

MOBILE TELESYSTEMS OJSC
Form 6-K
June 08, 2010

FORM 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
June 8, 2010

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

Commission file number: 333-12032

Mobile TeleSystems OJSC

(Exact name of Registrant as specified in its charter)

Russian Federation

(Jurisdiction of incorporation or organization)

**4, Marksistskaya Street
Moscow 109147
Russian Federation**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

Press release

Mobile TeleSystems Announces Financial Results for the First Quarter Ended March 31, 2010

June 8, 2010

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, 2010.

Key Financial Highlights of Q1 2010(1)

- Consolidated revenues up 23.2% y-o-y to \$2,614 million
- Consolidated OIBDA(2) up 20.4% y-o-y to \$1,154 million with 44.1% OIBDA margin
- Consolidated net income of \$381 million
- Free cash-flow(3) positive with \$710 million for the first three months of 2010

Key Corporate and Industry Highlights

- Agreement with Sberbank to lower the interest rates on RUB 59 billion in financing raised in August and September 2009

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

- Agreement with Gazprombank to lower the interest rates on the EUR 100 million credit facility with maturity in September 2012, the facility in the amount of RUB 6.46 billion with maturity in September 2012 and the revolving credit line in the amount of EUR 100 million with maturity in September 2012; further renegotiation of terms on credit facilities in May
- Securing of financing from the Bank of Moscow in the amount of RUB 22 billion
- Voluntarily repayment of RUB 6 billion of Sberbank loan and EUR 413 million EBRD, NIB, EIB loan
- Voluntary prepayment of the principal and loan interest amounts on facility A of \$373.8 million and on facility B of 247.6 million of the syndicated loan agreement
- Decision by the Moscow Interbank Currency Exchange (MICEX) to move the Company's five outstanding ruble-denominated bonds from B and V quotation lists to the A1 quotation list
- American Depositary Receipt (ADR) ratio change from the 1 ADR per 5 common shares to 1 ADR per 2 common shares effective May 3, 2010
- Repurchase of the series 01 ruble-denominated bond in the amount of RUB 7.1 billion and the series 02 ruble-denominated bond in the amount of RUB 6.3 billion in April
- Publication of the BrandZ ranking in April, recognizing MTS among the most powerful brands in the world for the third year in a row with a value of \$9.7 billion at the 72nd position

(1) Because Comstar-UTS was acquired from JSC Sistema, the majority owner of both MTS and Comstar, the acquisition was accounted for as a transaction between entities under common control. Similar to a pooling of interest, whereby the assets and liabilities of Comstar were recorded at Sistema's carrying value, MTS' historical financial information was recast to include the acquired entity for all periods presented. In addition, given the scale of the transaction, MTS has reallocated its headquarters' costs more equitably to its business units according to international practices.

(2) See Attachment A for definitions and reconciliation of OIBDA and OIBDA margin to their most directly comparable US GAAP financial measures.

(3) See Attachment B for reconciliation of free cash-flow to net cash provided by operating activity.

- Announcement that Comstar-UTS, MGTS Finance S.A., a company controlled by Comstar, and OAO Rostelecom have concluded agreements involving the sale of the 25%+1(4) share of OAO Svyazinvest to OAO Rostelecom for RUB 26 billion in May
- Recommendation by MTS Board of Directors (BoD) for the annual general meeting of shareholders to approve annual dividends of RUB 15.40(5) per ordinary MTS share (approximately \$1.00 per ADR(6)) for the 2009 fiscal year, amounting to a total of RUB 30.70 billion (approximately \$999.3 million or 99% of US GAAP net income or 75% of US GAAP net income adjusted for the non-cash impairment charges) and nomination a total of nine members for the election to the Company's BoD

Commentary

Mr. Mikhail Shamolin, President and CEO of MTS, commented: Results for the first quarter have demonstrated the progress we are making in our markets by moving towards our strategic goals. MTS Group revenue in the first quarter increased more than 23% year over year in dollar terms, driven both by currency appreciation as well as positive growth in each of our markets of operation. Overall, increasing usage, greater adoption of data products, subscriber additions and our extension into new products and services continue to support our growth. While we do not yet see a distinct impact on our business from the improving economic environment, we continue to outperform our peers in our markets of operation and believe strongly that we can benefit most from an uptick in regional economic activity.

Mr. Alexey Kornya, Vice President and CFO of MTS, added: The Company's OIBDA grew over 20% in dollar terms year-over-year in the first quarter of 2010, driven by growth in our markets of operation and the appreciation of our core currencies versus the US dollar. While our Group margin fell 1 percentage points year-over-year, this decline masks the improvements we have made in our core network business considering the impact of rising handset sales on our margin. In Russia, excluding our retail efforts, our mobile OIBDA margin improved 2.5 percentage points on better top line performance and improved operating efficiencies.

Mr. Shamolin continued: Since the end of the quarter, we continue to move forward with our strategic objectives. Integration with Comstar is proceeding as planned: we have initiated the rebranding process and have also brought to market the first truly convergent product. We continue to enhance our networks and have launched 3G services in Belarus and are actively developing our 3G network in Moscow. On the retail side of the business, with over 2,000 stores wholly owned and additional franchisees, we remain focused on improving the quality of our network. Overall, we continue to execute on our 3i Strategy, realizing goals in our integration with Comstar, developing networks to support universal internet access and seizing growth opportunities by bringing to market innovative products and services.

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

This press release provides a summary of some of the key financial and operating indicators for the period ended March 31, 2010. For full disclosure materials, please visit <http://www.mtsgsm.com/resources/reports/>.

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

- (4) 17.31% is owned by Comstar directly with another 7.69% owned by MGTS Finance S.A., which is controlled by Comstar.
- (5) The dividend yield per share is 5.1%.
- (6) According to the Russian Central Bank exchange rate of 30.7193 RUB/USD as of May 11, 2010. The dividend amount is set in Russian rubles by the Board of Directors; U.S. dollar amounts provided for reference using the foreign exchange rates as of May 11, 2010.

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

Financial Summary(7)

| USD million | Q1 10 | Q1 09 | y-o-y | Q4 09 | q-o-q |
|----------------------|---------|---------|--------|---------|-------|
| Revenues | 2,614.4 | 2,121.6 | 23.2% | 2,718.9 | -3.8% |
| - mobile | 2,072.2 | 1,757.8 | 17.9% | 2,187.0 | -5.2% |
| - fixed | 408.2 | 334.4 | 22.1% | 412.5 | -1.0% |
| OIBDA(8) | 1,153.7 | 957.9 | 20.4% | 1,193.0 | -3.3% |
| - margin | 44.1% | 45.1% | -1.0pp | 43.9% | 0.2pp |
| Net operating income | 676.2 | 542.5 | 24.6% | 609.2 | 11.0% |
| - margin | 25.9% | 25.6% | 0.3pp | 22.4% | 3.5pp |
| Net income | 381.3 | -53.5 | n/a | -26.1 | n/a |
| - margin | 14.6% | n/a | n/a | n/a | n/a |

Russia Highlights

| RUB mln | Q1 10 | Q1 09 | y-o-y | Q4 09 | q-o-q |
|--------------|----------|----------|--------|----------|--------|
| Revenues(9) | 65,295.3 | 57,462.7 | 13.6% | 66,594.6 | -2.0% |
| - mobile | 53,495.9 | 46,856.5 | 14.2% | 55,132.2 | -3.0% |
| - fixed | 12,510.1 | 11,345.5 | 10.3% | 12,157.6 | 2.9% |
| OIBDA | 29,668.7 | 26,475.9 | 12.1% | 29,882.9 | -0.7% |
| - mobile | 24,143.7 | 22,188.4 | 8.8% | 25,034.0 | -3.6% |
| - fixed | 5,525.0 | 4,287.5 | 28.9% | 4,940.4 | 11.8% |
| OIBDA margin | 45.4% | 46.1% | -0.7pp | 44.9% | 0.5pp |
| - mobile | 45.1% | 47.4% | -2.3pp | 45.4% | -0.3pp |
| - fixed | 44.2% | 37.8% | 6.4pp | 40.6% | 3.6pp |
| Net income | 10,844.7 | -3,170.4 | n/a | -2,639.5 | n/a |
| - margin | 16.6% | n/a | n/a | n/a | n/a |

| | Q1 09 | Q2 09 | Q3 09 | Q4 09 | Q1 10 |
|---------------------|-------|-------|-------|-------|-------|
| ARPU (RUB)(10) | 233.5 | 245.4 | 255.8 | 248.4 | 236.7 |
| MOU (min) | 205 | 216 | 213 | 219 | 211 |
| Churn rate (%) | 8.0 | 6.9 | 10.7 | 12.4 | 10.4 |
| SAC (RUB) | 742.8 | 671.8 | 558.5 | 523.9 | 550.9 |
| - dealer commission | 390.2 | 363.1 | 355.7 | 309.7 | 352.6 |
| - adv & mktg | 352.7 | 308.7 | 202.7 | 214.1 | 198.3 |

- (7) Because Comstar-UTS was acquired from JSC Sistema, the majority owner of both MTS and Comstar, the acquisition was accounted for as a transaction between entities under common control. Similar to a pooling of interest, whereby the assets and liabilities of Comstar were recorded at Sistema's carrying value, MTS' historical financial information was recast to include the acquired entity for all periods presented. In addition, given the scale of the transaction, MTS has reallocated its headquarters' costs more equitably to its business units according to international practices.
- (8) OIBDA results for Q4 2009 do not include long-lived assets impairment loss and acquisition related costs in amount of \$86.4 mln.
- (9) Gross of intercompany.
- (10) ARPU is now calculated 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.

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

Ukraine Highlights

| UAH mln | Q1 10 | Q1 09 | y-o-y | Q4 09 | q-o-q |
|------------|---------|---------|--------|---------|--------|
| Revenues | 1,921.9 | 1,872.7 | 2.6% | 2,107.7 | -8.8% |
| OIBDA | 836.9 | 796.4 | 5.1% | 927.1 | -9.7% |
| - margin | 43.5% | 42.5% | 1.0pp | 44.0% | -0.5pp |
| Net income | 59.6 | 96.6 | -38.3% | 205.5 | -71.0% |
| - margin | 3.1% | 5.2% | -2.1% | 9.8% | -6.7% |

| | Q1 09 | Q2 09 | Q3 09 | Q4 09 | Q1 10 |
|----------------------|-------|-------|-------|-------|-------|
| ARPU (UAH) | 33.6 | 35.8 | 40.1 | 38.3 | 35.2 |
| MOU (min) | 427 | 441 | 478 | 506 | 527 |
| Churn rate (%) | 10.2 | 9.7 | 10.4 | 9.7 | 9.4 |
| SAC (UAH) | 62.4 | 52.1 | 45.9 | 56.8 | 66.9 |
| - dealer commission | 35.8 | 21.8 | 16.3 | 22.3 | 34.2 |
| - adv & mktg | 17.4 | 19.2 | 17.7 | 22.7 | 21.2 |
| - handset subsidy | 1.0 | 1.2 | 1.4 | 2.6 | 2.1 |
| - SIM card & voucher | 8.2 | 9.9 | 10.5 | 9.2 | 9.4 |

Uzbekistan Highlights(11)

| USD mln | Q1 10 | Q1 09 | y-o-y | Q4 09 | q-o-q |
|------------|-------|-------|--------|-------|--------|
| Revenues | 103.5 | 101.7 | 1.8% | 105.2 | -1.6% |
| OIBDA | 56.5 | 60.5 | -6.6% | 56.7 | -0.4% |
| - margin | 54.6% | 59.5% | -4.9pp | 53.9% | 0.7pp |
| Net income | 24.5 | 30.7 | -20.2% | 26.8 | -8.6% |
| - margin | 23.7% | 30.2% | -6.5pp | 25.5% | -1.8pp |

| | Q1 09 | Q2 09 | Q3 09 | Q4 09 | Q1 10 |
|----------------|-------|-------|-------|-------|-------|
| ARPU (USD) | 5.8 | 5.2 | 5.1 | 5.0 | 4.8 |
| MOU (min) | 416 | 502 | 500 | 534 | 520 |
| Churn rate (%) | 6.6 | 7.1 | 8.1 | 8.0 | 5.9 |
| SAC (USD) | 8.2 | 7.6 | 8.3 | 6.7 | 6.1 |

Turkmenistan Highlights

| TMM bln | Q1 10 | Q1 09 | y-o-y | Q4 09 | q-o-q |
|------------|-------|-------|--------|-------|-------|
| Revenues | 138.2 | 93.0 | 48.6% | 135.0 | 2.4% |
| OIBDA | 89.0 | 51.9 | 71.5% | 85.9 | 3.6% |
| - margin | 64.4% | 55.8% | 8.6pp | 63.7% | 0.7pp |
| Net income | 58.5 | 29.8 | 96.3% | 56.5 | 3.5% |
| - margin | 42.3% | 32.0% | 10.3pp | 41.8% | 0.5pp |

| | Q1 09 | Q2 09 | Q3 09 | Q4 09 | Q1 09 |
|----------------|-------|-------|-------|-------|-------|
| ARPU (TMM) | 30.2 | 30.1 | 29.7 | 27.6 | 25.2 |
| MOU (min) | 225 | 239 | 241 | 250 | 267 |
| Churn rate (%) | 3.9 | 5.8 | 4.5 | 5.7 | 9.9 |
| SAC (TMM) | 13.0 | 11.2 | 18.4 | 9.4 | 10.5 |

(11) The functional currency in Uzbekistan is the US dollar.

Armenia Highlights

| AMD mln | Q1 10 | Q1 09 | y-o-y | Q4 09 | q-o-q |
|------------|----------|----------|--------|----------|--------|
| Revenues | 17,786.2 | 17,847.3 | -0.3% | 20,947.3 | -15.1% |
| OIBDA | 8,687.7 | 9,450.9 | -8.1% | 10,479.3 | -17.1% |
| - margin | 48.8% | 53.0% | -4.2pp | 50.0% | -1.2pp |
| Net income | -2,409.3 | -1,194.5 | n/a | 2,589.5 | n/a |
| - margin | n/a | n/a | n/a | 12.4% | n/a |

| | Q1 09 | Q2 09 | Q3 09 | Q4 09 | Q1 10 |
|----------------|---------|---------|---------|---------|---------|
| ARPU (AMD) | 2,913.9 | 3,169.2 | 3,540.9 | 3,351.4 | 2,813.4 |
| MOU (min) | 172 | 182 | 217 | 237 | 220 |
| Churn rate (%) | 8.9 | 10.4 | 11.3 | 12.7 | 8.6 |
| SAC (AMD) | 7,280.6 | 6,005.8 | 5,143.6 | 6,787.7 | 6,868.7 |

CAPEX Highlights

| USD mln | Q1 09 | Q4 09 | Q1 10 |
|---------------|-------|-------|-------|
| Russia | 454.4 | 418.6 | 178.4 |
| - as % of rev | 26.8% | 18.5% | 8.2% |
| Ukraine | 146.0 | 76.9 | 40.5 |
| - as % of rev | 60.0% | 29.2% | 16.8% |
| Uzbekistan | 87.4 | 102.7 | 23.9 |
| - as % of rev | 85.9% | 97.7% | 23.1% |
| Turkmenistan | 11.1 | 14.1 | 4.3 |
| - as % of rev | 33.9% | 29.8% | 8.9% |
| Armenia | 6.5 | 25.9 | 3.9 |
| - as % of rev | 11.8% | 47.6% | 8.5% |

* * *

For further information, please contact in Moscow:

Joshua B. Tulgan

Director, Investor Relations

Mob: +7 985 220 4208

Department of Investor Relations

Mobile TeleSystems OJSC

Tel: +7 495 223 2025

E-mail: ir@mts.ru

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

Learn more about MTS. Visit the official blog of the Investor Relations Department at www.mtsgsm.com/blog/

* * *

Mobile TeleSystems OJSC (MTS) is the leading telecommunications group in Russia, Eastern Europe and Central Asia, 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 over 103.4 million mobile subscribers in Russia, Ukraine, Uzbekistan, Turkmenistan, Armenia and Belarus, a region that boasts a total population of more than 230 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.

* * *

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, including Comstar-UTS, 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.

* * *

**Attachments to the First Quarter 2010
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, US dollar 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. Our 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:

| Group (USD mln) | Q1 09 | Q2 09 | Q3 09 | Q4 09 | Q1 10 |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Operating income | 542.5 | 652.4 | 743.5 | 609.2 | 676.2 |
| Add: D&A and impairment loss | 415.4 | 454.1 | 472.7 | 583.8 | 477.5 |
| Adjusted OIBDA(12) | 957.9 | 1,106.5 | 1,216.2 | 1,193.0 | 1,153.7 |
| Russia (USD mln) | Q1 09 | Q2 09 | Q3 09 | Q4 09 | Q1 10 |
| Operating income | 490.4 | 607.5 | 673.8 | 659.7 | 660.5 |
| Add: D&A and impairment loss | 289.9 | 322.4 | 334.5 | 354.2 | 312.8 |
| Adjusted OIBDA(12) | 780.3 | 929.9 | 1,008.3 | 1,013.9 | 992.7 |
| Ukraine (USD mln) | Q1 09 | Q2 09 | Q3 09 | Q4 09 | Q1 10 |
| Operating income | 22.4 | 29.2 | 45.8 | 22.9 | 11.2 |
| Add: D&A | 81.0 | 87.1 | 90.7 | 93.1 | 93.5 |
| OIBDA | 103.4 | 116.3 | 136.5 | 116.0 | 104.8 |
| Uzbekistan (USD mln) | Q1 09 | Q2 09 | Q3 09 | Q4 09 | Q1 10 |
| Operating income | 40.6 | 31.9 | 29.2 | 32.0 | 32.0 |
| Add: D&A | 19.9 | 21.6 | 22.8 | 24.7 | 24.5 |
| OIBDA | 60.5 | 53.5 | 52.0 | 56.7 | 56.5 |

(12) OIBDA results for Q4 2009 do not include long-lived assets impairment loss and acquisition related costs in amount of \$86.4 mln.

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

| Turkmenistan (USD mln) | Q1 09 | Q2 09 | Q3 09 | Q4 09 | Q1 10 |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Operating income | 15.4 | 14.3 | 22.5 | 26.9 | 27.1 |
| Add: D&A | 2.9 | 2.7 | 3.2 | 3.2 | 4.2 |
| OIBDA | 18.2 | 17.0 | 25.7 | 30.2 | 31.2 |

| Armenia (USD mln) | Q1 09 | Q2 09 | Q3 09 | Q4 09 | Q1 10 |
|--------------------------|--------------|--------------|--------------|--------------|--------------|
| Operating income/ (loss) | 7.4 | 9.2 | 11.4 | 5.2 | -0.5 |
| Add: D&A | 21.7 | 20.3 | 21.6 | 22.1 | 23.1 |
| OIBDA | 29.1 | 29.5 | 32.9 | 27.2 | 22.6 |

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

| Group | Q1 09 | Q2 09 | Q3 09 | Q4 09 | Q1 10 |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Operating margin | 25.6% | 27.6% | 28.4% | 22.4% | 25.9% |
| Add: D&A and impairment loss | 19.6% | 19.2% | 18.0% | 21.5% | 18.3% |
| OIBDA margin(13) | 45.1% | 46.8% | 46.4% | 43.9% | 44.1% |

| Russia | Q1 09 | Q2 09 | Q3 09 | Q4 09 | Q1 10 |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Operating margin | 28.9% | 31.5% | 31.4% | 29.2% | 30.2% |
| Add: D&A and impairment loss | 17.1% | 16.7% | 15.6% | 15.7% | 14.3% |
| OIBDA margin(13) | 46.0% | 48.3% | 46.9% | 44.9% | 45.4% |

| Ukraine | Q1 09 | Q2 09 | Q3 09 | Q4 09 | Q1 10 |
|------------------|--------------|--------------|--------------|--------------|--------------|
| Operating margin | 9.2% | 11.3% | 16.1% | 8.7% | 4.7% |
| Add: D&A | 33.3% | 33.7% | 32.0% | 35.3% | 38.9% |
| OIBDA margin | 42.5% | 45.1% | 48.1% | 44.0% | 43.5% |

| Uzbekistan | Q1 09 | Q2 09 | Q3 09 | Q4 09 | Q1 10 |
|-------------------|--------------|--------------|--------------|--------------|--------------|
| Operating margin | 40.0% | 32.8% | 28.9% | 30.5% | 30.9% |
| Add: D&A | 19.6% | 22.3% | 22.5% | 23.5% | 23.7% |
| OIBDA margin | 59.5% | 55.1% | 51.4% | 53.9% | 54.6% |

| Turkmenistan | Q1 09 | Q2 09 | Q3 09 | Q4 09 | Q1 10 |
|---------------------|--------------|--------------|--------------|--------------|--------------|
| Operating margin | 47.0% | 37.9% | 52.1% | 56.8% | 55.9% |
| Add: D&A | 8.8% | 7.3% | 7.4% | 6.8% | 8.6% |
| OIBDA margin | 55.8% | 45.2% | 59.5% | 63.7% | 64.4% |

| Armenia | Q1 09 | Q2 09 | Q3 09 | Q4 09 | Q1 10 |
|------------------|--------------|--------------|--------------|--------------|--------------|
| Operating margin | 13.5% | 17.5% | 19.3% | 9.5% | -1.0% |
| Add: D&A | 39.4% | 38.4% | 36.5% | 40.5% | 49.8% |
| OIBDA margin | 52.9% | 55.9% | 55.8% | 50.0% | 48.8% |

(13) OIBDA results for Q4 2009 do not include long-lived assets impairment loss and acquisition related costs in amount of \$86.4 mln.

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 statements of financial position as follows:

| USD mln | As of Dec 31, 2009 | As of Mar 31, 2010 |
|--|-----------------------|-----------------------|
| Current portion of debt and of capital lease obligations | 2,001.8 | 2,333.3 |
| Long-term debt | 6,326.8 | 5,330.8 |
| Capital lease obligations | 0.9 | 1.1 |
| Total debt | 8,329.5 | 7,665.2 |
| Less: | | |
| Cash and cash equivalents | 2,522.8 | 2,278.5 |
| Short-term investments | 217.2 | 435.3 |
| Net debt | 5,589.5 | 4,951.4 |

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

| US\$ million | Nine months ended Dec 31, 2009 A | Three months ended Mar 31, 2009 B | Twelve months ended Mar 31, 2010 C=A+B |
|--|--|--|---|
| Net operating income | 2,005.1 | 676.2 | 2,681.3 |
| Add: depreciation and amortization | 1,424.2 | 477.5 | 1,901.7 |
| Add: long-lived assets impairment loss and acquisition related costs | 86.4 | | 86.4 |
| OIBDA | 3,515.7 | 1,153.7 | 4,669.4 |

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

| USD mln | For the three months ended Mar 31, 2009 | For the three months ended Mar 31, 2010 |
|--|---|---|
| Net cash provided by operating activities | 855.9 | 965.1 |
| Less: | | |
| Purchases of property, plant and equipment | (601.9) | (188.1) |
| Purchases of intangible assets | (103.4) | (63.0) |
| Proceeds from sale of property, plant and equipment | 0.9 | 1.6 |
| Purchases of other investments | (0.4) | |
| Investments in and advances to associates | 0.6 | 0.1 |
| Acquisition of subsidiaries, net of cash acquired | (105.6) | (6.2) |
| Free cash-flow | 46.1 | 709.5 |

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.

MOBILE TELESYSTEMS
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009

(Amounts in thousands of U.S. Dollars except per share amount)

| | Three months ended | |
|--|--------------------|------------------|
| | March 31, 2010 | March 31, 2009 |
| Net operating revenue | | |
| Service revenue | \$ 2,480,411 | \$ 2,092,197 |
| Sales of handsets and accessories | 133,948 | 29,395 |
| | 2,614,359 | 2,121,592 |
| Operating expenses | | |
| Cost of services | 527,348 | 450,600 |
| Cost of handsets and accessories | 136,524 | 38,943 |
| Sales and marketing expenses | 172,425 | 166,794 |
| General and administrative expenses | 554,475 | 437,569 |
| Depreciation and amortization | 477,531 | 415,374 |
| Provision for doubtful accounts | 34,080 | 35,299 |
| Other operating expenses | 35,774 | 34,524 |
| | 676,202 | 542,489 |
| Net operating income | 676,202 | 542,489 |
| Currency exchange and transaction (gain)/ losses | (77,214) | 488,641 |
| Other expenses / (income): | | |
| Interest income | (22,890) | (15,886) |
| Interest expense, net of amounts capitalized | 228,071 | 96,840 |
| Other income | (2,658) | (7,107) |
| Total other expenses, net | 202,523 | 73,847 |
| Income/(loss) before provision for income taxes and noncontrolling interest | 550,893 | (19,999) |
| Provision for income taxes | 125,115 | 26,075 |
| Net income/(loss) | 425,778 | (46,074) |
| Net income/(loss) attributable to the noncontrolling interest | 44,514 | 7,411 |
| Net income/(loss) attributable to the Group | 381,264 | (53,485) |
| Weighted average number of common shares outstanding, in thousands - basic and diluted | 1,916,869 | 1,885,053 |
| Earnings/(loss) per share - basic and diluted | 0.20 | (0.03) |

MOBILE TELESYSTEMS
CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2010 AND DECEMBER 31, 2009

(Amounts in thousands of U.S. dollars)

| | As of March 31, 2010 | As of December 31, 2009 |
|--|-------------------------|----------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 2,278,513 | \$ 2,522,831 |
| Short-term investments | 435,317 | 217,210 |
| Trade receivables, net | 669,978 | 593,102 |
| Accounts receivable, related parties | 14,787 | 19,973 |
| Inventory and spare parts | 233,065 | 238,693 |
| VAT receivable | 115,769 | 109,928 |
| Prepaid expenses and other current assets | 696,417 | 693,219 |
| Total current assets | 4,443,846 | 4,394,956 |
| PROPERTY, PLANT AND EQUIPMENT | 7,629,951 | 7,745,331 |
| INTANGIBLE ASSETS | 2,227,177 | 2,235,831 |
| INVESTMENTS IN AND ADVANCES TO ASSOCIATES | 218,962 | 220,450 |
| INVESTMENTS IN SHARES OF SVYAZINVEST | 885,444 | 859,669 |
| OTHER INVESTMENTS | 81,548 | 78,893 |
| OTHER ASSETS | 222,565 | 245,615 |
| Total assets | \$ 15,709,493 | \$ 15,780,745 |
| CURRENT LIABILITIES | | |
| Accounts payable | 456,612 | 504,967 |
| Accrued expenses and other current liabilities | 1,875,504 | 1,663,792 |
| Accounts payable, related parties | 61,453 | 87,403 |
| Current portion of long-term debt, capital lease obligations | 2,333,338 | 2,001,771 |
| Total current liabilities | 4,726,907 | 4,257,933 |
| LONG-TERM LIABILITIES | | |
| Long-term debt | 5,330,817 | 6,326,824 |
| Capital lease obligations | 1,059 | 921 |
| Deferred income taxes | 301,255 | 298,453 |
| Long-term accounts payable, related parties | 40,027 | 38,273 |
| Deferred revenue and other | 385,037 | 373,011 |
| Total long-term liabilities | 6,058,195 | 7,037,482 |
| Total liabilities | 10,785,102 | 11,295,415 |
| Redeemable noncontrolling interests | 82,269 | 82,261 |

SHAREHOLDERS' EQUITY:

| | | |
|--|----------------------|----------------------|
| Common stock: (2,096,975,792 shares with a par value of 0.1 rubles authorized and 1,993,326,138 shares issued as of March 31, 2010 and December 31, 2009 (777,396,505 of which are in the form of ADS as of March 31, 2010 and December 31, 2009)) | 50,558 | 50,558 |
| Treasury stock (76,456,876 common shares at cost as of March 31, 2010 and December 31, 2009) | (1,054,926) | (1,054,926) |
| Additional paid-in capital | 0 | 0 |
| Accumulated other comprehensive income | (762,764) | (754,524) |
| Retained earnings | 5,512,485 | 5,135,842 |
| Total shareholders' equity attributable to the Group | 3,745,353 | 3,376,950 |
| Noncontrolling interest | 1,096,769 | 1,026,119 |
| TOTAL SHAREHOLDERS' EQUITY | 4,842,122 | 4,403,069 |
| Total liabilities and shareholders' equity | \$ 15,709,493 | \$ 15,780,745 |

MOBILE TELESYSTEMS
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009

(Amounts in thousands of U.S. dollars)

| | Three months ended | |
|--|--------------------|------------------|
| | March 31, 2010 | March 31, 2009 |
| Net cash provided by operating activities | 965,087 | 855,905 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of subsidiaries, net of cash acquired | (6,245) | (105,588) |
| Purchases of property, plant and equipment | (188,118) | (601,875) |
| Purchases of intangible assets | (62,955) | (103,370) |
| Proceeds from sale of property, plant and equipment and assets held for sale | 1,550 | 885 |
| Purchases of short-term investments | (318,777) | |
| Proceeds from sale of short-term investments | 110,213 | 261,945 |
| Purchase of other investments | | (413) |
| Proceeds from sales of other investments | 137 | |
| Investments in and advances to associates | 50 | 558 |
| Increase/(decrease) in restricted cash | 53 | (8,606) |
| Net cash used in investing activities | (464,092) | (556,464) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Cash payments for the acquisition of Stream TV and non-controlling interests | (5,856) | (3,044) |
| Proceeds from issuance of notes | 27,440 | |
| Notes and debt issuance cost | (835) | (16,116) |
| Capital lease obligation principal paid | (1,002) | (1,857) |
| Dividends paid | | (3) |
| Proceeds from loans | 47,396 | 120,400 |
| Loan principal paid | (793,739) | (366,760) |
| Net cash used in financing activities | (754,036) | (239,940) |
| Effect of exchange rate changes on cash and cash equivalents | 8,723 | (115,845) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS: | (244,318) | (56,344) |
| CASH AND CASH EQUIVALENTS, at beginning of period | 2,522,831 | 1,121,669 |
| CASH AND CASH EQUIVALENTS, at end of period | 2,278,513 | 1,065,325 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MOBILE TELESYSTEMS OJSC

| | | |
|-----|----------------------|------------------|
| By: | /s/ Mikhail Shamolin | |
| | Name: | Mikhail Shamolin |
| | Title: | CEO |

Date: **June 8, 2010**
