

**INVESTOR
PROTECTION
ASSOCIATION**

**127473, Moscow, 1st Schemilovskii per., 17,
office 11
tel/fax: +7 (495) 510 5306
www.corp-gov.org**

26 January 2011

INVESTOR PROTECTION ASSOCIATION

Mr. Mikhail Shamolin
President and Chief Executive Officer
Mobile TeleSystems OJSC
Russia
Moscow 109147
ul Vorontsovskaya 5/2

Dear Mr. Shamolin,

I am writing on behalf of the Investor Protection Association, representing the interests of asset management institutions, which have long been investing in the listed securities of Russian companies, including MTS. We have been observing developments in Turkmenistan since media articles about a potential confrontation between MTS and the Ministry of Communications appeared in November 2010, and we feel it is our obligation to express our frustration with the situation as the date of January 21, 2011, the date when your license suspension was set to expire, has now passed.

In light of MTS's disclosure of December 21, 2010, and its FY2009 20-F filing with the US Securities and Exchange Commission, it is evident to us that MTS has the right to operate its network and make use of its licenses until February 1, 2012. Given the fact that MTS has operated continuously in Turkmenistan for five years and seemingly enjoyed a close relationship with Turkmen regulatory authorities by virtue of its significant market share, extensive network and investments and of course the trilateral profit-sharing agreement with the Ministry of Communications, we view the Ministry's actions as arbitrary and excessive, particularly considering the fact that the operating telecommunications networks is an enterprise where customer experience and support are critical in developing and maintaining a viable business.

While we do hope that MTS and the regulatory authorities of Turkmenistan arrive at an amicable and mutually beneficial agreement over the continued operation of MTS's network, the suspension must have already caused considerable financial and material damage to MTS's networks and customer base. Given that the period of the license suspension has passed and MTS's rights to operate its network are further impeded and might be denied outright, we would call upon MTS management to utilize any means necessary to seek adequate recourse from the government of Turkmenistan, including:

- A) the continued pursuit and defense of MTS's rights through Turkmen and international courts;

Deutsche Bank AG, Dart Management, East Capital Asset Management, Equinox, Hermitage Capital Management, NCH Advisors, Prosperity Capital Management, Renaissance Brokers, SUN Capital Partners, Templeton Asset Management, Vostok Nafta Investment Ltd., Alfa Bank, Aton, VFP, MC UralSib, Industrial Investors, KIT Finance, , Leader , United Heavy Machinery (Uralmash-Izhora Group), Philip Morris marketing and Sales, Kazimir Partners, PPF BETA Ltd., IC RUSS-INVEST, EOS Russia, Fleming Family & Partners

- B) the seeking of fair value based on comparable international transactions for MTS's network operations in Turkmenistan;
- C) petitioning of foreign governments, where MTS's global investors are present, to raise this issue and, if possible, lobby the Turkmen government over investor mistreatment;
- D) exploring of possible legal routes to pursue Turkmen assets abroad, including judicial actions under bilateral investment treaties signed by Turkmenistan.

Given the nature of the political regime in Turkmenistan, we believe that these actions are required to guarantee the Turkmenistan government honors its obligations to one of Turkmenistan's largest foreign investors. We also understand that the MTS management is already exploring different legal options, including initiating proceedings against Turkmenistan in the International Centre for Settlement of Investment Disputes, which is part of the World Bank Group

We appreciate the fact that MTS operates in challenging regulatory and economic markets. However, we are compelled by these disturbing developments to call upon the MTS management to use all of the possible options in order to defend the investment interests of its institutional and retail shareholders located throughout the world. The Government of Turkmenistan's actions are an affront to international business practices, the rule of law and the rights of all shareholders of Mobile TeleSystems.

Yours sincerely,

Denis Kulikov

