

TeleGeography

GlobalComms Database

Mobile TeleSystems (MTS)

Summary Data

Home country:

Russia
Wireless profile
Broadband profile

Wireless subscribers (Mar 2011):

71,460,000

Quarterly growth:

1.9%

Market share:

32.4%

Company Overview

Headquarters Address

Mobile TeleSystems (MTS)

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Moscow 109147
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<http://www.mtsgsm.com>

Ownership

Mobile TeleSystems (MTS) is majority-owned by Russian financial/industrial holding company AFK Sistema (52.8%). 0.5% is in the hands of other shareholders, while 46.7% of the company is in free float. Shares in MTS have been traded on the New York Stock Exchange (NYSE) since July 2000 and the Moscow Interbank Currency Exchange (MICEX) since November 2003.

Operational Overview

Mobile TeleSystems (MTS) is the largest wireless network operator by subscribers in Russia and the CIS, with operations covering all 83 Russian subjects (administrative subdivisions), both directly and via ownership of local concessionaires. In addition it has subsidiaries in Armenia, Belarus, Turkmenistan, Ukraine and Uzbekistan, which when counted alongside its domestic operations gives it a footprint covering more than 230 million people. As at 31 March 2011 the company reported 71.46 million customers in Russia (representing a 32.4% market share), 18.28 million in Ukraine (36.1%), 9.11 million in Uzbekistan (41.6%), 2.55 million in Armenia (66%) and 4.75 million in Belarus (43.4%). At the end of March 2011 MTS had a consolidated subscriber base of 103.2 million wireless subscribers, up from 100.4 million year-on-year.

Since March 2003 MTS has owned 100% of Ukrainian Mobile Communications, which re-branded as MTS in 2007. The next largest subsidiary in terms of sales is an Uzbek cellco formerly known as Uzdurobita, in which MTS acquired a 74% stake in August 2004, and went on to take full control in June 2007, by which time the operator had already adopted the MTS brand. Meanwhile, in September 2007 MTS paid in excess of USD400 million for Armenia's largest cellco by subscribers Karabakh Telecom (K-Telecom), which markets services under the VivaCell-MTS banner. Finally among its consolidated subsidiaries, MTS completed its 100% takeover of Barash Communications Technologies Inc (BCTI) in Turkmenistan in November 2005, having purchased 51% of the operator eleven months earlier. MTS also owns a non-consolidated 49% stake in MTS Belarus.

MTS was successful with its bid for a 3G concession in the Russian government's spectrum auction in April 2007, and went on to launch its W-CDMA network in St Petersburg in May 2008, going on to launch in 40 cities by end-2009. January 2010 saw MTS complete the final piece of its 3G jigsaw when it launched in the Moscow metropolitan area, after a lengthy

delay caused by the military's reluctance to free up the requisite frequencies. MTS has subsequently launched commercial 3G networks in Ukraine (based on CDMA technology), Uzbekistan, Armenia and Belarus (all based on W-CDMA).

In July 2010 MTS announced the commercial launch of its inaugural Long Term Evolution (LTE) network in Uzbekistan; the launch marked the first fully operational 4G network in the CIS and Central Asia, and only the fourth live commercial LTE network in the world. The Uzbek LTE network was deployed in Tashkent, with the company planning to expand network coverage significantly over time. Oleg Raspopov, vice president and head of MTS' Foreign Subsidiaries unit, commented: 'The introduction of LTE in Uzbekistan will also allow MTS to gain valuable insight from this unique experience and eventually apply it to other markets of operation in the future'. Next in line for LTE connectivity was Armenia. In November 2010 Armenian telecoms regulator, the Commission on Regulation of Public Services (PSRC), awarded VivaCell-MTS 40MHz of LTE-suitable spectrum: 2500MHz-2520MHz and 2620MHz-2640MHz in the capital Yerevan; and 2600MHz-2640MHz in the regions; the licence expires on 4 November 2019. The LTE licence, which cost AMD990 million (USD2.73 million), stipulated that VivaCell-MTS must launch commercial operations by 1 March 2011, although no formal launch was reported by June 2011.

Meanwhile, in its domestic market, March 2011 saw MTS unite with fellow Russian cellcos Vimpelcom and MegaFon (the three operators comprise the self-styled 'Big Three' of the Russian wireless market) alongside state-owned national operator Rostelecom and WiMAX operator Scartel (Yota) to facilitate the rollout of a single national LTE network by 2014. Scartel will effectively act as the consortium's 4G network provider of choice. In July 2010 Scartel received regulatory approval from telecoms regulator Roskomnadzor to abandon WiMAX for LTE, re-using its existing spectrum. The telcos will buy bandwidth from Yota and lease its LTE facilities. As part of the deal, MTS and its three partners will each be given an option to take a 20% stake in Yota in 2014, at market prices. Telconet Capital Fund, which currently owns 74.9% of Scartel will be required to sell all of its shares, whilst co-owner Russian Technologies will reduce its 25.1% stake to 20%.

However, despite solid progress in most of its wireless markets, MTS has run into increasing difficulties in Turkmenistan, and in December 2010 telecoms regulator the Ministry of Communications (MoC) suspended MTS Turkmenistan's licence for a month, prompting the Russian parent company to claim that it had not been given a reason for the suspension. With reports claiming that the licence would be suspended for a month from 21 December 2010, MTS Turkmenistan was keen to stress that it did not believe that its concession was due to expire until February 2012. In response to the development parent company MTS said: 'The company is currently considering all available options, including potential legal action, and shall vigorously defend its legal rights and investment interests.' Despite having expected to resume services after its one-month suspension expired, at end-January 2011 MTS had still yet to recommence commercial activity, and at that date Turkmenistan's Ministry of Foreign Affairs (MFA) publicly stated that the operating agreement it signed with MTS in 2005 was only valid for five years. Speculation was rife that the government-imposed suspension was an attempt to pressurise MTS into either handing the state a stake in the cellco, which prior to its suspension accounted for more than 80% of the country's mobile subscribers. As at June 2011 MTS Turkmenistan was still not offering commercial services, and there had been no further developments reported regarding the ongoing lawsuit brought by MTS.

Whilst its current strategic focus remains on the wireless arena, in June 2009 MTS received clearance from the Russian antitrust authority to buy a 50.9% stake in sister fixed line operator Comstar United TeleSystems (Comstar UTS). The deal – valued at RUB39.2 billion (USD1.3 billion) – was completed in October of that year, giving the company increased access to the country's underdeveloped broadband sector. The purchase of Comstar can be seen as an attempt to keep up with Vimpelcom, which had previously acquired a fixed line carrier in the shape of Golden Telecom and which competes with Comstar

in Russia and Ukraine. MTS further ramped up its fixed line operations in January 2010 when it purchased fibre-optic network operator Eurotel in a USD110 million deal. Eurotel's network, which connects most of the major cities in Russia, extends to 19,500km, increasing MTS' backbone to around 35,000km in total. The enlarged entity now claims to be the leading non-government telco in Russia's wireline sector and is the largest fixed line and broadband operator in the Moscow region. The capital is the focus of Comstar's business despite the telco having over one hundred local subsidiaries nationwide, accounting for approximately 60% of the company's broadband customer base, mainly via DSL/Ethernet/FTTB technologies. By March 2011 Comstar was operational in 84 cities across the country, after adding 15 new cities to its footprint – via acquisition and expansion – during 2010. Although the bulk of MTS' broadband services are managed by Comstar UTS, speculation has been rife in recent years that MTS intends to enter the broadband market under its own steam. In September 2010 MTS acquired a 95% stake in Metro-Telecom from Russian telecoms holding company Svyazinvest. According to a company statement, MTS bought the stake for RUB339.35 million (USD11.01 million). The acquisition of Metro-Telecom, which owns its own fibre-optic network in Moscow, has been tipped to precede MTS' entrance into the Moscow broadband market under its main brand. At the time of writing (June 2011) MTS had yet to comment on its plans for the unit.

On 1 April 2011 MTS announced that it had completed the statutory merger with its fixed line and broadband subsidiary Comstar UTS, effectively liquidating Comstar as a separate legal entity on that date. In accordance with the terms of the merger, qualifying holders of Comstar shares received 0.825 MTS ordinary shares for each Comstar ordinary share. The full consolidation of Comstar into MTS was first announced in June 2010, and is designed to facilitate the full integration of the two firms' respective subscriber bases and enable the cross-selling of broadband and television services to MTS customers. The merger is expected to generate additional cost synergies of around USD200 million.

In 2008, in a move outside of its familiar Eastern European territory, MTS' parent company Sistema entered the Indian wireless market, via Sistema Shyam TeleServices (SSTL), a joint venture with the local Shyam Group. Over the course of 2008 Sistema acquired a 73.7% stake in SSTL in three stages: 41% in January, 21% in May and 1.7% in June. Eventually, in December 2008 it was announced that SSTL would adopt the MTS brand, offering commercial services under the MTS India banner. As of March 2011 the company had a presence in all 22 of India's circles, reaping the benefits of its ongoing USD1 billion investment. As at March 2011 MTS India reported 10.06 million subscribers, up from 3.82 million one year earlier. Despite strong annual gains MTS India has struggled to meet its previously-stated targets; it predicted 20 million subscribers by 2010, 35 million by 2012 and 56 million by 2014. Under the 'MBlaze' brand, MTS India claims to provide mobile broadband services to more than 600,000 customers in over 150 towns across the country.

After several years concentrating on its existing priorities, July 2010 saw MTS linked with a potential purchase offer for the Telekom Austria Group, a move which was promptly denied by the Austrian firm. Austrian financial newspaper WirtschaftsBlatt printed the claims, and suggested that Austrian Finance Minister Josef Proell had urged the company to consider the pros and cons of such a deal. The chairman of the employee representatives association, Markus Hinker, said that he was upset by these rumours – just days after the company completed the merger of its wireline and wireless units. He insisted that employees would oppose any sale of the company, as it would threaten hundreds of jobs. Almost a year on (June 2011) no further reports had emerged concerning a potential deal with the Telekom Austria Group. More recently, in March 2011, the Belarus government reiterated its intention to sell its remaining 51% stake in MTS Belarus, with President Lukashenko reported as telling MTS it had the option of increasing its ownership to 100%. State news agency BELTA quoted the president as saying: 'We are not against this: just pay USD1 billion. If you [MTS] want to buy, just go ahead. Otherwise we'll put it up for an auction'. At the time of writing (June 2011) no further developments had been reported.

In November 2010 MTS agreed to pay parent company Sistema RUB13.39 billion (USD427 million) for a 100% stake in Sistema Telecom, a holding incorporating certain telecoms assets. The figure comprises RUB11.59 billion of the share capital and RUB1.80 billion worth of net debt. Sistema Telecom's key assets at the time of the acquisition consisted of: a 45% stake in TS-Retail, in which MTS held a 55% controlling interest; certain promissory notes previously issued by MTS totalling RUB2 billion; and property rights to the company's distinctive 'egg' logo, as used by MTS, Comstar UTS and fixed line provider Moscow City Telephone Network (MGTS). MTS previously paid Sistema Telecom a royalty fee of 0.16% of its annual revenues for the use of the 'egg' logo; MTS paid aggregate royalties in excess of USD41 million to Sistema Telecom during the financial years 2007, 2008 and 2009.

MTS announced revenues of USD11.3 billion for the twelve months ended 31 December 2010, a rise of 14.5% from the USD9.9 billion reported in 2009. Of this figure, USD8.9 billion was generated by mobile services, a rise of 11.0% from USD8.0 billion one year earlier. Meanwhile, the company's fixed line unit was responsible for revenues of USD1.7 billion, up 12.8% from USD1.5 billion previously. Adjusted OIBDA increased 8.6% from USD4.5 billion to USD4.9 billion during FY10, whilst net operating income grew 7% from USD2.6 billion to USD2.7 billion. Net income for the twelve months ending 31 December 2010 grew 36.1%, to USD1.4 billion.

Andrei Dubovskov, CEO and president of MTS, commented: '2010 was a year of transition for MTS. With the completion of our statutory merger with Comstar, MTS has transformed itself from a simple mobile operator to a full-fledged telecommunications provider, offering mobile, fixed, internet and content products and services. Obviously MTS has changed, and our financial performance is reflective of this. However, the change has allowed us to create a platform that will usher in a new era for MTS. To date we have been focused on an acquisition model of business. This has served us with the growth of subscribers and the changes in distribution over the years. Having now established ourselves in both the fixed line space and retail, we can now begin to focus on retention and loyalty as key operational goals of our business. Overall, in terms of revenue we see about 10% growth for 2011. We aim to push more tariffs that promote on-net traffic and better monetise off-net calling. Network enhancement will drive more profitable data usage through our networks. In addition, our ability to launch true convergent products, eliminating redundancy at both MTS and Comstar, will further drive usage and support our churn reduction efforts'.

Group Highlights

	2005	2006	2007	2008	2009	2010
- REVENUE -						
Russia	73.8%	73.1%	74.9%	79.8%	81.8%	83.5%
Ukraine	24.0%	23.3%	19.5%	14.0%	10.7%	9.5%
Uzbekistan	1.7%	2.1%	3.0%	3.3%	4.1%	4.0%
Armenia	0.0%	0.0%	0.8%	2.2%	2.3%	1.8%
Turkmenistan	0.7%	1.7%	2.0%	1.1%	1.6%	1.8%
Eliminations	-0.2%	-0.2%	-0.2%	-0.3%	-0.4%	-0.6%
TOTAL (USD Mill)	5,011	6,384	8,252	11,901	9,823	11,293
- CAPEX -						
Russia	66.4%	62.6%	59.6%	67.9%	59.6%	24.0%
Ukraine	31.0%	33.5%	35.4%	23.1%	16.2%	14.4%
Uzbekistan	2.6%	3.0%	2.0%	5.4%	19.8%	35.3%
Armenia	0.0%	0.0%	0.9%	1.3%	2.1%	14.4%
Turkmenistan	0.1%	0.9%	2.1%	2.3%	2.3%	21.4%
TOTAL (USD Mill)	2,181	1,722	1,540	2,581	2,328	2,647

Wireless Operations

Mobile TeleSystems (MTS) was first launched in 1994 and has grown to be the largest provider nationwide in terms of subscribers, with an estimated customer base of 70.15 million at year-end 2010, almost 13 million more than its nearest rival MegaFon. The cellco has a strong presence in all seven of Russia's federal districts and holds concessions to operate in all 83 of the country's provinces. It is also a major player throughout the CIS, boasting an operational footprint covering a population of more than 230 million including its domestic market and the entire territories of Ukraine, Belarus, Uzbekistan, Turkmenistan and Armenia. However the company's domestic market remains its main priority, accounting for 66.3% of the group's consolidated customer base at the end of September 2010. The company also has a growing presence in the fixed line and broadband arena through former sister company Comstar-UTS, which it bought out in October 2009 (see Comstar-UTS profile for more details).

In recent years MTS has pursued an aggressive acquisitions and expansions strategy. Besides the continued, incremental enlargement of its existing infrastructure, the expansion has involved new licence awards in regions such as Samara, buy-outs of part-owned subsidiaries, or acquisitions of smaller operators. In late 2005 MTS took full ownership of Chita-based cellco Sibintertelecom, which had around 400,000 subscribers at the time. In April 2006 MTS acquired stakes in three regional operators — Krasintel, Telecom-Service and Uraltel-Plus — and upped its interest in Tomsk-based firm Shchittelecom from 1% to 100%. Three months later it bought a 75% controlling stake in Dagtelecom, a southern GSM operator, from British Virgin Islands-registered Glaxen Corp, for USD14.7 million including an option for the remaining shares. Meanwhile, MTS has worked to integrate the networks of many of its subsidiaries into its core business. In 2005 operators including Telesot-Alania, Uraltel, Telecom XXI, Kuban-GSM, Digital Network of Udmurtia (DNU-900), Dontelecom, MTS-Barnaul, MTS-Nizhniy Novgorod (MTS-NN), Telecom-900 and Amur Cellular Communication (ACC) were merged into the parent company. In April 2006 MTS completed the integration of another nine subsidiaries: Gorizont RT, Taif-Telkom, MTS-RTK, Sibchallenge, Tomsk Cellular Communications (TSS), BM Telecom, Far East Cellular Systems-900 (FECS-900), Siberia Cellular Systems-900 (SCS-900) and Uraltel.

As well as expanding its footprint, MTS has been busy upgrading its service platform, adding new services and technologies to its portfolio. When the company launched in 1994 it operated solely as a post-paid provider across GSM-900 networks, adding GPRS technology in 2000. It was not until 2002 that the company began to target pre-paid customers, introducing 'Jeans', its first non-contract service, that year. The company began to ramp up its efforts to add more advanced services to its network, teaming up with Nokia and LogicaCMG to bring MMS services to customers in Moscow, Kuban, the North West and Siberia in May 2003 and launching its first EDGE networks in February 2005.

Later in 2005 MTS contracted NEC for the deployment of NTT DoCoMo's mobile internet access technology, i-mode; the service was launched in Moscow and St Petersburg in September 2005, offering more than 120 websites from 60 content providers at launch. MTS hoped to attract 150,000 subscribers within six months of launch but by mid-2006 there were still only around 100,000 i-mode customers. The cellco blamed a lack of suitable handsets on the failure to meet its target and suspended marketing of the service; it went on to drop what it termed as an 'outdated' technology just a few months later.

The failure of the i-mode project did not discourage MTS from pushing mobile data services and the cellco was named as one of the three winners of a nationwide 3G concession in April 2007. The following month it named Nokia Siemens Networks (NSN) as the supplier for the first phase of its rollout covering the Moscow region. The value of the contract was not disclosed, although MTS said it planned to invest around USD200 million on its initial 3G

network rollout. In December the same year MTS awarded a wider 3G network contract to Ericsson. Under the deal, Ericsson delivered a turnkey solution including 3G/HSPA core and radio access network equipment, network management system hardware and software, plus a range of professional services such as network deployment, systems integration, operation, technical support and training.

MTS launched its first commercial 3G network in St Petersburg in May 2008, before expanding the service to a further 13 cities by year-end. At the end of 2010 360 cities nationwide were covered by live 3G networks. In February 2008 MTS announced that it intended to invest RUB73 billion (USD2.97 billion) in 3G networks by 2020. Out of the total, over half — RUB38 billion — will be invested by 2011 alone. Moscow was not among the first launch sites due to delays in the release of frequencies by the military. It was not until May 2009 that the operator launched the first phase of its 3G network in the capital. However, as the operator still lacked the permission to roll out full services, its operation was initially limited to small-scale indoor networks. On 26 May the first indoor network in the city's Expocentre went live, with further networks covering 35 business and shopping centres as well as the Moscow metro system added over the course of the year. On 15 December 2009 MTS was finally given permission to launch outdoor 3G services in the capital, and it launched its city-wide commercial service on 5 January 2010. MTS went on to deploy 783 3G base stations in total, 300 of which were in operation by the end of January 2010.

In November 2010 it was announced that MTS and fellow operator Comstar-UTS were set to embark on a joint project aimed at connecting more than 300 of MTS' 3G base stations to Comstar's multi-service transport communication network in the Moscow region. The agreement was aimed at avoiding a duplication of network resources. It was believed that the unified 3G network would allow transmission speeds of up to 14.4Mbps via HSDPA, with some sectors of the network implementing HSPA+, allowing data rates of 21.6Mbps. Looking to open up new revenue streams via its 3G platform, in April 2010 MTS launched trials of a new mobile TV system. In August 2010 it was reported that MTS had over 100,000 subscribers to its smartphone-only mobile TV service, which by that date was available in the Moscow region and the north-west of Russia; around half of the users had Apple iPhone handsets.

Despite its dominant market position, MTS has faced an uphill struggle to secure Long Term Evolution (LTE)-suitable frequencies, with the Ministry of Defence seemingly reluctant to free-up the required spectrum for commercial use. In July 2010 MTS, along with Vimpelcom and MegaFon, lobbied Prime Minister Vladimir Putin, concerned by rumours suggesting that start-up company Osnova Telekom was first in line to receive 4G-suitable spectrum. The newcomer is partly owned (25.1%) by Voyentelekom, which is itself controlled by the Ministry of Defence, leading to claims of nepotism from the established 'Big Three' cellcos. The long-running battle for spectrum was rendered irrelevant in March 2011, when – in a deal brokered by prime minister Vladimir Putin – MTS, Vimpelcom, MegaFon and sole LTE-licensee Rostelecom agreed to unite to facilitate the rollout of a national LTE network by 2014. The deal also included WiMAX-turned-LTE operator Scartel (Yota), which will become the consortium's 4G network provider of choice. The firms will buy bandwidth from Yota and lease its LTE facilities.

Regardless of the lack of available frequencies, in November 2010 it was revealed that MTS was planning to invest approximately RUB3 billion (USD97.4 million) to roll out an LTE network in Moscow during 2011. The MTS group had previously launched LTE in Uzbekistan in July 2010, going on to secure LTE-suitable frequencies in Armenia in 3Q10. These markets were expected to allow the operator to road-test LTE as it waited for a domestic concession. Oleg Raspopov, head of MTS' Foreign Subsidiaries department, confirmed this notion when he said: 'The introduction of LTE in Uzbekistan will allow MTS to gain valuable insight from this unique experience and eventually apply it to other markets of operation in the future'. The network was reportedly the first commercial LTE network to launch in the CIS.

In November 2010 MTS struck a deal with Russian financial group Sistema to pay RUB13.39 billion (USD427 million) for a 100% stake in the group's telecoms division Sistema Telecom. The figure comprised RUB11.59 billion of the share capital and RUB1.8 billion worth of net debt. Sistema Telecom's key assets at the time of the acquisition consisted of: a 45% stake in TS-Retail, in which MTS held a 55% controlling interest; certain promissory notes previously issued by MTS totalling RUB2 billion; and property rights to the company's distinctive 'egg' logo, as used by MTS, broadband operator Comstar-UTS and fixed line provider Moscow City Telephone Network (MGTS). MTS previously paid Sistema Telecom a royalty fee of 0.16% of its annual revenues for the use of the 'egg' logo, equivalent to aggregate royalties of around USD41 million for the financial years 2007, 2008 and 2009. Despite Russia's Investor Protection Association warning that the deal valued Sistema Telecom disproportionately highly in relation to the financial benefits that MTS would receive, the deal was concluded in December 2010. Mikhail Shamolin, president and CEO of MTS, commented: 'As our markets continue to develop, we feel it is critically important to control the key assets we use to serve our customers. As MTS' brand is extended every day through new and innovative services, we feel it is only logical to acquire full control of our logos and trademarks to ensure that all shareholders benefit equally in our brand's further development'.

Wireless Networks

Generation	Platform	Evolution	Frequency	Launch	Status	Network Details
2G	GSM	None	900	Aug 1994	Live	Mar-11: 95%+ (est), live in 83 regions
2.5G	GSM	GPRS	900	Sep 2000	Live	Mar-11: 90% (est)
2.5G	GSM	EDGE	900	Feb 2005	Live	Mar-11: Unknown
3G	W-CDMA	None	2100	May 2008	Live	Mar-11: 70 cities
3.5G	W-CDMA	HSDPA	2100	Dec 2008	Live	Mar-11: Unknown
4G	LTE	None		Q3 2011	Planned	Network rollout expected to begin in Moscow in 2011

3G/4G Licences

Type	Price Paid	Date Issued	Term (Years)	Licence Name	Block (MHz)		Frequency Range (MHz)	
	(USD million)				Paired	Unpaired	Paired	Unpaired (within)
W-CDMA		Apr 2007	10	2x15MHz	1x5MHz	1950-1965MHz, 2015-2020MHz	2140-2155MHz	

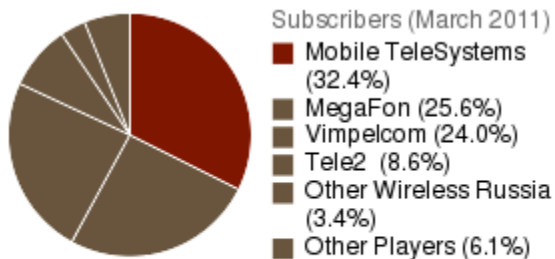
Wireless Quarterly Statistics – Group

	Dec 2009	Mar 2010	Jun 2010	Sep 2010	Dec 2010	Mar 2011
Total Subscribers	100,180,400	100,404,275	100,650,085	102,395,730	105,463,198	103,217,500
3G Subscribers	1,940,000	2,710,000	3,164,400	3,719,700	4,335,422	4,708,320
4G (LTE) Subscribers	0	0	0	2,000	40,000	90,000

Wireless Quarterly Statistics

	Dec 2009	Mar 2010	Jun 2010	Sep 2010	Dec 2010	Mar 2011
Total Subscribers	69,340,000	69,100,000	69,419,565	69,673,090	70,150,000	71,460,000
3G Subscribers	1,700,000	2,000,000	2,300,000	2,600,000	2,900,000	3,200,000
4G (LTE) Subscribers	0	0	0	0	0	0
% Pre-paid	86.0	86.0	86.0	86.0	86.0	85.5
Blended ARPU (USD)	8.4	7.9	8.3	8.6	8.7	8.9
Voice ARPU (USD)	6.6	6.1	6.6	6.9		
Data ARPU (USD)	1.8	1.8	1.7	1.7		
Blended Churn (%)	12.4	10.1	9.8	13.5	12.5	12.0
Blended MOU	219.0	211.0	230.0	244.0	247.0	249.0

Subscriber Market Share by Operator



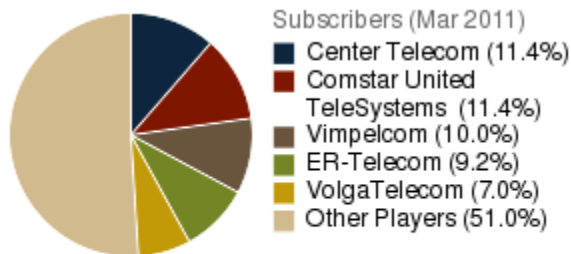
Broadband Operations

Mobile TeleSystems (MTS) is Russia's largest mobile phone operator by subscribers, and has a strong presence in all seven of Russia's federal districts, with concessions to operate in all 83 of the country's provinces. Although the bulk of its broadband services are managed by its 70.97%-owned subsidiary Comstar-UTS (see Comstar-UTS profile for more details), speculation has been rife in recent years that MTS intends to enter the broadband market under its own steam. In September 2010 MTS acquired a 95% stake in Metro-Telecom from Russian telecoms holding company Svyazinvest. According to a company statement, MTS bought the stake for RUB339.35 million (USD11.01 million). The acquisition of Metro-Telecom, which owns its own fibre-optic network in Moscow, has been tipped to precede MTS' entrance into the Moscow broadband market under its main brand. At the time of writing (March 2011) MTS had yet to comment on its plans for the recently-acquired unit.

Broadband Networks

Access	Technology	Frequency	Launch	Status	Network Details
LAN/ FTTx	FTTx			Live	Mar-11: Moscow; network belonged to Metro-Telecom which was acquired in Sep-10.

Retail Subscriber Market Share by Provider



Financial Highlights

Group (Annual)

USD Millions	2005	2006	2007	2008	2009	2010
Total Revenue	5,011.0	6,384.0	8,253.0	11,901.0	9,823.0	11,291.8
Operating Expenses	3,379.0	4,250.0	5,519.0	8,254.0	7,275.0	8,572.6
Operating Profit	1,632.0	2,134.0	2,734.0	3,647.0	2,548.0	2,719.2
Net Profit	1,126.0	1,076.0	2,072.0	2,000.0	1,004.0	1,366.8
EBITDA	2,539.0	3,230.0	4,223.0	5,848.0	4,474.0	4,719.4
EBITDA Margin	50.7%	50.6%	51.2%	49.1%	45.5%	41.8%
CAPEX	2,181.0	1,722.0	1,540.0	2,581.0	2,328.0	2,647.2
CAPEX as a % of Revenue	43.5%	27.0%	18.7%	21.7%	23.7%	23.4%

Group (Quarterly)

USD Millions	Dec 2009	Mar 2010	Jun 2010	Sep 2010	Dec 2010	Mar 2011
Total Revenue	2,712.0	2,614.0	2,771.9	2,910.8	2,995.1	2,934.0
Operating Expenses	2,103.0	1,938.0	2,017.3	2,115.2	2,502.1	2,370.2
Operating Profit	609.0	676.0	754.6	795.6	493.0	563.8
Net Profit	-26.0	381.0	354.0	475.5	156.3	321.6
EBITDA	1,193.0	1,154.0	1,234.7	1,309.4	1,021.3	1,125.8
EBITDA Margin	44.0%	44.1%	44.5%	45.0%	34.1%	38.4%
CAPEX	638.0	251.0	314.9	397.2	1,684.1	278.6
CAPEX as a % of Revenue	23.5%	9.6%	11.4%	13.6%	56.2%	9.5%

National Wireless

USD Millions	2005	2006	2007	2008	2009	2010
Total Revenue	3,701.0	4,666.0	6,181.0	6,471.0	6,636.6	7,789.5
Operating Expenses	2,547.5	3,155.2	4,105.0			
Operating Profit	1,153.5	1,510.8	2,076.0			

USD Millions	2005	2006	2007	2008	2009	2010
Net Profit	773.0	670.0	1,616.0			
EBITDA	1,876.5	2,330.0	3,150.6	3,231.0	3,152.0	
EBITDA Margin	50.7%	49.9%	51.0%	49.9%	47.5%	
CAPEX	1,447.9	1,077.8	919.0			
CAPEX as a % of Revenue	39.1%	23.1%	14.9%			

National Wireline

USD Millions	2008	2009
Total Revenue	1,765.2	1,485.6
EBITDA	704.6	600.4
EBITDA Margin	39.9%	40.4%

Subsidiaries

Subsidiaries

Country	Subsidiary Name	Wireline		Wireless		Broadband	
		Lines/ Subs	Subscribers	Market Share	Subscribers	Market Share	Market Share
Ownership > 20%							
Russia	Mobile TeleSystems (MTS)		71,460,000	32.4%			
Russia	Comstar United TeleSystems (Comstar UTS)	4,100,000 Local subscribers (PSTN)			1,800,000	11.4%	
Ukraine	MTS Ukraine (formerly UMC)		18,280,000	36.1%			
Uzbekistan	MTS Uzbekistan (Uzdunrobita)		9,110,000	41.6%			
Turkmenistan	MTS Turkmenistan (formerly BCTI)		0	0.0%			
Armenia	K-Telecom CJSC (VivaCell-MTS)		2,550,000	66.0%			
Belarus	MTS Belarus		4,750,000	43.4%			

Country Presence



Company Directory

Addresses and Contacts

Headquarters

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Asia & Pacific

MTS Turkmenistan (formerly BCTI)

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MTS Uzbekistan (Uzdunrobota)

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