

MOBILE TELESYSTEMS OJSC
Form 6-K
May 26, 2011

FORM 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
May 26th, 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

Press release

Mobile TeleSystems Announces Financial Results for the First Quarter Ended March 31, 2011

May 26, 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 ended March 31, 2011.

Key Financial Highlights of Q1 2011

- Consolidated revenues down 2.0% q-o-q to \$2,934 million
- Consolidated OIBDA(1) down 2.9% q-o-q to \$1,126 million with 38.4% OIBDA margin
- Consolidated net income(2) of \$322 million
- Free cash-flow(3) positive with \$621 million for the first three months of 2011

Key Corporate and Industry Highlights

- Appointment of Andrei Dubovskoy, former Head of Business Unit MTS Ukraine, as President and CEO of MTS

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- Completion of share buyback in March 2011 related to the statutory merger of Comstar with 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

- Continued acquisitions of regional fixed operators with a purchases of alternative operators in Kurgan and Altai Krai for RUB 435.0 million and RUB 545.8 million respectively

- Annual dividend recommendation by the MTS Board of Directors of RUB 14.54(4) per ordinary MTS share (approximately \$1.04 per ADR(5)) for the 2010 fiscal year, amounting to a total of RUB 30.05 billion (approximately \$1.08 billion or 78% of US GAAP net income)

- Receipt of GSM 900 MHz license in Penza region giving MTS full 2G coverage in Russia

- MTS brand has been named as one of the BRANDZ Top 100 Most Powerful Brands with the 80th position and a brand value of \$10.9 billion

(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) The dividend yield per share is 5.7% based on the closing price of the MTS ordinary share on the Moscow Interbank Currency Exchange as of April 26, 2011.

(5) According to the Russian Central Bank exchange rate of 27.8964 RUB/USD as of April 27, 2011. The dividend amount is set in Russian rubles by the Board of Directors; U.S. dollar amounts provided for reference using the foreign exchange rate as of April 27, 2011.

Commentary

Andrei Dubovskov, President and CEO of MTS, commented, "Group revenue for the quarter increased 12% year-over-year to reach \$2.93 billion on the back of strong subscriber additions and growth in data traffic and handset revenues. Revenues in Russia – including mobile, fixed and handset and equipment sales – increased 14% year-over-year to RUB 74.3 billion."

Alexey Kornya, MTS Vice President and Chief Financial Officer, said, "In the first quarter, Group OIBDA declined by 3% year-over-year to \$1.1 billion with the OIBDA margin for the period reaching 38.4%. Our Russia OIBDA margin increased sequentially from 37.7% to 39.1% in Q1 2011. The improvement is mainly attributable to the growing share of higher-margin data traffic revenues on the back of our modem sales push and expanding 3G networks."

Mr. Dubovskov added, "With the completion of the Comstar merger, we can now focus on the broader optimization of our business. Operationally, we can concentrate on rationalizing headcount to eliminate redundancies. We can also begin to examine asset disposals like real estate in our fixed line business in order to lower costs. For the customer, we can move ahead with critical steps in integrating our business, including convergent billing, so as to further improve our customer experience, increase loyalty and drive future growth."

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

Financial Summary

USD million	Q1 11	Q1 10	y-o-y	Q4 10	q-o-q
Revenues	2,934.0	2,614.8	12.2%	2,995.1	-2.0%
Adjusted OIBDA(6)	1,125.8	1,157.4	-2.7%	1,159.2	-2.9%
- margin	38.4%	44.3%	-5.9pp	38.7%	-0.3%
Net operating income	563.8	679.6	-17.0%	493.0	14.4%
- margin	19.2%	26.0%	-6.8pp	16.5%	2.7pp
Net income/(loss)	321.6	383.1	-16.1%	156.3	105.8%
- margin	11.0%	14.7%	-3.7pp	5.2%	5.8pp

Russia Highlights

RUB mln	Q1 11	Q1 10	y-o-y	Q4 10	q-o-q
Revenues(7)	74,297.9	65,307.9	13.8%	77,822.8	-4.5%
- mobile	61,334.0	53,494.6	14.7%	64,428.1	-4.8%
- fixed	14,049.6	12,538.4	12.1%	14,380.5	-2.3%
Adjusted OIBDA	29,027.2	29,779.0	-2.5%	29,372.1	-1.2%
- margin	39.1%	45.6%	-6.5pp	37.7%	1.4pp
Net income/(loss)	9,765.7	10,898.2	-10.4%	7,363.1	32.6%
- margin	13.1%	16.7%	-3.6pp	9.5%	3.6pp

	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11
ARPU (RUB)(8)	236.7	253.9	269.4	261.9	252.1
MOU (min)	211	230	244	259	249
Churn rate (%)	10.4%	9.8%	13.5%	12.7%	12.0%
SAC (RUB)	534.4	612.8	508.2	656.6	669.6
- dealer commission	351.0	399.9	341.0	461.5	488.9
- adv & mktg	183.4	212.9	167.2	195.1	180.7

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

(7) Revenue, net of intercompany.

(8) 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.

Ukraine Highlights

UAH mln	Q1 11	Q1 10	y-o-y	Q4 10	q-o-q
Revenues	2,057.0	1,921.9	7.0%	2,138.9	-3.8%
OIBDA	918.9	836.9	9.8%	969.0	-5.2%
- margin	44.7%	43.5%	1.2pp	45.3%	-0.6pp
Net income	131.1	59.6	120.0%	119.9	9.3%
- margin	6.4%	3.1%	3.3pp	5.6%	0.8pp

	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11
ARPU (UAH)	35.21	39.49	41.57	37.59	36.05
MOU (min)	527	541	541	550	564
Churn rate (%)	9.4%	7.2%	6.6%	8.2%	7.6%
SAC (UAH)	66.9	64.3	58.0	68.1	73.0
- dealer commission	34.2				