

MOBILE TELESYSTEMS OJSC
Form 6-K
March 18, 2014

FORM 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
March 18, 2014

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

Commission file number: 333-12032

Mobile TeleSystems OJSC

(Exact name of Registrant as specified in its charter)

Russian Federation

(Jurisdiction of incorporation or organization)

**4, Marksistskaya Street
Moscow 109147
Russian Federation**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

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 Fourth Quarter and Full Year Ended December 31, 2013

March 18, 2014

Moscow, Russian Federation Mobile TeleSystems OJSC (MTS - NYSE: MBT), the leading telecommunications provider in Russia and the CIS, today announces its unaudited US GAAP financial results for the three months and full year ended December 31, 2013.

Key Financial Highlights of Q4 2013 and FY 2013

- Consolidated Group revenues increased 5% y-o-y to RUB 398 billion
- Mobile service revenue in Russia rose 7% y-o-y to RUB 273 billion
- Data traffic revenue in Russia grew 43% y-o-y to RUB 47 billion
- Consolidated OIBDA1 of RUB 45 billion increased 8% y-o-y to RUB 175 billion with 43.9% OIBDA margin
- Consolidated net income² of RUB 20 billion in Q4 2013 and a net income of RUB 80 billion in FY 2013
- Free cash-flow from continuing operations³ grew 52% to RUB 69 billion for FY 2013

Key Corporate and Industry Highlights

- Launched LTE networks in Pskov Region, Kirov Region, North Ossetia-Alania, Khabarovsk Krai, Udmurtia, Zabaikalsky Krai, Amur Krai, Rostov region, Kaluga region, Novosibirsk region, Tatarstan and St. Petersburg
- Launched sales of iPhone 5s/5c in the MTS retail network
- Through its MGTS subsidiary, MTS divests non-core real estate assets through sale of 51% stake in Business Nedvizhimost CJSC for RUB 3.2 billion
- Changed the terms of credit agreements with Sberbank for two non-revolving lines of credit in the amount of RUB 80 billion
- Redeemed remaining amount of Series 01 ruble-denominated bond
- Repurchased Series 03 ruble-denominated bonds in the amount of approximately RUB 3.9 billion
- Paid out semi-annual dividends of RUB 5.22 per ordinary MTS share (RUB 10.44 per ADR) amounting to the total of RUB 10.8 billion on the basis of the Company's H1 2013 financial and operating results
- Announced new 3D Strategy: Data, Differentiation, Dividends

1 See Attachment A for definitions and reconciliation of OIBDA and OIBDA margin to their most directly comparable US GAAP financial measures.

2 Attributable to the Group.

3 See Attachment B for reconciliation of free cash-flow to net cash provided by operating activity. Free Cash Flow from continuing operations excluding one-offs from settlement of proceedings over Bitel LLC in the amount of RUB 4.1 billion

- Concluded a credit facility with Citibank Europe PLC and Swedish Export Credit Corporation for up to \$300 million⁴ supported by Sweden's Exportkreditnämnden (EKN)

Outlook for FY2014

MTS expects revenue growth for the Group of 3-5% for 2014; key factors may include:

- Growth in data revenues through higher penetration of smartphones and data-enabled devices
- Development of retail product platform and sales of tablets and handsets
- Growth in broadband/pay TV markets in Russia

MTS sees above 2% OIBDA growth for 2014; key factors expected to influence MTS's OIBDA dynamics:

- Revenue growth in core markets
- Adoption rate of data plans for smartphones and tablets
- Sales trends of handsets and accessories
- Competitive factors
- Increasing share of inflation-based expenses

CAPEX spending for 2014 is expected to be 21% of revenue. The investments include network enhancement and key projects:

- On-going roll out of LTE networks throughout Russia
- Enhancements to 3G networks
- Continued deployment of GPON in Moscow and Moscow region

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

- Network improvements and equipment swaps in Ukraine
- Maintenance CAPEX in Armenia
- Build out of 3G networks in Turkmenistan

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

Commentary

Mr. Andrei Dubovskov, President and CEO of MTS, commented, Overall in 2013, revenue for the Group grew by 5% to over 398 billion rubles. In all of our markets we see rising usage of voice and strong data adoption in virtually all customer segments. In Russia, we continue to realize benefits through data adoption from our focus in retail on sales of low-cost devices as we lead the market in data penetration through smartphones. Both internal data and independent sources confirm MTS's leadership in network speed, customer service, brand and other important factors that create our leading customer experience. Unfortunately, we also see macroeconomic factors that have hurt our ability to grow; in particular in Ukraine, macroeconomic uncertainty combined with the absence of 3G likely means that this market may lag the Group's pace of growth. In spite of these developments, we feel confident in our ability to further grow in our core markets, execute our strategy of differentiation and continue to generate value for our shareholders.

4 RUB 10.9 billion at the date of conclusion

Mr. Vasyl Latsanych, MTS Vice President for Marketing, said, "In Q4 2013, in our Russian business, we grew 7% year-over-year. Driving this growth was our mobile business, which grew over 8% year-over-year which, we believe may be the fastest organic rate of growth in the market based on the publicly available data. One of the key drivers of growth was greater adoption of data plans as smartphone penetration among our active subscribers reached 34%, and our data attach rate increased to over 42%. In Q4 2013, this contributed to an increase in data traffic of 49% year-over-year. Revenue was also aided by a strong holiday performance in our retail chain, where sales improved by 9% quarter-on-quarter. We also registered high-value subscriber additions for the period. Our sales of SIM-cards continue to be both consistent and sustainable; churn fell slightly to 9.0% for the quarter, a 200 bps reduction from 2012, and MOU increased to 345 minutes. For the year, churn fell to 36.3%, which is a level we haven't seen since 2009 and a marked improvement versus our competitors. Our fixed business recorded 5% growth year-on-year and 9% quarter-on-quarter aided by contributions from MGTS.

Mr. Alexey Kornya, MTS Vice President and Chief Financial Officer, said, "For the year OIBDA grew 8% to 175 billion rubles, which translated to a rate of growth roughly 300 bps faster than topline growth. Overall we showed over 100 bps in improvement in our OIBDA margin through a mix of high-margin revenue growth and sustained improvement in our cost efficiencies. In Q4, OIBDA grew 11% year-over-year to 45 billion rubles for an OIBDA margin of nearly 43.0% or our highest Q4 margin in recent memory. Reflecting these trends, for the year OIBDA of MTS Russia increased 7% to 157.7 billion rubles.

Additional Information

The Company has received a voluntary request for documents and information regarding MTS's business in Uzbekistan from the United States Securities and Exchange Commission (SEC) regarding investigations into the activities of unaffiliated parties.

This press release provides a summary of some of the key financial and operating indicators for the period ended December 31, 2013. For full disclosure materials, please visit <http://www.mtsgsm.com/resources/reports/>.

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

Financial Summary

| RUB mln | Q4 13 | Q4 12 | y-o-y | Q3 13 | q-o-q | 2013 | 2012 | y-o-y |
|---------------------------------------|-----------|----------|--------|-----------|--------|-----------|-----------|---------|
| Revenues | 104,750.6 | 98,414.3 | 6.4% | 103,387.8 | 1.3% | 398,442.8 | 378,240.1 | 5.3% |
| OIBDA | 44,988.4 | 40,456.0 | 11.2% | 46,289.8 | -2.8% | 175,010.5 | 161,703.2 | 8.2% |
| - margin | 42.9% | 41.1% | +1.8pp | 44.8% | -1.9pp | 43.9% | 42.8% | +1.1pp |
| Net operating income | 27,219.4 | 23,412.6 | 16.3% | 27,394.7 | -0.6% | 101,758.0 | 93,793.3 | 8.5% |
| - margin | 26.0% | 23.8% | +2.2pp | 26.5% | -0.5pp | 25.5% | 24.8% | +0.7pp |
| Net income from continuing operations | 19,750.1 | 15,450.2 | 27.8% | 18,079.9 | 9.2% | 76,105.5 | 62,488.1 | 21.8% |
| - margin | 18.9% | 15.7% | +3.2pp | 17.5% | +1.4pp | 19.1% | 16.5% | +2.6pp |
| Net income attributable to the group | 19,750.1 | 16,997.1 | 16.2% | 18,079.9 | 9.2% | 79,838.6 | 29,641.7 | 169.3% |
| - margin | 18.9% | 17.3% | +1.6pp | 17.5% | +1.4pp | 20.0% | 7.8% | +12.2pp |

Russia Highlights

| RUB mln | Q4 13 | Q4 12 | y-o-y | Q3 13 | q-o-q | 2013 | 2012 | y-o-y |
|-----------------------------------|----------|----------|--------|----------|--------|-----------|-----------|--------|
| Revenues ⁵ | 94,154.4 | 88,186.6 | 6.8% | 91,532.6 | 2.9% | 354,894.3 | 337,948.7 | 5.0% |
| - mobile | 71,555.7 | 66,102.7 | 8.2% | 70,844.2 | 1.0% | 272,502.2 | 254,887.5 | 6.9% |
| - fixed | 16,725.3 | 15,925.6 | 5.0% | 15,384.4 | 8.7% | 63,300.6 | 61,778.8 | 2.5% |
| - sales of handsets & accessories | 7,759.9 | 8,114.8 | -4.4% | 7,093.9 | 9.4% | 26,317.0 | 28,677.1 | -8.2% |
| OIBDA | 41,107.3 | 37,075.9 | 10.9% | 41,522.5 | -1.0% | 157,698.7 | 148,008.0 | 6.5% |
| - margin | 43.7% | 42.0% | +1.7pp | 45.4% | -1.7pp | 44.4% | 43.8% | +0.6pp |
| Net income | 17,117.0 | 14,710.7 | 16.4% | 15,630.1 | 9.5% | 64,115.3 | 60,796.3 | 5.5% |
| - margin | 18.2% | 16.7% | +1.5pp | 17.1% | +1.1pp | 18.1% | 18.0% | +0.1pp |

| | Q4 12 | Q1 13 | Q2 13 | Q3 13 | Q4 13 | 2012 | 2013 |
|----------------|-------|-------|-------|-------|-------|-------|-------|
| ARPU (RUB) | 306.1 | 292.1 | 305.8 | 318.7 | 314.8 | 297.1 | 307.9 |
| MOU (min) | 323 | 310 | 332 | 337 | 345 | 304 | 327 |
| Churn rate (%) | 11.0% | 9.5% | 9.4% | 9.1% | 9.0% | 42.4% | 36.3% |

Ukraine Highlights

| UAH million | Q4 13 | Q4 12 | y-o-y | Q3 13 | q-o-q | 2013 | 2012 | y-o-y |
|-------------|---------|---------|--------|---------|--------|---------|---------|--------|
| Revenues | 2,440.6 | 2,396.9 | 1.8% | 2,633.5 | -7.3% | 9,965.2 | 9,676.8 | 3.0% |
| OIBDA | 1,275.8 | 1,200.3 | 6.3% | 1,355.4 | -5.9% | 5,176.0 | 4,919.1 | 5.2% |
| - margin | 52.3% | 50.1% | +2.2pp | 51.5% | +0.8pp | 51.9% | 50.8% | +1.1pp |
| Net income | 635.9 | 496.4 | 28.1% | 683.9 | -7.0% | 2,464.3 | 1,983.3 | 24.3% |
| - margin | 26.1% | 20.7% | +5.4pp | 26.0% | +0.1pp | 24.7% | 20.5% | +4.2pp |

⁵ Revenue, net of intercompany between mobile and fixed.

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

| | Q4 12 | Q1 13 | Q2 13 | Q3 13 | Q4 13 | 2012 | 2013 |
|----------------------|-------|-------|-------|-------|-------|-------|-------|
| ARPU (UAH) | 38.17 | 37.40 | 38.32 | 38.92 | 35.08 | 39.19 | 37.51 |
| MOU (min) | 602 | 600 | 580 | 561 | 557 | 597 | 577 |
| Churn rate (%) | 5.8% | 6.7% | 6.0% | 6.6% | 6.8% | 30.5% | 26.1% |
| SAC (UAH) | 60.4 | 51.9 | 56.2 | 57.1 | 53.3 | 60.5 | 54.8 |
| - dealer commission | 35.8 | 30.6 | 30.2 | 36.7 | 29.7 | 34.7 | 32.1 |
| - adv&mktg | 14.3 | 12.3 | 16.8 | 12.6 | 14.8 | 15.1 | 14.1 |
| - handset subsidy | 2.7 | 1.6 | 1.2 | 0.6 | 0.9 | 2.6 | 1.1 |
| - SIM card & voucher | 7.6 | 7.3 | 8.0 | 7.1 | 7.8 | 8.0 | 7.6 |

Armenia Highlights

| AMD million | Q4 13 | Q4 12 | y-o-y | Q3 13 | q-o-q | 2013 | 2012 | y-o-y |
|-------------------|-----------|----------|---------|----------|---------|----------|----------|---------|
| Revenues | 19,777.5 | 20,053.1 | -1.4% | 22,521.8 | -12.2% | 79,925.7 | 77,586.2 | 3.0% |
| OIBDA | 5,297.5 | 10,702.5 | -50.5% | 12,248.4 | -56.7% | 36,861.7 | 44,446.0 | -17.1% |
| - margin | 26.8% | 53.4% | -26.6pp | 54.4% | -27.6pp | 46.1% | 57.3% | -11.2pp |
| Net income/(loss) | (1,442.1) | 2,329.7 | n/a | 4,296.7 | n/a | 8,400.3 | 8,944.5 | -6.1% |
| - margin | n/a | 11.6% | n/a | 19.1% | n/a | 10.5% | 11.5% | -1.0pp |

| | Q4 12 | Q1 13 | Q2 13 | Q3 13 | Q4 13 | 2012 | 2013 |
|----------------|---------|---------|---------|---------|---------|---------|---------|
| ARPU (AMD) | 2,761.8 | 2,433.6 | 2,750.2 | 3 108.2 | 2,690.6 | 2,656.4 | 2,736.5 |
| MOU (min) | 347 | 330 | 365 | 389 | 398 | 328 | 365 |
| Churn rate (%) | 6.7% | 8.2% | 8.6% | 8.0% | 6.5% | 34.7% | 30.7% |
| SAC (AMD) | 6,332.7 | 6,506.2 | 6,287.4 | 6,077.1 | 6,800.7 | 5,909.9 | 6,415.7 |

Turkmenistan Highlights

| TMT mln | Q4 13 | Q4 12 | y-o-y | Q3 13 | q-o-q | 2013 |
|-------------------|-------|-------|---------|-------|---------|-------|
| Revenues | 71.8 | 27.0 | 165.8% | 70.2 | 2.2% | 252.9 |
| OIBDA | 43.5 | 8.5 | 411.3% | 26.9 | 61.6% | 104.2 |
| - margin | 60.6% | 31.5% | +29.1pp | 38.3% | +22.3pp | 41.2% |
| Net income/(loss) | 39.2 | 8.5 | 360.7% | 24.0 | 63.2% | 89.5 |
| - margin | 54.6% | 31.6% | +23.0pp | 34.1% | +20.5pp | 35.4% |

| | Q4 12 | Q1 13 | Q2 13 | Q3 13 | Q4 13 | 2013 |
|----------------|-------|-------|-------|-------|-------|-------|
| ARPU (TMT) | 7.9 | 9.7 | 11.1 | 12.0 | 11.9 | 11.4 |
| MOU (min) | 302 | 473 | 527 | 541 | 531 | 564 |
| Churn rate (%) | n/a | n/a | 17% | 6.7% | 11.1% | 35.5% |
| SAC (TMT) | 6.2 | 9.5 | 13.6 | 18.1 | 22.1 | 14.9 |

CAPEX Highlights

| RUB mln | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|----------------|----------------|----------------|----------------|----------------|
| Russia | 69,277.8 | 66,868.7 | 82,896.2 | 70,909.9 |
| - as % of rev | 24.2% | 21.4% | 24.5% | 20.0% |
| Ukraine | 4,694.0 | 4,486.9 | 4,124.6 | 8,840.2 |
| - as % of rev | 14.5% | 13.4% | 10.9% | 22.2% |
| Armenia | 913.0 | 1,343.7 | 751.0 | 1,092.6 |
| - as % of rev | 14.5% | 22.8% | 12.5% | 17.5% |
| Turkmenistan | 1,353.6 | n/a | 11.2 | 732.1 |
| - as % of rev | 21.5% | n/a | 3.4% | 25.8% |
| Group | 76,238.4 | 72,798.3 | 87,783.1 | 81,574.8 |
| - as % of rev | 23.1% | 20.9% | 23.2% | 20.5% |

* * *

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.

* * *

Attachments to the Fourth Quarter and Full Year 2013

Earnings Press Release

Attachment A

Non-GAAP financial measures. This press release includes financial information prepared in accordance with accounting principles generally accepted in the United States of America, or US GAAP, as well as other financial measures referred to as non-GAAP. The non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with US GAAP. Due to the rounding and translation practices, Russian ruble and functional currency margins, as well as other non-GAAP financial measures, may differ.

Operating Income Before Depreciation and Amortization (OIBDA) and OIBDA margin. OIBDA represents operating income before depreciation and amortization. OIBDA margin is defined as OIBDA as a percentage of our net revenues. OIBDA may not be similar to OIBDA measures of other companies, is not a measurement under accounting principles generally accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of operations and comprehensive income. We believe that OIBDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions of mobile operators and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Our OIBDA calculation is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within the wireless telecommunications industry. OIBDA can be reconciled to our consolidated statements of operations as follows:

| Group (RUB mln) | Q4 12 | Q1 13 | Q2 13 | Q3 13 | Q4 13 | 2012 | 2013 |
|------------------|----------|----------|----------|----------|----------|-----------|-----------|
| Operating income | 23,412.6 | 21,577.8 | 25,566.1 | 27,394.7 | 27,219.4 | 93,793.3 | 101,758.0 |
| Add: D&A | 17,043.4 | 17,769.6 | 18,818.9 | 18,895.0 | 17,769.0 | 67,910.0 | 73,252.5 |
| OIBDA | 40,456.0 | 39,347.4 | 44,384.9 | 46,289.8 | 44,988.4 | 161,703.2 | 175,010.5 |

| Russia (RUB mln) | Q4 12 | Q3 12 | Q2 13 | Q3 13 | Q4 13 | 2012 | 2013 |
|------------------|----------|----------|----------|----------|----------|-----------|-----------|
| Operating income | 22,824.8 | 20,865.0 | 22,977.1 | 25,166.6 | 25,864.7 | 91,773.2 | 94,873.4 |
| Add: D&A | 14,251.0 | 14,981.5 | 16,245.3 | 16,355.9 | 15,242.6 | 56,234.8 | 62,825.3 |
| OIBDA | 37,075.9 | 35,846.5 | 39,222.4 | 41,522.5 | 41,107.3 | 148,008.0 | 157,698.7 |

| Ukraine (RUB mln) | Q4 12 | Q1 13 | Q2 13 | Q3 13 | Q4 13 | 2012 | 2013 |
|-------------------|---------|---------|---------|---------|---------|----------|----------|
| Operating income | 2,387.3 | 2,261.2 | 2,978.3 | 3,396.6 | 3,109.0 | 9,647.1 | 11,745.0 |
| Add: D&A | 2,282.1 | 2,410.5 | 2,235.5 | 2,165.2 | 2,084.7 | 9,571.0 | 8,895.9 |
| OIBDA | 4,669.4 | 4,671.7 | 5,213.8 | 5,561.8 | 5,193.7 | 19,218.1 | 20,641.0 |

| Armenia (RUB mln) | Q4 12 | Q1 13 | Q2 13 | Q3 13 | Q4 13 | 2012 | 2013 |
|-----------------------|-------|-------|-------|-------|--------|---------|---------|
| Operating income/loss | 310.9 | 279.6 | 446.7 | 600.5 | (27.3) | 1,344.8 | 1,299.4 |
| Add: D&A | 507.7 | 385.4 | 344.6 | 382.4 | 447.5 | 2,094.8 | 1,559.9 |
| OIBDA | 818.6 | 665.0 | 791.3 | 982.8 | 420.2 | 3,439.7 | 2,859.3 |

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

| Turkmenistan (RUB mln) | Q4 12 | Q1 13 | Q2 13 | Q3 13 | Q4 13 | 2012 | 2013 |
|------------------------|-------|-------|-------|-------|-------|------|---------|
| Operating income | 92.0 | 137.5 | 228.7 | 305.1 | 487.6 | n/a | 1,158.9 |
| Add: D&A | 0.2 | 2.2 | 1.1 | 4.3 | 10.5 | n/a | 18.1 |
| OIBDA | 92.2 | 139.7 | 229.8 | 309.4 | 498.1 | n/a | 1,177.1 |

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

| Group | Q4 12 | Q1 13 | Q2 13 | Q3 13 | Q4 13 | 2012 | 2013 |
|------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating margin | 23.8% | 23.2% | 26.2% | 26.5% | 26.0% | 24.8% | 25.5% |
| Add: D&A | 17.3% | 19.1% | 19.3% | 18.3% | 17.0% | 18.0% | 18.4% |
| OIBDA margin | 41.1% | 42.4% | 45.5% | 44.8% | 42.9% | 42.8% | 43.9% |

| Russia | Q4 12 | Q1 13 | Q2 13 | Q3 13 | Q4 13 | 2012 | 2013 |
|------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating margin | 25.9% | 25.2% | 26.6% | 27.5% | 27.5% | 27.2% | 26.7% |
| Add: D&A | 16.1% | 18.1% | 18.8% | 17.9% | 16.2% | 16.6% | 17.7% |
| OIBDA margin | 42.0% | 43.3% | 45.4% | 45.4% | 43.7% | 43.8% | 44.4% |

| Ukraine | Q4 12 | Q1 13 | Q2 13 | Q3 13 | Q4 13 | 2012 | 2013 |
|------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating margin | 25.6% | 24.9% | 30.0% | 31.4% | 31.3% | 25.6% | 29.6% |
| Add: D&A | 24.5% | 26.6% | 22.5% | 20.0% | 21.0% | 25.4% | 22.4% |
| OIBDA margin | 50.1% | 51.5% | 52.6% | 51.5% | 52.3% | 50.9% | 52.0% |

| Armenia | Q4 12 | Q1 13 | Q2 13 | Q3 13 | Q4 13 | 2012 | 2013 |
|------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating margin | 20.3% | 21.1% | 29.5% | 33.2% | -1.7% | 22.4% | 20.9% |
| Add: D&A | 33.1% | 29.1% | 22.8% | 21.2% | 28.2% | 34.9% | 25.0% |
| OIBDA margin | 53.4% | 50.3% | 52.3% | 54.4% | 26.5% | 57.3% | 45.9% |

| Turkmenistan | Q4 12 | Q1 13 | Q2 13 | Q3 13 | Q4 13 | 2012 | 2013 |
|------------------|-------|-------|-------|-------|-------|------|-------|
| Operating margin | 31.3% | 26.7% | 32.9% | 37.8% | 59.5% | n/a | 40.8% |
| Add: D&A | 0.1% | 0.4% | 0.2% | 0.5% | 1.3% | n/a | 0.6% |
| OIBDA margin | 31.4% | 27.1% | 33.1% | 38.3% | 60.8% | n/a | 41.5% |

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, 2012 | As of Dec 31, 2013 |
|--|---------------------------|---------------------------|
| Current portion of debt and of capital lease obligations | 27,624.3 | 25,063.7 |
| Long-term debt | 204,432.3 | 194,073.2 |
| Capital lease obligations | 48.5 | 10.0 |
| Total debt | 232,105.1 | 219,146.9 |
| Less: | | |
| Cash and cash equivalents | 22,014.2 | 30,611.7 |
| Short-term investments | 4,034.4 | 14,632.6 |
| Net debt | 206,056.5 | 173,902.6 |

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

| RUB mln | For the year ended Dec 31, 2012 | For the year ended Dec 31, 2013 |
|---|--|--|
| Net cash provided by operating activities | 134,855.8 | 159,924.4 |
| Less: | | |
| Purchases of property, plant and equipment | (79,835.9) | (67,146.2) |
| Purchases of intangible assets | (7,947.1) | (14,428.7) |
| Proceeds from sale of property, plant and equipment | 394.8 | 418.0 |
| Proceeds from sale of other investments | 2,028.9 | |
| Purchases of other investments | (2,100.0) | (702.9) |
| Investments in and advances to associates | | (5,088.9) |
| Acquisition of subsidiaries, net of cash acquired | (1,936.8) | |
| Free cash flow | 45,459.7 | 72,975.8 |

Attachment C

Definitions

Subscriber. We define a subscriber as an individual or organization whose account shows chargeable activity within sixty one days in the case of post-paid tariffs, or one hundred and eighty three days in the case of our pre-paid tariffs, or whose account does not have a negative balance for more than this period.

Average monthly service revenue per subscriber (ARPU). We calculate our ARPU by dividing our service revenues for a given period, including interconnect, guest roaming fees and connection fees, by the average number of our subscribers during that period and dividing by the number of months in that period.

Average monthly minutes of usage per subscriber (MOU). MOU is calculated by dividing the total number of minutes of usage during a given period by the average number of our subscribers during the period and dividing by the number of months in that period.

Churn. We define our churn as the total number of subscribers who cease to be a subscriber as defined above during the period (whether involuntarily due to non-payment or voluntarily, at such subscriber's request), expressed as a percentage of the average number of our subscribers during that period.

Subscriber acquisition cost (SAC). We define SAC as total sales and marketing expenses and handset subsidies for a given period. Sales and marketing expenses include advertising expenses and commissions to dealers. SAC per gross additional subscriber is calculated by dividing SAC during a given period by the total number of gross subscribers added by us during the period.

MOBILE TELESYSTEMS

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

FOR THE THREE MONTHS (UNAUDITED) AND TWELVE MONTHS ENDED DECEMBER 31, 2013 AND 2012

(Amounts in millions of RUB except per share amount)

| | Three months ended December 31, 2013 | Three months ended December 31, 2012 | Twelve months ended December 31, 2013 | Twelve months ended December 31, 2012 |
|--|---|---|--|--|
| Net operating revenue | | | | |
| Service revenue and connection fees | 96 947 | 90 247 | 371 950 | 349 338 |
| Sales of handsets and accessories | 7 804 | 8 167 | 26 493 | 28 902 |
| | 104 751 | 98 414 | 398 443 | 378 240 |
| Operating expenses | | | | |
| Cost of services | (21 837) | (21 496) | (83 777) | (83 051) |
| Cost of handsets and accessories | (7 190) | (6 914) | (22 636) | (25 042) |
| Sales and marketing expenses | (6 093) | (6 416) | (22 861) | (21 667) |
| General and administrative expenses | (21 333) | (20 503) | (85 458) | (77 977) |
| Depreciation and amortization expense | (17 769) | (17 043) | (73 253) | (67 910) |
| Provision for doubtful accounts | (1 506) | (537) | (3 106) | (2 606) |
| Impairment of long-lived assets | | (126) | | (522) |
| Other operating expenses | (1 803) | (1 966) | (5 594) | (5 671) |
| Net operating income | 27 220 | 23 413 | 101 758 | 93 794 |
| Currency exchange and transaction (loss)/gain | (840) | 951 | (5 473) | 3 952 |
| Other (expenses)/income: | | | | |
| Interest income | 675 | 402 | 2 793 | 2 588 |
| Interest expense, net of capitalized interest | (2 983) | (4 449) | (15 498) | (17 673) |
| Other income/(loss) | 1 516 | 220 | 13 108 | 181 |
| Total other income/ (expenses), net | (792) | (3 827) | 403 | (14 904) |
| Income from continuing operations before provision for income taxes | 25 588 | 20 537 | 96 688 | 82 842 |
| Provision for income taxes | (5 669) | (4 858) | (19 633) | (19 384) |
| Net income from continuing operations | 19 919 | 15 680 | 77 055 | 63 458 |
| Net income/(loss) from discontinued operations | | 1 547 | 3 733 | (32 846) |
| Net income | 19 919 | 17 226 | 80 788 | 30 612 |
| Less net income attributable to the noncontrolling interests | (167) | (229) | (949) | (970) |
| Net income attributable to the Group | 19 752 | 16 997 | 79 839 | 29 642 |

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

| | | | | |
|---|---------------|---------------|----------------|----------------|
| Other comprehensive income/(loss), net of taxes | | | | |
| Currency translation adjustment | 435 | 1 796 | (2 877) | (2 211) |
| Unrealized gains (losses) on derivatives | 75 | (209) | 1 445 | 255 |
| Unrecognized actuarial gains | 157 | (170) | 185 | (152) |
| Total other comprehensive loss, net of taxes | 667 | 1 417 | (1 247) | (2 108) |
| Total comprehensive income | 20 586 | 18 643 | 79 541 | 28 504 |
| Less comprehensive income attributable to the noncontrolling interests | (183) | (306) | (1 056) | (772) |
| Comprehensive income attributable to the Group | 20 403 | 18 337 | 78 485 | 27 732 |
| 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 | 9.93 | 7.77 | 38.27 | 31.42 |
| EPS from discontinued operations | 0.00 | 0.78 | 1.88 | 16.51 |
| Total EPS | 9.93 | 8.55 | 40.14 | 14.90 |

MOBILE TELESYSTEMS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012

(Amounts in millions of RUB)

| | As of December 31, 2013 | As of December 31, 2012 |
|--|----------------------------|----------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 30 612 | 22 014 |
| Short-term investments | 14 633 | 4 034 |
| Trade receivables, net | 34 554 | 33 372 |
| Accounts receivable, related parties | 965 | 336 |
| Inventory and spare parts | 8 498 | 8 586 |
| VAT receivable | 6 651 | 5 415 |
| Prepaid expenses and other current assets | 20 763 | 18 605 |
| Total current assets | 116 676 | 92 362 |
| PROPERTY, PLANT AND EQUIPMENT | 270 660 | 271 781 |
| INTANGIBLE ASSETS | 74 329 | 73 448 |
| INVESTMENTS IN AND ADVANCES TO ASSOCIATES | 13 393 | 5 532 |
| OTHER INVESTMENTS | 4 392 | 5 814 |
| OTHER NON CURRENT ASSETS | 6 074 | 6 041 |
| Total assets | 485 524 | 454 978 |
| CURRENT LIABILITIES | | |
| Trade accounts payable | 23 864 | 22 588 |
| Accrued expenses and other current liabilities | 49 619 | 60 855 |
| Accounts payable, related parties | 3 315 | 2 338 |
| Current portion of long-term debt, capital lease obligations | 25 064 | 27 624 |
| Total current liabilities | 101 862 | 113 405 |
| LONG-TERM LIABILITIES | | |
| Long-term debt | 194 074 | 204 432 |
| Capital lease obligations | 10 | 49 |
| Deferred income taxes | 21 202 | 10 670 |
| Deferred revenue and other long-term liabilities | 9 391 | 10 133 |
| Total long-term liabilities | 224 677 | 225 284 |
| Total liabilities | 326 539 | 338 689 |
| Redeemable noncontrolling interests | 2 932 | 2 298 |
| SHAREHOLDERS EQUITY: | | |
| Total shareholders equity attributable to the MTS Group | 151 931 | 110 723 |

Edgar Filing: MOBILE TELESYSTEMS OJSC - Form 6-K

| | | |
|--|----------------|----------------|
| Non-redeemable Noncontrolling interest | 4 122 | 3 268 |
| TOTAL SHAREHOLDERS EQUITY | 156 053 | 113 991 |
| Total liabilities and shareholders equity | 485 524 | 454 978 |

MOBILE TELESYSTEMS

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013 AND 2012

(Amounts in millions of RUB)

| | Twelve months ended December 31, 2013 | Twelve months ended December 31, 2012 |
|--|--|--|
| Net income | 80 788 | 30 612 |
| Net (income) loss from discontinued operations | (3 733) | 32 846 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 73 253 | 6 7 910 |
| Currency exchange and translation loss / (gain) | 5 473 | (3 952) |
| Impairment of goodwill and long-lived assets | | 522 |
| Debt issuance cost amortization | 784 | 952 |
| Amortization of deferred connection fees | (1 921) | (2 287) |
| Equity in net income of associates | (2 472) | (869) |
| Inventory obsolescence expense | 660 | 759 |
| Provision for doubtful accounts | 3 106 | 2 606 |
| Deferred tax loss | 9 671 | 3 290 |
| Other non-cash items | (192) | (61) |
| Changes in operating assets and liabilities: | | |
| Increase in trade receivables | (3 474) | (8 489) |
| Increase in inventory | (592) | (61) |
| Increase in prepaid expenses and other current assets | (2 966) | (727) |
| (Increase)/decrease in VAT receivable | (1 190) | 673 |
| Increase in trade accounts payable, accrued liabilities and other current liabilities | 898 | 9 606 |
| Dividends received | 1 831 | 1 526 |
| Net cash provided by operating activities - continuing operations | 159 924 | 134 856 |
| Net cash used in operating activities - discontinued operations | (547) | (2 733) |
| Net cash provided by operating activities | 159 377 | 132 123 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of subsidiaries, net of cash acquired | | (1 937) |
| Purchases of property, plant and equipment | (67 146) | (79 836) |
| Purchases of intangible assets | (14 429) | (7 947) |
| Proceeds from sale of property, plant and equipment | 418 | 395 |
| Purchases of short-term investments | (37 623) | (33 474) |
| Proceeds from sale of short-term investments | 27 785 | 31 548 |
| Purchase of other investments | (703) | (2 100) |
| Proceeds from sale of other investments | | 2 029 |
| Investments in and advances to associates, net | (5 088) | |
| Net cash used in investing activities - continuing operations | (96 786) | (91 322) |
| Net cash provided by/used in investing activities - discontinued operations | 115 | (2 045) |
| Net cash used in investing activities | (96 671) | (93 367) |

| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
|---|-----------------|-----------------|
| Cash payments for the acquisitions of subsidiaries from entities under common control and non-controlling interests | | (261) |
| Contingent consideration paid on acquisition of subsidiaries | | (20) |
| Proceeds from issuance of notes | 25 651 | |
| Repayment of notes | (6 195) | (25 561) |
| Notes and debt issuance cost paid | (193) | |
| Reimbursement of debt issuance cost | 959 | |
| Capital lease obligation principal paid | (202) | (213) |
| Dividends paid | (39 706) | (29 626) |
| Cash on sale of MGTS Business Estate (net of cash disposed) to AFK | 3 068 | |
| Cash deconsolidated on loss of control over Stream | | (227) |
| Proceeds from loans | 353 | 17 955 |
| Loan principal paid | (38 996) | (37 394) |
| Other financial activities | 116 | 1 |
| Net cash used in financing activities - continuing operations | (55 145) | (75 346) |
| Net cash provided by/(used in) financing activities - discontinued operations | | |
| Net cash used in financing activities | (55 145) | (75 346) |
| Effect of exchange rate changes on cash and cash equivalents | 1 037 | (985) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS: | 8 598 | (37 575) |
| CASH AND CASH EQUIVALENTS, at beginning of the period | 22 014 | 59 589 |
| CASH AND CASH EQUIVALENTS, at end of the period | 30 612 | 22 014 |
| Less cash and cash equivalents from discontinued operations, at end of period | | (411) |
| CASH AND CASH EQUIVALENTS from continuing operations, at end of period | 30 612 | 21 603 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MOBILE TELESYSTEMS OJSC

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

Date: **March 18, 2014**