

MOBILE TELESYSTEMS OJSC  
Form 6-K  
May 19, 2015

## **FORM 6-K**

# **UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Report of Foreign Issuer  
May 19, 2015

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

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Press release

**Mobile TeleSystems Announces Financial Results for the First Quarter Ended March 31, 2015**

May 19, 2015

**Moscow, Russian Federation** Mobile TeleSystems OJSC ( MTS - NYSE: MBT), the leading telecommunications provider in Russia and the CIS, today announces its unaudited IFRS financial results for the three months ended March 31, 2015.

**Key Financial Highlights of Q1 2015**

- Consolidated group revenue increased 2.7% y-o-y to RUB 100.2 bln
- Total revenue in Russia rose 3.6% y-o-y to RUB 90.4 bln
- Mobile service revenue in Russia improved 3.9% y-o-y to RUB 70.5 bln
- Data traffic revenue in Russia grew 26.0% y-o-y to RUB 18.1 bln
- Handset sales increased 1.2% y-o-y to RUB 6.3 bln
- Group Adjusted OIBDA down 2.0% to RUB 41.3 bln

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- OIBDA in Russia rose 0.9% y-o-y to RUB 38.2 bln

### Key Corporate and Industry Highlights

- Won a tender for a nationwide license for the provision of 3G telecommunications services in the 1950-1965 MHz/2140-2155 MHz in Ukraine. The cost of the license amounted to UAH 2.7 bln.
- Launched LTE network in the 1800 MHz range in Moscow and LTE network in the 800 MHz range throughout the Moscow region
- Launched LTE network in the 1800 MHz range in Saint Petersburg and the Leningrad Region
- Launched LTE network in the 1800 MHz range in the Krasnodar region in southern Russia
- Annual dividend recommendation by the MTS Board of RUB 19.56 per ordinary MTS share (RUB 39.12 per ADR), or a total of RUB 40.419 bln based on the full-year 2014 financial results, upon acceptance by the AGM and completion of this payment, MTS will have paid out up to RUB 53.2 bln rubles based on fiscal year 2014 financial results
- Signed a USD 200 mln equivalent term loan facility agreement with China Development Bank Corporation ( CDB ) in renminbi and US dollars.

## Commentary

Mr. Andrei Dubovskov, MTS President and CEO, commented, "For the period, MTS again demonstrated strong operational trends in our core markets. Revenue for the Group grew 2.7% year-over-year to 100.2 billion rubles. Growth was primarily driven by increases in voice usage and data adoption."

Despite the volatile and generally negative macroeconomic environment, we maintained strong profitability with a Group Adjusted OIBDA margin coming in at 41.2%. In Russia, we continue to benefit from growing smartphone penetration and increased data usage in all customer segments while overall demand for our services remains resilient. Our sensible commercial strategies, the speed and quality of our networks, our commitment to customer service and the biggest chain of proprietary retail stores have allowed us to continue to outperform the market.

Mr. Vasyl Latsanych, MTS Vice President for Marketing, said, "Revenue at our business in Russia grew 3.6% year-over-year to 90.4 billion rubles. The most significant growth was seen in our mobile business, which increased 3.9% year-over-year to 70.5 billion rubles. This was mainly attributable to the higher uptake of data plans as smartphone penetration reached 43.5% among our active subscribers, contributing to a 26.0% increase in data traffic revenue year-over-year. In Ukraine, our revenues grew 9.0% year-over-year to 2.6 billion hryvnas. In spite of the operational challenges in the East and the exit from Crimea, MTS-Ukraine's operations show remarkable resilience. In addition, revenues were boosted during the quarter by an increase in termination rates as well as by the hryvnia devaluation against the US dollar, as interconnect rates are fixed in hard currency."

Mr. Alexey Kornya, MTS Vice President for Finance and Investments, said, "MTS Russia OIBDA increased 0.9% year-over-year to 38.2 billion rubles. OIBDA was positively impacted by a growing share of high-margin data revenues. At the same time, weaker roaming revenues and increased roaming expenses depressed the margin, which came in at 42.2%. Sequentially, OIBDA fell by 7.7% in line with revenue. In Ukraine, we delivered stable Adjusted OIBDA of 1.2 billion hryvna with an OIBDA margin of 47.0%. On a quarterly basis, we saw a strong increase in OIBDA due to growth in interconnect revenues."

Group net income for the period, declined 14.3% to 10.9 billion rubles and was impacted by the decline in OIBDA; a FOREX loss of 3.5 billion rubles in Q1 2015 based on the value of MTS's foreign currency-denominated debt due to ruble depreciation and volatility throughout the period; and a reserve related to the cash balances held in distressed banks in Ukraine in the amount of 1.7 billion rubles. Free cash flow for the first three months fell by 56.1% to 15.0 billion rubles. Free cash flow was largely impacted by higher than normal CAPEX for the period. This included both the settlement of invoices billed at the end of 2014 and our planned network build for 2015.

Mr. Alexey Kornya added, "At MTS we have long considered dividends to be a key commitment to our shareholders. This is both a reflection of the strong market, in which we operate, and prudent management of our business. We are pleased that the results of 2014 will allow us to pay out the largest dividend in our history; for the Fiscal Year 2014, MTS will have paid out 53.2 billion rubles. Most importantly, this sum is derived from our free cash flow, which does not require us to resort to outside funding to finance this payment. Our view is that a dividend story is best preserved by paying one. And in that respect in April, the Board recommended to the AGM to be held on June 25, 2015, to approve annual dividends of 19.56 rubles per ordinary MTS share, or a total of 40.4 billion rubles, based on the full-year 2014 financial results."

Mr. Andrei Dubovskov concluded, "As you've seen from the results of all players in the sector, even in conditions of greater macroeconomic uncertainty, the Russian telecoms sector continues to present growth opportunities - but only operators with the right business model will be able to realize them. Our enhanced leadership of the sector positions us to benefit ahead of our competitors, for example from the continued increase in data usage and strong unit sales in lower-value handsets."

**Change to International Financial Reporting Standards**

In 2010, the Russian State Duma enacted a law requiring Russian public companies to prepare consolidated financial statements under International Financial Reporting Standards (IFRS). To conform to this

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requirement, the Group will prepare its consolidated financial statements for the year ended December 31, 2015, with comparative information for the year ended December 31, 2014, under IFRS.

This change also reflects our commitment to transparency and facilitates more accurate like for like comparison with the Group's European peers, most of whom report under IFRS.

The accounts in IFRS will continue to be presented in Russian rubles as MTS's core assets and activities are based primarily in Russia.

The Group is reporting its quarterly results under IFRS starting from Q1 2015. Comparative information for the previous quarters of 2014 presented has been restated to comply with IFRS.

The following table and notes summarize the impact of the conversion from US GAAP to IFRS on selected IFRS and non-IFRS measures of the Group for the year ended December 31, 2014.

As of December, 31 2014

| <b>RUB mln</b> | <b>US GAAP</b> | <b>IFRS</b> | <b>Difference</b> |
|----------------|----------------|-------------|-------------------|
| Revenue        | 410,758        | 410,780     | 22                |
| Adjusted OIBDA | 175,463        | 179,127     | 3,664             |
| Net Income     | 52,393         | 51,496      | (897)             |
| CAPEX          | 92,599         | 91,929      | (670)             |
| Net Debt       | 185,525        | 183,006     | (2,519)           |

### **Adjusted OIBDA**

Upon transition to IFRS, the Group will start reporting its share of profits or losses of Mobile TeleSystems LLC ( MTS Belarus ), a 49% owned associate, within operating income and, consequently, OIBDA, since the entity is viewed as part of the Group's core telecommunications operations. The Group will continue to report its share of profits or losses of MTS-Bank below operating income and OIBDA.

### **Net income**

Difference in net income reported under IFRS as compared to net income previously reported under US GAAP is due to a number of differences, including:

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- accounting for the put option issued by the Group over the non-controlling interest in K-Telecom, an 80%-owned subsidiary in Armenia, as financial liability (US GAAP: mezzanine equity) recognizing the change in its fair value in profit or loss (US GAAP: equity);
- non-consolidation of Tsifrovoye Teleradioveshchanie LLC ( TSTV ), an operator of MTS 's satellite project owned by Sistema Mass Media, a subsidiary of Sistema JSFC;
- an adjustment to the share of net income of MTS Belarus due to the differences in hyperinflationary economies accounting;
- an increase in depreciation and amortization expenses due to reversal of impairment on the consolidated statement of financial position related to the assets of our subsidiary in Turkmenistan ( MTS Turkmenistan ) which were previously impaired; and
- a different approach to capitalization of borrowing costs under IFRS.

### CAPEX

Different capitalization policies for borrowing costs under the IFRS led to a reduction in total CAPEX.



**Net debt**

Upon transition to IFRS, the Group presents deferrals of debt issuance costs in the statement of financial position as a reduction of the debt balance (US GAAP: presented as assets). The Group's debt under IFRS also does not include the debt of TSTV which is not consolidated under IFRS comparing to US GAAP.

**Additional Information**

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

**Conference Call**

**The conference call will start today at:** 18.00 hrs (Moscow time); 16.00 hrs (London time); 11.00 hrs (US Eastern time)

To take part in the conference call, please dial one of the following telephone numbers and quote the confirmation code, **7670182**

From Russia: +7 495 705 9450

From the UK: +44 (0) 20 3427 1909

From the US: +1 212 444 0412

The conference call will also be available at: <http://www.mtsgsm.com/news/reports/> via audio webcast.

A replay of the conference call will be available for seven days on the following telephone numbers:

From the US: +1 347 366 9565 PIN 7670182#

From the UK: +44 (0)20 3427 0598 PIN 7670182#

From Russia: +7 (495) 705 9453 PIN 7670182#

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*This press release provides a summary of some of the key financial and operating indicators for the period ended March 31, 2015. For full disclosure materials, please visit <http://www.mtsgsm.com/resources/reports/>.*

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Financial Summary

| RUB mln                              | Q1 15   | Q1 14  | y-o-y  | Q4 14   | q-o-q  |
|--------------------------------------|---------|--------|--------|---------|--------|
| Revenues                             | 100,182 | 97,546 | 2.7%   | 107,202 | -6.5%  |
| Adjusted OIBDA                       | 41,309  | 42,154 | -2.0%  | 44,346  | -6.8%  |
| - margin                             | 41.2%   | 43.2%  | -2.0pp | 41.4%   | -0.2pp |
| Adjusted operating income            | 20,861  | 24,051 | -13.3% | 24,860  | -16.1% |
| - margin                             | 20.8%   | 24.7%  | -3.9pp | 23.2%   | -2.4pp |
| Net income attributable to the group | 10,887  | 12,708 | -14.3% | 1,381   | 688.3% |
| - margin                             | 10.9%   | 13.0%  | -2.1pp | 1.3%    | 9.6pp  |

Russia Highlights

| RUB mln                           | Q1 15  | Q1 14  | y-o-y  | Q4 14  | q-o-q  |
|-----------------------------------|--------|--------|--------|--------|--------|
| Revenues(1)                       | 90,423 | 87,252 | 3.6%   | 98,043 | -7.8%  |
| - mobile                          | 70,521 | 67,847 | 3.9%   | 74,621 | -5.5%  |
| - fixed                           | 15,319 | 15,184 | 0.9%   | 15,966 | -4.1%  |
| - sales of handsets & accessories | 6,258  | 6,183  | 1.2%   | 9,220  | -32.1% |
| OIBDA                             | 38,171 | 37,849 | 0.9%   | 41,365 | -7.7%  |
| - margin                          | 42.2%  | 43.4%  | -1.2pp | 42.2%  | 0.0pp  |
| Net income                        | 9,109  | 9,503  | -4.1%  | 4,522  | 101.4% |
| - margin                          | 10.1%  | 10.9%  | -0.8pp | 4.6%   | 5.5pp  |

|                | Q1 14 | Q2 14 | Q3 14 | Q4 14 | Q1 15 |
|----------------|-------|-------|-------|-------|-------|
| ARPU (RUB)     | 324.7 | 335.5 | 357.6 | 336.5 | 315.4 |
| MOU (min)      | 353   | 373   | 377   | 393   | 367   |
| Churn rate (%) | 10.1% | 10.9% | 9.2%  | 11.0% | 10.1% |

Ukraine Highlights

| UAH mln        | Q1 15 | Q1 14 | y-o-y  | Q4 14 | q-o-q |
|----------------|-------|-------|--------|-------|-------|
| Revenues       | 2,631 | 2,414 | 9.0%   | 2,282 | 15.3% |
| Adjusted OIBDA | 1,238 | 1,238 | 0.0%   | 963   | 28.6% |
| - margin       | 47.0% | 51.3% | -4.3pp | 42.2% | 4.8pp |
| Net income     | 1,096 | 1,032 | 6.2%   | (141) | n/a   |
| - margin       | 41.6% | 42.7% | -1.1pp | n/a   | n/a   |

|                      | Q1 14 | Q2 14 | Q3 14 | Q4 14 | Q1 15 |
|----------------------|-------|-------|-------|-------|-------|
| ARPU (UAH)           | 36.7  | 38.4  | 41.2  | 34.8  | 42.7  |
| MOU (min)            | 573   | 575   | 483   | 480   | 508   |
| Churn rate (%)       | 6.2%  | 4.5%  | 4.6%  | 17.6% | 5.5%  |
| SAC (UAH)            | 49.4  | 50.8  | 63.4  | 69.3  | 69.2  |
| - dealer commission  | 29.4  | 31.2  | 37.5  | 40.0  | 44.6  |
| - adv&mktg           | 12.1  | 13.3  | 17.0  | 20.3  | 16.6  |
| - handset subsidy    | 0.7   | 0.8   | 1.7   | 2.8   | 0.2   |
| - SIM card & voucher | 7.2   | 5.6   | 7.1   | 6.2   | 7.7   |

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

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Armenia Highlights

| AMD mln           | Q1 15  | Q1 14  | y-o-y  | Q4 14  | q-o-q  |
|-------------------|--------|--------|--------|--------|--------|
| Revenues          | 16,921 | 17,138 | -1.3%  | 19,572 | -13.5% |
| OIBDA             | 8,147  | 7,802  | 4.4%   | 9,112  | -10.6% |
| - margin          | 48.1%  | 45.5%  | 2.6pp  | 46.6%  | 1.5pp  |
| Net income/(loss) | 2,420  | 2,620  | -7.6%  | (897)  | n/a    |
| - margin          | 14.3%  | 15.3%  | -1.0pp | n/a    | n/a    |

|                | Q1 14   | Q2 14   | Q3 14   | Q4 14   | Q1 15   |
|----------------|---------|---------|---------|---------|---------|
| ARPU (AMD)     | 2,691.1 | 2,939.3 | 3,378.6 | 2,956.6 | 2,565.4 |
| MOU (min)      | 464     | 516     | 527     | 523     | 493     |
| Churn rate (%) | 7.8%    | 7.7%    | 9.0%    | 9.5%    | 8.7%    |
| SAC (AMD)      | 5,129.8 | 5,302.3 | 4,773.3 | 6,261.6 | 5,545.7 |

Turkmenistan Highlights

| TMT mln    | Q1 15 | Q1 14 | y-o-y  | Q4 14 | q-o-q  |
|------------|-------|-------|--------|-------|--------|
| Revenues   | 72    | 66    | 9.4%   | 76    | -4.9%  |
| OIBDA      | 26    | 26    | 1.2%   | 30    | -14.8% |
| - margin   | 36.0% | 39.0% | -3.0pp | 40.2% | -4.2pp |
| Net income | 12    | 12    | STABLE | 17    | -29.4% |
| - margin   | 16.7% | 18.2% | -1.5pp | 22.4% | -5.7pp |

|                | Q1 14 | Q2 14 | Q3 14 | Q4 14 | Q1 15 |
|----------------|-------|-------|-------|-------|-------|
| ARPU (TMT)     | 12.8  | 13.6  | 14.1  | 14.8  | 13.7  |
| MOU (min)      | 588   | 574   | 564   | 553   | 504   |
| Churn rate (%) | 12.0% | 10.4% | 11.2% | 10.3% | 12.1% |
| SAC (TMT)      | 23.9  | 24.1  | 26.7  | 26.1  | 28.9  |

Uzbekistan Highlights

| UZS mln    | Q1 15    | Q4 14    | q-o-q  |
|------------|----------|----------|--------|
| Revenues   | 19,292   | 4,547    | 324.3% |
| OIBDA      | (38,819) | (28,666) | n/a    |
| - margin   | n/a      | n/a      | n/a    |
| Net income | (41,853) | (25,057) | n/a    |
| - margin   | n/a      | n/a      | n/a    |

|                | Q4 14 | Q1 15    |
|----------------|-------|----------|
| ARPU (UZS)     |       | 21,027   |
| MOU (min)      |       | 356      |
| Churn rate (%) |       | 8.4%     |
| SAC (UZS)      |       | 12,048.7 |



## CAPEX Highlights

| <b>RUB mln</b> | <b>FY 2014</b> | <b>3M 2015</b> |
|----------------|----------------|----------------|
| Russia         | 85,491         | 23,064         |
| - as % of rev  | 22.8%          | 25.5%          |
| Ukraine(2)     | 4,210          | 2,058          |
| - as % of rev  | 12.8%          | 26.0%          |
| Armenia        | 1,142          | 119            |
| - as % of rev  | 16.0%          | 5.4%           |
| Turkmenistan   | 1,084          | 70             |
| - as % of rev  | 28.4%          | 5.5%           |
| Uzbekistan     | 1              | 115            |
| - as % of rev  | 0.6%           | 23.6%          |
| Group(2)       | 91,929         | 25,425         |
| - as % of rev  | 22.4%          | 25.4%          |

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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/](http://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](http://www.mtsgsm.com).

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Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of MTS, as defined in the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify forward looking statements by terms such as expect, believe, anticipate, estimate, intend, will, could, may or might, and such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not 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.

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(2) Excluding purchase of 3G license in Ukraine in the amount of RUB 7,044 bln



**Attachments to the First Quarter 2015  
Earnings Press Release**

**Attachment A**

**Non-IFRS financial measures.** This presentation includes financial information prepared in accordance with International Financial Reporting Standards, or IFRS, as well as other financial measures referred to as non-IFRS. The non-IFRS financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Due to the rounding and translation practices, Russian ruble and functional currency margins, as well as other non-IFRS 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. 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. We use a term Adjusted for OIBDA and operating income when there were significant excluded one off effects. OIBDA can be reconciled to our consolidated statements of operations as follows:

| <b>Group (RUB mln)</b>   | <b>Q1 14</b> | <b>Q2 14</b> | <b>Q3 14</b> | <b>Q4 14</b> | <b>Q1 15</b> |
|--|--------------|--------------|--------------|--------------|--------------|
| Operating income   | 24,051       | 25,334       | 33,464       | 22,852       | 19,163       |
| Less: Gain from reentrance in Uzbekistan                                 |              |              | (3,604)      | (3,130)      |              |
| Add: Provision for cash balances deposited in distressed Ukrainian banks |              |              |              | 5,138        | 1,698        |
| Adjusted operating income  | 24,051       | 25,334       | 29,860       | 24,860       | 20,861       |
| Add: D&A   | 18,103       | 18,326       | 19,107       | 19,486       | 20,448       |
| Adjusted OIBDA   | 42,154       | 43,661       | 48,967       | 44,346       | 41,309       |

| <b>Russia (RUB mln)</b> | <b>Q1 14</b> | <b>Q2 14</b> | <b>Q3 14</b> | <b>Q4 14</b> | <b>Q1 15</b> |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| Operating income        | 22,565       | 24,205       | 28,324       | 24,299       | 21,091       |
| Add: D&A                | 15,283       | 16,133       | 17,156       | 17,065       | 17,080       |
| OIBDA                   | 37,849       | 40,338       | 45,481       | 41,365       | 38,171       |

| <b>Ukraine (RUB mln)</b>   | <b>Q1 14</b> | <b>Q2 14</b> | <b>Q3 14</b> | <b>Q4 14</b> | <b>Q1 15</b> |
|--|--------------|--------------|--------------|--------------|--------------|
| Operating income/(loss)  | 2,636        | 2,167        | 2,075        | (3,468)      | 693          |
| Add: Provision for cash balances deposited in distressed Ukrainian banks |              |              |              | 5,138        | 1,698        |
| Adjusted operating income  | 2,636        | 2,167        | 2,075        | 1,670        | 2,391        |
| Add: D&A   | 2,261        | 1,660        | 1,410        | 1,448        | 1,344        |
| Adjusted OIBDA   | 4,897        | 3,826        | 3,485        | 3,118        | 3,735        |

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| Armenia (RUB mln) | Q1 14 | Q2 14 | Q3 14 | Q4 14 | Q1 15 |
|-------------------|-------|-------|-------|-------|-------|
| Operating income  | 221   | 347   | 642   | 464   | 436   |
| Add: D&A          | 440   | 419   | 425   | 523   | 623   |
| OIBDA             | 662   | 766   | 1,067 | 986   | 1,059 |

| Turkmenistan (RUB mln) | Q1 14 | Q2 14 | Q3 14 | Q4 14 | Q1 15 |
|------------------------|-------|-------|-------|-------|-------|
| Operating income       | 180   | 255   | 246   | 329   | 252   |
| Add: D&A               | 134   | 122   | 133   | 177   | 205   |
| OIBDA                  | 315   | 377   | 379   | 506   | 458   |

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| Uzbekistan (RUB mln) | Q1 14 | Q2 14 | Q3 14 | Q4 14 | Q1 15   |
|----------------------|-------|-------|-------|-------|---------|
| Operating income     |       |       |       |       | (2,134) |
| Add: D&A             |       |       |       |       | 1,209   |
| OIBDA                |       |       |       |       | (925)   |

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

| Group  | Q1 14 | Q2 14 | Q3 14  | Q4 14  | Q1 15 |
|--|-------|-------|--------|--------|-------|
| Operating income   | 24.7% | 25.6% | 31.2%  | 21.3%  | 19.1% |
| Less: Gain from reentrance in Uzbekistan                                 |       |       | (3.4)% | (2.9)% |       |
| Add: Provision for cash balances deposited in distressed Ukrainian banks |       |       |        | 4.8%   | 1.7%  |
| Adjusted operating margin  | 24.7% | 25.6% | 27.9%  | 23.2%  | 20.8% |
| Add: D&A   | 18.6% | 18.5% | 17.8%  | 18.2%  | 20.4% |
| Adjusted OIBDA margin  | 43.2% | 44.2% | 45.7%  | 41.4%  | 41.2% |

| Russia           | Q1 14 | Q2 14 | Q3 14 | Q4 14 | Q1 15 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 25.9% | 26.8% | 28.6% | 24.8% | 23.3% |
| Add: D&A         | 17.5% | 17.8% | 17.3% | 17.4% | 18.9% |
| OIBDA margin     | 43.4% | 44.6% | 45.8% | 42.2% | 42.2% |

| Ukraine  | Q1 14 | Q2 14 | Q3 14 | Q4 14   | Q1 15 |
|--|-------|-------|-------|---------|-------|
| Operating income/(loss)  | 27.6% | 28.2% | 25.6% | (46.4)% | 8.8%  |
| Add: Provision for cash balances deposited in distressed Ukrainian banks |       |       |       | 68.8%   | 21.5% |
| Adjusted operating margin  | 27.6% | 28.2% | 25.6% | 22.4%   | 30.2% |
| Add: D&A   | 23.7% | 21.6% | 17.4% | 19.4%   | 17.0% |
| Adjusted OIBDA margin  | 51.3% | 49.8% | 43.0% | 41.7%   | 47.3% |

| Armenia          | Q1 14 | Q2 14 | Q3 14 | Q4 14 | Q1 15 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 15.2% | 21.7% | 32.9% | 21.7% | 19.8% |
| Add: D&A         | 30.2% | 26.2% | 21.8% | 24.4% | 28.3% |
| OIBDA margin     | 45.4% | 47.9% | 54.6% | 46.1% | 48.1% |

| Turkmenistan     | Q1 14 | Q2 14 | Q3 14 | Q4 14 | Q1 15 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 22.3% | 29.9% | 27.1% | 26.2% | 19.8% |
| Add: D&A         | 16.7% | 14.3% | 14.6% | 14.1% | 16.1% |
| OIBDA margin     | 39.0% | 44.3% | 41.7% | 40.2% | 36.0% |

| Uzbekistan       | Q1 14 | Q2 14 | Q3 14 | Q4 14 | Q1 15  |
|------------------|-------|-------|-------|-------|--------|
| Operating margin |       |       |       |       | n/a    |
| Add: D&A         |       |       |       |       | 248.1% |
| OIBDA margin     |       |       |       |       | n/a    |

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**Attachment B**

**Net debt** represents total debt less cash and cash equivalents and short-term investments and long-term deposits. 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-IFRS financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS.

Net debt can be reconciled to our consolidated statements of financial position as follows:

| <b>RUB mln</b>  | <b>As of Dec 31, 2014</b> | <b>As of Mar 31, 2015</b> |
|---|---------------------------|---------------------------|
| Current portion of LT debt and of finance lease obligations | 41,955                    | 45,488                    |
| LT debt and finance lease obligations                       | 249,717                   | 286,864                   |
| Unamortized debt issuance cost                              | (1,707)                   | (2,690)                   |
| <b>Total debt</b>   | <b>289,965</b>            | <b>329,662</b>            |
| Less:   |                           |                           |
| Cash and cash equivalents                                   | 61,410                    | 43,776                    |
| ST investments  | 9,942                     | 42,993                    |
| LT deposits   | 13,671                    | 38,148                    |
| Effects of hedging of non-ruble denominated debt            | 21,936                    | 20,286                    |
| <b>Net debt</b>   | <b>183,006</b>            | <b>184,459</b>            |

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

| <b>RUB mln</b>                                      | <b>For three months ended<br/>Mar 31, 2014</b> | <b>For three months ended<br/>Mar 31, 2015</b> |
|---|--|--|
| Net cash provided by operating activities           | 43,884   | 39,115   |
| Less:   |  |  |
| Purchases of property, plant and equipment          | (8,470)  | (21,886)                                       |
| Purchases of intangible assets(3)                   | (1,437)  | (3,539)  |
| Proceeds from sale of property, plant and equipment | 123  | 1,291  |
| Free cash flow                                      | 34,101   | 14,981   |

(3) Excluding purchases of 3G license in Ukraine in the amount of RUB 7,044 bln

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

| RUB mln  | Nine months ended<br>Dec 31, 2014 | Three months ended<br>Mar 31, 2015 | Twelve months<br>ended<br>Mar 31, 2015 |
|--|-----------------------------------|------------------------------------|--|
| Net operating income   | 81,650                            | 19,163                             | 100,814                                |
| Less: Gain from reentrance into Uzbekistan                               | (6,734)                           |                                    | (6,734)                                |
| Add: Provision for cash balances deposited in distressed Ukrainian banks | 5,138                             | 1,698                              | 6,836                                  |
| Add: D&A   | 56,920                            | 20,448                             | 77,368                                 |
| LTM ADJUSTED OIBDA   | 136,974                           | 41,309                             | 178,283                                |

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#### 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.

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*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.

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## MOBILE TELESYSTEMS

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

## FOR THE THREE MONTH ENDED MARCH 31, 2015 AND 2014

(Amounts in millions of RUB except per share amount)

|   | Three months ended<br>March 31, 2015 | Three months ended<br>March 31, 2014 |
|---|--------------------------------------|--------------------------------------|
| <b>Net operating revenue</b>  |                                      |                                      |
| Service revenue   | 93 810                               | 91 329                               |
| Sales of handsets and accessories   | 6 372                                | 6 217                                |
|   | <b>100 182</b>                       | <b>97 546</b>                        |
| <b>Operating expenses</b>   |                                      |                                      |
| Cost of services  | (32 372)                             | (28 396)                             |
| Cost of handsets and accessories  | (4 686)                              | (5 439)                              |
| Selling, general and administrative expenses                                  | (22 295)                             | (21 311)                             |
| Depreciation and amortization expense   | (20 448)                             | (18 103)                             |
| Other operating income/expense  | (516)                                | (867)                                |
| Operating Share of the profit of associates                                   | 996                                  | 621                                  |
| Provision for cash balances deposited in distressed Ukrainian banks           | (1 698)                              |                                      |
| <b>Net operating income</b>   | <b>19 163</b>                        | <b>24 051</b>                        |
| Currency exchange loss  | (3 509)                              | (3 766)                              |
| <b>Other (expenses)/income:</b>   |                                      |                                      |
| Finance income  | 2 326                                | 958                                  |
| Finance costs   | (6 048)                              | (4 437)                              |
| Other income (loss)   | (5)                                  | (199)                                |
| <b>Total other expenses, net</b>  | <b>(3 727)</b>                       | <b>(3 678)</b>                       |
| <b>Income before provision for income taxes</b>                               | <b>11 927</b>                        | <b>16 607</b>                        |
| Income tax expense  | (1 938)                              | (3 748)                              |
| <b>Net income</b>   | <b>9 989</b>                         | <b>12 859</b>                        |
| Net loss/(income) attributable to non-controlling interests                   | 898                                  | (151)                                |
| <b>Net income attributable to the MTS Group</b>                               | <b>10 887</b>                        | <b>12 708</b>                        |
| <b>Other comprehensive income/(loss), net of taxes</b>                        |                                      |                                      |
| Currency translation adjustment   | (9 364)                              | (5 510)                              |
| Unrealized gains/(losses) on derivatives                                      | (2 591)                              | 2 355                                |
| <b>Total other comprehensive loss, net of taxes</b>                           | <b>(11 955)</b>                      | <b>(3 155)</b>                       |
| <b>Total comprehensive (loss)/income</b>                                      | <b>(1 966)</b>                       | <b>9 704</b>                         |
| Less comprehensive loss/(income) attributable to the noncontrolling interests | 744                                  | (316)                                |
| <b>Comprehensive (loss)/income attributable to the Group</b>                  | <b>(1 222)</b>                       | <b>9 388</b>                         |



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|   |           |           |
|---|-----------|-----------|
| Weighted average number of common shares outstanding, in millions - basic and diluted | 1 988 757 | 1 988 849 |
| Earnings per share attributable to the Group - basic and diluted:                     | 5.47      | 6.39      |

**MOBILE TELESYSTEMS****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**

As of March 31,2015 AND As of December 31,2014

(Amounts in millions of RUB)

|  | As of March 31,<br>2015 | As of December 31,<br>2014 |
|--|-------------------------|----------------------------|
| <b>NON-CURRENT ASSETS:</b>                               |                         |                            |
| Property, plant and equipment                            | 293 770                 | 299 023                    |
| Investment property                                      | 290                     | 290                        |
| Intangible assets  | 105 575                 | 98 520                     |
| Investments in associates                                | 14 995                  | 15 217                     |
| Deferred tax assets                                      | 6 165                   | 6 186                      |
| Other non-current non-financial assets                   | 6                       | 0                          |
| Other investments  | 41 346                  | 17 065                     |
| Accounts receivable (related parties)                    | 3 850                   | 0                          |
| Other non-current financial assets                       | 20 340                  | 21 950                     |
| <b>Total non-current assets</b>                          | <b>486 337</b>          | <b>458 251</b>             |
| <b>CURRENT ASSETS:</b>                                   |                         |                            |
| Inventory  | 7 696                   | 7 509                      |
| Trade and other receivables                              | 35 098                  | 34 463                     |
| Accounts receivable (related parties)                    | 4 847                   | 4 525                      |
| Short-term investments                                   | 42 993                  | 9 942                      |
| VAT receivable   | 8 385                   | 8 071                      |
| Current income tax assets                                | 6 882                   | 8 656                      |
| Assets held for sale                                     | 443                     | 2 136                      |
| Advances paid and prepaid expenses, other current assets | 4 338                   | 4 341                      |
| Cash and cash equivalents                                | 43 776                  | 61 410                     |
| <b>Total current assets</b>                              | <b>154 458</b>          | <b>141 053</b>             |
| <b>Total assets</b>                                      | <b>640 795</b>          | <b>599 304</b>             |
| <b>EQUITY:</b>   |                         |                            |
| Total shareholders' equity attributable to the MTS Group | 170 562                 | 168 812                    |
| Non-controlling interests                                | 9 222                   | 9 809                      |
| <b>Total equity</b>                                      | <b>179 784</b>          | <b>178 621</b>             |
| <b>NON-CURRENT LIABILITIES:</b>                          |                         |                            |
| Borrowings   | 284 910                 | 248 549                    |
| Deferred tax liabilities                                 | 23 929                  | 24 809                     |
| Provisions   | 2 916                   | 2 838                      |
| Trade and other payables                                 | 638                     | 499                        |
| Other financial liabilities                              | 3 742                   | 3 714                      |
| Other non-financial liabilities                          | 3 932                   | 4 085                      |
| <b>Total non-current liabilities</b>                     | <b>320 067</b>          | <b>284 494</b>             |
| <b>CURRENT LIABILITIES:</b>                              |                         |                            |
| Borrowings   | 44 752                  | 41 416                     |
| Provisions   | 6 596                   | 9 027                      |

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|  |                |                |
|--|----------------|----------------|
| Trade and other payables                         | 61 957         | 54 839         |
| Accounts payable (related parties)               | 3 431          | 4 674          |
| Income tax liabilities                           | 561            | 1 025          |
| Other non-financial liabilities                  | 23 647         | 25 208         |
| <b>Total current assets</b>                      | <b>140 944</b> | <b>136 189</b> |
| <b>Total liabilities and shareholders equity</b> | <b>640 795</b> | <b>599 304</b> |

**MOBILE TELESYSTEMS****CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)****FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014**

(Amounts in millions of RUB)

|  | Three months ended<br>March 31, 2015 | Three months ended<br>March 31, 2014 |
|--|--------------------------------------|--------------------------------------|
| <b>Net income</b>  | 9 989                                | 12 859                               |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |                                      |                                      |
| Depreciation and amortization  | 20 448                               | 18 103                               |
| Finance income   | (2 326)                              | (958)                                |
| Finance costs  | 6 048                                | 4 437                                |
| Income tax expense   | 1 938                                | 3 748                                |
| Currency exchange and translation loss   | 3 509                                | 3 766                                |
| Amortization of deferred connection fees   | (287)                                | (360)                                |
| Equity in net loss/(income) of associates  | (793)                                | (501)                                |
| Inventory obsolescence expense   | 30                                   | 97                                   |
| Provision for doubtful accounts  | 711                                  | 1 059                                |
| Change in provisions   | 2 002                                | 2 265                                |
| Other non-cash items   | (180)                                | 5                                    |
| <b>Working capital adjustments:</b>  |                                      |                                      |
| (Increase)/Decrease in accounts receivable   | (2 884)                              | 4 743                                |
| (Increase)/Decrease in inventory   | (123)                                | 916                                  |
| (Increase)/Decrease in VAT receivable  | (247)                                | 434                                  |
| Decrease in prepaid expenses and other assets  | 986                                  | 1 082                                |
| Increase/(Decrease) in trade accounts payable, accrued liabilities and other liabilities | 2 540                                | (3 114)                              |
| Dividends received   | 576                                  | 495                                  |
| Income taxes paid  | (1 679)                              | (3 941)                              |
| Interest received  | 1 194                                | 418                                  |
| Interest paid (net of interest capitalised)  | (2 337)                              | (1 669)                              |
| <b>Net cash provided by operating activities</b>   | <b>39 115</b>                        | <b>43 884</b>                        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                                      |                                      |
| Purchases of property, plant and equipment   | (21 886)                             | (8 470)                              |
| Purchases of intangible assets (net of purchases of 3G license in Ukraine)               | (3 539)                              | (1 437)                              |
| Purchases of 3G license in Ukraine   | (7 044)                              |                                      |
| Proceeds from sale of property, plant and equipment                                      | 1 291                                | 123                                  |
| Purchases of short-term investments  | (21 390)                             | (24 976)                             |
| Proceeds from sale of short-term investments   | 1 353                                | 1 984                                |
| Purchase of other investments  | (39 831)                             |                                      |
| Proceeds from sale of other investments  | 97                                   |                                      |
| <b>Net cash used in investing activities</b>   | <b>(90 949)</b>                      | <b>(32 776)</b>                      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                                      |                                      |
| Repayment of notes   |                                      | (1 819)                              |
| Notes and debt issuance cost paid  | (1 112)                              | (22)                                 |

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|  |                 |                |
|--|-----------------|----------------|
| Finance lease principal paid                                 | (143)           | (10)           |
| Dividends paid   |                 | (56)           |
| Cash flows under capital transactions with related parties   | 363             |                |
| Proceeds from loans  | 43 498          |                |
| Loan principal paid  | (6 429)         | (2 865)        |
| Other financing activities                                   |                 | 23             |
| <b>Net cash provided by financing activities</b>             | <b>36 177</b>   | <b>(4 749)</b> |
| Effect of exchange rate changes on cash and cash equivalents | (2 133)         | 236            |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS:</b> | <b>(17 790)</b> | <b>6 595</b>   |
| <b>CASH AND CASH EQUIVALENTS, at beginning of the period</b> | <b>61 566</b>   | <b>30 612</b>  |
| <b>CASH AND CASH EQUIVALENTS, at end of the period</b>       | <b>43 776</b>   | <b>37 207</b>  |









































































































































**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/ Andrei Dubovskov |                  |
|     | Name:                | Andrei Dubovskov |
|     | Title:               | CEO              |

Date: **May 19, 2015**

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