

MOBILE TELESYSTEMS OJSC
Form 6-K
June 08, 2010

FORM 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
June 8, 2010

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, 2010

June 8, 2010

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, 2010.

Key Financial Highlights of Q1 2010(1)

- Consolidated revenues up 23.2% y-o-y to \$2,614 million
- Consolidated OIBDA(2) up 20.4% y-o-y to \$1,154 million with 44.1% OIBDA margin
- Consolidated net income of \$381 million
- Free cash-flow(3) positive with \$710 million for the first three months of 2010

Key Corporate and Industry Highlights

- Agreement with Sberbank to lower the interest rates on RUB 59 billion in financing raised in August and September 2009

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- Agreement with Gazprombank to lower the interest rates on the EUR 100 million credit facility with maturity in September 2012, the facility in the amount of RUB 6.46 billion with maturity in September 2012 and the revolving credit line in the amount of EUR 100 million with maturity in September 2012; further renegotiation of terms on credit facilities in May
- Securing of financing from the Bank of Moscow in the amount of RUB 22 billion
- Voluntarily repayment of RUB 6 billion of Sberbank loan and EUR 413 million EBRD, NIB, EIB loan
- Voluntary prepayment of the principal and loan interest amounts on facility A of \$373.8 million and on facility B of 247.6 million of the syndicated loan agreement
- Decision by the Moscow Interbank Currency Exchange (MICEX) to move the Company's five outstanding ruble-denominated bonds from B and V quotation lists to the A1 quotation list
- American Depositary Receipt (ADR) ratio change from the 1 ADR per 5 common shares to 1 ADR per 2 common shares effective May 3, 2010
- Repurchase of the series 01 ruble-denominated bond in the amount of RUB 7.1 billion and the series 02 ruble-denominated bond in the amount of RUB 6.3 billion in April
- Publication of the BrandZ ranking in April, recognizing MTS among the most powerful brands in the world for the third year in a row with a value of \$9.7 billion at the 72nd position

(1) Because Comstar-UTS was acquired from JSC Sistema, the majority owner of both MTS and Comstar, the acquisition was accounted for as a transaction between entities under common control. Similar to a pooling of interest, whereby the assets and liabilities of Comstar were recorded at Sistema's carrying value, MTS' historical financial information was recast to include the acquired entity for all periods presented. In addition, given the scale of the transaction, MTS has reallocated its headquarters' costs more equitably to its business units according to international practices.

(2) See Attachment A for definitions and reconciliation of OIBDA and OIBDA margin to their most directly comparable US GAAP financial measures.

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

- Announcement that Comstar-UTS, MGTS Finance S.A., a company controlled by Comstar, and OAO Rostelecom have concluded agreements involving the sale of the 25%+1(4) share of OAO Svyazinvest to OAO Rostelecom for RUB 26 billion in May
- Recommendation by MTS Board of Directors (BoD) for the annual general meeting of shareholders to approve annual dividends of RUB 15.40(5) per ordinary MTS share (approximately \$1.00 per ADR(6)) for the 2009 fiscal year, amounting to a total of RUB 30.70 billion (approximately \$999.3 million or 99% of US GAAP net income or 75% of US GAAP net income adjusted for the non-cash impairment charges) and nomination a total of nine members for the election to the Company's BoD

Commentary

Mr. Mikhail Shamolin, President and CEO of MTS, commented: Results for the first quarter have demonstrated the progress we are making in our markets by moving towards our strategic goals. MTS Group revenue in the first quarter increased more than 23% year over year in dollar terms, driven both by currency appreciation as well as positive growth in each of our markets of operation. Overall, increasing usage, greater adoption of data products, subscriber additions and our extension into new products and services continue to support our growth. While we do not yet see a distinct impact on our business from the improving economic environment, we continue to outperform our peers in our markets of operation and believe strongly that we can benefit most from an uptick in regional economic activity.

Mr. Alexey Kornya, Vice President and CFO of MTS, added: The Company's OIBDA grew over 20% in dollar terms year-over-year in the first quarter of 2010, driven by growth in our markets of operation and the appreciation of our core currencies versus the US dollar. While our Group margin fell 1 percentage points year-over-year, this decline masks the improvements we have made in our core network business considering the impact of rising handset sales on our margin. In Russia, excluding our retail efforts, our mobile OIBDA margin improved 2.5 percentage points on better top line performance and improved operating efficiencies.

Mr. Shamolin continued: Since the end of the quarter, we continue to move forward with our strategic objectives. Integration with Comstar is proceeding as planned: we have initiated the rebranding process and have also brought to market the first truly convergent product. We continue to enhance our networks and have launched 3G services in Belarus and are actively developing our 3G network in Moscow. On the retail side of the business, with over 2,000 stores wholly owned and additional franchisees, we remain focused on improving the quality of our network. Overall, we continue to execute on our 3i Strategy, realizing goals in our integration with Comstar, developing networks to support universal internet access and seizing growth opportunities by bringing to market innovative products and services.

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

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- (4) 17.31% is owned by Comstar directly with another 7.69% owned by MGTS Finance S.A., which is controlled by Comstar.
- (5) The dividend yield per share is 5.1%.
- (6) According to the Russian Central Bank exchange rate of 30.7193 RUB/USD as of May 11, 2010. The dividend amount is set in Russian rubles by the Board of Directors; U.S. dollar amounts provided for reference using the foreign exchange rates as of May 11, 2010.

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Financial Summary(7)

USD million	Q1 10	Q1 09	y-o-y	Q4 09	q-o-q
Revenues	2,614.4	2,121.6	23.2%	2,718.9	-3.8%
- mobile	2,072.2	1,757.8	17.9%	2,187.0	-5.2%
- fixed	408.2	334.4	22.1%	412.5	-1.0%
OIBDA(8)	1,153.7	957.9	20.4%	1,193.0	-3.3%
- margin	44.1%	45.1%	-1.0pp	43.9%	0.2pp
Net operating income	676.2	542.5	24.6%	609.2	11.0%
- margin	25.9%	25.6%	0.3pp	22.4%	3.5pp
Net income	381.3	-53.5	n/a	-26.1	n/a
- margin	14.6%	n/a	n/a	n/a	n/a

Russia Highlights

RUB mln	Q1 10	Q1 09	y-o-y	Q4 09	q-o-q
Revenues(9)	65,295.3	57,462.7	13.6%	66,594.6	-2.0%
- mobile	53,495.9	46,856.5	14.2%	55,132.2	-3.0%
- fixed	12,510.1	11,345.5	10.3%	12,157.6	2.9%
OIBDA	29,668.7	26,475.9	12.1%	29,882.9	-0.7%
- mobile	24,143.7	22,188.4	8.8%	25,034.0	-3.6%
- fixed	5,525.0	4,287.5	28.9%	4,940.4	11.8%
OIBDA margin	45.4%	46.1%	-0.7pp	44.9%	0.5pp
- mobile	45.1%	47.4%	-2.3pp	45.4%	-0.3pp
- fixed	44.2%	37.8%	6.4pp	40.6%	3.6pp
Net income	10,844.7	-3,170.4	n/a	-2,639.5	n/a
- margin	16.6%	n/a	n/a	n/a	n/a

	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
ARPU (RUB)(10)	233.5	245.4	255.8	248.4	236.7
MOU (min)	205	216	213	219	211
Churn rate (%)	8.0	6.9	10.7	12.4	10.4
SAC (RUB)	742.8	671.8	558.5	523.9	550.9
- dealer commission	390.2	363.1	355.7	309.7	352.6
- adv & mktg	352.7	308.7	202.7	214.1	198.3

- (7) Because Comstar-UTS was acquired from JSC Sistema, the majority owner of both MTS and Comstar, the acquisition was accounted for as a transaction between entities under common control. Similar to a pooling of interest, whereby the assets and liabilities of Comstar were recorded at Sistema's carrying value, MTS' historical financial information was recast to include the acquired entity for all periods presented. In addition, given the scale of the transaction, MTS has reallocated its headquarters' costs more equitably to its business units according to international practices.
- (8) OIBDA results for Q4 2009 do not include long-lived assets impairment loss and acquisition related costs in amount of \$86.4 mln.
- (9) Gross of intercompany.
- (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	Q1 10	Q1 09	y-o-y	Q4 09	q-o-q
Revenues	1,921.9	1,872.7	2.6%	2,107.7	-8.8%
OIBDA	836.9	796.4	5.1%	927.1	-9.7%
- margin	43.5%	42.5%	1.0pp	44.0%	-0.5pp
Net income	59.6	96.6	-38.3%	205.5	-71.0%
- margin	3.1%	5.2%	-2.1%	9.8%	-6.7%
	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
ARPU (UAH)	33.6	35.8	40.1	38.3	35.2
MOU (min)	427	441	478	506	527
Churn rate (%)	10.2	9.7	10.4	9.7	9.4
SAC (UAH)	62.4	52.1	45.9	56.8	66.9
- dealer commission	35.8	21.8	16.3	22.3	34.2
- adv & mktg	17.4	19.2	17.7	22.7	21.2
- handset subsidy	1.0	1.2	1.4	2.6	2.1
- SIM card & voucher	8.2	9.9	10.5	9.2	9.4

Uzbekistan Highlights(11)

USD mln	Q1 10	Q1 09	y-o-y	Q4 09	q-o-q
Revenues	103.5	101.7	1.8%	105.2	-1.6%
OIBDA	56.5	60.5	-6.6%	56.7	-0.4%
- margin	54.6%	59.5%	-4.9pp	53.9%	0.7pp
Net income	24.5	30.7	-20.2%	26.8	-8.6%
- margin	23.7%	30.2%	-6.5pp	25.5%	-1.8pp
	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
ARPU (USD)	5.8	5.2	5.1	5.0	4.8
MOU (min)	416	502	500	534	520
Churn rate (%)	6.6	7.1	8.1	8.0	5.9
SAC (USD)	8.2	7.6	8.3	6.7	6.1

Turkmenistan Highlights

TMM bln	Q1 10	Q1 09	y-o-y	Q4 09	q-o-q
Revenues	138.2	93.0	48.6%	135.0	2.4%
OIBDA	89.0	51.9	71.5%	85.9	3.6%
- margin	64.4%	55.8%	8.6pp	63.7%	0.7pp
Net income	58.5	29.8	96.3%	56.5	3.5%
- margin	42.3%	32.0%	10.3pp	41.8%	0.5pp
	Q1 09	Q2 09	Q3 09	Q4 09	Q1 09
ARPU (TMM)	30.2	30.1	29.7	27.6	25.2
MOU (min)	225	239	241	250	267
Churn rate (%)	3.9	5.8	4.5	5.7	9.9
SAC (TMM)	13.0	11.2	18.4	9.4	10.5

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

Armenia Highlights

AMD mln	Q1 10	Q1 09	y-o-y	Q4 09	q-o-q
Revenues	17,786.2	17,847.3	-0.3%	20,947.3	-15.1%
OIBDA	8,687.7	9,450.9	-8.1%	10,479.3	-17.1%
- margin	48.8%	53.0%	-4.2pp	50.0%	-1.2pp
Net income	-2,409.3	-1,194.5	n/a	2,589.5	n/a
- margin	n/a	n/a	n/a	12.4%	n/a

	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
ARPU (AMD)	2,913.9	3,169.2	3,540.9	3,351.4	2,813.4
MOU (min)	172	182	217	237	220
Churn rate (%)	8.9	10.4	11.3	12.7	8.6
SAC (AMD)	7,280.6	6,005.8	5,143.6	6,787.7	6,868.7

CAPEX Highlights

USD mln	Q1 09	Q4 09	Q1 10
Russia	454.4	418.6	178.4
- as % of rev	26.8%	18.5%	8.2%
Ukraine	146.0	76.9	40.5
- as % of rev	60.0%	29.2%	16.8%
Uzbekistan	87.4	102.7	23.9
- as % of rev	85.9%	97.7%	23.1%
Turkmenistan	11.1	14.1	4.3
- as % of rev	33.9%	29.8%	8.9%
Armenia	6.5	25.9	3.9
- as % of rev	11.8%	47.6%	8.5%

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Learn more about MTS. Visit the official blog of the Investor Relations Department at 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 103.4 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.

* * *

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 the negative of 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.

* * *

**Attachments to the First Quarter 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 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)	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Operating income	542.5	652.4	743.5	609.2	676.2
Add: D&A and impairment loss	415.4	454.1	472.7	583.8	477.5
Adjusted OIBDA(12)	957.9	1,106.5	1,216.2	1,193.0	1,153.7
Russia (USD mln)	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Operating income	490.4	607.5	673.8	659.7	660.5
Add: D&A and impairment loss	289.9	322.4	334.5	354.2	312.8
Adjusted OIBDA(12)	780.3	929.9	1,008.3	1,013.9	992.7
Ukraine (USD mln)	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Operating income	22.4	29.2	45.8	22.9	11.2
Add: D&A	81.0	87.1	90.7	93.1	93.5
OIBDA	103.4	116.3	136.5	116.0	104.8
Uzbekistan (USD mln)	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Operating income	40.6	31.9	29.2	32.0	32.0
Add: D&A	19.9	21.6	22.8	24.7	24.5
OIBDA	60.5	53.5	52.0	56.7	56.5

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

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Turkmenistan (USD mln)	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Operating income	15.4	14.3	22.5	26.9	27.1
Add: D&A	2.9	2.7	3.2	3.2	4.2
OIBDA	18.2	17.0	25.7	30.2	31.2

Armenia (USD mln)	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Operating income/ (loss)	7.4	9.2	11.4	5.2	-0.5
Add: D&A	21.7	20.3	21.6	22.1	23.1
OIBDA	29.1	29.5	32.9	27.2	22.6

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

Group	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Operating margin	25.6%	27.6%	28.4%	22.4%	25.9%
Add: D&A and impairment loss	19.6%	19.2%	18.0%	21.5%	18.3%
OIBDA margin(13)	45.1%	46.8%	46.4%	43.9%	44.1%

Russia	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Operating margin	28.9%	31.5%	31.4%	29.2%	30.2%
Add: D&A and impairment loss	17.1%	16.7%	15.6%	15.7%	14.3%
OIBDA margin(13)	46.0%	48.3%	46.9%	44.9%	45.4%

Ukraine	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Operating margin	9.2%	11.3%	16.1%	8.7%	4.7%
Add: D&A	33.3%	33.7%	32.0%	35.3%	38.9%
OIBDA margin	42.5%	45.1%	48.1%	44.0%	43.5%

Uzbekistan	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Operating margin	40.0%	32.8%	28.9%	30.5%	30.9%
Add: D&A	19.6%	22.3%	22.5%	23.5%	23.7%
OIBDA margin	59.5%	55.1%	51.4%	53.9%	54.6%

Turkmenistan	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Operating margin	47.0%	37.9%	52.1%	56.8%	55.9%
Add: D&A	8.8%	7.3%	7.4%	6.8%	8.6%
OIBDA margin	55.8%	45.2%	59.5%	63.7%	64.4%

Armenia	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Operating margin	13.5%	17.5%	19.3%	9.5%	-1.0%
Add: D&A	39.4%	38.4%	36.5%	40.5%	49.8%
OIBDA margin	52.9%	55.9%	55.8%	50.0%	48.8%

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

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 statements of financial position as follows:

USD mln	As of Dec 31, 2009	As of Mar 31, 2010
Current portion of debt and of capital lease obligations	2,001.8	2,333.3
Long-term debt	6,326.8	5,330.8
Capital lease obligations	0.9	1.1
Total debt	8,329.5	7,665.2
Less:		
Cash and cash equivalents	2,522.8	2,278.5
Short-term investments	217.2	435.3
Net debt	5,589.5	4,951.4

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

US\$ million	Nine months ended Dec 31, 2009 A	Three months ended Mar 31, 2009 B	Twelve months ended Mar 31, 2010 C=A+B
Net operating income	2,005.1	676.2	2,681.3
Add: depreciation and amortization	1,424.2	477.5	1,901.7
Add: long-lived assets impairment loss and acquisition related costs	86.4		86.4
OIBDA	3,515.7	1,153.7	4,669.4

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

USD mln	For the three months ended Mar 31, 2009	For the three months ended Mar 31, 2010
Net cash provided by operating activities	855.9	965.1
Less:		
Purchases of property, plant and equipment	(601.9)	(188.1)
Purchases of intangible assets	(103.4)	(63.0)
Proceeds from sale of property, plant and equipment	0.9	1.6
Purchases of other investments	(0.4)	
Investments in and advances to associates	0.6	0.1
Acquisition of subsidiaries, net of cash acquired	(105.6)	(6.2)
Free cash-flow	46.1	709.5

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.

MOBILE TELESYSTEMS
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009

(Amounts in thousands of U.S. Dollars except per share amount)

	Three months ended	
	March 31, 2010	March 31, 2009
Net operating revenue		
Service revenue	\$ 2,480,411	\$ 2,092,197
Sales of handsets and accessories	133,948	29,395
	2,614,359	2,121,592
Operating expenses		
Cost of services	527,348	450,600
Cost of handsets and accessories	136,524	38,943
Sales and marketing expenses	172,425	166,794
General and administrative expenses	554,475	437,569
Depreciation and amortization	477,531	415,374
Provision for doubtful accounts	34,080	35,299
Other operating expenses	35,774	34,524
	676,202	542,489
Currency exchange and transaction (gain)/ losses	(77,214)	488,641
Other expenses / (income):		
Interest income	(22,890)	(15,886)
Interest expense, net of amounts capitalized	228,071	96,840
Other income	(2,658)	(7,107)
Total other expenses, net	202,523	73,847
Income/(loss) before provision for income taxes and noncontrolling interest	550,893	(19,999)
Provision for income taxes	125,115	26,075
Net income/(loss)	425,778	(46,074)
Net income/(loss) attributable to the noncontrolling interest	44,514	7,411
Net income/(loss) attributable to the Group	381,264	(53,485)
Weighted average number of common shares outstanding, in thousands - basic and diluted	1,916,869	1,885,053
Earnings/(loss) per share - basic and diluted	0.20	(0.03)

MOBILE TELESYSTEMS
CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2010 AND DECEMBER 31, 2009

(Amounts in thousands of U.S. dollars)

	As of March 31, 2010	As of December 31, 2009
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,278,513	\$ 2,522,831
Short-term investments	435,317	217,210
Trade receivables, net	669,978	593,102
Accounts receivable, related parties	14,787	19,973
Inventory and spare parts	233,065	238,693
VAT receivable	115,769	109,928
Prepaid expenses and other current assets	696,417	693,219
Total current assets	4,443,846	4,394,956
PROPERTY, PLANT AND EQUIPMENT	7,629,951	7,745,331
INTANGIBLE ASSETS	2,227,177	2,235,831
INVESTMENTS IN AND ADVANCES TO ASSOCIATES	218,962	220,450
INVESTMENTS IN SHARES OF SVYAZINVEST	885,444	859,669
OTHER INVESTMENTS	81,548	78,893
OTHER ASSETS	222,565	245,615
Total assets	\$ 15,709,493	\$ 15,780,745
CURRENT LIABILITIES		
Accounts payable	456,612	504,967
Accrued expenses and other current liabilities	1,875,504	1,663,792
Accounts payable, related parties	61,453	87,403
Current portion of long-term debt, capital lease obligations	2,333,338	2,001,771
Total current liabilities	4,726,907	4,257,933
LONG-TERM LIABILITIES		
Long-term debt	5,330,817	6,326,824
Capital lease obligations	1,059	921
Deferred income taxes	301,255	298,453
Long-term accounts payable, related parties	40,027	38,273
Deferred revenue and other	385,037	373,011
Total long-term liabilities	6,058,195	7,037,482
Total liabilities	10,785,102	11,295,415
Redeemable noncontrolling interests	82,269	82,261

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 of March 31, 2010 and December 31, 2009 (777,396,505 of which are in the form of ADS as of March 31, 2010 and December 31, 2009))	50,558	50,558
Treasury stock (76,456,876 common shares at cost as of March 31, 2010 and December 31, 2009)	(1,054,926)	(1,054,926)
Additional paid-in capital	0	0
Accumulated other comprehensive income	(762,764)	(754,524)
Retained earnings	5,512,485	5,135,842
Total shareholders' equity attributable to the Group	3,745,353	3,376,950
Noncontrolling interest	1,096,769	1,026,119
TOTAL SHAREHOLDERS' EQUITY	4,842,122	4,403,069
Total liabilities and shareholders' equity	\$ 15,709,493	\$ 15,780,745

MOBILE TELESYSTEMS
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009

(Amounts in thousands of U.S. dollars)

	Three months ended	
	March 31, 2010	March 31, 2009
Net cash provided by operating activities	965,087	855,905
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries, net of cash acquired	(6,245)	(105,588)
Purchases of property, plant and equipment	(188,118)	(601,875)
Purchases of intangible assets	(62,955)	(103,370)
Proceeds from sale of property, plant and equipment and assets held for sale	1,550	885
Purchases of short-term investments	(318,777)	
Proceeds from sale of short-term investments	110,213	261,945
Purchase of other investments		(413)
Proceeds from sales of other investments	137	
Investments in and advances to associates	50	558
Increase/(decrease) in restricted cash	53	(8,606)
Net cash used in investing activities	(464,092)	(556,464)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash payments for the acquisition of Stream TV and non-controlling interests	(5,856)	(3,044)
Proceeds from issuance of notes	27,440	
Notes and debt issuance cost	(835)	(16,116)
Capital lease obligation principal paid	(1,002)	(1,857)
Dividends paid		(3)
Proceeds from loans	47,396	120,400
Loan principal paid	(793,739)	(366,760)
Net cash used in financing activities	(754,036)	(239,940)
Effect of exchange rate changes on cash and cash equivalents	8,723	(115,845)
NET DECREASE IN CASH AND CASH EQUIVALENTS:	(244,318)	(56,344)
CASH AND CASH EQUIVALENTS, at beginning of period	2,522,831	1,121,669
CASH AND CASH EQUIVALENTS, at end of period	2,278,513	1,065,325

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/ Mikhail Shamolin	
	Name:	Mikhail Shamolin
	Title:	CEO

Date: **June 8, 2010**
