

MOBILE TELESYSTEMS OJSC
Form 6-K
March 31, 2010

FORM 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
March 31, 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 Fourth Quarter and Full Year Ended December 31, 2009

March 31, 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 and full year ended December 31, 2009.

Key Financial Highlights for the FY 2009(1)

- Consolidated revenues up 3.8% q-o-q to \$2,719 million and down 17.5% y-o-y to \$9,824 million
- Consolidated OIBDA(2) down 1.9% q-o-q to \$1,193 million with 43.9% OIBDA margin and down 23.5% y-o-y to \$4,474 million with 45.5% OIBDA margin
- Consolidated net loss(3) of 26 million in Q4 2009 and a net income of \$1,004 million for FY 2009
 - Quarterly net income impacted by a series of one-time and periodic charges, including the write off of \$368 million in investments, most of which is attributable to the re-valuation of our investment in Svyazinvest held on the Comstar-UTS level, the charges of \$86 million related to the write-off of obsolete equipment and expenses related to our acquisition of Comstar-UTS and higher non-cash tax provisions related to our anticipated upstreaming of dividends from our foreign subsidiary companies as their markets mature.
- Free cash-flow(4) positive with \$1,071 million for the full year 2009

Key Corporate and Industry Highlights for the FY 2009

- Acquisition of mobile retailers Telefon.Ru (February), Eldorado (April) and Teleforum (October) with 1,075 stores in total; signing of an agreement with a management team affiliated with Svyaznoy, the leading Russian mobile phone retailer, to oversee MTS distribution network (March)
- Placement of two ruble-denominated bonds worth RUB 15 billion each (May, July)
- Placement of new syndicated loan facility to restructure \$630 million loan (May, July); the loan has since been voluntarily repaid in advance in February 2010
- Securing of financing from Sberbank through two loans in the amount of RUB 47 billion and RUB 12 billion (August-September)
- Payment of annual dividends of RUB 20.15(5) per ordinary MTS share (approximately \$2.96 per ADR(6)) for the 2008 fiscal year, amounting to a total of RUB 39.40 billion (\$1,158.3 million) or approximately 60%(7) of US GAAP net income

(1) Because Comstar-UTS was acquired from JSC Sistema, the majority owner of both MTS and Comstar, the acquisition was accounted for as a transaction between entities under common control. Similar to a pooling of interest, whereby the assets and liabilities of Comstar were

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recorded at Sistema's carrying value, MTS' historical financial information was recast to include the acquired entity for all periods presented. In addition, given the scale of the transaction, MTS has reallocated its headquarters' costs more equitably to its business units according to international practices.

- (2) See Attachment A for definitions and reconciliation of OIBDA and OIBDA margin to their most directly comparable US GAAP financial measures.
- (3) Attributable to the Group.
- (4) See Attachment B for reconciliation of free cash-flow to net cash provided by operating activity.

- Launch of 3G in Armenia (April) and full 3G roll-out in Moscow (December)
- Acquisition of a 50.91% stake in Comstar-UTS for 39.15 billion rubles (\$1.32 billion)(8) or RUB 184.02 (\$6.21) per Global Depositary Receipt (GDR) by a subsidiary of MTS in October; the Company increased its direct ownership of Comstar-UTS to 61.97%(9) through an exchange of shares.
- Acquisition of a 100% stake in Eurotel (December), one of the leading federal transit operators in Russia, with an extensive optical fiber network of 19.5 thousand kilometers
- Securing of vendor financing during the year for network development from various export credit agencies and financial institutions totaling \$1,504.9 million and EUR 413 million
- MTS continues to see sustained macroeconomic volatility in its markets of operations that may impact the financial and operational performance throughout the Group

Commentary

Remarked Mikhail Shamolin, President and Chief Executive Officer, "The year 2009 has been a transformative year for MTS. As our markets were in transition due to macroeconomic developments, we began to take a number of steps to better change our organization to meet the challenges of our evolving markets and realize the goals of our 3i Strategy. In the past year, MTS has evolved to an integrated operator through our acquisitions of the leading fixed-line operator, Comstar-UTS, and a leading transit operator, Eurotel. We are realizing our strategic need for a strong proprietary network of MTS-owned and operated distribution points, increasing our sales of handsets and expanding our retail reach. We have launched the region's first comprehensive online destination Omlet.ru - for the latest in digital media, an important step towards delivering the necessary content and applications to our customers that will define usage in the coming years.

Despite the challenges we faced in 2009, MTS has delivered a strong set of results that showed relative revenue growth to the market in each of our core markets and business streams. Total cash flows from operations were nearly \$3.6 billion for 2009, underlying the health of the business despite the macroeconomic uncertainty in our regions of operations.

Looking ahead, forecasted economic growth in Russia and the CIS could translate into definitive improvements in our markets of operation. We currently forecast mid to high single-digit revenue growth in local currency, driven by increased usage among our fixed and mobile subscribers, as well as the increased sale of handsets, in our key market in Russia. We expect Group OIBDA margin to be in the range of 43-45% depending on competitive factors and handset sales in our markets. And capital expenditures should fall within the range of 22-24% of revenues, most of which will be spent expanding our 3G and backbone networks in Russia and Central Asia.

This press release provides a summary of some of the key financial and operating indicators for the period ended December 31, 2009. For full disclosure materials, please visit <http://www.mtsgsm.com/resources/reports/>.

- (5) The dividend yield per share is 8.0%. No dividend was paid on the 37,762,257 shares that were acquired by MTS as part of the mandatory buyback in September 2008.
- (6) According to the Russian Central Bank exchange rate of 34.0134 RUB/USD as of March 31, 2009. The dividend amount is set in Russian rubles by the Board of Directors; U.S. dollar amounts provided for reference using the foreign exchange rates as of March 31, 2009.
- (7) Dividend payout ratio based on MTS only.
- (8) As transactions between Russian entities must be carried out in rubles, MTS hedged the final amount due on completion of the transaction with 50% of the sale price pegged at 31.9349 rubles:dollar rate, while the balance has been calculated at 29.6090, the official rate of the Central Bank of Russia on the date of signing.
- (9) Through cross-holdings between Comstar-UTS, Svyazinvest and MGTS, MTS effective stake is 65.19%.

Financial Summary(10)

USD million	Q4 09	Q4 08	y-o-y	Q3 09	q-o-q	2009	2008	y-o-y
Revenues	2,718.9	2,810.9	-3.3%	2,619.6	3.8%	9,823.5	11,900.9	-17.5%
- mobile	2,187.0	2,345.3	-6.7%	2,140.9	2.2%	8,020.2	10,056.8	-20.3%
- fixed	412.5	420.0	-1.8%	375.1	10.0%	1,485.6	1,765.2	-15.8%
OIBDA(11)	1,193.0	1,329.1	-10.2%	1,216.2	-1.9%	4,473.6	5,848.4	-23.5%
- margin	43.9%	47.3%	-3.4pp	46.4%	-2.5pp	45.5%	49.1%	-3.6pp
Net operating income	609.2	777.3	-21.6%	743.5	-18.1%	2,547.6	3,647.3	-30.2%
- margin	22.4%	27.7%	-5.3pp	28.4%	-6.0pp	25.9%	30.6%	-4.7pp
Net income(12)	-26.1	171.2	n/a	506.7	n/a	1,004.5	2,000.1	-49.8%
- margin	n/a	6.1%	n/a	19.3%	n/a	10.2%	16.8%	-6.6pp

Russia Highlights(9)

RUB mln	Q4 09	Q4 08	y-o-y	Q3 09	q-o-q	2009	2008	y-o-y
Revenues(13)	66,594.6	61,299.5						

