

MOBILE TELESYSTEMS OJSC
Form 6-K/A
December 17, 2002

FORM 6-K/A

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)

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

On December 4, 2002, Mobile TeleSystems OJSC, or MTS, announced that MTS would restate its consolidated financial statements for the year and three months ended December 31, 2001 and the first and second quarters of 2002.

This Form 6-K/A amends the Form 6-K filed by MTS on June 3, 2002 (the "Form 6-K"), which contained our financial statements for the first quarter of 2002 and a press release announcing our financial results for such period. Certain information contained in both the press release and the financial statement filed as part of the Form 6-K has been affected by the restatement of MTS' financial statements. This Form 6-K/A contains our restated financial statements for the first quarter of 2002 and a description of the effect of the restatement on our financial results for such period.

Restatement

MTS has restated its financial statements for the three months ended March 31, 2002 as a result of a review of its financial statements conducted by MTS management. The restatement primarily relates to the allocation of the purchase price for MTS acquisitions of a 51% stake in Kuban GSM CJSC in March 2002, and a reclassification of goodwill to licenses. As a result of this review, MTS has restated approximately \$91 million previously allocated to licenses to property, plant and equipment and other intangible assets. This reallocation resulted in restatements of property, plant and equipment, licenses, depreciation and amortization expense and certain related items of our balance sheet and statement of operations as of and for the three months ended March 31, 2002.

In addition, effective January 1, 2002 the Company adopted FAS 141, Business Combination and FAS 142, Goodwill and Other Intangible Assets. As a result, MTS has reclassified \$22 million of goodwill relating to its August 1998 acquisition of Rosico CJSC as licenses. This reclassification resulted in a restatement of amortization expenses and deferred taxes for the three months ended March 31, 2002.

The effects of this restatement on financial statements for the three months ended March 31, 2002 were as follows (in thousands except per share amounts):

| | As previously reported | Adjustments | As restated |
|---|------------------------|-------------|-------------|
| At March 31, 2002: | | | |
| Property plant and equipment, net | 962,005 | 67,970 | 1,029,975 |
| Licenses, net | 426,033 | (69,371) | 356,662 |
| Goodwill, net | 22,411 | (21,878) | 533 |
| Other intangible assets, net | 84,578 | 7,658 | 92,236 |
| Total assets | 1,935,533 | (15,621) | 1,919,912 |
| Deferred connection fees | 46,765 | (1,141) | 45,624 |
| Deferred taxes | 107,439 | (15,645) | 91,794 |
| Minority interest | 36,919 | 3,744 | 40,663 |
| Retained earnings | 506,488 | (2,579) | 503,909 |
| Total liabilities and shareholders equity | 1,935,533 | (15,621) | 1,919,912 |
| For the three months ended March 31, 2001: | | | |
| Depreciation and Amortization | 41,008 | 581 | 41,589 |
| Net operating income | 82,500 | (581) | 81,919 |
| Provision for Income taxes | 26,159 | (244) | 25,915 |
| Minority Interest | 3,594 | 705 | 4,299 |
| Net income | 43,860 | (1,042) | 42,818 |

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In addition, as a result of the restatement, EBITDA which represents income before provision for income taxes, interest, depreciation and amortization, for the three months ended March 31, 2002 decreased to \$116.5 million from the \$117.2 originally reported.

MOBILE TELESYSTEMS

CONSOLIDATED BALANCE SHEET

AT DECEMBER 31, 2001 and MARCH 31, 2002

(Amounts in thousands of U.S. dollars)

| | December 31 2001 | March 31 2002 (as restated) |
|--|---------------------|-----------------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 219,629 | \$ 46,037 |
| Short-term investments | 85,304 | 165,166 |
| Trade receivables, net | 24,258 | 31,980 |
| Accounts receivable, related parties | 2,377 | 4,907 |
| Inventory, net | 26,184 | 25,874 |
| Prepaid expenses | 22,712 | 24,935 |
| VAT receivable | 82,216 | 113,772 |
| Deferred tax asset | 12,040 | 13,910 |
| Other current assets | 8,374 | 8,749 |
| Total current assets | 483,094 | 435,330 |
| PROPERTY, PLANT AND EQUIPMENT | 856,056 | 1,029,975 |
| OTHER INTANGIBLE ASSETS | 84,245 | 92,236 |
| LICENSES | 276,949 | 356,662 |
| GOODWILL | 22,411 | 533 |
| DEBT ISSUANCE COSTS | 3,997 | 4,251 |
| INVESTMENTS IN AND ADVANCES TO AFFILIATES | 740 | 925 |
| Total assets | \$ 1,727,492 | \$ 1,919,912 |

MOBILE TELESYSTEMS

CONSOLIDATED BALANCE SHEET

AT DECEMBER 31, 2001 and MARCH 31, 2002

(Amounts in thousands of U.S. dollars)

| | December 31 2001 | March 31 2002 (as restated) |
|--|---------------------|-----------------------------------|
| CURRENT LIABILITIES: | | |
| Accounts payable, related parties | \$ 6,142 | \$ 7,489 |
| Trade accounts payable | 106,068 | 69,998 |
| Deferred connection fees | 21,419 | 21,656 |
| Subscriber prepayments and deposits | 63,741 | 79,693 |
| Debt, current portion | 18,245 | 18,425 |
| Promissory Notes, current portion | 580 | |
| Capital lease obligation, current portion | 14,401 | 12,211 |
| Income tax payable | 23,078 | 40,632 |
| Accrued liabilities | 51,626 | 66,834 |
| Other payables | 3,357 | 5,905 |
| Total current liabilities | 308,657 | 322,843 |
| LONG-TERM LIABILITIES: | | |
| Notes payable, net of discount | 248,976 | 306,856 |
| Debt, net of current portion | 30,150 | 64,307 |
| Capital lease obligation, net of current portion | 7,696 | 6,340 |
| Promissory notes payable, net of current portion | 5,792 | 1,023 |
| Deferred connection fees, net of current portion | 25,993 | 23,968 |
| Deferred taxes | 67,505 | 91,794 |
| Total long-term liabilities | 386,112 | 494,288 |
| Total liabilities | 694,769 | 817,131 |
| COMMITMENTS AND CONTINGENCIES | | |
| MINORITY INTEREST | 14,444 | 40,663 |
| 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 March 31, 2002 and December 31, 2001, 345,244,080 of which are in the form of ADS) | 50,558 | 50,558 |
| Treasury stock (9,966,631 common shares at cost) | (10,206) | (10,206) |
| Additional paid-in capital | 555,794 | 556,145 |
| Shareholder receivable | (38,958) | (38,288) |
| Retained earnings | 461,091 | 503,909 |

| | | |
|--|-----------|-----------|
| Total shareholders equity | 1,018,279 | 1,062,118 |
| Total liabilities and shareholders equity | 1,727,492 | 1,919,912 |

MOBILE TELESYSTEMS
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2001 AND 2002

(Amounts in thousands of U.S. dollars)

| | March 31 | | | |
|--|----------|---------|-----------------------|---------|
| | 2001 | | 2002 (as restated) | |
| NET REVENUES: | | | | |
| Service revenues, net | \$ | 155,315 | \$ | 228,072 |
| Connection fees | | 4,146 | | 6,541 |
| Equipment sales | | 6,842 | | 12,991 |
| | | 166,303 | | 247,604 |
| | | | | |
| COST OF SERVICES AND PRODUCTS | | | | |
| Interconnection and line rental | | 14,415 | | 23,715 |
| Roaming expenses | | 13,497 | | 17,116 |
| Cost of equipment | | 7,299 | | 18,118 |
| | | 35,211 | | 58,949 |
| | | | | |
| OPERATING EXPENSES | | 30,584 | | 39,846 |
| | | | | |
| SALES AND MARKETING EXPENSES | | 20,770 | | 25,301 |
| | | | | |
| DEPRECIATION AND AMORTIZATION | | 27,304 | | 41,589 |
| | | | | |
| Net operating income | | 52,434 | | 81,919 |
| | | | | |
| CURRENCY EXCHANGE AND TRANSLATION LOSSES | | 624 | | 831 |
| | | | | |
| OTHER EXPENSES (INCOME): | | | | |
| Interest income | | (3,917) | | (3,404) |
| Interest expenses, net of amounts capitalized | | 950 | | 9,603 |
| Other expenses | | 561 | | 1,857 |
| Total other expenses (income), net | | (2,406) | | 8,056 |
| | | | | |
| Income before provision for income taxes and minority interest | | 54,216 | | 73,032 |
| | | | | |
| PROVISION FOR INCOME TAXES | | 23,001 | | 25,915 |
| | | | | |
| MINORITY INTEREST | | | | 4,299 |
| | | | | |
| NET INCOME | \$ | 31,215 | \$ | 42,818 |

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| | | | | |
|---|--|---------------|--|---------------|
| | | | | |
| Weighted average number of shares outstanding | | 1,993,326,138 | | 1,983,399,507 |
| | | | | |

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 Smirnov
Name: Mikhail Smirnov
Title: President

Date: **December 17, 2002**