

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.

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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 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

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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.

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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	