

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

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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   |

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(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    |

|                | 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%   |

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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/](http://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,

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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](http://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 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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**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:

| <b>Group (USD mln)</b>       | <b>Q4 10</b> | <b>Q1 11</b> | <b>Q2 11</b> | <b>Q3 11</b> | <b>Q4 11</b> | <b>2010</b> | <b>2011</b> |
|------------------------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| 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     |

| <b>Russia (USD mln)</b> | <b>Q4 10</b> | <b>Q1 11</b> | <b>Q2 11</b> | <b>Q3 11</b> | <b>Q4 11</b> | <b>2010</b> | <b>2011</b> |
|-------------------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| 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     |

| <b>Ukraine (USD mln)</b> | <b>Q4 10</b> | <b>Q1 11</b> | <b>Q2 11</b> | <b>Q3 11</b> | <b>Q4 11</b> | <b>2010</b> | <b>2011</b> |
|--------------------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| 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       |

| <b>Uzbekistan (USD mln)</b> | <b>Q4 10</b> | <b>Q1 11</b> | <b>Q2 11</b> | <b>Q3 11</b> | <b>Q4 11</b> | <b>2010</b> | <b>2011</b> |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| 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



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| 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% |

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(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,<br>2010 | As of Dec 31,<br>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<br>ended Dec 31,<br>2010 | For the year<br>ended Dec 31,<br>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                               |

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**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.

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## 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<br>December 31, 2011 | Three months ended<br>December 31, 2010 | Twelve months ended<br>December 31, 2011 | Twelve months ended<br>December 31, 2010 |
|--|---|---|--|--|
| <b>Net operating revenue</b>   |   |   |  |  |
| 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                                  |
|  | <b>2 981 735</b>                        | <b>2 995 069</b>                        | <b>12 318 688</b>                        | <b>11 293 236</b>                        |
| <b>Operating expenses</b>  |   |   |  |  |
| 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<br>acquisition related costs                             | (5 686)                                 | (127 875)                               | (19 015)                                 | (127 875)                                |
| Other operating expenses   | (65 246)                                | (55 140)                                | (193 677)                                | (194 181)                                |
| <b>Net operating income</b>  | <b>719 999</b>                          | <b>493 027</b>                          | <b>2 808 885</b>                         | <b>2 734 559</b>                         |
| Currency exchange and transaction<br>(loss)/gain   | (45 884)                                | (18 668)                                | (158 066)                                | 20 238                                   |
| <b>Other income / (expenses):</b>  |   |   |  |  |
| Interest income  | 22 311                                  | 26 996                                  | 62 559                                   | 84 396                                   |
| Interest expense, net of capitalized<br>interest   | (167 333)                               | (145 906)                               | (656 898)                                | (777 287)                                |
| Other income   | 11 693                                  | (23 632)                                | 42 872                                   | 3 725                                    |
| <b>Total other expenses, net</b>   | <b>(133 329)</b>                        | <b>(142 542)</b>                        | <b>(551 467)</b>                         | <b>(689 166)</b>                         |
| <b>Income before provision for income<br/>taxes and noncontrolling interest</b>              | <b>540 786</b>                          | <b>331 817</b>                          | <b>2 099 352</b>                         | <b>2 065 631</b>                         |
| Provision for income taxes   | (124 513)                               | (136 972)                               | (531 620)                                | (517 188)                                |
| <b>Net income</b>  | <b>416 273</b>                          | <b>194 845</b>                          | <b>1 567 732</b>                         | <b>1 548 443</b>                         |
| Net income attributable to the<br>noncontrolling interest                                    | (22 822)                                | (38 590)                                | (123 788)                                | (167 812)                                |
| <b>Net income attributable to the Group</b>  | <b>393 451</b>                          | <b>156 255</b>                          | <b>1 443 944</b>                         | <b>1 380 631</b>                         |
| Weighted average number of common<br>shares outstanding, in thousands - basic<br>and diluted |   |   |  |  |
|  | 1 988 917                               | 1 916 869                               | 1 970 953                                | 1 916 869                                |
| Earnings/(loss) per share - basic and<br>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,<br>2011 | As of December 31,<br>2010 |
|--|----------------------------|----------------------------|
| <b>CURRENT ASSETS:</b>   |                            |                            |
| 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                    |
| <b>Total current assets</b>  | <b>3 837 648</b>           | <b>3 116 603</b>           |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>   | <b>8 205 352</b>           | <b>7 971 830</b>           |
| <b>INTANGIBLE ASSETS</b>   | <b>2 708 328</b>           | <b>2 817 701</b>           |
| <b>INVESTMENTS IN AND ADVANCES TO ASSOCIATES</b>   | <b>188 047</b>             | <b>241 792</b>             |
| <b>OTHER INVESTMENTS</b>   | <b>123 442</b>             | <b>128 582</b>             |
| <b>OTHER NON CURRENT ASSETS</b>  | <b>255 412</b>             | <b>201 534</b>             |
| <b>Total assets</b>  | <b>\$ 15 318 229</b>       | <b>\$ 14 478 042</b>       |
| <b>CURRENT LIABILITIES</b>   |                            |                            |
| 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                    |
| <b>Total current liabilities</b>   | <b>3 564 835</b>           | <b>3 155 141</b>           |
| <b>LONG-TERM LIABILITIES</b>   |                            |                            |
| 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                    |
| <b>Total long-term liabilities</b>   | <b>8 102 168</b>           | <b>7 079 154</b>           |
| <b>Total liabilities</b>   | <b>11 667 003</b>          | <b>10 234 295</b>          |
| <b>Redeemable noncontrolling interests</b>   | <b>80 603</b>              | <b>86 944</b>              |
| <b>SHAREHOLDERS EQUITY:</b>  |                            |                            |
| 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                     |

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(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            |
| <b>Total shareholders' equity attributable to the Group</b>  | <b>3 482 052</b>     | <b>3 124 815</b>     |
| <b>Noncontrolling interest</b>   | <b>88 571</b>        | <b>1 031 988</b>     |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>  | <b>3 570 623</b>     | <b>4 156 803</b>     |
| <b>Total liabilities and shareholders' equity</b>  | <b>\$ 15 318 229</b> | <b>\$ 14 478 042</b> |

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## 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<br>December 31, 2011 | Twelve months ended<br>December 31, 2010 |
|--|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |  |  |
| Net income   | \$ 1 567 732                             | \$ 1 548 443                             |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |  |  |
| 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                                   |
| <b>Net cash provided by operating activities</b>   | <b>3 849 005</b>                         | <b>3 617 170</b>                         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |  |  |
| 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                                    |
| <b>Net cash used in investing activities</b>   | <b>(2 555 039)</b>                       | <b>(2 181 627)</b>                       |

**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)        |
| <b>Net cash provided by / (used in) financing activities</b>   | <b>(270 308)</b> | <b>(3 036 442)</b> |
| Effect of exchange rate changes on cash and cash equivalents   | (100 526)        | (417)              |
| <b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS:</b>   | <b>923 132</b>   | <b>(1 601 316)</b> |
| <b>CASH AND CASH EQUIVALENTS, at beginning of period</b>   | <b>927 694</b>   | <b>2 529 010</b>   |
| <b>CASH AND CASH EQUIVALENTS, at end of period</b>   | <b>1 850 826</b> | <b>927 694</b>     |

























































































































**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**