

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.

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

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 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

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

- 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

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

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' 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

RUB mln	US GAAP	IFRS	Difference
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:

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

- 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.mts-gsm.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#

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/>.

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%
- <i>margin</i>	41.2%	43.2%	-2.0pp	41.4%	-0.2pp
Adjusted operating income	20,861	24,051	-13.3%	24,860	-16.1%
- <i>margin</i>	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%
- <i>margin</i>	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%
- <i>mobile</i>	70,521	67,847	3.9%	74,621	-5.5%
- <i>fixed</i>	15,319	15,184	0.9%	15,966	-4.1%
- <i>sales of handsets & accessories</i>	6,258	6,183	1.2%	9,220	-32.1%
OIBDA	38,171	37,849	0.9%	41,365	-7.7%
- <i>margin</i>	42.2%	43.4%	-1.2pp	42.2%	0.0pp
Net income	9,109	9,503	-4.1%	4,522	101.4%
- <i>margin</i>	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%
- <i>margin</i>	47.0%	51.3%	-4.3pp	42.2%	4.8pp
Net income	1,096	1,032	6.2%	(141)	n/a
- <i>margin</i>	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
- <i>dealer commission</i>	29.4	31.2	37.5	40.0	44.6
- <i>adv&mktg</i>	12.1	13.3	17.0	20.3	16.6
- <i>handset subsidy</i>	0.7	0.8	1.7	2.8	0.2
- <i>SIM card & voucher</i>	7.2	5.6	7.1	6.2	7.7

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

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

RUB mln	FY 2014	3M 2015
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%

* * *

For further information, please contact in Moscow:

Joshua B. Tulgan

Director, Corporate Finance & Investor Relations

Mobile TeleSystems OJSC

Tel: +7 495 223 2025

E-mail: ir@mts.ru

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

* * *

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.

* * *

(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:

Group (RUB mln)	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15
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

Russia (RUB mln)	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15
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

Ukraine (RUB mln)	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15
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

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

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

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

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

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:

RUB mln	As of Dec 31, 2014	As of Mar 31, 2015
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)
Total debt	289,965	329,662
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
Net debt	183,006	184,459

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

RUB mln	For three months ended Mar 31, 2014	For three months ended Mar 31, 2015
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

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

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

RUB mln	Nine months ended Dec 31, 2014	Three months ended Mar 31, 2015	Twelve months ended 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

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.

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

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 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 March 31, 2015	Three months ended March 31, 2014
Net operating revenue		
Service revenue	93 810	91 329
Sales of handsets and accessories	6 372	6 217
	100 182	97 546
Operating expenses		
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)	
Net operating income	19 163	24 051
Currency exchange loss	(3 509)	(3 766)
Other (expenses)/income:		
Finance income	2 326	958
Finance costs	(6 048)	(4 437)
Other income (loss)	(5)	(199)
Total other expenses, net	(3 727)	(3 678)
Income before provision for income taxes	11 927	16 607
Income tax expense	(1 938)	(3 748)
Net income	9 989	12 859
Net loss/(income) attributable to non-controlling interests	898	(151)
Net income attributable to the MTS Group	10 887	12 708
Other comprehensive income/(loss), net of taxes		
Currency translation adjustment	(9 364)	(5 510)
Unrealized gains/(losses) on derivatives	(2 591)	2 355
Total other comprehensive loss, net of taxes	(11 955)	(3 155)
Total comprehensive (loss)/income	(1 966)	9 704
Less comprehensive loss/(income) attributable to the noncontrolling interests	744	(316)
Comprehensive (loss)/income attributable to the Group	(1 222)	9 388

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

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, 2015	As of December 31, 2014
NON-CURRENT ASSETS:		
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
Total non-current assets	486 337	458 251
CURRENT ASSETS:		
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
Total current assets	154 458	141 053
Total assets	640 795	599 304
EQUITY:		
Total shareholders' equity attributable to the MTS Group	170 562	168 812
Non-controlling interests	9 222	9 809
Total equity	179 784	178 621
NON-CURRENT LIABILITIES:		
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
Total non-current liabilities	320 067	284 494
CURRENT LIABILITIES:		
Borrowings	44 752	41 416
Provisions	6 596	9 027

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

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
Total current assets	140 944	136 189
Total liabilities and shareholders' equity	640 795	599 304

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 March 31, 2015	Three months ended March 31, 2014
Net income	9 989	12 859
Adjustments to reconcile net income to net cash provided by operating activities:		
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
Working capital adjustments:		
(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)
Net cash provided by operating activities	39 115	43 884
CASH FLOWS FROM INVESTING ACTIVITIES:		
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	
Net cash used in investing activities	(90 949)	(32 776)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of notes		(1 819)
Notes and debt issuance cost paid	(1 112)	(22)

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

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
Net cash provided by financing activities	36 177	(4 749)
Effect of exchange rate changes on cash and cash equivalents	(2 133)	236
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS:	(17 790)	6 595
CASH AND CASH EQUIVALENTS, at beginning of the period	61 566	30 612
CASH AND CASH EQUIVALENTS, at end of the period	43 776	37 207

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**
