

MOBILE TELESYSTEMS OJSC
Form 6-K
March 12, 2012

FORM 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
March 12, 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.

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Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

Press release

Mobile TeleSystems Announces Financial Results for the Fourth Quarter and Full Year Ended December 31, 2011

March 12, 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 and full year ended December 31, 2011.

Key Financial Highlights of Q4 2011 and FY 2011

- Consolidated revenues down 8.9% q-o-q to \$2,982 million and up 9.1% y-o-y to \$12,319 million
- Consolidated OIBDA(1) down 11.4% q-o-q to \$1,276 million with 42.8% OIBDA margin and up 5.6% y-o-y to \$5,144 million with 41.8% OIBDA margin
- Consolidated net income(2) of \$393 million in Q4 2011 and a net income of \$1,444 million for FY 2011
- Free cash-flow(3) positive with \$1,026 million for FY 2011

Key Corporate and Industry Highlights

- Acquisition of TVT, leading provider of cable TV and fixed broadband services in the Republic of Tatarstan, for \$162.9 million(4)

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- Completion of the acquisition of a 100% stake in CJSC Sistema-Inventure, which directly owns 29% of the ordinary shares of Moscow City Telephone Network, for RUB 10.56 billion(5)
- Redemption of \$400 million 2012 Eurobond
- Commercial launch of the 3G network in the 900 MHz range in Moscow and the Moscow region
- Received first license in Russia to provide wireless communication services in the LTE TDD (time-division duplexing) standard in the 2595 2620 MHz range in Moscow and the Moscow region

Commentary

Mr. Andrei Dubovskov, President and CEO of MTS, commented, "Our performance in 2011 was in line with our guidance, and we continue to increase the value we create from our markets. For the year, revenue increased by 9% in US dollar terms to 12.3 billion US dollars despite increased currency volatility in the later part of the year. Total revenues in Russia for 2011 - including mobile, fixed and handset sales - increased year-over-year by close to 9% to 311.9 billion rubles. In Q4 2011, revenues went up by 2% year-over-year to 79.8 billion rubles. In the mobile segment, our revenues in Q4 2011 rose by 3% year-over-year up to 66.3

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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) MTS also assumed net debt in the amount of \$17.1 million
 - (5) MTS also assumed debt in the amount of RUB 10.41 billion
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billion rubles impacted by: higher voice usage, growing contribution from data traffic revenues, overall focus on higher-value subscribers as seen in our growth in ARPU. Quarter-over-quarter revenues declined by 4% due to seasonally weaker voice usage, largely due to seasonal roaming factors. We also saw a decrease in sales of equipment and handsets primarily due to the reduction in wholesale sales in our retail division as we optimized our retail operations to drive usage and loyalty in our mobile and fixed businesses. Our fixed-line business revenue in 2011 increased by 10% due to M&A, network modernization and up-selling of existing customers. In Q4 2011, the sequential 5% decline in fixed business revenues resulted from seasonal factors and our strategic decision to reduce low-margin transit traffic on our networks, which is not a core focus of our operations.

Mr. Alexey Kornya, MTS Vice President and Chief Financial Officer, stated, In 2011, we delivered healthy Group OIBDA growth of 6% up to over 5.1 billion US dollars. This translated to a margin of 41.8%. In the second half of 2011, our margin rose by over 3 percentage points relative to the first half of the year, an improvement driven through strategic decisions taken in our Russian operations and efficiency measures throughout the organization. In Russia, absolute OIBDA improved in 2011 by 7% to 132.9 billion rubles. In 2011, this resulted in a margin of 42.6%. Key drivers behind the improvement included integration of acquired fixed-line providers in Moscow and the Russian regions; headcount optimization in our sales and marketing divisions; changing of relationships with dealers and the shift towards a revenue-sharing model for commissions; sensible tariff plans that have improved our interconnect balance and improvements in our retail operations.

Mr. Dubovskov added, In 2012, with growth to be limited by the macroeconomic environment, we must look within our markets to extract greater value for the operators. Certain segments, like data, will grow at current rates. Although we are expanding into new services and continue to focus on upselling customers on products like smartphones and convergent products, it is too early to see the impact from these segments given the scale of our business. Therefore we cannot guide for more than mid-single digit growth of 5 to 7% in local currency, a rate that should continue in the short- and medium-term. In the second half of 2011 we significantly improved our profitability through reducing sales and marketing expenses, amending dealer agreements to reward top-offs rather than SIM-card sales, promoting loyalty by introducing tariffs designed to stimulate on-net calling, and further streamlining G&A expenses. However, we see the subsequent improvement as more of a one-off improvement, rather than constituting some sort of a trend. Therefore, we forecast an OIBDA margin in the range of 40 to 42% for 2012. Though we will work to improve profitability, a number of factors will likely continue to pressure our OIBDA margin, such as slower topline growth, the delayed OIBDA impact of new dealer commissions, increasing labor costs due to higher social taxes, and the development of our retail business. Over the longer term, given our revenue guidance, we see an OIBDA margin of above 40% as being natural for a company of our size and scope.

This press release provides a summary of some of the key financial and operating indicators for the period ended December 31, 2011. For full disclosure materials, please visit <http://www.mtsgsm.com/resources/reports/>.

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Financial Summary

USD million	Q4 11	Q4 10	y-o-y	Q3 11	q-o-q	2011	2010	y-o-y
Revenues	2,981.7	2,995.1	-0.4%	3,274.7	-8.9%	12,318.7	11,293.2	9.1%
OIBDA	1,275.6	1,159.2	10.0%	1,439.9	-11.4%	5,144.1	4,872.9	5.6%
- margin	42.8%	38.7%	+4.1pp	44.0%	-1.2pp	41.8%	43.1%	-1.3pp
Net operating income	720.0	493.0	46.0%	852.8	-15.6%	2,808.9	2,734.6	2.7%
- margin	24.1%	16.5%	+7.6pp	26.0%	-1.9pp	22.8%	24.2%	-1.4pp
Net income	393.5	156.3	151.8%	361.8	8.8%	1,443.9	1,380.6	4.6%
- margin	13.2%	5.2%	+8.0pp	11.1%	+2.1pp	11.7%	12.2%	-0.5pp

Russia Highlights

RUB mln	Q4 11	Q4 10	y-o-y	Q3 11	q-o-q	2011	2010	y-o-y
Revenues(6)	79,804.0	77,822.8	2.5%	81,738.0	-2.5%	311,921.1	286,407.3	8.9%
- mobile	66,303.5	64,428.1	2.9%	68,978.3	-3.9%	259,759.0	236,722.8	9.7%
- fixed	13,889.6	14,380.5	-3.4%	14,653.4	-5.2%	58,201.4	53,123.6	9.6%
OIBDA	34,446.7	29,372.1	17.3%	36,893.3	-6.6%	132,851.2	124,261.9	6.9%
- margin	43.2%	37.7%	+5.5pp	45.1%	-1.9pp	42.6%	43.4%	-0.8pp
Net income	11,786.1	7,363.1	60.1%	9,585.8	23.0%	41,026.5	40,055.6	2.4%
- margin	14.8%	9.5%	+5.3pp	11.7%	+3.1pp	13.2%	14.0%	-0.8pp

	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	2010	2011
ARPU (RUB)(7)	261.9	252.1	265.0	288.0	284.0	252.8	272.7
MOU (min)	259	249	269	272	283	234	269
Churn rate (%)	12.7%	12.0%	11.3%	11.9%	12.3%	45.9%	47.6%

Ukraine Highlights

UAH mln	Q4 11	Q4 10	y-o-y	Q3 11	q-o-q	2011	2010	y-o-y
Revenues	2,312.3	2,138.9	8.1%	2,498.1	-7.4%	9,104.2	8,511.0	7.0%
OIBDA	1,146.7	969.0	18.3%	1,220.7	-6.1%	4,369.4	3,954.9	10.5%
- margin	49.6%	45.3%	+4.3pp	48.9%	+0.7pp	48.0%	46.5%	+1.5pp
Net income	337.3	119.9	181.3%	358.9	-6.0%	1,150.9	752.0	53.0%
- margin	14.6%	5.6%	+9.0pp	14.4%	+0.2pp	12.6%	8.8%	+3.8pp

	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	2010	2011
ARPU (UAH)	37.59	36.05	38.79	42.20	38.73	38.10	38.79
MOU (min)	550	564	586	586	592	535	580
Churn rate (%)	8.2%	7.6%	7.0%	8.1%	8.1%	31.0%	30.7%
SAC (UAH)	68.1	73.0	64.7	64.5	60.4	64.1	65.3
- dealer commission	32.8	36.1	32.8	35.4	30.6	31.9	33.7
- adv & mktg	24.9	18.1	18.3	14.7	17.8	21.2	17.1
- handset subsidy	1.6	9.9	5.1	5.4	3.5	1.7	5.8
- SIM card & voucher	8.9	8.9	8.6	8.9	8.5	9.2	8.7

(6) Revenue, net of intercompany.

(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(8)

USD mln	Q4 11	Q4 10	y-o-y	Q3 11	q-o-q	2011	2010	y-o-y
Revenues	114.9	116.3	-1.2%	112.8	1.9%	441.0	448.0	-1.6%
OIBDA	60.7	62.0	-2.1%	56.0	8.4%	231.4	248.7	-7.0%
- margin	52.8%	53.3%	-0.5pp	49.6%	+3.2pp	52.5%	55.5%	-3.0pp
Net income	12.5	27.3	-54.2%	11.7	6.8%	58.0	111.1	-47.8%
- margin	10.8%	23.5%	-12.7pp	10.4%	+0.4pp	13.2%	24.8%	-11.6pp

	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	2010	2011
ARPU (USD)	4.6	3.9	3.9	3.8	3.9	4.7	4.0
MOU (min)	461	402	416	421	440	494	436
Churn rate (%)	6.0%	9.2%	6.9%	9.3%	20.2%	24.7%	47.9%
SAC (USD)	8.1	7.4	7.7	6.5	5.6	7.2	6.7

Armenia Highlights

AMD mln	Q4 11	Q4 10	y-o-y	Q3 11	q-o-q	2011	2010	y-o-y
Revenues	18,926.7	19,326.4	-2.1%	20,746.0	-8.8%	74,656.2	77,303.0	-3.4%
OIBDA	9,561.7	9,877.6	-3.2%	11,882.2	-19.5%	39,885.7	40,411.5	-1.3%
- margin	50.5%	51.1%	-0.6pp	57.3%	-6.8pp	53.4%	52.3%	+1.1pp
Net income/(loss)	2,633.1	974.5	170.2%	3,397.9	-22.5%	2,831.0	(59.7)	n/a
- margin	13.9%	5.0%	+8.9pp	16.4%	-2.5pp	+3.8pp	n/a	n/a