

MOBILE TELESYSTEMS OJSC
Form 6-K
August 26, 2010

FORM 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
August 26, 2010

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

Commission file number: 333-12032

Mobile TeleSystems OJSC

(Exact name of Registrant as specified in its charter)

Russian Federation

(Jurisdiction of incorporation or organization)

**4, Marksistskaya Street
Moscow 109147
Russian Federation**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

Press release

Mobile TeleSystems Announces Financial Results for the Second Quarter Ended June 30, 2010

August 26, 2010

Moscow, Russian Federation Mobile TeleSystems OJSC (MTS - NYSE: MBT), the leading telecommunications provider in Russia and the CIS, today announces its unaudited US GAAP financial results for the three months ended June 30, 2010.

Key Financial Highlights of Q2 2010(1)

- Consolidated revenues up 16.6% y-o-y to \$2,772 million
- Consolidated OIBDA(2) up 11.7% y-o-y to \$1,235 million with a 44.5% OIBDA margin
- Consolidated net income of \$354 million
- Free cash-flow(3) positive with \$1.0 billion for the six months ended June 30, 2010

Key Corporate and Industry Highlights

- Approval of the merger of MTS and Comstar-UTS by the respective Boards of Directors and launch of the Voluntary Tender Offer to acquire up to 9% of Comstar-UTS ordinary shares
- Issuance of USD-denominated Loan Participation Notes in the amount of \$750 million

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

- Securing of financing from the Bank of Moscow in the amount of RUB 22 billion in April and further reduction of its annual interest rate from 10.25% to 8.99% in June
- American Depositary Receipt (ADR) ratio change from 1 ADR per 5 common shares to 1 ADR per 2 common shares effective May 3, 2010
- Repurchase of the series 01 ruble-denominated bond in the amount of RUB 7.1 billion, the series 02 ruble-denominated bond in the amount of RUB 6.3 billion and the series 03 ruble-denominated bond in the amount of RUB 179.5 million
- Approval of agreements signed in May by Comstar-UTS, MGTS Finance S.A., a company controlled by Comstar-UTS, and OAO Rostelecom involving the sale of the 25%+1(4) share of OAO Svyazinvest to OAO Rostelecom for RUB 26 billion
- Acquisition of a 100% stake in CJSC Multiregion (Multiregion), one of the leading groups of broadband and cable TV providers in the Russian regions
- Securing of vendor financing in the amount of EUR 300 million backed by Finnvera

(1) Because Comstar-UTS and TS Retail were acquired from JSC Sistema, the majority owner of MTS, Comstar and TS Retail, the acquisitions were accounted for as transactions between entities under common control. Similar to a pooling of interest, whereby the assets and liabilities of Comstar and TS Retail were recorded at Sistema's carrying value, MTS historical financial information was recast to include the acquired entities for all periods presented.

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

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

(4) 17.31% is owned by Comstar directly with another 7.69% owned by MGTS Finance S.A., which is controlled by Comstar.

- Approval of recommended dividend for FY 2009 of RUB 30.70 billion (\$999.3 million) or RUB 15.40 per ordinary share (\$1.00 per ADR(5)) by the Company's Annual General Meeting of Shareholders

Commentary

Mr. Mikhail Shamolin, President and CEO of MTS, commented, "We demonstrated solid growth during the quarter as we continue to execute on our 3i Strategy. We saw strong seasonal drivers improve our quarterly results. For the Group, revenue in the second quarter increased more than 17% year over year to reach \$2.8 billion dollars. We see good seasonal trends in rising voice and data usage, the healthy contribution from the sale of handsets and consumption of higher-value products like voice and data roaming and long distance.

Mr. Alexey Kornya, Vice President and CFO of MTS, added: "For the period, Group OIBDA grew close to 12% year-over-year to reach \$1.23 billion USD driven by top-line growth. Though we continue to see downward margin pressure from our retail operations in Russia, we are making good progress in developing our distribution channels, and our retail business will reach our profitability goals by the end of year. Our fixed business in Russia delivered a healthy OIBDA margin of 40.1%.

Mr. Shamolin continued: "Given our growth in the first half of 2010 and more positive economic sentiment, we feel confident to raise our guidance for MTS Group to roughly 10% for 2010. This is predicated on:

- Continued macroeconomic improvement;
- The impact of retail on our top-line revenue growth;
- Sustained increases in usage across all product lines and segments in our Russian business;
- The impact of our recent acquisitions of Eurotel and Multiregion on our business;
- Modest growth in Ukraine; and
- The further development of our networks in our foreign subsidiaries.

Our guidance on Group OIBDA margin of 43-45% remains unchanged, while we expect CAPEX to remain 22-24% of sales.

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

This press release provides a summary of some of the key financial and operating indicators for the period ended June 30, 2010. For full disclosure materials, please visit <http://www.mtsghm.com/resources/reports/>.

(5) According to the Russian Central Bank exchange rate of 30.7193 RUB/USD as of May 11, 2010. The dividend amount is set in Russian rubles by the Board of Directors; U.S. dollar amounts provided for reference using the foreign exchange rates as of May 11, 2010.

Financial Summary(6)

USD mln	Q2 10	Q2 09	y-o-y	Q1 10	q-o-q
Revenues	2,771.9	2,378.1	16.6%	2,614.3	6.0%
- mobile	2,228.1	1,935.5	15.1%	2,072.1	7.5%
- fixed	412.5	363.6	13.4%	408.2	1.1%
OIBDA	1,234.7	1,105.0	11.7%	1,153.9	7.0%
- margin	44.5%	46.5%	-2.0pp	44.1%	+0.4pp
Net operating income	754.6	650.5	16.0%	676.1	11.6%
- margin	27.2%	27.4%	-0.2pp	25.9%	+1.3pp
Net income	354.0	577.4	-38.7%	379.6	-6.7%
- margin	12.8%	24.3%	-11.5pp	14.5%	-1.7pp

Russia Highlights

RUB mln	Q2 10	Q2 09	y-o-y	Q1 10	q-o-q
Revenues(7)	69,503.3	62,473.8	11.3%	65,293.9	6.4%
- mobile	57,495.3	51,486.2	11.7%	53,494.6	7.5%
- fixed	12,805.6	11,712.5	9.3%	12,510.1	2.4%
OIBDA	31,406.2	29,907.2	5.0%	29,672.3	5.8%
- mobile	26,268.4	24,986.3	5.1%	24,147.3	8.8%
- fixed	5,137.8	4,921.0	4.4%	5,525.0	-7.0%
OIBDA margin	45.2%	47.9%	-2.7pp	45.4%	-0.2pp
- mobile	45.7%	48.5%	-2.8pp	45.1%	+0.6pp
- fixed	40.1%	42.0%	-1.9pp	44.2%	-4.1pp
Net income	8,875.7	17,904.6	-50.4%	10,793.3	-17.8%
- margin	12.8%	28.7%	-15.9pp	16.5%	-3.7pp

	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
ARPU (RUB)(8)	245.4	255.8	248.4	236.7	253.9
MOU (min)	216	213	219	211	230
Churn rate (%)	6.9	10.7	12.4	10.4	9.8
SAC (RUB)	649.9	561.1	503.1	549.3	630.5
- dealer commission	341.1	358.4	288.4	351.0	399.9
- adv & mktg	308.8	202.7	214.7	198.3	230.6

(6) Because Comstar-UTS and TS Retail were acquired from JSC Sistema, the majority owner of MTS, Comstar and TS Retail, the acquisitions were accounted for as transactions between entities under common control. Similar to a pooling of interest, whereby the assets and liabilities of Comstar and TS Retail were recorded at Sistema's carrying value, MTS' historical financial information was recast to include the acquired entities for all periods presented.

(7) Gross of intercompany.

(8) ARPU is calculated by dividing our service revenues for a given period, including interconnect, guest roaming fees and connection fees, by the average number of our subscribers during that period and dividing by the number of months in that period.

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

Ukraine Highlights

UAH mln	Q2 10	Q2 09	y-o-y	Q1 10	q-o-q
Revenues	2,146.4	1,976.7	8.6%	1,921.9	11.7%
OIBDA	1,004.9	890.4	12.9%	836.9	20.1%
- margin	46.8%	45.0%	+1.8pp	43.5%	+3.3pp
Net income	208.3	142.4	46.3%	59.6	249.5%
- margin	9.7%	7.2%	+2.5pp	3.1%	+6.6pp

	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
ARPU (UAH)	35.8	40.1	38.3	35.2	39.5
MOU (min)	441	478	506	527	541
Churn rate (%)	9.7	10.4	9.7	9.4	7.2
SAC (UAH)	52.1	45.9	56.8	66.9	64.3
- dealer commission	21.8	16.3	22.3	34.2	31.8
- adv & mktg	19.2	17.7	22.7	21.2	21.4
- handset subsidy	1.2	1.4	2.6	2.1	1.8
- SIM card & voucher	9.9	10.5	9.2	9.4	9.2

Uzbekistan Highlights(9)

USD mln	Q2 10	Q2 09	y-o-y	Q1 10	q-o-q
Revenues	113.3	97.0	16.8%	103.5	9.5%
OIBDA	65.8	53.5	23.0%	56.5	16.5%
- margin	58.1%	55.1%	+3.0pp	54.6%	+3.5pp
Net income	31.7	18.6	70.4%	24.5	29.4%
- margin	28.0%	19.2%	+8.8pp	23.7%	+4.3pp

	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
ARPU (USD)	5.2	5.1	5.0	4.8	5.0
MOU (min)	502	500	534	520	534
Churn rate (%)	7.1	8.1	8.0	5.9	6.1
SAC (USD)	7.6	8.3	6.7	6.1	6.0

Turkmenistan Highlights

TMT mln	Q2 10	Q2 09	y-o-y	Q1 10	q-o-q
Revenues	152.3	107.3	41.9%	138.2	10.2%
OIBDA	94.3	48.5	94.4%	89.0	6.0%
- margin	62.0%	45.2%	+16.8pp	64.4%	-2.4pp
Net income	58.4	24.4	139.3%	58.5	-0.2%
- margin	38.4%	22.8%	15.6pp	42.3%	-3.9pp

	Q2 09	Q3 09	Q4 09	Q1 09	Q2 10
ARPU (TMT)	30.1	29.7	27.6	25.2	25.0
MOU (min)	239	241	250	267	289

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

Churn rate (%)	5.8	4.5	5.7	9.9	3.0
SAC (TMT)	11.2	18.4	9.4	10.5	11.8

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

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

Armenia Highlights

AMD mln	Q2 10	Q2 09	y-o-y	Q1 10	q-o-q
Revenues	19,287.0	19,534.1	-1.3%	17,786.2	8.4%
OIBDA	10,315.9	10,913.1	-5.5%	8,687.7	18.7%
- margin	53.5%	55.9%	-2.4pp	48.8%	+4.7pp
Net income/(loss)	3,606.6	(2,898.6)	n/a	(2,409.3)	n/a
- margin	18.7%	n/a	n/a	n/a	n/a

	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
ARPU (AMD)	3,169.2	3,540.9	3,351.4	2,813.4	3,013.5
MOU (min)	182	217	237	220	255
Churn rate (%)	10.4	11.3	12.7	8.6	8.5
SAC (AMD)	6,005.8	5,143.6	6,787.7	6,868.7	7,192.0

CAPEX Highlights

USD mln	Q2 09	Q1 10	Q2 10
Russia	267.9	178.4	248.0
- as % of rev	13.8%	8.2%	10.8%
Ukraine	83.2	40.5	36.5
- as % of rev	32.2%	16.8%	13.5%
Uzbekistan	136.0	23.9	18.9
- as % of rev	140.2%	23.1%	16.7%
Turkmenistan	13.9	4.3	8.4
- as % of rev	37.0%	8.9%	15.8%
Armenia	4.3	3.9	3.1
- as % of rev	8.1%	8.5%	6.2%

* * *

For further information, please contact in Moscow:

Joshua B. Tulgan

Director, Investor Relations

Acting Director, Corporate Finance

Department of Investor Relations

Mobile TeleSystems OJSC

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

Tel: +7 495 223 2025

E-mail: ir@mts.ru

Learn more about MTS. Visit the official blog of the Investor Relations Department at www.mtsgsm.com/blog/

* * *

Mobile TeleSystems OJSC (MTS) is the leading telecommunications group in Russia, Eastern Europe and Central Asia, offering mobile and fixed voice, broadband, pay TV as well as content and entertainment services in one of the world's fastest growing regions. Including its subsidiaries, the Group services over 103.8 million mobile subscribers in Russia, Ukraine, Uzbekistan, Turkmenistan, Armenia and Belarus, a region that boasts a total population of more than 230 million. Since June 2000, MTS' Level 3 ADRs have been listed on the New York Stock Exchange (ticker symbol MBT). Additional information about the MTS Group can be found at www.mtsgsm.com.

* * *

Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of MTS, as defined in the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify forward looking statements by terms such as expect, believe, anticipate, estimate, intend, will, could, may or might, and such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not undertake or intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. We refer you to the documents MTS files from time to time with the U.S. Securities and Exchange Commission, specifically the Company's most recent Form 20-F. These documents contain and identify important factors, including those contained in the section captioned Risk Factors that could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, the severity and duration of current economic and financial conditions, including volatility in interest and exchange rates, commodity and equity prices and the value of financial assets; the impact of Russian, U.S. and other foreign government programs to restore liquidity and stimulate national and global economies, our ability to maintain our current credit rating and the impact on our funding costs and competitive position if we do not do so, strategic actions, including acquisitions and dispositions and our success in integrating acquired businesses, including Comstar-UTS, potential fluctuations in quarterly results, our

competitive environment, dependence on new service development and tariff structures, rapid technological and market change, acquisition strategy, risks associated with telecommunications infrastructure, governmental regulation of the telecommunications industries and other risks associated with operating in Russia and the CIS, volatility of stock price, financial risk management and future growth subject to risks.

* * *

**Attachments to the Second Quarter 2010
Earnings Press Release**

Attachment A

Non-GAAP financial measures. This press release includes financial information prepared in accordance with accounting principles generally accepted in the United States of America, or US GAAP, as well as other financial measures referred to as non-GAAP. The non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with US GAAP. Due to the rounding and translation practices, US dollar and functional currency margins, as well as other non-GAAP financial measures, may differ.

Operating Income Before Depreciation and Amortization (OIBDA) and OIBDA margin. OIBDA represents operating income before depreciation and amortization. OIBDA margin is defined as OIBDA as a percentage of our net revenues. Our OIBDA may not be similar to OIBDA measures of other companies; is not a measurement under accounting principles generally accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of operations. We believe that OIBDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions of mobile operators and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Our OIBDA calculation is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within the wireless telecommunications industry. OIBDA can be reconciled to our consolidated statements of operations as follows:

Group (USD mln)	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
Operating income	650.5	735.5	613.9	676.1	754.6
Add: D&A and impairment loss	454.5	473.8	584.5	477.8	480.1
OIBDA(10)	1,105.0	1,209.3	1,198.3	1,153.9	1,234.7

Russia (USD mln)	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
Operating income	605.6	665.9	578.0	660.4	704.6
Add: D&A and impairment loss	322.8	335.6	441.3	332.4	333.4
OIBDA(10)	928.4	1,001.4	1,019.3	992.8	1,038.1

Ukraine (USD mln)	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
Operating income	29.2	45.8	22.9	11.2	35.8
Add: D&A	87.1	90.7	93.1	93.5	91.1
OIBDA	116.3	136.5	116.0	104.8	126.8

Uzbekistan (USD mln)	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
Operating income	31.9	29.2	32.0	32.0	37.5
Add: D&A	21.6	22.8	24.7	24.5	28.3
OIBDA	53.5	52.0	56.7	56.5	65.8

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

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

Turkmenistan (USD mln)	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
Operating income	14.3	22.5	26.9	27.1	28.7
Add: D&A	2.7	3.2	3.2	4.2	4.4
OIBDA	17.0	25.7	30.2	31.2	33.1

Armenia (USD mln)	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
Operating income/ (loss)	9.2	11.4	5.2	(0.5)	4.2
Add: D&A	20.3	21.6	22.1	23.1	22.7
OIBDA	29.5	32.9	27.2	22.6	26.9

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

Group	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
Operating margin	27.4%	28.0%	22.6%	25.9%	27.2%
Add: D&A and impairment loss	19.1%	18.1%	21.5%	18.2%	17.3%
OIBDA margin(11)	46.5%	46.1%	44.1%	44.1%	44.5%

Russia	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
Operating margin	31.2%	30.9%	25.6%	30.2%	30.7%
Add: D&A and impairment loss	16.6%	15.6%	19.5%	15.2%	14.5%
OIBDA margin(11)	47.8%	46.5%	45.1%	45.4%	45.2%

Ukraine	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
Operating margin	11.3%	16.1%	8.7%	4.7%	13.2%
Add: D&A	33.8%	32.0%	35.3%	38.8%	33.6%
OIBDA margin	45.1%	48.1%	44.0%	43.5%	46.8%

Uzbekistan	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
Operating margin	32.8%	28.9%	30.5%	30.9%	33.1%
Add: D&A	22.3%	22.5%	23.4%	23.7%	25.0%
OIBDA margin	55.1%	51.4%	53.9%	54.6%	58.1%

Turkmenistan	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
Operating margin	37.9%	52.1%	56.8%	55.9%	53.7%
Add: D&A	7.3%	7.4%	6.9%	8.5%	8.3%
OIBDA margin	45.2%	59.5%	63.7%	64.4%	62.0%

Armenia	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
Operating margin	17.5%	19.3%	9.5%	-1.0%	8.3%
Add: D&A	38.4%	36.5%	40.5%	49.8%	45.2%
OIBDA margin	55.9%	55.8%	50.0%	48.8%	53.5%

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

Attachment B

Net debt represents total debt less cash and cash equivalents and short-term investments. Our net debt calculation is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare our periodic and future liquidity within the wireless telecommunications industry. The non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with US GAAP.

Net debt can be reconciled to our consolidated statements of financial position as follows:

USD mln	As of Dec 31, 2009	As of Jun 30, 2010
Current portion of debt and of capital lease obligations	2,022.5	1,717.9
Long-term debt	6,326.8	5,548.6
Capital lease obligations	0.9	0.9
Total debt	8,350.2	7,267.4
Less:		
Cash and cash equivalents	2,523.2	2,433.5
Short-term investments	204.8	454.2
Net debt	5,622.2	4,379.7

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

US\$ million	Six months ended Dec 31, 2009 A	Six months ended Jun 30, 2010 B	Twelve months ended Jun 30, 2010 C=A+B
Net operating income	1,349.4	1,430.7	2,780.1
Add: depreciation and amortization	971.9	957.8	1,929.7
Add: long-lived assets impairment loss and acquisition related costs	86.4		86.4
OIBDA	2,407.7	2,388.5	4,796.2

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

USD mln	For the six months ended Jun 30, 2009	For the six months ended Jun 30, 2010
Net cash provided by operating activities	1,565.9	1,682.8
Less:		
Purchases of property, plant and equipment	(1,024.6)	(434.2)
Purchases of intangible assets	(186.0)	(131.7)
Proceeds from sale of property, plant and equipment	1.4	4.3
Proceeds/ (purchases) of other investments	(0.3)	2.9
Investments in and advances to associates	2.0	0.1
Acquisition of subsidiaries, net of cash acquired	(146.3)	(31.7)
Advanced payment on acquisition of Metrocom		(11.1)
Purchase of notes receivable of Sistema Telekom, related party		(42.4)
Free cash-flow	212.1	1,039.0

Attachment C

Definitions

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

Average monthly service revenue per subscriber (ARPU). We calculate our ARPU by dividing our service revenues for a given period, including interconnect, guest roaming fees and connection fees, by the average number of our subscribers during that period and dividing by the number of months in that period.

Average monthly minutes of usage per subscriber (MOU). MOU is calculated by dividing the total number of minutes of usage during a given period by the average number of our subscribers during the period and dividing by the number of months in that period.

Churn. We define our churn as the total number of subscribers who cease to be a subscriber as defined above during the period (whether involuntarily due to non-payment or voluntarily, at such subscriber's request), expressed as a percentage of the average number of our subscribers during that period.

Subscriber acquisition cost (SAC). We define SAC as total sales and marketing expenses and handset subsidies for a given period. Sales and marketing expenses include advertising expenses and commissions to dealers. SAC per gross additional subscriber is calculated by dividing SAC during a given period by the total number of gross subscribers added by us during the period.

MOBILE TELESYSTEMS

CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

	Three months ended June 30, 2010	Three months ended June 30, 2009*	Six months ended June 30, 2010	Six months ended June 30, 2009*
Net operating revenue				
Service revenue	\$ 2 640 601	\$ 2 299 096	\$ 5 120 926	\$ 4 392 334
Sales of handsets and accessories	131 322	78 960	265 310	119 290
	2 771 923	2 378 056	5 386 236	4 511 624
Operating expenses				
Cost of services	550 365	468 347	1 077 713	919 340
Cost of handsets and accessories	140 537	92 997	277 061	140 163
Sales and marketing expenses	191 337	182 540	363 380	347 029
General and administrative expenses	567 656	476 363	1 122 172	920 391
Depreciation and amortization	480 061	454 508	957 842	871 806
Provision for doubtful accounts	23 827	13 112	57 907	47 482
Other operating expenses	63 505	39 707	99 455	75 709
Net operating income	754 635	650 482	1 430 706	1 189 704
Currency exchange and transaction losses/(gains)	57 014	(195 281)	(20 084)	295 524
Other expenses / (income):				
Interest income	(15 820)	(16 099)	(37 548)	(31 253)
Interest expense, net of amounts capitalized	213 445	98 786	441 797	195 802
Other income	(9 301)	(7 723)	(12 121)	(14 863)
Total other expenses, net	188 324	74 964	392 128	149 686
Income before provision for income taxes and noncontrolling interest	509 297	770 799	1 058 662	744 494
Provision for income taxes	112 281	149 213	239 189	176 844
Net income	397 016	621 586	819 473	567 650
Net income attributable to the noncontrolling interest	43 049	44 174	85 890	47 178
Net income attributable to the Group	353 967	577 412	733 583	520 472
Weighted average number of common shares outstanding, in thousands - basic and diluted	1 916 869	1 885 053	1 916 869	1 885 053
	0.18	0.31	0.38	0.28

Earnings per share - basic and diluted

*Figures were restated due to retrospective consolidation of Comstar and TS-Retail

MOBILE TELESYSTEMS

CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2010 AND DECEMBER 31, 2009

(Amounts in thousands of U.S. dollars)

	As of June 30, 2010	As of December 31, 2009*
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2 433 465	\$ 2 523 238
Short-term investments	454 151	204 794
Trade receivables, net	677 990	593 253
Accounts receivable, related parties	14 605	16 695
Inventory and spare parts	250 198	239 460
VAT receivable	117 997	110 273
Prepaid expenses and other current assets	677 149	702 324
Total current assets	4 625 555	4 390 037
PROPERTY, PLANT AND EQUIPMENT	7 180 629	7 748 536
INTANGIBLE ASSETS	2 164 221	2 236 393
INVESTMENTS IN AND ADVANCES TO ASSOCIATES	226 110	220 450
INVESTMENTS IN SHARES OF SVYAZINVEST	833 456	859 669
OTHER INVESTMENTS	48 783	48 701
OTHER NON-CURRENT ASSETS	237 180	245 615
Total assets	\$ 15 315 934	\$ 15 749 401
CURRENT LIABILITIES		
Accounts payable	443 472	508 792
Accrued expenses and other current liabilities	2 657 942	1 665 977
Accounts payable, related parties	75 622	81 664
Current portion of long-term debt, capital lease obligations	1 717 871	2 022 499
Total current liabilities	4 894 907	4 278 932
LONG-TERM LIABILITIES		
Long-term debt	5 548 646	6 326 824
Capital lease obligations	919	921
Deferred income taxes	287 169	298 453
Long-term accounts payable, related parties	37 684	38 273
Deferred revenue and other	352 828	373 011
Total long-term liabilities	6 227 246	7 037 482
Total liabilities	11 122 153	11 316 414
Redeemable noncontrolling interests	108 095	82 261

SHAREHOLDERS EQUITY:

Common stock: (2,096,975,792 shares with a par value of 0.1 rubles authorized and 1,993,326,138 shares issued as of June 30, 2010 and December 31, 2009 (777,396,505 of which are in the form of ADS as of June 30, 2010 and December 31, 2009))	50 558	50 558
Treasury stock (76,456,876 common shares at cost as of June 30, 2010 and December 31, 2009)	(1 054 926)	(1 054 926)
Additional paid-in capital		2 104
Accumulated other comprehensive income	(786 876)	(746 493)
Retained earnings	4 823 795	5 079 146
Total shareholders equity attributable to the Group	3 032 551	3 330 389
Noncontrolling interest	1 053 135	1 020 337
TOTAL SHAREHOLDERS EQUITY	4 085 686	4 350 726
Total liabilities and shareholders equity	\$ 15 315 934	\$ 15 749 401

*Figures were restated due to retrospective consolidation of Comstar and TS-Retail

MOBILE TELESYSTEMS**CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009**

(Amounts in thousands of U.S. dollars)

	Six months ended	
	June 30, 2010	June 30, 2009*
Net cash provided by operating activities	1 682 779	1 565 870
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries, net of cash acquired	(31 740)	(146 304)
Advanced payment on acquisition of Metrocom	(11 145)	
Purchase of notes receivable of Sistema Telekom, related party	(42 352)	
Purchases of property, plant and equipment	(434 173)	(1 024 603)
Purchases of intangible assets	(131 704)	(185 950)
Proceeds from sale of property, plant and equipment and assets held for sale	4 287	1 436
Purchases of short-term investments	(379 826)	(34 129)
Proceeds from sale of short-term investments	119 409	291 257
Purchase of other investments		(413)
Proceeds from sales of other investments	2 923	115
Investments in and advances to associates	50	2 000
Increase/(decrease) in restricted cash	(222)	6 065
Net cash used in investing activities	(904 493)	(1 090 526)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash payments for the acquisition of Comstar-UTS, Stream TV and non-controlling interests	(10 694)	(3 860)
Proceeds from issuance of notes	750 000	491 953
Repayment of notes	(462 403)	
Notes and debt issuance cost	(15 039)	(38 432)
Capital lease obligation principal paid	(2 138)	(3 943)
Dividends paid	(5 732)	(13)
Proceeds from loans	506 522	771 971
Loan principal paid	(1 633 875)	(1 147 440)
Net cash (used in)/provided by financing activities	(873 359)	70 236
Effect of exchange rate changes on cash and cash equivalents	5 300	47 860
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS:	(89 773)	593 440
CASH AND CASH EQUIVALENTS, at beginning of period	2 523 238	1 132 583
CASH AND CASH EQUIVALENTS, at end of period	2 433 465	1 726 023

*Figures were restated due to retrospective consolidation of Comstar and TS-Retail

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MOBILE TELESYSTEMS OJSC

By:	/s/ Mikhail Shamolin	
	Name:	Mikhail Shamolin
	Title:	CEO

Date: **August 26, 2010**