MOBILE TELESYSTEMS OJSC
Form 6-K
March 17, 2015

FORM 6-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
March 17, 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.

Form 20-F x Form 40-F o

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 o No x

Press release

Mobile TeleSystems Announces Financial Results for the Fourth Quarter and Full Year Ended December 31, 2014

March 17, 2015

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 and full year ended December 31, 2014.

Key Financial Highlights of Q4 2014 and FY 2014

- Consolidated group revenue for FY 2014 increased 3.1% y-o-y to RUB 410.8 bln
- Total revenue in Russia for FY 2014 increased 5.6% y-o-y to RUB 374.9 bln
- Data traffic revenue in Russia for FY 2014 grew 35.9% y-o-y to RUB 64.4 bln
- Consolidated Group Adjusted OIBDA(1) for FY 2014 up 0.3% y-o-y to RUB 175.5 bln
- OIBDA in Russia for FY 2014 increased 4.5% y-o-y to RUB 164.8 bln

Outlook for 2015

- Group revenue may increase >2%

- Group OIBDA margin will be greater than 40%

- Total Russia revenue may increase > 3%

- Group CAPEX spending will be approximately RUB 85 bln(2)

MTS sees significant macroeconomic uncertainty and volatility across its markets of operation, which may cause MTS to revisit its revenue and OIBDA guidance and, in turn, impact its financial and operating results.

Key Corporate and Industry Highlights

- Launched commercial operations in Uzbekistan.

- Partnered with VimpelCom to jointly roll-out and utilize LTE networks in 36 Russian regions.

- Acquired regional assets of SMARTS OJSC In Penza Region, Ivanovo Region and Bashkiria for a price of RUB 3.1 bln including debt

- Completed dividend payment of RUB 6.2 per ordinary MTS share (RUB 12.4 per ADR), or a total of RUB 12.8 bln based on the H1 2014 financial results.

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(1) OIBDA net of gain in the amount of RUB 6.7 bln from reentrance into Uzbekistan and excluding provision for investments in JSC DeltaBank in Ukraine of RUB 5.1bln.

(2) Excluding cost of 3G license and investments in 3G network in Ukraine.

- Signed an agreement with Sberbank of Russia to open a non-revolving line of credit for a total amount of RUB 50.0 bln and amended terms of an existing credit agreement in the amount of RUB 20.0 bln.

- Acquired 952,000 ordinary shares of the MTS-Bank s additional shares issuance for RUB 3.6 bln.

- 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 rage in Saint Petersburg and the Leningrad Region.

Commentary

Mr. Andrei Dubovskov, MTS President and CEO, commented, For the quarter, Group revenues increased by 2.3% year-over-year to RUB 107.2 bln. We delivered strong revenue growth in our business units in Russia and Turkmenistan, but saw a slight decline in Armenia and sustained weakness in our operations in Ukraine due to macroeconomic and political factors. In Russia, we continue to outperform the market and strengthen our leadership. For the quarter, revenues increased by 4.1% year-over-year to RUB 98.0 bln. For the year, Russia revenue increased 5.6% driven by network improvements through the build-out of LTE networks in 76 of the Russia s regions, development of our 3G networks and roll-out of fiber-optic lines across the country; the success of the market s leading offerings in integrated voice and data tariff plans; and strong retail operations, which allow us to promote sales of high-quality, affordable smartphones and tablets.

Mr. Vasyl Latsanych, MTS Vice President for Marketing, said In Q4, we continued to capitalize on trends we d seen from previous quarters. Revenues in our core mobile business improved 4.5% year-over-year driven by migrating customers from feature phones to smartphones by focusing on data in our marketing communications and working closely with handset vendors to create unique products in the market. The growth was aided by rising penetration of our voice & data Smart tariffs in the base, higher messaging revenues due to increased sales of SMS packages; strong subscriber additions as we increased our subscriber base by roughly 5 million subscribers; and high-quality of subscriber additions as showcased by the lowest level of churn in the market.

Mr. Alexey Kornya, MTS Vice President for Finance and Investments, added, In Q4 2014, we witnessed both seasonal weakness and a number of one-off factors in our operating income. For the quarter, our Adjusted OIBDA declined 5.3% to RUB 42.6 bln. Our profitability reflects revenue dynamics in each of our markets of operation, including higher sales of handsets in Russia; the impact of hryvna and ruble volatility on our operating expenses, including international roaming and calling; increased taxes and spectrum fees in Ukraine; the effects of a planned salary increase implemented in September 2014; rising general & administrative costs due to the enhancement of our mobile and fixed networks in Russia and inflationary pressure; and costs related to the launch of our operations in Uzbekistan. Overall, this translated to an OIBDA margin of 39.7% for the Group. In Russia, OIBDA increased by 0.5% year-over-year to RUB 41.3 bln. We continue to benefit from sustained growth in mobile service revenues and increased contribution from high-margin data revenues. Positive trends were offset by inflationary pressure, the impact of ruble devaluation on costs denominated in foreign currencies, primarily related to international roaming and international calling, and

impact of higher low-margin handset sales. On a quarterly basis, OIBDA fell by 9.1% due to seasonal factors, including lower revenues from roaming, and a periodic increase in payroll, with an OIBDA of at 42.1%. For the year, however, Group OIBDA was up slightly to RUB 175.5 bln for the year, a strong sign of the strength and efficiency of the organization and our markets.

He continued, In Q4 2014, net income fell year-on-year to RUB 1.6 bln. In addition to the aforementioned developments to our adjusted OIBDA, other extraordinary factors influencing our bottom line include: a reserve of RUB 5.1 bln rubles based on UAH 1.4 bln held at DeltaBank, which was declared insolvent in early March; an impairment of our stake in MTS Bank in the amount of RUB 3.2 bln; and a gain in the amount of RUB 3.1 bln from the reentrance into Uzbekistan. For the period, we recognized a non-cash FOREX loss of roughly RUB 9 bln due to the impact of ruble depreciation on our non-ruble debt portfolio. Additional factors impacting our net income include the performance of investments in MTS Bank and Ozon, as well as the contribution from our minority stake in MTS Belarus. Despite the operating challenges throughout our markets, MTS continues to generate significant operating cash flows. Exclusive of one-offs, as well as investments in associates and acquisitions of subsidiaries, operating cash flow from continuing operations improved 1.8% compared to 2013. This led to a strong free cash flow of RUB 57.0 bln.

Mr. Andrei Dubovskov, MTS President and CEO, concluded, And despite the challenges, over the past year, we saw in our markets core revenue growth; generally stable market shares among key competitors; sustained levels of investment; and strong levels of profitability. This gives us confidence looking ahead to 2015 and beyond. For Russia, we anticipate revenue growth of over 3% in 2015 driven by continued migration to data plans and rising data usage. For the Group we see the revenue growing by more than 2% driven by the improvement in data revenues in our key markets, and we are cautiously targeting Group OIBDA margin of over 40%. Obviously macroeconomic issues and currency stability remain the key factors, which may influence our revenue and margins. Our plans for CAPEX in 2015 are to decrease slightly in the absolute amount of capital expenditures to roughly RUB 85 bln. Ruble volatility does imply that we will purchase less equipment, but we feel that we are best prepared for such a scenario. In 2014, we launched and developed LTE in 76 regions and installed over 15,000 3G/4G base stations, a record for MTS. Network build-out allowed us to dramatically increase data transfer speeds and improve customer experience as indicated by high levels of satisfaction among MTS customers measured by various marketing metrics. Thus, we feel comfortable about our competitive position as we economize on network investments.

Additional Information

In 2010, the Russian State Duma enacted the law requiring Russian companies, which have securities traded on the Moscow Exchange, to prepare consolidated financial statements under International Financial Reporting Standards (IFRS) beginning from the financial year ending on December 31, 2015. To conform to this requirement, the Group will prepare its financial statements for the year ended December 31, 2015 with comparable data for the year ended December 31, 2014 under IFRS.

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.

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 December 31, 2014. For full disclosure materials, please visit http://www.mtsgsm.com/resources/reports/.

Financial Summary

RUB mln	Q4 14	Q4 13	y-o-y	Q3 14	q-o-q	2014	2013	y-o-y
Revenues	107,188	104,751	2.3%	107,148	STABLE	410,758	398,443	3.1%
Adjusted OIBDA	42,596	44,988	-5.3%	48,186	-11.6%	175,463	175,011	0.3%
- margin	*39.7%*	*42.9%*	*-3.2pp*	45.0%	*-5.3pp*	*42.7%*	*43.9%*	*-1.2pp*
Adjusted net operating income	23,191	27,219	-14.8%	29,152	-20.4%	100,753	101,758	-1.0%
- margin	*21.6%*	*26.0%*	*-4.4pp*	27.2%	*-5.6pp*	*24.5%*	*25.5%*	*-1.0pp*
Net income from continuing operations	1,646	19,750	-91.7%	16,062	-89.8%	51,822	76,105	-31.9%
- margin	*1.5%*	*18.9%*	*-17.4pp*	15.0%	*-13.5pp*	*12.6%*	*19.1%*	*-6.5pp*
Net income attributable to the group	1,646	19,750	-91.7%	16,062	-89.8%	51,822	79,839	-35.1%
- margin	*1.5%*	*18.9%*	*-17.4pp*	15.0%	*-13.5pp*	*12.6%*	*20.0%*	*-7.4pp*

Russia Highlights

RUB mln	Q4 14	Q4 13	y-o-y	Q3 14	q-o-q	2014	2013	y-o-y
Revenues(3)	98,044	94,154	4.1%	99,209	-1.2%	374,895	354,894	5.6%
- mobile	74,782	71,556	4.5%	77,324	-3.3%	290,955	272,502	6.8%
- fixed	15,966	16,725	-4.5%	15,799	1.1%	62,533	63,301	-1.2%
-sales of handsets & accessories	9,061	7,760	16.8%	7,785	16.4%	28,769	26,317	9.3%
OIBDA	41,324	41,107	0.5%	45,437	-9.1%	164,844	157,699	4.5%
- margin	*42.1%*	*43.7%*	*-1.6pp*	45.8%	*-3.7pp*	*44.0%*	*44.4%*	*-0.4pp*
Net income	4,483	17,117	-73.8%	10,818	-58.6%	44,362	64,115	-30.8%
- margin	*4.6%*	*18.2%*	*-13.6pp*	10.9%	*-6.3pp*	*11.8%*	*18.1%*	*-6.3pp*

	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	2013	2014
ARPU (RUB)	342.0	325.2	336.2	358.3	337.8	338.6	339.1
MOU (min)	375	353	373	377	393	359	372
Churn rate (%)	9.8%	10.1%	10.9%	9.2%	11.0%	38.1	41.0%

Ukraine Highlights

UAH mln	Q4 14	Q4 13	y-o-y	Q3 14	q-o-q	2014	2013	y-o-y
Revenues	2,277	2,441	-6.7%	2,817	-19.2%	10,076	9,965	1.1%
Adjusted OIBDA	964	1,276	-24.5%	1,210	-20.3%	4,686	5,176	-9.5%
- margin	*42.3%*	*52.3%*	*-10.0pp*	42.9%	*-0.6pp*	*46.5%*	*51.9%*	*-5.4pp*
Net income	(140)	636	n/a	763	n/a	2,424	2,464	-1.6%
- margin	*n/a*	*26.1%*	*n/a*	27.1%	*n/a*	*24.1%*	*24.7%*	*-0.6pp*

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

	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	2013	2014
ARPU (UAH)	37.0	36.8	38.3	41.1	34.8	39.5	39.7
MOU (min)	586	573	575	483	480	608	554
Churn rate (%)	7.4%	6.2%	4.5%	4.6%	17.6%	27.2%	34.2%
SAC (UAH)	53.3	49.4	50.8	63.4	69.3	54.8	57.6
- dealer commission	29.7	29.4	31.2	37.5	40.0	32.1	34.2
- adv&mktg	14.8	12.1	13.3	17.0	20.3	14.1	15.4
- handset subsidy	0.9	0.7	0.8	1.7	2.8	1.1	1.4
- SIM card & voucher	7.8	7.2	5.6	7.1	6.2	7.6	6.5

Armenia Highlights

AMD mln	**Q4 14**	**Q4 13**	**y-o-y**	**Q3 14**	**q-o-q**	**2014**	**2013**	**y-o-y**
Revenues	19,572	19,778	-1.0%	22,066	-11.3%	77,651	79,926	-2.8%
OIBDA	9,112	5,298	72.0%	12,057	-24.4%	38,014	36,862	3.1%
- margin	*46.6%*	*26.8%*	*19.8pp*	*54.6%*	*-8.0pp*	*49.0%*	*46.1%*	*2.9pp*
Net income	3,522	(1,442)	n/a	4,243	-17.0%	11,554	8,400	37.5%
- margin	*18.0%*	*n/a*	*n/a*	*19.2%*	*-1.2pp*	*14.9%*	*10.5%*	*4.4pp*

	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	2013	2014
ARPU (AMD)	3,113.5	2,691.1	2,939.3	3,378.6	2,956.6	3,206.5	2,988.8
MOU (min)	460	464	516	527	523	430	508
Churn rate (%)	8.3%	7.8%	7.7%	9.0%	9.5%	33.2%	33.9%
SAC (AMD)	6,800.7	5,129.8	5,302.3	4,773.3	6,261.6	6,415.7	5,362.8

Turkmenistan Highlights

TMT mln	**Q4 14**	**Q4 13**	**y-o-y**	**Q3 14**	**q-o-q**	**2014**	**2013**	**y-o-y**
Revenues	76	72	5.3%	72	5.7%	282	253	11.5%
OIBDA	30	44	-30.1%	30	1.7%	117	104	11.9%
- margin	*40.2%*	*60.6%*	*-20.4pp*	*41.8%*	*-1.6pp*	*41.3%*	*41.2%*	*+0.1pp*
Net income	25	39	-36.7%	26	-3.5%	98	90	+9.7%
- margin	*32.9%*	*54.6%*	*-21.7pp*	*36.0%*	*-3.1pp*	*34.8%*	*35.4%*	*-0.6pp*

	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	2013	2014
ARPU (TMT)	13.9	12.8	13.6	14.1	14.8	13.2	13.8
MOU (min)	620	588	574	564	553	649	563
Churn rate (%)	13.5%	12.0%	10.4%	11.2%	10.3%	49.8%	43.3%
SAC (TMT)	22.1	23.9	24.1	26.7	26.1	14.9	25.2

CAPEX Highlights

RUB mln	FY 2011	FY 2012	FY 2013	FY 2014
Russia	66,869	82,896	70,910	86,162
- as % of rev	*21.4%*	*24.5%*	*20.0%*	*23.0%*
Ukraine	4,487	4,125	8,840	4,210
- as % of rev	*13.4%*	*10.9%*	*22.2%*	*12.8%*
Armenia	1,344	751	1,093	1,142
- as % of rev	*22.8%*	*12.5%*	*17.5%*	*16.0%*
Turkmenistan	n/a	11	732	1,084
- as % of rev	*n/a*	*3.4%*	*25.8%*	*28.4%*
Group	72,798	87,783	81,575	92,599
- as % of rev	*20.9%*	*23.2%*	*20.5%*	*22.5%*

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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.

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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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Attachments to the Fourth Quarter and Full Year 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. 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)	**Q4 13**	**Q1 14**	**Q2 14**	**Q3 14**	**Q4 14**	**2013**	**2014**
Operating income	27,219	23,437	24,973	32,756	21,183	101,758	102,349
Less: Gain from reentrance in Uzbekistan				(3,604)	(3,130)		(6,734)
Add: Provision for investment in Delta bank					5,138		5,138
Adjusted operating income	27,219	23,437	24,973	29,152	23,191	101,758	100,753
Add: D&A	17,769	18,014	18,258	19,034	19,404	73,253	74,710
Adjusted OIBDA	44,988	41,451	43,231	48,186	42,596	175,011	175,463

Russia (RUB mln)	**Q4 13**	**Q1 14**	**Q2 14**	**Q3 14**	**Q4 14**	**2013**	**2014**
Operating income	25,865	22,464	24,150	28,249	24,212	94,873	99,075
Add: D&A	15,243	15,310	16,159	17,188	17,112	62,825	65,768
OIBDA	41,107	37,773	40,309	45,437	41,324	157,699	164,844

Ukraine (RUB mln)	**Q4 13**	**Q1 14**	**Q2 14**	**Q3 14**	**Q4 14**	**2013**	**2014**
Operating income/(loss)	3,109	2,634	2,153	2,071	(3,467)	11,745	3,390
Add: Provision for investment in Delta bank					5,138		5,138
Adjusted operating income	3,109	2,634	2,153	2,071	1,671	11,745	8,528
Add: D&A	2,085	2,256	1,665	1,410	1,449	8,896	6,780
Adjusted OIBDA	5,194	4,890	3,818	3,481	3,120	20,641	15,308

Armenia (RUB mln)	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	2013	2014
Operating income/(loss)	(27)	221	347	642	464	1,299	1,674
Add: D&A	448	440	419	425	523	1,560	1,807
OIBDA	420	662	766	1,067	986	2,859	3,481

Turkmenistan (RUB mln)	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	2013	2014
Operating income	488	289	354	352	457	1,159	1,452
Add: D&A	11	25	23	27	48	18	123
OIBDA	498	315	377	379	506	1,177	1,576

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

Group	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	2013	2014
Operating income	26.0%	24.0%	25.3%	30.6%	19.8%	25.5%	24.9%
Less: Gain from reentrance in Uzbekistan				(3.4)%	(2.9)%		(1.6)%
Add: Provision for investment in Delta bank					4.7%		1.2%
Adjusted operating margin	26.0%	24.0%	25.3%	27.2%	21.6%	25.5%	24.5%
Add: D&A	17.0%	18.5%	18.5%	17.8%	18.1%	18.4%	18.2%
Adjusted OIBDA margin	42.9%	42.5%	43.7%	45.0%	39.7%	43.9%	42.7%

Russia	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	2013	2014
Operating margin	27.5%	25.7%	26.7%	28.5%	24.7%	26.7%	26.4%
Add: D&A	16.2%	17.5%	17.9%	17.3%	17.5%	17.7%	17.5%
OIBDA margin	43.7%	43.3%	44.6%	45.8%	42.1%	44.4%	44.0%

Ukraine	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	2013	2014
Operating income/(loss)	31.3%	27.6%	28.1%	25.5%	(46.5)%	29.6%	10.3%
Add: Provision for investment in Delta bank					68.9%		15.7%
Adjusted operating margin	31.3%	27.6%	28.1%	25.5%	22.4%	29.6%	26.0%
Add: D&A	21.0%	23.6%	21.7%	17.4%	19.4%	22.4%	20.7%
Adjusted OIBDA margin	52.3%	51.2%	49.8%	42.9%	41.8%	52.0%	46.7%

Armenia	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	2013	2014
Operating margin	n/a	15.2%	21.7%	32.9%	21.7%	20.9%	23.4%
Add: D&A	28.2%	30.2%	26.2%	21.8%	24.4%	25.0%	25.3%
OIBDA margin	26.5%	45.4%	47.9%	54.6%	46.1%	45.9%	48.7%

Turkmenistan	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	2013	2014
Operating margin	59.5%	35.9%	41.6%	38.7%	36.4%	40.8%	38.0%
Add: D&A	1.3%	3.1%	2.7%	3.0%	3.8%	0.6%	3.2%
OIBDA margin	60.8%	39.0%	44.3%	41.7%	40.2%	41.5%	41.2%

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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 Dec 31, 2014
Current portion of debt and of capital lease obligations	25,064	42,674
Long-term debt and capital lease obligations	194,084	249,717
Total debt	**219,148**	**292,391**
Less:		
Cash and cash equivalents	30,612	61,410
Short-term investments	14,633	9,849
Long-term deposits		13,671
Effects of hedging on non-ruble denominated debt	1,825	21,936
Net debt	**173,903**	**185,525**

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

RUB mln	For the year ended Dec 31, 2013	For the year ended Dec 31, 2014
Net cash provided by operating activities	159,924	159,518
Less:		
Purchases of property, plant and equipment	(67,146)	(74,243)
Purchases of intangible assets	(14,429)	(18,356)
Proceeds from sale of property, plant and equipment	418	619
Investments in and advances to associates	(5 ,089)	(7,767)
Acquisition of subsidiaries, net of cash acquired		(2,755)
Free cash flow from continuing operations	73,678	57,016

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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.

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

FOR THE THREE MONTHS (UNAUDITED) AND TWELVE MONTHS ENDED DECEMBER 31, 2014 AND 2013

(Amounts in millions of RUB except per share amount)

	Three months ended		Twelve months ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Net operating revenue				
Service revenue and connection fees	98 063	96 947	381 822	371 950
Sales of handsets and accessories	9 125	7 804	28 936	26 493
	107 188	**104 751**	**410 758**	**398 443**
Operating expenses				
Cost of services	(24 734)	(21 837)	(89 589)	(83 777)
Cost of handsets and accessories	(7 609)	(7 190)	(25 093)	(22 636)
Sales and marketing expenses	(6 039)	(6 093)	(21 908)	(22 861)
General and administrative expenses	(24 214)	(21 333)	(90 971)	(85 458)
Depreciation and amortization expense	(19 404)	(17 769)	(74 710)	(73 253)
Provision for doubtful accounts	(769)	(1 506)	(3 266)	(3 106)
Other operating expenses	(1 228)	(1 803)	(4 468)	(5 594)
Provision for investment in Delta Bank	(5 138)		(5 138)	
Gain from reentrance	3 130		6 734	
Net operating income	**21 183**	**27 220**	**102 349**	**101 758**
Currency exchange and transaction loss	(8 936)	(840)	(18 024)	(5 473)
Other (expenses)/income:				
Interest income	1 106	675	4 519	2 793
Interest expense, net of capitalized interest	(4 282)	(2 983)	(16 453)	(15 498)
Other (loss)/income	(4 766)	1 516	(3 651)	13 108
Total other (expenses)/income, net	**(7 942)**	**(792)**	**(15 585)**	**403**
Income from continuing operations before provision for income taxes	**4 305**	**25 588**	**68 740**	**96 688**
Provision for income taxes	(2 805)	(5 669)	(16 347)	(19 633)
Net income from continuing operations	**1 500**	**19 919**	**52 393**	**77 055**
Net income from discontinued operations				**3 733**
Net income	**1 500**	**19 919**	**52 393**	**80 788**
Less net income/(loss) attributable to the noncontrolling interests	146	(167)	(571)	(949)
Net income attributable to the Group	**1 646**	**19 752**	**51 822**	**79 839**

Other comprehensive income/(loss), net of taxes				
Currency translation adjustment	14 626	435	8 925	(2 877)
Unrealized (loss)/gains on derivatives	(1 492)	75	2 801	1 445
Unrecognized actuarial (loss)/gains	(1)	157	14	185
Total other comprehensive income/(loss), net of taxes	**13 133**	**667**	**11 740**	**(1 247)**
Total comprehensive income	**14 633**	**20 586**	**64 133**	**79 541**
Less comprehensive income attributable to the noncontrolling interests	(2 571)	(183)	(3 576)	(1 056)
Comprehensive income attributable to the Group	**12 061**	**20 403**	**60 557**	**78 485**
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	0.83	9.93	26.06	38.27
EPS from discontinued operations				1.88
Total EPS	0.83	9.93	26.06	0.14

MOBILE TELESYSTEMS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2014 AND DECEMBER 31, 2013

(Amounts in millions of RUB)

	As of December 31, 2014	As of December 31, 2013
CURRENT ASSETS:		
Cash and cash equivalents	61 410	30 612
Short-term investments	9 849	14 633
Trade receivables, net	32 966	34 554
Accounts receivable, related parties	4 525	965
Inventory and spare parts	7 510	8 498
VAT receivable	8 071	6 651
Assets held for sale	2 004	0
Prepaid expenses and other current assets	25 789	20 763
Total current assets	**152 124**	**116 676**
PROPERTY, PLANT AND EQUIPMENT	299 479	270 660
INTANGIBLE ASSETS	98 780	74 329
INVESTMENTS IN AND ADVANCES TO ASSOCIATES	16 277	13 393
OTHER INVESTMENTS	14 969	4 392
OTHER NON CURRENT ASSETS	27 298	6 074
Total assets	**608 927**	**485 524**
CURRENT LIABILITIES		
Trade accounts payable	36 337	23 864
Accrued expenses and other current liabilities	53 754	49 619
Accounts payable, related parties	4 674	3 315
Current portion of long-term debt, capital lease obligations	42 674	25 064
Total current liabilities	**137 439**	**101 862**
LONG-TERM LIABILITIES		
Long-term debt	240 860	194 074
Capital lease obligations	8 857	10
Deferred income taxes	33 278	21 202
Deferred revenue and other long-term liabilities	9 376	9 391
Total long-term liabilities	**292 371**	**224 677**
Total liabilities	**429 810**	**326 539**
Redeemable noncontrolling interests	**3 192**	**2 932**
SHAREHOLDERS EQUITY:		
Total shareholders equity attributable to the MTS Group	165 949	151 931

Non-redeemable Noncontrolling interest	9 976	4 122
TOTAL SHAREHOLDERS` EQUITY	**175 925**	**156 053**
Total liabilities and shareholders equity	**608 927**	**485 524**

MOBILE TELESYSTEMS

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014 AND 2013

(Amounts in millions of RUB)

	Twelve months ended December 31, 2014	Twelve months ended December 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	52 393	80 788
Net (income) loss from discontinued operations		(3 733)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74 710	73 253
Non cash gain from reentrance in Uzbekistan	(6 724)	
Non cash provision for investment in Delta Bank	5 061	
Currency exchange and translation loss	18 024	5 473
Debt issuance cost amortization	645	784
Amortization of deferred connection fees	(1 912)	(1 921)
Equity in net loss/(income) of associates	2 880	(2 472)
Inventory obsolescence expense	357	660
Provision for doubtful accounts	3 266	3 106
Deferred tax loss	6 540	9 671
Other non-cash items	328	(192)
Changes in operating assets and liabilities:		
Decrease/(Increase) in trade receivables	4 466	(3 474)
Decrease/(Increase) in inventory	731	(592)
Decrease/(Increase) in prepaid expenses and other current assets	777	(2 966)
Increase in VAT receivable	(1 058)	(1 190)
Decrease/(Increase) in trade accounts payable, accrued liabilities and other current liabilities	(3 616)	898
Dividends received	2 650	1 831
Net cash provided by operating activities - continuing operations	**159 518**	**159 924**
Net cash used in operating activities - discontinued operations		(547)
Net cash provided by operating activities	**159 518**	**159 377**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries, net of cash acquired	(2 755)	
Purchases of property, plant and equipment	(74 243)	(67 146)
Purchases of intangible assets	(18 356)	(14 429)
Proceeds from sale of property, plant and equipment	619	418
Purchases of short-term investments	(35 923)	(37 623)
Proceeds from sale of short-term investments	47 619	27 785
Purchase of other investments	(34 613)	(703)
Proceeds from sale of other investments	19 831	
Investments in and advances to associates, net	(7 767)	(5 088)
Net cash used in investing activities - continuing operations	**(105 588)**	**(96 786)**
Net cash provided by/used in investing activities - discontinued operations		**115**
Net cash used in investing activities	**(105 588)**	**(96 671)**

CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of notes	2	25 651
Repayment of notes	(23 152)	(6 195)
Notes and debt issuance cost paid	(360)	(193)
Reimbursement of debt issuance cost		959
Capital lease obligation principal paid	(227)	(202)
Dividends paid	(49 921)	(39 706)
Cash on sale of MGTS Business Estate (net of cash disposed) to AFK		3 068
Cash on sale of building to AFK Sistema	508	
Proceeds from loans	69 421	353
Loan principal paid	(29 437)	(38 996)
Other financial activities	(5)	116
Net cash used in financing activities - continuing operations	**(33 171)**	**(55 145)**
Net cash provided by/(used in) financing activities - discontinued operations		
Net cash used in financing activities	**(33 171)**	**(55 145)**
Effect of exchange rate changes on cash and cash equivalents	10 195	1 037
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS:	**30 953**	**8 598**
CASH AND CASH EQUIVALENTS, at beginning of the period	30 612	22 014
CASH AND CASH EQUIVALENTS, at end of the period	**61 566**	**30 612**
Less cash and cash equivalents within assets held for sale	-156	
CASH AND CASH EQUIVALENTS at end of period	**61 410**	**30 612**

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: **March 17, 2015**