

MOBILE TELESYSTEMS OJSC  
Form 6-K  
April 05, 2011

## **FORM 6-K**

# **UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Report of Foreign Issuer  
April 5, 2011

Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

Commission file number: 333-12032

## **Mobile TeleSystems OJSC**

(Exact name of Registrant as specified in its charter)

**Russian Federation**

(Jurisdiction of incorporation or organization)

**4, Marksistskaya Street  
Moscow 109147  
Russian Federation**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

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Form 20-F  Form 40-F

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

Yes  No

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Press release

**Mobile TeleSystems Announces Financial Results for the Fourth Quarter and Full Year Ended December 31, 2010**

April 5, 2011

**Moscow, Russian Federation** Mobile TeleSystems OJSC ( MTS - NYSE: MBT), the leading telecommunications provider in Russia and the CIS, today announces its unaudited US GAAP financial results for the three months and full year ended December 31, 2010.

**Key Financial Highlights of Q4 2010 and FY 2010(1)**

- Consolidated revenues up 2.9% q-o-q to \$2,995 million and up 14.5% y-o-y to \$11,293 million
- Consolidated OIBDA(2) down 12.0% q-o-q to \$1,159 million with 38.7% OIBDA margin and up 8.6% y-o-y to \$4,873 million with 43.1% OIBDA margin
- Consolidated net income(3) of \$156 million in Q4 2010 and a net income of \$1,381 million for FY 2010
- Free cash-flow(4) positive with \$1,529 million for FY 2010

**Key Corporate and Industry Highlights**

- Voluntarily repayment of the second tranche of the syndicated loan in the amount of \$161.5 mln; the loan was originally signed in April 2006 and carried a 5-year maturity
- Redemption of the \$400 mln 2010 Eurobond
- Placement of the series 07 and series 08 ruble-denominated bonds totaling RUB 25 bln
- Transfer of MTS ordinary shares to the A1 listing on the Moscow Interbank Currency Exchange

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- Purchase of 100% stake in Sistema-Telecom for RUB 11.59 bln (\$379.01 mln<sup>(5)</sup>) from Sistema and its wholly-owned subsidiary
- MTS recognized as the most valuable brand in Russia with a value of \$7.753 bln by InterBrand, the world's leading brand consultancy
- Acquisitions of local alternative operators in Novosibirsk and Saint Petersburg
- Signing of an agreement with Sberbank to open two non-revolving lines of credit for a total amount of RUB 100 bln
- Suspension of operations in Turkmenistan

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- (1) Because TS-Retail, Metro-Telecom and Sistema Telecom were acquired from JSC Sistema, the majority owner of both MTS and acquired entities, the acquisitions were accounted for as transactions between entities under common control. Similar to a pooling of interest, whereby the assets and liabilities of entities acquired from Sistema were recorded at Sistema's carrying value, MTS' historical financial information was recast to include the acquired entities for all periods presented.
  - (2) See Attachment A for definitions and reconciliation of OIBDA and OIBDA margin to their most directly comparable US GAAP financial measures.
  - (3) Attributable to the Group.
  - (4) See Attachment B for reconciliation of free cash-flow to net cash provided by operating activity.
  - (5) According to the average exchange rate of 30.57 RUB/USD for the 60-day period from September 4, 2010 to November 4, 2010
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- Approval of statutory merger of Comstar with MTS by the companies' respective Extraordinary General Meetings of shareholders
- Completion of share buyback in March 2011 related to the statutory merger of Comstar with MTS
- Appointment of Andrei Dubovskov, former Head of Business Unit MTS Ukraine, as President and CEO of MTS
- Conversion of Comstar ordinary shares into MTS ordinary shares on April 1, 2011 and subsequent completion of the statutory merger of Comstar with MTS

### Commentary

Andrei Dubovskov, MTS President and CEO, commented, "2010 was a year of transition for MTS. With the completion of our statutory merger with Comstar last week, MTS has transformed itself from a simple mobile operator to a full-fledged telecommunications provider, offering mobile, fixed, internet and content products and services. For the year, in US GAAP terms, we exceeded our revenue guidance by four (4) percentage points. Revenue increased 14% to 11.3 billion US dollars. Revenues in Russia – including mobile, retail and fixed businesses increased 12% to 286.4 billion rubles. In our mobile business, growth was driven by: subscriber acquisitions, general growth in consumption of voice and data products, and strong handset sales. In Q4 2010, revenue from the sale of handsets, modems and accessories exceeded \$276 million US dollars - a 68% increase quarter-on-quarter. The increase was largely driven by the launch of premium handsets and smartphones.

Alexey Kornya, MTS Vice President and Chief Financial Officer, said "In 2010, Group OIBDA grew by 9% to reach \$4.9 billion US dollars. For the year, our OIBDA margin was 43.1%, which is in line with the guidance we gave in April of last year. In Russia, our Q4 2010 mobile OIBDA margin decreased from 45.8% to 37.4% sequentially. We attribute margin deterioration to traditional seasonal factors, such as lower roaming revenues and traditional holiday promotions. However, the margin erosion also was based on certain commercial decisions we made to protect our leadership and stabilize the market. Higher gross additions increased our spending on dealer commissions. By March, however, we have reduced our sales through alternative channels and aim to see improvement by Q2. In addition, higher than anticipated handset sales – a 68% rise from Q3 2010 – also pressured our Q4 margins, but based on certain operational KPIs, our retail network did break even for the year. We anticipate margin improvement in 2011 through the optimization of this critical sales channel.

He added, "In 2010 CAPEX to sales reached 23% or \$2.7 billion US dollars as we continued to build-out our 3G and fixed networks in Russia. We expect CAPEX for 2011 to come in at 22-24% as a percentage of revenues. We will be roughly doubling the number of 3G base stations and advancing certain high-profile projects, like the digitization of our fixed-line networks, namely those in Moscow and other large urban centers.

Continued Mr. Dubovskov, "Obviously MTS has changed, and our financial performance is reflective of this. However, the change has allowed us to create a platform that will usher in a new era for MTS. To date we have been focused on an acquisition model of business. This has served us with the growth of subscribers and the changes in distribution over the years. Having now established ourselves in both the fixed-line space and retail, we can now begin to focus on retention and loyalty as key operational goals of our business.

He continued, "Overall, in terms of revenue we see about 10% growth for 2011. We anticipate that Group OIBDA margin will be 42-43% for the year. As we enter the second quarter, we do anticipate that margins will remain pressured. However, we do forecast significant improvement in the second half of the year. We aim to push more tariffs that promote on-net traffic and better monetize off-net calling. Network enhancement will



drive more profitable data usage through our networks. In addition, our ability to launch true convergent products, eliminating redundancy at both MTS and Comstar, will further drive usage and support our churn-reduction efforts.

*This press release provides a summary of some of the key financial and operating indicators for the period ended December 31, 2010. For full disclosure materials, please visit <http://www.mtsgsm.com/resources/reports/>.*

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Financial Summary(6)

USD million	Q4 10	Q4 09	y-o-y	Q3 10	q-o-q	2010	2009	y-o-y
Revenues	2,995.1	2,723.5	10.0%	2,910.8	2.9%	11,293.2	9,867.3	14.5%
- mobile	2,277.8	2,186.7	4.2%	2,322.1	-1.9%	8,899.2	8,017.6	11.0%
- handsets & accs	276.8	120.3	130.1%	165.0	67.8%	707.2	353.9	99.8%
- fixed	440.4	416.5	5.7%	423.6	4.0%	1,686.9	1,495.7	12.8%
Adjusted OIBDA(7)	1,159.2	1,201.8	-3.5%	1,317.5	-12.0%	4,872.9	4,486.5	8.6%
- margin	38.7%	44.1%	-5.4pp	45.3%	-6.6pp	43.1%	45.5%	-2.4pp
Net operating income	493.0	617.2	-20.1%	803.7	-38.7%	2,734.6	2,555.9	7.0%
- margin	16.5%	22.7%	-6.2pp	27.6%	-11.1pp	24.2%	25.9%	-1.7pp
Net income/(loss)	156.3	-22.9	n/a	483.5	-67.7%	1,380.6	1,014.2	36.1%
- margin	5.2%	n/a	n/a	16.6%	-11.4pp	12.2%	10.3%	1.9pp

Russia Highlights

RUB mln	Q4 10	Q4 09	y-o-y	Q3 10	q-o-q	2010	2009	y-o-y
Revenues(8)	77,822.8	66,732.1	16.6%	73,752.0	5.5%	286,407.3	254,748.7	12.4%
- mobile	64,428.1	55,151.9	16.8%	61,304.8	5.1%	236,722.8	210,344.3	12.5%
- fixed	14,380.5	12,291.5	17.0%	13,363.3	7.6%	53,123.6	47,368.6	12.1%
Adjusted OIBDA(9)	29,372.1	30,142.6	-2.6%	33,580.6	-12.5%	124,261.9	118,313.6	5.0%
- mobile	24,082.9	25,268.2	-4.7%	28,072.1	-14.2%	102,801.1	99,310.2	3.5%
- fixed	5,289.3	4,965.9	6.5%	5,508.5	-4.0%	21,460.9	19,095.0	12.4%
Adjusted OIBDA margin	37.7%	45.2%	-7.5pp	45.5%	-7.8pp	43.4%	46.4%	-3.0pp
- mobile	37.4%	45.8%	-8.4pp	45.8%	-8.4pp	43.4%	47.2%	-3.8pp
- fixed	36.8%	40.6%	-3.8pp	41.2%	-4.4pp	40.4%	40.4%	stable
Net income/(loss)	7,363.1	-2,545.4	n/a	12,804.5	-42.5pp	40,055.6	26,642.9	+50.3pp
- margin	9.5%	n/a	n/a	17.4%	-7.9pp	14.0%	10.5%	+3.5pp

	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	2009	2010
ARPU (RUB)(10)	248.4	236.7	253.9	269.4	261.9	247.5	252.8
MOU (min)	219	211	230	244	259	213	234
Churn rate (%)	12.4%	10.4%	9.8%	13.5%	12.7%	38.3%	45.9%
SAC (RUB)	494.9	534.4	612.8	508.2	656.6	583.4	581.7
- dealer commission	288.4	351.0	399.9	341.0	461.5	338.0	393.0
- adv & mktg	206.5	183.4	212.9	167.2	195.1	245.5	188.6

- (6) Because TS-Retail, Metro-Telecom and Sistema Telecom were acquired from JSC Sistema, the majority owner of both MTS and acquired entities, the acquisitions were accounted for as transactions between entities under common control. Similar to a pooling of interest, whereby the assets and liabilities of entities acquired from Sistema were recorded at Sistema's carrying value, MTS' historical financial information was recast to include the acquired entities for all periods presented.
- (7) Adjusted OIBDA results for Q4 2009 and Q4 2010 do not include long-lived and other assets impairment loss and acquisition related costs in the amount of \$86.4 million and \$137.8 million respectively.
- (8) Revenue, gross of intercompany.
- (9) Adjusted OIBDA results for Q4 2009 do not include long-lived assets impairment loss and acquisition related costs in the amount of \$86.4 million.
- (10) 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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Ukraine Highlights

UAH mln	Q4 10	Q4 09	y-o-y	Q3 10	q-o-q	2010	2009	y-o-y
Revenues	2,138.9	2,107.7	1.5%	2,303.8	-7.2%	8,511.0	8,172.7	4.1%
OIBDA	969.0	927.1	4.5%	1,144.0	-15.3%	3,954.9	3,681.3	7.4%
- margin	45.3%	44.0%	+1.3pp	49.7%	-4.4pp	46.5%	45.0%	+1.5pp
Net income	119.9	205.5	-41.7%	364.2	-67.1%	752.0	640.3	17.4%
- margin	5.6%	9.8%	-4.2pp	15.8%	-10.2pp	8.8%	7.8%	+1.0pp

	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	2009	2010
ARPU (UAH)	38.32	35.21	39.49	41.57	37.59	36.95	38.10
MOU (min)	506	527	541	541	550	462	535
Churn rate (%)	9.7%	9.4%	7.2%	6.6%	8.2%	40.0%	31.0%
SAC (UAH)	56.8	66.9	64.3	58.0	68.1	54.0	64.1
- dealer commission	22.3	34.2	31.8	29.4	32.8	23.9	31.9
- adv & mktg	22.7	21.2	21.4	17.8	24.9	19.1	21.2
- handset subsidy	2.6	2.1	1.8	1.3	1.6	1.5	1.7
- SIM card & voucher	9.2	9.4	9.2	9.5	8.9	9.5	9.2

Uzbekistan Highlights(11)

USD mln	Q4 10	Q4 09	y-o-y	Q3 10	q-o-q	2010	2009	y-o-y
Revenues	116.3	105.2	10.6%	114.9	1.2%	448.0	404.9	10.6%
OIBDA	62.0	56.7	9.4%	64.4	-3.7%	248.7	222.7	11.7%
- margin	53.3%	53.9%	-0.6pp	56.1%	-2.8pp	55.5%	55.0%	+0.5pp
Net income	27.3	26.8	1.8%	27.6	-1.2%	111.1	108.5	2.4%
- margin	23.5%	25.5%	-2.0pp	24.0%	-0.5pp	24.8%	26.8%	-2.0pp

	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	2009	2010
ARPU (USD)	5.0	4.8	5.0	4.8	4.6	5.3	4.7
MOU (min)	534	520	534	508	461	495	494
Churn rate (%)	8.0%	5.9%	6.1%	7.2%	6.0%	30.2%	24.7%
SAC (USD)	6.7	6.1	6.0	7.8	8.1	7.7	7.2

Turkmenistan Highlights

TMM bln	Q4 10	Q4 09	y-o-y	Q3 10	q-o-q	2010	2009	y-o-y
Revenues	141.8	135.0	n/a	159.3	n/a	591.6	458.1	n/a
Adjusted OIBDA(12)	83.4	85.9	n/a	97.3	n/a	364.0	259.4	n/a
- margin	58.8%	63.7%	n/a	61.1%	n/a	61.5%	56.6%	n/a
Net income/(loss)	-343.4	56.5	n/a	59.9	n/a	-166.6	155.2	n/a
- margin	n/a	41.8%	n/a	37.6%	n/a	-28.2	33.9%	n/a

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

(12) 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 Highlights

AMD mln	Q4 10	Q4 09	y-o-y	Q3 10	q-o-q	2010	2009	y-o-y
Revenues	19,326.4	20,947.3	-7.7%	20,903.4	-7.5%	77,303.0	80,294.9	-3.7%
OIBDA	9,877.6	10,479.3	-5.7%	11,530.3	-14.3%	40,411.5	43,106.7	-6.3%
- margin	51.1%	50.0%	1.1%	55.2%	-4.1%	52.3%	53.7%	-1.4%
Net income	974.5	2,589.5	-62.4%	-2,231.5	n/a	-59.7	-3,954.9	n/a
- margin	5.0%	12.4%	-7.4pp	n/a	n/a	n/a	n/a	n/a

	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	2009	2010
ARPU (AMD)	3,351.4	2,813.4	3,013.5	3,194.2	2,725.5	3,266.7	2,812.3
MOU (min)	237	220	255	294	294	203	256
Churn rate (%)	12.7%	8.6%	8.5%	7.7%	7.0%	43.6%	30.4%
SAC (AMD)	6,787.7	6,868.7	7,192.0	6,719.4	3,867.8	6,318.6	5,695.3

CAPEX Highlights

USD mln	Q1 10	Q2 10	Q3 10	Q4 10	FY 10
Russia	178.4	248.0	328.1	1,505.6	2,260.0
- as % of rev	8.2%	10.8%	13.6%	59.4%	24.0%
Ukraine	40.5	36.5	27.4	50.6	154.9
- as % of rev	16.8%	13.5%	9.4%	18.8%	14.4%
Uzbekistan	23.9	18.9	19.6	95.5	157.9
- as % of rev	23.1%	16.7%	17.1%	82.1%	35.3%
Turkmenistan	4.3	8.4	17.1	14.6	44.4
- as % of rev	8.9%	15.8%	30.5%	29.2%	21.4%
Armenia	3.9	3.1	5.0	17.8	29.9
- as % of rev	8.5%	6.2%	8.8%	33.1%	14.4%
Group	251.0	314.8	397.2	1,684.1	2,647.1
- as % of rev	9.6%	11.4%	13.6%	56.0%	23.4%

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Department of Investor Relations

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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 108.9 million mobile subscribers in Russia, Ukraine, Uzbekistan, Turkmenistan, Armenia and Belarus, a region that boasts a total population of more than 230 million. Since June 2000, MTS' Level 3 ADRs have been listed on the New York Stock Exchange (ticker symbol MBT). Additional information about the MTS Group can be found at [www.mtsgsm.com](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

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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 2010  
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 09	Q1 10	Q2 10	Q3 10	Q4 10	2009	2010
Operating income	617.2	679.6	758.3	803.7	493.0	2,555.9	2,734.6
Add: D&A and impairment loss	584.6	477.9	480.5	513.8	666.2	1,930.6	2,138.3
Adjusted OIBDA(13)	1,201.8	1,157.5	1,238.8	1,317.5	1,159.2	4,486.5	4,872.9

Russia (USD mln)	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	2009	2010
Operating income	581.3	663.9	708.3	728.1	572.4	2,353.4	2,672.7
Add: D&A and impairment loss	441.5	332.5	333.9	368.4	383.6	1,391.9	1,418.3
Adjusted OIBDA(14)	1,022.8	996.4	1,042.2	1,096.5	956.0	3,745.3	4,091.1

Ukraine (USD mln)	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	2009	2010
Operating income	22.9	11.2	35.8	59.8	37.7	120.2	144.5
Add: D&A	93.1	93.5	91.1	85.0	84.5	352.0	354.2
OIBDA	116.0	104.7	126.9	144.8	122.2	472.3	498.6

Uzbekistan (USD mln)	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	2009	2010
Operating income	32.0	32.0	37.5	31.5	29.6	133.8	130.7
Add: D&A	24.7	24.5	28.3	32.9	32.4	88.9	118.0
OIBDA	56.7	56.5	65.8	64.4	62.0	222.7	248.7

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(13) Adjusted OIBDA results for Q4 2009 and Q4 2010 do not include long-lived and other assets impairment loss and acquisition related costs in the amount of \$86.4 million and \$137.8 million respectively.

(14) Adjusted OIBDA results for Q4 2009 do not include long-lived assets impairment loss and acquisition related costs in the amount of \$86.4 million.

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Turkmenistan (USD mln)	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	2009	2010
Operating income	26.9	27.1	28.7	29.4	-113.5	79.0	-28.3
Add: D&A and impairment loss	3.3	4.1	4.4	4.7	142.8	12.0	156.0
Adjusted OIBDA(15)	30.2	31.2	33.1	34.1	29.3	91.0	127.7

Armenia (USD mln)	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	2009	2010
Operating income/ (loss)	5.2	(0.5)	4.2	8.8	4.6	33.2	17.1
Add: D&A	22.0	23.1	22.7	22.7	22.8	85.6	91.3
OIBDA	27.2	22.6	26.9	31.5	27.4	118.8	108.4

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

Group	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	2009	2010
Operating margin	22.7%	26.0%	27.3%	27.6%	16.5%	25.9%	24.2%
Add: D&A and impairment loss	21.4%	18.3%	17.4%	17.7%	22.2%	19.6%	18.9%
Adjusted OIBDA margin(16)	44.1%	44.3%	44.7%	45.3%	38.7%	45.5%	43.1%

Russia	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	2009	2010
Operating margin	25.7%	30.4%	30.8%	30.2%	22.6%	29.1%	28.4%
Add: D&A and impairment loss	19.5%	15.2%	14.5%	15.3%	15.1%	17.3%	15.0%
Adjusted OIBDA margin(17)	45.2%	45.6%	45.3%	45.5%	37.7%	46.4%	43.4%

Ukraine	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	2009	2010
Operating margin	8.7%	4.7%	13.2%	20.5%	14.0%	11.5%	13.5%
Add: D&A	35.3%	38.8%	33.6%	29.2%	31.3%	33.5%	33.0%
OIBDA margin	44.0%	43.5%	46.8%	49.7%	45.3%	45.0%	46.5%

Uzbekistan	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	2009	2010
Operating margin	30.5%	30.9%	33.1%	27.5%	25.5%	33.0%	29.2%
Add: D&A and impairment loss	23.4%	23.7%	25.0%	28.6%	27.8%	22.0%	26.3%
OIBDA margin	53.9%	54.6%	58.1%	56.1%	53.3%	55.0%	55.5%

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

(16) Adjusted OIBDA results for Q4 2009 and Q4 2010 do not include long-lived and other assets impairment loss and acquisition related costs in the amount of \$86.4 million and \$137.8 million respectively.

(17) Adjusted OIBDA results for Q4 2009 do not include long-lived assets impairment loss and acquisition related costs in the amount of \$86.4 million.



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<b>Turkmenistan</b>	<b>Q4 09</b>	<b>Q1 10</b>	<b>Q2 10</b>	<b>Q3 10</b>	<b>Q4 10</b>	<b>2009</b>	<b>2010</b>
Operating margin	56.8%	55.9%	53.7%	52.6%	-228.0%	49.1%	-13.6%
Add: D&A and impairment loss	6.9%	8.5%	8.3%	8.5%	286.8%	7.5%	75.1%
Adjusted OIBDA margin(18)	63.7%	64.4%	62.0%	61.1%	58.8%	56.6%	61.5%

<b>Armenia</b>	<b>Q4 09</b>	<b>Q1 10</b>	<b>Q2 10</b>	<b>Q3 10</b>	<b>Q4 10</b>	<b>2009</b>	<b>2010</b>
Operating margin	9.5%	-1.0%	8.3%	15.3%	8.5%	15.0%	8.2%
Add: D&A	40.5%	49.8%	45.2%	39.8%	42.6%	38.7%	44.1%
OIBDA margin	50.0%	48.8%	53.5%	55.2%	51.1%	53.7%	52.3%

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(18) 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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**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, 2009	As of Dec 31, 2010
Current portion of debt and of capital lease obligations	2,022.5	757.1
Long-term debt	6,326.8	6,392.6
Capital lease obligations	0.9	10.9
Total debt	8,350.2	7,160.6
Less:		
Cash and cash equivalents	2,529.0	927.7
Short-term investments	206.5	333.6
Net debt	5,614.7	5,899.3

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

USD mln	For the year ended Dec 31, 2009	For the year ended Dec 31, 2010
Net cash provided by operating activities	3,592.2	3,617.2
Less:		
Purchases of property, plant and equipment	(1,942.4)	(1,914.3)
Purchases of intangible assets	(385.9)	(732.8)
Proceeds from sale of property, plant and equipment	28.6	6.8
Proceeds/(purchases) of other investments	43.4	749.7
Investments in and advances to associates	2.0	(2.9)
Acquisition of subsidiaries, net of cash acquired	(270.5)	(195.1)
Free cash-flow	1,067.4	1,528.6

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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

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

## FOR THE THREE MONTHS AND TWELVE MONTHS ENDED DECEMBER 31, 2010 AND 2009

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

	Three months ended December 31, 2010	Three months ended December 31, 2009 *	Twelve months ended December 31, 2010	Twelve months ended December 31, 2009 *
<b>Net operating revenue</b>				
Service revenue	\$ 2 718 231	\$ 2 603 197	\$ 10 586 068	\$ 9 513 353
Sales of handsets and accessories	276 838	120 317	707 168	353 900
	<b>2 995 069</b>	<b>2 723 514</b>	<b>11 293 236</b>	<b>9 867 253</b>
<b>Operating expenses</b>				
Cost of services	(613 563)	(561 269)	(2 260 888)	(2 011 332)
Cost of handsets and accessories	(294 747)	(115 362)	(727 682)	(375 444)
Sales and marketing expenses	(287 450)	(197 242)	(850 584)	(728 483)
General and administrative expenses	(553 828)	(556 789)	(2 274 421)	(1 981 637)
Depreciation and amortization expense	(528 312)	(498 199)	(2 000 496)	(1 844 174)
Provision for doubtful accounts	(41 127)	(38 001)	(122 550)	(110 766)
Impairment of long-lived assets and acquisition related costs	(127 875)	(86 418)	(127 875)	(86 418)
Other operating expenses	(55 140)	(53 075)	(194 181)	(173 114)
<b>Net operating income</b>	<b>493 027</b>	<b>617 159</b>	<b>2 734 559</b>	<b>2 555 885</b>
Currency exchange and transaction gain/ loss	(18 668)	(18 592)	20 238	(252 694)
<b>Other income / (expenses):</b>				
Interest income	26 996	41 986	84 396	104 566
Interest expense, net of capitalized interest	(145 906)	(226 212)	(777 287)	(571 901)
Other income	(23 632)	(362 058)	3 725	(336 716)
<b>Total other expenses, net</b>	<b>(142 542)</b>	<b>(546 284)</b>	<b>(689 166)</b>	<b>(804 051)</b>
<b>Income before provision for income taxes and noncontrolling interest</b>				
	<b>331 817</b>	<b>52 283</b>	<b>2 065 631</b>	<b>1 499 140</b>
Provision for income taxes	(136 972)	(178 882)	(517 188)	(505 047)
<b>Net income / loss</b>	<b>194 845</b>	<b>(126 599)</b>	<b>1 548 443</b>	<b>994 093</b>
Net income attributable to the noncontrolling interest	(38 590)	103 717	(167 812)	20 110
<b>Net income/loss attributable to the Group</b>	<b>156 255</b>	<b>(22 882)</b>	<b>1 380 631</b>	<b>1 014 203</b>
Weighted average number of common shares outstanding, in thousands - basic and diluted				
	1 916 869	1 887 819	1 916 869	1 885 750

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Earnings/(loss) per share - basic and diluted	0.08	n/a	0.72	0.54
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\* Figures were restated due to retrospective consolidation of TS-Retail, Metro-Telecom and Sistema Telecom

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## MOBILE TELESYSTEMS

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2010 AND DECEMBER 31, 2009

(Amounts in thousands of US dollars)

	As of December 31, 2010	As of December 31, 2009 *
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 927 694	\$ 2 529 010
Short-term investments	333 594	206 470
Trade receivables, net	798 102	595 746
Accounts receivable, related parties	2 673	16 698
Inventory and spare parts	319 956	239 571
VAT receivable	164 761	110 288
Prepaid expenses and other current assets	569 823	703 545
<b>Total current assets</b>	<b>3 116 603</b>	<b>4 401 328</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>7 971 830</b>	<b>7 750 617</b>
<b>INTANGIBLE ASSETS</b>	<b>2 817 701</b>	<b>2 238 109</b>
<b>INVESTMENTS IN AND ADVANCES TO ASSOCIATES</b>	<b>241 792</b>	<b>220 450</b>
<b>INVESTMENTS IN SHARES OF SVYAZINVEST</b>		<b>859 669</b>
<b>OTHER INVESTMENTS</b>	<b>128 582</b>	<b>48 701</b>
<b>OTHER ASSETS</b>	<b>201 534</b>	<b>245 615</b>
<b>Total assets</b>	<b>\$ 14 478 042</b>	<b>\$ 15 764 489</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable	629 077	509 846
Accrued expenses and other current liabilities	1 715 970	1 666 201
Accounts payable, related parties	52 984	80 489
Current portion of long-term debt, capital lease obligations	757 110	2 022 499
<b>Total current liabilities</b>	<b>3 155 141</b>	<b>4 279 035</b>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt	6 392 629	6 326 824
Capital lease obligations	10 873	921
Deferred income taxes	292 070	298 453
Long-term accounts payable, related parties		38 273
Deferred revenue and other	383 582	373 011
<b>Total long-term liabilities</b>	<b>7 079 154</b>	<b>7 037 482</b>
<b>Total liabilities</b>	<b>10 234 295</b>	<b>11 316 517</b>
<b>Redeemable noncontrolling interests</b>	<b>86 944</b>	<b>82 261</b>

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**SHAREHOLDERS EQUITY:**

Common stock: (2,096,975,792 shares with a par value of 0.1 rubles authorized and 1,993,326,138 shares issued as December 31, 2010 and December 31, 2009 (777,396,505 of which are in the form of ADS as of December 31, 2010 and December 31, 2009)	50 558	50 558
Treasury stock (76,456,876 common shares at cost as of December 31, 2010 and December 31, 2009)	(1 054 926)	(1 054 926)
Accumulated other comprehensive income	(771 957)	(748 422)
Retained earnings	4 901 140	5 097 462
<b>Total shareholders equity attributable to the Group</b>	<b>3 124 815</b>	<b>3 344 672</b>
<b>Noncontrolling interest</b>	<b>1 031 988</b>	<b>1 021 039</b>
<b>TOTAL SHAREHOLDERS` EQUITY</b>	<b>4 156 803</b>	<b>4 365 711</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 14 478 042</b>	<b>\$ 15 764 489</b>

\* Figures were restated due to retrospective consolidation of TS-Retail, Metro-Telecom and Sistema Telecom

## MOBILE TELESYSTEMS

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

## FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010 AND 2009

(Amounts in thousands of U.S. dollars)

	Twelve months ended December 31, 2010	Twelve months ended December 31, 2009*
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 1 548 443	\$ 994 093
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	2 000 496	1 844 174
Currency exchange and translation (gain)/loss	(98 706)	212 510
Impairment of investments		368 355
Impairment of long-lived assets and goodwill	127 875	75 064
Debt issuance cost amortization	89 244	36 892
Amortization of deferred connection fees	(95 706)	(67 057)
Equity in net income of associates	(70 649)	(60 313)
Inventory obsolescence expense	27 826	12 225
Provision for doubtful accounts	122 550	110 766
Deferred tax (benefit)/loss	(45 449)	101 523
Write off of not recoverable VAT receivable	2 534	9 652
Change in fair value of derivative financial instruments		5 420
Other non-cash items	57 021	6 266
Changes in operating assets and liabilities:		
Increase in accounts receivable	(301 764)	(216 654)
Increase in inventory	(105 859)	(111 998)
Decrease in prepaid expenses and other current assets	141 976	14 299
(Increase)/Decrease in VAT receivable	(53 265)	8 914
Increase in trade accounts payable, accrued liabilities and other current liabilities	222 630	222 744
Dividends received	47 973	25 355
<b>Net cash provided by operating activities</b>	<b>3 617 170</b>	<b>3 592 230</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of subsidiaries and non-controlling interests, net of cash acquired	(195 106)	(270 540)
Purchases of property, plant and equipment	(1 914 331)	(1 942 402)
Purchases of intangible assets	(732 786)	(385 907)
Proceeds from sale of property, plant and equipment and assets held for sale	6 790	28 606
Purchases of short-term investments	(672 286)	(513 933)
Proceeds from sale of short-term investments	577 623	649 483
Purchase of other investments	(109 448)	(613)
Proceeds from sales of Svjazinvest	843 158	
Proceeds from sale of other investments	15 989	44 003
Investments in and advances to associates	(2 900)	1 950



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Decrease in restricted cash	1 670	17 182
<b>Net cash used in investing activities</b>	<b>(2 181 627)</b>	<b>(2 372 171)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Acquisition of noncontrolling interests in existing subsidiaries and subsidiaries from related parties	(739 756)	(1 345 820)
Proceeds from issuance of notes	1 560 028	1 003 226
Repayment of notes	(862 403)	(9 182)
Notes and debt issuance cost	(65 697)	(105 137)
Capital lease obligation principal paid	(12 841)	(15 592)
Dividends paid	(975 822)	(1 266 102)
Proceeds from loans	2 839 644	3 598 100
Loan principal paid	(4 779 595)	(1 728 544)
<b>Net cash provided by / (used in) financing activities</b>	<b>(3 036 442)</b>	<b>130 949</b>
Effect of exchange rate changes on cash and cash equivalents	(417)	42 015
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS:</b>	<b>(1 601 316)</b>	<b>1 393 023</b>
<b>CASH AND CASH EQUIVALENTS, at beginning of period</b>	<b>2 529 010</b>	<b>1 135 987</b>
<b>CASH AND CASH EQUIVALENTS, at end of period</b>	<b>927 694</b>	<b>2 529 010</b>

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\* Figures were restated due to retrospective consolidation of TS-Retail, Metro-Telecom and Sistema Telecom

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**MOBILE TELESYSTEMS OJSC**

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

Date: **April 5, 2011**