TransDigm Group INC
Form S-3/A
May 14, 2007

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As filed with the Securities and Exchange Commission on May 14, 2007

Registration No. 333-142273

UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

Amendment No. 1
to

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

TransDigm Group Incorporated

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

51-0484716

(I.R.S. Employer Identification No.)

1301 East 9th Street, Suite 3710
Cleveland, Ohio 44114
(216) 706-2960

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

W. Nicholas Howley
Chairman and Chief Executive Officer
TransDigm Group Incorporated
1301 East 9th Street, Suite 3710
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Approximate date of commencement of proposed sale to the public:
As soon as practicable following the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. o

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Common Stock, $0.01 par value	11,500,000 shares	$423,430,000	$36.82	$12,999

(1) The proposed maximum offering price per share has been estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) of the Securities Act of 1933, as amended, and is based upon the average of the high and low prices of the registrant's common stock on The New York Stock Exchange on May 10, 2007. Includes the offering price attributable to shares available for purchase by the underwriters to cover over-allotments, if any.

(2) A filing fee of $13,614 was previously paid by the registrant in connection with the initial filing of this Registration Statement on Form S-3 (File No. 333-142273).

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED MAY 14, 2007

10,000,000 Shares

TransDigm Group Incorporated

The selling stockholders named in this prospectus, including members of our senior management, are offering all of the shares of common stock to be sold in this offering. We will not receive any proceeds from the sale of shares of our common stock being sold by the selling stockholders.

Our common stock is listed on The New York Stock Exchange under the trading symbol "TDG." The last reported sale price of our common stock on the New York Stock Exchange on May 10, 2007 was $36.34 per share.

The underwriters have an option to purchase a maximum of 1,500,000 additional shares from the selling stockholders to cover over-allotments of shares.

Investing in our common stock involves risks. See "Risk Factors" on page 12.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to the Selling Stockholders
Per Share	$	$	$
Total	$	$	$

Delivery of the shares of common stock will be made on or about , 2007.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse **Banc of America Securities LLC** **Lehman Brothers**

UBS Investment Bank

The date of this prospectus is , 2007.

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You should rely only on the information contained in this prospectus. Neither we, the selling stockholders nor the underwriters have authorized anyone to provide you with any information other than the information contained in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We and the selling stockholders are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus and in documents we file with the Securities and Exchange Commission, or the SEC, that are incorporated by reference in this prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus and the information incorporated by reference in this prospectus carefully, including the financial statements and the related notes appearing elsewhere in this prospectus or incorporated by reference in this prospectus, before making an investment decision. This prospectus contains forward-looking statements, which involve risks and uncertainties. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including those discussed in the "Risk Factors" and other sections of this prospectus and in the documents incorporated by reference in this prospectus. Unless the context otherwise requires, references in this prospectus to "we," "us," "our" and "the Company" refer to TransDigm Group Incorporated and its subsidiaries.

As more fully described below under the heading "Recent Developments," on February 7, 2007, we completed the acquisition of Aviation Technologies, Inc., or ATI, and related financing transactions. The acquisition of ATI and the related financing transactions are sometimes collectively referred to in this prospectus as the "Transactions." Except as the context otherwise requires, all pro forma data gives effect to the Transactions.

We and ATI have historically reported our financial results based on different fiscal year-ends. References to the Company's "fiscal year" mean the year ending or ended September 30. For example, "fiscal year 2006" or "fiscal 2006" means the period from October 1, 2005 to September 30, 2006. However, references to ATI's fiscal year mean the year ending or ended December 31.

Our Company

We believe we are a leading global designer, producer and supplier of highly engineered aircraft components for use on nearly all commercial and military aircraft in service today. Our business is well diversified due to the broad range of products we offer to our customers. Some of our more significant product offerings, substantially all of which are ultimately provided to end-users in the aerospace industry, include ignition systems and components, gear pumps, mechanical/electro-mechanical actuators and controls, NiCad batteries/chargers, power conditioning devices, hold-open rods and locking devices, engineered connectors, engineered latches and cockpit security devices, lavatory hardware and components, specialized AC/DC electric motors, aircraft audio systems, specialized cockpit displays and specialized valving. Each of these product offerings consists of many individual products that are typically customized to meet the needs of a particular aircraft platform or customer.

For fiscal year 2006, we generated net sales of $435.2 million and net income of $25.1 million. In addition, for fiscal year 2006, our EBITDA was $134.3 million, or 30.9% of net sales, our EBITDA As Defined was $194.4 million, or 44.7% of net sales, and our capital expenditures were $8.4 million, or 1.9% of net sales. For the twenty-six week period ended March 31, 2007, we generated net sales of $267.1 million and net income of $41.8 million. In addition, during the same period, our EBITDA was $117.4 million, or 44.0% of net sales, our EBITDA As Defined was $124.5 million, or 46.6% of net sales, and our capital expenditures were $4.2 million, or 1.6% of net sales.

As described in more detail below, on February 7, 2007, we completed the Transactions. For the twelve-month period ended September 30, 2006, our pro forma net sales would have been $540.1 million and our pro forma net income would have been $16.4 million. In addition, for the twelve-month period ended September 30, 2006, our pro forma EBITDA would have been $160.9 million, or 29.8% of pro forma net sales, and our pro forma EBITDA As Defined would have been $228.5 million, or 42.3% of pro forma net sales. For the twenty-six week period ended March 31, 2007, our pro forma net sales would have been $304.9 million and our pro forma net income would have been $23.6 million. During this same period, our pro forma EBITDA would have been

$102.8 million, or 33.7% of pro forma net sales, and our pro forma EBITDA As Defined would have been $136.0 million, or 44.6% of pro forma net sales.

We estimate that over 90% of our net sales for fiscal year 2006 were generated by proprietary products for which we own the design. In addition, for fiscal year 2006, we estimate that we generated approximately 75% of our net sales from products for which we are the sole source supplier. The ATI business has similar characteristics, with approximately 90% of its net sales for its fiscal year ended December 31, 2006 being generated by its proprietary products, and approximately 85% of its net sales during this period being generated from products for which it is the sole source supplier.

Most of our products generate significant aftermarket revenue. Once our parts are designed into and sold as original equipment on an aircraft, we generate net sales from recurring aftermarket consumption over the life of that aircraft. This installed base and our sole source provider position typically generate a long-term stream of aftermarket revenues over the estimated 30-year life of an individual aircraft. We estimate that approximately 60% of our net sales in fiscal year 2006 were generated from aftermarket sales, the vast majority of which come from the commercial and military aftermarkets. These aftermarket revenues have historically produced a higher gross margin and been more stable than sales to original equipment manufacturers, or OEMs. Similarly, we estimate that approximately 50% of ATI's net sales for its fiscal year ended December 31, 2006 were generated from aftermarket sales.

We provide components for a large, diverse installed base of aircraft and, therefore, we are not overly dependent on any single airframe. For example, we estimate that sales to support any single OEM airframe production requirement did not exceed 4% of our net sales for fiscal year 2006, and sales to support any single aftermarket airframe platform did not exceed 5% of our net sales for this same period.

Industry and Market Overview

We primarily compete in the commercial and military aerospace industry. The commercial aftermarket, where we have historically derived the largest percentage of our net sales, has generally been more stable and has exhibited more consistent growth compared to the commercial OEM market, which has historically exhibited cyclical swings due to changes in production rates for new aircraft. We believe that over any extended period, commercial aftermarket revenue is driven primarily by the number of miles flown by paying customers of commercial airlines, which is known in the industry and referred to in this prospectus as revenue passenger miles, or RPMs, and by the size and age of the worldwide aircraft fleet.

Historically, aftermarket and OEM sales in the military sector tend to follow defense spending. Military aftermarket revenue is driven primarily by the operational tempo of the military, while military OEM revenue is driven primarily by spending on new systems and platforms.

Our Competitive Strengths

We believe our key competitive strengths include:

Large and Growing Installed Product Base with Aftermarket Revenue Stream. We provide components to a large and growing installed base of aircraft to which we supply aftermarket products. We estimate that our products are installed on more than 40,000 commercial transport, regional transport, military and general aviation fixed wing turbine aircraft and over 15,000 rotary wing aircraft.

Diversified Revenue Base. We believe that our diversified revenue base reduces our dependence on any particular product, platform or market segment and has been a significant factor in maintaining our financial performance. Our products are installed on almost all of the major commercial aircraft platforms now in production, including the Boeing 737, 747, 757, 767 and 777, the Airbus A300/310, A319/20/21 and A330/340, the Bombardier CRJ's and Challenger, the Embraer RJ's, the Cessna Citation family, the Raytheon Premier and Hawker and most Gulfstream airframes. Military platforms include aircraft such as the Boeing C-17, F-15 and F-18, the Lockheed Martin C-130J and F-16, the Northrop Grumman E2C (Hawkeye), the Joint Strikefighter and the Blackhawk, Chinook and Apache helicopters. We expect to continue to develop new products for military and commercial applications. For example, we have been certified to provide, and expect to receive additional certifications to provide, a range of components for the new Boeing 787 and Airbus A380 and A400M.

Significant Barriers to Entry. We believe that the niche nature of our markets, the industry's stringent regulatory and certification requirements, the large number of products that we sell and the investments necessary to develop and certify products create barriers to entry for potential competitors. We believe that because we strive to deliver products that meet or exceed our customers' expectations and performance standards, our customers have a reduced incentive to certify another supplier because of the cost and time of the certification process. In addition, concerns about safety and the indirect costs of flight delays if products are unavailable or undependable make our customers hesitant to switch to new suppliers.

Strong Cash Flow Generation. We have generated strong recurring operating cash flow as a result of our historically high margins and low capital expenditure requirements. We believe that our high margins are the result of the value we provide to our customers through our engineering, service and manufacturing capabilities, our focus on proprietary and high margin aftermarket business, our ability to generate profitable new business and our ability to consistently realize productivity savings. For fiscal years 2006, 2005 and 2004, our EBITDA As Defined margins were 44.7%, 43.9% and 46.3%, respectively. In addition, our low recurring capital expenditure requirements, which have historically been approximately 2% of net sales per year, coupled with our consistent installed revenue base, have historically provided us with a stable stream of cash flows.

Consistent Track Record of Financial Success and Strong Growth. From fiscal year 1994 to fiscal year 2006, our net sales grew at a Compound Annual Growth Rate, or CAGR, of 19.4%, and during this same period our EBITDA As Defined grew at a CAGR of 28.2%.

Value-Driven Management Team with a Successful Track Record. Our operations are managed by a very experienced, value-driven management team with a proven record of growing our business organically, reducing overhead, rationalizing costs and integrating acquisitions. In the aggregate, our management team owns approximately 15.1% of our common stock before this offering, and will own approximately 12.1% of our common stock after this offering (or approximately 11.7% if the underwriters' over-allotment option is exercised in full), in all cases on a fully diluted basis, assuming the exercise of outstanding stock options.

Our Business Strategy

Our business strategy is made up of two key elements: (1) a value-driven operating strategy focused around our three core value drivers; and (2) a selective acquisition strategy.

Value-Driven Operating Strategy. Our three core value drivers are:

> *Obtaining Profitable New Business.* We attempt to obtain profitable new business by using our technical expertise, application skill and our detailed knowledge of our customer base and the individual niche markets in which we operate. We develop reliable, high value-added products that meet our customers' specific new application requirements and/or solve problems with current applications. We have regularly been successful in identifying and developing both aftermarket and OEM products to drive our growth. We work closely with OEMs, airlines and other end users to identify components that are not meeting their performance or reliability expectations. We then attempt to develop products that meet or exceed their expectations. For example, Airbus S.A.S. selected us to design the security bolting system that has been installed on all Airbus cockpit doors to comply with the Federal Aviation Administration, or the FAA, and European regulatory requirements adopted after the events of September 11, 2001. In addition, we have been selected to design and produce the flight deck audio system for the Boeing 787 aircraft.

Improving Our Cost Structure. We attempt to make improvements to our cost structure through detailed attention to the cost of each of the products that we offer and our organizational structure, with a focus on reducing the cost of each. By maintaining this detailed focus across each area of our company, we have been able to consistently improve our overall cost structure through all phases of the market cycles of the aerospace industry.

Providing Highly Engineered Value-Added Products to Customers. We focus on the engineering, manufacturing and marketing of a broad range of highly engineered niche products that we believe provide value to our customers. We have been consistently successful in communicating to our customers the value of our products. This has generally enabled us to price our products to fairly reflect the value we provide and the resources required to do so.

Selective Acquisition Strategy. We selectively pursue the acquisition of proprietary component businesses when we see an opportunity to create value through the application of our three core value-driven operating strategies. The aerospace industry, in particular, remains highly fragmented, with many of the companies in the industry being small private businesses or small non-core operations of larger businesses. We have significant experience among our management team in executing acquisitions and integrating acquired businesses into our company and culture, having successfully acquired and integrated 19 businesses and/or product lines since our formation in 1993.

Recent Developments

On February 7, 2007, we completed the acquisition of ATI, which resulted in ATI becoming a wholly owned subsidiary of TransDigm Inc. Stockholders of ATI received cash in exchange for their shares of ATI. The aggregate purchase price paid by TransDigm Inc. in connection with the acquisition was $430.1 million, which included the amounts paid by TransDigm Inc. in connection with the repayment of ATI's outstanding indebtedness and the transaction expenses of ATI.

ATI serves the aerospace and defense marketplace with a proprietary, sole source, custom engineered product offering through its wholly owned subsidiaries, Avtech Corporation and ADS/Transicoil. Avtech Corporation has been an industry leader in the design, development and manufacture of electronic systems for the aerospace industry, focusing on audio and power systems, cabin and other lighting products and power control products. ADS/Transicoil focuses on developing and manufacturing products involving micro-mechanics and sophisticated electronics primarily for aerospace and defense applications, including liquid crystal and other cockpit displays, clocks, motors and related components and instruments. We believe that the acquisition of ATI will expand our existing positions in aerospace motors and electrical power applications as well as open up a new growth platform in flight deck and cabin electronics products.

ATI sells a significant amount of proprietary products with substantial aftermarket content. Approximately 90% of ATI's net sales for its fiscal year ended December 31, 2006 were generated from proprietary products and approximately 50% of ATI's net sales during this period were related to the aftermarket. In addition, approximately 80% of ATI's net sales for its fiscal year ended December 31, 2006 came from the commercial sector, with the remaining 20% of such net sales coming from the military sector. ATI has a diversified revenue base with its products installed on almost all of the major commercial platforms now in production, including the Boeing 737, 747, 757, 767 and 777, the Airbus A300/310, A319/20/21, the Bombadier CRJs and Challenger and the Embraer RJs, which reduces its dependence on any particular product or platform. In addition, ATI services most of the same military platforms that we currently serve.

We financed the ATI acquisition through additional borrowings under our senior secured credit facility, the issuance by TransDigm Inc. of additional senior subordinated notes and the use of a portion of our available cash balances. Specifically, on January 25, 2007, we entered into an amendment to our senior secured credit facility which provided for, among other things, an additional term loan of $130 million. In addition, on February 7, 2007, TransDigm Inc. issued and sold $300 million of its $7^3/_4$% senior subordinated notes due 2014, or the new senior subordinated notes. The new senior subordinated notes were issued under the indenture dated as of June 23, 2006 pursuant to which TransDigm Inc. previously issued $275 million in aggregate principal amount of its $7^3/_4$% senior subordinated notes due 2014, or the original senior subordinated notes. The new senior subordinated notes and the original senior subordinated notes are sometimes collectively referred to in this prospectus as the "senior subordinated notes." We used the net proceeds from the issuance and sale of the new senior subordinated notes, together with the net proceeds from the borrowing under the additional term loan under our senior secured credit facility and a portion of our existing cash balances, to fund our acquisition of ATI and to pay related transaction expenses.

Organizational Structure and Related Matters

TransDigm Inc. was formed in July 1993 in connection with the acquisition of certain companies from IMO Industries Inc. TransDigm Group Incorporated, or TD Group, was formed in July 2003 at the direction of Warburg Pincus Private Equity VIII, L.P., or Warburg Pincus, to facilitate the acquisition of TransDigm Holding Company, or TransDigm Holdings. On July 22, 2003, TD Acquisition Corporation, a newly formed, wholly-owned subsidiary of TD Group, was merged with and into TransDigm Holdings with TransDigm Holdings continuing as the surviving corporation. Contemporaneously with the completion of that merger, a newly formed, wholly-owned subsidiary of TD Acquisition Corporation was merged with and into TransDigm Inc., with TransDigm Inc. continuing as the surviving corporation. These mergers are sometimes referred to in this prospectus as the "Mergers." Upon the completion of the Mergers, TransDigm Holdings became a wholly-owned subsidiary of TD Group, and TransDigm Inc. continued to be a wholly-owned subsidiary of TransDigm Holdings. In an effort to simplify our organizational structure, on June 26, 2006, TransDigm Holdings was merged with and into TransDigm Inc., with TransDigm Inc. continuing as the surviving corporation. TransDigm Holdings did not conduct any operations and did not have any significant assets other than its ownership interest in TransDigm Inc. Accordingly, as of the date of this prospectus, TransDigm Inc. is a wholly-owned subsidiary of TD Group.

On March 20, 2006, certain of our stockholders and certain members of our management sold an aggregate of 12,597,756 shares of our common stock in an underwritten initial public offering, or the initial public offering, at a price of $21.00 per share. We did not offer any shares of common stock for sale in the initial public offering and we did not receive any of the proceeds from the sale of shares by the selling stockholders. Our common stock is listed on The New York Stock Exchange, or the NYSE, under the trading symbol "TDG." The last reported sale price of our common stock on the NYSE on May 10, 2007 was $36.34 per share.

In connection with the initial public offering, Warburg Pincus and certain other then existing stockholders of TD Group contributed an aggregate of 31,093,057 shares of our common stock to TD Group Holdings, LLC, or TD Group, LLC, in exchange for membership interests in TD Group, LLC. As of the date of this prospectus, TD Group, LLC owns an aggregate of 31,093,057 shares of our common stock, and Warburg Pincus owns approximately 84.4% of the membership interests in TD Group, LLC. In addition, Warburg Pincus is the managing member of TD Group, LLC and, as such, controls all decisions with respect to the voting and disposition of our shares of common stock held by TD Group, LLC. TD Group, LLC is selling shares of common stock in this offering. After giving effect to this offering, TD Group, LLC will own 22,645,285 shares of our common stock (or 21,378,120 shares of our common stock if the underwriters' over-allotment option is fully exercised).

Corporate Information

Our executive offices are located at 1301 East 9th Street, Suite 3710, Cleveland, Ohio 44114 and our telephone number is (216) 706-2960. Our website address is www.transdigm.com. Our website and the information contained on, or that can be accessed through, our website are not part of this prospectus.

The Offering

Common stock offered by the selling stockholders	10,000,000 shares (11,500,000 shares if the underwriter's over-allotment option is fully exercised).
Underwriters' over-allotment option	1,500,000 shares.
Common stock to be outstanding after this offering	46,582,957 shares (46,805,628 shares if the underwriters' over-allotment option is fully exercised).
Use of Proceeds	The proceeds from the sale of shares of our common stock offered pursuant to this prospectus are solely for the account of the selling stockholders. We will not receive any proceeds from the sale of shares by the selling stockholders. See "Use of Proceeds."
The New York Stock Exchange symbol	TDG
Risk Factors	See "Risk Factors" on page 12 of this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.
Dividend Policy	We do not anticipate declaring or paying any regular cash dividends on our common stock in the foreseeable future. Any payment of cash dividends on our common stock in the future will be at the discretion of our Board of Directors and will depend upon our results of operations, earnings, capital requirements, financial condition, future prospects, contractual restrictions and other factors deemed relevant by our Board of Directors.

Members of our management will exercise stock options in order to sell shares of common stock in this offering, and the number of shares of common stock to be outstanding immediately after this offering includes shares of common stock which will be issued upon exercise of stock options, and subsequently sold in this offering.

The number of shares to be outstanding immediately after this offering is based on 45,098,507 shares of our common stock outstanding as of April 28, 2007, and excludes:

- 6,407,353 shares of our common stock (or 6,184,682 shares if the underwriters' over-allotment option is fully exercised) issuable upon the exercise of options to purchase shares of our common stock that will be outstanding immediately after this offering, at a weighted average exercise price of $8.91 per share (or $9.13 per share if the underwriters' over-allotment option is fully exercised); and

- 2,681,773 shares of our common stock reserved for future grants under our stock compensation plans as of April 28, 2007.

In this prospectus, references to the number of shares of our common stock outstanding includes shares of restricted common stock issued under our stock compensation plans. As of April 28, 2007, there were 4,190 shares of restricted common stock outstanding under our stock compensation plans.

Unless otherwise indicated, all information contained in this prospectus assumes no exercise of the underwriters' over-allotment option.

Summary Historical and Pro Forma Condensed Consolidated Financial Data

TD Group was formed in July 2003 under the name TD Holding Corporation to facilitate the consummation of the Mergers. TD Group does not have any operations other than through its ownership of its direct and indirect subsidiaries.

The following table sets forth summary historical consolidated financial and other data of TD Group for the fiscal years ended September 30, 2006, 2005 and 2004, which have been derived from TD Group's audited consolidated financial statements. The following table also sets forth summary historical consolidated financial and other data of TD Group as of March 31, 2007 and for the twenty-six week periods ended March 31 2007 and April 1, 2006, which have been derived from TD Group's unaudited consolidated financial statements.

On July 9, 2004, TransDigm Inc. acquired all of the outstanding capital stock of Avionic Instruments, Inc. On December 31, 2004, Skurka Aerospace Inc., or Skurka, acquired certain assets and assumed certain liabilities of Skurka Engineering Company. On January 28, 2005, TransDigm Inc. acquired all of the outstanding capital stock of Fluid Regulators Corporation. On June 30, 2005, Skurka acquired an aerospace motor product line from Eaton Corporation. On May 1, 2006, Skurka acquired certain assets and assumed certain liabilities of Electra-Motion, Inc. On June 12, 2006, TransDigm Inc. acquired all of the outstanding capital stock of Sweeney Engineering Corp. On October 3, 2006, TransDigm Inc. acquired all of the issued and outstanding capital stock of CDA InterCorp. On February 7, 2007, TransDigm Inc. completed the merger with ATI, resulting in ATI becoming a wholly-owned subsidiary of TransDigm Inc. The results of operations of the acquired entities, businesses and product line are included in TD Group's consolidated financial statements from the date of each of the acquisitions.

The following table also sets forth summary pro forma condensed consolidated financial and other data (i) for the twelve-month period ended September 30, 2006 and (ii) for the twenty-six week period ended March 31, 2007, which we have derived from and should be read in conjunction with our unaudited pro forma condensed consolidated financial and other data included elsewhere in this prospectus. The unaudited condensed consolidated pro forma statement of operations data set forth below gives effect to the Transactions as if they had occurred on October 1, 2005. The summary pro forma condensed consolidated financial information set forth below should not be considered indicative of actual results that would have been achieved had the Transactions occurred on the respective date indicated and do not purport to indicate results of operations as of any future date or for any future period. We cannot assure you that the assumptions used in the preparation of the pro forma condensed consolidated financial information will prove to be correct.

We present in this prospectus certain financial information based on our EBITDA and EBITDA As Defined. Neither EBITDA nor EBITDA As Defined is a measurement of financial performance under accounting principles generally accepted in the United States of America, or GAAP, and neither of these financial measures should be considered an alternative to net income or operating cash flows determined in accordance with GAAP, and our calculation of EBITDA and EBITDA As Defined may not be comparable to the calculation of similarly titled measures reported by other companies. While we believe that the presentation of EBITDA and EBITDA As Defined will enhance an investor's understanding of our operating performance, the use of EBITDA and EBITDA As Defined as analytical tools has limitations and you should not consider either of them in isolation, or as a substitute for an analysis of our results of operations as reported in accordance with GAAP. For a reconciliation of EBITDA and EBITDA As Defined to net income and for a description of the manner in which management uses these non-GAAP financial measures to evaluate our business, the economic substance behind management's decision to use these non-GAAP financial measures, the material limitations associated with the use of these non-GAAP financial measures and the manner in which management compensates for these limitations and the reasons why management believes these non-GAAP financial measures provide useful information to investors, please refer to footnotes 6 and 7 below.

The information presented below should be read together with "Pro Forma Condensed Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes included elsewhere in this prospectus or incorporated by reference in this prospectus. All amounts set forth below are in thousands, except per share data.

	Fiscal Years Ended September 30, 2004	2005	2006	Pro Forma for the Twelve-Month Period Ended September 30, 2006[(1)]	Twenty-Six Week Period Ended April 1, 2006	Twenty-Six Week Period Ended March 31, 2007	Pro Forma for the Twenty-Six Week Period Ended March 31, 2007[(1)]
				(unaudited)	(unaudited)	(unaudited)	(unaudited)
Statement of Operations Data:							
Net sales	$ 300,703	$ 374,253	$ 435,164	$ 540,142	$ 208,416	$ 267,147	$ 304,862
Gross profit[(2)]	136,505	184,270	221,290	265,195	105,720	138,705	157,434
Operating expenses:							
Selling and administrative	31,201	38,943	48,309	67,015	25,516	26,707	60,388
Amortization of intangibles	10,325	7,747	6,197	12,692	3,266	5,010	5,780
Refinancing costs[(3)]			48,617	48,617			
Income from operations[(2)]	94,979	137,580	118,167	136,871	76,938	106,988	91,266
Interest expense, net	74,675	80,266	76,732	110,605	39,181	40,396	52,628
Other expense[(4)]				196			198
Income before income taxes	20,304	57,314	41,435	26,070	37,757	66,592	38,440
Income tax provision	6,682	22,627	16,318	9,698	14,499	24,743	14,794
Net income	$ 13,622	$ 34,687	$ 25,117	$ 16,372	$ 23,258	$ 41,849	$ 23,646
Net earnings per share:							
Basic earnings per share	$ 0.31	$ 0.78	$ 0.57	$ 0.37	$ 0.53	$ 0.93	$ 0.53
Diluted earnings per share	$ 0.29	$ 0.75	$ 0.53	$ 0.35	$ 0.50	$ 0.87	$ 0.49
Weighted-Average Shares Outstanding:							
Basic	44,193	44,202	44,415	44,415	44,228	44,872	44,872
Diluted	46,300	46,544	47,181	47,181	46,893	47,897	47,897

	As of March 31, 2007
	(unaudited)
Balance Sheet Data:	
Cash and cash equivalents	$ 64,795
Working capital[(5)]	237,422
Total assets	1,968,104
Long-term debt, including current portion	1,357,968
Stockholders' equity	412,193

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	Fiscal Years Ended September 30, 2004	2005	2006	Pro Forma for the Twelve-Month Period Ended September 30, 2006(1)	Twenty-Six Week Period Ended April 1, 2006	Twenty-Six Week Period Ended March 31, 2007	Pro Forma for the Twenty-Six Week Period Ended March 31, 2007(1)
				(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other Financial Data:							
Cash flows provided by (used in):							
Operating activities	$ 111,139	$ 80,695	$ 3,058	$	$ (61,072)	$ 55,400	$
Investing activities	(77,619)	(20,530)	(35,323)		(3,831)	(479,910)	
Financing activities	(3,924)	(4,442)	(10,739)		(6,941)	428,088	
Depreciation and amortization	18,303	16,956	16,111	24,277	8,152	10,428	11,740
Capital expenditures	5,416	7,960	8,350	9,646	3,831	4,205	4,535
Other Data:							
EBITDA(6)(7)	$ 113,282	$ 154,536	$ 134,278	$ 160,902	$ 85,090	$ 117,416	$ 102,808
EBITDA, margin(8)	37.7%	41.3%	30.9%	29.8%	40.8%	44.0%	33.7%
EBITDA As Defined(6)(7)	$ 139,084	$ 164,240	$ 194,437	$ 228,508	$ 92,916	$ 124,546	$ 135,953
EBITDA As Defined, margin(8)	46.3%	43.9%	44.7%	42.3%	44.6%	46.6%	44.6%

(1) TD Group's fiscal year ends on September 30. Prior to the acquisition, ATI's fiscal year ended on December 31. For purposes of determining the pro forma statement of operations and other financial data for the twelve-month period ended September 30, 2006, we utilized TD Group's statement of income and other financial data for its fiscal year ended September 30, 2006, and ATI's statement of income and other financial data for its fiscal year ended December 31, 2006. In addition, for purposes of determining the pro forma statement of operations and other financial data for the twenty-six week period ended March 31, 2007, we utilized TD Group's statement of income and other financial data for its twenty-six week period ended March 31, 2007, and ATI's statement of income and other financial data for the period from October 1, 2006 to February 7, 2007, the closing date of the Transactions.

(2) Gross profit and income from operations include the effect of charges relating to purchase accounting adjustments to inventory associated with the acquisition of various businesses and a product line during the pro forma twelve-month period ended September 30, 2006 of $5.2 million, the fiscal years ended September 30, 2006, 2005 and 2004 of $0.2 million, $1.5 million and $18.5 million, respectively, the pro forma twenty-six week period ended March 31, 2007 of $1.1 million and the twenty-six week periods ended March 31, 2007 and April 1, 2006, of $2.5 million and $0, respectively.

(3) Represents costs incurred in connection with the refinancing transactions completed in June 2006, including the premium paid to redeem the $8^3/_8$% senior subordinated notes of TransDigm Inc. of $25.6 million, the write off of debt issue costs of $22.9 million and other expenses of $0.1 million.

(4) Represents a non-cash charge recorded by ATI relating to the disposal of certain property, plant and equipment by ATI during its fourth fiscal quarter ended December 31, 2006.

(5) Computed as total current assets less total current liabilities.

(6) EBITDA represents earnings before interest, taxes, depreciation and amortization. EBITDA As Defined represents EBITDA plus, as applicable for the relevant period, inventory purchase accounting adjustments, acquisition integration costs, non-cash compensation and deferred compensation costs, one-time special bonus payments made to members of our management in November 2005, certain acquisition earnout costs, certain other non-cash and non-recurring expenses and certain costs and expenses incurred in connection with our financing activities and the initial public offering.

We present EBITDA because we believe it is a useful indicator of our operating performance. Our management believes that EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties to measure a company's operating performance without regard to items such as interest expense, income tax expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, accounting methods, book value of assets, capital structure and the method by which assets are acquired. We also believe EBITDA is useful to our management and investors as a measure of comparative operating performance between time periods and among companies as it is reflective of changes in pricing decisions, cost controls and other factors that affect operating performance.

Our management uses EBITDA As Defined to review and assess our operating performance and management team in connection with our employee incentive programs, the preparation of our annual budget and financial projections. Our management also believes that EBITDA As Defined is useful to investors because the revolving credit facility under our senior secured credit facility requires compliance, on a pro forma basis, with a first lien leverage ratio, which is measured based on our Consolidated EBITDA. The senior secured credit facility defines Consolidated EBITDA in the same manner as we have defined EBITDA As Defined.

Although we use EBITDA and EBITDA As Defined as measures to assess the performance of our business and for the other purposes set forth above, the use of these non-GAAP financial measures as analytical tools has limitations, and you should not consider any of them in isolation, or as a substitute for analysis of our results of operations as reported in accordance with GAAP. Some of these limitations are:

none of these measures reflects the significant interest expense, or the cash requirements necessary to service interest payments, on our indebtedness;

although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and none of these measures reflects any cash requirements for such replacements;

the omission of the substantial amortization expense associated with our intangible assets further limits the usefulness of these measures;

none of these measures includes the payment of taxes, which is a necessary element of our operations; and

EBITDA As Defined excludes the cash expense we have incurred to integrate acquired businesses into our operations, which is a necessary element of certain of our acquisitions.

Because of these limitations, EBITDA and EBITDA As Defined should not be considered as measures of discretionary cash available to us to invest in the growth of our business. Management compensates for these limitations by not viewing EBITDA or EBITDA As Defined in isolation, and specifically by using other GAAP measures, such as net income, net sales and operating profit, to measure our operating performance. Neither EBITDA nor EBITDA As Defined is a measurement of financial performance under GAAP and neither should be considered as an alternative to net income or cash flow from operations determined in accordance with GAAP, and our calculation of EBITDA and EBITDA As Defined may not be comparable to the calculation of similarly titled measures reported by other companies.

(7) The following is a reconciliation of EBITDA and EBITDA As Defined to net income:

	Fiscal Years Ended September 30,			Pro Forma for the Twelve-Month Period Ended September 30, 2006[(a)]	Twenty-Six Week Period Ended April 1, 2006	Twenty-Six Week Period Ended March 31, 2007	Pro Forma for the Twenty-Six Week Period Ended March 31, 2007[(a)]
	2004	2005	2006				
				(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net income	$ 13,622	$ 34,687	$ 25,117	$ 16,372	$ 23,258	$ 41,849	$ 23,646
Add:							
Depreciation and amortization	18,303	16,956	16,111	24,227	8,152	10,428	11,740
Interest expense, net	74,675	80,266	76,732	110,605	39,181	40,396	52,628
Income tax provision	6,682	22,627	16,318	9,698	14,499	24,743	14,794
EBITDA	113,282	154,536	134,278	160,902	85,090	117,416	102,808

Add:	Pro Forma for the Twelve-Month Period Ended September 30, 2006[a]		Pro Forma for the Twenty-Six Week Period Ended March 31, 2007[a]

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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 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 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/A. 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, volatility of stock price, financial risk management, and future growth subject to risks.

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Pro Forma for the Twelve-Month Period Ended September 30, 2006[(a)]	Attachments to the Fourth Quarter and Full-Year 2004 Earnings Press Release	Pro Forma for the Twenty-Six Week Period Ended March 31, 2007[(a)]

Pro Forma for the Twelve-Month Period Ended September 30, 2006[(a)]	Pro Forma for the Twenty-Six Week Period Ended March 31, 2007[(a)]

Attachment A

	Pro Forma for the Twelve-Month Period Ended September 30, 2006[(a)]	Pro Forma for the Twenty-Six Week Period Ended March 31, 2007[(a)]

	Pro Forma for the Twelve-Month Period Ended September 30, 2006[(a)]	Pro Forma for the Twenty-Six Week Period Ended March 31, 2007[(a)]

Pro Forma for the Twelve-Month Period Ended September 30, 2006[a]	Pro Forma for the Twenty-Six Week Period Ended March 31, 2007[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:

US$ million	**Q4 2004**	**Q4 2003**	**FY 2004**	**FY 2003**
Operating income	317.3	272.8	1,463.5	922.6
Add: depreciation and amortization	180.6	127.8	631.3	415.9
OIBDA	497.9	400.6	2,094.8	1,338.5

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

	Q4 2004	**Q4 2003**	**FY 2004**	**FY 2003**
Operating margin	29.4%	35.4%	37.7%	36.2%

Pro Forma for the Twelve-Month Period Ended September 30, 2006[(a)]

Add: depreciation and amortization as a percentage of revenue	16.7%	16.5%	16.2%	16.4%
OIBDA margin	46.1%	51.9%	53.9%	52.6%

Pro Forma for the Twenty-Six Week Period Ended March 31, 2007[(a)]

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Pro Forma for the Twelve-Month Period Ended September 30, 2006[a]		Pro Forma for the Twenty-Six Week Period Ended March 31, 2007[a]

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 December 31, 2004**	**As of December 31, 2003**
Current portion of debt and of capital lease obligations	379.4	710.3
Long-term debt	1,553.8	942.4
Capital lease obligations	3.9	7.6
Total debt	1,937.1	1,660.3
Less:		
Cash and cash equivalents	(274.2)	(90.4)
Short-term investments	(73.4)	(245.0)
Net debt	1,589.5	1,324.9

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Attachment C

	Pro Forma for the Twelve-Month Period Ended September 30, 2006[a]	Definitions	Pro Forma for the Twenty-Six Week Period Ended March 31, 2007[a]

Pro Forma for the Twelve-Month Period Ended September 30, 2006[a]	Pro Forma for the Twenty-Six Week Period Ended March 31, 2007[a]

Pro Forma for the Twelve-Month Period Ended September 30, 2006[(a)]		Pro Forma for the Twenty-Six Week Period Ended March 31, 2007[(a)]

Subscriber. We define a subscriber as an individual or organization whose account shows chargeable activity within sixty one days, or one hundred and eighty three days in the case of our *Jeans* brand tariff, and whose account does not have a negative balance for more than this period.

Average monthly service revenue per subscriber (ARPU). We calculate our average monthly service revenue per subscriber by dividing our service revenues for a given period, including 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.

Pro Forma for the Twelve-Month Period Ended September 30, 2006[(a)]		Pro Forma for the Twenty-Six Week Period Ended March 31, 2007[(a)]
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Pro Forma for the Twelve-Month Period Ended September 30, 2006[(a)]	Pro Forma for the Twenty-Six Week Period Ended March 31, 2007[(a)]

MOBILE TELESYSTEMS

CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2004 AND 2003 AND THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

	Three months ended December 31, 2004	Three months ended December 31, 2003	Year ended December 31, 2004	Year ended December 31, 2003
Net operating revenue				
Service revenue and connection fees	$ 1 058 718	$ 749 340	$ 3 800 271	$ 2 465 089
Sales of handsets and accessories	20 938	22 361	86 723	81 109
	1 079 656	**771 701**	**3 886 994**	**2 546 198**
Operating expenses				
Cost of services	145 617	90 909	481 097	301 108
Cost of handsets and accessories	69 318	60 075	218 590	173 071
Sales and marketing expenses	162 582	107 431	460 983	326 783
General and administrative expenses	186 132	99 062	575 296	351 923
Depreciation and amortization	180 523	127 804	631 265	415 916
Provision for doubtful accounts	9 030	3 939	26 459	32 633
Other operating expenses	9 110	9 706	29 777	22 166
Net operating income	**317 344**	**272 775**	**1 463 527**	**922 598**
Currency exchange and translation (gains) losses	(3 882)	4 148	(6 529)	(693)

Pro Forma for the Twelve-Month Period Ended September 30, 2006[(a)]

Pro Forma for the Twenty-Six Week Period Ended March 31, 2007[(a)]

Other (income) expenses:				
Interest income	(3 214)	(6 333)	(21 792)	(18 076)
Interest expenses	29 128	37 503	107 956	106 551
Other (income) expenses	(12 863)	(8 830)	(34 868)	3 420
Total other (income) expenses, net	**13 051**	**22 340**	**51 296**	**91 895**
Income before provision for income taxes and minority interest	308 175	246 287	1 418 760	831 396
Provision for income taxes	96 083	81 966	365 673	242 480
Minority interest	2 970	11 573	30 342	71 677
Net income	**209 122**	**152 748**	**1 022 745**	**517 239**
Weighted average number of shares outstanding, in thousands	1 986 102	1 983 400	1 984 497	1 983 375
Earnings per share - basic and diluted	0.105	0.077	0.515	0.261

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Pro Forma for the Twelve-Month Period Ended September 30, 2006[a]	Pro Forma for the Twenty-Six Week Period Ended March 31, 2007[a]

MOBILE TELESYSTEMS

CONDENSED UNAUDITED CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2004 AND DECEMBER 31, 2003

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

	As of December 31, 2004	**As of December 31, 2003**
CURRENT ASSETS:		
Cash and cash equivalents	$ 274 150	$ 90 376
Short-term investments	73 360	245 000
Trade receivables, net	162 525	99 951
Accounts receivable, related parties	17 768	3 356
Inventory, net	89 518	67 291
VAT receivable	272 578	209 629
Prepaid expenses and other current assets	151 056	124 876
Total current assets	**1 040 955**	**840 479**
PROPERTY, PLANT AND EQUIPMENT	3 278 782	2 256 076
INTANGIBLE ASSETS	1 208 133	1 015 780
INVESTMENTS IN AND ADVANCES TO ASSOCIATES	82 648	103 585
OTHER ASSETS	16 546	9 431
Total assets	**5 627 064**	**4 225 351**
CURRENT LIABILITIES		
Accounts payable	242 495	168 039
Accrued expenses and other current liabilities	591 058	387 756
Accounts payable, related parties	17 009	31 904
Current portion of debt, capital lease obligations	379 406	710 270
Total current liabilities	**1 229 968**	**1 297 969**
LONG-TERM LIABILITIES		

Pro Forma for the Twelve-Month Period Ended September 30, 2006[(a)]

Pro Forma for the Twenty-Six Week Period Ended March 31, 2007[(a)]

Long-term debt	1 553 795	942 418
Capital lease obligations	3 947	7 646
Deferred income taxes	171 400	180 628
Deferred revenue and other	47 665	25 177
Total long-term liabilities	**1 776 807**	**1 155 869**
Total liabilities	**3 006 775**	**2 453 838**
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST	62 099	47 603
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 December 31, 2004 and December 31, 2003, 345,244,080 of which are in the form of ADS)	50 558	50 558
Treasury stock (7,202,108 and 9,929,074 common shares at cost as of December 31, 2004 and December 31, 2003)	(7 396)	(10 197)
Additional paid-in capital	564 160	559 911
Unearned compensation	(1 780)	(869)
Shareholder receivable	(18 237)	(27 610)
Accumulated other comprehensive income	22 444	7 595
Retained earnings	1 948 441	1 144 522
Total shareholders equity	**2 558 190**	**1 723 910**
Total liabilities and shareholders equity	**5 627 064**	**4 225 351**

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Pro Forma for the Twelve-Month Period Ended September 30, 2006[(a)]		Pro Forma for the Twenty-Six Week Period Ended March 31, 2007[(a)]

MOBILE TELESYSTEMS

CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(Amounts in thousands of U.S. dollars)

	Year ended December 31, 2004	Year ended December 31, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1 022 745	$ 517 239
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interest	30 342	71 677
Depreciation and amortization	631 265	415 916
Amortization of deferred connection fees	(46 978)	(29 372)
Equity in net income of associates	(25 559)	(2 670)
Provision for obsolete inventory	4 610	3 307
Provision for doubtful accounts	26 459	32 633
Deferred taxes	(65 013)	(43 001)
Non-cash expenses associated with stock bonus and stock options	900	213
Changes in operating assets and liabilities:		
Increase in accounts receivable	(101 223)	(64 384)
Increase in inventory	(24 179)	(14 737)
Increase in prepaid expenses and other current assets	(18 571)	(19 151)
Increase in VAT receivable	(55 044)	(50 230)
Increase in trade accounts payable, accrued liabilities and other current liabilities	331 835	148 544
Net cash provided by operating activities	**1 711 589**	**965 984**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries, net of cash acquired	(355 744)	(667 206)

	Pro Forma for the Twelve-Month Period Ended September 30, 2006[a]	Pro Forma for the Twenty-Six Week Period Ended March 31, 2007[a]
Purchase of property, plant and equipment	(1 204 400)	(839 165)
Purchase of intangible assets	(154 544)	(119 606)
Purchase of short-term investments	(114 440)	(215 000)
Proceeds from sale of short-term investments	286 340	
Investments in and advances to associates	(413)	(69 110)
Net cash used in investing activities	**(1 543 201)**	**(1 910 087)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from stock options exercise	4 049	
Proceeds from notes issue		1 097 000
Repayment of notes	(600 000)	
Notes issuance/loans agreement costs	(12 039)	(9 556)
Capital lease obligation principal paid	(15 274)	(22 646)
Dividends paid	(232 662)	(110 864)
Proceeds from loans	1 177 556	712 716
Loan principal paid	(320 511)	(677 374)
Payments from shareholders	9 654	8 269
Net cash used in financing activities	**10 773**	**997 545**
Effect of exchange rate changes on cash and cash equivalents	4 613	2 273
NET INCREASE IN CASH AND CASH EQUIVALENTS:	**183 774**	**55 715**
CASH AND CASH EQUIVALENTS, at beginning of period	90 376	34 661
CASH AND CASH EQUIVALENTS, at end of period	**274 150**	**90 376**

Pro Forma for the Twelve-Month Period Ended September 30, 2006[a]		Pro Forma for the Twenty-Six Week Period Ended March 31, 2007[a]

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: Vassily Sidorov
Name: Vassily Sidorov
Title: Acting President/CEO

Date: **March 22, 2005**

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