

MOBILE TELESYSTEMS OJSC
Form 6-K
May 21, 2012

FORM 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
May 21, 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.

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 First Quarter Ended March 31, 2012

May 21, 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 ended March 31, 2012.

Key Financial Highlights of Q1 2012

- Consolidated revenues up 1.1% q-o-q to \$3,014 million
- Consolidated OIBDA(1) down 1.3% q-o-q to \$1,259 million with 41.8% OIBDA margin
- Consolidated net income(2) of \$512 million
- Free cash-flow(3) positive with \$829 million for the first three months of 2012

Key Corporate and Industry Highlights

- Commercial launch of the 3G network in the 900 MHz range in Moscow and the Moscow region

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

- Redemption of \$400 million 2012 Eurobond

- Awarded 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

- Signing of an agreement with Samsung Electronics to cooperate on retail projects, equipment sales and telecommunication services in Russia

- Annual dividend recommendation by the MTS Board of Directors of RUB 14.71 per ordinary MTS share (approximately \$1.01 per ADR(4)) for the 2011 fiscal year, amounting to a total of RUB 30.4 billion (approximately \$1.04 billion or 72% of US GAAP net income)

Commentary

Andrei Dubovskov, President and CEO of MTS, commented, "Group revenue for the quarter increased 3% year-over-year to reach 3.01 billion US dollars. We saw sustained growth in usage of voice and data products, although the exchange rate volatility masked the underlying growth dynamics in markets such as Russia and Armenia. For the period, total revenues in Russia increased in ruble terms by 6% year-over-year to 78.7 billion rubles, while mobile

-
- (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) According to the Russian Central Bank exchange rate of 29.2447 RUB/USD as of March 23, 2012, the date when MTS management submitted its recommendation to the Board of Directors; actual amount will differ depending upon relative exchange rates at on date of payment.
-

service revenue increased 8.6%. Key drivers included higher usage of mobile voice and data products, and growth and expansion in our fixed-line business unit.

Alexey Kornya, MTS Vice President and Chief Financial Officer, said, "We witnessed significant improvement in profitability as we continue to emphasize retention and improve customer value. For the period, we improved Group OIBDA at a rate significantly faster than revenue by 12% year-over-year to \$1.26 billion US dollars. Our OIBDA margin for the period reached 41.8%, an increase of 3.4 percentage points from Q1 2011. Overall we are seeing success in our efforts to increase profitability in our operations as we saw OIBDA improvement in Russia, Ukraine and Armenia. In Russia, our OIBDA margin increased from 39.1% to 43.1% Q1 2012. The improvement came on the back of a significant reduction in dealer commissions following our shift to revenue-sharing based commission structures, churn improvement and on-going efforts to manage costs.

Mr. Kornya continued, "Net income increased by nearly 60% year-over-year to \$512 million. Gains made on the bottom line tied to gross margin and OIBDA improvement were off-set largely by an increase in D&A expenses as we greatly expanded our networks in recent quarters. We also benefitted from ruble appreciation for the period, which led to a non-cash foreign currency gain of \$174 million. Given the fact that we are seeing an overall reduction of SIM-card sales and related easing of competitive pressures in Russia, we feel comfortable narrowing the range of our OIBDA margin guidance for 2012 to 41 - 42%.

Mr. Dubovskov added, "As has recently been announced, Roskomnadzor disclosed the conditions for the allocation of LTE licenses in the Russian Federation. Obviously the clarity of the tender and framework for development are testament to the transparency of the Russian telecommunications market; we also share a commitment among both the regulator and operators to continue expanding access to telecommunications services and encourage further infrastructure development. Leveraging our current frequencies in the 2595 to 2620 MHz band, we recently launched a test zone for LTE TDD services in Moscow and the Moscow region. While we are focused on an MTS-owned and operated LTE FDD network as a standard for all of Russia, we are examining complementary ways to ensure that we are among the first to market for LTE products and have a network capable of handling future growth in data.

This press release provides a summary of some of the key financial and operating indicators for the period ended March 31, 2012. For full disclosure materials, please visit <http://www.mtsgsm.com/resources/reports/>.

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

Financial Summary

USD million	Q1 12	Q1 11	y-o-y	Q4 11	q-o-q
Revenues	3,013.8	2,934.0	2.7%	2,981.7	1.1%
OIBDA	1,259.1	1,125.8	11.8%	1,275.6	-1.3%
- margin	41.8%	38.4%	+3.4pp	42.8%	-1.0pp
Net operating income	649.7	563.8	15.2%	720.0	-9.8%
- margin	21.6%	19.2%	+2.4pp	24.1%	-2.5pp
Net income	511.7	321.6	59.1%	393.5	30.0%
- margin	17.0%	11.0%	+6.0pp	13.2%	+3.8pp

Russia Highlights

RUB mln	Q1 12	Q1 11	y-o-y	Q4 11	q-o-q
Revenues(5)	78,679.1	74,297.9	5.9%	79,804.0	-1.4%
- mobile	65,350.0	61,334.0	6.5%	66,303.5	-1.4%
- fixed	15,216.2	14,049.6	8.3%	13,889.6	9.6%
OIBDA	33,917.8	29,027.2	16.8%	34,446.7	-1.5%
- margin	43.1%	39.1%	+4.0pp	43.2%	-0.1pp
Net income	16,064.4	9,765.7	64.5%	11,786.1	36.3%
- margin	20.4%	13.1%	+7.3pp	14.8%	+5.6pp

	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12
ARPU (RUB)(6)	252.1	265.0	288.0	284.0	280.6
MOU (min)	249	269	272	283	282
Churn rate (%)	12.0%	11.3%	11.9%	12.3%	11.3%

Ukraine Highlights

UAH mln	Q1 12	Q1 11	y-o-y	Q4 11	q-o-q
Revenues	2,218.1	2,057.0	7.8%	2,312.3	-4.1%
OIBDA	1,059.6	918.9	15.3%	1,146.7	-7.6%
- margin	47.8%	44.7%	+3.1pp	49.6%	-1.8pp
Net income	312.8	131.1	138.6%	337.3	-7.3%
- margin	14.1%	6.4%	+7.7pp	14.6%	-0.5pp

	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12
ARPU (UAH)	36.05	38.79	42.20	38.73	37.16
MOU (min)	564	586	586	592	601
Churn rate (%)	7.6%	7.0%	8.1%	8.1%	8.5%
SAC (UAH)	73.0	64.7	64.5	60.4	64.7
- dealer commission	36.1	32.8	35.4	30.6	35.9
- adv & mktg	18.1	18.3	14.7	17.8	17.5
- handset subsidy	9.9	5.1	5.4	3.5	