

MOBILE TELESYSTEMS OJSC
Form 6-K
November 20, 2007

FORM 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**Report of Foreign Issuer
November 20, 2007**

**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

20 | November | 2007

Press Release

Financial results for the third quarter ended September 30, 2007

Moscow, Russian Federation Mobile TeleSystems OJSC (MTS - NYSE: MBT), the largest mobile phone operator in Russia and the CIS, announces its third quarter 2007(1) financial and operating results.

Key Financial Highlights

Consolidated revenues of \$2,216 million

Consolidated OIBDA(2) of \$1,175 million (OIBDA margin of 53.0%)

Consolidated net income of \$655 million

Free cash-flow(3) positive with \$1,009 million for the nine months of 2007

Key Corporate and Industry Highlights

Launch of MTS brand in Ukraine

Entry into Armenia through acquisition of leading operator K-Telecom (VivaCell)

Allocation of 3G frequencies in Armenia

Launch of BlackBerry service in Ukraine

Moody's credit rating upgraded to Ba2 from Ba3; outlook positive

Awarded top TMT Investor Relations in Russia (Thomson/Extel Survey)

Leonid Melamed, President and Chief Executive Officer, commented, We are pleased to announce strong third quarter financial results reflecting profitable growth throughout the Group as we continue to pursue our 3+2 strategy. Strong usage growth in Russia has been a key revenue driver for the Group, while in Ukraine the full rebranding of our operations will strengthen our long-term position in this key market. Our deployment continues in Uzbekistan and Turkmenistan, two low-penetrated markets which will provide greater contribution to Group revenues in the coming years. Recently, we expanded our footprint into Armenia through the acquisition of an 80% stake in the number one operator K-Telecom. In all, MTS is ideally situated to capture further growth in the expanding economies of the CIS.

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- (1) Based on unaudited consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).
 - (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.

Financial Summary (Unaudited)

| US\$ million | Q3 2007 | Q3 2006 | Change Y-on-Y | Q2 2007 | Change Q-on-Q |
|-----------------------------|--------------|--------------|------------------|--------------|------------------|
| Revenues | 2,216.0 | 1,797.7 | 23.3% | 1,968.6 | 12.6% |
| OIBDA | 1,174.7 | 962.8 | 22.0% | 1,018.7 | 15.3% |
| <i>OIBDA margin</i> | <i>53.0%</i> | <i>53.6%</i> | <i>- 0.6pp</i> | <i>51.7%</i> | <i>+ 1.3pp</i> |
| Net operating income | 801.8 | 685.5 | 17.0% | 691.0 | 16.0% |
| <i>Net operating margin</i> | <i>36.2%</i> | <i>38.1%</i> | <i>- 2.0pp</i> | <i>35.1%</i> | <i>+ 1.0pp</i> |
| Net income | 654.7 | 486.3 | 34.6% | 507.9 | 28.9% |

Operating Overview

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Market Growth

Mobile penetration⁽⁴⁾ increased from 110% to 114% in Russia and from 108% to 115% in Ukraine during the third quarter of 2007.

During the quarter mobile penetration in Uzbekistan increased from 13% to 16% and from 4% to 6% in Turkmenistan. In Belarus, mobile penetration increased from 67% to 69% for the same period.

Subscriber Development

The Company added approximately 3.3 million new customers during the third quarter of 2007 on a consolidated basis of which 2.4 were added organically. MTS operations in Russia accounted for 1.7 million; 0.1 million were added in Ukraine, approximately 347 thousand were added in Uzbekistan and 54 thousand in Turkmenistan. Our operations in Armenia had a total of 1.1 million subscribers at the end of September 2007.

In the third quarter of 2007 the Company's churn rates in Russia increased from 5.2% to 7.1% and in Ukraine fell from 14.1% to 12.5%. In Uzbekistan churn decreased from 17.9% to 14.3%, in Turkmenistan from 8.6% to 6.3% and in Belarus from 6.0% to 5.3%.

Since the end of the third quarter to October 31, 2007, MTS has organically added a further 1.2 million users, expanding its consolidated subscriber base to 79.1 million.

Market Share

In Russia, MTS had a leading market share in subscribers of approximately 33%. In Ukraine, the Company's market share was 37%. MTS market share⁽⁵⁾ in Uzbekistan and Turkmenistan was at 54% and 86% respectively at the end of the third quarter of 2007.

In Belarus, the market share was 54%.

Customer Segmentation

Subscriptions to MTS pre-paid tariff plans accounted for 90% of gross additions in Russia and 95% in Ukraine in the third quarter. At the end of the third quarter 2007, 89% 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 was 92%.

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

(5) According to the Company's estimates.

Key Operating Summary

IMPORTANT DISCLOSURE INFORMATION

| | Q3 2006 | Q4 2006 | Q1 2007 | Q2 2007 | Q3 2007 |
|-----------------------------------------------------|---------|---------|---------|---------|---------|
| Total consolidated subscribers, end of period (mln) | 67.59 | 72.86 | 74.16 | 74.67 | 77.97 |
| Russia | 49.99 | 51.22 | 51.50 | 52.68 | 54.42 |
| Ukraine | 16.36 | 20.00 | 20.75 | 19.81 | 19.91 |
| Uzbekistan(6) | 1.09 | 1.45 | 1.70 | 1.95 | 2.29 |
| Turkmenistan | 0.14 | 0.18 | 0.20 | 0.24 | 0.29 |
| Armenia | | | | | 1.07 |
| MTS Belarus(7) | 2.89 | 3.21 | 3.37 | 3.48 | 3.66 |

| | Q3 2006 | Q4 2006 | Q1 2007 | Q2 2007 | Q3 2007 |
|--------------------------------------------|---------|---------|---------|---------|---------|
| Russia | | | | | |
| ARPU (US\$) | 8.6 | 8.5 | 8.2 | 9.2 | 10.0 |
| MOU (minutes) | 135 | 133 | 134 | 151 | 167 |
| Churn rate (%) | 6.4 | 5.1 | 6.1 | 5.2 | 7.1 |
| SAC per gross additional subscriber (US\$) | 22.3 | 29.1 | 26.2 | 28.9 | 24.3 |
| Ukraine | | | | | |
| ARPU (US\$) | 8.7 | 7.2 | 5.7 | 6.4 | 7.3 |
| MOU (minutes) | 157 | 147 | 135 | 152 | 162 |
| Churn rate (%) | 9.5 | 8.2 | 7.8 | 14.1 | 12.5 |
| SAC per gross additional subscriber (US\$) | 9.7 | 7.8 | 11.2 | 13.7 | 10.9 |
| Uzbekistan | | | | | |
| ARPU (US\$) | 12.8 | 12.0 | 10.3 | 10.4 | 10.3 |
| MOU (minutes) | 530 | 515 | 463 | 549 | 565 |
| Churn rate (%) | 13.6 | 10.7 | 16.8 | 17.9 | 14.3 |
| SAC per gross additional subscriber (US\$) | 3.6 | 3.1 | 4.1 | 3.7 | 4.4 |
| Turkmenistan | | | | | |
| ARPU (US\$) | 83.1 | 60.2 | 61.4 | 63.4 | 57.4 |
| MOU (minutes) | 243 | 239 | 227 | 264 | 299 |
| Churn rate (%) | 3.8 | 5.1 | 6.1 | 6.3 | 8.6 |
| SAC per gross additional subscriber (US\$) | 55.6 | 37.7 | 47.7 | 26.9 | 20.8 |

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

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

Russia

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Third quarter revenues up 26% year-on-year to \$1,667 million(8)

Third quarter OIBDA up 27% year-on-year to \$881 million; OIBDA margin of 52.8%

Third quarter net income up 47% year-on-year to \$508 million

MTS average monthly minutes of usage per subscriber (MOU) in Russia increased sequentially from 151 to 167 minutes in the third quarter of 2007. Post-paid subscribers MOU again continued to increase and reached 518 minutes from 510 minutes in the previous quarter.

The average monthly service revenue per subscriber (ARPU) in Russia increased sequentially from \$9.2 to \$10.0.

Subscriber acquisition costs (SAC) in the third quarter of 2007 decreased sequentially from \$28.9 to \$24.3.

Ukraine

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Third quarter revenues up 6% year-on-year to \$439 million(9)

Third quarter OIBDA down 6% year-on-year to \$220 million; OIBDA margin of 50.1%

Third quarter net income down 24% year-on-year to \$95 million

MOU increased sequentially in the third quarter from 152 minutes to 162 minutes.

ARPU increased sequentially from \$6.4 to \$7.3 in the third quarter.

SAC decreased sequentially from \$13.7 to \$10.9 in the third quarter.

Uzbekistan

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Third quarter revenues up 77% year-on-year to \$66 million(10)

Third quarter OIBDA up 85% year-on-year to \$41 million; OIBDA margin of 62.5%

Third quarter net income up 143% year-on-year to \$25 million

MOU increased sequentially in the third quarter from 549 minutes to 565 minutes.

ARPU decreased sequentially from \$10.4 to \$10.3 in the third quarter.

SAC increased sequentially from \$3.7 to \$4.4 in the third quarter.

Turkmenistan

Third quarter revenues up 36% year-on-year to \$45 million

Third quarter OIBDA up 86% year-on-year to \$28 million; OIBDA margin of 62.0%

Third quarter net income up 381% year-on-year to \$27 million

MOU increased sequentially in the third quarter from 264 minutes to 299 minutes.

ARPU decreased sequentially from \$63.4 to \$57.4 in the third quarter.

SAC decreased sequentially from \$26.9 to \$20.8 in the third quarter.

(8) Excluding intercompany eliminations of \$1.2 million.

- (9) Excluding intercompany eliminations of \$7.4 million.
- (10) Excluding intercompany eliminations of \$0.3 million.

Armenia

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Armenia contributed \$8 million to the Company's consolidated revenues and \$5 million to its consolidated OIBDA with an OIBDA margin of 59.8% in the third quarter of 2007. Third quarter ARPU was at \$15.7.

Financial Position

MTS' expenditure on property, plant and equipment in the third quarter totaled \$303 million, of which \$172 million was invested in Russia, \$126 million in Ukraine, \$4 million in Uzbekistan and \$1 million in Turkmenistan.

MTS spent \$36 million on the purchase of intangible assets during the third quarter (\$35 million in Russia, \$0.1 million in Ukraine and \$0.4 million in Uzbekistan).

As of September 30, 2007, MTS' total debt(11) was at \$3.1 billion, resulting in a ratio of total debt to LTM OIBDA(12) of 0.8 times. Net debt amounted to \$2.4 billion at the end of the quarter and the net debt to LTM OIBDA of 0.6 times.

For further information, please contact:

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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 79.12 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.

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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.

(11) 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.

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

**Attachments to the Third Quarter 2007
Earnings Press Release**

Attachment A

Non-GAAP financial measures. This press release includes financial information prepared in accordance with accounting principles generally accepted in the United States of America, or US GAAP, as well as other financial measures referred to as non-GAAP. The non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with US GAAP.

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

| US\$ million | Q3 2006 | Q4 2006 | Q1 2007 | Q2 2007 | Q3 2007 |
|------------------------------------|---------|---------|---------|---------|---------|
| Operating income | 685.5 | 648.8 | 597.2 | 691.0 | 801.8 |
| Add: depreciation and amortization | 277.3 | 289.2 | 305.9 | 327.7 | 372.9 |
| OIBDA | 962.8 | 937.9 | 903.1 | 1,018.7 | 1,174.7 |

| Russia (US\$ million) | Q3 2006 | Q4 2006 | Q1 2007 | Q2 2007 | Q3 2007 |
|------------------------------------|---------|---------|---------|---------|---------|
| Operating income | 485.3 | 479.0 | 463.6 | 531.1 | 609.8 |
| Add: depreciation and amortization | 206.4 | 213.3 | 218.3 | 236.8 | 268.8 |
| OIBDA | 691.7 | 692.3 | 681.9 | 767.9 | 878.7 |

| Ukraine (US\$ million) | Q3 2006 | Q4 2006 | Q1 2007 | Q2 2007 | Q3 2007 |
|------------------------------------|---------|---------|---------|---------|---------|
| Operating income | 173.5 | 137.6 | 92.9 | 120.6 | 136.7 |
| Add: depreciation and amortization | 60.3 | 64.1 | 75.5 | 78.6 | 83.1 |
| OIBDA | 233.8 | 201.7 | 168.4 | 198.8 | 219.7 |

| Uzbekistan (US\$ million) | Q3 2006 | Q4 2006 | Q1 2007 | Q2 2007 | Q3 2007 |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Operating income | 15.4 | 22.1 | 23.6 | 28.5 | 27.0 |
| Add: depreciation and amortization | 6.8 | 7.5 | 7.7 | 8.2 | 14.1 |
| OIBDA | 22.2 | 29.6 | 31.3 | 36.7 | 41.1 |

| Turkmenistan (US\$ million) | Q3 2006 | Q4 2006 | Q1 2007 | Q2 2007 | Q3 2007 |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Operating income | 11.2 | 10.1 | 17.2 | 10.8 | 22.6 |
| Add: depreciation and amortization | 3.8 | 4.3 | 4.4 | 4.4 | 5.4 |
| OIBDA | 15.1 | 14.4 | 21.6 | 15.2 | 28.1 |

| Armenia (US\$ million) | Q3 2007 |
|------------------------------------|----------------|
| Operating income | 3.5 |
| Add: depreciation and amortization | 1.5 |
| OIBDA | 5.0 |

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

| | Q3 2006 | Q4 2006 | Q1 2007 | Q2 2007 | Q3 2007 |
|---------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Operating margin | 38.1% | 35.9% | 34.3% | 35.1% | 36.2% |
| Add: depreciation and amortization as a percentage of revenue | 15.4% | 16.0% | 17.6% | 16.6% | 16.8% |
| OIBDA margin | 53.6% | 51.9% | 51.9% | 51.7% | 53.0% |

| Russia | Q3 2006 | Q4 2006 | Q1 2007 | Q2 2007 | Q3 2007 |
|---------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Operating margin | 36.8% | 35.9% | 35.4% | 35.9% | 36.6% |
| Add: depreciation and amortization as a percentage of revenue | 15.6% | 16.0% | 16.7% | 16.0% | 16.1% |
| OIBDA margin | 52.4% | 51.9% | 52.1% | 51.8% | 52.8% |

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| Ukraine | Q3 2006 | Q4 2006 | Q1 2007 | Q2 2007 | Q3 2007 |
|---------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Operating margin | 41.8% | 34.4% | 26.5% | 30.7% | 31.2% |
| Add: depreciation and amortization as a percentage of revenue | 14.5% | 16.0% | 21.5% | 19.9% | 18.9% |
| OIBDA margin | 56.4% | 50.4% | 48.0% | 50.6% | 50.1% |

| Uzbekistan | Q3 2006 | Q4 2006 | Q1 2007 | Q2 2007 | Q3 2007 |
|---------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Operating margin | 41.6% | 47.8% | 48.0% | 50.1% | 41.0% |
| Add: depreciation and amortization as a percentage of revenue | 18.3% | 16.2% | 15.7% | 14.4% | 21.5% |
| OIBDA margin | 59.9% | 64.0% | 63.7% | 64.4% | 62.5% |

| Turkmenistan | Q3 2006 | Q4 2006 | Q1 2007 | Q2 2007 | Q3 2007 |
|---------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Operating margin | 33.9% | 33.9% | 48.8% | 26.1% | 50.0% |
| Add: depreciation and amortization as a percentage of revenue | 11.5% | 14.6% | 12.4% | 10.8% | 12.0% |
| OIBDA margin | 45.4% | 48.5% | 61.2% | 36.8% | 62.0% |

| Armenia | Q3 2007 |
|---------------------------------------------------------------|----------------|
| Operating margin | 41.9% |
| Add: depreciation and amortization as a percentage of revenue | 17.9% |
| OIBDA margin | 59.8% |

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, 2006 | As of Sep 30, 2007 |
|----------------------------------------------------------|-----------------------|-----------------------|
| Current portion of debt and of capital lease obligations | 150.7 | 606.7 |
| Long-term debt | 2,924.5 | 2,482.7 |
| Capital lease obligations | 3.3 | 2.2 |
| Total debt | 3,078.5 | 3,091.6 |
| Less: | | |
| Cash and cash equivalents | (220.0) | (635.2) |
| Short-term investments | (56.0) | (15.9) |
| Net debt | 2,802.5 | 2,440.5 |

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

| US\$ million | Three months ended Dec 31, 2006 A | Nine months ended Sep 30, 2007 B | Twelve months ended Sep 30, 2007 C=A+B |
|------------------------------------|--------------------------------------------|-------------------------------------------|-------------------------------------------------|
| Net operating income | 648.8 | 2,090.0 | 2,738.8 |
| Add: depreciation and amortization | 289.2 | 1,006.5 | 1,295.7 |
| OIBDA | 938.0 | 3,096.5 | 4,034.5 |

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

| US\$ million | For nine months ended Sep 30, 2006 | For nine months ended Sep 30, 2007 |
|-----------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| Net cash provided by operating activities | 1,650.1 | 2,543.4 |
| Less: | | |
| Purchases of property, plant and equipment | (1,013.1) | (735.3) |
| Purchases of intangible assets | (196.2) | (91.3) |
| Proceeds from sale of property, plant and equipment | | 12.7 |
| Purchases of other investments | (2.8) | 2.8 |
| Investments in and advances to associates | 7.0 | (2.9) |
| Acquisition of subsidiaries, net of cash acquired | (38.2) | (719.9) |
| Free cash-flow | 406.8 | 1,009.4 |

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.

MOBILE TELESYSTEMS

CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

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

| | Three months ended September 30, 2007 | Three months ended September 30, 2006 | Nine months ended September 30, 2007 | Nine months ended September 30, 2006 |
|-----------------------------------------------------------------------|------------------------------------------|------------------------------------------|-----------------------------------------|-----------------------------------------|
| Net operating revenue | | | | |
| Service revenue and connection fees | \$ 2,195,577 | \$ 1,785,618 | \$ 5,868,683 | \$ 4,505,246 |
| Sales of handsets and accessories | 20,437 | 12,048 | 57,332 | 73,146 |
| | 2,216,014 | 1,797,666 | 5,926,015 | 4,578,392 |
| Operating expenses | | | | |
| Cost of services | 458,340 | 347,776 | 1,226,979 | 869,148 |
| Cost of handsets and accessories | 41,983 | 40,410 | 115,861 | 153,613 |
| Sales and marketing expenses | 194,128 | 161,428 | 493,105 | 442,431 |
| General and administrative expenses | 299,375 | 250,228 | 847,634 | 696,219 |
| Depreciation and amortization | 372,911 | 277,306 | 1,006,505 | 806,791 |
| Provision for doubtful accounts | 22,430 | 11,940 | 60,761 | 64,773 |
| Other operating expenses | 25,049 | 23,082 | 85,144 | 60,490 |
| Net operating income | 801,798 | 685,496 | 2,090,026 | 1,484,927 |
| Currency exchange and transaction (gains) / losses | (81,022) | (5,592) | (131,190) | (12,886) |
| Other expenses / (income): | | | | |
| Interest income | (12,522) | (2,468) | (30,065) | (10,380) |
| Interest expense | 39,074 | 46,369 | 114,489 | 136,219 |
| Other expenses / (income) | (14,468) | (12,697) | (47,154) | (10,367) |
| Total other expenses, net | 12,084 | 31,204 | 37,270 | 115,472 |
| Income before provision for income taxes and minority interest | 870,736 | 659,884 | 2,183,946 | 1,382,341 |
| Provision for income taxes | 215,710 | 169,878 | 559,726 | 408,883 |
| Minority interest | 300 | 3,681 | 13,037 | 8,048 |
| Net income | 654,726 | 486,325 | 1,611,183 | 965,410 |
| Weighted average number of common shares outstanding, in thousands | 1,973,082 | 1,987,487 | 1,975,444 | 1,986,956 |
| Earnings per share - basic and diluted | 0.33 | 0.24 | 0.82 | 0.49 |

MOBILE TELESYSTEMS**CONDENSED UNAUDITED CONSOLIDATED BALANCE SHEETS****AS OF SEPTEMBER 30, 2007 AND DECEMBER 31, 2006**

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

| | As of September 30, 2007 | As of December 31, 2006 |
|--------------------------------------------------------------|-----------------------------|----------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 635,211 | 219,989 |
| Short-term investments | 15,852 | 56,047 |
| Trade receivables, net | 404,094 | 298,479 |
| Accounts receivable, related parties | 10,600 | 8,434 |
| Inventory and spare parts | 134,199 | 196,265 |
| VAT receivable | 299,462 | 339,614 |
| Prepaid expenses and other current assets | 474,416 | 510,291 |
| Total current assets | 1,973,834 | 1,629,119 |
| PROPERTY, PLANT AND EQUIPMENT | 6,190,051 | 5,297,669 |
| INTANGIBLE ASSETS | 1,919,800 | 1,406,876 |
| INVESTMENTS IN AND ADVANCES TO ASSOCIATES | 198,378 | 141,473 |
| OTHER INVESTMENTS | 1,392 | 3,856 |
| OTHER ASSETS | 90,740 | 94,952 |
| Total assets | 10,374,195 | 8,573,945 |
| CURRENT LIABILITIES | | |
| Accounts payable | 436,384 | 309,712 |
| Accrued expenses and other current liabilities | 1,410,254 | 1,124,710 |
| Accounts payable, related parties | 213,458 | 135,256 |
| Current portion of long-term debt, capital lease obligations | 606,674 | 150,626 |
| Total current liabilities | 2,666,770 | 1,720,304 |
| LONG-TERM LIABILITIES | | |
| Long-term debt | 2,482,734 | 2,924,539 |
| Capital lease obligations | 2,195 | 3,287 |
| Deferred income taxes | 122,479 | 86,349 |
| Deferred revenue and other | 31,271 | 42,879 |
| Total long-term liabilities | 2,638,679 | 3,057,054 |
| Total liabilities | 5,305,449 | 4,777,358 |
| COMMITMENTS AND CONTINGENCIES | | |
| MINORITY INTEREST | 18,107 | 44,806 |
| SHAREHOLDERS' EQUITY: | | |

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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 of September 30, 2007 and December 31, 2006, 777,396,505 and 776,550,625 of which are in the form of ADS as of September 30, 2007 and December 31, 2006)

| | | |
|-----------------------------------------------------------------------------------------------------------------|-------------------|------------------|
| Treasury stock (25,353,337 and 15,922,129 common shares at cost as of September 30, 2007 and December 31, 2006) | 50,558 | 50,558 |
| Additional paid-in capital | (235,728) | (114,778) |
| Accumulated other comprehensive income | 578,411 | 571,718 |
| Retained earnings | 643,870 | 89,916 |
| Total shareholders equity | 4,013,528 | 3,154,367 |
| Total liabilities and shareholders equity | 5,050,639 | 3,751,781 |
| | 10,374,195 | 8,573,945 |

MOBILE TELESYSTEMS

CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

(Amounts in thousands of U.S. dollars)

| | Nine months ended September 30, 2007 | Nine months ended September 30, 2006 |
|--------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Net cash provided by operating activities | 2,543,364 | 1,646,894 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of subsidiaries, net of cash acquired | (719,928) | (38,189) |
| Purchases of property, plant and equipment | (735,337) | (1,013,077) |
| Purchases of intangible assets | (91,299) | (196,215) |
| Proceeds from sale of property, plant and equipment | 12,747 | 0 |
| Purchases of short-term investments | (220,977) | (56,714) |
| Proceeds from sale of short-term investments | 266,741 | 27,268 |
| Proceeds from sales of other investments | 2,808 | (2,799) |
| Investments in and advances to associates | (2,917) | 7,000 |
| Dividends received | 4,751 | 3,174 |
| Decrease / (Increase) in restricted cash | (670) | (21,452) |
| Net cash used in investing activities | (1,484,081) | (1,291,004) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from stock options exercised | 6,057 | 3,800 |
| Repurchase of common stock | (121,819) | |
| Notes and debt issuance cost | (1,780) | (19,799) |
| Capital lease obligation principal paid | (3,146) | (4,337) |
| Dividends paid | (537,394) | (296,657) |
| Proceeds from loans | 125,558 | 1,024,316 |
| Loan principal paid | (115,854) | (985,365) |
| Net cash (used in) / provided by financing activities | (648,378) | (278,042) |
| Effect of exchange rate changes on cash and cash equivalents | 4,317 | 1,948 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS: | 415,222 | 79,796 |
| CASH AND CASH EQUIVALENTS, at beginning of period | 219,989 | 78,284 |
| CASH AND CASH EQUIVALENTS, at end of period | 635,211 | 158,080 |

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: **November 20, 2007**