

MOBILE TELESYSTEMS OJSC
Form 6-K
November 25, 2014

FORM 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
November 25, 2014

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

Press release

Mobile TeleSystems Announces Financial Results for the Third Quarter Ended September 30, 2014

November 25, 2014

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 September 30, 2014.

Key Financial Highlights of Q3 2014

- Consolidated Group revenues increased 3.6% y-o-y to RUB 107.1 billion
- Mobile service revenue in Russia rose 9.1% y-o-y to RUB 77.3 billion
- Data traffic revenue in Russia grew 37.2% y-o-y to RUB 17.2 billion
- Consolidated Group Adjusted OIBDA(1) up 4.1% y-o-y to RUB 48.2 billion
- Group OIBDA margin improved 0.2pp to 45.0%
- Consolidated net income(2) of RUB 16.1 billion

Amended Outlook for 2014

- Group revenue guidance increased from 1% to >2%
- Group OIBDA guidance increased from stable to 1%
- MTS Russia revenue guidance increased from 3-5% to 5%
- MTS Russia OIBDA guidance increased from 3-5% to 5%
- Group CAPEX guidance reiterated to approximately RUB 90 billion

Key Corporate and Industry Highlights

- Completed dividend payment of RUB 18.6 per ordinary MTS share (RUB 37.2 per ADR), or a total of RUB 38.435 bln based on the full-year 2013 financial results.
- Signed with the Republic of Uzbekistan a Settlement Agreement, the purpose of which was to resolve all disputes between the parties and enable MTS to resume operations in Uzbekistan, and discontinued international arbitration proceedings between MTS and the Republic of Uzbekistan at the International Center for Settlement of the Investment Disputes (the ICSID).
- Took possession a controlling stake in the Russian-Uzbek entity Universal Mobile Systems LLC and plans to commercially launch operations throughout the territory of Uzbekistan on December 1, 2014.

(1) OIBDA net of non-cash gain in the amount of RUB 3 604 mln due to transfer of a 50.01% stake in UMS, subsidiary in Uzbekistan, to MTS

(2) Attributable to the Group

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- Completed dividend payment of RUB 6.2 per ordinary MTS share (RUB 12.4 per ADR), or a total of RUB 12.812 bln based on the H1 2014 financial results.
- Signed an agreement with Sberbank of Russia to open a non-revolving line of credit for a total amount of RUB 50 billion and amended terms of an existing credit agreement in the amount of RUB 20 billion.
- Launched satellite TV under the MTS brand in Russia.
- Signed a binding agreement with MTS Bank OJSC to acquire 952,000 ordinary shares of the Bank's additional shares issuance for RUB 3,639,286,560.

Commentary

Mr. Andrei Dubovskov, MTS President and CEO, commented, "During the quarter we increased our Group revenues by 3.6% year-over-year to RUB 107.1 bln. We witnessed revenue growth in Russia, Ukraine and Turkmenistan, but registered a slight decline in Armenia. As in Q2, hryvna devaluation and a weakening ruble impacted our Group performance."

Mr. Vasyl Latsanych, MTS Vice President for Marketing, said "In Q3, we saw very strong growth in our Russian business unit with revenues improving by 8.4% year-over-year to RUB 99.2 bln. The growth was attributable to exceptionally strong performance of our mobile operations where revenues grew 9.1% year-over-year. Key drivers included subscriber migration from feature phones to smartphones as smartphone penetration in our active base reached almost 40%; success of our Smart family of tariffs which allows us to upsell existing subscribers on data plans by stimulating consumption of data products; continued growth from messaging as we increased sales of SMS bundles; growing penetration of tablets as number of tablets on our network increased by 35% year-over-year; expansion of the subscriber base as we added 5.95 million subscribers during the period; and high-quality of subscriber additions as demonstrated by positive dynamics in ARPU and sustained lowest level of churn in the market. Quarter-on-quarter our revenues rose by 9.1% as we benefited from seasonally strong roaming revenues throughout Russia and an increase in the subscriber base."

Mr. Alexey Kornya, MTS Vice President for Finance and Investments, added, "In Q3 2014, Adjusted OIBDA increased by 4.1% to RUB 48.2 bln rubles. This figure was adjusted for a non-cash gain in the amount of 3.6 billion rubles we realized from the transfer of the controlling stake in UMS, an operating subsidiary in Uzbekistan, to MTS. Our growth in Adjusted OIBDA reflects many factors, including topline revenue dynamics in each of our markets of operation; the effect of a steadily rising contribution from data revenues in Russia; the impact of hryvna and ruble depreciation on our operating expenses; increased taxes and spectrum fees in Ukraine; rising G&A costs due to the enhancement of our mobile and fixed networks in Russia as well as pressure from inflationary expenses. On a quarterly basis, adjusted OIBDA grew by 11.5%, which was largely driven by seasonally higher roaming revenues and higher-quality subscriber additions, while maintaining steady sales & marketing expenses. Our Adjusted Group OIBDA margin net of the UMS effect came in at 45.0%. In Russia, OIBDA grew by 9.4% year-over-year to 45.4 billion rubles. This reflects both strong growth in mobile service revenues and an increased contribution from high-margin data revenues. This translates into a margin of 45.8%, the highest number we have registered in our Russian business unit since early 2009. In Ukraine, OIBDA declined by 10.7% year-over-year to UAH 1.21 billion. Profitability was under pressure due to increased taxes and frequency fees, higher payroll, electricity, site rentals costs and impact of the currency devaluation on cost items, including roaming and SIM cards, denominated in foreign currencies."

He continued, "Despite macroeconomic weakness across our markets of operations, MTS continues to generate stable operating cash flows. Our free cash flows for the first nine months of 2014 declined by 11.7% compared to the previous period, but in Q2 2013 we benefited from a one-off gain from the settlement over Bitel LLC. Adjusted for this factor, our free cash flow was down by 7.6%, but this drop can be explained by higher CAPEX spending in Q3 2014; during the quarter we prepaid for a higher amount of non-ruble denominated equipment in anticipation of further weakening of the ruble. For the period, net income declined quarter-on-quarter by 23.8% to RUB 16.1 bln. In Q4 2013, we registered a non-cash FOREX loss in the amount of RUB 9.5 bln from a revaluation of the foreign currency-denominated portion of the debt portfolio after significant ruble depreciation. The quarterly decline in bottom line was more pronounced as in the second quarter 2014 we had a non-cash FOREX gain in the amount of RUB 4.2 bln due to strengthening of the ruble."

Mr. Andrei Dubovskov, MTS President and CEO, concluded, "The situation in Ukraine remains highly volatile and creates uncertainty at the Group level. It is hard to forecast what the operational trends in Ukraine would be going forward. Nevertheless, with the potential of 3G on the horizon we remain enthusiastic about the long-term prospects of the market. Nevertheless, we feel comfortable at this stage raising our Group guidance for 2014: we expect strength in the Russian market and better-than-expected performance in Ukraine and Armenia to lift revenue by at least 2% for the year. Russia will see around 5% of growth to this figure based on strong performance in the mobile market. In spite of the extreme volatility in the ruble we are seeing in Q4, we do expect Group OIBDA to improve by approximately 1%. CAPEX remains on track at roughly RUB 90 bln, but the figure might be impacted by currency fluctuations."

Additional Information

As of Q3 2014, MTS adjusted its subscriber reporting methodology to reflect three-months of subscriber activity instead of the previously used six-month methodology. In accompanying materials, subscriber numbers, as well as related operational indicators like Average Revenue Per User (ARPU) and Minutes of Use (MOU), Average Price Per Minute (APPM) and churn have been restated since Q1 2013 to provide like-for-like comparisons for FY2014 operational indicators.

In September 2014, MTS announced that Vladimir Evtushenkov, Chairman of the Board of Directors of Sistema JSFC (Система) (LSE: SSA), the parent company of MTS with effective ownership stake in MTS of 53.46%, was detained as part of an investigation into the privatization of BASHTEK Group, through which Sistema owns a number of enterprises devoted to the extraction and marketing of oil and oil-related products. Though MTS reiterates that the investigation and any subsequent outcome of this investigation would have no effect on the Company's operations, certain changes at Sistema, including its revenue structure and debt position and other implications directly or indirectly arising out of Mr. Evtushenkov's detainment and ongoing investigation, could potentially have an adverse effect on MTS's equity value, its credit ratings or other metrics used by investors to assess and value MTS public securities and tradable debt.

MTS continues to see sustained macroeconomic volatility in its markets of operations that may impact the financial and operational performance throughout the Group.

This press release provides a summary of some of the key financial and operating indicators for the period ended September 30, 2014. For full disclosure materials, please visit <http://www.mts-gsm.com/resources/reports/>.

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Financial Summary

| RUB mln | Q3 14 | Q3 13 | y-o-y | Q2 14 | q-o-q |
|--------------------------------------|---------|---------|--------|--------|--------|
| Revenues | 107,148 | 103,388 | 3.6% | 98,860 | 8.4% |
| Adjusted OIBDA | 48,186 | 46,290 | 4.1% | 43,231 | 11.5% |
| - margin | 45.0% | 44.8% | +0.2pp | 43.7% | +1.3pp |
| Adjusted net operating income | 29,152 | 27,395 | 6.4% | 24,973 | 16.7% |
| - margin | 27.2% | 26.5% | +0.7pp | 25.3% | +1.9pp |
| Net income attributable to the Group | 16,062 | 18,080 | -11.2% | 21,089 | -23.8% |
| - margin | 15.0% | 17.5% | -2.5pp | 21.3% | -6.3pp |

Russia Highlights

| RUB mln | Q3 14 | Q3 13 | y-o-y | Q2 14 | q-o-q |
|-----------------------------------|--------|--------|--------|--------|---------|
| Revenues(3) | 99,209 | 91,533 | 8.4% | 90,390 | 9.8% |
| - mobile | 77,324 | 70,844 | 9.1% | 70,884 | 9.1% |
| - fixed | 15,799 | 15,384 | 2.7% | 15,584 | 1.4% |
| - sales of handsets & accessories | 7,785 | 7,094 | 9.7% | 5,858 | 32.9% |
| OIBDA | 45,437 | 41,523 | 9.4% | 40,309 | 12.7% |
| - margin | 45.8% | 45.4% | +0.4pp | 44.6% | +1.2pp |
| Net income | 10,818 | 15,630 | -30.8% | 19,450 | -44.4% |
| - margin | 10.9% | 17.1% | -6.2pp | 21.5% | -10.6pp |

| | Q3 13 | Q4 13 | Q1 14 | Q2 14 | Q3 14 |
|----------------|-------|-------|-------|-------|-------|
| ARPU (RUB) | 348.3 | 342.0 | 325.2 | 336.2 | 358.4 |
| MOU (min) | 368 | 375 | 353 | 373 | 377 |
| Churn rate (%) | 8.9% | 9.8% | 10.1% | 10.9% | 9.2% |

Ukraine Highlights

| UAH mln | Q3 14 | Q3 13 | y-o-y | Q2 14 | q-o-q |
|------------|-------|-------|--------|-------|--------|
| Revenues | 2,817 | 2,634 | 6.9% | 2,563 | +9.9% |
| OIBDA | 1,210 | 1,355 | -10.7% | 1,276 | -5.2% |
| - margin | 42.9% | 51.5% | -8.6pp | 49.8% | -6.9pp |
| Net income | 763 | 684 | 11.5% | 768 | -0.7% |
| - margin | 27.1% | 26.0% | +1.1pp | 29.9% | -2.8pp |

(3) Revenue, net of intercompany between mobile and fixed

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| | Q3 13 | Q4 13 | Q1 14 | Q2 14 | Q3 14 |
|----------------------|-------|-------|-------|-------|-------|
| ARPU (UAH) | 41.0 | 37.0 | 36.8 | 38.3 | 41.1 |
| MOU (min) | 592 | 586 | 573 | 575 | 483 |
| Churn rate (%) | 6.8% | 7.4% | 6.2% | 4.5% | 4.6% |
| SAC (UAH) | 57.1 | 53.3 | 49.4 | 50.8 | 63.4 |
| - dealer commission | 36.7 | 29.7 | 29.4 | 31.2 | 37.5 |
| - adv&mktg | 12.6 | 14.8 | 12.1 | 13.3 | 17.0 |
| - handset subsidy | 0.6 | 0.9 | 0.7 | 0.8 | 1.7 |
| - SIM card & voucher | 7.1 | 7.8 | 7.2 | 5.6 | 7.1 |

Armenia Highlights

| AMD mln | Q3 14 | Q3 13 | y-o-y | Q2 14 | q-o-q |
|------------|--------|--------|--------|--------|--------|
| Revenues | 22,066 | 22,522 | -2.0% | 18,876 | 16.9% |
| OIBDA | 12,057 | 12,248 | -1.6% | 9,043 | 33.3% |
| - margin | 54.6% | 54.4% | +0.2pp | 47.9% | +6.7pp |
| Net income | 4,243 | 4,297 | -1.3% | 1,934 | 119.4% |
| - margin | 19.2% | 19.1% | +0.1pp | 10.2% | +9.0pp |

| | Q3 13 | Q4 13 | Q1 14 | Q2 14 | Q3 14 |
|----------------|---------|---------|---------|---------|---------|
| ARPU (AMD) | 3,605.0 | 3,113.5 | 2,691.1 | 2,939.3 | 3,378.6 |
| MOU (min) | 451 | 461 | 464 | 516 | 527 |
| Churn rate (%) | 8.5% | 8.3% | 7.8% | 7.7% | 9.0% |
| SAC (AMD) | 6,077.1 | 6,800.7 | 5,129.8 | 5,302.3 | 4,773.3 |

Turkmenistan Highlights

| TMT mln | Q3 14 | Q3 13 | y-o-y | Q2 14 | q-o-q |
|------------|-------|-------|--------|-------|--------|
| Revenues | 72 | 70 | 1.9% | 69 | 3.2% |
| OIBDA | 30 | 27 | 11.2% | 31 | -2.6% |
| - margin | 41.8% | 38.3% | +3.5pp | 44.3% | -2.5pp |
| Net income | 26 | 24 | 7.1% | 27 | -3.7% |
| - margin | 36.0% | 34.1% | +1.9pp | 38.6% | -2.6pp |

| | Q3 13 | Q4 13 | Q1 14 | Q2 14 | Q3 14 |
|----------------|-------|-------|-------|-------|-------|
| ARPU (TMT) | 13.7 | 13.9 | 12.8 | 13.6 | 14.1 |
| MOU (min) | 617 | 620 | 588 | 575 | 564 |
| Churn rate (%) | 13.0% | 13.5% | 12.0% | 10.4% | 11.2% |
| SAC (TMT) | 18.1 | 22.1 | 23.9 | 24.1 | 26.7 |

CAPEX Highlights

| RUB mln | FY 2011 | FY 2012 | FY 2013 | 9M 14 |
|----------------|----------------|----------------|----------------|--------------|
| Russia | 66,869 | 82,896 | 70,910 | 50,778 |
| - as % of rev | 21.4% | 24.5% | 20.0% | 18.3% |
| Ukraine | 4,487 | 4,125 | 8,840 | 2,248 |
| - as % of rev | 13.4% | 10.9% | 22.2% | 8.9% |
| Armenia | 1,344 | 751 | 1,093 | 345 |
| - as % of rev | 22.8% | 12.5% | 17.5% | 6.9% |
| Turkmenistan | n/a | 11 | 732 | 456 |
| - as % of rev | n/a | 3.4% | 25.8% | 17.8% |
| Group | 72,798 | 87,783 | 81,575 | 53,827 |
| - as % of rev | 20.9% | 23.2% | 20.5% | 17.7% |

* * *

For further information, please contact in Moscow:

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Learn more about MTS. Visit the official blog of the Investor Relations Department at www.mtsgsm.com/blog/ and follow us on Twitter: JoshatMTS

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Mobile TeleSystems OJSC (MTS) is the leading telecommunications group in Russia and the CIS, 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 100 million mobile subscribers. The Group has been awarded GSM licenses in Russia, Ukraine, Turkmenistan, Armenia and Belarus, a region that boasts a total population of more than 200 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, 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 Third Quarter 2014

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, Russian ruble 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. 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 and comprehensive income. 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 (RUB mln) | Q3 13 | Q4 13 | Q1 14 | Q2 14 | Q3 14 |
|---------------------------|--------|--------|--------|--------|--------|
| Adjusted operating income | 27,395 | 27,219 | 23,437 | 24,973 | 29,153 |
| Add: D&A | 18,895 | 17,769 | 18,014 | 18,258 | 19,033 |
| Adjusted OIBDA | 46,290 | 44,988 | 41,451 | 43,231 | 48,186 |

| Russia (RUB mln) | Q3 13 | Q4 13 | Q1 14 | Q2 14 | Q3 14 |
|------------------|--------|--------|--------|--------|--------|
| Operating income | 25,167 | 25,865 | 22,464 | 24,150 | 28,249 |
| Add: D&A | 16,356 | 15,243 | 15,310 | 16,159 | 17,188 |
| OIBDA | 41,523 | 41,107 | 37,773 | 40,309 | 45,437 |

| Ukraine (RUB mln) | Q3 13 | Q4 13 | Q1 14 | Q2 14 | Q3 14 |
|-------------------|-------|-------|-------|-------|-------|
| Operating income | 3,397 | 3,109 | 2,634 | 2,153 | 2,071 |
| Add: D&A | 2,165 | 2,085 | 2,256 | 1,665 | 1,410 |
| OIBDA | 5,562 | 5,194 | 4,890 | 3,818 | 3,481 |

| Armenia (RUB mln) | Q3 13 | Q4 13 | Q1 14 | Q2 14 | Q3 14 |
|-------------------------|-------|-------|-------|-------|-------|
| Operating income/(loss) | 601 | (27) | 221 | 347 | 642 |
| Add: D&A | 382 | 448 | 440 | 419 | 425 |
| OIBDA | 983 | 420 | 662 | 766 | 1,067 |

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| Turkmenistan (RUB mln) | Q3 13 | Q4 13 | Q1 14 | Q2 14 | Q3 14 |
|------------------------|-------|-------|-------|-------|-------|
| Operating income | 305 | 488 | 289 | 354 | 352 |
| Add: D&A | 4 | 11 | 25 | 23 | 27 |
| OIBDA | 309 | 498 | 315 | 377 | 379 |

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

| Group | Q3 13 | Q4 13 | Q1 14 | Q2 14 | Q3 14 |
|---------------------------|-------|-------|-------|-------|-------|
| Adjusted operating margin | 26.5% | 26.0% | 24.0% | 25.3% | 27.2% |
| Add: D&A | 18.3% | 17.0% | 18.5% | 18.5% | 17.8% |
| Adjusted OIBDA margin | 44.8% | 42.9% | 42.5% | 43.7% | 45.0% |

| Russia | Q3 13 | Q4 13 | Q1 14 | Q2 14 | Q3 14 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 27.5% | 27.5% | 25.7% | 26.7% | 28.5% |
| Add: D&A | 17.9% | 16.2% | 17.5% | 17.9% | 17.3% |
| OIBDA margin | 45.4% | 43.7% | 43.3% | 44.6% | 45.8% |

| Ukraine | Q3 13 | Q4 13 | Q1 14 | Q2 14 | Q3 14 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 31.4% | 31.3% | 27.6% | 28.1% | 25.5% |
| Add: D&A | 20.0% | 21.0% | 23.6% | 21.7% | 17.4% |
| OIBDA margin | 51.5% | 52.3% | 51.2% | 49.8% | 42.9% |

| Armenia | Q3 13 | Q4 13 | Q1 14 | Q2 14 | Q3 14 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 33.2% | -1.7% | 15.2% | 21.7% | 32.9% |
| Add: D&A | 21.2% | 28.2% | 30.2% | 26.2% | 21.8% |
| OIBDA margin | 54.4% | 26.5% | 45.4% | 47.9% | 54.6% |

| Turkmenistan | Q3 13 | Q4 13 | Q1 14 | Q2 14 | Q3 14 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 37.8% | 59.5% | 35.9% | 41.6% | 38.7% |
| Add: D&A | 0.5% | 1.3% | 3.1% | 2.7% | 3.0% |
| OIBDA margin | 38.3% | 60.8% | 39.0% | 44.3% | 41.7% |

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:

| RUB mln | As of Dec 31, 2013 | As of Sep 30, 2014 |
|--|---------------------------|---------------------------|
| Current portion of debt and of capital lease obligations | 25,064 | 11,431 |
| Long-term debt and capital lease obligations | 194,083 | 222,369 |
| Total debt | 219,147 | 233,800 |
| Less: | | |
| Cash and cash equivalents | 30,612 | 45,937 |
| Short-term investments | 14,633 | 23,999 |
| Net debt | 173,903 | 163,864 |

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

| RUB mln | For nine months ended Sep 30, 2013 | For nine months ended Sep 30, 2014 |
|---|---|---|
| Net cash provided by operating activities | 121,602 | 120,548 |
| Less: | | |
| Purchases of property, plant and equipment | (35,967) | (40,771) |
| Purchases of intangible assets | (7,946) | (13,056) |
| Proceeds from sale of property, plant and equipment | 270 | 506 |
| Investments in and advances to associates | (5,089) | (2,862) |
| Free cash flow from continuing operations | 72,870 | 64,365 |

LTM OIBDA can be reconciled to our consolidated statements of operations as follows:

| RUB mln | Three months ended | Nine months ended | Twelve months ended |
|-------------------------------|--------------------|-------------------|---------------------|
| | Dec 31, 2013 | Sep 30, 2014 | Sep 30, 2014 |
| | A | B | C=A+B |
| Adjusted net operating income | 27,219 | 77,562 | 104,781 |
| Add: D&A | 17,769 | 55,306 | 73,075 |
| LTM Adjusted OIBDA | 44,988 | 132,868 | 177,856 |

Attachment C

Definitions

Subscriber. We define a subscriber as an organization or individual, whose SIM-card:

- shows traffic-generating activity or
- accrues a balance for services rendered or
- is replenished or topped off

Over the course of any three-month period, inclusive within the reporting period, and was not blocked at the end of the 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 CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (UNAUDITED)

(Amounts in millions of RUB except per share amount)

| | Nine months ended | | Three months ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Net operating revenue | | | | |
| Service revenue | 283 759 | 275 003 | 99 317 | 96 238 |
| Sales of handsets and accessories | 19 811 | 18 689 | 7 831 | 7 150 |
| | 303 570 | 293 692 | 107 148 | 103 388 |
| Operating expenses | | | | |
| Cost of services | (64 855) | (61 940) | (23 134) | (21 262) |
| Cost of handsets and accessories | (17 484) | (15 446) | (6 825) | (5 877) |
| Sales and marketing expenses | (15 869) | (16 768) | (5 429) | (5 785) |
| General and administrative expenses | (66 757) | (64 125) | (21 664) | (21 565) |
| Depreciation and amortization expense | (55 306) | (55 484) | (19 034) | (18 895) |
| Allowance for doubtful accounts | (2 497) | (1 600) | (764) | (525) |
| Other operating expenses | (3 240) | (3 791) | (1 146) | (2 084) |
| Gain from settlement agreement with Uzbekistan government | 3 604 | | 3 604 | |
| Net operating income | 81 166 | 74 538 | 32 756 | 27 395 |
| Currency exchange and transaction loss | (9 088) | (4 633) | (9 523) | (28) |
| Other (expenses)/income: | | | | |
| Interest income | 3 413 | 2 118 | 1 097 | 622 |
| Interest expense, net of capitalized interest | (12 171) | (12 515) | (4 159) | (4 036) |
| Other income/(expenses) | 1 115 | 11 592 | (13) | 688 |
| Total other (expenses)/income, net | (7 643) | 1 195 | (3 075) | (2 726) |
| Income from continuing operations before provision for income taxes | 64 435 | 71 100 | 20 158 | 24 641 |
| Provision for income taxes | (13 542) | (13 964) | (3 819) | (6 282) |
| Net income from continuing operations | 50 893 | 57 136 | 16 339 | 18 359 |

| | | | | |
|---|----------------|----------------|---------------|---------------|
| Net income from discontinued operations | | 3 733 | | |
| Net income | 50 893 | 60 869 | 16 339 | 18 359 |
| Less net income attributable to the noncontrolling interests | (717) | (782) | (277) | (280) |
| Net income attributable to the Group | 50 176 | 60 087 | 16 062 | 18 079 |
| Other comprehensive loss, net of taxes | | | | |
| Currency translation adjustment | (5 701) | (3 312) | 4 312 | (423) |
| Unrealized gains/(losses) on derivatives | 4 293 | 1 370 | 3 119 | (224) |
| Unrecognized actuarial gains | 15 | 28 | 7 | 9 |
| Total other comprehensive (loss) income net of taxes | (1 393) | (1 914) | 7 438 | (638) |
| Total comprehensive income | 49 500 | 58 955 | 23 777 | 17 721 |
| Less comprehensive income attributable to the noncontrolling interests | (1 004) | (874) | (529) | (229) |
| Comprehensive income attributable to the Group | 48 496 | 58 081 | 23 248 | 17 492 |
| Weighted average number of common shares outstanding, in millions - basic and diluted | | | | |
| | 1 989 | 1 989 | 1 989 | 1 989 |
| Earnings per share attributable to the Group - basic and diluted: | | | | |
| EPS from continuing operations | 25.23 | 28.33 | 8.08 | 9.09 |
| EPS from discontinued operations | | 1.88 | | |
| Total EPS | 25.23 | 30.21 | 8.08 | 9.09 |

MOBILE TELESYSTEMS

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2014 (UNAUDITED) AND DECEMBER 31, 2013

(Amounts in millions of RUB)

| | As of September 30, 2014 | As of December 31, 2013 |
|--|-----------------------------|----------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 45 937 | 30 612 |
| Short-term investments | 23 999 | 14 633 |
| Trade receivables, net | 32 268 | 34 554 |
| Accounts receivable, related parties | 4 241 | 965 |
| Inventory and spare parts | 7 779 | 8 498 |
| VAT receivable | 7 556 | 6 651 |
| Assets held for sale | 792 | |
| Prepaid expenses and other current assets | 18 625 | 20 763 |
| Total current assets | 141 197 | 116 676 |
| PROPERTY, PLANT AND EQUIPMENT | 273 807 | 270 660 |
| INTANGIBLE ASSETS | 81 485 | 74 329 |
| INVESTMENTS IN AND ADVANCES TO ASSOCIATES | 16 371 | 13 393 |
| OTHER INVESTMENTS | 4 726 | 4 392 |
| OTHER NON - CURRENT ASSETS | 10 392 | 6 074 |
| Total assets | 527 978 | 485 524 |
| CURRENT LIABILITIES | | |
| Trade accounts payable | 21 049 | 23 864 |
| Accrued expenses and other current liabilities | 68 495 | 49 619 |
| Accounts payable, related parties | 2 881 | 3 315 |
| Current portion of long-term debt, capital lease obligations | 11 431 | 25 064 |
| Total current liabilities | 103 856 | 101 862 |
| LONG-TERM LIABILITIES | | |
| Long-term debt | 216 269 | 194 074 |
| Capital lease obligation | 6 100 | 10 |
| Deferred income taxes | 26 588 | 21 202 |
| Deferred revenue and other long-term liabilities | 9 383 | 9 391 |
| Total long-term liabilities | 258 340 | 224 677 |
| Total liabilities | 362 196 | 326 539 |
| Redeemable noncontrolling interests | 2 581 | 2 932 |
| SHAREHOLDERS EQUITY: | | |
| Total shareholders equity attributable to the Group | 155 232 | 151 931 |

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| | | |
|---|----------------|----------------|
| Non-redeemable noncontrolling interest | 7 969 | 4 122 |
| TOTAL SHAREHOLDERS` EQUITY | 163 201 | 156 053 |
| Total liabilities and shareholders` equity | 527 978 | 485 524 |

MOBILE TELESYSTEMS**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (UNAUDITED)**

(Amounts in millions of RUB)

| | Nine months ended September 30, 2014 | Nine months ended September 30, 2013 |
|--|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | 50 893 | 60 869 |
| Net (income) from discontinued operations | | (3 733) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 55 306 | 55 484 |
| Currency exchange and translation loss | 9 088 | 4 633 |
| Debt issuance cost amortization | 511 | 1 557 |
| Amortization of deferred connection fees | (898) | (722) |
| Equity in net income of associates | (1 436) | (1 496) |
| Inventory obsolescence expense | 289 | 599 |
| Provision for doubtful accounts | 2 497 | 1 600 |
| Deferred tax loss | 2 650 | 7 142 |
| Non cash gain from a settlement agreement with Uzbekistan government | (3 604) | |
| Other non-cash items | 61 | (139) |
| Changes in operating assets and liabilities: | | |
| Decrease/(Increase) in trade receivables | 97 | (6 857) |
| Decrease/(increase) in inventory | 436 | (379) |
| Decrease/(Increase) in prepaid expenses and other current assets | 2 780 | (4 281) |
| Increase in VAT receivable | (846) | (1 076) |
| Decrease in trade payables, accrued liabilities and other current liabilities | 855 | 7 126 |
| Dividends received | 1 869 | 1 275 |
| Net cash provided by operating activities - continuing operations | 120 548 | 121 602 |
| Net cash used in operating activities - discontinued operations | | (547) |
| Net cash provided by operating activities | 120 548 | 121 055 |

| | | |
|--|-----------------|-----------------|
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property, plant and equipment | (40 771) | (35 967) |
| Purchases of intangible assets | (13 056) | (7 946) |
| Proceeds from sale of property, plant and equipment | 506 | 269 |
| Purchases of short-term investments | (33 093) | (27 997) |
| Proceeds from sale of short-term investments | 40 019 | 21 290 |
| Purchases of other investments | (15 714) | (703) |
| Proceeds from sale of other investments | 730 | |
| Investments in and advances to associates, net | (2 862) | (5 089) |
| Net cash used in investing activities - continuing operations | (64 241) | (56 143) |
| Net cash provided by investing activities - discontinued operations | | 115 |
| Net cash used in investing activities | (64 241) | (56 028) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Acquisition of noncontrolling interests in existing subsidiaries | (26) | |
| Proceeds from issuance of notes | 2 | 25 651 |
| Repayment of notes | (17 441) | (1 876) |
| Notes and debt issuance cost paid | (25) | (184) |
| Capital lease obligation principal paid | (103) | (137) |
| Dividends paid | (37 547) | (29 086) |
| Proceeds from loans | 20 000 | |
| Loan principal paid | (8 095) | (37 041) |
| Other financial activities | 22 | (19) |
| Net cash (used in)/provided by financing activities - continuing operations | (43 213) | (42 692) |
| Net cash provided by/(used in) financing activities - discontinued operations | | |
| Net cash (used in)/provided by financing activities | (43 213) | (42 692) |
| Effect of exchange rate changes on cash and cash equivalents | 2 231 | 735 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS: | 15 325 | 23 070 |
| CASH AND CASH EQUIVALENTS, at beginning of the period | 30 612 | 22 014 |
| CASH AND CASH EQUIVALENTS, at end of the period | 45 937 | 45 084 |

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: | <i>/s/ Andrei Dubovskov</i> | |
| | Name: | Andrei Dubovskov |
| | Title: | CEO |

Date: **November 25, 2014**
