

MOBILE TELESYSTEMS OJSC  
Form 6-K  
April 16, 2008

## **FORM 6-K**

# **UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Report of Foreign Issuer  
April 16, 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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16 April | 2008

**Press Release**

**Mobile TeleSystems announces financial results for the fourth quarter and full year ended December 31, 2007**

**Moscow, Russian Federation** Mobile TeleSystems OJSC ( MTS - NYSE: MBT), today announced its consolidated US GAAP financial results for the three months (unaudited) and full year ended December 31, 2007.

**Key Financial Highlights of FY 2007**

- Consolidated revenues up 29% y-o-y to \$8,252 million
- Consolidated OIBDA<sup>(1)</sup> up 31% to \$4,223 million y-o-y with 51.2% OIBDA margin
- Consolidated net income up 93% year on year to \$2,072 million
- Free cash-flow<sup>(2)</sup> generation of \$964 million

**Key Corporate and Industry Highlights**

- Allocation of 3G licenses in Russia, Uzbekistan and Armenia
- Countrywide rebranding of operations in Ukraine
- Launch of a CDMA network in Ukraine
- Entry into Armenia through acquisition of leading operator, K-Telecom (VivaCell)
- Launch of Blackberry enterprise service in Ukraine and Russia (2008)
- Payment of \$747 million dividend and adoption of MTS Dividend Policy
- Acquisition of Bashcell, a small Russian regional operator

- Consolidation of ownership stake in Uzdunrobita (MTS Uzbekistan)
- Adoption of employee remuneration program for over 420 managers

**Group Outlook for 2008**

- Group revenue growth of 25%
- Group OIBDA margin of 50%
- Group CAPEX of \$2.5 bn

**Leonid Melamed, President and Chief Executive Officer, highlighted, 2007 was another year of strong growth and enhanced profitability. In successfully implementing our corporate strategy, we have realized even stronger growth in our financial position and enhanced our leadership in the region. Given our solid foundation and record of success, we are confident that 2008 will continue to provide opportunities to further develop our business and generate greater returns for shareholders.**

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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.

**Financial Summary(3)**

| US\$ million | Q4 07 | Q4 06  | y-o-y  | Q3 07 | q-o-q  | 2007  | 2006     | y-o-y  |
|--------------|-------|--------|--------|-------|--------|-------|----------|--------|
| Revenues     | 2,326 | 1,806  | 29%    | 2,216 | 5%     | 8,252 | 6,384    | 29%    |
| OIBDA        | 1,127 | 938    | 20%    | 1,175 | -4%    | 4,223 | 3,230    | 31%    |
| - margin     | 48.4% | 51.9%  | -3.5pp | 53.0% | -4.6pp | 51.2% | 50.6%    | +0.6pp |
| NOI(4)       | 644   | 649    | -1%    | 802   | -20%   | 2,734 | 2,134    | 28%    |
| - margin     | 27.7% | 35.9%  | -8.2pp | 36.2% | -8.5pp | 33.1% | 33.4%    | -0.3pp |
| Net income   | 460   | 110(5) | 317%   | 655   | -30%   | 2,072 | 1,076(6) | 93%    |

**Group Operating Review***Market Growth*

Each market of operation reporting increased mobile penetration(7) in 2007:

- Up from 114% to 119% in Russia;
- Up from 115% to 120% in Ukraine;
- Up from 16% to 22% in Uzbekistan;
- Up from 6% to 7% in Turkmenistan;
- Up from 69% to 73% in Belarus.

*Subscriber Development*

The Company added approximately 4.0 million new customers during the fourth quarter of 2007 on a consolidated basis that were all added organically. During the quarter MTS added:

- 3.0 million subscribers in Russia;
- 0.1 million subscribers in Ukraine;
- 0.5 million subscribers in Uzbekistan;
- 67 thousand subscribers in Turkmenistan;

- 0.3 million subscribers in Armenia.

Our Belarus operations added 135.3 thousand subscribers during the quarter.

Since the end of the fourth quarter to March 31, 2008, MTS has organically added a further 2.97 million users, expanding its consolidated subscriber base to 84.94 million.

Key Subscriber Statistics

| (mln)                               | Q4 06 | Q1 07 | Q2 07 | Q3 07 | Q4 07 |
|-------------------------------------|-------|-------|-------|-------|-------|
| Total consolidated subscribers, eop | 72.86 | 74.16 | 74.67 | 77.97 | 81.97 |
| Russia                              | 51.22 | 51.50 | 52.68 | 54.42 | 57.43 |
| Ukraine                             | 20.00 | 20.75 | 19.81 | 19.91 | 20.00 |
| Uzbekistan(8)                       | 1.45  | 1.70  | 1.95  | 2.29  | 2.80  |
| Turkmenistan                        | 0.18  | 0.20  | 0.24  | 0.29  | 0.36  |
| Armenia                             |       |       |       | 1.07  | 1.38  |
| MTS Belarus(9)                      | 3.21  | 3.37  | 3.48  | 3.66  | 3.80  |

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(3) Q4 2007 statements are unaudited.

(4) Net Operating Income (NOI).

(5) Reflecting the \$320 mln write-off of Bitel LLC; y-o-y growth rate of 7% excluding the write-off.

(6) Reflecting the \$320 mln write-off of Bitel LLC; y-o-y growth rate of 48% excluding the write-off.

(7) 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.

(8) MTS employs a two-month inactive churn policy in Uzbekistan

(9) 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 2007. At the end of the fourth quarter, MTS subscriber market share:

- Maintained at 33% in Russia;
- Declined from 37% to 36% in Ukraine;
- Maintained at 54% in Uzbekistan;
- Increased from 86% to 88% in Turkmenistan;
- Reached 74% in Armenia.

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

*Customer Segmentation*

Subscriptions to MTS pre-paid tariff plans accounted for 86% of gross additions in Russia and 96% in Ukraine in the fourth quarter. At the end of the fourth quarter 2007, 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**

| US\$ mln      | Q4 07   | Q4 06  | y-o-y  | Q3 07   | q-o-q   | 2007      | 2006    | y-o-y  |
|---------------|---------|--------|--------|---------|---------|-----------|---------|--------|
| Revenues      | 1,723   | 1,332  | 29%    | 1,667   | 3%      | 6,181     | 4,666   | 32%    |
| OIBDA         | 822(10) | 692    | 19%    | 881(11) | -7%     | 3,153(12) | 2,330   | 35%    |
| - margin      | 47.7%   | 52.0%  | -4.3pp | 52.8%   | -5.1pp  | 51.0%     | 49.9%   | +1.1pp |
| Net income    | 344     | 10(13) | 3,332% | 508     | -32%    | 1,616     | 670(14) | 141%   |
| CAPEX         | 490     | 317    | 55%    | 207     | 137%    | 919       | 1,078   | -15%   |
| - as % of rev | 28.4%   | 23.8%  | +4.6pp | 12.4%   | +16.0pp | 14.9%     | 23.1%   | -8.2pp |

|                | Q4 06 | Q1 07 | Q2 07 | Q3 07 | Q4 07 | 2006 | 2007 |
|----------------|-------|-------|-------|-------|-------|------|------|
| ARPU (US\$)    | 8.5   | 8.2   | 9.2   | 10.0  | 10.0  | 7.9  | 9.2  |
| MOU (min)      | 133   | 134   | 151   | 167   | 187   | 129  | 157  |
| Churn rate (%) | 5.1   | 6.1   | 5.2   | 7.1   | 5.1   | 23.3 | 23.1 |
| SAC (US\$)     | 29.1  | 26.2  | 28.9  | 24.3  | 26.6  | 23.2 | 26.3 |

**Russia Highlights**

## Ukraine Highlights

| US\$ mln      | Q4 07 | Q4 06 | y-o-y  | Q3 07 | q-o-q   | 2007  | 2006  | y-o-y  |
|---------------|-------|-------|--------|-------|---------|-------|-------|--------|
| Revenues      | 425   | 400   | 6%     | 439   | -3%     | 1,608 | 1,490 | 8%     |
| OIBDA         | 195   | 202   | -3%    | 220   | -11%    | 782   | 764   | 2%     |
| - margin      | 45.8% | 50.4% | -4.6pp | 50.1% | -4.3pp  | 48.6% | 51.3% | -2.7pp |
| Net income    | 75    | 100   | -25%   | 95    | -21%    | 319   | 375   | -15%   |
| CAPEX         | 169   | 185   | -9%    | 126   | 34%     | 545   | 576   | -5%    |
| - as % of rev | 39.7% | 46.3% | -6.6pp | 28.7% | +11.0pp | 33.9% | 38.7% | -4.8pp |

|                | Q4 06 | Q1 07 | Q2 07 | Q3 07 | Q4 07 | 2006 | 2007 |
|----------------|-------|-------|-------|-------|-------|------|------|
| ARPU (US\$)    | 7.2   | 5.7   | 6.4   | 7.3   | 7.1   | 7.3  | 6.6  |
| MOU (min)      | 147   | 135   | 152   | 162   | 163   | 142  | 154  |
| Churn rate (%) | 8.2   | 7.8   | 14.1  | 12.5  | 14.4  | 29.9 | 49.0 |
| SAC (US\$)     | 7.8   | 11.2  | 13.7  | 10.9  | 12.7  | 10.2 | 12.1 |

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(10) Including intercompany of \$0.4 mln.

(11) Including intercompany of \$2.2 mln.

(12) Including intercompany of \$2.6 mln.

(13) Reflecting the \$320 mln write-off of Bitel LLC; y-o-y growth rate of 4% excluding the write-off.

(14) Reflecting the \$320 mln write-off of Bitel LLC; y-o-y growth rate of 63% excluding the write-off.



## Uzbekistan Highlights

| US\$ mln      | Q4 07 | Q4 06 | y-o-y  | Q3 07 | q-o-q  | 2007  | 2006  | y-o-y   |
|---------------|-------|-------|--------|-------|--------|-------|-------|---------|
| Revenues      | 77    | 46    | 66%    | 66    | 16%    | 248   | 137   | 82%     |
| OIBDA         | 49    | 30    | 64%    | 41    | 18%    | 158   | 84    | 89%     |
| - margin      | 63.6% | 64.0% | -0.4pp | 62.5% | +1.1pp | 63.5% | 61.1% | +2.4pp  |
| Net income    | 31    | 16    | 93%    | 25    | 25%    | 90    | 37    | 140%    |
| CAPEX         | 13    | 3     | 294%   | 5     | 168%   | 30    | 52    | -42%    |
| - as % of rev | 16.4% | 6.9%  | +9.5pp | 7.1%  | +9.3pp | 12.1% | 37.7% | -25.6pp |

|                | Q4 06 | Q1 07 | Q2 07 | Q3 07 | Q4 07 | 2006 | 2007 |
|----------------|-------|-------|-------|-------|-------|------|------|
| ARPU (US\$)    | 12.0  | 10.3  | 10.4  | 10.3  | 10.0  | 11.1 | 9.7  |
| MOU (min)      | 515   | 463   | 549   | 565   | 574   | 437  | 516  |
| Churn rate (%) | 10.7  | 16.8  | 17.9  | 14.3  | 13.5  | 50.0 | 58.2 |
| SAC (US\$)     | 3.1   | 4.1   | 3.7   | 4.4   | 4.8   | 3.5  | 4.3  |

## Turkmenistan Highlights

| US\$ mln      | Q4 07 | Q4 06 | y-o-y   | Q3 07 | q-o-q   | 2007  | 2006  | y-o-y  |
|---------------|-------|-------|---------|-------|---------|-------|-------|--------|
| Revenues      | 47    | 30    | 58%     | 45    | 3%      | 168   | 106   | 59%    |
| OIBDA         | 29    | 14    | 99%     | 28    | 2%      | 93    | 52    | 81%    |
| - margin      | 61.4% | 48.5% | +12.9pp | 62.0% | -0.6pp  | 55.5% | 48.9% | +6.6pp |
| Net income    | 3     | -16   |         | 27    | -89%    | 40    | -7    |        |
| CAPEX         | 27    | 8     | 258%    | 1     | 2,620%  | 32    | 16    | 96%    |
| - as % of rev | 58.3% | 25.7% | 32.6%   | 2.2%  | +56.1pp | 18.9% | 15.3% | +3.6pp |

|                | Q4 06 | Q1 07 | Q2 07 | Q3 07 | Q4 07 | 2006 | 2007 |
|----------------|-------|-------|-------|-------|-------|------|------|
| ARPU (US\$)    | 60.2  | 61.4  | 63.4  | 57.4  | 48.1  | 69.9 | 51.9 |
| MOU (min)      | 239   | 227   | 264   | 299   | 282   | 225  | 250  |
| Churn rate (%) | 5.1   | 6.1   | 6.3   | 8.6   | 5.5   | 12.5 | 24.4 |
| SAC (US\$)     | 37.7  | 47.7  | 26.9  | 20.8  | 19.7  | 32.2 | 24.7 |

## Armenia Highlights

| US\$ mln      | Q4 07 | Q3 07(15) | q-o-q | 2007  |
|---------------|-------|-----------|-------|-------|
| Revenues      | 58    | 8         | n/a   | 67    |
| OIBDA         | 33    | 5         | n/a   | 38    |
| - margin      | 56.2% | 59.8%     | n/a   | 56.5% |
| Net income    | 7     | 0.1       | n/a   | 7     |
| CAPEX         | 14    | n/a       | n/a   | 14    |
| - as % of rev | 24.0% | n/a       | n/a   | 21.0% |

|             | Q3 07 | Q4 07 | 2007 |
|-------------|-------|-------|------|
| ARPU (US\$) | 15.7  | 15.8  | 15.5 |
| SAC (US\$)  | 12.9  | 15.2  | 9.7  |

(14) Reflecting the \$320 mln write-off of Bitel LLC; y-o-y growth rate of 63%excluding the write-off.

**Group Financial Position**

MTS expenditure on property, plant and equipment in the fourth quarter totaled approximately \$581 million, of which \$386 million was invested in Russia, \$153 million in Ukraine, \$4 million in Uzbekistan, \$27 million in Turkmenistan and \$11 million in Armenia. The Company's expenditure on property, plant and equipment for the full year 2007 totaled approximately \$1,317 million, of which \$740 million in Russia, \$519 million in Ukraine, \$16 million in Uzbekistan, \$32 million in Turkmenistan and \$11 million in Armenia.

MTS spent approximately \$133 million on the purchase of intangible assets during the fourth quarter, of which \$105 million was spent in Russia, \$16 million in Ukraine, \$9 million in Uzbekistan and \$3 million in Armenia. The Company spent

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(15) Date of purchase was September 14, 2007.

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approximately \$222 million on the purchase of intangible assets during the full year 2007, of which \$179 million in Russia, \$25 million in Ukraine, \$14 million in Uzbekistan and \$3 million in Armenia.

As of December 31, 2007, MTS total debt<sup>(16)</sup> was at \$3.4 billion, resulting in a ratio of total debt to OIBDA of 0.8 times. Net debt amounted to \$2.8 billion at the end of the quarter and the net debt to OIBDA of 0.7 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 84.94 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.

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**(16) 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.**



**Attachments to the Fourth Quarter and Full Year 2007  
Earnings Press Release**



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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) | Q4 06 | Q1 07 | Q2 07   | Q3 07   | Q4 07   | 2006    | 2007    |
|------------------|-------|-------|---------|---------|---------|---------|---------|
| Operating income | 648.8 | 597.2 | 691.0   | 801.8   | 643.8   | 2,133.7 | 2,733.8 |
| Add: D&A         | 289.2 | 305.9 | 327.7   | 372.9   | 483.0   | 1,095.9 | 1,489.6 |
| OIBDA            | 938.0 | 903.1 | 1,018.7 | 1,174.7 | 1,126.9 | 3,229.7 | 4,223.4 |

| Russia (US\$ mln) | Q4 06 | Q1 07 | Q2 07 | Q3 07     | Q4 07     | 2006    | 2007        |
|-------------------|-------|-------|-------|-----------|-----------|---------|-------------|
| Operating income  | 479.0 | 463.6 | 531.1 | 612.0     | 469.3     | 1,510.8 | 2,076.1     |
| Add: D&A          | 213.3 | 218.3 | 236.8 | 268.8     | 352.7     | 819.3   | 1,076.6     |
| OIBDA             | 692.3 | 681.9 | 767.9 | 880.9(17) | 822.0(18) | 2,330.1 | 3,152.7(19) |

| Ukraine (US\$ mln) | Q4 06 | Q1 07 | Q2 07 | Q3 07 | Q4 07 | 2006  | 2007  |
|--------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating income   | 137.6 | 92.9  | 120.6 | 136.7 | 106.7 | 530.5 | 456.8 |
| Add: D&A           | 64.1  | 75.5  | 78.3  | 83.1  | 88.1  | 233.7 | 325.0 |
| OIBDA              | 201.7 | 168.4 | 198.8 | 219.7 | 194.8 | 764.3 | 781.8 |

| Uzbekistan (US\$mln) | Q4 06 | Q1 07 | Q2 07 | Q3 07 | Q4 07 | 2006 | 2007  |
|----------------------|-------|-------|-------|-------|-------|------|-------|
| Operating income     | 22.1  | 23.6  | 28.5  | 27.0  | 35.2  | 56.6 | 114.3 |
| Add: D&A             | 7.5   | 7.7   | 8.2   | 14.1  | 13.5  | 26.9 | 43.5  |
| OIBDA                | 29.6  | 31.3  | 36.7  | 41.1  | 48.7  | 83.6 | 157.8 |

| Turkmenistan (US\$mln) | Q4 06 | Q1 07 | Q2 07 | Q3 07 | Q4 07 | 2006 | 2007 |
|------------------------|-------|-------|-------|-------|-------|------|------|
| Operating income       | 10.1  | 17.2  | 10.8  | 22.6  | 22.9  | 35.7 | 73.5 |
| Add: D&A               | 4.3   | 4.4   | 4.4   | 5.4   | 5.7   | 15.9 | 20.0 |
| OIBDA                  | 14.4  | 21.6  | 15.2  | 28.1  | 28.6  | 51.7 | 93.5 |

(17) Including intercompany of \$2.2 mln.

(18) Including intercompany of \$0.4 mln.

(19) Including intercompany of \$2.6 mln.





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| Armenia (US\$ mln) | Q3 07 | Q4 07 | 2007 |
|--------------------|-------|-------|------|
| Operating income   | 3.5   | 9.7   | 13.2 |
| Add: D&A           | 1.5   | 23.0  | 24.5 |
| OIBDA              | 5.0   | 32.7  | 37.7 |

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

| Group            | Q4 06 | Q1 07 | Q2 07 | Q3 07 | Q4 07 | 2006  | 2007  |
|------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating margin | 35.9% | 34.3% | 35.1% | 36.2% | 27.7% | 33.4% | 33.1% |
| Add: D&A         | 16.0% | 17.6% | 16.6% | 16.8% | 20.7% | 17.2% | 18.1% |
| OIBDA margin     | 51.9% | 51.9% | 51.7% | 53.0% | 48.4% | 50.6% | 51.2% |

| Russia           | Q4 06 | Q1 07 | Q2 07 | Q3 07 | Q4 07 | 2006  | 2007  |
|------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating margin | 35.9% | 35.4% | 35.9% | 36.6% | 27.2% | 32.4% | 33.5% |
| Add: D&A         | 16.0% | 16.7% | 16.0% | 16.1% | 20.5% | 17.5% | 17.4% |
| OIBDA margin     | 51.9% | 52.1% | 51.8% | 52.8% | 47.7% | 49.9% | 51.0% |

| Ukraine          | Q4 06 | Q1 07 | Q2 07 | Q3 07 | Q4 07 | 2006  | 2007  |
|------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating margin | 34.4% | 26.5% | 30.7% | 31.2% | 25.1% | 35.6% | 28.4% |
| Add: D&A         | 16.0% | 21.5% | 19.9% | 18.9% | 20.7% | 15.7% | 20.2% |
| OIBDA margin     | 50.4% | 48.0% | 50.6% | 50.1% | 45.8% | 51.3% | 48.6% |

| Uzbekistan       | Q4 06 | Q1 07 | Q2 07 | Q3 07 | Q4 07 | 2006  | 2007  |
|------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating margin | 47.8% | 48.0% | 50.1% | 41.0% | 45.9% | 41.4% | 46.0% |
| Add: D&A         | 16.2% | 15.7% | 14.4% | 21.5% | 17.6% | 19.7% | 17.5% |
| OIBDA margin     | 64.0% | 63.7% | 64.4% | 62.5% | 63.6% | 61.1% | 63.5% |

| Turkmenistan     | Q4 06 | Q1 07 | Q2 07 | Q3 07 | Q4 07 | 2006  | 2007  |
|------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating margin | 33.9% | 48.8% | 26.1% | 50.0% | 49.1% | 33.8% | 43.7% |
| Add: D&A         | 14.6% | 12.4% | 10.8% | 12.0% | 12.3% | 15.1% | 11.8% |
| OIBDA margin     | 48.5% | 61.2% | 36.8% | 62.0% | 61.4% | 48.9% | 55.5% |

| Armenia          | Q3 07 | Q4 07 | 2007  |
|------------------|-------|-------|-------|
| Operating margin | 41.9% | 16.7% | 19.8% |
| Add: D&A         | 17.9% | 39.5% | 36.8% |
| OIBDA margin     | 59.8% | 56.2% | 56.6% |

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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>2006 | As of Dec 31,<br>2007 |
|--|-----------------------|-----------------------|
| Current portion of debt and of capital lease obligations | 150.6                 | 713.3                 |
| Long-term debt   | 2,924.5               | 2,686.5               |
| Capital lease obligations                                | 3.3                   | 1.9                   |
| Total debt   | 3,078.5               | 3,401.7               |
| Less:  |                       |                       |
| Cash and cash equivalents                                | (220.0)               | (634.5)               |
| Short-term investments                                   | (56.0)                | (15.8)                |
| Net debt   | 2,802.4               | 2,751.4               |

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

| US\$ million  | For the year<br>ended Dec 31,<br>2006 | For the year<br>ended Dec 31,<br>2007 |
|---|---------------------------------------|---------------------------------------|
| Net cash provided by operating activities           | 2,378.9                               | 3,350.2                               |
| Less:   |                                       |                                       |
| Purchases of property, plant and equipment          | (1,450.0)                             | (1,316.7)                             |
| Purchases of intangible assets                      | (272.0)                               | (222.9)                               |
| Proceeds from sale of property, plant and equipment | 11.0                                  | 22.0                                  |
| Purchases of other investments                      | (3.9)                                 | 2.8                                   |
| Investments in and advances to associates           | 20.0                                  | 2.0                                   |
| Acquisition of subsidiaries, net of cash acquired   | (38.2)                                | (873.1)                               |

|                |       |       |
|----------------|-------|-------|
| Free cash-flow | 645.9 | 964.4 |
|----------------|-------|-------|

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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 CONSOLIDATED STATEMENTS OF OPERATIONS

## FOR THE THREE MONTHS AND TWELVE MONTHS ENDED DECEMBER 31, 2007 AND 2006

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

|   | Three months ended<br>December 31, 2007 | Three months ended<br>December 31, 2006<br>(Unaudited) | Year ended<br>December 31, 2007 | Year ended<br>December 31, 2006 |
|---|---|--|---------------------------------|---------------------------------|
| <b>Net operating revenue</b>  |   |  |                                 |                                 |
| Service revenue and connection fees                                   | \$ 2,303,967                            | \$ 1,781,854   | \$ 8,172,650                    | \$ 6,287,100                    |
| Sales of handsets and accessories                                     | 22,396                                  | 24,008   | 79,728                          | 97,154                          |
|   | <b>2,326,363</b>                        | <b>1,805,862</b>                                       | <b>8,252,378</b>                | <b>6,384,254</b>                |
| <b>Operating expenses</b>   |   |  |                                 |                                 |
| Cost of services  | 500,386                                 | 354,567  | 1,727,365                       | 1,223,715                       |
| Cost of handsets and accessories                                      | 42,719                                  | 55,647   | 158,580                         | 209,260                         |
| Sales and marketing expenses  | 231,010                                 | 165,404  | 724,115                         | 607,835                         |
| General and administrative expenses                                   | 395,915                                 | 244,828  | 1,243,549                       | 941,047                         |
| Depreciation and amortization   | 483,043                                 | 289,190  | 1,489,548                       | 1,095,981                       |
| Provision for doubtful accounts                                       | (1,837)                                 | 20,085   | 58,924                          | 84,858                          |
| Other operating expenses  | 31,307                                  | 27,332   | 116,451                         | 87,822                          |
| <b>Net operating income</b>   | <b>643,820</b>                          | <b>648,809</b>   | <b>2,733,846</b>                | <b>2,133,736</b>                |
| Currency exchange and transaction gains                               | (31,902)                                | (11,165)   | (163,092)                       | (24,051)                        |
| <b>Other expenses / (income):</b>                                     |   |  |                                 |                                 |
| Interest income   | (8,035)                                 | (2,675)  | (38,100)                        | (13,055)                        |
| Interest expense  | 20,092                                  | 40,926   | 134,581                         | 177,145                         |
| Other expenses / (income)   | 18,523                                  | 338,197  | (28,631)                        | 327,830                         |
| <b>Total other expenses, net</b>                                      | <b>30,580</b>                           | <b>376,448</b>   | <b>67,850</b>                   | <b>491,920</b>                  |
| <b>Income before provision for income taxes and minority interest</b> |   |  |                                 |                                 |
|   | <b>645,142</b>                          | <b>283,526</b>   | <b>2,829,088</b>                | <b>1,665,867</b>                |
| Provision for income taxes  | 178,544                                 | 167,220  | 738,270                         | 576,103                         |
| Minority interest   | 6,277                                   | 5,978  | 19,314                          | 14,026                          |
| <b>Net income</b>   | <b>\$ 460,321</b>                       | <b>\$ 110,328</b>                                      | <b>\$ 2,071,504</b>             | <b>\$ 1,075,738</b>             |
| Weighted average number of common shares outstanding, in thousands    | 1,967,152                               | 1,986,034  | 1,973,354                       | 1,987,610                       |
| Earnings per share - basic and diluted                                | 0.23                                    | 0.06   | 1.05                            | 0.54                            |





**MOBILE TELESYSTEMS****CONDENSED CONSOLIDATED BALANCE SHEETS****AS OF DECEMBER 31, 2007 AND DECEMBER 31, 2006**

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

|  | As of December 31,<br>2007 | As of December 31,<br>2006 |
|--|----------------------------|----------------------------|
| <b>CURRENT ASSETS:</b>                                       |                            |                            |
| Cash and cash equivalents                                    | \$ 634,498                 | \$ 219,989                 |
| Short-term investments                                       | 15,776                     | 56,047                     |
| Trade receivables, net                                       | 386,608                    | 298,479                    |
| Accounts receivable, related parties                         | 25,004                     | 8,434                      |
| Inventory and spare parts                                    | 140,932                    | 196,265                    |
| VAT receivable   | 310,548                    | 339,614                    |
| Prepaid expenses and other current assets                    | 433,291                    | 510,291                    |
| <b>Total current assets</b>                                  | <b>1,946,657</b>           | <b>1,629,119</b>           |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>                         | <b>6,607,315</b>           | <b>5,297,669</b>           |
| <b>INTANGIBLE ASSETS</b>                                     | <b>2,095,468</b>           | <b>1,406,876</b>           |
| <b>INVESTMENTS IN AND ADVANCES TO ASSOCIATES</b>             | <b>195,908</b>             | <b>141,473</b>             |
| <b>OTHER INVESTMENTS</b>                                     | <b>1,355</b>               | <b>3,856</b>               |
| <b>OTHER ASSETS</b>  | <b>119,964</b>             | <b>94,952</b>              |
| <b>Total assets</b>  | <b>10,966,667</b>          | <b>8,573,945</b>           |
| <b>CURRENT LIABILITIES</b>                                   |                            |                            |
| Accounts payable   | 486,666                    | 309,712                    |
| Accrued expenses and other current liabilities               | 1,251,233                  | 1,124,710                  |
| Accounts payable, related parties                            | 160,253                    | 135,256                    |
| Current portion of long-term debt, capital lease obligations | 713,282                    | 150,626                    |
| <b>Total current liabilities</b>                             | <b>2,611,434</b>           | <b>1,720,304</b>           |
| <b>LONG-TERM LIABILITIES</b>                                 |                            |                            |
| Long-term debt   | 2,686,509                  | 2,924,539                  |
| Capital lease obligations                                    | 1,876                      | 3,287                      |
| Deferred income taxes  | 114,171                    | 86,349                     |
| Deferred revenue and other                                   | 89,696                     | 42,879                     |
| <b>Total long-term liabilities</b>                           | <b>2,892,252</b>           | <b>3,057,054</b>           |
| <b>Total liabilities</b>                                     | <b>5,503,686</b>           | <b>4,777,358</b>           |
| <b>COMMITMENTS AND CONTINGENCIES</b>                         |                            |                            |
| <b>MINORITY INTEREST</b>                                     | <b>20,051</b>              | <b>44,806</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 December 31, 2007 and December 31, 2006 (777,396,505 and 776,550,625 of which are in the form of ADS as of December 31, 2007 and December 31, 2006)

|  |                      |                     |
|--|----------------------|---------------------|
|  | 50,558               | 50,558              |
| Treasury stock (32,476,837 and 15,922,128 common shares at cost as of December 31, 2007 and December 31, 2006) | (368,352)            | (114,778)           |
| Additional paid-in capital   | 579,520              | 571,718             |
| Accumulated other comprehensive income   | 704,189              | 89,916              |
| Retained earnings  | 4,477,015            | 3,154,367           |
| <b>Total shareholders equity</b>   | <b>5,442,930</b>     | <b>3,751,781</b>    |
| <b>Total liabilities and shareholders equity</b>   | <b>\$ 10,966,667</b> | <b>\$ 8,573,945</b> |

## MOBILE TELESYSTEMS

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

## FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007 AND 2006

(Amounts in thousands of U.S. dollars)

|  | Year ended<br>December 31, 2007 | Year ended<br>December 31, 2006 |
|--|---------------------------------|---------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                                 |                                 |
| Net income   | \$ 2,071,504                    | \$ 1,075,738                    |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |                                 |                                 |
| Minority interest  | 19,314                          | 14,026                          |
| Depreciation and amortization  | 1,489,548                       | 1,095,981                       |
| Debt issuance cost amortization  | 22,406                          | 25,041                          |
| Amortization of deferred connection fees   | (75,404)                        | (54,486)                        |
| Equity in net income of associates   | (72,665)                        | (58,083)                        |
| Provision for doubtful accounts  | 58,924                          | 84,858                          |
| Deferred taxes   | (92,088)                        | (133,027)                       |
| Write off of not recoverable VAT receivable  | 17,516                          |                                 |
| Gain from deconsolidation of a subsidiary  | (8,874)                         |                                 |
| Forex for non-operating activity   | (163,092)                       |                                 |
| Bitel, investments and liabilities write off   |                                 | 320,000                         |
| Impairment of long-lived assets and assets held for sale                                 | 18,556                          |                                 |
| Non-cash expenses associated with asset retirement obligation                            | 1,138                           |                                 |
| Non-cash expenses associated with stock bonus and stock options                          | 10,426                          | 1,675                           |
| <b>Changes in operating assets and liabilities:</b>                                      |                                 |                                 |
| Increase in accounts receivable  | (137,880)                       | (174,790)                       |
| Decrease / (Increase) in inventory   | 76,950                          | (39,312)                        |
| Decrease / (Increase) in prepaid expenses and other current assets                       | 35,132                          | 21,094                          |
| Decrease / (Increase) in VAT receivable  | 12,567                          | 58,446                          |
| Increase in trade accounts payable, accrued liabilities and other current liabilities    | 61,278                          | 138,581                         |
| Dividends received   | 4,900                           | 3,174                           |
| <b>Net cash provided by operating activities</b>   | <b>3,350,156</b>                | <b>2,378,916</b>                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                                 |                                 |
| Acquisition of subsidiaries, net of cash acquired  | (873,071)                       | (38,188)                        |
| Purchases of property, plant and equipment   | (1,316,662)                     | (1,449,954)                     |
| Purchases of intangible assets   | (222,866)                       | (272,014)                       |
| Proceeds from sale of property, plant and equipment and assets held for sale             | 22,020                          | 10,987                          |
| Purchases of short-term investments  | (221,753)                       | (57,147)                        |
| Proceeds from sale of short-term investments   | 267,517                         | 29,159                          |
| Proceeds from sales of other investments   | 2,808                           | (3,856)                         |
| Investments in and advances to associates  | 1,965                           | 20,000                          |
| Increase in restricted cash  | (3,839)                         | (18,549)                        |
| <b>Net cash used in investing activities</b>   | <b>(2,343,881)</b>              | <b>(1,779,562)</b>              |

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**CASH FLOWS FROM FINANCING ACTIVITIES:**

|  |                   |                   |
|--|-------------------|-------------------|
| Proceeds from stock options exercised                        | 6,057             | 3,804             |
| Repurchase of common stock                                   | (254,443)         | (109,899)         |
| Notes and debt issuance cost                                 | (371)             | (20,686)          |
| Capital lease obligation principal paid                      | (4,952)           | (5,815)           |
| Dividends paid   | (756,920)         | (558,848)         |
| Proceeds from loans  | 475,815           | 1,284,296         |
| Loan principal paid  | (158,080)         | (1,064,100)       |
| Payments from Sistema  |                   | 7,182             |
| <b>Net cash used in financing activities</b>                 | <b>(692,894)</b>  | <b>(464,066)</b>  |
| Effect of exchange rate changes on cash and cash equivalents | 101,128           | 6,417             |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS:</b>            | <b>414,509</b>    | <b>141,705</b>    |
| <b>CASH AND CASH EQUIVALENTS, at beginning of period</b>     | 219,989           | 78,284            |
| <b>CASH AND CASH EQUIVALENTS, at end of period</b>           | <b>\$ 634,498</b> | <b>\$ 219,989</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: **April 16, 2008**

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