

MOBILE TELESYSTEMS OJSC
Form 6-K
March 11, 2009

FORM 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
March 11, 2009

**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 Fourth Quarter and Full Year Ended December 31, 2008

March 11, 2009

Moscow, Russian Federation Mobile TeleSystems OJSC (MTS - NYSE: MBT), today announces its consolidated US GAAP financial results for the three months (unaudited) and full year ended December 31, 2008.

Key Financial Highlights of FY 2008

- Consolidated revenues up 24.2% y-o-y to \$10,245 million due to subscriber growth and increasing contribution from voice and data usage
- Consolidated OIBDA(1) up 21.7% to \$5,140 million y-o-y with 50.2% OIBDA margin due to continued revenue growth and cost control
- Consolidated net income down 6.8% y-o-y to \$1,930 million due to non-cash FOREX loss through US GAAP translation of US dollar-denominated debt
- Free cash-flow(2) positive with \$2,148 million for the full year 2008 due to the overall revenue growth of the Group

Key Corporate and Industry Highlights

- Redemption of the \$400 million Eurobond issued in 2003 in January 2008

- Mr. Mikhail Shamolin named as the new President and CEO of MTS in May 2008
- Launch of 3G networks in Russia in May 2008
- Placement of three bonds worth RUB 30 billion in 2008
- Launch of iPhone 3G sales in October 2008
- Expansion of Board from seven to nine members with three independent in October 2008
- Signing of a non-equity strategic partnership agreement with Vodafone in October 2008
- Launch of 3G network in Uzbekistan in December 2008
- Completion of dividend payment for the FY 2007 in December 2008
- Agreement signed to bring MTS brand to India through Sistema Shyam TeleServices in December 2008
- MTS first Russian company named as BRANDZ Top 100 Most Powerful Brands by Millwood Brown and *Financial Times*

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

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

Additional developments

- The Russian ruble and Armenian dram have weakened versus the US dollar since the end of the fourth quarter. Currency volatility may continue to negatively impact our US dollar-based financial and operational results.
- MTS sees continued risk from the weakening macroeconomic environment, and volatility within the global financial sector may make it difficult to attract additional financing.

Commentary

Mr. Mikhail Shamolin, President and Chief Executive Officer, commented, "Our strong performance for the year is testimony to both the sustained growth drivers in our markets and our ability to profitably develop our business. The current economic weakness and currency volatility, as evident by decreased corporate spending and overall business activity in our markets, may negatively impact our short-term financial and operational performance. However, our pro-active marketing initiatives will strengthen customer loyalty, and sustained investments in distribution and 3G, facilitated by our relatively strong financial position, will ensure that we continue to provide the best customer experience and enhance overall customer lifetime value in the medium- and long-term."

Financial Summary (unaudited)

| US\$ million | Q4 08 | Q4 07 | y-o-y | Q3 08 | q-o-q | 2008 | 2007 | y-o-y |
|----------------------|---------|---------|--------|---------|--------|----------|---------|--------|
| Revenues | 2,418.3 | 2,326.4 | 4.0% | 2,812.3 | -14.0% | 10,245.3 | 8,252.4 | 24.2% |
| OIBDA | 1,162.2 | 1,126.9 | 3.1% | 1,453.2 | -20.0% | 5,140.3 | 4,223.4 | 21.7% |
| - margin | 48.1% | 48.4% | -0.3pp | 51.7% | -3.6pp | 50.2% | 51.2% | -1.0pp |
| Net operating income | 706.2 | 643.8 | 9.7% | 935.5 | -24.5% | 3,203.5 | 2,733.8 | 17.2% |
| - margin | 29.2% | 27.7% | 1.5pp | 33.3% | -4.1pp | 31.3% | 33.1% | -1.8pp |
| Net income | 145.5 | 460.3 | -68.4% | 515.6 | -71.8% | 1,930.4 | 2,071.5 | -6.8% |

Group Financial Developments**CAPEX**

MTS expenditure on property, plant and equipment in the fourth quarter totaled approximately \$576 million, of which \$373 million was invested in Russia, \$129 million in Ukraine, \$35 million in Uzbekistan, \$19 million in Turkmenistan and \$20 million in Armenia.

Mr. Mikhail Shamolin, President and Chief Executive Officer, commented, "Our strong performance for the 5 year is t

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

MTS spent approximately \$101 million on the purchase of intangible assets during the quarter of which \$78 million was spent in Russia, \$10 million in Ukraine, \$6 million in Uzbekistan, \$1 million in Turkmenistan and \$5 million in Armenia.

Debt and Cash Flows

As of December 31, 2008, MTS total debt⁽³⁾ was at \$4.1 billion, resulting in a ratio of total debt to OIBDA of 0.8 times. Net debt amounted to \$3.0 billion at the end of the year and the net debt to OIBDA of 0.6 times. The Company was free cash-flow positive with \$2.1 billion for the full year 2008.

During the year, MTS successfully placed three ruble bonds worth a total of RUB 30 billion. In December 2008, the Company received a 300 million Euro credit facility from Gazprombank.

Repurchases

MTS spent approximately RUB 11.1 billion (or \$440 million) on the repurchase of 37.8 million ordinary shares in conjunction with the mandatory buyback of securities related to the merger of two subsidiaries in the third quarter 2008. Under the existing share repurchase program, the Company

(3) Total debt is comprised of the current portion of debt, current capital lease obligations, long-term debt and long-term capital lease obligations; net debt is the difference between the total debt and cash and cash equivalents and short-term investments; see Attachment B for reconciliation of net debt to our consolidated balance sheet.

acquired 39.4 million shares in 2008; no shares were acquired in the fourth quarter. The total number of shares on the balance sheet stands at 108.3 million shares of which approximately 63% is in the form of ADRs.

Group Operating Review

Market Growth

Mobile penetration⁽⁴⁾ in markets of operation was:

- Up q-o-q from 124% to 129% in Russia;
- Up q-o-q from 120 to 121% in Ukraine;
- Up q-o-q from 38% to 44% in Uzbekistan;
- Up q-o-q from 16% to 19% in Turkmenistan;
- Stable q-o-q at 80% in Armenia;
- Up q-o-q from 83% to 86% in Belarus.

Subscriber Development

The Company added approximately 3.93 million new customers during the fourth quarter of 2008 that were all added organically. During the quarter MTS:

- Added 2.75 million subscribers in Russia;
- Added 30 thousand subscribers in Ukraine;
- Added 0.6 million subscribers in Uzbekistan;
- Added approximately 166 thousand subscribers in Turkmenistan;
- Added approximately 234 thousand subscribers in Armenia.

Our Belarus operations added approximately 161 thousand subscribers during the quarter.

Key Subscriber Statistics

| (mln) | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08 |
|------------------------|-------|-------|-------|-------|-------|
| Total subscribers, eop | 85.77 | 88.88 | 90.97 | 91.73 | 95.66 |
| Russia | 57.43 | 59.90 | 61.38 | 61.88 | 64.63 |
| Ukraine | 20.00 | 19.61 | 19.13 | 18.09 | 18.12 |
| Uzbekistan(5) | 2.80 | 3.56 | 4.37 | 5.06 | 5.65 |
| Turkmenistan | 0.36 | 0.47 | 0.57 | 0.76 | 0.93 |
| Armenia | 1.38 | 1.42 | 1.49 | 1.78 | 2.02 |
| MTS Belarus(6) | 3.80 | 3.94 | 4.03 | 4.16 | 4.32 |

Market Share

MTS maintained its leading position in the majority of its markets of operation during the fourth quarter:

- Decreased from 35% to 34% in Russia;
- Maintained at 33% in Ukraine;
- Decreased from 49% to 46% in Uzbekistan;
- Maintained at 87% in Turkmenistan;

(4) The source for all market information based on the number of SIM cards in Russia and Ukraine in this press release is AC&M-Consulting.

(5) Starting from Q1 2008 MTS employs a six-month inactive churn policy in Uzbekistan

(6) MTS owns a 49% stake in Mobile TeleSystems LLC, a mobile operator in Belarus, which is not consolidated.

- Increased from 69% to 79% in Armenia.

In Belarus, the market share maintained at 52%.

Customer Segmentation

Subscriptions to MTS pre-paid tariff plans accounted for 85% of gross additions in Russia and 97% in Ukraine in the fourth quarter. At the end of the quarter, 87% of MTS customers in Russia were signed up to pre-paid tariff plans. In Ukraine, the share of customers signed to pre-paid tariff plans was 92%.

Russia Highlights

| RUB mln | Q4 08 | Q4 07 | y-o-y | Q3 08 | q-o-q | 2008 | 2007 | y-o-y |
|------------|----------|----------|---------|----------|---------|-----------|-----------|--------|
| Revenues | 50,519.0 | 42,473.6 | 18.9% | 52,471.4 | -3.7% | 194,328.0 | 157,752.6 | 23.2% |
| OIBDA | 24,388.0 | 20,260.0 | 20.4% | 26,950.8 | -9.5% | 97,029.9 | 80,473.1 | 20.6% |
| - margin | 48.3% | 47.7% | +0.6pp | 51.4% | -3.2pp | 49.9% | 51.0% | -1.1pp |
| Net income | 1,802.3 | 8,540.6 | -78.9% | 8,994.5 | -80.0% | 35,482.4 | 41,371.7 | -14.2% |
| - margin | 3.6% | 20.1% | -16.5pp | 17.1% | -13.5pp | 18.3% | 26.2% | -7.9pp |

| | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08 | 2007 | 2008 |
|----------------|--------|--------|--------|--------|--------|--------|--------|
| ARPU (RUB)(7) | 247.15 | 244.55 | 260.70 | 278.78 | 258.28 | 236.74 | 260.84 |
| MOU (min) | 187 | 193 | 207 | 213 | 218 | 157 | 208 |
| Churn rate (%) | 5.1 | 4.8 | 6.6 | 9.1 | 6.4 | 23.1 | 27.0 |
| SAC (RUB) | 655.6 | 715.7 | 711.1 | 635.5 | 665.4 | 670.1 | 679.5 |

Ukraine Highlights

| UAH mln | Q4 08 | Q4 07 | y-o-y | Q3 08 | q-o-q | 2008 | 2007 | y-o-y |
|------------|---------|---------|--------|---------|--------|---------|---------|--------|
| Revenues | 2,121.3 | 2,147.9 | -1.2% | 2,255.0 | -5.9% | 8,594.2 | 8,120.5 | 5.8% |
| OIBDA | 837.8 | 983.7 | -14.8% | 1,088.5 | -23.0% | 3,891.5 | 3,947.9 | -1.4% |
| - margin | 39.5% | 45.8% | -6.3pp | 48.3% | -8.8pp | 45.3% | 48.6% | -3.3pp |
| Net income | 206.4 | 381.1 | -45.8% | 359.9 | -42.7% | 1,377.5 | 1,609.1 | -14.4% |
| - margin | 9.7% | 17.7% | -8.0pp | 16.0% | -6.3pp | 16.0% | 19.8% | -3.8pp |

| | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08 | 2007 | 2008 |
|----------------|-------|-------|-------|-------|-------|-------|-------|
| ARPU (UAH) | 35.74 | 34.49 | 36.52 | 39.63 | 38.16 | 33.69 | 36.97 |
| MOU (min) | 163 | 175 | 239 | 329 | 389 | 154 | 279 |
| Churn rate (%) | 14.4 | 10.3 | 10.7 | 15.8 | 10.8 | 49.0 | 47.3 |
| SAC (UAH) | 64.3 | 69.7 | 64.7 | 49.7 | 51.7 | 61.0 | 58.3 |

Russia Highlights

(7) 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

Uzbekistan Highlights(8)

| USD mln | Q4 08 | Q4 07 | y-o-y | Q3 08 | q-o-q | 2008 | 2007 | y-o-y |
|---------------|-------|-------|---------|-------|---------|-------|-------|---------|
| Revenues | 115.7 | 76.6 | 51.0% | 103.1 | 12.2% | 391.4 | 248.5 | 57.5% |
| OIBDA | 70.6 | 48.7 | 45.0% | 65.5 | 7.8% | 242.9 | 157.8 | 53.9% |
| - margin | 61.0% | 63.6% | -2.6pp | 63.5% | -2.5pp | 62.1% | 63.5% | -1.5pp |
| Net income | 34.6 | 31.0 | 11.6% | 43.5 | -20.5% | 150.3 | 90.0 | 67.0% |
| CAPEX | 41.0 | 12.6 | 225.4% | 48.1 | -14.8% | 139.7 | 30.1 | 364.1% |
| - as % of rev | 35.4% | 16.4% | +19.0pp | 46.6% | -11.2pp | 35.7% | 12.1% | +23.6pp |

| | Q4 07 | Q1 08(9) | Q2 08 | Q3 08 | Q4 08 | 2007 | 2008 |
|----------------|-------|----------|-------|-------|-------|------|------|
| ARPU (USD) | 10.0 | 8.3 | 7.8 | 7.3 | 7.2 | 9.7 | 7.7 |
| MOU (min) | 574 | 520 | 575 | 525 | 497 | 516 | 536 |
| Churn rate (%) | 13.5 | 2.8 | 4.0 | 7.3 | 5.7 | 58.2 | 21.3 |
| SAC (USD) | 4.8 | 7.0 | 7.5 | 7.7 | 8.7 | 4.3 | 7.7 |

Turkmenistan Highlights(10)

| TMM bln | Q4 08 | Q4 07 | y-o-y | Q3 08 | q-o-q | 2008 | 2007 | y-o-y |
|------------|-------|-------|---------|-------|---------|---------|-------|--------|
| Revenues | 473.1 | 242.8 | 94.9% | 287.9 | 64.3% | 1,431.9 | 876.2 | 63.4% |
| OIBDA | 292.1 | 148.7 | 96.4% | 121.1 | 141.2% | 832.2 | 486.2 | 71.2% |
| - margin | 61.7% | 61.4% | +0.3pp | 42.3% | +19.4pp | 59.0% | 55.5% | +3.5pp |
| Net income | 179.6 | 14.6 | 1130.1% | 24.2 | 642.1% | 357.7 | 205.4 | 74.1% |
| - margin | 38.0% | 6.0% | +32.0pp | 8.4% | +29.6pp | 25.0% | 23.4% | +1.6pp |

| | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08 | 2007 | 2008 |
|----------------|-------|-------|-------|-------|-------|-------|-------|
| ARPU (TMM 000) | 250.1 | 221.3 | 254.3 | 142.5 | 188.7 | 269.9 | 198.0 |
| MOU (min) | 282 | 273 | 291 | 277 | 253 | 250 | 258 |
| Churn rate (%) | 5.5 | 5.0 | 4.4 | 2.0 | 4.2 | 24.4 | 14.3 |
| SAC (TMM 000) | 102.4 | 92.5 | 140.5 | 78.4 | 48.5 | 128.4 | 92.9 |

Armenia Highlights

| AMD mln | Q4 08 | Q4 07 | y-o-y | Q3 08 | q-o-q | 2008 | 2007(11) | y-o-y |
|------------|----------|----------|---------|----------|---------|----------|----------|-------|
| Revenues | 19,920.6 | 18,474.4 | 7.8% | 22,670.0 | -12.1% | 78,478.2 | 21,279.1 | n/a |
| OIBDA | 9,776.4 | 10,380.0 | -5.8% | 11,909.3 | -17.9% | 41,675.4 | 12,069.5 | n/a |
| - margin | 49.1% | 56.2% | -7.1pp | 52.5% | -3.4pp | 53.1% | 56.7% | n/a |
| Net income | 137.2 | 2,317.2 | -94.1% | 5606.4 | -97.6% | 548.7 | 2,351.0 | n/a |
| - margin | 0.7% | 12.5% | -11.8pp | 24.7% | -24.0pp | 0.7% | 11.0% | n/a |

| | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08 | 2007 | 2008 |
|----------------|---------|---------|---------|---------|---------|------|---------|
| ARPU (AMD) | 5,047.1 | 4,033.5 | 4,331.2 | 4,594.5 | 3,485.9 | n/a | 3,845.9 |
| MOU (min) | 105 | 157 | 183 | 202 | 205 | n/a | 178 |
| Churn rate (%) | 10.1 | 8.0 | 7.7 | 7.2 | 7.0 | n/a | 28.0 |
| SAC (AMD) | 4,824.9 | 8,220.9 | 8,324.6 | 5,199.0 | 4,535.8 | n/a | 5,904.8 |

- (8) The functional currency in Uzbekistan is the US dollar.
- (9) In Q1 2008, MTS Uzbekistan moved away from a two-month to a six-month churn policy.
- (10) On January 1, 2008, the Central Bank of Turkmenistan raised the official exchange rate of the Turkmenistan Manat to the US dollar from 5,200 to 6,250. On May 1, 2008, another decree was passed by the President of Turkmenistan that established the official exchange rate at 14,250 Manat per 1 USD.
- (11) Consolidated as of September 14, 2007.

CAPEX Highlights

| in USD mln | Q4 07 | Q3 08 | Q4 08 | 2007 | 2008 |
|---------------|-------|-------|-------|-------|---------|
| Russia | 490.1 | 457.4 | 451.4 | 918.8 | 1,399.3 |
| - as % of rev | 28.4% | 21.1% | 24.3% | 14.9% | 17.9% |
| Ukraine | 168.9 | 138.6 | 139.4 | 544.9 | 595.6 |
| - as % of rev | 39.7% | 29.8% | 39.4% | 33.9% | 35.8% |
| Uzbekistan | 12.6 | 48.1 | 41.0 | 30.1 | 139.7 |
| - as % of rev | 16.4% | 46.6% | 35.4% | 12.1% | 35.7% |
| Turkmenistan | 27.2 | 14.1 | 20.2 | 31.8 | 58.2 |
| - as % of rev | 58.3% | 69.8% | 60.8% | 18.9% | 44.3% |
| Armenia | 14.0 | 5.0 | 24.8 | 14.0 | 34.6 |
| - as % of rev | 24.0% | 6.7% | 38.1% | 21.0% | 13.5% |

For further information, please contact:

Mobile TeleSystems, Moscow

Investor Relations

Tel: +7 495 223 2025

E-mail: ir@mts.ru

Mobile TeleSystems OJSC (MTS) is the largest mobile phone operator in Russia and the CIS. Together with its subsidiaries, the Company services over 91.40 million subscribers. The regions of Russia, as well as Armenia, Belarus, Turkmenistan, Ukraine, and Uzbekistan, in which MTS and its associates and subsidiaries are licensed to provide GSM services, have 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 MTS can be found on MTS website 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 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 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

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

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, 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, 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 Fourth Quarter 2008
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) | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08 | 2007 | 2008 |
|------------------|---------|---------|---------|---------|---------|---------|---------|
| Operating income | 643.8 | 704.6 | 857.2 | 935.5 | 706.2 | 2,733.8 | 3,203.5 |
| Add: D&A | 483.0 | 470.9 | 492.2 | 517.7 | 456.0 | 1,489.6 | 1,936.8 |
| OIBDA | 1,126.9 | 1,175.5 | 1,349.5 | 1,453.2 | 1,162.2 | 4,223.4 | 5,140.3 |

| Russia (USD mln) | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08 | 2007 | 2008 |
|------------------|-----------|-------|---------|---------|-----------|-------------|-------------|
| Operating income | 469.3 | 562.5 | 701.4 | 761.0 | 587.0 | 2,076.1 | 2,611.9 |
| Add: D&A | 352.7 | 314.9 | 333.2 | 354.2 | 310.1 | 1,076.6 | 1,312.4 |
| OIBDA | 822.0(12) | 877.4 | 1,034.6 | 1,115.2 | 897.1(13) | 3,152.7(14) | 3,924.3(15) |

| Ukraine (USD mln) | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08 | 2007 | 2008 |
|-------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating income | 106.7 | 85.4 | 91.4 | 103.2 | 41.3 | 456.8 | 321.3 |
| Add: D&A | 88.1 | 104.8 | 111.2 | 121.3 | 100.7 | 325.0 | 438.0 |
| OIBDA | 194.8 | 190.1 | 202.6 | 224.6 | 142.0 | 781.8 | 759.3 |

| Uzbekistan (USD mln) | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08 | 2007 | 2008 |
|----------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating income | 35.2 | 35.1 | 42.8 | 48.9 | 50.7 | 114.3 | 177.5 |
| Add: D&A | 13.5 | 13.9 | 14.9 | 16.6 | 19.9 | 43.5 | 65.4 |
| OIBDA | 48.7 | 49.1 | 57.7 | 65.5 | 70.6 | 157.8 | 242.9 |

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

(12) Including intercompany of \$0.4 mln.

(13) Including intercompany of \$8.1 mln.

(14) Including intercompany of \$2.6 mln.

(15) Including intercompany of \$8.1 mln.

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

| Turkmenistan (USD mln) | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08 | 2007 | 2008 |
|------------------------|-------|-------|-------|-------|-------|------|------|
| Operating income | 22.9 | 21.9 | 17.9 | 6.8 | 17.3 | 73.5 | 63.9 |
| Add: D&A | 5.7 | 5.1 | 3.7 | 1.7 | 3.2 | 20.0 | 13.7 |
| OIBDA | 28.6 | 26.9 | 21.6 | 8.5 | 20.5 | 93.5 | 77.6 |

| Armenia (USD mln) | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08 | 2007 | 2008 |
|--------------------------|-------|-------|-------|-------|-------|------|-------|
| Operating income/ (loss) | 9.7 | (0.3) | 3.8 | 15.6 | 9.8 | 13.2 | 28.8 |
| Add: D&A | 23.0 | 32.2 | 29.2 | 23.8 | 22.1 | 24.5 | 107.4 |
| OIBDA | 32.7 | 32.0 | 33.0 | 39.4 | 31.9 | 37.7 | 136.2 |

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

| Group | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08 | 2007 | 2008 |
|------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating margin | 27.7% | 29.6% | 32.5% | 33.3% | 29.2% | 33.1% | 31.3% |
| Add: D&A | 20.7% | 19.8% | 18.7% | 18.4% | 18.9% | 18.1% | 18.9% |
| OIBDA margin | 48.4% | 49.4% | 51.2% | 51.7% | 48.1% | 51.2% | 50.2% |

| Russia | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08 | 2007 | 2008 |
|------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating margin | 27.2% | 31.3% | 34.7% | 35.1% | 31.6% | 33.5% | 33.3% |
| Add: D&A | 20.5% | 17.5% | 16.5% | 16.4% | 16.7% | 17.4% | 16.7% |
| OIBDA margin | 47.7% | 48.8% | 51.2% | 51.5% | 48.3% | 51.0% | 50.1% |

| Ukraine | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08 | 2007 | 2008 |
|------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating margin | 25.1% | 20.9% | 21.1% | 22.2% | 11.7% | 28.4% | 19.3% |
| Add: D&A | 20.7% | 25.6% | 25.6% | 26.1% | 28.4% | 20.2% | 26.4% |
| OIBDA margin | 45.8% | 46.5% | 46.7% | 48.3% | 40.1% | 48.6% | 45.7% |

| Uzbekistan | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08 | 2007 | 2008 |
|------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating margin | 45.9% | 44.3% | 46.0% | 47.4% | 43.8% | 46.0% | 45.4% |
| Add: D&A | 17.6% | 17.6% | 16.0% | 16.1% | 17.2% | 17.5% | 16.7% |
| OIBDA margin | 63.6% | 61.8% | 61.9% | 63.5% | 61.0% | 63.5% | 62.0% |

| Turkmenistan | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08 | 2007 | 2008 |
|------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating margin | 49.1% | 50.0% | 52.1% | 33.9% | 52.2% | 43.7% | 48.6% |
| Add: D&A | 12.3% | 11.6% | 10.9% | 8.4% | 9.5% | 11.8% | 10.4% |
| OIBDA margin | 61.4% | 61.6% | 63.0% | 42.3% | 61.7% | 55.5% | 59.0% |

| Armenia | Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08 | 2007 | 2008 |
|------------------|-------|--------|-------|-------|-------|-------|-------|
| Operating margin | 16.7% | (0.5)% | 6.1% | 20.7% | 15.1% | 19.8% | 11.2% |
| Add: D&A | 39.5% | 58.5% | 47.5% | 31.7% | 34.1% | 36.8% | 41.9% |
| OIBDA margin | 56.2% | 57.9% | 53.7% | 52.5% | 49.1% | 56.6% | 53.1% |

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 balance sheets as follows:

| USD mln | As of Dec 31, 2007 | As of Dec 31, 2008 |
|--|-----------------------|-----------------------|
| Current portion of debt and of capital lease obligations | 713.3 | 1,183.7 |
| Long-term debt | 2,686.5 | 2,888.5 |
| Capital lease obligations | 1.9 | 3.0 |
| Total debt | 3,401.7 | 4,075.2 |
| Less: | | |
| Cash and cash equivalents | (634.5) | (1,058.8) |
| Short-term investments | (15.8) | (45.7) |
| Net debt | 2,751.4 | 2,970.7 |

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

| USD mln | For the year ended Dec 31, 2007 | For the year ended Dec 31, 2008 |
|---|---------------------------------------|---------------------------------------|
| Net cash provided by operating activities | 3,350.2 | 4,423.4 |
| Less: | | |
| Purchases of property, plant and equipment | (1,316.7) | (1,847.5) |
| Purchases of intangible assets | (222.9) | (379.8) |
| Proceeds from sale of property, plant and equipment | 22.0 | 29.8 |
| Proceeds/(purchases) of other investments | 2.8 | (39.4) |
| Investments in and advances to associates | 2.0 | (3.7) |
| Acquisition of subsidiaries, net of cash acquired | (873.1) | (35.1) |
| Free cash-flow | 964.4 | 2,147.7 |

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

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008 AND 2007

(Amounts in thousands of U.S. dollars, except share and per share amounts)

| | Year ended December 31, 2008 | Year ended December 31, 2007 | Three months ended December 31, 2008 | Three months ended December 31, 2007 |
|--|---------------------------------|---------------------------------|---|---|
| Net operating revenue | | | | |
| Service revenue and connection fees | \$ 10,176,255 | \$ 8,172,650 | \$ 2,375,308 | \$ 2,303,967 |
| Sales of handsets and accessories | 69,038 | 79,728 | 43,007 | 22,396 |
| | 10,245,293 | 8,252,378 | 2,418,315 | 2,326,363 |
| Operating expenses | | | | |
| Cost of services | 2,247,948 | 1,727,365 | 514,626 | 500,386 |
| Cost of handsets and accessories | 169,615 | 158,580 | 70,609 | 42,719 |
| Sales and marketing expenses | 882,508 | 724,115 | 219,746 | 231,010 |
| General and administrative expenses | 1,492,156 | 1,243,549 | 347,487 | 395,915 |
| Depreciation and amortization | 1,936,837 | 1,489,548 | 455,983 | 483,043 |
| Provision for doubtful accounts | 147,435 | 58,924 | 51,322 | -1,837 |
| Other operating expenses | 165,302 | 116,451 | 52,352 | 31,307 |
| Net operating income | 3,203,492 | 2,733,846 | 706,190 | 643,820 |
| Currency exchange and transaction gains | 563,292 | (163,092) | 494,623 | (31,902) |
| Other expenses / (income): | | | | |
| Interest income | (33,166) | (38,100) | (12,647) | (8,035) |
| Interest expense, net of amounts capitalized | 153,341 | 134,581 | 47,054 | 20,092 |
| Other expenses / (income) | (50,659) | (28,631) | (22,958) | 18,523 |
| Total other expenses, net | 69,516 | 67,850 | 11,449 | 30,580 |
| Income before provision for income taxes and minority interest | | | | |
| | 2,570,684 | 2,829,088 | 200,118 | 645,142 |
| Provision for income taxes | 630,621 | 738,270 | 52,451 | 178,544 |
| Minority interest | 9,644 | 19,314 | 2,166 | 6,277 |
| Net income | \$ 1,930,419 | \$ 2,071,504 | \$ 145,501 | \$ 460,321 |
| Weighted average number of common shares outstanding, in thousands - basic | 1,921,934 | 1,973,354 | 1,885,218 | 1,967,152 |
| Earnings per share - basic and diluted | 1.00 | 1.05 | 0.08 | 0.23 |

MOBILE TELESYSTEMS**CONSOLIDATED BALANCE SHEETS****AS OF DECEMBER 31, 2008 AND DECEMBER 31, 2007**

(Amounts in thousands of U.S. dollars, except share amounts)

| | As of December 31, 2008 | As of December 31, 2007 |
|--|----------------------------|----------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 1,058,802 | \$ 634,498 |
| Short-term investments | 45,718 | 15,776 |
| Trade receivables, net | 320,559 | 386,608 |
| Accounts receivable, related parties | 49,684 | 25,004 |
| Inventory and spare parts | 110,490 | 140,932 |
| VAT receivable | 102,648 | 310,548 |
| Prepaid expenses and other current assets | 680,833 | 433,291 |
| Total current assets | 2,368,734 | 1,946,657 |
| PROPERTY, PLANT AND EQUIPMENT | 5,900,129 | 6,607,315 |
| INTANGIBLE ASSETS | 1,770,113 | 2,095,468 |
| INVESTMENTS IN AND ADVANCES TO ASSOCIATES | 247,358 | 195,908 |
| OTHER INVESTMENTS | 39,076 | 1,355 |
| OTHER ASSETS | 122,924 | 119,964 |
| Total assets | 10,448,334 | 10,966,667 |
| CURRENT LIABILITIES | | |
| Accounts payable | 789,336 | 486,666 |
| Accrued expenses and other current liabilities | 1,147,198 | 1,251,233 |
| Accounts payable, related parties | 186,878 | 160,253 |
| Current portion of long-term debt, capital lease obligations | 1,183,729 | 713,282 |
| Total current liabilities | 3,307,141 | 2,611,434 |
| LONG-TERM LIABILITIES | | |
| Long-term debt | 2,888,496 | 2,686,509 |
| Capital lease obligations | 3,009 | 1,876 |
| Deferred income taxes | 69,473 | 114,171 |
| Deferred revenue and other | 101,820 | 89,696 |
| Total long-term liabilities | 3,062,798 | 2,892,252 |
| Total liabilities | 6,369,939 | 5,503,686 |
| COMMITMENTS AND CONTINGENCIES | | |
| MINORITY INTEREST | 23,499 | 20,051 |
| SHAREHOLDERS EQUITY: | | |

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

Common stock: (2,096,975,792 shares with a par value of 0.1 rubles authorized and 1,993,326,138 shares issued as December 31, 2008 and December 31, 2007 (777,396,505 of which are in the form of ADS as of December 31, 2008 and December 31, 2007)

| | | |
|---|----------------------|----------------------|
| | 50,558 | 50,558 |
| Treasury stock (108,273,338 and 32,476,837 common shares at cost as of December 31, 2008 and December 31, 2007) | (1,426,753) | (368,352) |
| Additional paid-in capital | 590,759 | 579,520 |
| Accumulated other comprehensive income | (346,178) | 704,189 |
| Retained earnings | 5,186,510 | 4,477,015 |
| Total shareholders equity | 4,054,896 | 5,442,930 |
| Total liabilities and shareholders equity | \$ 10,448,334 | \$ 10,966,667 |

MOBILE TELESYSTEMS

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008 AND 2007

| | Year ended December 31, 2008 | Year ended December 31, 2007 |
|--|---------------------------------|---------------------------------|
| Net cash provided by operating activities | 4,423,385 | 3,350,156 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of subsidiaries, net of cash acquired | (35,111) | (873,071) |
| Purchases of property, plant and equipment | (1,847,461) | (1,316,662) |
| Purchases of intangible assets | (379,829) | (222,866) |
| Proceeds from sale of property, plant and equipment and assets held for sale | 29,763 | 22,020 |
| Purchases of short-term investments | (119,500) | (221,753) |
| Proceeds from sale of short-term investments | 54,965 | 267,517 |
| Purchase of other investments | (39,404) | |
| Proceeds from sales of other investments | | 2,808 |
| Investments in and advances to associates | (3,654) | 1,965 |
| (Increase)/decrease in restricted cash | 5,046 | (3,839) |
| Net cash used in investing activities | (2,335,185) | (2,343,881) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from stock options exercised | 9,183 | 6,057 |
| Proceeds from issuance of notes | 986,004 | |
| Repurchase of common stock | (1,059,833) | (254,443) |
| Repayment of notes | (485,474) | |
| Notes and debt issuance cost | (6,693) | (371) |
| Capital lease obligation principal paid | (5,511) | (4,952) |
| Dividends paid | (1,106,469) | (756,920) |
| Proceeds from loans | 710,443 | 475,815 |
| Loan principal paid | (415,944) | (158,080) |
| Net cash used in financing activities | (1,374,294) | (692,894) |
| Effect of exchange rate changes on cash and cash equivalents | (289,602) | 101,128 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS: | 424,304 | 414,509 |
| CASH AND CASH EQUIVALENTS, at beginning of period | 634,498 | 219,989 |
| CASH AND CASH EQUIVALENTS, at end of period | \$ 1,058,802 | \$ 634,498 |

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: **March 11, 2009**
