

MOBILE TELESYSTEMS OJSC
Form 6-K
March 28, 2006

FORM 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**Report of Foreign Issuer
March 27, 2006**

**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

**FINANCIAL RESULTS FOR THE FOURTH QUARTER
AND FULL-YEAR ENDED DECEMBER 31, 2005**

Moscow, Russian Federation March 27, 2006 Mobile TeleSystems OJSC (MTS - NYSE: MBT), the largest mobile phone operator in Russia and the CIS, today announces its fourth quarter and full-year 2005(1) financial and operating results.

Financial Highlights

Consolidated revenues up 28.9% year-on-year to \$5,011 million

Consolidated OIBDA(2) up 21.2% year-on-year to \$2,539 million

Annual OIBDA margin of 50.7%

Consolidated net income up 14.0% year-on-year to \$1,126 million

Operating Highlights

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Consolidated subscriber base reached 58.2 million; almost 24 million new subscribers added during 2005

Strong growth in subscriber additions in the fourth quarter with 7.8 million new users

Number one position in terms of subscribers maintained in Russia, Belarus, Turkmenistan and Uzbekistan

Expansion of operations in the former Soviet Union (FSU)

Consolidated subscriber base of 60.3 million as of February 28, 2006

Financial Summary (Unaudited)

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| | Q4 | Q4 | Change | FY | FY | Change |
|-----------------------------|--------------|--------------|--------|--------------|--------------|--------|
| US\$ million | 2005 | 2004 | Y-on-Y | 2005 | 2004 | Y-on-Y |
| Revenues | 1,332.7 | 1,079.7 | 23.4% | 5,011.0 | 3,887.0 | 28.9% |
| Net operating income | 362.7 | 272.9 | 32.9% | 1,632.0 | 1,419.1 | 15.0% |
| <i>Net operating margin</i> | <i>27.2%</i> | <i>25.3%</i> | | <i>32.6%</i> | <i>36.5%</i> | |
| Net income | 242.6 | 174.3 | 39.2% | 1,126.4 | 987.9 | 14.0% |
| OIBDA | 613.1 | 497.9 | 23.1% | 2,539.1 | 2,094.8 | 21.2% |
| <i>OIBDA margin</i> | <i>46.0%</i> | <i>46.1%</i> | | <i>50.7%</i> | <i>53.9%</i> | |

(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.

Vassily Sidorov, President and CEO of MTS, commented:

Our main goals in 2005 were to retain leadership, integrate the business and lay the foundation for strengthening the Company's lead in 2006-2008. The latter included executing a number of crucial integration measures, such as the full-pledged rollout of a new management system, migration of our pre-paid customers to a new billing platform, consolidation of our call centers and radical enhancement of customer service quality and other key operational processes. These measures were successfully implemented.

Our marketing initiatives of Q4 2005 and first quarter of this year have been geared at strengthening our customers' loyalty and, ultimately, the stabilization and growth in ARPU.

The growth of our top-line by \$1.1bn in 2005 was unrivaled by anyone in our peer group.

The geography of our business continued to expand in 2005. At the end of the year, we operated in 82 out of 86 regions for which we hold licenses in Russia and, during the year, we expanded into Turkmenistan and Kyrgyzstan. These untapped markets offer great opportunities for growth. At the same time, expansion carries the burden of additional risk, as represented by the events in Kyrgyzstan. I would like to reaffirm our position on Bitel. We strongly believe that the seizure of Bitel's offices was unlawful, and we will continue to defend our ownership title through courts. Currently, we have no operational control over Bitel.

There are a number of regulatory challenges to be faced in 2006, including Calling Party Pays (CPP), Mobile Number Portability (MNP) and Mobile Virtual Network Operators (MVNOs). CPP is to be introduced on July 1, 2006, but the terms have yet to be determined by the regulators. These terms may potentially have a negative effect on our profitability, as our revenues may decrease without a similar reduction in associated costs.

MTS remains committed to increasing shareholder value. In 2006 we will continue to focus on customer loyalty, revenue growth, operational efficiency and combining investments in growth with increasing cash returns to our shareholders.

Operating Overview

Market Growth

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2005 showed a healthy subscriber growth dynamic with strong additions in Russia and Ukraine. Mobile penetration⁽³⁾ in the Company's core markets increased during the year from 51% to 87% in Russia and from 29% to 64% in Ukraine.

In particular, MTS' seasonal promotions during the New Year and Christmas holiday period led to a strong fourth quarter, with 7.8 million in consolidated subscriber additions.

Subscriber Development

The Company added 24.0 million new customers during 2005 on a consolidated basis; its operations in Russia accounted for 17.7 million of the subscriber intake.

In Q4 alone, the Company's consolidated subscriber base increased by 7.8 million new subscribers, with its operations in Russia adding nearly 5.4 million net new subscribers.

The Company added a further 2.1 million new subscribers since the beginning of 2006, expanding its consolidated subscriber base to 60.3 million⁽⁴⁾.

(3) The source for all market information in this press release is AC&M-Consulting.

Business Expansion

MTS' operational regions in Russia increased from 76 in 2004 to 82 in 2005(5), with the majority added in the south of the country. In June 2005, MTS acquired BCTI, the leading mobile operator in Turkmenistan.

Market Share

The Company's marketing and promotional activity during 2005, including a new image campaign in Russia, seasonal promotions and the launch of a new set of tariffs, helped MTS to maintain a strong position in its markets of operations.

MTS' market share in the fourth quarter was at 35.1% in Russia, 44.5% in Ukraine, and 55.1% in Uzbekistan. MTS' unconsolidated joint venture in Belarus had a market share of 51.6% at YE 2005.

Customer Segmentation

Mass-market subscribers continued to account for the majority of the subscriber growth in 2005. Subscriptions to MTS' pre-paid tariff plans (*Jeans* in Russia, and *Jeans* and *SIM-SIM* in Ukraine) in 2005 accounted for 94% of gross additions in Russia and 95% in Ukraine.

At YE 2005, 88% of MTS' customers in Russia and 90% of its customers in Ukraine were signed up to pre-paid tariff plans, compared to 77% and 86% respectively at YE 2004.

Key Operating Summary

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| | Q4 2005 | Q3 2005 | Q2 2005 | Q1 2005 | Q4 2004 |
|---|---------|---------|---------|---------|---------|
| Total consolidated subscribers, end of period (mln) | 58.19 | 50.36 | 44.07 | 38.69 | 34.22 |
| Russia | 44.22 | 38.87 | 34.09 | 30.25 | 26.54 |
| Ukraine | 13.33 | 10.94 | 9.52 | 8.08 | 7.37 |
| Uzbekistan | 0.58 | 0.49 | 0.40 | 0.35 | 0.31 |
| Turkmenistan | 0.07 | 0.06 | 0.06 | | |
| MTS Belarus(6) | 2.13 | 1.85 | 1.61 | 1.40 | 1.21 |
| Russia | | | | | |
| ARPU (US\$)(7) | 7.3 | 8.9 | 9.3 | 9.1 | 11.2 |
| MOU (minutes) | 123 | 130 | 134 | 138 | 164 |
| Churn rate (%) | 5.2 | 2.9 | 6.8 | 6.7 | 6.3 |
| SAC per gross additional subscriber (US\$) | 19.8 | 18.6 | 18.4 | 18.2 | 19.4 |
| Ukraine | | | | | |
| ARPU (US\$) | 9.1 | 10.8 | 10.8 | 10.0 | 12.4 |
| MOU (minutes) | 120 | 132 | 118 | 130 | 127 |
| Churn rate (%) | 6.0 | 6.2 | 5.7 | 5.1 | 1.7(8) |
| SAC per gross additional subscriber (US\$) | 9.4 | 15.7 | 14.2 | 22.1 | 15.4 |

(4) As of February 28, 2006.

(5) Previously reported as 77 regions at YE 2004. As of December 1, 2005, there are now 88 territorial sub-divisions in Russia instead of 89, after the merger of the Perm Region and the Komi-Permyak Autonomous District into the single Perm Territory.

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

(7) See Attachment C for definitions of ARPU, MOU, Churn and SAC.

(8) The significant decrease in the quarterly churn rate to 1.7% can be largely attributed to the adoption in Ukraine of the churn policy used by MTS in Russia, whereby pre-paid customers are defined as churning after six months of inactivity, rather than the previous three month criteria. Under the previous churn calculation, quarterly churn rate in Q4 2004 was at 7.2%.

Russia

Revenues up 21.6% year-on-year to \$3,701 million(9); fourth quarter revenues up 16.5% year-on-year to \$954 million(10)

Net income increased by 1.6% year-on-year to \$773 million; fourth quarter net income increased by 19.5% year-on-year to \$152 million

OIBDA up 14.7% year-on-year to \$1,877 million; fourth quarter OIBDA up 14.7% year-on-year to \$428 million

Full year OIBDA margin of 50.7%; fourth quarter OIBDA margin of 44.8%

MTS average monthly minutes of usage per subscriber (MOU) in Russia decreased in the fourth quarter of 2005 to 123 minutes from 130 minutes in the third quarter (the fourth quarter is seasonally weak due to seasonal promotions and the addition of mass-market subscribers). MOU of contract(11) subscribers increased from 309 minutes in Q3 to 348 minutes in Q4.

The average monthly service revenue per subscriber (ARPU) in Russia in the fourth quarter decreased sequentially to \$7.3 from \$8.9 in the third quarter, in line with the decline in per subscriber usage. Annual ARPU in 2005 decreased to \$8.4 from \$12.2 in 2004.

Subscriber acquisition cost per gross additional subscriber (SAC) in Russia in the fourth quarter increased in Russia to \$19.8 from \$18.6 in the third quarter due to seasonal advertising and marketing (a decline in annual SAC from \$21.0 in 2004 to \$18.8 in 2005).

The quarterly churn rate was 5.2% in the fourth quarter. The annual churn rate of 20.7% marked a reduction from 27.5% in 2004.

Ukraine

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Revenues up 44.4% year-on-year to \$1,202 million(12); fourth quarter revenues up 37.4% year-on-year to \$338 million(13)

Net income increased 44.9% year-on-year to \$324 million; fourth quarter net income up 89.4% year-on-year to \$82 million

OIBDA up 32.1% year-on-year to \$585 million; fourth quarter OIBDA up by 36.5% year-on-year to \$157 million

Full-year OIBDA margin of 48.7%; fourth quarter OIBDA margin of 46.4%

MOU decreased sequentially in Ukraine in the fourth quarter to 120 minutes from 132 minutes in the third quarter as a result of seasonal promotions, with the bulk of new subscribers added towards the end of the quarter. Annual MOU increased from 114 minutes in 2004 to 117 minutes in 2005.

(9) Excluding intercompany eliminations of \$3.4 million.

(10) Excluding intercompany eliminations of \$1.3 million.

(11) Subscribers signed to the MTS family of tariff plans.

(12) Excluding intercompany eliminations of \$8.0 million.

(13) Excluding intercompany eliminations of \$1.1 million.

ARPU in Ukraine decreased to \$9.1 in the fourth quarter from \$10.8 in the third quarter due to the addition of mass-market subscribers and seasonal promotions. ARPU in 2005 was \$9.5 compared with \$12.6 in 2004.

SAC in the fourth quarter of 2005 fell significantly to \$9.4 from \$15.7 in the third quarter largely reflecting the significant increase in net additions, the vast majority of which were pre-paid subscribers that have a significantly lower SAC than contract subscribers. SAC for the full year 2005 decreased to \$13.8 from \$18.6 in 2004 as a result of the Company's successful efforts at reducing dealer commission and handset subsidies costs.

Uzbekistan

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Revenues in Uzbekistan in the fourth quarter contributed \$25.5 million to the Company's consolidated revenues (up 52.7% y-o-y), \$15.5 million to its consolidated OIBDA (up 55.0% y-o-y) with an OIBDA margin of 60.6%, and \$6.6 million to its consolidated net income (up 73.7% y-o-y). Fourth quarter ARPU was \$15.9, down from \$18.3 in the previous quarter (annual ARPU at \$16.2). Fourth quarter MOU was 450 minutes, an increase from 437 minutes in the previous quarter (annual MOU at 433 minutes).

Turkmenistan

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MTS operations in Turkmenistan contributed \$17.7 million to the Company's consolidated revenues, \$13.0 million to its consolidated OIBDA (OIBDA margin of 73.7%), and \$2.0 million to its consolidated net income in the fourth quarter. Fourth quarter ARPU was at \$88.4, a decrease from \$89.0 in the previous quarter.

Financial Position

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Full year cash expenditure on property, plant and equipment amounted to \$1,758.0 million, of which \$1,145.4 million was invested in Russia, \$571.1 million in Ukraine, and \$40.0 million in Uzbekistan. MTS' expenditure on property, plant and equipment in the fourth quarter totaled \$611.6 million, of which \$328.9 million was invested in Russia, \$267.5 million in Ukraine, and \$13.7 million in Uzbekistan.

Cash expenditure on intangible assets during the year amounted to \$423.4 million (\$302.5 million in Russia, \$104.6 million in Ukraine and \$16.3 million in Uzbekistan). MTS spent \$196.7 million on the purchase of intangible assets during the fourth quarter (\$136.0 million in Russia, \$56.3 million in Ukraine and \$4.4 million in Uzbekistan).

In line with the Company's strategy to expand the geography of its operations, MTS continued to consolidate its operations in Russia and acquire operators in other countries. The Company spent \$178.9 million (net of cash in acquired companies) on acquisitions during the year, comprised of \$138.1 million in the regions of Russia and \$40.8 million on acquiring the business in Turkmenistan. Of the total acquisition expenditures in 2005, \$141.0 million was spent in the fourth quarter.

As of December 31, 2005, MTS' total debt⁽¹⁴⁾ was at \$2.85 billion, resulting in a ratio of total debt to OIBDA of 1.1 times, compared to 0.9 times in 2004. The Company's cash and cash equivalents amounted to \$78.3 million at the end of 2005 and net debt amounted to \$2.74 billion.

(14) 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.

For further information contact:

Mobile TeleSystems, Moscow

Mobile TeleSystems OJSC (MTS) is the largest mobile phone operator in Russia and the CIS. Together with its subsidiaries, the Company services over 60.31 million subscribers. The regions of Russia, as well as Belarus, Turkmenistan, Ukraine, and Uzbekistan, in which MTS and its associates and subsidiaries are licensed to provide GSM services, have a total population of approximately 233.1 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 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 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, volatility of stock price, financial risk management and future growth subject to risks.

Attachments to the Fourth Quarter and Full-Year 2005 Earnings Press Release

Attachment A

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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 2005 | Q4 2004 | FY 2005 | FY 2004 |
|------------------------------------|---------|---------|---------|---------|
| Operating income | 362.7 | 272.9 | 1,632.0 | 1,419.1 |
| Add: depreciation and amortization | 250.4 | 225.0 | 907.1 | 675.7 |
| OIBDA | 613.1 | 497.9 | 2,539.1 | 2,094.8 |

| US\$ million | Q4 2005 | | | |
|------------------------------------|---------|---------|------------|--------------|
| | Russia | Ukraine | Uzbekistan | Turkmenistan |
| Operating income | 233.5 | 115.3 | 8.3 | 5.5 |
| Add: depreciation and amortization | 194.4 | 41.4 | 7.2 | 7.5 |
| OIBDA | 427.9 | 156.7 | 15.5 | 13.0 |

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| US\$ million | Q4 2004 | | | |
|------------------------------------|---------|---------|------------|--------------|
| | Russia | Ukraine | Uzbekistan | Turkmenistan |
| Operating income | 195.9 | 72.5 | 4.4 | n/a |
| Add: depreciation and amortization | 177.1 | 42.3 | 5.6 | n/a |
| OIBDA | 373.0 | 114.8 | 10.0 | n/a |

| US\$ million | FY 2005 | | | |
|------------------------------------|---------|---------|------------|------------------|
| | Russia | Ukraine | Uzbekistan | Turkmenistan(15) |
| Operating income | 1,153.5 | 431.3 | 30.0 | 17.2 |
| Add: depreciation and amortization | 723.0 | 153.8 | 22.4 | 7.9 |
| OIBDA | 1,876.5 | 585.1 | 52.4 | 25.1 |

| US\$ million | FY 2004 | | | |
|------------------------------------|---------|---------|------------|--------------|
| | Russia | Ukraine | Uzbekistan | Turkmenistan |
| Operating income | 1,096.4 | 318.3 | 4.4 | n/a |
| Add: depreciation and amortization | 540.2 | 124.5 | 11.0 | n/a |
| OIBDA | 1,636.6 | 442.8 | 15.4 | n/a |

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

| | Q4 2005 | Q4 2004 | FY 2005 | FY 2004 |
|---|---------|---------|---------|---------|
| Operating margin | 27.2% | 25.3% | 32.6% | 36.5% |
| Add: depreciation and amortization as a percentage of revenue | 18.8% | 20.8% | 18.1% | 17.4% |
| OIBDA margin | 46.0% | 46.1% | 50.7% | 53.9% |

(15) Six-months operations consolidated for FY 2005.

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| US\$ million | Q4 2005 | | | |
|---|---------|---------|------------|--------------|
| | Russia | Ukraine | Uzbekistan | Turkmenistan |
| Operating margin | 24.4% | 34.1% | 32.4% | 31.3% |
| Add: depreciation and amortization as a percentage of revenue | 20.4% | 12.3% | 28.2% | 42.4% |
| OIBDA margin | 44.8% | 46.4% | 60.6% | 73.7% |

| US\$ million | Q4 2004 | | | |
|---|---------|---------|------------|--------------|
| | Russia | Ukraine | Uzbekistan | Turkmenistan |
| Operating margin | 24.0% | 29.5% | 26.5% | n/a |
| Add: depreciation and amortization as a percentage of revenue | 21.7% | 17.2% | 33.6% | n/a |
| OIBDA margin | 45.7% | 46.7% | 60.1% | n/a |

| US\$ million | FY 2005 | | | |
|---|---------|---------|------------|--------------|
| | Russia | Ukraine | Uzbekistan | Turkmenistan |
| Operating margin | 31.2% | 35.9% | 34.7% | 51.4% |
| Add: depreciation and amortization as a percentage of revenue | 19.5% | 12.8% | 25.9% | 23.6% |
| OIBDA margin | 50.7% | 48.7% | 60.6% | 75.0% |

| US\$ million | FY 2004 | | | |
|---|---------|---------|------------|--------------|
| | Russia | Ukraine | Uzbekistan | Turkmenistan |
| Operating margin | 36.0% | 38.2% | 16.6% | n/a |
| Add: depreciation and amortization as a percentage of revenue | 17.7% | 15.0% | 41.1% | n/a |
| OIBDA margin | 53.7% | 53.2% | 57.7% | n/a |

Attachment B

Net debt can be reconciled to our consolidated balance sheets as follows:

| US\$ million | As of December 31, 2005 | As of December 31, 2004 |
|--|-------------------------------|-------------------------------|
| Current portion of debt and of capital lease obligations | 768.7 | 379.4 |
| Long-term debt | 2,079.0 | 1,553.8 |
| Capital lease obligations | 2.9 | 3.9 |
| Total debt | 2,850.6 | 1,937.1 |
| Less: | | |
| Cash and cash equivalents | (78.3) | (274.2) |
| Short-term investments | (28.1) | (73.4) |
| Net debt | 2,744.2 | 1,589.5 |

Attachment C**Definitions**

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.

MOBILE TELESYSTEMS

CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS AND THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

| | Three months ended December 31, 2005 | Three months ended December 31, 2004 | Year ended December 31, 2005 | Year ended December 31, 2004 |
|---|---|---|---------------------------------|---------------------------------|
| Net operating revenue | | | | |
| Service revenue and connection fees | 1 310 202 | 1 058 718 | 4 942 288 | 3 800 271 |
| Sales of handsets and accessories | 22 492 | 20 938 | 68 730 | 86 723 |
| | 1 332 694 | 1 079 656 | 5 011 018 | 3 886 994 |
| Operating expenses | | | | |
| Cost of services | 198 117 | 145 617 | 732 867 | 481 097 |
| Cost of handsets and accessories | 83 525 | 69 318 | 254 606 | 218 590 |
| Sales and marketing expenses | 192 289 | 162 582 | 608 092 | 460 983 |
| General and administrative expenses | 206 308 | 186 132 | 758 729 | 575 296 |
| Depreciation and amortization | 250 472 | 224 987 | 907 113 | 675 729 |
| Provision for doubtful accounts | 14 089 | 9 030 | 50 407 | 26 459 |
| Other operating expenses | 25 228 | 9 109 | 67 173 | 29 777 |
| | 362 666 | 272 881 | 1 632 031 | 1 419 063 |
| Net operating income | | | | |
| Currency exchange and translation losses (gains) | (5 239) | (3 882) | (10 319) | (6 529) |
| Other expense (income): | | | | |
| Interest income | (2 727) | (3 214) | (24 828) | (21 792) |
| Interest expenses | 38 385 | 29 128 | 132 474 | 107 956 |
| Other expense (income) | (8 170) | (11 451) | (29 150) | (33 456) |
| Total other expense (income), net | 27 488 | 14 463 | 78 496 | 52 708 |
| Income before provision for income taxes and minority interest | | | | |
| | 340 417 | 262 300 | 1 563 854 | 1 372 884 |
| Provision for income taxes | 91 146 | 85 073 | 410 590 | 354 664 |
| Minority interest | 6 626 | 2 970 | 26 859 | 30 342 |
| Net income | 242 645 | 174 257 | 1 126 405 | 987 878 |
| Weighted average number of shares outstanding, in thousands | | | | |
| | 1 987 084 | 1 986 102 | 1 986 820 | 1 984 497 |
| Earnings per share - basic and diluted | 0,12 | 0,09 | 0,57 | 0,50 |

MOBILE TELESYSTEMS**CONDENSED UNAUDITED CONSOLIDATED BALANCE SHEETS****AS OF DECEMBER 31, 2005 AND DECEMBER 31, 2004**

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

| | As of December 31, 2005 | As of December 31, 2004 |
|--|----------------------------|----------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 78 284 | \$ 274 150 |
| Short-term investments | 28 059 | 73 360 |
| Trade receivables, net | 209 320 | 162 525 |
| Accounts receivable, related parties | 7 661 | 17 768 |
| Inventory and spare parts, net | 156 660 | 89 518 |
| VAT receivable | 398 021 | 272 578 |
| Prepaid expenses and other current assets | 413 248 | 151 056 |
| Total current assets | 1 291 253 | 1 040 955 |
| PROPERTY, PLANT AND EQUIPMENT | 4 482 679 | 3 234 318 |
| INTANGIBLE ASSETS | 1 439 362 | 1 208 133 |
| INVESTMENTS IN AND ADVANCES TO ASSOCIATES | 107 959 | 81 235 |
| OTHER INVESTMENTS | 150 000 | |
| OTHER ASSETS | 74 527 | 16 546 |
| Total assets | 7 545 780 | 5 581 187 |
| CURRENT LIABILITIES | | |
| Accounts payable | 363 723 | 242 495 |
| Accrued expenses and other current liabilities | 749 600 | 591 058 |
| Accounts payable, related parties | 40 829 | 17 009 |
| Current portion of long-term debt, capital lease obligations | 768 674 | 379 406 |
| Total current liabilities | 1 922 826 | 1 229 968 |
| LONG-TERM LIABILITIES | | |
| Long-term debt | 2 078 955 | 1 553 795 |
| Capital lease obligations | 2 928 | 3 947 |
| Deferred income taxes | 158 414 | 160 390 |
| Deferred revenue and other | 57 824 | 47 665 |
| Total long-term liabilities | 2 298 121 | 1 765 797 |
| Total liabilities | 4 220 947 | 2 995 765 |
| COMMITMENTS AND CONTINGENCIES | | |
| MINORITY INTEREST | 30 744 | 62 099 |
| 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 December 31, 2005 and 2004, 763,554,870 of which are in the form of ADS as of December 31, 2005 and 432,414,940 - as of December 31, 2004) | 50 558 | 50 558 |
| Treasury stock (5,400,486 common shares at cost as of December 31, 2005 and 7,202,108 - as of December 31, 2004) | (5 534) | (7 396) |
| Additional paid-in capital | 568 104 | 564 160 |
| Unearned compensation | (1 210) | (1 780) |
| Shareholder receivable | (7 182) | (18 237) |
| Accumulated other comprehensive income | 50 614 | 22 444 |
| Retained earnings | 2 638 739 | 1 913 574 |
| Total shareholders equity | 3 294 089 | 2 523 323 |
| Total liabilities and shareholders equity | 7 545 780 | 5 581 187 |

MOBILE TELESYSTEMS

CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(Amounts in thousands of U.S. dollars)

| | Year ended December 31, 2005 | Year ended December 31, 2004 |
|--|---------------------------------|---------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 1 126 405 | \$ 987 878 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Minority interest | 26 859 | 30 342 |
| Depreciation and amortization | 907 113 | 675 729 |
| Amortization of deferred connection fees | (44 207) | (46 978) |
| Equity in net income of associates | (39 522) | (24 146) |
| Provision for obsolete inventory | 9 112 | 4 610 |
| Provision for doubtful accounts | 50 407 | 26 459 |
| Deferred taxes | (64 959) | (76 023) |
| Non-cash expenses associated with stock bonus and stock options | 1 400 | 900 |
| Changes in operating assets and liabilities: | | |
| Increase in accounts receivable | (86 008) | (101 223) |
| Increase in inventory | (74 557) | (24 179) |
| Increase in prepaid expenses and other current assets | (163 630) | (18 571) |
| Increase in VAT receivable | (125 186) | (55 044) |
| Increase in trade accounts payable, accrued liabilities and other current liabilities | 274 153 | 331 835 |
| Net cash provided by operating activities | 1 797 380 | 1 711 589 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of subsidiaries, net of cash acquired | (178 917) | (355 744) |
| Purchase of property, plant and equipment | (1 757 980) | (1 204 400) |
| Purchase of intangible assets | (423 367) | (154 544) |
| Purchase of short-term investments | (37 375) | (114 440) |
| Proceeds from sale of short-term investments | 82 724 | 286 340 |
| Purchase of other investments | (150 000) | |
| Investments in and advances to associates | 12 798 | (413) |
| Net cash used in investing activities | (2 452 117) | (1 543 201) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from stock options exercised | 4 256 | 4 049 |
| Proceeds from notes issue | 398 944 | |
| Repayment of notes | | (600 000) |
| Notes issuance/loans agreement costs | (59 163) | (12 039) |
| Capital lease obligation principal paid | (8 129) | (15 274) |
| Dividends paid | (407 210) | (232 662) |
| Proceeds from loans | 1 012 613 | 1 177 556 |
| Loan principal paid | (491 481) | (320 511) |
| Payments from shareholders | 11 698 | 9 654 |

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| | | |
|--|------------------|----------------|
| Net cash provided by financing activities | 461 528 | 10 773 |
| Effect of exchange rate changes on cash and cash equivalents | (2 657) | 4 613 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS: | (195 866) | 183 774 |
| CASH AND CASH EQUIVALENTS, at beginning of period | 274 150 | 90 376 |
| CASH AND CASH EQUIVALENTS, at end of period | 78 284 | 274 150 |

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 27, 2006**