

MOBILE TELESYSTEMS OJSC
Form 6-K
August 29, 2012

FORM 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
August 29, 2012

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 Second Quarter Ended June 30, 2012

August 28, 2012

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 June 30, 2012.

Key Financial Highlights of Q2 2012

- Consolidated revenues up 3.6% q-o-q to \$3,122 million
- Consolidated adjusted OIBDA(1) up 9.1% q-o-q to \$1,374 million with 44.0% OIBDA margin
- Consolidated net loss(2) of \$682 million
- Free cash-flow(3) positive with \$1.1 billion for the six months ended June 30, 2012

Key Corporate and Industry Highlights

- Obtained license and frequencies to provide LTE telecommunication services in Russia in the FDD (frequency division duplexing) standard

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- Announced the withdrawal of operating licenses of Uzdurobita FE LLC (MTS-Uzbekistan), MTS 's wholly owned subsidiary in Uzbekistan
- Acquired a 100% stake in Tascom CJSC, a market leader in providing telecommunication services to corporate clients in Moscow and the Moscow region, for \$38.3 million(4)
- Agreed to a memorandum of understanding with other telecommunications operators to jointly lay and operate an underwater fiber-optic cable Sakhalin-Magadan-Kamchatka. Total length of the cable is approximately 2,000 km
- Signed a shareholders agreement with AFK Sistema to jointly develop and manage the multimedia content portal Stream.ru (formerly Omlet.ru), following the reduction of MTS 's stake in LLC Stream from 100% to 45% and subsequent deconsolidation of the asset
- Completed the dividend payment of RUB 14.71 per ordinary MTS for the 2011 fiscal year, amounting to a total of RUB 30.4 billion
- Received licenses and agreed upon legal and technical conditions to resume operations in Turkmenistan

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- (1) See Attachment A for definitions and reconciliation of OIBDA and OIBDA margin to their most directly comparable US GAAP financial measures.
 - (2) Attributable to the Group.
 - (3) See Attachment B for reconciliation of free cash-flow to net cash provided by operating activity.
 - (4) Acquisition through MTS 's subsidiary MGTS. Additional payment of \$6.9 million is deferred for 12 months and is contingent upon fulfillment of certain agreed requirements. MGTS also assumed net debt of Tascom in the amount of \$9.7 million
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- Repurchased the series 05 ruble-denominated bond in the amount of approximately RUB 13.2 billion and changed the bond's coupon rate from an annual rate of 14.25% to 8.75%
- Acquired a 100% stake in Elf group of companies, a fixed broadband and pay-TV services provider in Belgorod and the Belgorod region, for RUB 220 million
- Acquired a 100% stake in LLC Intercom, a broadband and cable TV provider in the Mari El Republic, for RUB 90 million

Impairment charges related to MTS operations in the Republic of Uzbekistan

On June 28, 2012, MTS announced that Uzbekistan authorities were conducting audits of the financial and operating activities of MTS-Uzbekistan and that certain MTS-Uzbekistan managers were detained without any legitimate grounds.

On July 17, 2012, MTS-Uzbekistan suspended its operations in Uzbekistan following receipt of an order from the Communications and Information Agency of Uzbekistan (SACI) informing MTS-Uzbekistan of the temporary suspension of the operating license of MTS-Uzbekistan for a period of 10 business days.

On July 30, 2012, the Tashkent Economic Court granted a petition, which was filed on July 27, 2012 by the SACI, to extend the suspension of the operating license of MTS-Uzbekistan for an additional period of three months. MTS-Uzbekistan filed an appeal to challenge this decision on August 8, 2012. On August 17, 2012, this appeal was denied.

On August 8, 2012, MTS announced that from August 6, 2012 through August 7, 2012, 16 regional antimonopoly departments of the Republic of Uzbekistan simultaneously held hearings and declared that MTS-Uzbekistan violated antimonopoly laws, consumer protection laws and laws governing advertisements. In total, the claims of the antimonopoly regulator against MTS-Uzbekistan amounted to approximately \$80 million, which was subsequently reduced by the central anti-monopoly authority to approximately \$13 million.

On August 9, 2012, MTS announced that the SACI had filed a petition with the Tashkent Commercial Court to withdraw all operating licenses of MTS-Uzbekistan. In addition, numerous claims were asserted against MTS-Uzbekistan on the grounds that it failed to comply with applicable licensing requirements.

On August 13, 2012, the Tashkent Commercial Court granted SACI's petition to withdraw all operating licenses of MTS-Uzbekistan. Subsequently, on August 27, 2012, MTS-Uzbekistan's appeal was denied. MTS also received the content of 16 findings of tax audits conducted by Uzbekistan tax authorities, which resulted in claims against MTS in excess of \$669 million.

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MTS maintains that since the acquisition of MTS-Uzbekistan in 2004, it has duly complied with the requirements of the laws of Uzbekistan, a fact which has been confirmed by numerous audits conducted by the SACI and other regulatory bodies of Uzbekistan. Furthermore, in the last two months, in an attempt to clarify the situation and engage the relevant authorities in constructive discussions, MTS has sent numerous letters to the government of the Republic of Uzbekistan, including the President of Uzbekistan, I.A. Karimov. To date, MTS has not received any official response.

While MTS strongly denies any wrongdoing alleged by the various Uzbekistan authorities and has challenged, and intends to continue to challenge, the legality of their actions, MTS has fully complied with the relevant court decisions described above and has suspended all of its operations in Uzbekistan. Considering the adverse impact of such circumstances on MTS' ability to conduct operations in Uzbekistan, MTS has determined that a portion of its long-lived assets attributable to Uzbekistan was impaired and has recorded an impairment charge of \$579 million in the consolidated statement of operations for the three months ended June 30, 2012. In addition, MTS has provided for tax, anti-monopoly and other liabilities that management believes are probable to result from the various legal

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proceeding currently ongoing in Uzbekistan in the amount of \$500 million. The total effect of impairment charges on MTS' statement of operations, visible in its US GAAP net income for the three months ended June 30, 2012, is as follows:

Reconciliation of financial statements for events in Uzbekistan

| USD million | Q2 2012 |
|---|----------------|
| Net Operating Income before adjustments attributable to Uzbekistan | 794.6 |
| Impairment of goodwill & long-lived assets in Uzbekistan | 579.0 |
| Provision for tax and anti-monopoly claims in Uzbekistan | 500.0 |
| Net Operating Loss | (284.4) |
| Net Loss(5) | (673.4) |

In connection with recent developments, MTS is conducting an internal review to evaluate events surrounding MTS-Uzbekistan and its employees, including communications with relevant international and local authorities, as well as correspondence with the General Prosecutor's Office, SACI and anti-monopoly organizations.

Commentary

Mr. Andrei Dubovskov, President and CEO of MTS, commented, "Group revenue for the quarter increased 4% quarter-on-quarter to reach over \$3.1 billion US dollars in spite of a significant weakening of our core currencies versus the US dollar. We saw sustained growth in usage of voice and data products in each of our markets of operation. We also see signs of stability and moderate competitive pressures in our markets. Total revenues in Russia increased in ruble terms by 9% year-over-year to 82.8 billion rubles. Year-over-year our mobile business grew by 10% to 69.3 billion rubles. As we predicted, we continue to see benefits in our mobile business through a combination of strong tariff plans, prudent sales strategies and continued investments in our networks.

Mr. Alexey Kornya, MTS Vice President and Chief Financial Officer, said, "In the first quarter, we grew Group adjusted OIBDA by 5% year-over-year to \$1.37 billion US dollars despite a year-over-year weakening of the ruble/USD rate of nearly 11%. Our adjusted OIBDA margin for the period reached 44.0%, an increase of 2.4 percentage points from Q2 2011. Overall we are seeing success in our efforts to increase profitability in our Russian business and realize greater efficiencies across the Group. In Russia, OIBDA rose 14% to 36.9 billion rubles while our OIBDA margin increased from 42.7% to 44.6% in Q2 2012. While we are obviously pleased with our strong performance and the overall profitability of the Group, we feel there is a likelihood that margins will weaken in the second-half of the year due to the stabilization of revenue dynamics given the overall economic environment; increased labor costs based on new laws regarding social taxes; continuously rising rent and maintenance costs as we expand our mobile and fixed networks; further expansion of our retail footprint and its rising contribution to the Group's financial results, and the impact of the developments around our subsidiary in Uzbekistan which has been delivering high margins.

Mr. Dubovskov added, "In Uzbekistan, despite the successful growth and development of our telecommunications business, as we have recounted in our public disclosure, our subsidiary has been subjected to numerous actions by various authorities that have led us to suspend our operations. While we continue to challenge the allegations against MTS-Uzbekistan and make use of the appeals process within Uzbekistan, we are also evaluating other appropriate

(5) Before the non-controlling interest

legal strategies to defend our legitimate rights and investment interests. We also remain engaged to secure the release of our imprisoned employees. In Turkmenistan, we came to an agreement with government authorities in over the resuming of our operations and will re-launch services in September. We do not anticipate large costs to get the network up and running; our asset remains intact and in good condition. In Russia, we continue to see opportunities to create value in our business. By the end of the year, we will increase our retail footprint by up to 500 stores. The combination of 3G networks and a retail presence will help us drive sales of smartphones and increase smartphone penetration, which will in turn lead to higher-value customers.

This press release provides a summary of some of the key financial and operating indicators for the period ended June 30, 2012. For full disclosure materials, please visit <http://www.mtsghm.com/resources/reports/>.

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Financial Summary

| USD million | Q2 2012 | Q2 2011 | y-o-y | Q1 2012 | q-o-q |
|-----------------------------|---------|---------|--------|---------|--------|
| Revenues | 3,122.2 | 3,128.3 | -0.2% | 3,013.8 | 3.6% |
| Adjusted OIBDA | 1,373.6 | 1,302.7 | 5.4% | 1,259.1 | 9.1% |
| - margin | 44.0% | 41.6% | +2.4pp | 41.8% | +2.2pp |
| Net operating income/(loss) | (284.4) | 672.2 | n/a | 649.7 | n/a |
| - margin | n/a | 21.5% | n/a | 21.6% | n/a |
| Net income/(loss) | (681.8) | 367.0 | n/a | 511.7 | n/a |
| - margin | n/a | 11.7% | n/a | 17.0% | n/a |

Russia Highlights

| RUB million | Q2 2012 | Q2 2011 | y-o-y | Q1 2012 | q-o-q |
|-------------|----------|----------|--------|----------|--------|
| Revenues(6) | 82,827.8 | 76,081.2 | 8.9% | 78,679.1 | 5.3% |
| - mobile | 69,342.4 | 63,143.2 | 9.8% | 65,350.0 | 6.1% |
| - fixed | 15,227.0 | 15,608.8 | -2.4% | 15,216.2 | 0.1% |
| OIBDA | 36,929.4 | 32,484.0 | 13.7% | 33,917.8 | 8.9% |
| - margin | 44.6% | 42.7% | +1.9pp | 43.1% | +1.5pp |
| Net income | 10,190.3 | 9,888.9 | 3.0% | 16,064.4 | -36.6% |
| - margin | 12.3% | 13.0% | -0.7pp | 20.40% | -8.1pp |

| | Q2 2011 | Q3 2011 | Q4 2011 | Q1 2012 | Q2 2012 |
|----------------|---------|---------|---------|---------|---------|
| ARPU (RUB)(7) | 265.0 | 288.0 | 284.0 | 280.6 | 297.1 |
| MOU (min) | 269 | 272 | 283 | 282 | 309 |
| Churn rate (%) | 11.3% | 11.9% | 12.3% | 11.3% | 10.5% |

Ukraine Highlights

| UAH million | Q2 2012 | Q2 2011 | y-o-y | Q1 2012 | q-o-q |
|-------------|---------|---------|--------|---------|--------|
| Revenues | 2,397.7 | 2,236.8 | 7.2% | 2,218.1 | 8.1% |
| OIBDA | 1,243.5 | 1,083.1 | 14.8% | 1,059.6 | 17.4% |
| - margin | 51.9% | 48.4% | +3.5pp | 47.8% | +4.1pp |
| Net income | 509.5 | 323.8 | 57.4% | 312.8 | 62.9% |
| - margin | 21.3% | 14.5% | +6.8pp | 14.1% | +7.2pp |

| | Q2 2011 | Q3 2011 | Q4 2011 | Q1 2012 | Q2 2012 |
|----------------------|---------|---------|---------|---------|---------|
| ARPU (UAH) | 38.79 | 42.20 | 38.73 | 37.16 | 40.06 |
| MOU (min) | 586 | 586 | 592 | 601 | 611 |
| Churn rate (%) | 7.0% | 8.1% | 8.1% | 8.5% | 7.7% |
| SAC (UAH) | 64.7 | 64.5 | 60.4 | 64.7 | 61.7 |
| - dealer commission | 32.8 | 35.4 | 30.6 | 35.9 | 33.7 |
| - adv&mktg | 18.3 | 14.7 | 17.8 | 17.5 | 16.5 |
| - handset subsidy | 5.1 | 5.4 | 3.5 | 3.2 | 2.6 |
| - SIM card & voucher | 8.6 | 8.9 | 8.5 | 8.1 | 8.9 |

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- (6) Revenue, net of intercompany.
 - (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.
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Uzbekistan Highlights(8)

| USD million | Q2 2012 | Q2 2011 | y-o-y | Q1 2012 | q-o-q |
|-------------------|-----------|---------|--------|---------|---------|
| Revenues | 132.8 | 108.6 | 22.3% | 115.7 | 14.8% |
| Adjusted OIBDA | 72.3 | 58.1 | 24.4% | 51.3 | 40.9% |
| - margin | 54.4% | 53.5% | +0.9pp | 44.3% | +10.1pp |
| Net income/(loss) | (1 017.5) | 17.8 | n/a | (2.1) | n/a |
| - margin | n/a | 16.4% | n/a | n/a | n/a |

| | Q2 2011 | Q3 2011 | Q4 2011 | Q1 2012 | Q2 2012 |
|----------------|---------|---------|---------|---------|---------|
| ARPU (USD) | 3.9 | 3.8 | 3.9 | 4.1 | 4.7 |
| MOU (min) | 416 | 421 | 440 | 468 | 553 |
| Churn rate (%) | 6.9% | 9.3% | 20.2% | 11.9% | 19.1% |
| SAC (USD) | 7.7 | 6.5 | 5.6 | 6.1 | 4.7 |

Armenia Highlights

| AMD million | Q2 2012 | Q2 2011 | y-o-y | Q1 2012 | q-o-q |
|-------------------|----------|----------|--------|----------|---------|
| Revenues | 19,076.6 | 18,697.0 | 2.0% | 16,682.1 | 14.4% |
| OIBDA | 9,932.9 | 10,136.2 | -2.0% | 11,346.9 | -12.5% |
| - margin | 52.1% | 54.2% | -2.1pp | 68.0% | -15.9pp |
| Net income/(loss) | 2,815.6 | (167.1) | n/a | 1,267.4 | 122.2% |
| - margin | 14.8% | n/a | n/a | 7.6% | +7.2pp |

| | Q2 2011 | Q3 2011 | Q4 2011 | Q1 2012 | Q2 2012 |
|----------------|---------|---------|---------|---------|---------|
| ARPU (AMD) | 2,432.7 | 2,751.0 | 2,577.1 | 2,380.3 | 2,739.2 |
| MOU (min) | 272 | 293 | 300 | 315 | 342 |
| Churn rate (%) | 8.5% | 10.0% | 13.0% | 13.2% | 8.7% |
| SAC (AMD) | 8,237.3 | 7,625.3 | 6,595.9 | 7,248.3 | 4,572.7 |

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

CAPEX Highlights

| USD mln | FY2008 | FY 2009 | FY2010 | FY2011 | H1 2012 |
|---------------|---------|---------|---------|---------|---------|
| Russia | 1,784.7 | 1,389.7 | 2,260.0 | 2,245.7 | 1,000.5 |
| - as % of rev | 18.8% | 17.2% | 24.0% | 21.1% | 19.0% |
| Ukraine | 595.6 | 377.4 | 154.9 | 148.0 | 40.2 |
| - as % of rev | 35.8% | 36.0% | 14.4% | 13.0% | 7.0% |
| Uzbekistan | 139.7 | 460.3 | 157.9 | 145.7 | 80.8 |
| - as % of rev | 35.7% | 113.7% | 35.3% | 33.0% | 32.5% |
| Turkmenistan | 58.2 | 52.4 | 44.4 | n/a | n/a |
| - as % of rev | 44.3% | 32.6% | 21.4% | n/a | n/a |
| Armenia | 34.6 | 48.5 | 29.9 | 45.0 | 3.4 |
| - as % of rev | 13.5% | 21.9% | 14.4% | 22.5% | 3.8% |
| Group | 2,612.8 | 2,328.3 | 2,647.1 | 2,584.5 | 1,124.9 |
| - as % of rev | 22.0% | 23.7% | 23.4% | 21.0% | 18.3% |

* * *

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

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Mobile TeleSystems OJSC (MTS) is the leading telecommunications group in Russia and the CIS, 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 100 million mobile subscribers. The Group has been awarded GSM licenses in Russia, Ukraine, Turkmenistan, Armenia and Belarus, a region that boasts a total population of more than 200 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.

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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 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, 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.

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**Attachments to the Second Quarter 2012
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 and fixed 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) | Q2 2011 | Q3 2011 | Q4 2011 | Q1 2012 | Q2 2012 |
|----------------------------------|---------|---------|---------|---------|---------|
| Operating income | 672.2 | 852.8 | 720.0 | 649.7 | (284.4) |
| Add: D&A | 630.5 | 587.1 | 555.6 | 609.5 | 579.0 |
| Add: Impairment | | | | | 579.0 |
| Add: Tax and antimonopoly claims | | | | | 500.0 |
| Adjusted OIBDA | 1,302.7 | 1,439.9 | 1,275.6 | 1,259.1 | 1,373.6 |

| Russia (USDmln) | Q2 2011 | Q3 2011 | Q4 2011 | Q1 2012 | Q2 2012 |
|------------------|---------|---------|---------|---------|---------|
| Operating income | 676.9 | 829.3 | 691.3 | 660.2 | 745.3 |
| Add: D&A | 484.0 | 439.1 | 411.5 | 463.7 | 442.8 |
| OIBDA | 1,160.9 | 1,268.4 | 1,102.8 | 1,123.9 | 1,188.1 |

| Ukraine (USDmln) | Q2 2011 | Q3 2011 | Q4 2011 | Q1 2012 | Q2 2012 |
|------------------|---------|---------|---------|---------|---------|
| Operating income | 49.2 | 66.3 | 60.1 | 49.3 | 79.8 |
| Add: D&A | 86.6 | 86.8 | 83.5 | 83.3 | 75.8 |
| OIBDA | 135.9 | 153.1 | 143.7 | 132.6 | 155.6 |

| Uzbekistan (USDmln) | Q2 2011 | Q3 2011 | Q4 2011 | Q1 2012 | Q2 2012 |
|----------------------------------|---------|---------|---------|---------|-----------|
| Operating income | 21.3 | 14.8 | 18.2 | 6.6 | (1,050.7) |
| Add: D&A | 36.8 | 41.2 | 42.5 | 44.7 | 44.0 |
| Add: Impairment | | | | | 579.0 |
| Add: Tax and antimonopoly claims | | | | | 500.0 |
| Adjusted OIBDA | 58.1 | 56.0 | 60.7 | 51.3 | 72.3 |

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| Armenia (USDmln) | Q2 2011 | Q3 2011 | Q4 2011 | Q1 2012 | Q2 2012 |
|------------------|---------|---------|---------|---------|---------|
| Operating income | 4.2 | 12.3 | 7.1 | 11.6 | 8.3 |
| Add: D&A | 22.9 | 19.9 | 18.0 | 17.7 | 16.4 |
| OIBDA | 27.1 | 32.2 | 25.1 | 29.2 | 24.7 |

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

| Group | Q2 2011 | Q3 2011 | Q4 2011 | Q1 2012 | Q2 2012 |
|----------------------------------|---------|---------|---------|---------|---------|
| Operating margin | 21.5% | 26.0% | 24.1% | 21.6% | (9.1)% |
| Add: D&A | 20.1% | 18.0% | 18.6% | 20.2% | 18.6% |
| Add: Impairment | | | | | 18.5% |
| Add: Tax and antimonopoly claims | | | | | 16.0% |
| Adjusted OIBDA margin | 41.6% | 44.0% | 42.8% | 41.8% | 44.0% |

| Russia | Q2 2011 | Q3 2011 | Q4 2011 | Q1 2012 | Q2 2012 |
|------------------|---------|---------|---------|---------|---------|
| Operating margin | 24.9% | 29.5% | 27.1% | 25.3% | 27.9% |
| Add: D&A | 17.8% | 15.6% | 16.1% | 17.8% | 16.6% |
| OIBDA margin | 42.7% | 45.1% | 43.2% | 43.2% | 44.5% |

| Ukraine | Q2 2011 | Q3 2011 | Q4 2011 | Q1 2012 | Q2 2012 |
|------------------|---------|---------|---------|---------|---------|
| Operating margin | 17.5% | 21.2% | 20.8% | 17.8% | 26.6% |
| Add: D&A | 30.9% | 27.7% | 28.8% | 30.0% | 25.3% |
| OIBDA margin | 48.4% | 48.9% | 49.6% | 47.8% | 51.9% |

| Uzbekistan | Q2 2011 | Q3 2011 | Q4 2011 | Q1 2012 | Q2 2012 |
|----------------------------------|---------|---------|---------|---------|----------|
| Operating margin | 19.6% | 13.1% | 15.8% | 5.7% | (790.9)% |
| Add: D&A | 33.9% | 36.5% | 37.0% | 38.6% | 33.1% |
| Add: Impairment | | | | | 435.8% |
| Add: Tax and antimonopoly claims | | | | | 376.4% |
| Adjusted OIBDA margin | 53.5% | 49.6% | 52.8% | 44.3% | 54.4% |

| Armenia | Q2 2011 | Q3 2011 | Q4 2011 | Q1 2012 | Q2 2012 |
|------------------|---------|---------|---------|---------|---------|
| Operating margin | 8.4% | 21.8% | 14.3% | 26.9% | 17.6% |
| Add: D&A | 45.8% | 35.4% | 36.2% | 41.1% | 34.4% |
| OIBDA margin | 54.2% | 57.3% | 50.5% | 68.0% | 52.0% |

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, 2011 | As of Jun 30, 2012 |
|--|-----------------------|-----------------------|
| Current portion of debt and of capital lease obligations | 1,155.7 | 1,104.5 |
| Long-term debt | 7,554.0 | 6,237.1 |
| Capital lease obligations | 5.5 | 3.5 |
| Total debt | 8,715.2 | 7,345.1 |
| Less: | | |
| Cash and cash equivalents | 1,850.8 | 881.0 |
| Short-term investments | 86.2 | 837.9 |
| Net debt | 6,778.2 | 5,626.2 |

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

| USD mln | Six months ended Dec 31, 2011 A | Six months ended Jun 30, 2012 B | Twelve months ended Jun 30, 2012 C=A+B |
|----------------------------------|---------------------------------------|---------------------------------------|--|
| Net operating income | 1,572.8 | 365.3 | 1,938.1 |
| Add: D&A | 1,142.8 | 1,188.4 | 2,331.2 |
| Add: Impairment | | 579.0 | 579.0 |
| Add: Tax and antimonopoly claims | | 500.0 | 500.0 |
| Adjusted OIBDA | 2,715.6 | 2,632.7 | 5,348.3 |

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

| USD mln | For the six months ended June 30, 2011 | For the six months ended June 30, 2012 |
|---|--|--|
| Net cash provided by operating activities | 1,669.2 | 2,274.3 |
| Less: | | |
| Purchases of property, plant and equipment | (660.6) | (1,021.0) |
| Purchases of intangible assets | (145.6) | (103.8) |
| Proceeds from sale of property, plant and equipment | 8.3 | 2.2 |
| Proceeds from sale of other investments | 7.0 | 14.7 |
| Investments in and advances to associates | 3.0 | |
| Acquisition of subsidiaries, net of cash acquired | (33.8) | (32.7) |
| Free cash-flow | 847.5 | 1,133.7 |

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.

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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 AND SIX MONTHS ENDED JUNE 30, 2012 AND 2011

(Amounts in thousands of US Dollars except per share amount)

| | Six months ended | | Three months ended | |
|--|------------------|------------------|--------------------|------------------|
| | June 30, 2012 | June 30, 2011 | June 30, 2012 | June 30, 2011 |
| Net operating revenue | | | | |
| Service revenue | \$ 5 725 044 | \$ 5 625 971 | \$ 2 912 471 | \$ 2 924 756 |
| Sales of handsets and accessories | 410 938 | 436 270 | 209 711 | 203 500 |
| | 6 135 982 | 6 062 241 | 3 122 182 | 3 128 256 |
| Operating expenses | | | | |
| Cost of services | (1 355 714) | (1 305 937) | (689 858) | (672 329) |
| Cost of handsets and accessories | (368 450) | (432 990) | (180 629) | (212 315) |
| Sales and marketing expenses | (337 084) | (461 556) | (182 120) | (226 199) |
| General and administrative expenses | (1 295 968) | (1 291 269) | (627 472) | (644 128) |
| Depreciation and amortization expense | (1 188 526) | (1 192 458) | (579 061) | (630 491) |
| Provision for doubtful accounts | (52 943) | (61 986) | (13 735) | (30 566) |
| Impairment of goodwill & long-lived assets | (582 327) | (11 351) | (580 303) | (1 713) |
| Provision for tax and antimonopoly claims in Uzbekistan | (500 000) | | (500 000) | |
| Other operating expenses | (89 718) | (68 629) | (53 410) | (38 292) |
| Net operating income | 365 252 | 1 236 065 | (284 406) | 672 223 |
| Currency exchange and transaction gain | (24 800) | 79 138 | (198 942) | (10 012) |
| Other income / (expenses): | | | | |
| Interest income | 58 170 | 26 978 | 29 346 | 15 934 |
| Interest expense, net of capitalized interest | (312 080) | (331 890) | (151 367) | (161 437) |
| Other (expenses)/income | (7 158) | 19 428 | 4 507 | 10 248 |
| Total other expenses, net | (261 068) | (285 484) | (117 514) | (135 255) |
| Income/(loss) before provision for income taxes and noncontrolling interest | 79 384 | 1 029 719 | (600 862) | 526 956 |
| Provision for income taxes | (234 071) | (270 277) | (72 506) | (129 002) |
| Net (loss)/income | (154 687) | 759 442 | (673 368) | 397 954 |
| Net loss attributable to the noncontrolling interest | (15 337) | (70 787) | (8 392) | (30 945) |
| Net (loss)/income attributable to the Group | (170 024) | 688 655 | (681 760) | 367 009 |
| Other comprehensive (loss)/income, net of taxes | | | | |
| Currency translation adjustment | (134 284) | 94 240 | (266 423) | (37 419) |
| Unrealized gains on derivatives | 27 501 | 4 326 | 25 001 | 2 518 |
| Unrecognized actuarial gains | 384 | 750 | 190 | 457 |
| Total other comprehensive (loss)/income, net of taxes | (106 399) | 99 315 | (241 232) | (34 444) |
| | 7 049 | (85 031) | 15 852 | (17 581) |

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| | | | | |
|--|----|-----------|-----------|-----------|
| Other comprehensive income/(loss) attributable to the noncontrolling interest | | | | |
| Other comprehensive (loss)/income attributable to the MTS Group, net of taxes | | (99 350) | 14 285 | (225 381) |
| Comprehensive (loss)/income | \$ | (269 374) | \$ | 702 940 |
| | | | \$ | (907 141) |
| | | | | \$ |
| | | | | 314 983 |
| Weighted average number of common shares outstanding, in thousands - basic and diluted | | 1 988 918 | 1 952 692 | 1 988 919 |
| Earnings per share - basic and diluted | | (0.09) | 0.35 | (0.34) |
| | | | | 0.18 |

MOBILE TELESYSTEMS

CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2012 AND DECEMBER 31, 2011

(Amounts in thousands of US dollars)

| | As of June 30, 2012 | As of December 31, 2011 |
|--|------------------------|----------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 881 034 | \$ 1 850 826 |
| Short-term investments | 837 905 | 86 242 |
| Trade receivables, net | 1 025 445 | 863 808 |
| Accounts receivable, related parties | 7 258 | 4 488 |
| Inventory and spare parts | 302 141 | 291 075 |
| VAT receivable | 190 132 | 191 039 |
| Prepaid expenses and other current assets | 664 240 | 550 170 |
| Total current assets | 3 908 155 | 3 837 648 |
| PROPERTY, PLANT AND EQUIPMENT | 7 754 473 | 8 205 352 |
| INTANGIBLE ASSETS | 2 276 245 | 2 708 328 |
| INVESTMENTS IN AND ADVANCES TO ASSOCIATES | 183 408 | 188 047 |
| OTHER INVESTMENTS | 121 056 | 123 442 |
| OTHER ASSETS | 275 497 | 255 412 |
| Total assets | \$ 14 518 834 | \$ 15 318 229 |
| CURRENT LIABILITIES | | |
| Accounts payable | 888 619 | 799 128 |
| Accrued expenses and other current liabilities | 2 664 917 | 1 553 034 |
| Tax and antimonopoly claims in Uzbekistan | 500 000 | |
| Accounts payable, related parties | 61 203 | 56 982 |
| Current portion of long-term debt, capital lease obligations | 1 104 547 | 1 155 691 |
| Total current liabilities | 5 219 286 | 3 564 835 |
| LONG-TERM LIABILITIES | | |
| Long-term debt | 6 237 120 | 7 553 983 |
| Capital lease obligations | 3 495 | 5 529 |
| Deferred income taxes | 241 155 | 227 928 |
| Deferred revenue and other | 309 057 | 314 728 |
| Total long-term liabilities | 6 790 827 | 8 102 168 |
| Total liabilities | 12 010 113 | 11 667 003 |
| Redeemable noncontrolling interests | 63 386 | 80 603 |
| SHAREHOLDERS EQUITY: | 50 814 | 50 814 |

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Common stock: (2,096,975,792 shares with a par value of 0.1 rubles authorized and 2,066,413,562 shares issued as of June 30, 2012 and December 31, 2011 (777,396,505 of which are in the form of ADS as of June 30, 2012 and December 31, 2011)

Treasury stock (77,494,385 and 77,496,725 common shares at cost as of June 30, 2012 and December 31, 2011, respectively)

| | | |
|--|----------------------|----------------------|
| Treasury stock (77,494,385 and 77,496,725 common shares at cost as of June 30, 2012 and December 31, 2011, respectively) | (992 141) | (992 141) |
| Additional paid-in capital | 96 464 | 92 720 |
| Accumulated other comprehensive income | (1 063 342) | (963 992) |
| Retained earnings | 4 256 409 | 5 294 651 |
| Total shareholders' equity attributable to the Group | 2 348 204 | 3 482 052 |
| Noncontrolling interest | 97 131 | 88 571 |
| TOTAL SHAREHOLDERS' EQUITY | 2 445 335 | 3 570 623 |
| Total liabilities and shareholders' equity | \$ 14 518 834 | \$ 15 318 229 |

MOBILE TELESYSTEMS

CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011

(Amounts in thousands of U.S. dollars)

| | Six months ended | |
|---|--------------------|------------------|
| | June 30, 2012 | June 30, 2011 |
| Net cash provided by operating activities | 2 274 257 | 1 669 225 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of subsidiaries net of cash acquired | (32 685) | (33 803) |
| Purchases of property, plant and equipment | (1 021 043) | (660 578) |
| Purchases of intangible assets | (103 837) | (145 599) |
| Proceeds from sale of property, plant and equipment and assets held for sale | 2 229 | 8 347 |
| Purchases of short-term investments | (917 214) | (371 199) |
| Proceeds from sale of short-term investments | 121 775 | 351 692 |
| Proceeds from sale of other investments | 14 729 | 7 026 |
| Investments in and advances to associates | | 3 000 |
| Increase in restricted cash | (2 045) | (1 844) |
| Net cash used in investing activities | (1 938 091) | (842 958) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Cash payments for the acquisitions of subsidiaries from related parties and non-controlling interests | | (187 280) |
| Contingent consideration paid on acquisition of subsidiaries | | (7 540) |
| Proceeds from issuance of notes | 63 642 | 1 659 |
| Proceeds from sale of treasury shares | 19 | |
| Repurchase of common stock | | (67) |
| Repayment of notes | (400 000) | (49 409) |
| Capital lease obligation principal paid | (3 936) | (5 093) |
| Dividends paid | (3 218) | (203 742) |
| Other distributions to shareholders | (7 220) | |
| Proceeds from loans | 5 302 | 22 547 |
| Loan principal paid | (1 020 664) | (161 606) |
| Net cash used in financing activities | (1 366 075) | (590 531) |
| Effect of exchange rate changes on cash and cash equivalents | 60 117 | 59 976 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS: | (969 792) | 295 712 |
| CASH AND CASH EQUIVALENTS, at beginning of period | 1 850 826 | 927 694 |
| CASH AND CASH EQUIVALENTS, at end of period | 881 034 | 1 223 406 |

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/ Andrei Dubovskov | |
| | Name: | Andrei Dubovskov |
| | Title: | CEO |

Date: **August 29, 2012**