

MOBILE TELESYSTEMS OJSC
Form 6-K
August 12, 2008

FORM 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
August 12, 2008

**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

12| August | 2008

Press Release

Mobile TeleSystems announces financial results for the second quarter ended June 30, 2008

Moscow, Russian Federation Mobile TeleSystems OJSC (MTS - NYSE: MBT), today announced its unaudited consolidated US GAAP financial results for the three months ended June 30, 2008.

Key Financial Highlights of Q2 2008

Consolidated revenues up 34% y-o-y to \$2,635 million

Consolidated OIBDA(1) up 32% to \$1,349 million y-o-y with 51.2% OIBDA margin

Consolidated net income up 30% y-o-y to \$659 million

Free cash-flow(2) generation of \$1.1 billion in the first half of 2008

Key Corporate and Industry Highlights

Mr. Mikhail Shamolin named as the new President and CEO of MTS in May 2008

Launch of 3G in Russia with commercial availability in St. Petersburg, Kazan, Sochi, Nizhny Novgorod and Yekaterinburg

10 billion rouble bond placement 1.7x oversubscribed in June 2008

Approval of dividend payment for FY 2007 of \$1.2 billion or \$3.12 per ADR(3) at the Company's Annual General Meeting of Shareholders in June 2008

Appointment of MTS President and CEO Mr. Shamolin to the GSMA Board in July 2008

Mr. Shamolin, President and Chief Executive Officer, commented, MTS continues to execute on its corporate strategy, and we are pleased to have delivered our fifth consecutive quarter of revenue and earnings growth. We see positive dynamics in usage growth and subscriber additions in our markets, while we were able to improve margins significantly in the period. We are optimistic looking forward as our markets offer significant opportunities for continued growth.

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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) See Attachment B for reconciliation of free cash-flow to net cash provided by operating activity.
 - (3) According to the Russian Central Bank exchange rate of 23.7939 RUR/\$ as of May 5, 2008.

Financial Summary (unaudited)

| US\$ million | Q2 08 | Q2 07 | y-o-y | Q1 08 | q-o-q |
|----------------------|-------|-------|--------|-------|--------|
| Revenues | 2,635 | 1,969 | 34% | 2,379 | 11% |
| OIBDA | 1,349 | 1,019 | 32% | 1,176 | 15% |
| - margin | 51.2% | 51.7% | -0.5pp | 49.4% | +1.8pp |
| Net operating income | 857 | 691 | 24% | 705 | +22% |
| - margin | 32.5% | 35.1% | -2.6pp | 29.6% | +2.9pp |
| Net income | 659 | 508 | 30% | 610 | 8% |

Group Operating Review

Market Growth

Mobile penetration⁽⁴⁾ in markets of operation was:

Up from 116% to 119% in Russia;

Level at 119% in Ukraine;

Up from 25% to 33% in Uzbekistan;

Up from 10% to 12% in Turkmenistan;

Up from 60% to 67% in Armenia;

Up from 75% to 80% in Belarus.

Subscriber Development

The Company added approximately 2.0 million new customers during the second quarter of 2008 on a consolidated basis that were all added organically. During the quarter MTS:

Added 1.5 million subscribers in Russia;

Churned 0.5 million subscribers in Ukraine;

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Added 0.8 million subscribers in Uzbekistan;

Added 108.7 thousand subscribers in Turkmenistan;

Added 77.2 thousand subscribers in Armenia.

Our Belarus operations added approximately 81.7 thousand subscribers during the quarter.

Key Subscriber Statistics

| (mln) | Q2 07 | Q3 07 | Q4 07 | Q1 08 | Q2 08 |
|-------------------------------------|-------|-------|-------|-------|-------|
| Total consolidated subscribers, eop | 74.67 | 77.97 | 81.97 | 84.94 | 86.94 |
| Russia | 52.68 | 54.42 | 57.43 | 59.90 | 61.38 |
| Ukraine | 19.81 | 19.91 | 20.00 | 19.61 | 19.13 |
| Uzbekistan(5) | 1.95 | 2.29 | 2.80 | 3.56 | 4.37 |
| Turkmenistan | 0.24 | 0.29 | 0.36 | 0.47 | 0.57 |
| Armenia | | 1.07 | 1.38 | 1.42 | 1.49 |
| MTS Belarus(6) | 3.48 | 3.66 | 3.80 | 3.94 | 4.03 |

(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.

Market Share

MTS maintained its leading position in the majority of its markets of operation during the second quarter:

Maintained at 36% in Russia;

Maintained at 35% in Ukraine;

Decreased from 52% to 49% in Uzbekistan;

Increased from 85% to 86% in Turkmenistan;

Decreased from 73% to 70% in Armenia.

In Belarus, the market share decreased to 52% from 54%.

Customer Segmentation

Subscriptions to MTS pre-paid tariff plans accounted for 85% of gross additions in Russia and 95% in Ukraine in the second quarter. At the end of the quarter, 88% 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%.

Starting from Q2 2008, we will include connection fees in our calculation of ARPU as this is network-related revenue. 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.

Russia Highlights

| US\$ mln | Q2 08 | Q2 07 | y-o-y | Q1 08 | q-o-q |
|---------------|-------|-------|--------|-------|--------|
| Revenues | 2,020 | 1,481 | 36% | 1,798 | 12% |
| OIBDA | 1,035 | 768 | 35% | 877 | 18% |
| - margin | 51.2% | 51.8% | -0.6pp | 48.8% | +2.4pp |
| Net income | 538 | 402 | 34% | 494 | 9% |
| CAPEX | 286 | 111 | 157% | 205 | 40% |
| - as % of rev | 14.1% | 7.5% | +6.6pp | 11.4% | +2.7pp |

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| | Q2 07 | Q3 07 | Q4 07 | Q1 08 | Q2 08 |
|---------------------|-------|-------|-------|-------|-------|
| ARPU (US\$), old | 9.2 | 10.0 | 10.0 | 10.0 | 11.0 |
| ARPU (US\$), new(7) | 9.3 | 10.2 | 10.0 | 10.1 | 11.0 |
| MOU (min) | 151 | 167 | 187 | 193 | 207 |
| Churn rate (%) | 5.2 | 7.1 | 5.1 | 4.8 | 6.6 |
| SAC (US\$) | 28.9 | 24.3 | 26.6 | 29.5 | 30.1 |

Ukraine Highlights

| US\$ mln | Q2 08 | Q2 07 | y-o-y | Q1 08 | q-o-q |
|---------------|-------|-------|----------|-------|---------|
| Revenues | 434 | 393 | 10% | 409 | 6% |
| OIBDA | 203 | 199 | 2% | 190 | 7% |
| - margin | 46.7% | 50.6% | -3.9pp | 46.5% | +0.2pp |
| Net income | 75 | 84 | -11% | 87 | -13% |
| CAPEX | 209 | 141 | 48% | 109 | 91% |
| - as % of rev | 48.1% | 35.8% | +12.3 pp | 26.7% | +21.4pp |

| | Q2 07 | Q3 07 | Q4 07 | Q1 08 | Q2 08 |
|------------------|-------|-------|-------|-------|-------|
| ARPU (US\$), old | 6.4 | 7.3 | 7.1 | 6.8 | 7.3 |
| ARPU (US\$), new | 6.4 | 7.3 | 7.1 | 6.8 | 7.4 |
| MOU (min) | 152 | 162 | 163 | 175 | 239 |
| Churn rate (%) | 14.1 | 12.5 | 14.4 | 10.3 | 10.7 |
| SAC (US\$) | 13.7 | 10.9 | 12.7 | 13.8 | 13.0 |

(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

| US\$ mln | Q2 08 | Q2 07 | y-o-y | Q1 08 | q-o-q |
|---------------|-------|-------|---------|-------|---------|
| Revenues | 93 | 57 | 64% | 79 | 17% |
| OIBDA | 58 | 37 | 57% | 49 | 18% |
| - margin | 61.9% | 64.4% | -2.5pp | 61.8% | +0.1pp |
| Net income | 40 | 17 | 130% | 32 | 25% |
| CAPEX | 39 | 10 | 290% | 11 | 249% |
| - as % of rev | 42.2% | 17.7% | +24.5pp | 14.2% | +28.0pp |

| | Q2 07 | Q3 07 | Q4 07 | Q1 08(8) | Q2 08 |
|------------------|-------|-------|-------|----------|-------|
| ARPU (US\$), old | 10.4 | 10.3 | 10.0 | 8.3 | 7.8 |
| ARPU (US\$), new | 10.4 | 10.3 | 10.0 | 8.3 | 7.8 |
| MOU (min) | 549 | 565 | 574 | 520 | 575 |
| Churn rate (%) | 17.9 | 14.3 | 13.5 | 2.8 | 4.0 |
| SAC (US\$) | 3.7 | 4.4 | 4.8 | 7.0 | 7.5 |

Turkmenistan Highlights(9)

| US\$ mln | Q2 08 | Q2 07 | y-o-y | Q1 08 | q-o-q |
|---------------|-------|-------|---------|-------|---------|
| Revenues | 34 | 41 | -17% | 44 | -22% |
| OIBDA | 22 | 15 | 42% | 27 | -20% |
| - margin | 63.0% | 36.8% | +26.2pp | 61.6% | +1.4pp |
| Net income | 6 | 4 | 45% | 13 | -54% |
| CAPEX | 8 | 2 | 284% | 15 | -45% |
| - as % of rev | 24.6% | 5.3% | +19.3pp | 35.3% | -10.7pp |

| | Q2 07 | Q3 07 | Q4 07 | Q1 08 | Q2 08 |
|------------------|-------|-------|-------|-------|-------|
| ARPU (US\$), old | 63.4 | 57.4 | 48.1 | 35.4 | 21.9 |
| ARPU (US\$), new | 63.4 | 57.4 | 48.1 | 35.4 | 21.9 |
| MOU (min) | 264 | 299 | 282 | 273 | 291 |
| Churn rate (%) | 6.3 | 8.6 | 5.5 | 5.0 | 4.4 |
| SAC (US\$) | 26.9 | 20.8 | 19.7 | 14.8 | 12.1 |

Armenia Highlights

| US\$ mln | Q2 08 | Q1 08 | q-o-q |
|--------------------|-------|-------|--------|
| Revenues | 61 | 55 | 11% |
| OIBDA | 33 | 32 | 3% |
| - margin | 53.7% | 57.9% | -4.2pp |
| Net income /(loss) | (1) | (16) | -96% |
| CAPEX | 3 | 2 | 34% |
| - as % of rev | 4.4% | 3.7% | +0.7pp |

| | Q3 07 | Q4 07 | Q1 08 | Q2 08 |
|--|-------|-------|-------|-------|
|--|-------|-------|-------|-------|

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| | | | | |
|------------------|------|------|------|------|
| ARPU (US\$), old | 15.7 | 15.8 | 12.8 | 14.0 |
| ARPU (US\$), new | 15.7 | 15.9 | 13.1 | 14.1 |
| SAC (US\$) | 12.9 | 15.2 | 26.7 | 27.1 |

Group Financial Position

MTS expenditure on property, plant and equipment in the second quarter totaled approximately \$440 million, of which \$236 million was invested in Russia, \$175 million in Ukraine, \$19 million in Uzbekistan, \$8 million in Turkmenistan and \$1 million in Armenia.

- (8) In Q1 2008, MTS Uzbekistan moved away from a two-month to a six-month churn policy.
- (9) On January 1, 2008, the Central Bank of Turkmenistan raised the official exchange rate of the Turkmenistan Manat to the US dollar from 5,200 to 6,250. On May 1, 2008, another decree was passed by the President of Turkmenistan that established the official exchange rate at 14,250 Manat per 1 USD.

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MTS spent approximately \$105 million on the purchase of intangible assets during the quarter of which \$50 million was spent in Russia, \$34 million in Ukraine, \$20 million in Uzbekistan, \$0.4 million in Turkmenistan and \$2 million in Armenia.

As of June 30, 2008, MTS total debt(10) was at \$3.3 billion, resulting in a ratio of total debt to LTM OIBDA(11) of 0.7 times. Net debt amounted to \$2.1 billion at the end of the quarter and the net debt to LTM OIBDA of 0.4 times.

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Mobile TeleSystems OJSC (MTS) is the largest mobile phone operator in Russia and the CIS. Together with its subsidiaries, the Company services over 86.94 million subscribers. The regions of Russia, as well as Armenia, Belarus, Turkmenistan, Ukraine, and Uzbekistan, in which MTS and its associates and subsidiaries are licensed to provide GSM services, have a total population of more than 230 million. Since June 2000, MTS Level 3 ADRs have been listed on the New York Stock Exchange (ticker symbol MBT). Additional information about MTS can be found on MTS website at www1.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 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, 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, risks associated with operating in Russia and the CIS, volatility of stock price, financial risk management and future growth subject to risks.

(10) 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.

(11) LTM OIBDA represents the last twelve months of rolling OIBDA. See Appendix B for reconciliations to our consolidated statements.

**Attachments to the Second Quarter 2008
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.

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 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 (US\$ mln) | Q2 07 | Q3 07 | Q4 07 | Q1 08 | Q2 08 |
| Operating income | 691.0 | 801.8 | 643.8 | 704.6 | 857.2 |
| Add: D&A | 327.7 | 372.9 | 483.0 | 470.9 | 492.2 |
| OIBDA | 1,018.7 | 1,174.7 | 1,126.9 | 1,175.5 | 1,349.5 |
| Russia (US\$ mln) | Q2 07 | Q3 07 | Q4 07 | Q1 08 | Q2 08 |
| Operating income | 531.1 | 612.0 | 469.3 | 562.5 | 701.4 |
| Add: D&A | 236.8 | 268.8 | 352.7 | 314.9 | 333.2 |
| OIBDA | 767.9 | 880.9(12) | 822.0(13) | 877.4 | 1,034.6 |
| Ukraine (US\$ mln) | Q2 07 | Q3 07 | Q4 07 | Q1 08 | Q2 08 |
| Operating income | 120.6 | 136.7 | 106.7 | 85.4 | 91.4 |
| Add: D&A | 78.3 | 83.1 | 88.1 | 104.8 | 111.2 |
| OIBDA | 198.8 | 219.7 | 194.8 | 190.1 | 202.6 |
| Uzbekistan (US\$ mln) | Q2 07 | Q3 07 | Q4 07 | Q1 08 | Q2 08 |
| Operating income | 28.5 | 27.0 | 35.2 | 35.1 | 42.8 |
| Add: D&A | 8.2 | 14.1 | 13.5 | 13.9 | 14.9 |
| OIBDA | 36.7 | 41.1 | 48.7 | 49.1 | 57.7 |
| Turkmenistan (US\$ mln) | Q2 07 | Q3 07 | Q4 07 | Q1 08 | Q2 08 |
| Operating income | 10.8 | 22.6 | 22.9 | 21.9 | 17.9 |
| Add: D&A | 4.4 | 5.4 | 5.7 | 5.1 | 3.7 |
| OIBDA | 15.2 | 28.1 | 28.6 | 26.9 | 21.6 |
| Armenia (US\$ mln) | Q3 07 | Q4 07 | Q1 08 | Q2 08 | |
| Operating income/ (loss) | 3.5 | 9.7 | (0.3) | 3.8 | |
| Add: D&A | 1.5 | 23.0 | 32.2 | 29.2 | |
| OIBDA | 5.0 | 32.7 | 32.0 | 33.0 | |

(12) Including intercompany of \$2.2 mln.

(13) Including intercompany of \$0.4 mln.

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

| Group | Q2 07 | Q3 07 | Q4 07 | Q1 08 | Q2 08 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 35.1% | 36.2% | 27.7% | 29.6% | 32.5% |
| Add: D&A | 16.6% | 16.8% | 20.7% | 19.8% | 18.7% |
| OIBDA margin | 51.7% | 53.0% | 48.4% | 49.4% | 51.2% |

| Russia | Q2 07 | Q3 07 | Q4 07 | Q1 08 | Q2 08 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 35.9% | 36.6% | 27.2% | 31.3% | 34.7% |
| Add: D&A | 16.0% | 16.1% | 20.5% | 17.5% | 16.5% |
| OIBDA margin | 51.8% | 52.8% | 47.7% | 48.8% | 51.2% |

| Ukraine | Q2 07 | Q3 07 | Q4 07 | Q1 08 | Q2 08 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 30.7% | 31.2% | 25.1% | 20.9% | 21.1% |
| Add: D&A | 19.9% | 18.9% | 20.7% | 25.6% | 25.6% |
| OIBDA margin | 50.6% | 50.1% | 45.8% | 46.5% | 46.7% |

| Uzbekistan | Q2 07 | Q3 07 | Q4 07 | Q1 08 | Q2 08 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 50.1% | 41.0% | 45.9% | 44.3% | 46.0% |
| Add: D&A | 14.4% | 21.5% | 17.6% | 17.6% | 16.0% |
| OIBDA margin | 64.4% | 62.5% | 63.6% | 61.8% | 61.9% |

| Turkmenistan | Q2 07 | Q3 07 | Q4 07 | Q1 08 | Q2 08 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 26.1% | 50.0% | 49.1% | 50.0% | 52.1% |
| Add: D&A | 10.8% | 12.0% | 12.3% | 11.6% | 10.9% |
| OIBDA margin | 36.8% | 62.0% | 61.4% | 61.6% | 63.0% |

| Armenia | Q3 07 | Q4 07 | Q1 08 | Q2 08 |
|------------------|-------|-------|--------|-------|
| Operating margin | 41.9% | 16.7% | (0.5)% | 6.1% |
| Add: D&A | 17.9% | 39.5% | 58.5% | 47.5% |
| OIBDA margin | 59.8% | 56.2% | 57.9% | 53.7% |

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:

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| US\$ mln | As of Dec 31, 2007 | As of Jun 30, 2008 |
|--|-----------------------|-----------------------|
| Current portion of debt and of capital lease obligations | 713.3 | 1,000.0 |
| Long-term debt | 2,686.5 | 2,309.8 |
| Capital lease obligations | 1.9 | 2.3 |
| Total debt | 3,401.7 | 3,312.1 |
| Less: | | |
| Cash and cash equivalents | (634.5) | (1,163.7) |
| Short-term investments | (15.8) | (58.4) |
| Net debt | 2,751.4 | 2,090.0 |

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

| US\$ mln | Six months ended Dec 31, 2007 A | Six months ended Jun 30, 2008 B | Twelve months ended Jun 30, 2008 C=A+B |
|------------------------------------|--|--|---|
| Net operating income | 1,445.6 | 1,561.8 | 3,007.4 |
| Add: depreciation and amortization | 856.0 | 963.1 | 1,819.1 |
| OIBDA | 2,301.6 | 2,524.9 | 4,826.5 |

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

| US\$ mln | For the six months ended Jun 30, 2007 | For the six months ended Jun 30, 2008 |
|---|---|---|
| Net cash provided by operating activities | 1,552.9 | 1,953.5 |
| Less: | | |
| Purchases of property, plant and equipment | (432.4) | (721.3) |
| Purchases of intangible assets | (55.5) | (166.1) |
| Proceeds from sale of property, plant and equipment | 10.2 | 49.0 |
| Purchases of other investments | | (21.3) |
| Investments in and advances to associates | | (3.8) |
| Acquisition of subsidiaries, net of cash acquired | (250.0) | (35.9) |
| Free cash-flow | 825.2 | 1,054.1 |

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 MONTHS AND SIX MONTHS ENDED JUNE 30, 2008 AND 2007

(Amounts in thousands of U.S. dollars, except share and per share amounts)

| | Three months ended June 30, 2008 | Three months ended June 30, 2007 | Six months ended June 30, 2008 | Six months ended June 30, 2007 |
|--|-------------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|
| Net operating revenue | | | | |
| Service revenue and connection fees | \$ 2,630,546 | \$ 1,953,803 | \$ 5,004,077 | \$ 3,673,106 |
| Sales of handsets and accessories | \$ 4,904 | 14,767 | 10,589 | 36,895 |
| | 2,635,450 | 1,968,570 | 5,014,666 | 3,710,001 |
| Operating expenses | | | | |
| Cost of services | 574,505 | 405,652 | 1,131,804 | 768,639 |
| Cost of handsets and accessories | 28,598 | 32,979 | 54,321 | 73,878 |
| Sales and marketing expenses | 227,126 | 160,509 | 441,122 | 298,977 |
| General and administrative expenses | 391,050 | 295,096 | 737,462 | 548,259 |
| Depreciation and amortization | 492,210 | 327,685 | 963,108 | 633,594 |
| Provision for doubtful accounts | 28,779 | 19,999 | 54,513 | 38,331 |
| Other operating expenses | 35,938 | 35,637 | 70,488 | 60,095 |
| Net operating income | 857,244 | 691,013 | 1,561,848 | 1,288,228 |
| Currency exchange and transaction gains | (30,760) | (21,499) | (126,624) | (50,168) |
| Other expenses / (income): | | | | |
| Interest income | (6,470) | (9,920) | (10,255) | (17,543) |
| Interest expense, net of amounts capitalized | 30,779 | 37,545 | 71,385 | 75,415 |
| Other expenses / (income) | (7,749) | (5,385) | (18,459) | (32,686) |
| Total other expenses, net | 16,560 | 22,240 | 42,671 | 25,186 |
| Income before provision for income taxes and minority interest | | | | |
| | 871,444 | 690,272 | 1,645,801 | 1,313,210 |
| Provision for income taxes | 210,177 | 175,925 | 376,102 | 344,016 |
| Minority interest | 2,064 | 6,471 | 342 | 12,737 |
| Net income | \$ 659,203 | \$ 507,876 | \$ 1,269,357 | \$ 956,457 |
| Weighted average number of common shares outstanding, in thousands - basic | 1,935,418 | 1,986,101 | 1,939,676 | 1,986,851 |
| Earnings per share - basic and diluted | 0.34 | 0.26 | 0.65 | 0.48 |

MOBILE TELESYSTEMS

CONDENSED UNAUDITED CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2008 AND DECEMBER 31, 2007

(Amounts in thousands of U.S. dollars, except share amounts)

| | As of June 30, 2008 | As of December 31, 2007 |
|--|------------------------|----------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 1,163,683 | \$ 634,498 |
| Short-term investments | 58,394 | 15,776 |
| Trade receivables, net | 417,372 | 386,608 |
| Accounts receivable, related parties | 61,091 | 25,004 |
| Inventory and spare parts | 138,402 | 140,932 |
| VAT receivable | 180,276 | 310,548 |
| Prepaid expenses and other current assets | 663,949 | 433,291 |
| Total current assets | 2,683,167 | 1,946,657 |
| PROPERTY, PLANT AND EQUIPMENT | 7,021,212 | 6,607,315 |
| INTANGIBLE ASSETS | 2,037,704 | 2,095,468 |
| INVESTMENTS IN AND ADVANCES TO ASSOCIATES | 228,682 | 195,908 |
| OTHER INVESTMENTS | 22,591 | 1,355 |
| OTHER ASSETS | 108,938 | 119,964 |
| Total assets | 12,102,294 | 10,966,667 |
| CURRENT LIABILITIES | | |
| Accounts payable | 601,944 | 486,666 |
| Accrued expenses and other current liabilities | 2,624,865 | 1,251,233 |
| Accounts payable, related parties | 125,777 | 160,253 |
| Current portion of long-term debt, capital lease obligations | 999,973 | 713,282 |
| Total current liabilities | 4,352,559 | 2,611,434 |
| LONG-TERM LIABILITIES | | |
| Long-term debt | 2,309,788 | 2,686,509 |
| Capital lease obligations | 2,291 | 1,876 |
| Deferred income taxes | 70,270 | 114,171 |
| Deferred revenue and other | 106,169 | 89,696 |
| Total long-term liabilities | 2,488,518 | 2,892,252 |
| Total liabilities | 6,841,077 | 5,503,686 |
| COMMITMENTS AND CONTINGENCIES | | |
| MINORITY INTEREST | 14,227 | 20,051 |
| SHAREHOLDERS EQUITY: | | |

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| | | |
|---|----------------------|----------------------|
| Common stock: (2,096,975,792 shares with a par value of 0.1 rubles authorized and 1,993,326,138 shares issued as of June 30, 2008 and December 31, 2007 (777,396,505 of which are in the form of ADS as of June 30, 2008 and December 31, 2007) | 50,558 | 50,558 |
| Treasury stock (57,908,337 and 32,476,837 common shares at cost as of June 30, 2008 and December 31, 2007) | (791,496) | (368,352) |
| Additional paid-in capital | 582,400 | 579,520 |
| Unearned compensation | | |
| Shareholder receivable | | |
| Accumulated other comprehensive income | 880,079 | 704,189 |
| Retained earnings | 4,525,449 | 4,477,015 |
| Total shareholders equity | 5,246,990 | 5,442,930 |
| Total liabilities and shareholders equity | \$ 12,102,294 | \$ 10,966,667 |

MOBILE TELESYSTEMS

CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

(Amounts in thousands of U.S. dollars)

| | Six months ended June 30, 2008 | Six months ended June 30, 2007 |
|--|-----------------------------------|-----------------------------------|
| Net cash provided by operating activities | 1,953,473 | 1,552,862 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of subsidiaries, net of cash acquired | (35,895) | (250,000) |
| Purchases of property, plant and equipment | (721,332) | (432,400) |
| Purchases of intangible assets | (166,092) | (55,476) |
| Proceeds from sale of property, plant and equipment and assets held for sale | 49,017 | 10,196 |
| Purchases of short-term investments | (57,333) | (220,977) |
| Proceeds from sale of short-term investments | 15,000 | 55,864 |
| Purchase of other investments | (21,256) | |
| Investments in and advances to associates | (3,800) | |
| Increase in restricted cash | 11,381 | 1,104 |
| Net cash used in investing activities | (930,310) | (891,689) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from issuance of notes | 426,307 | |
| Repurchase of common stock | (423,143) | (39,387) |
| Repayment of notes | (400,000) | |
| Notes and debt issuance cost | (278) | (1,057) |
| Capital lease obligation principal paid | (2,635) | (2,762) |
| Proceeds from loans | 105,105 | |
| Loan principal paid | (225,083) | (79,588) |
| Net cash used in financing activities | (519,727) | (122,794) |
| Effect of exchange rate changes on cash and cash equivalents | 25,749 | 1,355 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS: | 529,185 | 539,734 |
| CASH AND CASH EQUIVALENTS, at beginning of period | 634,498 | 219,989 |
| CASH AND CASH EQUIVALENTS, at end of period | \$ 1,163,683 | \$ 759,723 |

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/ Mikhail Shamolin | |
| | Name: | Mikhail Shamolin |
| | Title: | CEO |

Date: **August 12, 2008**
