

MOBILE TELESYSTEMS OJSC  
Form 6-K  
December 17, 2002

## **FORM 6-K**

# **SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**Report of Foreign Issuer**

**December 17, 2002**

**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)**

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

Form 20-F  Form 40-F

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

Yes  No

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**EXPLANATORY NOTE**

Included in this Form 6-K is a press release that was issued December 16, 2002 announcing MTS' third quarter 2002 financial results. The press release contained certain computational errors regarding MTS' financial results for the three months ended September 30, 2002. These changes increase net income for the three months ended September 30, 2002 by \$3.0 million from \$81.3 million as disclosed in the press release to \$84.3 million. The Company's net income increased by 8% compared to the same period last year and by 27% compared to the second quarter ended June 30, 2002, rather than 4% and 25%, respectively, as reported in the press release. These changes have no effect on MTS' consolidated balance sheet as at September 30, 2002 and consolidated statements of operations for the nine months ended September 30, 2002. The effect of these changes on MTS' consolidated statement of operations as reported in the press release is set forth below.

<b>Three months ended September 30, 2002</b>	<b>Previously reported</b>	<b>Corrected</b>
	(Amounts in thousands of U.S. dollars, except share amounts)	
Depreciation and Amortization	57,966	60,072
Net operating income	147,900	145,794
Income before provision for income taxes and minority interest	136,787	134,681
Provision for income tax	40,274	40,146
Minority interest	15,189	10,192
Net income before cumulative effect of a change in accounting principle	81,324	84,343
Net income	81,324	84,343
<b>Earnings per share (basic and diluted)</b>		
Net income before cumulative effect of a change in accounting principle	0.041	0.043
Net income	0.041	0.043

MTS' corrected consolidated statement of operations for the three months ended September 30, 2002 follows this explanatory note and supercedes the corresponding information contained in the press release that is filed herewith.

## MOBILE TELESYSTEMS

## CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2002

Amounts in thousands of U.S. dollars, except share amounts	Three months ended September 30, 2002
<b>NET REVENUES:</b>	
Service revenues	\$ 368,800
Connection fees	6,492
Equipment sales	13,256
	388,548
<b>COST OF SERVICES AND PRODUCTS</b>	
Interconnection and line rental	36,597
Roaming expenses	23,833
Cost of equipment	22,327
	82,757
<b>OPERATING EXPENSES</b>	55,296
<b>SALES AND MARKETING EXPENSES</b>	44,629
<b>PROVISION FOR DOUBTFUL ACCOUNTS</b>	
<b>DEPRECIATION AND AMORTIZATION</b>	60,072
<b>Net operating income</b>	145,794
<b>CURRENCY EXCHANGE AND TRANSLATION LOSSES</b>	1,757
<b>OTHER EXPENSES (INCOME)</b>	
Interest income	(1,292)
Interest expenses, net of amounts capitalized	10,635
Other expenses	13
Total other expenses, net	9,356
<b>Income before provision for income taxes and minority interest</b>	134,681
<b>PROVISION FOR INCOME TAXES</b>	40,146
<b>MINORITY INTEREST</b>	10,192
	84,343
Cumulative effect of accounting principle	
<b>NET INCOME</b>	84,343
Weighted average number of shares outstanding	1,983,399,507
<b>Earnings per share (basic and diluted):</b>	
NET INCOME before cumulative effect of a change in accounting principle	0.043
Cumulative effect of a change in accounting principle	
Net income	0.043



**MOBILE TELESYSTEMS (MTS) ANNOUNCES FINANCIAL RESULTS  
FOR THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30<sup>th</sup> 2002 AND  
RESTATED FINANCIAL RESULTS FOR PREVIOUSLY REPORTED PERIODS**

*MTS announces continued growth in revenues, EBITDA and net income. The number of subscribers has increased significantly, and for the first time the regional subscriber base exceeds that of Moscow.*

Moscow, Russian Federation December 16, 2002 Mobile TeleSystems OJSC ( MTS ; NYSE: MBT), the largest mobile cellular operator in Russia and Central and Eastern Europe(1), today announces its results for the third quarter and nine months ended September 30, 2002.

**FINANCIAL HIGHLIGHTS(2)**

US\$million	Q3 2002	Q3 2001	Change	Q2 2002 as restated(3)	Change	Nine months ended Sep 30, 2002	Nine months ended Sep 30, 2001	Change
Net revenues	388.5	262.6	48%	316.3	23%	952.5	634.8	50%
Net income	81.3	78.4	4%	64.8	25%	191.9	144.6	33%
EBITDA	205.9	142.0	45%	162.0	27%	491.4	304.3	61%
EBITDA margin	53%	54%	N/a	51%	N/a	52%	48%	N/a

Note: MTS net income for Q3 2001 was increased by \$22 million as the Company recognised a correspondent deferred tax benefit due to the reduction in the statutory income tax from 35% to 24% that became effective from January 1, 2002.

Net revenues in the third quarter 2002 were \$388.5 million, an increase of 48% from \$262.6 million reported for the same period last year and an increase of 23% from \$316.3 million reported for the second quarter of 2002.

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(1) Measured in terms of number of subscribers.

(2) Earnings before provision for income tax, interest, depreciation and amortisation (EBITDA) should not be considered in isolation as an alternative to net income, operating income or any other measure of performance under U.S. GAAP. We believe that EBITDA is a relevant measurement utilized by the cellular industry to assess performance that attempts to eliminate variances caused by the effects of differences in taxation, the amount and types of capital employed and depreciation and amortization policies.

(3) See Appendix 2.

Net income for the third quarter 2002 was \$81.3 million an increase of 4% from the \$78.4 million reported for the third quarter 2001 and an increase of 25% from the \$64.8 million reported for the second quarter of 2002.

EBITDA in the third quarter 2002 was \$205.9 million, an increase of 45% from the \$142.0 million reported for the same period last year and an increase of 27% from the \$162.0 million in the second quarter of 2002.

EBITDA margin, or EBITDA divided by net revenues, for the third quarter 2002 was 53% compared to 54% for the third quarter 2001 and 51% for the second quarter of 2002.

Commenting on the result, Mikhail Smirnov, President of MTS said: The third quarter results of 2002 have once again highlighted MTS record of delivering growth in financial performance. We have continued to increase our net revenues while maintaining EBITDA margins. Our expansion into the regions continues and for the first time we have more subscribers in the regions than in the Moscow metropolitan area.

#### OPERATIONAL HIGHLIGHTS

	Q3 2002	Q2 2002	Q1 2002
Total subscribers, end of period (mln)	5.44	4.37	3.53
Subscribers in Moscow area, end of period (mln)	2.69	2.35	2.08
Subscribers in Regions, end of period (mln)	2.75	2.02	1.44
ARPU (US\$)	25.2	25.0	26.7
MOU (minutes)	175	167	142
Churn rate (%)	7.5	7.7	9.8
SAC per gross addition (US\$)	32	39	36

MTS subscriber base reached approximately 5.44 million active subscribers at the end of the third quarter of 2002, of which approximately 2.75 million live in the regions outside the Moscow license area. MTS had a 37.6% market share of the Russian mobile market at the end of September 30 according to AC&M-Consulting. MTS market share in Moscow was 43.3%, with approximately 2.69 million subscribers at September 30, 2002.

As of today, MTS services approximately 6.22 million subscribers of which 3.30 million live in the regions outside of the Moscow licence area.

The Company's subscriber base in the city of St. Petersburg and the Leningrad region exceeded half a million during the third quarter to reach 720,000, a significant achievement considering the fact that MTS launched operations in the region in December 2001. The Company's market share in the North West licence area (which includes the city of St. Petersburg) was at 26% at the end of the third quarter of 2002 according to AC&M-Consulting.





MTS monthly average revenue per user (ARPU) increased from \$25.0 in the second quarter to \$25.2 in the third quarter of 2002. The main driver for ARPU was an increase in average monthly minutes of usage per user (MOU) from 167 minutes in Q2 2002 to 175 minutes in Q3 2002 as well as increased revenues from roaming.

MTS subscriber churn rate in the third quarter 2002 was 7.5%, down from 7.7% in the second quarter of the year.

MTS capital expenditure during the nine months to September 30, 2002 amounted to \$351.9 million, of which \$117.8 million was invested during the third quarter of 2002. The Company's capital expenditure in the Moscow licence area amounted to \$165.7 million and \$27.7 million, respectively.

### **New Marketing Initiatives**

In line with MTS strategy for further growth, the Company announced a new brand and tariff plan targeted at the mass-market during November 2002. The Jeans brand with a pre-paid tariff plan was launched by MTS in Moscow and thirty-seven Russian regions. While Jeans is the brand used to target the mass market, MTS plans to retain the MTS brand for marketing to middle heavy users as well as corporate clients.

MTS has also decided to introduce a different disconnection policy for its Jeans subscribers. A Jeans subscriber remains as a registered subscriber and is treated by the Company as an active subscriber if this individual or organisation has had a positive balance on its account at MTS at least once within the last 183 days. MTS management believes that the new disconnection policy for subscribers will help to increase customer loyalty and minimize the negative impact of a traditional seasonal outflow of customers after the summer period.

At the same time, MTS is retaining its standard disconnection policy for subscribers to MTS tariff plans. An active MTS customer is a registered customer who has had a positive balance on his account at MTS at least once within the last 61 days.

### **Expansion Strategy**

During the second half of 2002, MTS continued its expansion into regional markets in Russia and other countries of the former Soviet Union. The Company has started new operations in five regions of Russia with a total population of 9.6 million and acquired 100% ownership in three local GSM operators, Dontelecom (the Rostov region) Mobicom Barnaul CJSC (the Altai region) and Bit LLC (the Republic of Tyva, Sakhalin, Chukotka, and Republic of Kalmykia). These new acquisitions extended the Company's footprint by 8.3 million people to 103.1 million, or approximately 72% of the country's population.

As part of its strategy to consolidate ownership in its subsidiary mobile phone operators, the Company has consolidated a 100% ownership in Telecom 900 CJSC, a holding company for equity stakes in three large regional mobile phone operators, Siberia Cellular Systems 900 CJSC (SCS 900), Uraltel CJSC, and Far East Cellular Systems 900 CJSC (FECS 900). MTS has also increased its ownership in Kuban GSM CJSC,

the largest regional GSM company in

Russia in terms of subscribers, from 51% to 60% through the purchase of a new share issue of the local operator. Kuban GSM currently services approximately 791,300 subscribers. Overall, in the second half of 2002 MTS spent approximately \$63.6 million on acquisitions and consolidation of ownership in its subsidiaries

The second half of 2002 was also marked by the expansion of MTS into neighbouring countries. The Company's joint venture in Belarus has commenced operations and today provides services to over 29,170 subscribers. In line with the Company's strategy to exploit growth opportunities beyond Russia's borders, MTS signed agreements in early December 2002 to purchase a majority ownership in UMC, a leading mobile phone operator in Ukraine that currently provides services to approximately 1.62 million people. Completion of the transaction is subject to a number of conditions, including approval by appropriate governmental authorities in Ukraine and the Russian Federation, as well as MTS corporate approvals.

**Restatement of Financial Statements for Previously Reported Periods**

MTS has restated its financial statements for the ye