

**МТС оператор связи**



# Investor Presentation

June 25th, 2010



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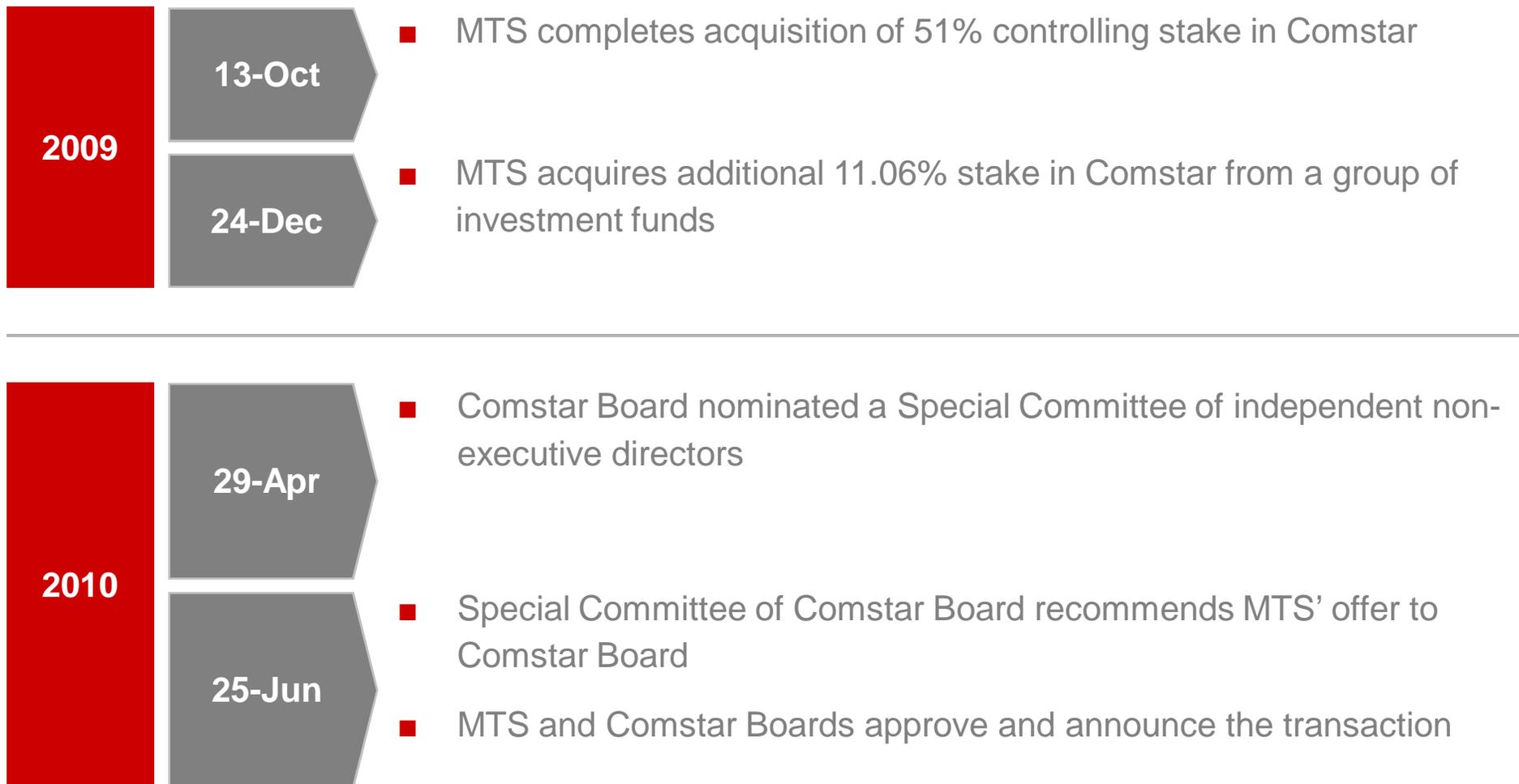
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## Transaction Background



## Transaction Description

- n The Boards of MTS and Comstar have recommended a merger to create the largest integrated telecommunications provider in Russia and the CIS
  - **Merger exchange ratio:** 0.825 MTS ordinary shares for one Comstar ordinary share, representing a 7.7% premium to the three month<sup>1</sup> volume-weighted average exchange ratio between MTS' ordinary shares and Comstar's Global Depositary Receipts (GDR)
  - MTS and Comstar Extraordinary General Meetings (EGMs) expected to be convened on December 23, 2010 for shareholders to vote on the proposed merger
  - Comstar Board approval and recommendation of the transaction is based on the recommendation of a Comstar Special Committee of Independent Board Directors
- n In connection with the merger and subject to review by the Federal Service for Financial Markets (FSFM), MTS will launch a Voluntary Tender Offer (VTO) for up to 37,614,678 Comstar ordinary shares (including shares underlying Comstar GDRs), representing 9.0% of the issued share capital of Comstar, at RUR 220.00 per share
  - Implied **VTO price** per Comstar GDR of USD 7.16<sup>2</sup>, represents a 13.1% premium to the three month volume-weighted average trading price of the Comstar GDR
  - VTO documentation has been submitted for review to FSFM. Following this review, offer will be made by delivery of VTO documentation to Comstar Board of Directors. Comstar Board will thereafter deliver VTO documentation to Comstar ordinary shareholders and to Comstar GDR holders via Deutsche Bank (depository bank for Comstar's GDR facility). Comstar shareholders subscribing to VTO will receive a pro rata cash allocation in the event of over-subscription to the VTO

1. Three month period ending 22-Jun-2010.

2. Unless indicated otherwise, all USD amounts presented in this document are based on the RUR/USD exchange rate as of 22-Jun-2010, which was RUR 30.7267 per 1 USD

## Transaction Rationale

The full statutory merger of MTS and Comstar is expected to create the necessary platform to enhance the combined company's leadership position and seize growth opportunities in their home markets

### Current Situation

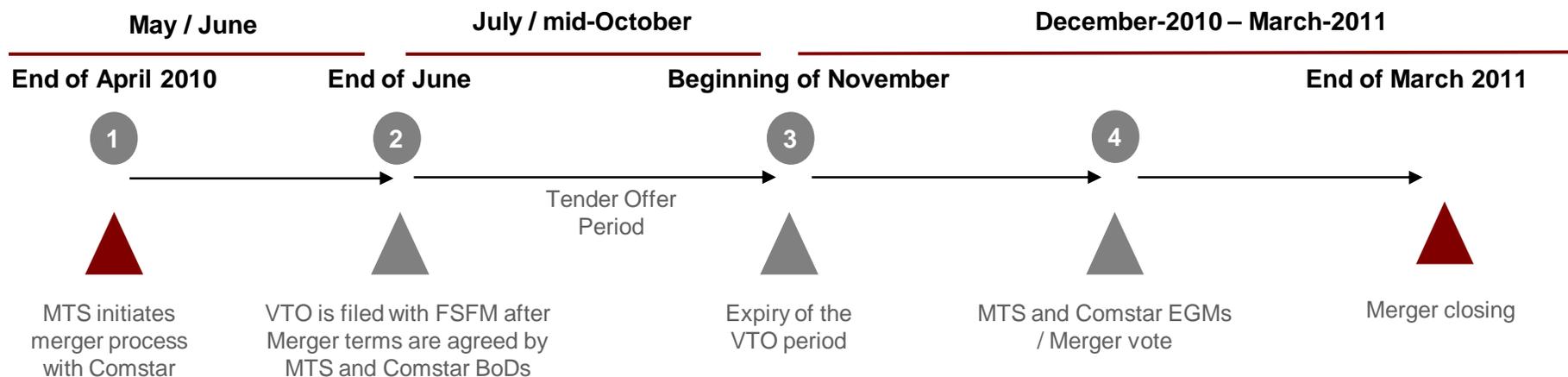
- n The combination of MTS+Comstar in its current form only allows for the partial realization of synergies
- n Legal and operational constraints preclude MTS+Comstar from implementing a truly integrated strategy
  - Inefficiencies in governance due to separate Boards of Directors and related-party approvals
  - Longer time-to-market and restricted marketing operations due to customer privacy restrictions
  - On-going investor concerns related to issues of strategic execution and transparency

### Rationale for the Merger

- n Accelerate the delivery of MTS "3i" strategic goal of realizing growth through increasing customer value by providing its customers with an integrated offering of mobile and fixed telephony
- n Optimize corporate and legal structure of MTS group
- n Enable the full integration of the MTS and Comstar customer bases
- n Streamline common business processes and further optimize operating and capital expenditures
- n Maximize synergy potential between various entities within the group

## Transaction Structure

- n The combined merger and voluntary tender offer structure is intended to facilitate a cash and stock transaction, whereby the companies can be combined after completion of the merger
- n The structure provides a mix of stock and cash alternatives for Comstar minority shareholders, and also enables MTS to retain the financial resources and flexibility to invest in the combined Group
- n The merger is conditional on the approval of 75% of the shareholders present at each company's EGM, the receipt of regulatory clearance and other closing conditions. MTS and Comstar expect to convene EGMs on December 23, 2010, at which their respective shareholders will vote on the merger
- n As required by Russian Joint Stock Companies Law, MTS and Comstar shareholders who vote against or do not vote on the merger will have the right to sell their shares back to MTS and Comstar, respectively, for cash at a price set by the respective companies' Boards of Directors (RUR 245.19 per MTS ordinary share and RUR 212.85 per Comstar ordinary share). MTS and Comstar shareholders wishing to sell their shares back to the respective companies will receive a pro rata allocation in the event of over-subscription
- n The companies expect to complete the merger transaction in the second quarter of 2011

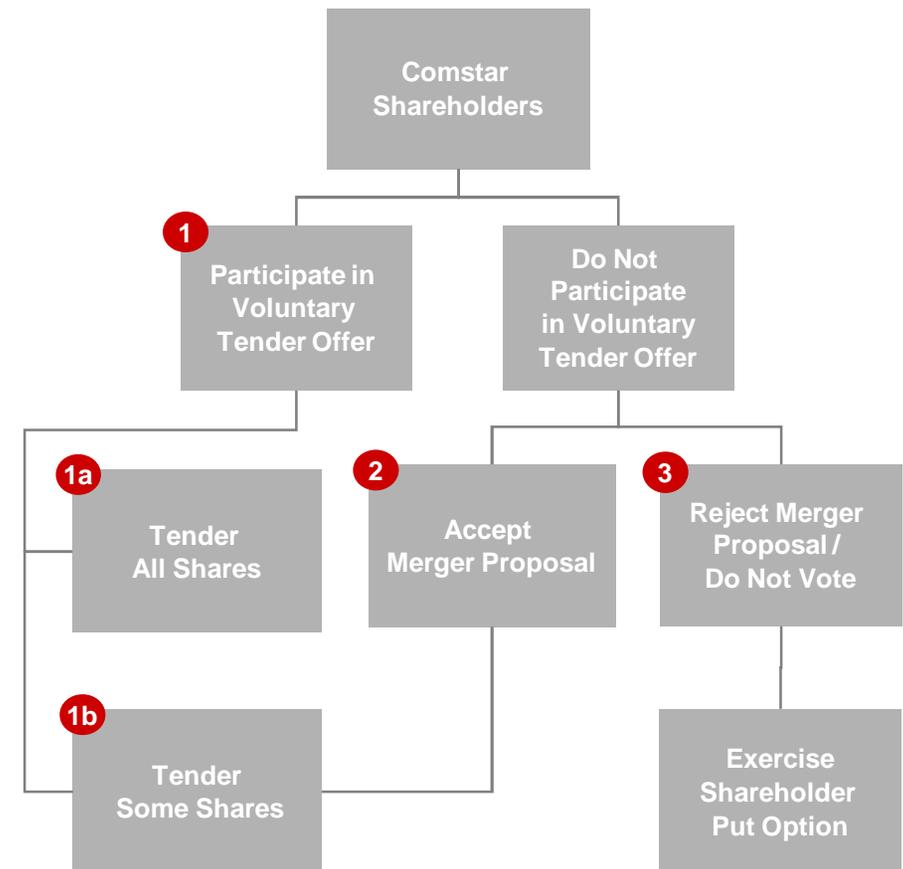


## Transaction Structure Provides Multiple Options to Comstar Shareholders

### Description

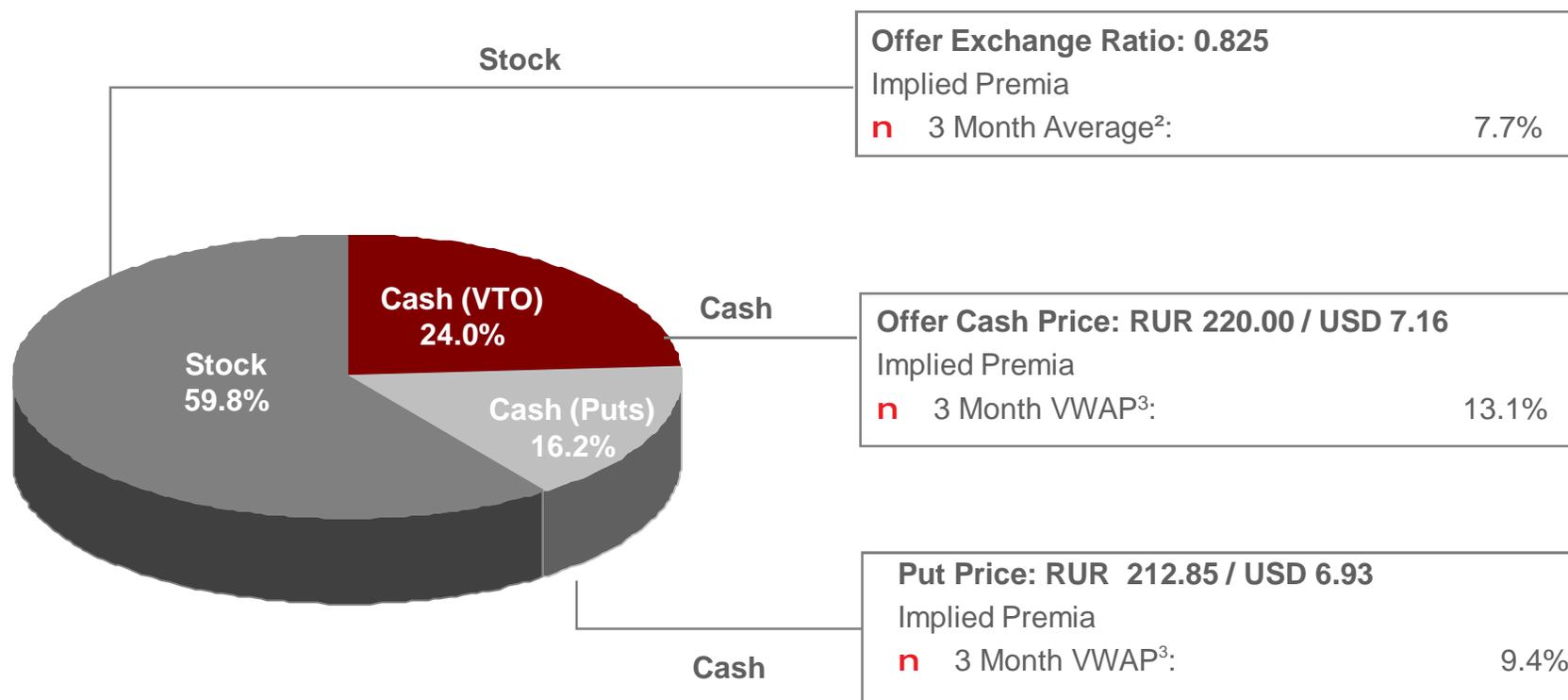
- n MTS' Combined Offer gives Comstar shareholders several alternatives to exit their Comstar investment. Comstar shareholders may choose to:
1. **Participate in the Voluntary Tender Offer** and tender all (1a) or some (1b) of their shares
    - Provides an attractive upfront cash alternative for Comstar shareholders including those unable to hold shares of the combined company
    - In the event that more than 9% of Comstar shareholders tender, cash offer will be provided to accepting offeree Comstar shareholders on a pro rata basis
  2. **Accept the Merger Proposal** and take shares in the combined entity at the proposed Exchange Ratio
    - Represents an attractive option for shareholders interested in participating in overall upside and growth of the combined company
  3. **Reject the Merger Proposal / Do Not Vote and Exercise Shareholder Put Option** for cash at the shareholder put price as determined by the Special Committee and independent appraisers and approved by the Comstar Board
    - In the event that the total cash put payment amount exceeds the 10% Net Asset Value limitation, put requests will be satisfied on a pro rata basis
    - Holders of Comstar GDRs who do not wish or are not permitted under their local law to receive MTS shares in connection with the merger will receive the cash proceeds from the sale of the MTS shares to which they would have been entitled (net of applicable fees, expenses and taxes and subject to any adjustment for currency exchange rate fluctuations)

### Overview of Options



## Composition of MTS' Offer to Comstar Shareholders and Implied Premia

### Offer Mix to Comstar Shareholders<sup>1</sup>



Note: Market data as of 22-Jun-2010

1. Assumes 9% VTO and maximum Comstar shareholder puts exercised at Comstar put price of RUR 212.85 and based on 10% of Comstar Q1 2010 Net Asset Value of RUR 54,028m.
2. Volume-weighted average exchange ratio.
3. Volume-weighted average prices converted from USD to RUR at the daily RUR/USD exchange rate.