

MOBILE TELESYSTEMS OJSC
Form 6-K
November 18, 2010

FORM 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
November 18, 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.

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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 Third Quarter Ended September 30, 2010

November 18, 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 September 30, 2010.

Key Financial Highlights of Q3 2010(1)

- Consolidated revenues up 10.8% y-o-y to \$2,911 million
- Consolidated OIBDA(2) up 8.2% y-o-y to \$1,309 million with a 45.0% OIBDA margin
- Consolidated net income attributable to the Group of \$475 million
- Free cash-flow(3) increased in Q3 2010 and reached \$2.4 billion for the nine months ended September 30, 2010

Key Corporate and Industry Highlights

- Acquisition of a 95% stake in Metro-Telecom for RUB 339.35 million (\$11.01 million(4))
- Acquisition of Multiregion, one of the leading groups of broadband and cable TV providers in Russia, for \$123.5 million

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- Decrease in the interest rates on Gazprombank's RUB 6.46 billion facility and on Sberbank's RUB 53 billion facilities
- Completion of a series of transactions involving the sale by the Comstar group of companies to Rostelecom of the 25%+1 share in the charter capital of Svyazinvest for RUB 26 billion
- Successful completion of voluntary tender offer to the Comstar shareholders resulting in the acquisition of 37,614,087 ordinary Comstar shares, or approximately 9.0% of Comstar's issued share capital
- LTE launch in Uzbekistan – first commercial network in the CIS
- Outlook upgrade of the S&P credit rating from Stable to Positive
- Affirmation of the Fitch credit rating at BB+/Outlook Stable
- Voluntarily repayment of the second tranche of the syndicated loan in the amount of \$161.5 million; the loan was originally signed in April 2006 and carried a 5-year maturity

(1) Because Comstar-UTS, TS-Retail and Metro-Telecom were acquired from JSC Sistema, the majority owner of MTS, Comstar, TS-Retail and Metro-Telecom, the acquisitions were accounted for as transactions between entities under common control. Similar to a pooling of interest, whereby the assets and liabilities of Comstar-UTS, TS-Retail and Metro-Telecom were recorded at Sistema's carrying value, MTS' historical financial information was recast to include the acquired entities for all periods presented

(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

(4) According to the Russian Central Bank exchange rate of 30.8227 RUB/USD as of August 27, 2010

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- Redemption of the \$400 million Eurobond in October 2010
- Placement of the series 07 and series 08 ruble-denominated bonds totaling RUB 25 billion
- Transfer of MTS ordinary share to the A1 listing on the Moscow Interbank Currency Exchange (MICEX)
- Completion of 3G deployment throughout markets of operation with 3G launch in Turkmenistan
- Signing of a non-binding indicative offer to acquire for RUB 11.59 billion (\$379.01 million(5)) Sistema-Telecom, whose primary assets include the distinctive egg trademarks used by MTS and its subsidiaries

Commentary

Mikhail Shamolin, President and CEO of MTS, commented, "For the period, we delivered strong sequential and annual growth in all of our markets of operation. During the quarter we improved Group's revenue 10.8%% year over year to \$2.9 billion dollars. We attribute this growth to the positive seasonal dynamics, subscriber additions and a general increase in usage in our core markets."

Alexey Kornya, MTS Vice President and Chief Financial Officer, said, "We have been very successful in our efforts aimed at optimizing our debt portfolio. We reached an agreement to lower interest rates on our Sberbank facilities in the total amount of 53 billion rubles. In line with our preference for ruble denominated debt, we voluntarily repaid the second and last - tranche of our outstanding syndicated loan in the amount of \$161.5 million; the loan was originally signed in April 2006 and carried a 5-year maturity. At the end of the period, non-ruble debt accounted for roughly 37% of our debt portfolio, but this should decrease by the end of the year."

Mr. Kornya added, "In October we completed the redemption of a \$400 million Eurobond. Just recently, we tapped local debt markets placing series-07 and series-08 ruble-denominated bonds— - a 5-year 15 billion RUB issue with a coupon of 8.15% and a 7-year 10 billion RUB issue with a coupon of 8.7%. This makes us the first Russian corporate to solicit 7-year money from the market, which is a strong statement on our financial position given the volatility we are now seeing in global capital markets."

Continued Mr. Shamolin, "As you are aware, we are moving forward with the acquisition of Comstar that creates the largest integrated telecommunications provider in Russia and the CIS. As a part of the process, we launched a voluntary tender offer (VTO) to Comstar shareholders for up to 9.0% of Comstar's issued share capital. The VTO was successful, which allowed us to increase our ownership stake in Comstar to 70.97% of Comstar's issued share capital (or 73.33% excluding treasury shares). The merger process is expected to be completed by mid-April 2011 subject to the

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shareholders approval of the transaction and certain regulatory steps. We will seek the approval from the shareholders of both MTS and Comstar at Extraordinary General Meetings on December 23, 2010.

He continued, Earlier this week we signed a non-binding indicative offer to acquire 100% of Sistema Telecom LLC. As you may recall, in 2006 Sistema introduced the umbrella brand to link its telecommunications assets in the eyes of their customers. In the years since, however, the market has undergone significant changes that saw ownership of many of these key assets shift to MTS. Today, we are truly operating under a unified brand to all of our customers and are continuously extending our brand to different services. Given the prospects we see in our market, we feel it is only

(5) According to the average exchange rate of 30.57 RUB/USD for the 60-day period from September 4, 2010 to November 4, 2010

logical to acquire full control of our logos and trademarks to ensure that all shareholders benefit equally in the brand's further development as we continue to implement our 3i strategy.

This press release provides a summary of some of the key financial and operating indicators for the period ended September 30, 2010. For full disclosure materials, please visit <http://www.mtsgsm.com/resources/reports/>.

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Financial Summary(6)

| USD mln | Q3 10 | Q3 09 | y-o-y | Q2 10 | q-o-q |
|----------------------|---------|---------|--------|---------|--------|
| Revenues | 2,910.8 | 2,628.1 | 10.8% | 2,772.6 | 5.0% |
| - mobile | 2,322.1 | 2,139.3 | 8.5% | 2,228.1 | 4.2% |
| - handsets & accs | 165.0 | 111.5 | 48.0% | 131.3 | 25.7% |
| - fixed | 423.6 | 377.2 | 12.3% | 413.2 | 2.5% |
| OIBDA | 1,309.4 | 1,209.9 | 8.2% | 1,234.6 | 6.1% |
| - margin | 45.0% | 46.0% | -1.0pp | 44.5% | +0.5pp |
| Net operating income | 795.6 | 736.0 | 8.1% | 754.2 | 5.5% |
| - margin | 27.3% | 28.0% | -0.7pp | 27.2% | +0.1pp |
| Net income | 475.5 | 504.1 | -5.7% | 353.6 | 34.5% |
| - margin | 16.3% | 19.2% | -2.9pp | 12.8% | +3.5pp |

Russia Highlights

| RUB mln | Q3 10 | Q3 09 | y-o-y | Q2 10 | q-o-q |
|--------------|----------|----------|--------|----------|--------|
| Revenues(7) | 73,752.0 | 67,565.3 | 9.2% | 69,524.5 | 6.1% |
| - mobile | 61,304.8 | 56,473.3 | 8.6% | 57,495.3 | 6.6% |
| - fixed | 13,363.3 | 11,834.0 | 12.9% | 12,841.4 | 4.1% |
| OIBDA | 33,332.7 | 31,391.5 | 6.2% | 31,403.7 | 6.1% |
| - mobile | 27,824.2 | 26,561.0 | 4.8% | 26,268.4 | 5.9% |
| - fixed | 5,508.5 | 4,830.5 | 14.0% | 5,135.3 | 7.3% |
| OIBDA margin | 45.2% | 46.5% | -1.3pp | 45.2% | +0.0pp |
| - mobile | 45.4% | 47.0% | -1.6pp | 45.7% | -0.3pp |
| - fixed | 41.2% | 40.9% | +0.3pp | 40.1% | +1.1pp |
| Net income | 12,558.6 | 14,160.3 | -11.3% | 8,865.5 | 41.7% |
| - margin | 17.0% | 21.0% | -4.0pp | 12.8% | +4.2pp |

| | Q3 09 | Q4 09 | Q1 10 | Q2 10 | Q3 10 |
|---------------------|-------|-------|-------|-------|-------|
| ARPU (RUB)(8) | 255.8 | 248.4 | 236.7 | 253.9 | 269.4 |
| MOU (min) | 213 | 219 | 211 | 230 | 244 |
| Churn rate (%) | 10.7 | 12.4 | 10.4 | 9.8 | 13.5 |
| SAC (RUB) | 561.1 | 503.1 | 549.3 | 630.5 | 534.0 |
| - dealer commission | 358.4 | 288.4 | 351.0 | 399.9 | 341.0 |
| - adv & mktg | 202.7 | 214.7 | 198.3 | 230.6 | 193.0 |

(6) Because Comstar-UTS, TS-Retail and Metro-Telecom were acquired from JSC Sistema, the majority owner of MTS, Comstar, TS-Retail and Metro-Telecom, the acquisitions were accounted for as transactions between entities under common control. Similar to a pooling of interest, whereby the assets and liabilities of Comstar-UTS, TS-Retail and Metro-Telecom were recorded at Sistema's carrying value, MTS' historical financial information was recast to include the acquired entities for all periods presented

(7) Gross of intercompany

(8) ARPU is 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

Ukraine Highlights

| UAH mln | Q3 10 | Q3 09 | y-o-y |
|---------|-------|-------|-------|
|---------|-------|-------|-------|