

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.

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 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)

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

- 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

-
- (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
-

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/>.

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

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.

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

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

	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	2010	2011
ARPU (AMD)	2,725.5	2,141.3	2,432.7	2,751.0	2,577.1	2,812.3	2,541.3
MOU (min)	294	294	272	293	300	256	297
Churn rate (%)	7.0%	6.7%	8.5%	10.0%	13.0%	30.4%	39.1%
SAC (AMD)	3,867.8	6,005.4	8,237.3	7,625.3	6,595.9	5,695.3	6,995.3

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

CAPEX Highlights

USD mln	Q1 11	Q2 11	Q3 11	Q4 11	FY 11
Russia	241.1	438.7	642.0	924.0	2,245.7
- as % of rev	9.5%	16.1%	22.8%	36.2%	21.1%
Ukraine	19.3	11.3	31.7	85.7	148.0
- as % of rev	7.5%	4.0%	10.1%	29.6%	13.0%
Uzbekistan	16.4	62.5	24.9	41.9	145.7
- as % of rev	15.6%	57.6%	22.1%	36.5%	33.0%
Armenia	1.8	15.0	5.7	22.5	45.0
- as % of rev	4.1%	30.0%	10.2%	45.2%	22.5%
Group	278.6	527.5	704.3	1,074.1	2,584.5
- as % of rev	9.5%	16.9%	21.5%	36.0%	21.0%

* * *

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/

* * *

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,

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

Uzbekistan, 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 Fourth Quarter and Full Year 2011
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)	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	2010	2011
Operating income	493.0	563.8	672.2	852.8	720.0	2,734.6	2,808.9
Add: D&A and impairment loss	666.2	562.0	630.5	587.1	555.6	2,138.3	2,335.2
Adjusted OIBDA ⁽⁹⁾	1,159.2	1,125.8	1,302.7	1,439.9	1,275.6	4,872.9	5,144.1

Russia (USD mln)	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	2010	2011
Operating income	572.4	576.9	676.9	829.3	691.3	2,672.7	2,774.4
Add: D&A	383.6	417.3	484.0	439.1	411.5	1,418.4	1,752.0
OIBDA	956.0	994.2	1,160.9	1,268.4	1,102.8	4,091.1	4,526.4

Ukraine (USD mln)	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	2010	2011
Operating income	37.7	27.9	49.2	66.3	60.1	144.5	203.6
Add: D&A	84.5	87.7	86.6	86.8	83.5	354.2	344.7
OIBDA	122.2	115.7	135.9	153.1	143.7	498.6	548.3

Uzbekistan (USD mln)	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	2010	2011
Operating income	29.6	22.1	21.3	14.8	18.2	130.7	76.3
Add: D&A	32.4	34.6	36.8	41.2	42.5	118.0	155.1
OIBDA	62.0	56.6	58.1	56.0	60.7	248.7	231.4

(9) Adjusted OIBDA results for Q4 2010 do not include long-lived and other assets impairment loss in the amount of \$137.8 million

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

Armenia (USD mln)	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	2010	2011
Operating income/ (loss)	4.6	0.4	4.2	12.3	7.1	17.1	24.0
Add: D&A	22.8	22.2	22.9	19.9	18.0	91.3	83.1
OIBDA	27.4	22.7	27.1	32.2	25.1	108.4	107.1

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

Group	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	2010	2011
Operating margin	16.5%	19.2%	21.5%	26.0%	24.1%	24.2%	22.8%
Add: D&A and impairment loss	22.2%	19.2%	20.1%	18.0%	18.6%	18.9%	19.0%
Adjusted OIBDA margin(10)	38.7%	38.4%	41.6%	44.0%	42.8%	43.1%	41.8%

Russia	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	2010	2011
Operating margin	22.6%	22.7%	24.9%	29.5%	27.1%	28.4%	26.1%
Add: D&A	15.1%	16.4%	17.8%	15.6%	16.1%	15.0%	16.5%
OIBDA margin	37.7%	39.1%	42.7%	45.1%	43.2%	43.4%	42.6%

Ukraine	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	2010	2011
Operating margin	14.0%	10.8%	17.5%	21.2%	20.8%	13.5%	17.8%
Add: D&A	31.3%	33.9%	30.9%	27.7%	28.8%	33.0%	30.2%
OIBDA margin	45.3%	44.7%	48.4%	48.9%	49.6%	46.5%	48.0%

Uzbekistan	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	2010	2011
Operating margin	25.5%	21.1%	19.6%	13.1%	15.8%	29.2%	17.3%
Add: D&A	27.8%	33.0%	33.9%	36.5%	37.0%	26.3%	35.2%
OIBDA margin	53.3%	54.1%	53.5%	49.6%	52.8%	55.5%	52.5%

Armenia	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	2010	2011
Operating margin	8.5%	1.0%	8.4%	21.8%	14.3%	8.2%	12.0%
Add: D&A	42.6%	50.0%	45.8%	35.4%	36.2%	44.1%	41.4%
OIBDA margin	51.1%	51.0%	54.2%	57.3%	50.5%	52.3%	53.4%

(10) Adjusted OIBDA results for Q4 2010 do not include long-lived and other assets impairment loss in the amount of \$137.8 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 balance sheets as follows:

USD mln	As of Dec 31, 2010	As of Dec 31, 2011
Current portion of debt and of capital lease obligations	757.1	1,155.7
Long-term debt	6,392.6	7,554.0
Capital lease obligations	10.9	5.5
Total debt	7,160.6	8,715.2
Less:		
Cash and cash equivalents	927.7	1,850.8
Short-term investments	333.6	86.2
Net debt	5,899.3	6,778.2

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

USD mln	For the year ended Dec 31, 2010	For the year ended Dec 31, 2011
Net cash provided by operating activities	3,617.2	3,849.0
Less:		
Purchases of property, plant and equipment	(1,914.3)	(2,239.8)
Purchases of intangible assets	(732.8)	(344.7)
Proceeds from sale of property, plant and equipment	6.8	22.6
Proceeds/(purchases) of other investments	749.7	(44.2)
Investments in and advances to associates	(2.9)	3.0
Acquisition of subsidiaries, net of cash acquired	(195.1)	(219.5)
Free cash-flow	1,528.6	1,026.4

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

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS (UNAUDITED) AND TWELVE MONTHS ENDED DECEMBER 31, 2011 AND 2010

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

	Three months ended December 31, 2011	Three months ended December 31, 2010	Twelve months ended December 31, 2011	Twelve months ended December 31, 2010
Net operating revenue				
Service revenue	\$ 2 785 599	\$ 2 718 231	\$ 11 430 377	\$ 10 586 068
Sales of handsets and accessories	196 136	276 838	888 311	707 168
	2 981 735	2 995 069	12 318 688	11 293 236
Operating expenses				
Cost of services	(651 167)	(613 563)	(2 633 434)	(2 260 888)
Cost of handsets and accessories	(206 041)	(294 747)	(902 692)	(727 682)
Sales and marketing expenses	(198 292)	(287 450)	(878 222)	(850 584)
General and administrative expenses	(554 075)	(553 828)	(2 436 252)	(2 274 421)
Depreciation and amortization expense	(555 642)	(528 312)	(2 335 204)	(2 000 496)
Provision for doubtful accounts	(25 587)	(41 127)	(111 307)	(122 550)
Impairment of long-lived assets and acquisition related costs	(5 686)	(127 875)	(19 015)	(127 875)
Other operating expenses	(65 246)	(55 140)	(193 677)	(194 181)
Net operating income	719 999	493 027	2 808 885	2 734 559
Currency exchange and transaction (loss)/gain	(45 884)	(18 668)	(158 066)	20 238
Other income / (expenses):				
Interest income	22 311	26 996	62 559	84 396
Interest expense, net of capitalized interest	(167 333)	(145 906)	(656 898)	(777 287)
Other income	11 693	(23 632)	42 872	3 725
Total other expenses, net	(133 329)	(142 542)	(551 467)	(689 166)
Income before provision for income taxes and noncontrolling interest	540 786	331 817	2 099 352	2 065 631
Provision for income taxes	(124 513)	(136 972)	(531 620)	(517 188)
Net income	416 273	194 845	1 567 732	1 548 443
Net income attributable to the noncontrolling interest	(22 822)	(38 590)	(123 788)	(167 812)
Net income attributable to the Group	393 451	156 255	1 443 944	1 380 631
Weighted average number of common shares outstanding, in thousands - basic and diluted				
	1 988 917	1 916 869	1 970 953	1 916 869
Earnings/(loss) per share - basic and diluted				
	0.20	0.08	0.73	0.72

MOBILE TELESYSTEMS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2011 AND DECEMBER 31, 2010

(Amounts in thousands of US dollars)

	As of December 31, 2011	As of December 31, 2010
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1 850 826	\$ 927 694
Short-term investments	86 242	333 594
Trade receivables, net	863 808	798 102
Accounts receivable, related parties	4 488	2 673
Inventory and spare parts	291 075	319 956
VAT receivable	191 039	164 761
Prepaid expenses and other current assets	550 170	569 823
Total current assets	3 837 648	3 116 603
PROPERTY, PLANT AND EQUIPMENT	8 205 352	7 971 830
INTANGIBLE ASSETS	2 708 328	2 817 701
INVESTMENTS IN AND ADVANCES TO ASSOCIATES	188 047	241 792
OTHER INVESTMENTS	123 442	128 582
OTHER NON CURRENT ASSETS	255 412	201 534
Total assets	\$ 15 318 229	\$ 14 478 042
CURRENT LIABILITIES		
Trade accounts payable	799 128	629 077
Accrued expenses and other current liabilities	1 553 034	1 715 970
Accounts payable, related parties	56 982	52 984
Current portion of long-term debt, capital lease obligations	1 155 691	757 110
Total current liabilities	3 564 835	3 155 141
LONG-TERM LIABILITIES		
Long-term debt	7 553 983	6 392 629
Capital lease obligations	5 529	10 873
Deferred income taxes	227 928	292 070
Deferred revenue and other	314 728	383 582
Total long-term liabilities	8 102 168	7 079 154
Total liabilities	11 667 003	10 234 295
Redeemable noncontrolling interests	80 603	86 944
SHAREHOLDERS EQUITY:		
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 December 31, 2011 and 2,096,975,795 shares with a par value of 0.1 rubles authorized and 1,993,326,138 issued as of December 31, 2010)	50 814	50 558

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

(777,396,505 of which are in the form of ADS as of December 31, 2011 and December 31, 2010)

Treasury stock (77,496,725 and 76,456,876 common shares at cost as of December 31, 2011 and December 31, 2010, respectively)	(992 141)	(1 054 926)
Additional paid-in capital	92 720	
Accumulated other comprehensive income	(963 992)	(771 957)
Retained earnings	5 294 651	4 901 140
Total shareholders' equity attributable to the Group	3 482 052	3 124 815
Noncontrolling interest	88 571	1 031 988
TOTAL SHAREHOLDERS' EQUITY	3 570 623	4 156 803
Total liabilities and shareholders' equity	\$ 15 318 229	\$ 14 478 042

MOBILE TELESYSTEMS

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011 AND 2010

(Amounts in thousands of U.S. dollars)

	Twelve months ended December 31, 2011	Twelve months ended December 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1 567 732	\$ 1 548 443
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2 335 204	2 000 496
Currency exchange and translation loss/(gain)	130 467	(98 706)
Impairment of long-lived assets and goodwill	19 015	127 875
Debt issuance cost amortization	28 502	89 244
Amortization of deferred connection fees	(96 676)	(95 706)
Equity in net income of associates	(49 443)	(70 649)
Inventory obsolescence expense	30 160	27 825
Provision for doubtful accounts	111 307	122 550
Deferred tax (benefit)/loss	11 548	(45 448)
Write off of not recoverable VAT receivable	4 535	2 534
Other non-cash items	(13 839)	57 021
Changes in operating assets and liabilities:		
Increase in accounts receivable	(212 222)	(301 764)
Increase in inventory	(15 356)	(105 859)
(Increase)/Decrease in prepaid expenses and other current assets	(37 715)	141 976
(Increase)/Decrease in VAT receivable	(38 087)	(53 265)
Increase in trade accounts payable, accrued liabilities and other current liabilities	31 545	222 630
Dividends received	42 328	47 973
Net cash provided by operating activities	3 849 005	3 617 170
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries net of cash acquired	(219 474)	(195 106)
Purchases of property, plant and equipment	(2 239 787)	(1 914 331)
Purchases of intangible assets	(344 679)	(732 786)
Proceeds from sale of property, plant and equipment and assets held for sale	22 554	6 790
Purchases of short-term investments	(522 969)	(672 286)
Proceeds from sale of short-term investments	787 957	577 623
Purchase of other investments	(51 694)	(109 448)
Proceeds from sales of Svjazinvest		843 158
Proceeds from sale of other investments	7 485	15 989
Investments in and advances to associates	3 000	(2 900)
Decrease in restricted cash	2 568	1 670
Net cash used in investing activities	(2 555 039)	(2 181 627)

CASH FLOWS FROM FINANCING ACTIVITIES:

Acquisition of noncontrolling interests in existing subsidiaries and subsidiaries from related parties	(864 081)	(739 756)
Contingent consideration paid on acquisition of subsidiaries	(13 532)	
Proceeds from issuance of notes	228 333	1 560 028
Repurchase of common stock	(67)	
Proceeds from issuance of common stock	13 442	
Repayment of notes	(49 409)	(862 403)
Notes and debt issuance cost	(70 774)	(65 697)
Capital lease obligation principal paid	(9 348)	(12 841)
Dividends paid	(1 239 828)	(975 822)
Proceeds from loans	2 043 521	2 839 644
Loan principal paid	(308 565)	(4 779 595)
Net cash provided by / (used in) financing activities	(270 308)	(3 036 442)
Effect of exchange rate changes on cash and cash equivalents	(100 526)	(417)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS:	923 132	(1 601 316)
CASH AND CASH EQUIVALENTS, at beginning of period	927 694	2 529 010
CASH AND CASH EQUIVALENTS, at end of period	1 850 826	927 694

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: **March 12, 2012**