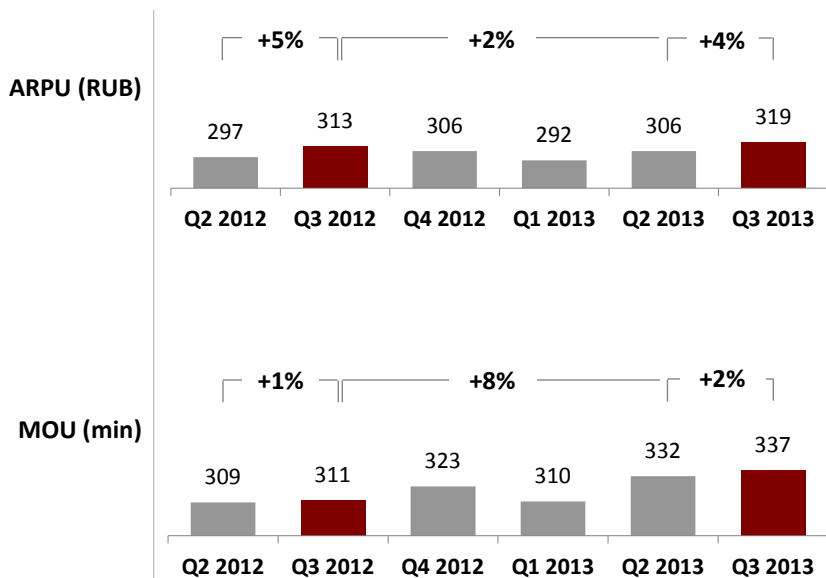


- Strong year-over-year growth in mobile service revenue driven by higher voice and data usage
- Year-over-year fixed revenue growth enhanced by network modernization, the migration of Pay-TV customers to digital platform, and growth in B2G services
- Quarterly decline in fixed-line revenue attributable to the one-off effect from the recognition of the revenue from B2G projects in Q2 2013
- Increase in quarterly sales of handsets due to seasonal factors as well as Company's success in promoting sales of MTS branded smartphones



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Russia mobile operating indicators



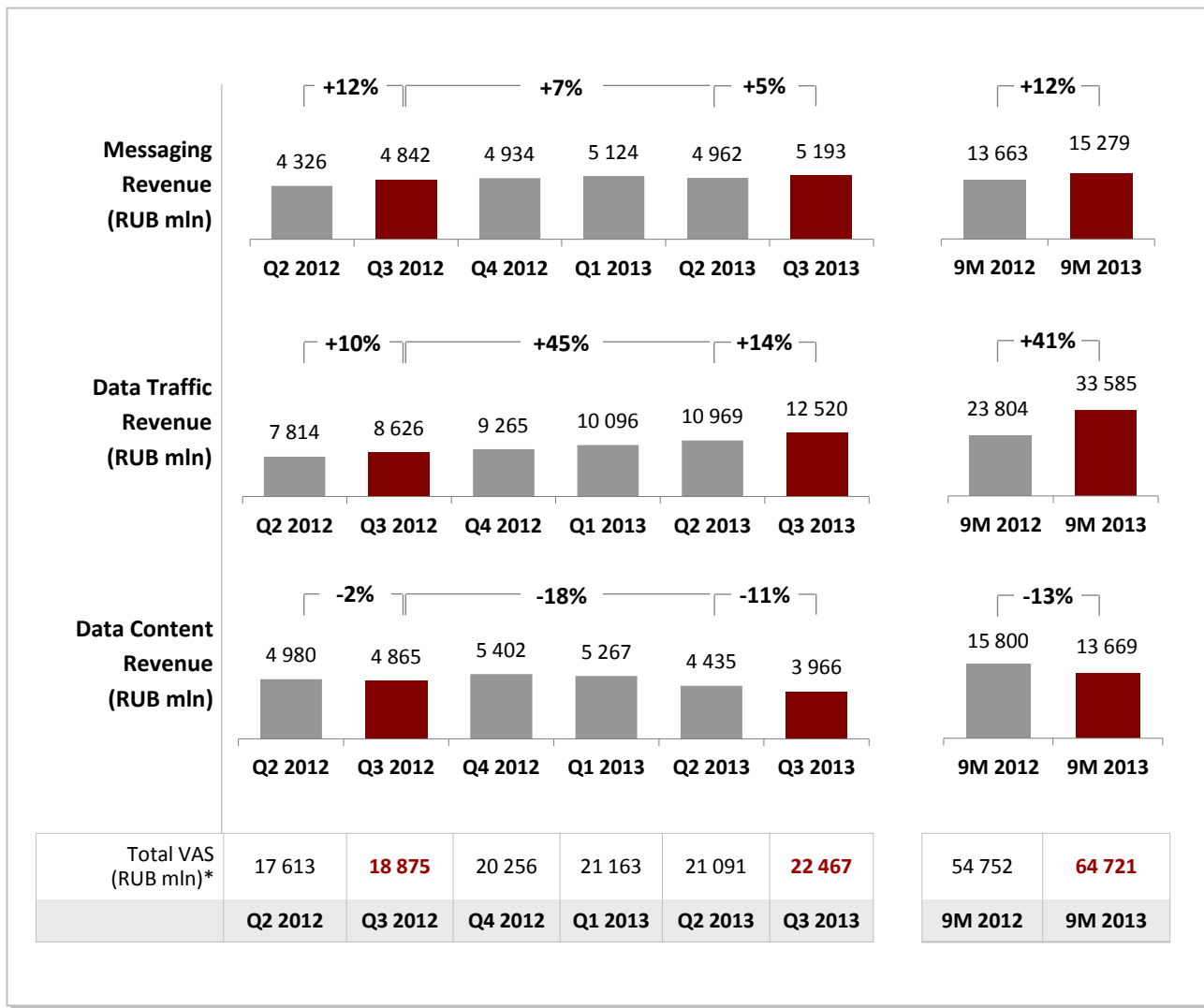
Subs, mln	69.6	70.7	71.2	71.3	71.7	73.1
Churn rate, %	10.5%	10.3%	11.0%	9.5%	9.4%	9.1%
VAS ARPU	77.5	80.0	90.2	91.8	90.1	93.5
- as % of ARPU	26.1%	25.5%	29.5%	31.4%	29.5%	29.3%
APPM	0.96	1.01	0.95	0.94	0.92	0.95
	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013

- 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 innovative tariff plans, change in dealer commission structure and focus on attraction and retention of higher-value customers



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Russia mobile operating indicators



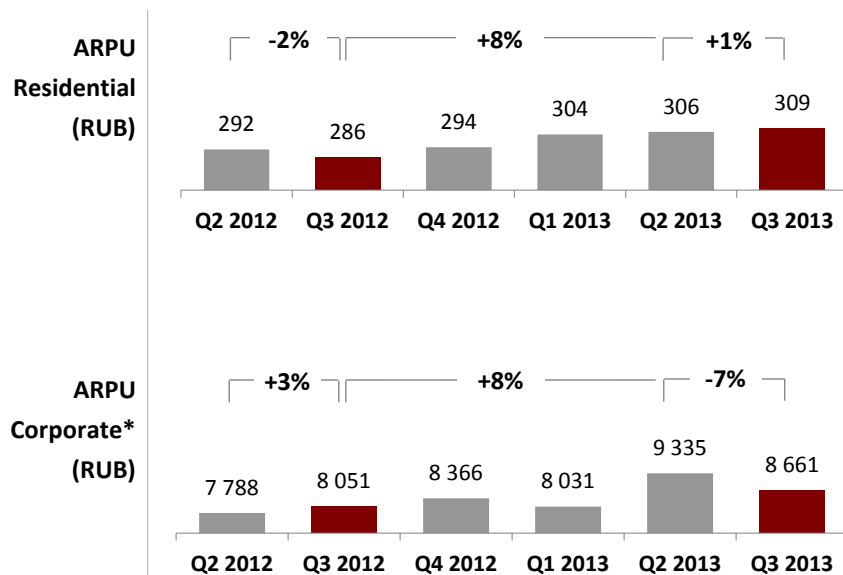
- Continued growth in messaging revenue due to on-going tariff policies that drive higher voice usage and in turn lead to higher overall usage of devices
- Sequential improvement in data traffic driven by growing smartphone and tablet penetration and increased adoption of data products
- Key initiatives included:
 - Campaign aimed stimulating sales of affordable smartphones – “MTS 970 for RUB 1890” when purchased with mobile Internet tariff plan
 - Joint promotional campaign with Apple on iPad Mini
 - Promotion of tariff plan Super Bit with fixed price on Internet in any of the Russia’s regions
- Decline in content revenues reflective of the Company’s policies to further 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



Total households passed, 000s	11 507	11 761	11 723	11 930	12 070	12 134
Total BB subs, 000s	2 231	2 219	2 313	2 314	2 317	2 385
Total pay-TV subs, 000s	2 936	2 952	2 938	2 885	2 806	2 678
	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013

- Year-on-year residential ARPU growth attributable to migration of pay-TV subscribers to digital TV platform and upselling of broadband subscribers through modernization of fixed-line networks in the regions
- ARPU growth in Moscow due to migration of ADSL customers to GPON and expansion of the subscriber base
- Year-over-year corporate ARPU growth driven by stringer sales of value added services, including VPN services

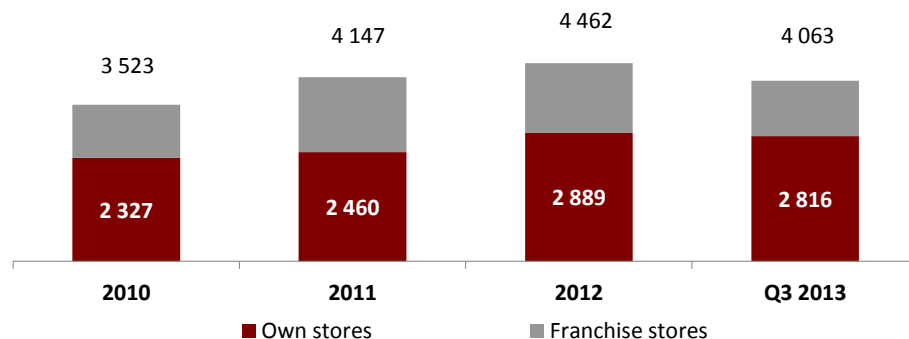


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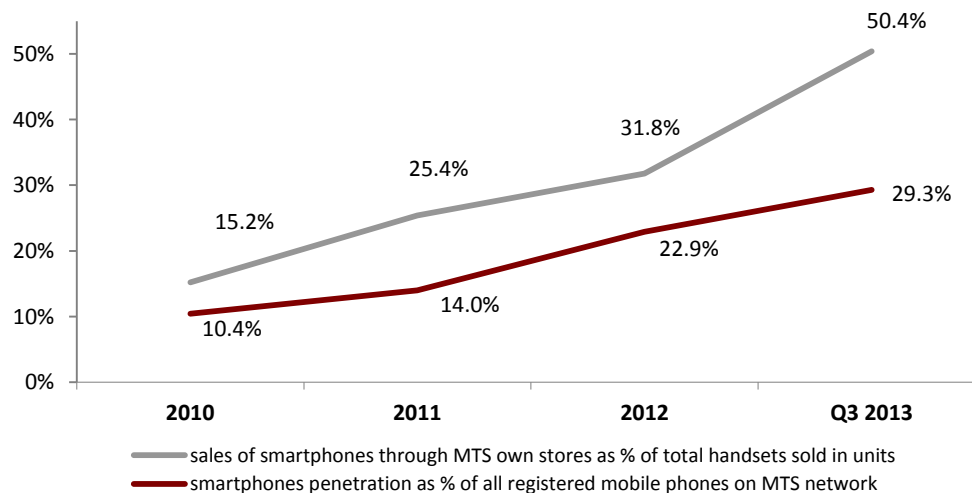
MTS retail network development

- At the end of Q3 2013, MTS retail network comprised 4 063 stores, including 1 247 franchised outlets
- During 2013, MTS focuses on improving point-of-sale efficiency and optimization of franchise network
- In Q3 2013, smartphones accounted for 50.4% of phones sold in MTS stores
- Focus on promoting sales of affordable low-budget smartphones, including MTS branded devices, smartphones priced under RUB 5,000 accounted for 56% of total smartphones sold in Q3 2013
- Threefold year-over-year increase in tablets penetration driven by higher sales of Apple and Samsung tablets in the MTS retail chain and expansion of product portfolio

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, Bada or Asha



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MTS branded smartphones

- The MTS-970, priced at RUB 1890* was the best-selling smartphone in Russia** with more than 150,000 units sold in August and September 2013
- Introduction of MTS 970 drove growth of MTS-branded smartphones sales from 9% in Q2 2013 to 30% of total smartphones sold in the MTS retail chain in Q3 2013
- Subscribers switching from a feature to MTS 970 phone deliver a 25% increase in ARPU and double their data ARPU
- Data ARPU on MTS-branded smartphones is up to 20% higher than average data ARPU of all smartphones*** in MTS network due to higher usage of pre-installed applications



Portfolio of MTS branded smartphones

MTS 970



1 890 RUB

- Android 4.1
- 1 GHz processor
- 3.5" screen size
- 3g-enabled
- 2.5 megapixel camera

MTS 968



6 490 RUB

MTS 975



4 990 RUB

MTS 965



3 190 RUB

MTS 972



2 990 RUB

*Price valid from July 29, 2013, through September 30, 2013, when purchased with Internet tariff plan

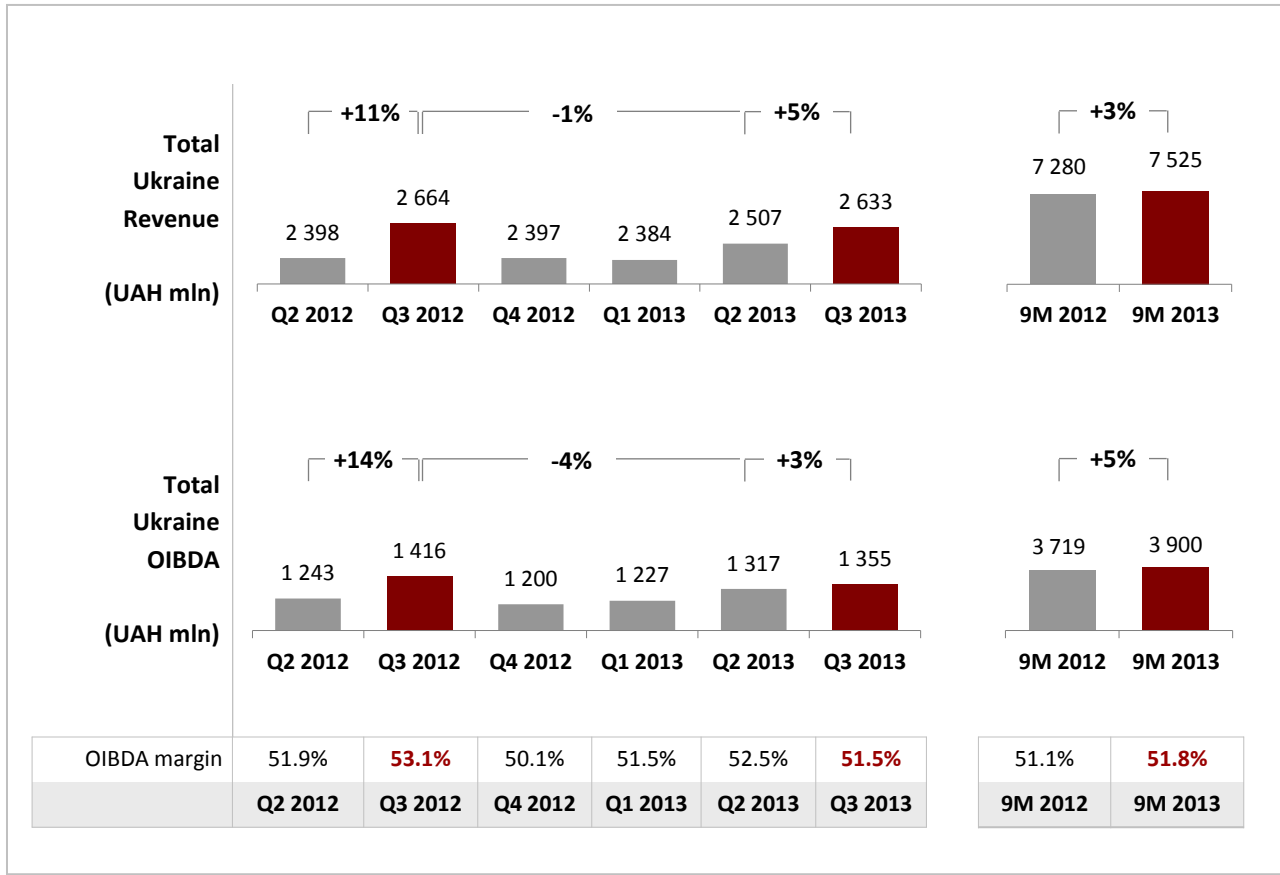
**According to the data compiled by market research company GfK for August and September 2013

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



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Ukraine financial highlights

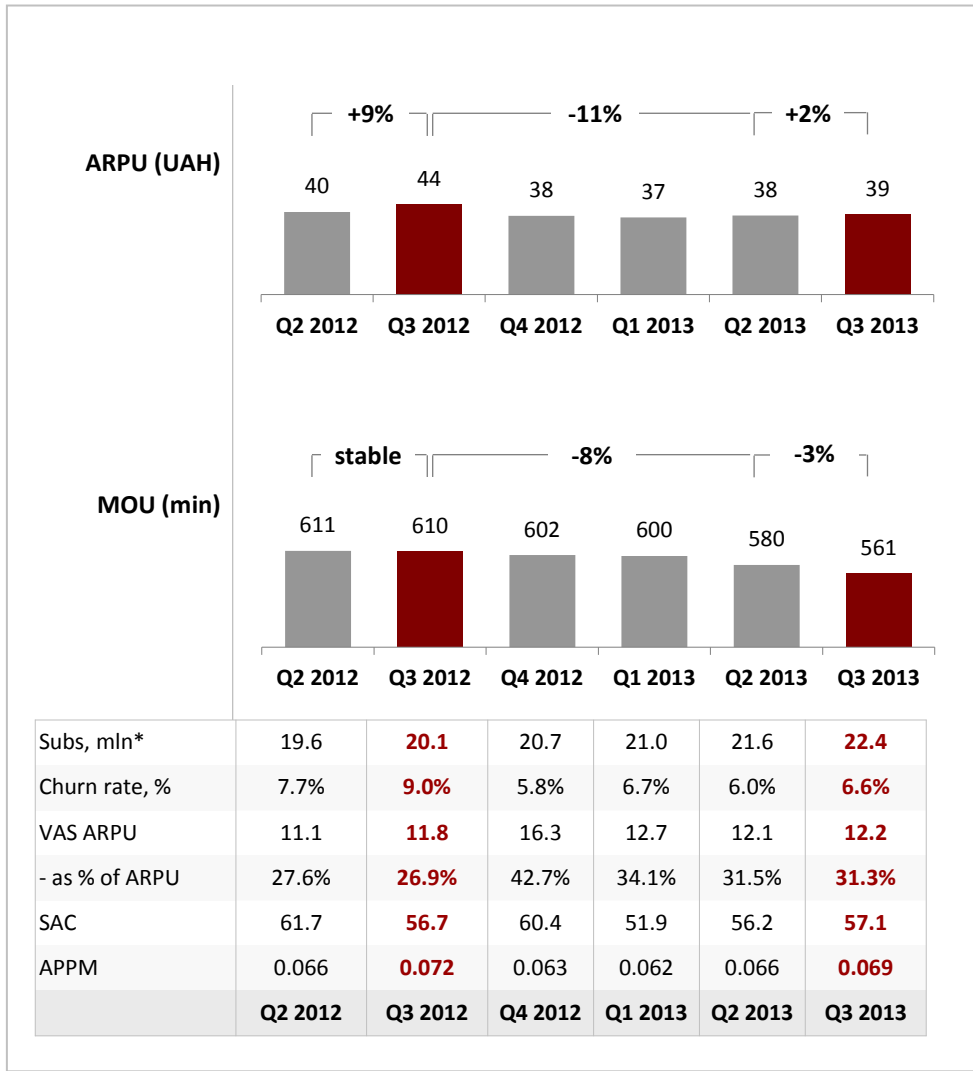


- Year-over-year revenue dynamics impacted by weaker macroeconomic environment and absence of 3G licenses
- Revenue dynamic also distorted due to higher seasonal revenues in Q3 2012 related to UEFA European Championship held in Ukraine
- OIBDA dynamic impacted by higher subscriber acquisition costs



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Ukraine operating indicators



- Year-over-year ARPU decline attributable to dilution of the subscriber base due to sales of SIM cards to lower-value subscribers and distortions due to UEFA Euro 2012 in Q3 2012
- Quarterly gains in ARPU attributable to seasonal factors yet mitigated by increase in lower-value subscribers
- Reduction in MOU as a result of the influx of lower-value subscribers

*Including CDMA subscribers



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Ukraine operating indicators



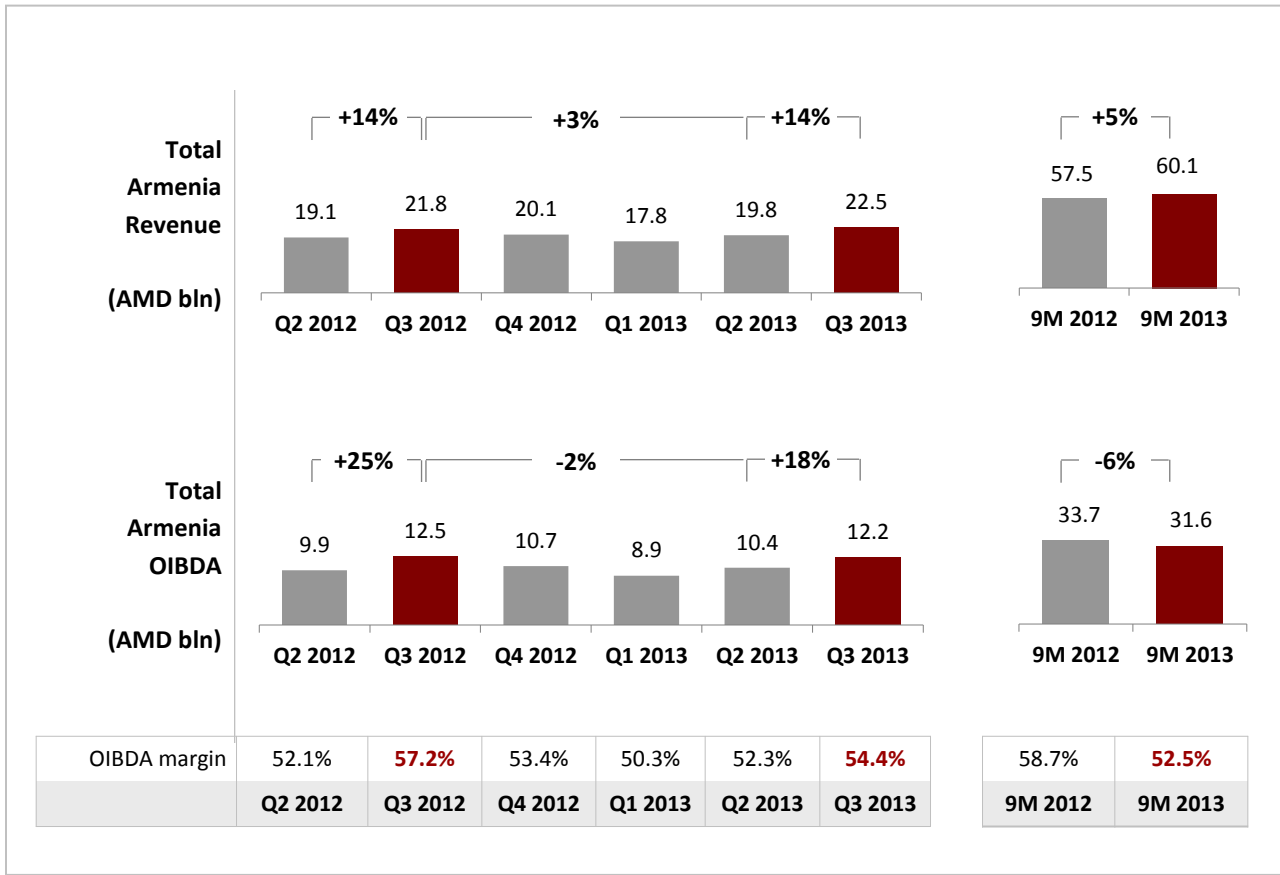
- Key initiatives in Q3 2013:
 - Increase in data traffic and voice packages to retain loyal customers
 - Launch of MTS branded lottery
 - Launch of dedicated tariffs for tablets

- Year-over-year increase in data traffic revenues attributable to the Company's success in stimulating data usage via CDMA and EDGE networks



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Armenia financial highlights

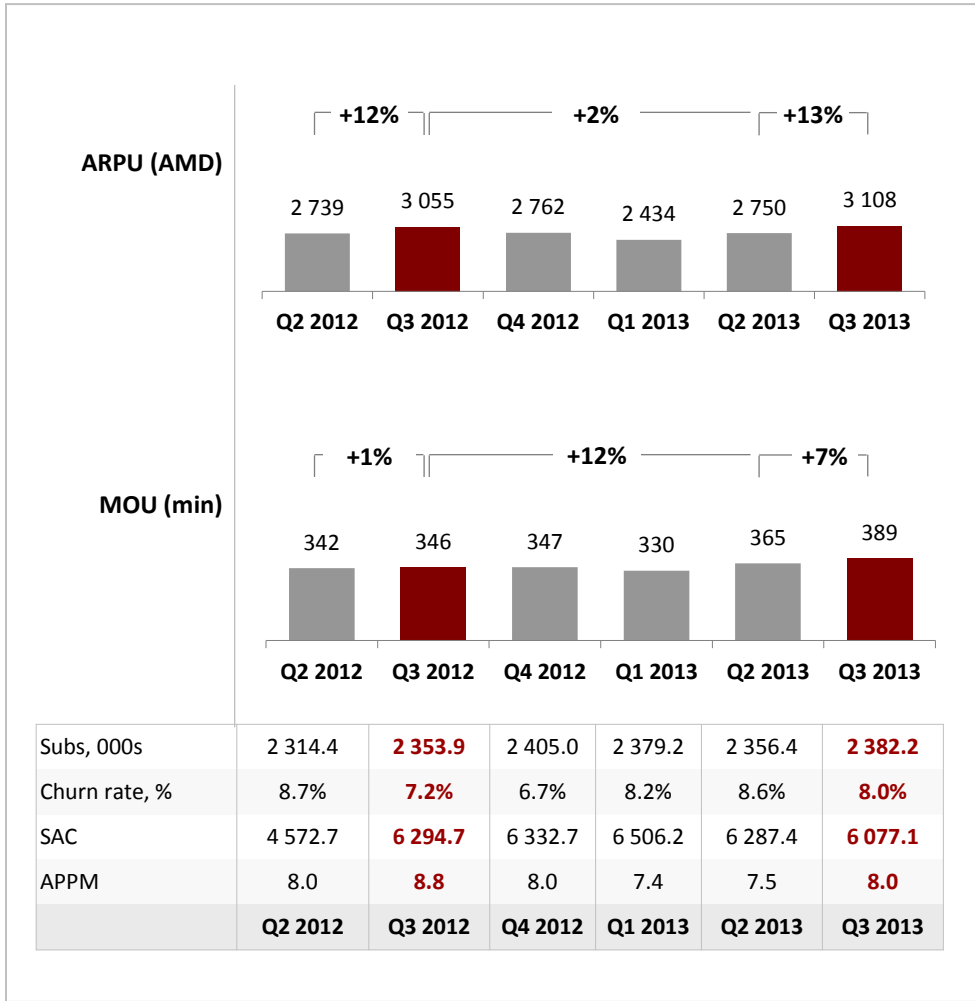


- Year-over-year revenue growth attributable to the Company's focus on promotion of bundled voice and data tariff plans
- Strong quarterly increase in revenue reflective of seasonally higher voice and subscriber roaming revenues
- Quarterly increase in OIBDA in line with topline dynamics and seasonal factors
- Slight year-over-year decline in OIBDA due to one-off effect of the recognition of income from equipment sale in Q3 2012



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Armenia operating indicators

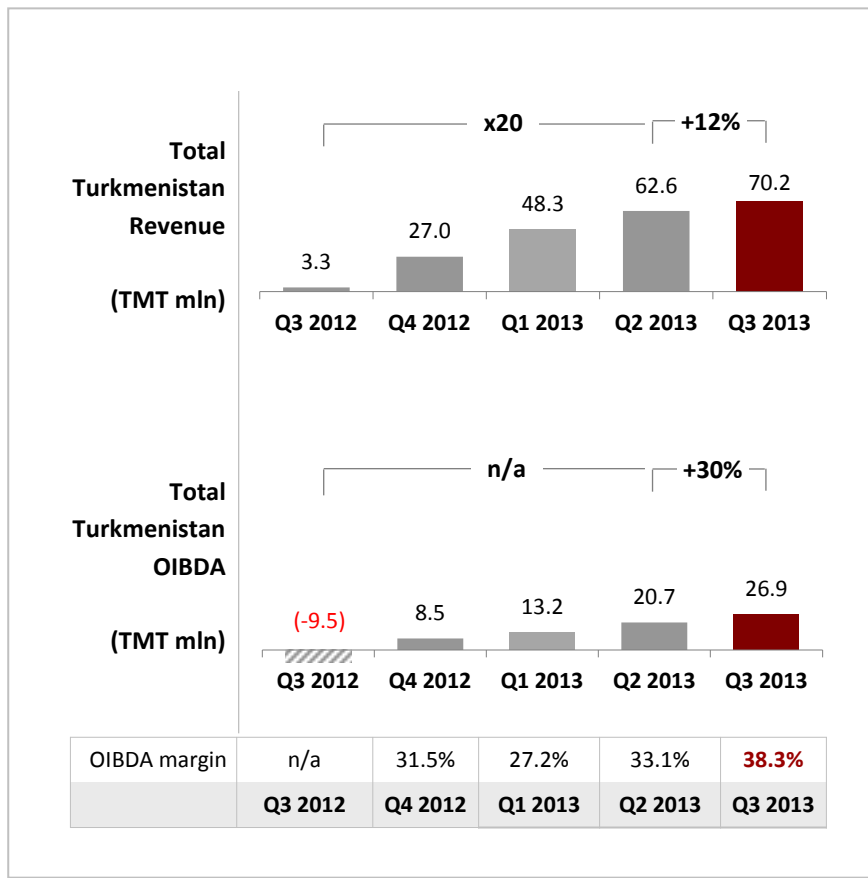


- Quarterly increase in ARPU due to seasonally higher voice usage as well as increase in own subscriber roaming revenues driven by commercial efforts to boost voice usage in roaming
- Year-over-year rise in MOU as a result of the efforts to drive voice usage, including usage in roaming
- Year-over-year improvement in churn dynamics reflective of the sustained focus on promoting customer loyalty



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Turkmenistan financial highlights

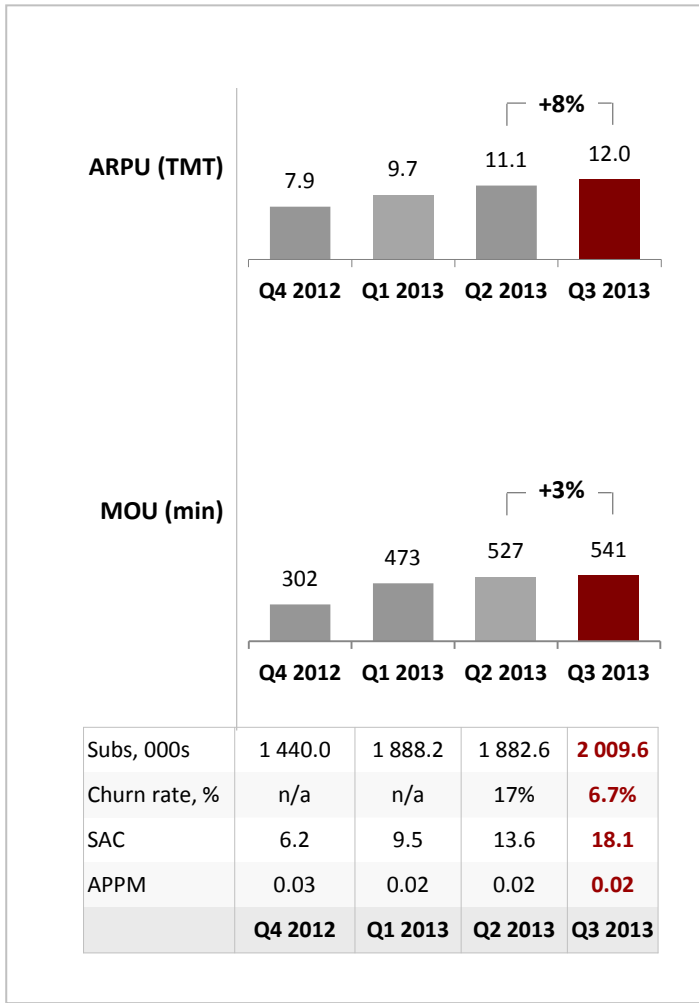


- On August 30, 2012, MTS re-launched its network in Turkmenistan and allowed existing subscribers to re-activate SIM cards
- On October 1, 2012, MTS began commercial sales of new SIM cards
- In Q3 2013, revenue increased by 12% q-o-q driven by increase in subscriber base, improvement in interconnect balance and growing consumption of data services
- In Q3 2013, OIBDA went up by 30% reflective of revenue dynamics



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Turkmenistan operating indicators



- Strong increase in ARPU attributable to successful commercial policies aimed at attracting new subscribers and stimulating consumption of voice and mobile data products
- MOU growth due to Company's focus on stimulating usage



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Financial and corporate highlights

Key financial and operating results

Appendix



- Definitions and reconciliations



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Appendix – Definitions and reconciliations

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

	Q3 2012					Q2 2013					Q3 2013				
RUB mln	Group	RUS	UKR	ARM	TUK	Group	RUS	UKR	ARM	TUK	Group	RUS	UKR	ARM	TUK
Operating income	27 067.5	25 833.3	3 258.8	424.1	(107.4)	25 566.1	22 977.1	2 978.3	446.7	228.7	27 394.7	25 166.6	3 396.6	600.5	305.1
Add: D&A	17 214.3	14 251.7	2 413.1	546.7	0.5	18 818.9	16 245.3	2 235.5	344.6	1.1	18 895.0	16 355.9	2 165.2	382.4	4.3
OIBDA	44 281.8	40 085.0	5 671.9	970.8	(106.8)	44 384.9	39 222.4	5 213.8	791.3	229.8	46 289.8	41 522.5	5 561.8	982.8	309.4

	Q3 2012					Q2 2013					Q3 2013				
	Group	RUS	UKR	ARM	TUK	Group	RUS	UKR	ARM	TUK	Group	RUS	UKR	ARM	TUK
Operating margin	27.2%	29.3%	30.5%	25.0%	n/a	26.2%	26.6%	30.0%	29.5%	32.9%	26.5%	27.5%	31.4%	33.2%	37.8%
Add: D&A	17.3%	16.1%	22.6%	32.2%	n/a	19.3%	18.8%	22.5%	22.8%	0.2%	18.3%	17.9%	20.0%	21.2%	0.5%
OIBDA margin	44.5%	45.4%	53.2%	57.2%	n/a	45.5%	45.4%	52.6%	52.3%	33.1%	44.8%	45.4%	51.5%	54.4%	38.3%



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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 Sep 30, 2013
Current portion of LT debt and of capital lease obligations	27 624.3	29 114.7
LT debt	204 432.3	194 785.5
Capital lease obligations	48.5	18.7
Total debt	232 105.1	223 918.8
Less:		
Cash and cash equivalents	22 014.2	45 083.8
ST investments	4 034.4	11 345.2
Net debt	206 056.5	167 489.8

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 nine months ended Sep 30, 2012	For nine months ended Sep 30, 2013
Net cash provided by operating activities	104 109.6	121 602.1
Less:		
Purchases of property, plant and equipment	(49 352.1)	(35 967.2)
Purchases of intangible assets	(4 740.9)	(7 946.0)
Proceeds from sale of property, plant and equipment	91.7	269.5
Proceeds from sale of other investments	1 375.5	-
Purchases of other investments	(2 100.0)	(702.9)
Investments in and advances to associates	-	(5 088.9)
Acquisition of subsidiaries, net of cash acquired	(1 701.1)	-
Free cash flow	47 682.7	72 166.6



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Appendix – Definitions and reconciliations

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

RUB mln	Three months ended Dec 31, 2012	Nine months ended Sep 30, 2013	Twelve months ended Sep 30, 2013
	A	B	C = A + B
Net operating income	23 412.6	74 538.6	97 951.2
Add: D&A	17 043.4	55 483.5	72 526.9
OIBDA	40 456.0	130 022.1	170 478.1



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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.



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