

MOBILE TELESYSTEMS OJSC
Form 6-K
September 06, 2011

FORM 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
September 6, 2011

**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 Second Quarter Ended June 30, 2011

September 6, 2011

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 June 30, 2011.

Key Financial Highlights of Q2 2011

- Consolidated revenues up 6.6% q-o-q to \$3,128 million
- Consolidated OIBDA(1) up 15.7% q-o-q to \$1,303 million with 41.6% OIBDA margin
- Consolidated net income(2) of \$367 million
- Free cash-flow(3) positive with \$848 million for the six months ended June 30, 2011

Key Corporate and Industry Highlights

- Conversion of Comstar ordinary shares into MTS ordinary shares on April 1, 2011 and subsequent completion of the statutory merger of Comstar with MTS

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- Continued acquisitions of regional fixed operators with a purchases of alternative operators in Kurgan and Altai Krai for RUB 435.0 million and RUB 545.8 million respectively(4)
- Receipt of GSM 900 MHz license in Penza region giving MTS full 2G coverage in Russia
- MTS brand has been named as one of the BRANDZ Top 100 Most Powerful Brands with the 80th position and a brand value of \$10.9 billion
- Repurchase of the series 04 ruble bond in the amount of approximately RUB 1.103 billion and change in the bond's coupon rate from an annual rate of 16.75% to 7.6%
- Secondary placement of the series 02 ruble bond on the Moscow Interbank Currency Exchange (MICEX) in the total amount of RUB 6.3 billion
- Amendment of the Group's organizational structure and appointments of Mr. Aleksander Popovskiy to the position of Vice President, Chief Operating Officer, Mr. Vadim Savchenko to the position of Vice President, Sales and Customer Service, and Ms. Nataliya Bereza to the position of Vice President, Human Resources

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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) Attributable to the Group.
 - (3) See Attachment B for reconciliation of free cash-flow to net cash provided by operating activity.
 - (4) In addition, an asset in Altai Krai had net debt of RUB 58.5 million.

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- Acquisition of Altair, the largest cable TV provider and leading broadband provider in Tula for RUB 680.0 million(5)
- Completion of the dividend payment of RUB 14.54 per ordinary MTS share (approximately \$1.04 per ADR(6)) for the 2010 fiscal year, amounting to a total of RUB 30.05 billion (approximately \$1.08 billion or 78% of US GAAP net income)
- Appointment of Mr. Vasyil Latsanych to the position of MTS Vice President, Marketing
- An indicative offer to Sistema JSFC for the acquisition of Sistema Inventure CJSC (Sistema Inventure), which directly owns 29% of the voting stock of Moscow City Telephone Network (MGTS).

Commentary

Mr. Andrei Dubovskov, President and CEO of MTS, commented, Group revenue for the quarter increased 13% year-over-year to reach 3.128 billion US dollars. During the quarter we have delivered healthy revenue growth on the back of the seasonally strong mobile business performance and growing contributions from our retail and fixed business. Total revenues in Russia - including mobile, fixed and handset and equipment sales - have increased year-over-year by 9% to 76.1 billion rubles. Our mobile business demonstrated 10% year-over-year growth up to 63.1 billion rubles on the back on of higher voice and data usage; strong net subscriber additions coupled with a sequential decline in churn; rising sales of handsets and active sales of modems and data tariff plans as demand continues to grow for data as we expand our 3G networks.

Mr. Alexey Kornya, MTS Vice President and Chief Financial Officer, said, During the second quarter 2011, for the Group we realized strong sequential OIBDA growth of 16% for a margin of 41.6%. In Russia, OIBDA increased by 12% quarter-on-quarter to 32.5 billion rubles. This led to a sequential improvement in OIBDA margin of 42.7%. Seasonal factors, such as increased business activity and roaming, contributed to the growth, but we have also seen improvements in the underlying business stemming from: higher usage of data and value-added services; improvements in our fixed-line business, namely through the closing of our Comstar transaction and progress related to the integration of other acquired companies; a sequential reduction in dealer commissions as we have reduced our SIM-card sales, focused sales through our own stores and shifted more commissions to a revenue-sharing structure; and reduced G&A expenses by optimizing headcount and other costs throughout our retail network.

Mr. Dubovskov added, In April we announced our OIBDA margin guidance for the full-year 2011. Our range of 42-43% was based on an improved competitive environment and lower SIM-card sales. Since this time, we have reduced our SIM-card monthly sales by 25%. We have also moved many of our dealer contracts away from a fee-based system to a more aggressive revenue sharing model to improve subscriber quality and reduce the practice of discounting. While we were optimistic that the market would see the logic in reducing SIM sales, we are witnessing increased sales by our competitors. Though for now we have not yet increased our own sales of SIM-cards, we believe it is prudent to withdraw our guidance on OIBDA for the year due to the risk of increased competitive activity in SIM-card sales. Though we are making progress on other issues affecting profitability, including our interconnect balance; integration in our fixed-line business; and broader cost control measures, we can only indicate that margins should end the year in the low 40s.

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This press release provides a summary of some of the key financial and operating indicators for the period ended June 30, 2011. For full disclosure materials, please visit <http://www.mtsghm.com/resources/reports/>.

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- (5) The price includes assumption of Altair's net debt.
 - (6) According to the Russian Central Bank exchange rate of 27.8964 RUB/USD as of April 27, 2011. The dividend amount is set in Russian rubles by the Board of Directors; U.S. dollar amounts provided for reference using the foreign exchange rate as of April 27, 2011.

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For further information, please contact in Moscow:

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Acting Director, Corporate Finance

Department of Investor Relations

Mobile TeleSystems OJSC

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Learn more about MTS. Visit the official blog of the Investor Relations Department at www.mtsgsm.com/blog/

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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 100 million mobile subscribers. The Group has been awarded GSM licenses 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.

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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

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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.

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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

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|-----|-----------------------------|------------------|
| By: | <i>/s/ Andrei Dubovskov</i> | |
| | Name: | Andrei Dubovskov |
| | Title: | CEO |

Date: **September 6, 2011**