

MOBILE TELESYSTEMS OJSC
Form 6-K
November 14, 2012

FORM 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
November 14, 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.

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 Third Quarter Ended September 30, 2012

November 14, 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 September 30, 2012.

Key Financial Highlights of Q3 2012

- Consolidated revenues of \$3,132 million stable q-o-q
- Consolidated adjusted OIBDA(1) of \$1,379 million stable q-o-q with 44.0% OIBDA margin
- Consolidated net income(2) of \$630 million
- Free cash-flow(3) positive with \$1.6 billion for the nine months ended September 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

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

- Announced the withdrawal of operating licenses of Uzdurobita FE LLC (MTS-Uzbekistan), MTS 's wholly owned subsidiary in Uzbekistan
- 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
- Resumed operations in Turkmenistan
- 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%
- Launched MVNO LTE network in Kazan
- Launched Russia 's first TDD (time division duplexing) LTE network in Moscow and the Moscow region
- 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

(1) See Attachment A for definitions and reconciliation of adjusted OIBDA and adjusted 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.

- Signed a non-binding indicative offer between MTS, MTS Bank and Sistema JSFC to purchase up to 25.095% stake in MTS Bank through a share issuance for up to RUB 5.09 billion
- Pursuant to the decision of the appeals court of the Tashkent City Criminal Court the amount of penalties to be paid by MTS-Uzbekistan was determined at approximately \$600 million and the previously arrested assets of MTS-Uzbekistan were unfrozen

Commentary

Mr. Andrei Dubovskov, President and CEO of MTS, commented, Group revenue for the quarter was stable quarter-on-quarter at just over \$3.1 billion due to negative ruble dynamics vs. US dollar during the period despite positive seasonal factors and higher consumption of voice and data products. Group revenue was also significantly impacted by loss of Uzbekistan revenue due to the suspension of our operating license in July. We continue to witness steady subscriber growth and signs of stability and moderate competitive pressures in our markets of operation. For the period, total revenues in Russia increased in ruble terms by 8% year-over-year to 88.3 billion rubles driven by steady voice usage, continued adoption of data services and an increase in our subscriber base and handset sales, including sales of higher-value smartphones due to seasonal factors and expansion of the retail footprint.

Mr. Alexey Kornya, MTS Vice President and Chief Financial Officer, said, Group OIBDA rose slightly to nearly \$1.38 billion in line with our revenue performance. Our adjusted OIBDA margin for the period reached 44.0%. Overall we are seeing results of our efforts to increase profitability in our business and realize greater efficiencies across the Group. In Russia, OIBDA rose 9% year-over-year to 40.1 billion rubles. OIBDA margin in Russia increased from 44.6% in Q2 to 45.4% in Q3, an improvement which reflects seasonal trends and cost efficiencies despite significantly higher retail costs. Still, our margin is pressured by increase in labor costs, that have advanced 50 basis points year-over-year as a percentage of revenue reflective of higher payroll taxes and social contributions; increase in rent and maintenance costs on the back the expansion of our mobile and fixed network; and continued expansion of the retail footprint. However, we are confident despite these factors we will deliver strong margins and are comfortable with raising our OIBDA margin guidance to over 42% for 2012.

He continued, Year-to-date CAPEX exceeded \$1.81 billion. Investments are largely being focused on expanding our 3G network and preparing for our 4G roll-out: identifying new sites, connecting base stations to fiber, and proceeding with the implementation of our GPON project in Moscow. Overall, however, we feel it prudent to raise our CAPEX guidance for the year from 20-22% of sales to 23-24% of sales or roughly \$2.9 billion. This increase is due to the effects of currency on our equipment costs and services since we first guided at the beginning of the year, as opposed to any dramatic change in our investment plans.

Mr. Dubovskov added, Over the past quarters, we have seen clear volatility in our net income over currency fluctuations related to our debt composition and other one-time factors, including developments in our Central Asia markets. In this difficult currency environment, we have come to the conclusion that net income is not the best metric to use as a basis for the calculation of our dividend. We are currently devising a new policy that ties dividend amount to free cash flow which, in our view, constitutes a clearer, more transparent basis for determining our return to shareholders. We expect to propose the new policy to our Board of Directors for adoption prior to the final determination of our FY2012 dividend. For now, we can say that we intend to increase our cumulative dividend payout over the next three years by at least 25% in relation to the roughly 91 billion rubles we have paid out since fiscal year 2009. This implies a total cumulative dividend of at least 114 billion rubles for the fiscal years 2012 to 2014 or a payout per share of at least 18 rubles 30 kopeks. We believe that this level, which should constitute a sizable portion of our free cash flow, will allow us over the next three years to meet our investment needs, maintain our relative debt levels and demonstrate our commitment to shareholder value.

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

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

Financial Summary

USD million	Q3 2012	Q3 2011	y-o-y	Q2 2012	q-o-q
Revenues	3,132.1	3,274.7	-4.4%	3,122.2	stable
Adjusted OIBDA	1,379.4	1,439.9	-4.2%	1,373.6	stable
- margin	44.0%	44.0%	stable	44.0%	stable
Net operating income/(loss)	824.8	852.8	-3.3%	(284.4)	n/a
- margin	26.3%	26.0%	+0.3p	n/a	n/a
Net income/(loss)	630.0	361.8	+74.1%	(681.8)	n/a
- margin	20.1%	11.1%	+9.0pp	n/a	n/a

Russia Highlights

RUB million	Q3 2012	Q3 2011	y-o-y	Q2 2012	q-o-q
Revenues(4)	88,255.1	81,738.0	8.0%	82,827.8	6.6%
- mobile	74,654.6	68,978.3	8.2%	69,342.4	7.7%
- fixed	15,410.0	14,653.4	5.2%	15,227.0	1.2%
OIBDA	40,085.0	36,893.3	8.7%	36,929.4	8.5%
- margin	45.4%	45.1%	+0.3pp	44.6%	+0.8pp
Net income	19,830.9	9,585.8	106.9%	10,190.3	94.6%
- margin	22.5%	11.7%	+10.8pp	12.3%	+10.2pp

	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
ARPU (RUB)	288.0	284.0	280.6	297.1	313.2
MOU (min)	272	283	282	309	311
Churn rate (%)	11.9%	12.3%	11.3%	10.5%	10.3%

Ukraine Highlights

UAH million	Q3 2012	Q3 2011	y-o-y	Q2 2012	q-o-q
Revenues	2,664.2	2,498.1	6.6%	2,397.7	11.1%
OIBDA	1,415.7	1,220.7	16.0%	1,243.5	13.8%
- margin	53.1%	48.9%	+4.2pp	51.9%	+1.2pp
Net income	664.6	358.9	85.2%	509.5	30.4%
- margin	24.9%	14.4%	+10.5pp	21.3%	+3.6pp

	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
ARPU (UAH)	42.20	38.73	37.16	40.06	43.77
MOU (min)	586	592	601	611	610
Churn rate (%)	8.1%	8.1%	8.5%	7.7%	9.0%
SAC (UAH)	64.5	60.4	64.7	61.7	56.7
- dealer commission	35.4	30.6	35.9	33.7	33.8
- adv&mktg	14.7	17.8	17.5	16.5	13.0
- handset subsidy	5.4	3.5	3.2	2.6	2.3
- SIM card & voucher	8.9	8.5	8.1	8.9	7.6

(4)Revenue, net of intercompany.

Uzbekistan Highlights(5)

USD million	Q3 2012	Q3 2011	y-o-y	Q2 2012	q-o-q
Revenues	26.0	112.8	n/a	132.8	n/a
Adjusted OIBDA	(2.2)	56.0	n/a	72.3	n/a
- margin	n/a	49.6%	n/a	54.4%	n/a
Net income/(loss)	(25.8)	11.7	n/a	(1,017.5)	n/a
- margin	n/a	10.4%	n/a	n/a	n/a

	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
ARPU (USD)	3.8	3.9	4.1	4.7	n/a
MOU (min)	421	440	468	553	n/a
Churn rate (%)	9.3%	20.2%	11.9%	19.1%	n/a
SAC (USD)	6.5	5.6	6.1	4.7	n/a

Armenia Highlights

AMD million	Q3 2012	Q3 2011	y-o-y	Q2 2012	q-o-q
Revenues	21,774.4	20,746.0	5.0%	19,076.6	14.1%
OIBDA	12,463.8	11,882.2	4.9%	9,932.9	25.5%
- margin	57.2%	57.3%	-0.1pp	52.1%	+5.1pp
Net income	2,531.6	3,397.9	-25.5%	2,815.6	-10.1%
- margin	11.6%	16.4%	-4.8pp	14.8%	-3.2pp

	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
ARPU (AMD)	2,751.0	2,577.1	2,380.3	2,739.2	3,054.6
MOU (min)	293	300	315	342	346
Churn rate (%)	10.0%	13.0%	13.2%	8.7%	7.2%
SAC (AMD)	7,625.3	6,595.9	7,248.3	4,572.7	6,294.7

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

CAPEX Highlights

USD mln	FY2008	FY 2009	FY2010	FY2011	9M 2012
Russia	1,784.7	1,389.7	2,260.0	2,245.7	1,652.4
- as % of rev	18.8%	17.2%	24.0%	21.1%	20.6%
Ukraine	595.6	377.4	154.9	148.0	68.1
- as % of rev	35.8%	36.0%	14.4%	13.0%	7.5%
Uzbekistan	139.7	460.3	157.9	145.7	80.8
- as % of rev	35.7%	113.7%	35.3%	33.0%	29.4%
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	13.2
- as % of rev	13.5%	21.9%	14.4%	22.5%	9.3%
Group	2,612.8	2,328.3	2,647.1	2,584.5	1,814.6
- as % of rev	22.0%	23.7%	23.4%	21.0%	19.6%

* * *

For further information, please contact in Moscow:

Joshua B. Tulgan
 Director, Investor Relations
 Acting Director, Corporate Finance

Department of Investor Relations
 Mobile TeleSystems OJSC
 Tel: +7 495 223 2025
 E-mail: ir@mts.ru

Learn more about MTS. Visit the official blog of the Investor Relations Department at www.mtsgsm.com/blog/ and follow us on Twitter: JoshatMTS

* * *

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 nearly 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.

* * *

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.

* * *

**Attachments to the Third 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)	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Operating income	852.8	720.0	649.7	(284.4)	824.8
Add: D&A	587.1	555.6	609.5	579.0	554.6
Add: Impairment				579.0	
Add: Tax and antimonopoly claims				500.0	
Adjusted OIBDA	1,439.9	1,275.6	1,259.1	1,373.6	1,379.4

Russia (USDmln)	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Operating income	829.3	691.3	660.2	745.3	806.0
Add: D&A	439.1	411.5	463.7	442.8	445.4
OIBDA	1,268.4	1,102.8	1,123.9	1,188.1	1,251.4

Ukraine (USDmln)	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Operating income	66.3	60.1	49.3	79.8	101.7
Add: D&A	86.8	83.5	83.3	75.8	75.4
OIBDA	153.1	143.7	132.6	155.6	177.1

Uzbekistan (USDmln)	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Operating income/(loss)	14.8	18.2	6.6	(1,050.7)	(18.9)
Add: D&A	41.2	42.5	44.7	44.0	16.7
Add: Impairment				579.0	
Add: Tax and antimonopoly claims				500.0	
Adjusted OIBDA	56.0	60.7	51.3	72.3	(2.2)

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

Armenia (USDmln)	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Operating income	12.3	7.1	11.6	8.3	13.3
Add: D&A	19.9	18.0	17.7	16.4	17.0
OIBDA	32.2	25.1	29.2	24.7	30.3

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

Group	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Operating margin	26.0%	24.1%	21.6%	(9.1)%	26.3%
Add: D&A	18.0%	18.6%	20.2%	18.6%	17.7%
Add: Impairment				18.5%	
Add: Tax and antimonopoly claims				16.0%	
Adjusted OIBDA margin	44.0%	42.8%	41.8%	44.0%	44.0%

Russia	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Operating margin	29.5%	27.1%	25.3%	27.9%	29.2%
Add: D&A	15.6%	16.1%	17.8%	16.6%	16.2%
OIBDA margin	45.1%	43.2%	43.2%	44.5%	45.4%

Ukraine	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Operating margin	21.2%	20.8%	17.8%	26.6%	30.5%
Add: D&A	27.7%	28.8%	30.0%	25.3%	22.6%
OIBDA margin	48.9%	49.6%	47.8%	51.9%	53.1%

Uzbekistan	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Operating margin	13.1%	15.8%	5.7%	(790.9)%	(72.6)%
Add: D&A	36.5%	37.0%	38.6%	33.1%	64.0%
Add: Impairment				435.8%	
Add: Tax and antimonopoly claims				376.4%	
Adjusted OIBDA margin	49.6%	52.8%	44.3%	54.4%	-8.6%

Armenia	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Operating margin	21.8%	14.3%	26.9%	17.6%	25.0%
Add: D&A	35.4%	36.2%	41.1%	34.4%	32.2%
OIBDA margin	57.3%	50.5%	68.0%	52.0%	57.2%

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 Sep 30, 2012
Current portion of debt and of capital lease obligations	1,155.7	781.5
Long-term debt	7,554.0	6,520.9
Capital lease obligations	5.5	2.6
Total debt	8,715.2	7,305.0
Less:		
Cash and cash equivalents	1,850.8	751.8
Short-term investments	86.2	131.7
Net debt	6,778.2	6,421.5

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

USD mln	Three months ended Dec 31, 2011 A	Nine months ended Sep 30, 2012 B	Twelve months ended Sep 30, 2012 C=A+B
Net operating income	720.0	1,190.0	1,910.0
Add: D&A	555.6	1,743.1	2,298.7
Add: Impairment		579.0	579.0
Add: Tax and antimonopoly claims		500.0	500.0
Adjusted OIBDA	1,275.6	4,012.1	5,287.7

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

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

USD mln	For the nine months ended Sep 30, 2011	For the nine months ended Sep 30, 2012
Net cash provided by operating activities	2,988.4	3,446.2
Less:		
Purchases of property, plant and equipment	(1,308.3)	(1,658.4)
Purchases of intangible assets	(202.2)	(156.2)
Proceeds from sale of property, plant and equipment	20.8	2.9
Purchases of other investments		(66.0)
Proceeds from other investments	7.5	43.4
Investments in and advances to associates	3.0	
Acquisition of subsidiaries, net of cash acquired	(57.3)	(41.0)
Free cash-flow	1,451.9	1,570.9

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

CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

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

	Nine months ended		Three months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Net operating revenue				
Service revenue	\$ 8 602 866	\$ 8 644 778	\$ 2 877 822	\$ 3 018 807
Sales of handsets and accessories	665 201	692 175	254 263	255 905
	9 268 067	9 336 953	3 132 085	3 274 712
Operating expenses				
Cost of services	(2 029 740)	(1 982 266)	(674 026)	(676 329)
Cost of handsets and accessories	(584 871)	(696 651)	(216 421)	(263 661)
Sales and marketing expenses	(505 098)	(679 930)	(168 014)	(218 374)
General and administrative expenses	(1 911 778)	(1 882 178)	(615 810)	(590 909)
Depreciation and amortization expense	(1 743 122)	(1 779 562)	(554 596)	(587 104)
Provision for doubtful accounts	(70 005)	(85 720)	(17 062)	(23 734)
Impairment of goodwill & long-lived assets	(591 508)	(13 328)	(9 180)	(1 977)
Provision for tax and antimonopoly claims in Uzbekistan	(500 000)			
Other operating expenses	(141 884)	(128 431)	(52 167)	(59 802)
Net operating income	1 190 061	2 088 887	824 809	852 822
Currency exchange and transaction gain/(loss)	75 179	(112 182)	99 979	(191 320)
Other income / (expenses):				
Interest income	71 217	40 249	13 047	13 271
Interest expense, net of capitalized interest	(424 826)	(489 566)	(112 746)	(157 676)
Other (expenses)/income	(2 352)	31 179	4 806	11 751
Total other expenses, net	(355 961)	(418 138)	(94 893)	(132 654)
Income before provision for income taxes and noncontrolling interest	909 279	1 558 567	829 895	528 848
Provision for income taxes	(425 491)	(407 107)	(191 420)	(136 830)
Net income	483 788	1 151 460	638 475	392 018
Net income attributable to the noncontrolling interest	(23 805)	(100 965)	(8 468)	(30 178)
Net income attributable to the Group	459 983	1 050 495	630 007	361 840
Other comprehensive (loss)/income, net of taxes				
Currency translation adjustment	(23 874)	(165 380)	110 410	(259 619)
Unrealized gains on derivatives	14 950	4 515	(12 551)	189
Unrecognized actuarial gains	576	214	192	(536)
	(8 348)	(160 650)	98 051	(259 966)

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

**Total other comprehensive (loss)/income,
net of taxes**

Other comprehensive (loss)/income attributable to the noncontrolling interest	(1 135)	(28 542)	(8 184)	56 489
--	---------	----------	---------	--------

**Other comprehensive (loss)/income
attributable to the MTS Group, net of
taxes**

	(9 483)	(189 192)	89 867	(203 477)
--	---------	-----------	--------	-----------

Comprehensive income	\$ 450 500	\$ 861 303	\$ 719 874	\$ 158 363
-----------------------------	-------------------	-------------------	-------------------	-------------------

Weighted average number of common
shares outstanding, in thousands - basic and
diluted

	1 988 918	1 988 919	1 988 919	1 988 917
--	-----------	-----------	-----------	-----------

Earnings per share - basic and diluted	0.23	0.54	0.32	0.18
--	------	------	------	------

MOBILE TELESYSTEMS

CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2012 AND DECEMBER 31, 2011

(Amounts in thousands of US dollars)

	As of September 30, 2012	As of December 31, 2011
CURRENT ASSETS:		
Cash and cash equivalents	\$ 751 807	\$ 1 850 826
Short-term investments	131 738	86 242
Trade receivables, net	1 129 076	863 808
Accounts receivable, related parties	5 899	4 488
Inventory and spare parts	307 550	291 075
VAT receivable	192 253	191 039
Prepaid expenses and other current assets	657 450	550 170
Total current assets	3 175 773	3 837 648
PROPERTY, PLANT AND EQUIPMENT	8 334 000	8 205 352
INTANGIBLE ASSETS	2 413 549	2 708 328
INVESTMENTS IN AND ADVANCES TO ASSOCIATES	181 343	188 047
OTHER INVESTMENTS	189 660	123 442
OTHER ASSETS	225 076	255 412
Total assets	\$ 14 519 401	\$ 15 318 229
CURRENT LIABILITIES		
Accounts payable	974 967	799 128
Accrued expenses and other current liabilities	1 806 473	1 553 034
Tax and antimonopoly claims in Uzbekistan	500 000	
Accounts payable, related parties	98 520	56 982
Current portion of long-term debt, capital lease obligations	781 485	1 155 691
Total current liabilities	4 161 445	3 564 835
LONG-TERM LIABILITIES		
Long-term debt	6 520 944	7 553 983
Capital lease obligations	2 596	5 529
Deferred income taxes	274 363	227 928
Deferred revenue and other	327 700	314 728
Total long-term liabilities	7 125 603	8 102 168
Total liabilities	11 287 048	11 667 003
Redeemable noncontrolling interests	63 386	80 603
SHAREHOLDERS EQUITY:		
	50 814	50 814

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 2,066,413,562 shares issued as of September 30, 2012 and December 31, 2011 (777,396,505 of which are in the form of ADS as of September 30, 2012 and December 31, 2011))			
Treasury stock (77,494,385 and 77,496,725 common shares at cost as of September 30, 2012 and December 31, 2011, respectively)		(992 141)	(992 141)
Additional paid-in capital		97 667	92 720
Accumulated other comprehensive income		(972 880)	(963 992)
Retained earnings		4 885 199	5 294 651
Total shareholders equity attributable to the Group		3 068 659	3 482 052
Noncontrolling interest		100 308	88 571
TOTAL SHAREHOLDERS EQUITY		3 168 967	3 570 623
Total liabilities and shareholders equity	\$	14 519 401	\$ 15 318 229

MOBILE TELESYSTEMS

CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(Amounts in thousands of U.S. dollars)

	Nine months ended	
	September 30, 2012	September 30, 2011
Net cash provided by operating activities	3 446 197	2 988 440
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries net of cash acquired	(40 956)	(57 274)
Purchases of property, plant and equipment	(1 658 356)	(1 308 321)
Purchases of intangible assets	(156 214)	(202 191)
Proceeds from sale of property, plant and equipment and assets held for sale	2 949	20 775
Purchases of short-term investments	(978 505)	(439 242)
Proceeds from sale of short-term investments	870 693	690 870
Purchases of other investments	(66 086)	(15)
Proceeds from sale of other investments	43 387	7 485
Investments in and advances to associates		3 000
Increase in restricted cash	(1 837)	(1 197)
Net cash used in investing activities	(1 984 925)	(1 286 110)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash payments for the acquisitions of subsidiaries from related parties and non-controlling interests	(8 190)	(189 114)
Contingent consideration paid on acquisition of subsidiaries		(13 532)
Proceeds from issuance of notes		227 542
Proceeds from sale of treasury shares	19	
Proceeds from issuance of common stock		13 442
Repurchase of common stock		(67)
Repayment of notes	(800 784)	(49 409)
Notes and debt issuance cost		(1 320)
Capital lease obligation principal paid	(5 177)	(7 445)
Dividends paid	(919 052)	(1 239 828)
Effect of Stream Deconsolidation	(7 220)	
Proceeds from loans	195 336	386 245
Loan principal paid	(1 098 196)	(203 895)
Net cash used in financing activities	(2 643 264)	(1 077 381)
Effect of exchange rate changes on cash and cash equivalents	82 973	(79 308)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS:	(1 099 019)	545 641
CASH AND CASH EQUIVALENTS, at beginning of period	1 850 826	927 694
CASH AND CASH EQUIVALENTS, at end of period	751 807	1 473 335

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:	<i>/s/ Andrei Dubovskov</i>	
	Name:	Andrei Dubovskov
	Title:	CEO

Date: **November 14, 2012**