

MOBILE TELESYSTEMS OJSC  
Form 6-K  
May 20, 2008

## **FORM 6-K**

# **UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Report of Foreign Issuer  
May 20, 2008**

**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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201 May | 2008

**Press Release**

**Mobile TeleSystems announces financial results for the first quarter ended March 31, 2008**

**Moscow, Russian Federation** Mobile TeleSystems OJSC ( MTS - NYSE: MBT), today announced its unaudited consolidated US GAAP financial results for the three months ended March 31, 2008.

**Key Financial Highlights of Q1 2008**

- Consolidated revenues up 37% y-o-y to \$2,379 million
- Consolidated OIBDA(1) up 30% to \$1,176 million y-o-y with 49.4% OIBDA margin
- Consolidated net income up 36% y-o-y to \$610 million
- Free cash-flow(2) generation of \$632 million

**Key Corporate and Industry Highlights**

- Appointment of Mr. Andrei Dubovskov as the new head of MTS Ukraine
- MTS first Russian company named as BRANDZ Top 100 Most Powerful Brands by Millwood Brown and *Financial Times*
- Consolidation of remaining stake in the Omsk subsidiary
- Redemption of the \$400 million Eurobond issued in 2003
- Announcement of recommended dividend payment for FY 2007 of \$1.2 billion or \$3.12 per ADR(3)

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Leonid Melamed, President and Chief Executive Officer, highlighted, We are pleased to deliver on our promise of profitable growth throughout the Group's operations. In Russia, we are witnessing clear momentum as we continue to add subscribers and realize the benefits of increasing voice and data usage. In Ukraine, we see positive trends in usage growth and service adoption, while in our remaining CIS markets, we are building out our networks to bring mobile service deeper into the local populations. In all, we are confident that we can sustain this momentum to continue executing on our corporate strategy.



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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) See Attachment B for reconciliation of free cash-flow to net cash provided by operating activity.

**(3) According to the Russian Central Bank exchange rate of 23.7939 RUR/\$ as of May 5, 2008.**







**Financial Summary (unaudited)**

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| US\$ million         | Q1 08 | Q1 07 | y-o-y  | Q4 07 | q-o-q  |
|----------------------|-------|-------|--------|-------|--------|
| Revenues             | 2,379 | 1,741 | +37%   | 2,326 | +2%    |
| OIBDA                | 1,176 | 903   | +30%   | 1,127 | +4%    |
| - margin             | 49.4% | 51.9% | -2.5pp | 48.4% | +1.0pp |
| Net operating income | 705   | 597   | +18%   | 644   | +9%    |
| - margin             | 29.6% | 34.3% | -4.7pp | 27.7% | +1.9pp |
| Net income           | 610   | 449   | +36%   | 460   | +33%   |

**Group Operating Review**



*Market Growth*

Mobile penetration<sup>(4)</sup> in markets of operation was:

- Down from 119% to 116% in Russia;
- Down from 120% to 119% in Ukraine;
- Up from 22% to 25% in Uzbekistan;
- Up from 7% to 10% in Turkmenistan;
- Up from 58% to 60% in Armenia;
- Up from 73% to 75% in Belarus.

*Subscriber Development*

The Company added approximately 3.0 million new customers during the first quarter of 2008 on a consolidated basis that were all added organically. During the quarter MTS:

- Added 2.5 million subscribers in Russia;
- Churned 0.4 million in Ukraine;
- Added 0.8 million subscribers in Uzbekistan;
- Added 110 thousand subscribers in Turkmenistan;
- Added 34 thousand subscribers in Armenia.

Our Belarus operations added approximately 140 thousand subscribers during the quarter.

Since the end of the first quarter to April 30, 2008, MTS has organically added a further 0.74 million users, expanding its consolidated subscriber base to 85.68 million.

Key Subscriber Statistics

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| (mln)                               | Q1 07 | Q2 07 | Q3 07 | Q4 07 | Q1 08 |
|-------------------------------------|-------|-------|-------|-------|-------|
| Total consolidated subscribers, eop | 74.16 | 74.67 | 77.97 | 81.97 | 84.94 |
| Russia                              | 51.50 | 52.68 | 54.42 | 57.43 | 59.90 |
| Ukraine                             | 20.75 | 19.81 | 19.91 | 20.00 | 19.61 |
| Uzbekistan(5)                       | 1.70  | 1.95  | 2.29  | 2.80  | 3.56  |
| Turkmenistan                        | 0.20  | 0.24  | 0.29  | 0.36  | 0.47  |
| Armenia                             |       |       | 1.07  | 1.38  | 1.42  |
| MTS Belarus(6)                      | 3.37  | 3.48  | 3.66  | 3.80  | 3.94  |

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(4) The source for all market information based on the number of SIM cards in Russia and Ukraine in this press release is AC&M-Consulting.

(5) Starting from Q1 2008 MTS employs a six-month inactive churn policy in Uzbekistan

(6) MTS owns a 49% stake in Mobile TeleSystems LLC, a mobile operator in Belarus, which is not consolidated.

*Market Share*

MTS was able to maintain its leading position in the majority of its markets of operation during the first quarter:

- Increased from 33% to 36% in Russia;
- Decreased from 36% to 35% in Ukraine;
- Increased from 50% to 52% in Uzbekistan;
- Decreased from 88% to 85% in Turkmenistan;
- Decreased from 74% to 73% in Armenia.

In Belarus, the market share increased to 54% from 53%.

*Customer Segmentation*

Subscriptions to MTS pre-paid tariff plans accounted for 86% of gross additions in Russia and 94% in Ukraine in the first quarter. At the end of the quarter, 88% of MTS customers in Russia were signed up to pre-paid tariff plans. In Ukraine, the share of customers signed to pre-paid tariff plans remained at 92%.

**Russia Highlights**

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| US\$ mln      | Q1 08 | Q1 07 | y-o-y  | Q4 07  | q-o-q   |
|---------------|-------|-------|--------|--------|---------|
| Revenues      | 1,798 | 1,309 | +37%   | 1,723  | +4%     |
| OIBDA         | 877   | 682   | +29%   | 822(7) | +7%     |
| - margin      | 48.8% | 52.1% | -3.3pp | 47.7%  | +1.1pp  |
| Net income    | 494   | 362   | +36%   | 344    | +44%    |
| CAPEX         | 205   | 110   | +86%   | 490    | -58%    |
| - as % of rev | 11.4% | 8.4%  | +3.0pp | 28.4%  | -17.0pp |



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|                | Q1 07 | Q2 07 | Q3 07 | Q4 07 | Q1 08 |
|----------------|-------|-------|-------|-------|-------|
| ARPU (US\$)    | 8.2   | 9.2   | 10.0  | 10.0  | 10.0  |
| MOU (min)      | 134   | 151   | 167   | 187   | 193   |
| Churn rate (%) | 6.1   | 5.2   | 7.1   | 5.1   | 4.8   |
| SAC (US\$)     | 26.2  | 28.9  | 24.3  | 26.6  | 29.5  |

**Ukraine Highlights**

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| US\$ mln      | Q1 08 | Q1 07 | y-o-y  | Q4 07 | q-o-q   |
|---------------|-------|-------|--------|-------|---------|
| Revenues      | 409   | 351   | +17%   | 425   | -4%     |
| OIBDA         | 190   | 168   | +13%   | 195   | -3%     |
| - margin      | 46.5% | 48.0% | -1.5pp | 45.8% | +0.7pp  |
| Net income    | 87    | 64    | +36%   | 75    | +16%    |
| CAPEX         | 109   | 110   | -1%    | 169   | -36%    |
| - as % of rev | 26.6% | 31.2% | -4.6pp | 39.7% | -13.1pp |

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|                | Q1 07 | Q2 07 | Q3 07 | Q4 07 | Q1 08 |
|----------------|-------|-------|-------|-------|-------|
| ARPU (US\$)    | 5.7   | 6.4   | 7.3   | 7.1   | 6.8   |
| MOU (min)      | 135   | 152   | 162   | 163   | 175   |
| Churn rate (%) | 7.8   | 14.1  | 12.5  | 14.4  | 10.3  |
| SAC (US\$)     | 11.2  | 13.7  | 10.9  | 12.7  | 13.8  |

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(7) Including intercompany of \$0.4 mln.





**Uzbekistan Highlights**

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| US\$ mln      | Q1 08 | Q1 07 | y-o-y  | Q4 07 | q-o-q  |
|---------------|-------|-------|--------|-------|--------|
| Revenues      | 79    | 49    | +61%   | 77    | +3%    |
| OIBDA         | 49    | 31    | +58%   | 49    | stable |
| - margin      | 61.8% | 63.7% | -1.9pp | 63.6% | -1.8pp |
| Net income    | 32    | 17    | +88%   | 31    | +3%    |
| CAPEX         | 11    | 3     | +267%  | 13    | -15%   |
| - as % of rev | 14.2% | 5.5%  | +8.7pp | 16.4% | -2.2pp |

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|                | Q1 07 | Q2 07 | Q3 07 | Q4 07 | Q1 08(8) |
|----------------|-------|-------|-------|-------|----------|
| ARPU (US\$)    | 10.3  | 10.4  | 10.3  | 10.0  | 8.3      |
| MOU (min)      | 463   | 549   | 565   | 574   | 520      |
| Churn rate (%) | 16.8  | 17.9  | 14.3  | 13.5  | 2.8      |
| SAC (US\$)     | 4.1   | 3.7   | 4.4   | 4.8   | 7.0      |

**Turkmenistan Highlights(9)**



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| US\$ mln      | Q1 08 | Q1 07 | y-o-y   | Q4 07 | q-o-q   |
|---------------|-------|-------|---------|-------|---------|
| Revenues      | 44    | 35    | +26%    | 47    | -6%     |
| OIBDA         | 27    | 22    | +23%    | 29    | -7%     |
| - margin      | 61.6% | 61.2% | +0.4pp  | 61.4% | +0.2pp  |
| Net income    | 13    | 6     | +117%   | 3     | +333%   |
| CAPEX         | 15    | 1     | +1400%  | 27    | -44%    |
| - as % of rev | 35.3% | 4.0%  | +31.3pp | 58.3% | -23.0pp |

|                | Q1 07 | Q2 07 | Q3 07 | Q4 07 | Q1 08 |
|----------------|-------|-------|-------|-------|-------|
| ARPU (US\$)    | 61.4  | 63.4  | 57.4  | 48.1  | 35.4  |
| MOU (min)      | 227   | 264   | 299   | 282   | 273   |
| Churn rate (%) | 6.1   | 6.3   | 8.6   | 5.5   | 5.0   |
| SAC (US\$)     | 47.7  | 26.9  | 20.8  | 19.7  | 14.8  |

Armenia Highlights

| US\$ mln           | Q1 08 | Q4 07 | q-o-q   |
|--------------------|-------|-------|---------|
| Revenues           | 55    | 58    | -5%     |
| OIBDA              | 32    | 33    | -3%     |
| - margin           | 57.9% | 56.2% | +1.7pp  |
| Net income /(loss) | (16)  | 7     |         |
| CAPEX              | 2     | 14    | -86%    |
| - as % of rev      | 3.7%  | 24.0% | -20.3pp |

|             | Q3 07 | Q4 07 | Q1 08 |
|-------------|-------|-------|-------|
| ARPU (US\$) | 15.7  | 15.8  | 12.8  |
| SAC (US\$)  | 12.9  | 15.2  | 26.7  |

**Group Financial Position**



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MTS expenditure on property, plant and equipment in the first quarter totaled approximately \$282 million, of which \$151 million was invested in Russia, \$103 million in Ukraine, \$11 million in Uzbekistan, \$15 million in Turkmenistan and \$2 million in Armenia.

MTS spent approximately \$61 million on the purchase of intangible assets during the quarter of which \$54 million was spent in Russia, \$6 million in Ukraine and \$1 million in Armenia.

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- (8) In Q1 2008, MTS Uzbekistan moved away from a two-month to a six-month churn policy.
  - (9) On January 1, 2008, the Central Bank of Turkmenistan raised the official exchange rate of the Turkmenistan Manat to the US dollar from 5,200 to 6,250. On May 1, 2008, another decree was passed by the President of Turkmenistan that established the official exchange rate at 14,250 Manat per 1 USD.

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As of March 31, 2008, MTS total debt(10) was at \$3.1 billion, resulting in a ratio of total debt to LTM OIBDA(11) of 0.7 times. Net debt amounted to \$2.5 billion at the end of the quarter and the net debt to LTM OIBDA of 0.6 times.

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Mobile TeleSystems OJSC ( MTS ) is the largest mobile phone operator in Russia and the CIS. Together with its subsidiaries, the Company services over 85.68 million subscribers. The regions of Russia, as well as Armenia, Belarus, Turkmenistan, Ukraine, and Uzbekistan, in which MTS and its associates and subsidiaries are licensed to provide GSM services, have 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 MTS can be found on MTS website at [www1.mtsgsm.com](http://www1.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 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, 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, risks associated with operating in Russia and the CIS, volatility of stock price, financial risk management and future growth subject to risks.

**(10) Total debt is comprised of the current portion of debt, current capital lease obligations, long-term debt and long-term capital lease obligations; net debt is the difference between the total debt and cash and cash equivalents and short-term investments; see Attachment B for reconciliation of net debt to our consolidated balance sheet.**

**(11) LTM OIBDA represents the last twelve months of rolling OIBDA. See Appendix B for reconciliations to our consolidated statements.**

**Attachments to the First Quarter 2008  
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.

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 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 (US\$ mln) | Q1 07 | Q2 07   | Q3 07   | Q4 07   | Q1 08   |
|------------------|-------|---------|---------|---------|---------|
| Operating income | 597.2 | 691.0   | 801.8   | 643.8   | 704.6   |
| Add: D&A         | 305.9 | 327.7   | 372.9   | 483.0   | 470.9   |
| OIBDA            | 903.1 | 1,018.7 | 1,174.7 | 1,126.9 | 1,175.5 |

| Russia (US\$ mln) | Q1 07 | Q2 07 | Q3 07     | Q4 07     | Q1 08 |
|-------------------|-------|-------|-----------|-----------|-------|
| Operating income  | 463.6 | 531.1 | 612.0     | 469.3     | 562.5 |
| Add: D&A          | 218.3 | 236.8 | 268.8     | 352.7     | 314.9 |
| OIBDA             | 681.9 | 767.9 | 880.9(12) | 822.0(13) | 877.4 |

| Ukraine (US\$ mln) | Q1 07 | Q2 07 | Q3 07 | Q4 07 | Q1 08 |
|--------------------|-------|-------|-------|-------|-------|
| Operating income   | 92.9  | 120.6 | 136.7 | 106.7 | 85.4  |
| Add: D&A           | 75.5  | 78.3  | 83.1  | 88.1  | 104.8 |
| OIBDA              | 168.4 | 198.8 | 219.7 | 194.8 | 190.1 |

| Uzbekistan (US\$ mln) | Q1 07 | Q2 07 | Q3 07 | Q4 07 | Q1 08 |
|-----------------------|-------|-------|-------|-------|-------|
| Operating income      | 23.6  | 28.5  | 27.0  | 35.2  | 35.1  |
| Add: D&A              | 7.7   | 8.2   | 14.1  | 13.5  | 13.9  |
| OIBDA                 | 31.3  | 36.7  | 41.1  | 48.7  | 49.1  |

| Turkmenistan (US\$ mln) | Q1 07 | Q2 07 | Q3 07 | Q4 07 | Q1 08 |
|-------------------------|-------|-------|-------|-------|-------|
| Operating income        | 17.2  | 10.8  | 22.6  | 22.9  | 21.9  |
| Add: D&A                | 4.4   | 4.4   | 5.4   | 5.7   | 5.1   |

(11) LTM OIBDA represents the last twelve months of rolling OIBDA. See Appendix B for reconciliations to our consolidated financial statements.

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|       |      |      |      |      |      |
|-------|------|------|------|------|------|
| OIBDA | 21.6 | 15.2 | 28.1 | 28.6 | 26.9 |
|-------|------|------|------|------|------|

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(12) Including intercompany of \$2.2 mln.

(13) Including intercompany of \$0.4 mln.



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| Armenia (US\$ mln)       | Q3 07 | Q4 07 | Q1 08 |
|--------------------------|-------|-------|-------|
| Operating income/ (loss) | 3.5   | 9.7   | (0.3) |
| Add: D&A                 | 1.5   | 23.0  | 32.2  |
| OIBDA                    | 5.0   | 32.7  | 32.0  |

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

| Group            | Q1 07 | Q2 07 | Q3 07 | Q4 07 | Q1 08 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 34.3% | 35.1% | 36.2% | 27.7% | 29.6% |
| Add: D&A         | 17.6% | 16.6% | 16.8% | 20.7% | 19.8% |
| OIBDA margin     | 51.9% | 51.7% | 53.0% | 48.4% | 49.4% |

| Russia           | Q1 07 | Q2 07 | Q3 07 | Q4 07 | Q1 08 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 35.4% | 35.9% | 36.6% | 27.2% | 31.3% |
| Add: D&A         | 16.7% | 16.0% | 16.1% | 20.5% | 17.5% |
| OIBDA margin     | 52.1% | 51.8% | 52.8% | 47.7% | 48.8% |

| Ukraine          | Q1 07 | Q2 07 | Q3 07 | Q4 07 | Q1 08 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 26.5% | 30.7% | 31.2% | 25.1% | 20.9% |
| Add: D&A         | 21.5% | 19.9% | 18.9% | 20.7% | 25.6% |
| OIBDA margin     | 48.0% | 50.6% | 50.1% | 45.8% | 46.5% |

| Uzbekistan       | Q1 07 | Q2 07 | Q3 07 | Q4 07 | Q1 08 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 48.0% | 50.1% | 41.0% | 45.9% | 44.3% |
| Add: D&A         | 15.7% | 14.4% | 21.5% | 17.6% | 17.6% |
| OIBDA margin     | 63.7% | 64.4% | 62.5% | 63.6% | 61.8% |

| Turkmenistan     | Q1 07 | Q2 07 | Q3 07 | Q4 07 | Q1 08 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 48.8% | 26.1% | 50.0% | 49.1% | 50.0% |
| Add: D&A         | 12.4% | 10.8% | 12.0% | 12.3% | 11.6% |
| OIBDA margin     | 61.2% | 36.8% | 62.0% | 61.4% | 61.6% |

| Armenia          | Q3 07 | Q4 07 | Q1 08  |
|------------------|-------|-------|--------|
| Operating margin | 41.9% | 16.7% | (0.5)% |
| Add: D&A         | 17.9% | 39.5% | 58.5%  |
| OIBDA margin     | 59.8% | 56.2% | 57.9%  |

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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:

| US\$ million   | As of Dec 31,<br>2007 | As of Mar 31,<br>2008 |
|--|-----------------------|-----------------------|
| Current portion of debt and of capital lease obligations | 713.3                 | 466.1                 |
| Long-term debt   | 2,686.5               | 2,607.5               |
| Capital lease obligations                                | 1.9                   | 2.5                   |
| <b>Total debt</b>  | <b>3,401.7</b>        | <b>3,076.2</b>        |
| Less:  |                       |                       |
| Cash and cash equivalents                                | (634.5)               | (552.5)               |
| Short-term investments                                   | (15.8)                | (15.8)                |
| <b>Net debt</b>  | <b>2,751.4</b>        | <b>2,507.9</b>        |

Last twelve month (LTM) OIBDA can be reconciled to our consolidated statements of operations as follows:

| US\$ million                          | Year ended<br>Dec 31, 2007<br>A | Three month ended<br>Mar 31, 2007<br>B | Nine month ended<br>Dec 31, 2007<br>C=A-B |
|---------------------------------------|---------------------------------|--|---|
| Net operating income                  | 2,733.8                         | 597.2                                  | 2,136.6                                   |
| Add: depreciation and amortization    | 1,489.6                         | 305.9                                  | 1,183.7                                   |
| <b>OIBDA</b>                          | <b>4,223.4</b>                  | <b>903.1</b>                           | <b>3,320.3</b>                            |
| OIBDA Q1 2008                         |                                 |  | 1,175.5                                   |
| <b>LTM OIBDA as of March 31, 2008</b> |                                 |  | <b>4,495.8</b>                            |

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

| US\$ million  | For the three<br>months ended<br>Mar 31, 2007 | For the three<br>months ended<br>Mar 31, 2008 |
|---|---|---|
| Net cash provided by operating activities           | 736.1   | 991.5   |
| Less:   |   |   |
| Purchases of property, plant and equipment          | (206.5)                                       | (281.0)                                       |
| Purchases of intangible assets                      | (17.4)  | (61.4)  |
| Proceeds from sale of property, plant and equipment |   | 23.2  |
| Purchases of other investments                      |   | (21.2)  |
| Investments in and advances to associates           |   |   |
| Acquisition of subsidiaries, net of cash acquired   |   | (19.4)  |
| Free cash-flow                                      | 512.2   | 631.7   |

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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 and guest roaming 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 UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**

(Amounts in thousands of U.S. dollars, except share and per share amounts)

|  | <b>Three months ended<br/>March 31, 2008</b> | <b>Three months ended<br/>March 31, 2007</b> |
|--|--|--|
| <b>Net operating revenue</b>   |  |  |
| Service revenue and connection fees  | \$ 2 373 531                                 | \$ 1 719 303                                 |
| Sales of handsets and accessories  | 5 685  | 22 128                                       |
|  | <b>2 379 216</b>                             | <b>1 741 431</b>                             |
| <b>Operating expenses</b>  |  |  |
| Cost of services   | 557 299                                      | 362 987                                      |
| Cost of handsets and accessories   | 25 723                                       | 40 899                                       |
| Sales and marketing expenses   | 213 996                                      | 138 468                                      |
| General and administrative expenses  | 346 412                                      | 253 163                                      |
| Depreciation and amortization  | 470 898                                      | 305 909                                      |
| Provision for doubtful accounts  | 25 734                                       | 18 332                                       |
| Other operating expenses   | 34 550                                       | 24 458                                       |
|  | <b>704 604</b>                               | <b>597 215</b>                               |
| <b>Net operating income</b>  | <b>704 604</b>                               | <b>597 215</b>                               |
| Currency exchange and transaction gains                                    | (95 864)                                     | (28 669)                                     |
| <b>Other expenses / (income):</b>  |  |  |
| Interest income  | (3 785)                                      | (7 623)                                      |
| Interest expense, net of amounts capitalized                               | 40 606                                       | 37 870                                       |
| Other expenses / (income)  | (10 710)                                     | (27 301)                                     |
| <b>Total other expenses, net</b>   | <b>26 111</b>                                | <b>2 946</b>                                 |
| <b>Income before provision for income taxes and minority interest</b>      | <b>774 357</b>                               | <b>622 938</b>                               |
| Provision for income taxes   | 165 925                                      | 168 091                                      |
| Minority interest  | (1 722)                                      | 6 266  |
| <b>Net income</b>  | <b>\$ 610 154</b>                            | <b>\$ 448 581</b>                            |
| Weighted average number of common shares outstanding, in thousands - basic | 1 943 934                                    | 1 987 610                                    |
| Earnings per share - basic and diluted                                     | 0.31   | 0.23   |

## MOBILE TELESYSTEMS

## CONDENSED UNAUDITED CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31, 2008 AND DECEMBER 31, 2007

(Amounts in thousands of U.S. dollars, except share amounts)

|  | As of March 31,<br>2008 | As of December 31,<br>2007 |
|--|-------------------------|----------------------------|
| <b>CURRENT ASSETS:</b>                                       |                         |                            |
| Cash and cash equivalents                                    | \$ 552 527              | \$ 634 498                 |
| Short-term investments                                       | 15 782                  | 15 776                     |
| Trade receivables, net                                       | 409 905                 | 386 608                    |
| Accounts receivable, related parties                         | 33 727                  | 25 004                     |
| Inventory and spare parts                                    | 150 205                 | 140 932                    |
| VAT receivable   | 238 271                 | 310 548                    |
| Prepaid expenses and other current assets                    | 483 833                 | 433 291                    |
| <b>Total current assets</b>                                  | <b>1 884 250</b>        | <b>1 946 657</b>           |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>                         | <b>6 824 236</b>        | <b>6 607 315</b>           |
| <b>INTANGIBLE ASSETS</b>                                     | <b>2 051 470</b>        | <b>2 095 468</b>           |
| <b>INVESTMENTS IN AND ADVANCES TO ASSOCIATES</b>             | <b>211 491</b>          | <b>195 908</b>             |
| <b>OTHER INVESTMENTS</b>                                     | <b>22 594</b>           | <b>1 355</b>               |
| <b>OTHER ASSETS</b>  | <b>131 148</b>          | <b>119 964</b>             |
| <b>Total assets</b>  | <b>11 125 189</b>       | <b>10 966 667</b>          |
| <b>CURRENT LIABILITIES</b>                                   |                         |                            |
| Accounts payable   | 523 981                 | 486 666                    |
| Accrued expenses and other current liabilities               | 1 408 174               | 1 251 233                  |
| Accounts payable, related parties                            | 168 379                 | 160 253                    |
| Current portion of long-term debt, capital lease obligations | 466 147                 | 713 282                    |
| <b>Total current liabilities</b>                             | <b>2 566 681</b>        | <b>2 611 434</b>           |
| <b>LONG-TERM LIABILITIES</b>                                 |                         |                            |
| Long-term debt   | 2 607 537               | 2 686 509                  |
| Capital lease obligations                                    | 2 515                   | 1 876                      |
| Deferred income taxes  | 93 071                  | 114 171                    |
| Deferred revenue and other                                   | 100 970                 | 89 696                     |
| <b>Total long-term liabilities</b>                           | <b>2 804 093</b>        | <b>2 892 252</b>           |
| <b>Total liabilities</b>                                     | <b>5 370 774</b>        | <b>5 503 686</b>           |
| <b>COMMITMENTS AND CONTINGENCIES</b>                         |                         |                            |
| <b>MINORITY INTEREST</b>                                     | <b>11 859</b>           | <b>20 051</b>              |
| <b>SHAREHOLDERS EQUITY:</b>                                  |                         |                            |

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|  |                      |                      |
|--|----------------------|----------------------|
| Common stock: (2,096,975,792 shares with a par value of 0.1 rubles authorized and 1,993,326,138 shares issued as March 31, 2008 and December 31, 2007 (777,396,505 of which are in the form of ADS as of March 31, 2008 and December 31, 2007) | 50 558               | 50 558               |
| Treasury stock (57,908,337 and 32,476,837 common shares at cost as of March 31, 2008 and December 31, 2007)  | (791 495)            | (368 352)            |
| Additional paid-in capital   | 580 041              | 579 520              |
| Unearned compensation  |                      |                      |
| Shareholder receivable   |                      |                      |
| Accumulated other comprehensive income   | 816 284              | 704 189              |
| Retained earnings  | 5 087 168            | 4 477 015            |
| <b>Total shareholders equity</b>   | <b>5 742 556</b>     | <b>5 442 930</b>     |
| <b>Total liabilities and shareholders equity</b>   | <b>\$ 11 125 189</b> | <b>\$ 10 966 667</b> |

## MOBILE TELESYSTEMS

## CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(Amounts in thousands of U.S. dollars)

|  | Three months ended<br>March 31, 2008 | Three months ended<br>March 31, 2007 |
|--|--------------------------------------|--------------------------------------|
| <b>Net cash provided by operating activities</b>                             | <b>991 545</b>                       | <b>736 114</b>                       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                 |                                      |                                      |
| Acquisition of subsidiaries, net of cash acquired                            | (19 395)                             |                                      |
| Purchases of property, plant and equipment                                   | (281 019)                            | (206 486)                            |
| Purchases of intangible assets   | (61 418)                             | (17 390)                             |
| Proceeds from sale of property, plant and equipment and assets held for sale | 23 249                               |                                      |
| Purchases of short-term investments  |                                      | (103 968)                            |
| Proceeds from sale of short-term investments                                 |                                      | 55 231                               |
| Purchase of other investments  | (21 239)                             |                                      |
| Increase in restricted cash  | 7 887                                | 537                                  |
| <b>Net cash used in investing activities</b>                                 | <b>(351 935)</b>                     | <b>(272 076)</b>                     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                 |                                      |                                      |
| Repurchase of common stock   | (423 143)                            |                                      |
| Notes and debt issuance cost   | (278)                                | (525)                                |
| Capital lease obligation principal paid                                      | (1 349)                              | (966)                                |
| Proceeds from loans  | 105 105                              |                                      |
| Loan principal paid  | (435 385)                            | (39 553)                             |
| <b>Net cash used in financing activities</b>                                 | <b>(755 050)</b>                     | <b>(41 044)</b>                      |
| Effect of exchange rate changes on cash and cash equivalents                 | 33 469                               | 880                                  |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS:</b>                            | <b>(81 971)</b>                      | <b>423 874</b>                       |
| <b>CASH AND CASH EQUIVALENTS, at beginning of period</b>                     | <b>634 498</b>                       | <b>219 989</b>                       |
| <b>CASH AND CASH EQUIVALENTS, at end of period</b>                           | <b>\$ 552 527</b>                    | <b>\$ 643 863</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: /s/ Leonid Melamed  
Name: Leonid Melamed  
Title: CEO

Date: **May 20, 2008**