

MOBILE TELESYSTEMS OJSC
Form 6-K
November 18, 2010

FORM 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
November 18, 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.

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, 2010

November 18, 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 ended September 30, 2010.

Key Financial Highlights of Q3 2010(1)

- Consolidated revenues up 10.8% y-o-y to \$2,911 million
- Consolidated OIBDA(2) up 8.2% y-o-y to \$1,309 million with a 45.0% OIBDA margin
- Consolidated net income attributable to the Group of \$475 million
- Free cash-flow(3) increased in Q3 2010 and reached \$2.4 billion for the nine months ended September 30, 2010

Key Corporate and Industry Highlights

- Acquisition of a 95% stake in Metro-Telecom for RUB 339.35 million (\$11.01 million(4))
- Acquisition of Multiregion, one of the leading groups of broadband and cable TV providers in Russia, for \$123.5 million

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

- Decrease in the interest rates on Gazprombank's RUB 6.46 billion facility and on Sberbank's RUB 53 billion facilities
- Completion of a series of transactions involving the sale by the Comstar group of companies to Rostelecom of the 25%+1 share in the charter capital of Svyazinvest for RUB 26 billion
- Successful completion of voluntary tender offer to the Comstar shareholders resulting in the acquisition of 37,614,087 ordinary Comstar shares, or approximately 9.0% of Comstar's issued share capital
- LTE launch in Uzbekistan – first commercial network in the CIS
- Outlook upgrade of the S&P credit rating from Stable to Positive
- Affirmation of the Fitch credit rating at BB+/Outlook Stable
- Voluntarily repayment of the second tranche of the syndicated loan in the amount of \$161.5 million; the loan was originally signed in April 2006 and carried a 5-year maturity

(1) Because Comstar-UTS, TS-Retail and Metro-Telecom were acquired from JSC Sistema, the majority owner of MTS, Comstar, TS-Retail and Metro-Telecom, the acquisitions were accounted for as transactions between entities under common control. Similar to a pooling of interest, whereby the assets and liabilities of Comstar-UTS, TS-Retail and Metro-Telecom were recorded at Sistema's carrying value, MTS' historical financial information was recast to include the acquired entities for all periods presented

(2) See Attachment A for definitions and reconciliation of OIBDA and OIBDA margin to their most directly comparable US GAAP financial measures

(3) See Attachment B for reconciliation of free cash-flow to net cash provided by operating activity

(4) According to the Russian Central Bank exchange rate of 30.8227 RUB/USD as of August 27, 2010

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

- Redemption of the \$400 million Eurobond in October 2010
- Placement of the series 07 and series 08 ruble-denominated bonds totaling RUB 25 billion
- Transfer of MTS ordinary share to the A1 listing on the Moscow Interbank Currency Exchange (MICEX)
- Completion of 3G deployment throughout markets of operation with 3G launch in Turkmenistan
- Signing of a non-binding indicative offer to acquire for RUB 11.59 billion (\$379.01 million(5)) Sistema-Telecom, whose primary assets include the distinctive egg trademarks used by MTS and its subsidiaries

Commentary

Mikhail Shamolin, President and CEO of MTS, commented, "For the period, we delivered strong sequential and annual growth in all of our markets of operation. During the quarter we improved Group's revenue 10.8%% year over year to \$2.9 billion dollars. We attribute this growth to the positive seasonal dynamics, subscriber additions and a general increase in usage in our core markets.

Alexey Kornya, MTS Vice President and Chief Financial Officer, said, "We have been very successful in our efforts aimed at optimizing our debt portfolio. We reached an agreement to lower interest rates on our Sberbank facilities in the total amount of 53 billion rubles. In line with our preference for ruble denominated debt, we voluntarily repaid the second and last - tranche of our outstanding syndicated loan in the amount of \$161.5 million; the loan was originally signed in April 2006 and carried a 5-year maturity. At the end of the period, non-ruble debt accounted for roughly 37% of our debt portfolio, but this should decrease by the end of the year.

Mr. Kornya added, "In October we completed the redemption of a \$400 million Eurobond. Just recently, we tapped local debt markets placing series-07 and series-08 ruble-denominated bonds— - a 5-year 15 billion RUB issue with a coupon of 8.15% and a 7-year 10 billion RUB issue with a coupon of 8.7%. This makes us the first Russian corporate to solicit 7-year money from the market, which is a strong statement on our financial position given the volatility we are now seeing in global capital markets.

Continued Mr. Shamolin, "As you are aware, we are moving forward with the acquisition of Comstar that creates the largest integrated telecommunications provider in Russia and the CIS. As a part of the process, we launched a voluntary tender offer (VTO) to Comstar shareholders for up to 9.0% of Comstar's issued share capital. The VTO was successful, which allowed us to increase our ownership stake in Comstar to 70.97% of Comstar's issued share capital (or 73.33% excluding treasury shares). The merger process is expected to be completed by mid-April 2011 subject to the

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

shareholders approval of the transaction and certain regulatory steps. We will seek the approval from the shareholders of both MTS and Comstar at Extraordinary General Meetings on December 23, 2010.

He continued, Earlier this week we signed a non-binding indicative offer to acquire 100% of Sistema Telecom LLC. As you may recall, in 2006 Sistema introduced the umbrella brand to link its telecommunications assets in the eyes of their customers. In the years since, however, the market has undergone significant changes that saw ownership of many of these key assets shift to MTS. Today, we are truly operating under a unified brand to all of our customers and are continuously extending our brand to different services. Given the prospects we see in our market, we feel it is only

(5) According to the average exchange rate of 30.57 RUB/USD for the 60-day period from September 4, 2010 to November 4, 2010

logical to acquire full control of our logos and trademarks to ensure that all shareholders benefit equally in the brand's further development as we continue to implement our 3i strategy.

This press release provides a summary of some of the key financial and operating indicators for the period ended September 30, 2010. For full disclosure materials, please visit <http://www.mtsgsm.com/resources/reports/>.

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

Financial Summary(6)

USD mln	Q3 10	Q3 09	y-o-y	Q2 10	q-o-q
Revenues	2,910.8	2,628.1	10.8%	2,772.6	5.0%
- mobile	2,322.1	2,139.3	8.5%	2,228.1	4.2%
- handsets & accs	165.0	111.5	48.0%	131.3	25.7%
- fixed	423.6	377.2	12.3%	413.2	2.5%
OIBDA	1,309.4	1,209.9	8.2%	1,234.6	6.1%
- margin	45.0%	46.0%	-1.0pp	44.5%	+0.5pp
Net operating income	795.6	736.0	8.1%	754.2	5.5%
- margin	27.3%	28.0%	-0.7pp	27.2%	+0.1pp
Net income	475.5	504.1	-5.7%	353.6	34.5%
- margin	16.3%	19.2%	-2.9pp	12.8%	+3.5pp

Russia Highlights

RUB mln	Q3 10	Q3 09	y-o-y	Q2 10	q-o-q
Revenues(7)	73,752.0	67,565.3	9.2%	69,524.5	6.1%
- mobile	61,304.8	56,473.3	8.6%	57,495.3	6.6%
- fixed	13,363.3	11,834.0	12.9%	12,841.4	4.1%
OIBDA	33,332.7	31,391.5	6.2%	31,403.7	6.1%
- mobile	27,824.2	26,561.0	4.8%	26,268.4	5.9%
- fixed	5,508.5	4,830.5	14.0%	5,135.3	7.3%
OIBDA margin	45.2%	46.5%	-1.3pp	45.2%	+0.0pp
- mobile	45.4%	47.0%	-1.6pp	45.7%	-0.3pp
- fixed	41.2%	40.9%	+0.3pp	40.1%	+1.1pp
Net income	12,558.6	14,160.3	-11.3%	8,865.5	41.7%
- margin	17.0%	21.0%	-4.0pp	12.8%	+4.2pp

	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
ARPU (RUB)(8)	255.8	248.4	236.7	253.9	269.4
MOU (min)	213	219	211	230	244
Churn rate (%)	10.7	12.4	10.4	9.8	13.5
SAC (RUB)	561.1	503.1	549.3	630.5	534.0
- dealer commission	358.4	288.4	351.0	399.9	341.0
- adv & mktg	202.7	214.7	198.3	230.6	193.0

(6) Because Comstar-UTS, TS-Retail and Metro-Telecom were acquired from JSC Sistema, the majority owner of MTS, Comstar, TS-Retail and Metro-Telecom, the acquisitions were accounted for as transactions between entities under common control. Similar to a pooling of interest, whereby the assets and liabilities of Comstar-UTS, TS-Retail and Metro-Telecom were recorded at Sistema's carrying value, MTS' historical financial information was recast to include the acquired entities for all periods presented

(7) Gross of intercompany

(8) ARPU is 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

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

Ukraine Highlights

UAH mln	Q3 10	Q3 09	y-o-y	Q2 10	q-o-q
Revenues	2,303.8	2,215.6	4.0%	2,146.4	7.3%
OIBDA	1,144.0	1,067.5	7.2%	1,004.9	13.8%
- margin	49.7%	48.2%	+1.5pp	46.8%	+2.9pp
Net income	364.2	195.8	86.0%	208.3	74.8%
- margin	15.8%	8.8%	+7.0pp	9.7%	+6.1pp

	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
ARPU (UAH)	40.1	38.3	35.2	39.5	41.6
MOU (min)	478	506	527	541	541
Churn rate (%)	10.4	9.7	9.4	7.2	6.6
SAC (UAH)	45.9	56.8	66.9	64.3	58.0
- dealer commission	16.3	22.3	34.2	31.8	29.4
- adv & mktg	17.7	22.7	21.2	21.4	17.8
- handset subsidy	1.4	2.6	2.1	1.8	1.3
- SIM card & voucher	10.5	9.2	9.4	9.2	9.5

Uzbekistan Highlights(9)

USD mln	Q3 10	Q3 09	y-o-y	Q2 10	q-o-q
Revenues	114.9	101.1	13.6%	113.3	1.4%
OIBDA	64.4	52.0	23.8%	65.8	-2.1%
- margin	56.1%	51.4%	+4.7pp	58.1%	-2.0pp
Net income	27.6	32.3	-14.6%	31.7	-12.9%
- margin	24.0%	32.0%	-8.0pp	28.0%	-4.0pp

	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
ARPU (USD)	5.1	5.0	4.8	5.0	4.8
MOU (min)	500	534	520	534	508
Churn rate (%)	8.1	8.0	5.9	6.1	7.2
SAC (USD)	8.3	6.7	6.1	6.0	7.8

Turkmenistan Highlights

TMT mln	Q3 10	Q3 09	y-o-y	Q2 10	q-o-q
Revenues	159.3	122.8	29.7%	152.3	4.6%
OIBDA	97.3	73.1	33.1%	94.3	3.2%
- margin	61.1%	59.5%	+1.6pp	62.0%	-0.9pp
Net income	59.9	44.5	34.6%	58.4	2.6%
- margin	37.6%	36.2%	+1.4pp	38.4%	-0.8pp

	Q3 09	Q4 09	Q1 09	Q2 10	Q3 10
ARPU (TMT)	29.7	27.6	25.2	25.0	23.3
MOU (min)	241	250	267	289	325

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

Churn rate (%)	4.5	5.7	9.9	3.0	6.1
SAC (TMT)	18.4	9.4	10.5	11.8	10.1

(9) The functional currency in Uzbekistan is the US dollar

Armenia Highlights

AMD mln	Q3 10	Q3 09	y-o-y	Q2 10	q-o-q
Revenues	20,903.4	21,966.2	-4.8%	19,287.0	8.4%
OIBDA	11,530.3	12,263.4	-6.0%	10,315.9	11.8%
- margin	55.2%	55.8%	-0.6pp	53.5%	+1.7pp
Net income/(loss)	(2,231.5)	(2,451.3)	n/a	3,606.6	n/a
- margin	n/a	n/a	n/a	18.7%	n/a

	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
ARPU (AMD)	3,540.9	3,351.4	2,813.4	3,013.5	3,194.2
MOU (min)	217	237	220	255	294
Churn rate (%)	11.3	12.7	8.6	8.5	7.7
SAC (AMD)	5,143.6	6,787.7	6,868.7	7,192.0	6,719.4

CAPEX Highlights

USD mln	Q1 10	Q2 10	Q3 10	9M 10
Russia	178.4	248.0	328.1	754.5
- as % of rev	8.2%	10.8%	13.6%	10.9%
Ukraine	40.5	36.5	27.4	104.4
- as % of rev	16.8%	13.5%	9.4%	13.0%
Uzbekistan	23.9	18.9	19.6	62.4
- as % of rev	23.1%	16.7%	17.1%	18.8%
Turkmenistan	4.3	8.4	17.1	29.8
- as % of rev	8.9%	15.8%	30.5%	18.9%
Armenia	3.9	3.1	5.0	12.0
- as % of rev	8.5%	6.2%	8.8%	7.8%
Group	251.0	314.9	397.2	963.1
- as % of rev	9.6%	11.4%	13.6%	11.6%

* * *

For further information, please contact in Moscow:

Joshua B. Tulgan

Director, Investor Relations

Acting Director, Corporate Finance

Department of Investor Relations

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

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/

* * *

Mobile TeleSystems OJSC (MTS) is the leading telecommunications group in Russia, Eastern Europe and Central Asia, 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 105.2 million mobile subscribers in Russia, Ukraine, Uzbekistan, Turkmenistan, Armenia and Belarus, a region that boasts 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 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, including Comstar-UTS, 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 2010
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 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 09	Q4 09	Q1 10	Q2 10	Q3 10
Operating income	736.0	614.6	676.1	754.2	795.6
Add: D&A and impairment loss	473.9	584.6	477.9	480.4	513.8
Adjusted OIBDA(10)	1,209.9	1,199.2	1,154.0	1,234.6	1,309.4

Russia (USD mln)	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Operating income	666.4	578.8	660.4	704.2	720.1
Add: D&A and impairment loss	335.7	441.4	332.5	333.8	368.3
Adjusted OIBDA(10)	1,002.0	1,020.2	992.9	1,038.0	1,088.4

Ukraine (USD mln)	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Operating income	45.8	22.9	11.2	35.8	59.8
Add: D&A	90.7	93.1	93.5	91.1	85.0
OIBDA	136.5	116.0	104.8	126.8	144.8

Uzbekistan (USD mln)	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Operating income	29.2	32.0	32.0	37.5	31.5
Add: D&A	22.8	24.7	24.5	28.3	32.9
OIBDA	52.0	56.7	56.5	65.8	64.4

(10) Adjusted OIBDA results for Q4 2009 do not include long-lived assets impairment loss and acquisition related costs in the amount of \$86.4 million

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

Turkmenistan (USD mln)	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Operating income	22.5	26.9	27.1	28.7	29.4
Add: D&A	3.2	3.2	4.2	4.4	4.7
OIBDA	25.7	30.2	31.2	33.1	34.1

Armenia (USD mln)	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Operating income/(loss)	11.4	5.2	(0.5)	4.2	8.8
Add: D&A	21.6	22.1	23.1	22.7	22.8
OIBDA	32.9	27.2	22.6	26.9	31.5

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

Group	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Operating margin	28.0%	22.6%	25.9%	27.2%	27.3%
Add: D&A and impairment loss	18.0%	21.5%	18.3%	17.3%	17.7%
Adjusted OIBDA margin(11)	46.0%	44.0%	44.1%	44.5%	45.0%

Russia	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Operating margin	30.9%	25.6%	30.2%	30.6%	29.9%
Add: D&A and impairment loss	15.6%	19.5%	15.2%	14.5%	15.3%
Adjusted OIBDA margin(11)	46.4%	45.1%	45.4%	45.2%	45.2%

Ukraine	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Operating margin	16.1%	8.7%	4.7%	13.2%	20.5%
Add: D&A	32.0%	35.3%	38.8%	33.6%	29.2%
OIBDA margin	48.1%	44.0%	43.5%	46.8%	49.7%

Uzbekistan	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Operating margin	28.9%	30.5%	30.9%	33.1%	27.5%
Add: D&A	22.5%	23.4%	23.7%	25.0%	28.6%
OIBDA margin	51.4%	53.9%	54.6%	58.1%	56.1%

Turkmenistan	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Operating margin	52.1%	56.8%	55.9%	53.7%	52.6%
Add: D&A	7.4%	6.9%	8.5%	8.3%	8.5%
OIBDA margin	59.5%	63.7%	64.4%	62.0%	61.1%

Armenia	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Operating margin	19.3%	9.5%	-1.0%	8.3%	15.3%
Add: D&A	36.5%	40.5%	49.8%	45.2%	39.8%
OIBDA margin	55.8%	50.0%	48.8%	53.5%	55.2%

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

(11) Adjusted OIBDA results for Q4 2009 do not include long-lived assets impairment loss and acquisition related costs in the amount of \$86.4 million

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 statements of financial position as follows:

USD mln	As of Dec 31, 2009	As of Sep 30, 2010
Current portion of debt and of capital lease obligations	2,022.5	1,461.7
Long-term debt	6,326.8	5,012.5
Capital lease obligations	0.9	1.5
Total debt	8,350.2	6,475.7
Less:		
Cash and cash equivalents	2,529.0	2,161.4
Short-term investments	206.5	325.9
Net debt	5,614.7	3,988.4

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

USD mln	Three months ended Dec 31, 2009 A	Nine months ended Sep 30, 2010 B	Twelve months ended Sep 30, 2010 C=A+B
Net operating income	614.6	2,225.9	2,840.5
Add: depreciation and amortization	498.2	1,472.0	1,970.2
Add: long-lived assets impairment loss and acquisition related costs	86.4		86.4
Adjusted OIBDA(12)	1,199.2	3,697.9	4,897.1

(12) Adjusted OIBDA results for Q4 2009 do not include long-lived assets impairment loss and acquisition related costs in the amount of \$86.4 million

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

USD mln	For the nine months ended Sep 30, 2009	For the nine months ended Sep 30, 2010
Net cash provided by operating activities	2,469.3	2,739.9
Less:		
Purchases of property, plant and equipment	(1,402.3)	(725.5)
Purchases of intangible assets	(287.7)	(237.6)
Proceeds from sale of property, plant and equipment	26.9	6.0
Proceeds/ (purchases) of other investments	0.1	796.3
Investments in and advances to associates	0.9	(1.5)
Acquisition of subsidiaries, net of cash acquired	(185.9)	(154.1)
Free cash-flow	621.3	2,423.5

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 NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

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

	Three months ended September 30, 2010	Three months ended September 30, 2009*	Nine months ended September 30, 2010	Nine months ended September 30, 2009*
Net operating revenue				
Service revenue	\$ 2 745 742	\$ 2 516 571	\$ 7 867 837	\$ 6 912 955
Sales of handsets and accessories	165 020	111 493	430 330	230 783
	2 910 762	2 628 064	8 298 167	7 143 738
Operating expenses				
Cost of services	(569 586)	(528 708)	(1 647 325)	(1 450 063)
Cost of handsets and accessories	(155 874)	(119 919)	(432 935)	(260 082)
Sales and marketing expenses	(215 510)	(194 722)	(578 889)	(541 751)
General and administrative expenses	(597 328)	(505 256)	(1 720 593)	(1 424 849)
Depreciation and amortization	(513 763)	(473 900)	(1 472 039)	(1 345 853)
Provision for doubtful accounts	(23 515)	(25 283)	(81 423)	(72 765)
Other operating expenses	(39 547)	(44 266)	(139 041)	(120 039)
Net operating income	795 639	736 010	2 225 922	1 928 336
Currency exchange and transaction gain/ losses	18 822	61 422	38 906	(234 101)
Other income / (expenses):				
Interest income	19 704	31 085	57 400	62 579
Interest expense, net of amounts capitalized	(189 585)	(149 887)	(631 381)	(345 689)
Other income	15 234	10 479	27 356	25 342
Total other expenses, net	(154 647)	(108 323)	(546 625)	(257 768)
Income before provision for income taxes and noncontrolling interest				
	659 814	689 109	1 718 203	1 436 467
Provision for income taxes	(141 007)	(148 701)	(380 216)	(326 166)
Net income	518 807	540 408	1 337 987	1 110 301
Net income attributable to the noncontrolling interest	(43 329)	(36 325)	(129 222)	(83 608)
	475 478	504 083	1 208 765	1 026 693

**Net income attributable
to the Group**

Weighted average number of common shares outstanding, in thousands - basic and diluted	1 916 869	1 885 053	1 916 869	1 885 053
Earnings/(loss) per share - basic and diluted	0.25	0.27	0.63	0.54

* Figures were restated due to retrospective consolidation of Comstar, TS-Retail and Metro-Telecom

MOBILE TELESYSTEMS

CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2010 AND DECEMBER 31, 2009

(Amounts in thousands of US dollars)

	As of September 30, 2010	As of December 31, 2009*
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2 161 418	\$ 2 529 011
Short-term investments	325 929	206 470
Trade receivables, net	770 700	595 747
Accounts receivable, related parties	17 314	16 697
Inventory and spare parts	249 697	239 572
VAT receivable	95 283	110 288
Prepaid expenses and other current assets	642 269	703 092
Total current assets	4 262 610	4 400 877
PROPERTY, PLANT AND EQUIPMENT	7 289 715	7 750 617
INTANGIBLE ASSETS	2 400 561	2 236 393
INVESTMENTS IN AND ADVANCES TO ASSOCIATES	220 363	220 450
INVESTMENTS IN SHARES OF SVYAZINVEST		859 669
OTHER INVESTMENTS	49 816	48 701
OTHER ASSETS	222 874	245 615
Total assets	\$ 14 445 939	\$ 15 762 322
CURRENT LIABILITIES		
Accounts payable	503 954	509 846
Accrued expenses and other current liabilities	2 189 434	1 666 201
Accounts payable, related parties	75 539	81 664
Current portion of long-term debt, capital lease obligations	1 461 732	2 022 499
Total current liabilities	4 230 659	4 280 210
LONG-TERM LIABILITIES		
Long-term debt	5 012 456	6 326 824
Capital lease obligations	1 508	921
Deferred income taxes	284 495	298 453
Long-term accounts payable, related parties	39 115	38 273
Deferred revenue and other	372 430	373 011
Total long-term liabilities	5 710 004	7 037 482
Total liabilities	9 940 663	11 317 692
Redeemable noncontrolling interests	108 095	82 261

SHAREHOLDERS EQUITY:

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 September 30, 2010 and December 31, 2009 (777,396,505 of which are in the form of ADS as of September 30, 2010 and December 31, 2009)

	50 558	50 558
Treasury stock (76,456,876 common shares at cost as of September 30, 2010 and December 31, 2009)	(1 054 926)	(1 054 926)
Additional paid-in capital		2 104
Accumulated other comprehensive income	(741 981)	(748 828)
Retained earnings	5 169 235	5 092 422
Total shareholders' equity attributable to the Group	3 422 886	3 341 330
Noncontrolling interest	974 295	1 021 039
TOTAL SHAREHOLDERS' EQUITY	4 397 181	4 362 369
Total liabilities and shareholders' equity	\$ 14 445 939	\$ 15 762 322

* Figures were restated due to retrospective consolidation of Comstar, TS-Retail and Metro-Telecom

MOBILE TELESYSTEMS

CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

(Amounts in thousands of US dollars)

	Nine months ended	
	September 30, 2010	September 30, 2009 *
Net cash provided by operating activities	2 739 937	2 469 343
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries, net of cash acquired	(154 099)	(185 912)
Purchases of property, plant and equipment	(725 500)	(1 402 255)
Purchases of intangible assets	(237 557)	(287 700)
Proceeds from sale of property, plant and equipment and assets held for sale	5 974	26 870
Purchases of short-term investments	(535 509)	(364 081)
Proceeds from sale of short-term investments	450 964	349 302
Purchase of other investments	(49 748)	(413)
Proceeds from sales of other investments	846 080	541
Investments in and advances to associates	(1 450)	858
Increase in restricted cash	1 972	15 345
Net cash used in investing activities	(398 873)	(1 847 445)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Acquisition of noncontrolling interests in existing subsidiaries	(275 965)	(3 860)
Acquisition of Metro-Telecom, related party	(11 550)	
Proceeds from issuance of notes	750 000	1 003 226
Repayment of notes	(462 403)	
Notes and debt issuance cost	(20 989)	(102 140)
Capital lease obligation principal paid	(2 187)	(6 299)
Dividends paid	(496 085)	(429 088)
Proceeds from loans	507 635	2 808 733
Loan principal paid	(2 702 730)	(1 268 107)
Net cash (used in) / provided by financing activities	(2 714 274)	2 002 465
Effect of exchange rate changes on cash and cash equivalents	5 617	212 461
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS:	(367 593)	2 836 824
CASH AND CASH EQUIVALENTS, at beginning of period	2 529 011	1 135 987
CASH AND CASH EQUIVALENTS, at end of period	2 161 418	3 972 811

* Figures were restated due to retrospective consolidation of Comstar, TS-Retail and Metro-Telecom

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: **November 18, 2010**