

MOBILE TELESYSTEMS OJSC  
Form 6-K  
November 19, 2013

## **FORM 6-K**

# **UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Report of Foreign Issuer  
November 19, 2013

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

Commission file number: 333-12032

## **Mobile TeleSystems OJSC**

(Exact name of Registrant as specified in its charter)

**Russian Federation**

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

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

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Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

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Press release

**Mobile TeleSystems Announces Financial Results for the Third Quarter Ended September 30, 2013**

November 19, 2013

**Moscow, Russian Federation** Mobile TeleSystems OJSC ( MTS - NYSE: MBT), the leading telecommunications provider in Russia and the CIS, today announces its unaudited US GAAP financial results for the three months ended September 30, 2013.

**Key Financial Highlights of Q3 2013**

- Consolidated revenues up 4% y-o-y to RUB 103 billion
- Increase in mobile service revenue in Russia of 6% y-o-y to RUB 70 billion
- Data revenue growth of 45% y-o-y to RUB 13 billion
- Consolidated OIBDA(1) up 5% y-o-y to RUB 46 billion
- Group OIBDA margin improved 0.3 pp y-o-y to 44.8%
- Consolidated net income(2) of RUB 18 billion

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- Free cash-flow<sup>(3)</sup> reached RUB 72 billion for the nine months ended September 30, 2013

### Key Corporate and Industry Highlights

- Completed payment of the dividend for the fiscal year 2012, which amounted to total of RUB 30.2 billion or RUB 14.6 per ordinary MTS share (approximately RUB 29.2 per ADR).
- Announced partnership with Nokia Siemens Networks to jointly develop telecommunications infrastructure and build LTE networks in the Moscow region and Russia's Central Federal District
- EGM approved payout of 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
- Redeemed remaining portion of the RUB 10 billion series 01 bond
- Launched LTE networks in the Pskov Region, Tambov Region, Kirov Region, North Ossetia-Alania, Khabarovsk Krai, Amur Krai, Zabaikalsky Krai and Udmurtia
- Launched sales of iPhone 5s/5c in the MTS retail network
- Appointed Mr. Andrei Smelkov as Vice President for Foreign Subsidiaries, Member of the Executive Board

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(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.

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**Revised Outlook for FY2013**

Management reiterates Group revenue growth guidance of at least 5%; key factors may include:

- Growth in data revenues through rising penetration of smartphones and modems
- Lower sales of handsets due to reduced sales of high-value devices
- Absence of any 3G licenses in Ukraine
- Macroeconomic developments in core markets

Guidance for OIBDA margin reiterated at >43%, which reflects both expected growth in service revenues as well as anticipated cost pressures:

- Improvements in churn and increased customer loyalty
- Higher labor costs due to expansion of retail and fixed-line networks
- Inflationary pressure in operational expenses

CAPEX guidance for FY2013 remains as percent of revenue of 20% driven by:

- Launch of roll-out of LTE networks in regions throughout Russia
- Continued build-out of our GPON network in Moscow

- Sustained improvements in our 3G networks, including the expansion of IP-connected base stations and enablement of HSPA+ connectivity

### Commentary

Andrei Dubovskov, President and CEO of MTS, commented, "In the third quarter 2013, we witnessed a continuation of the positive operating trends we have seen over the last quarters. Group revenue for the period reached RUB 103.4 billion, which puts us on pace to reach our guidance of a minimum 5% revenue growth for the year. In Russia revenue grew 4% year-on-year to RUB 91.5 billion. Revenue was boosted by the continued strong performance of our mobile and fixed operations. Mobile service revenues increased by 6% year-on-year to RUB 70.3 billion. Key growth factors include increased data adoption and further monetization of data traffic and messaging revenues."

Alexey Kornya, MTS Vice President and Chief Financial Officer, said, "During the quarter, Group OIBDA increased by 5% year-on-year up to RUB 46.3 billion for an OIBDA margin of 44.8%. Unlike the second quarter, when one-offs increased our margin by 1.9 percentage points, our OIBDA margin was largely unaffected by any significant one-time gains or losses. Adjusted for this fact, our margin in the third quarter 2013 was a little over 1.1 percentage points higher than in the second quarter, which is a common seasonal difference from Q2 to Q3. Group's performance during the quarter sets us on track to realize our OIBDA guidance for the year of at least 43%. In Russia, OIBDA grew in line with revenue 4% year-over-year to RUB 41.5 billion. For the quarter, we delivered stable OIBDA margin of 45.4%. Increasing data revenue combined with stable sequential sales of handsets and accessories continue to offset inflationary pressures, such as rising personnel costs, higher rent and network maintenance costs."

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Mr. Kornya added, Group net income from continuing operations registered at RUB 18.1 billion for margin of 17.5%. Unlike the second quarter, we saw no significant one-off effects from non-operating activities. Overall, year-on-year net income was stable as we realized a USD 100 million non-cash FOREX gain for the period in 2012. Adjusted for this effect, our net profit is stable year-over-year and should be seen as very strong for the period. Free cash flow for the first nine months was RUB 72.2 billion, or an over 51% increase year-over-year. While we expect significant CAPEX spending in the fourth quarter to mitigate these improvements, operating cash flow from continuing operations for the first nine months is also up 17%. This reflects the continuing improvements in cash flow generation we see at MTS.

*This press release provides a summary of some of the key financial and operating indicators for the period ended September 30, 2013. For full disclosure materials, please visit <http://www.mtsghm.com/resources/reports/>.*

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Financial Summary(4)

RUB mln	Q3 13	Q3 12	y-o-y	Q2 13	q-o-q
Revenues	103,387.8	99,437.1	4.0%	97,450.2	6.1%
OIBDA	46,289.8	44,281.8	4.5%	44,384.9	4.3%
- margin	44.8%	44.5%	+0.3pp	45.5%	-0.7pp
Net operating income	27,394.7	27,067.5	1.2%	25,566.1	7.2%
- margin	26.5%	27.2%	-0.7pp	26.2%	+0.3pp
Net income from continuing operations	18,079.9	20,984.4	-13.8%	25,364.2	-28.7%
- margin	17.5%	21.1%	-3.6pp	26.0%	-8.5pp
Net income attributable to the group	18,079.9	20,182.7	-10.4%	29,045.8	-37.8%
- margin	17.5%	20.3%	-2.8pp	29.8%	-12.3pp

Russia Highlights

RUB mln	Q3 13	Q3 12	y-o-y	Q2 13	q-o-q
Revenues	91,532.6	88,255.1	3.7%	86,459.6	5.9%
- mobile services	70,284.2	66,300.1	6.0%	66,194.7	6.2%
- fixed line services	14,154.5	13,884.7	1.9%	14,441.8	-2.0%
- sales of handsets & accessories	7,093.9	8,070.3	-12.1%	5,823.1	+21.8%
OIBDA	41,522.5	40,085.0	3.6%	39,222.4	5.9%
- margin	45.4%	45.4%	stable	45.4%	stable
Net income	15,630.1	19,830.9	-21.2%	19,534.9	-20.0%
- margin	17.1%	22.5%	-5.4pp	22.6%	-5.5pp

	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
ARPU (RUB)	313.2	306.1	292.1	305.8	318.7
MOU (min)	311	323	310	332	337
Churn rate (%)	10.3%	11.0%	9.5%	9.4%	9.1%

Ukraine Highlights

UAH mln	Q3 13	Q3 12	y-o-y	Q2 13	q-o-q
Revenues	2,633.5	2,664.2	-1.2%	2,507.3	5.0%
OIBDA	1,355.4	1,415.7	-4.3%	1,317.4	2.9%
- margin	51.5%	53.1%	-1.6pp	52.5%	-1.0pp
Net income	683.9	664.6	+2.9%	640.9	6.7%
- margin	26.0%	24.9%	+1.1pp	25.6%	+0.4pp

(4) Financial results of continuing operations, except Net income. Excluding Uzbekistan subsidiary, which was deconsolidated starting Q2 2013



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	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
ARPU (UAH)	43.77	38.17	37.40	38.32	38.92
MOU (min)	610	602	600	580	561
Churn rate (%)	9.0%	5.8%	6.7%	6.0%	6.6%
SAC (UAH)	56.7	60.4	51.9	56.2	57.1
- dealer commission	33.8	35.8	30.6	30.2	36.7
- adv & mktg	13.0	14.3	12.3	16.8	12.6
- handset subsidy	2.3	2.7	1.6	1.2	0.6
- SIM card & voucher	7.6	7.6	7.3	8.0	7.1

Armenia Highlights

AMD mln	Q3 13	Q3 12	y-o-y	Q2 13	q-o-q
Revenues	22,521.8	21,774.4	3.4%	19,823.4	13.6%
OIBDA	12,248.4	12,463.8	-1.7%	10,369.4	18.1%
- margin	54.4%	57.2%	-2.8pp	52.3%	+2.1pp
Net income	4,296.7	2,531.6	69.7%	2,876.0	49.4%
- margin	19.1%	11.6%	+7.5pp	14.5%	+4.6pp

	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
ARPU (AMD)	3,054.6	2,761.8	2,433.6	2,750.2	3 108.2
MOU (min)	346	347	330	365	389
Churn rate (%)	7.2%	6.7%	8.2%	8.6%	8.0%
SAC (AMD)	6,294.7	6,332.7	6,506.2	6,287.4	6 077.1

Turkmenistan Highlights

TMT mln	Q3 13	Q3 12	y-o-y	Q2 13	q-o-q
Revenues	70.2	3.3	x20	62.6	12.1%
OIBDA	26.9	(9.5)	n/a	20.7	30.0%
- margin	38.3%	n/a	n/a	33.1%	+5.2pp
Net income/(loss)	24.0	(9.5)	n/a	13.9	72.7%
- margin	34.1%	n/a	n/a	22.2%	+11.9pp

	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13
ARPU (TMT)	n/a	7.9	9.7	11.1	12.0
MOU (min)	n/a	302	473	527	541
Churn rate (%)	n/a	n/a	n/a	17%	6.7%
SAC (TMT)	n/a	6.2	9.5	13.6	18.1

## CAPEX Highlights

<b>RUB mln</b>	<b>FY 10(5)</b>	<b>FY 11</b>	<b>FY 12</b>	<b>9M 13</b>
Russia	69,277.8	66,868.7	82,896.2	37,842.2
- as % of rev	24.2%	21.4%	24.5%	14.5%
Ukraine	4,694.0	4,486.9	4,124.6	4,959.3
- as % of rev	14.5%	13.4%	10.9%	16.6%
Armenia	913.0	1,343.7	751.0	535.7
- as % of rev	14.5%	22.8%	12.5%	11.5%
Turkmenistan	1,353.6	n/a	11.2	576.2
- as % of rev	21.5%	n/a	3.4%	28.6%
Group	76,238.4	72,798.3	87,783.1	43 913.3
- as % of rev	n/a	20.9%	23.2%	15.0%

\* \* \*

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

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Mobile TeleSystems OJSC ( MTS ) is the leading telecommunications group in Russia and the CIS, offering mobile and fixed voice, broadband, pay TV as well as content and entertainment services in one of the world's fastest growing regions. Including its subsidiaries, the Group services over 100 million mobile subscribers. The Group has been awarded GSM licenses in Russia, Ukraine, Turkmenistan, Armenia and Belarus, a region that boasts a total population of more than 200 million. Since June 2000, MTS Level 3 ADRs have been listed on the New York Stock Exchange (ticker symbol MBT). Additional information about the MTS Group can be found at [www.mtsgsm.com](http://www.mtsgsm.com).

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Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of MTS, as defined in the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify forward looking statements by terms such as expect, believe, anticipate, estimate, intend, will, could, may or might, and such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not undertake or intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. We refer you to the documents MTS files from time to time with the U.S. Securities and Exchange Commission, specifically the Company's most recent Form 20-F. These documents contain and identify important factors, including those contained in the section captioned Risk Factors that could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, the severity and duration of current economic and financial conditions, including volatility in interest and exchange rates, commodity and equity prices and the value of financial assets; the impact of Russian, U.S. and other foreign government programs to restore liquidity and stimulate national and global economies, our ability to maintain our current credit rating and the impact on our funding costs and competitive position if we do not do so, strategic actions, including acquisitions and dispositions and our success in integrating acquired businesses, potential fluctuations in quarterly results, our competitive environment, dependence on new service development and tariff structures, rapid technological and market change, acquisition strategy, risks associated with telecommunications infrastructure, governmental regulation of the telecommunications industries and other risks associated with operating in Russia and the CIS, volatility of stock price, financial risk management and future growth subject to risks.

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(5) Group CAPEX, excluding Uzbekistan. Uzbekistan subsidiary was not deconsolidated from FY2010 financial results.

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**Attachments to the Third Quarter 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:

<b>Group (RUB mln)</b>	<b>Q3 12</b>	<b>Q4 12</b>	<b>Q1 13</b>	<b>Q2 13</b>	<b>Q3 13</b>
Operating income	27,067.5	23,412.6	21,577.8	25,566.1	27,394.7
Add: D&A	17,214.3	17,043.4	17,769.6	18,818.9	18,895.0
OIBDA	44,281.8	40,456.0	39,347.4	44,384.9	46,289.8

<b>Russia (RUB mln)</b>	<b>Q3 12</b>	<b>Q4 12</b>	<b>Q1 13</b>	<b>Q2 13</b>	<b>Q3 13</b>
Operating income	25,833.3	22,824.8	20,865.0	22,977.1	25,166.6
Add: D&A	14,251.7	14,251.0	14,981.5	16,245.3	16,355.9
OIBDA	40,085.0	37,075.9	35,846.5	39,222.4	41,522.5

<b>Ukraine (RUB mln)</b>	<b>Q3 12</b>	<b>Q4 12</b>	<b>Q1 13</b>	<b>Q2 13</b>	<b>Q3 13</b>
Operating income	3,258.8	2,387.3	2,261.2	2,978.3	3,396.6
Add: D&A	2,413.1	2,282.1	2,410.5	2,235.5	2,165.2
OIBDA	5,671.9	4,669.4	4,671.7	5,213.8	5,561.8

<b>Armenia (RUB mln)</b>	<b>Q3 12</b>	<b>Q4 12</b>	<b>Q1 13</b>	<b>Q2 13</b>	<b>Q3 13</b>
Operating income	424.1	310.9	279.6	446.7	600.5
Add: D&A	546.7	507.7	385.4	344.6	382.4
OIBDA	970.8	818.6	665.0	791.3	982.8

<b>Turkmenistan (RUB mln)</b>	<b>Q3 12</b>	<b>Q4 12</b>	<b>Q1 13</b>	<b>Q2 13</b>	<b>Q3 13</b>
Operating income/(loss)	(107.4)	92.0	137.5	228.7	305.1

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Add: D&A	0.5	0.2	2.2	1.1	4.3
OIBDA	(106.8)	92.2	139.7	229.8	309.4

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

<b>Group</b>	<b>Q3 12</b>	<b>Q4 12</b>	<b>Q1 13</b>	<b>Q2 13</b>	<b>Q3 13</b>
Operating margin	27.2%	23.8%	23.2%	26.2%	26.5%
Add: D&A	17.3%	17.3%	19.1%	19.3%	18.3%
OIBDA margin	44.5%	41.1%	42.4%	45.5%	44.8%

<b>Russia</b>	<b>Q3 12</b>	<b>Q4 12</b>	<b>Q1 13</b>	<b>Q2 13</b>	<b>Q3 13</b>
Operating margin	29.3%	25.9%	25.2%	26.6%	27.5%
Add: D&A	16.1%	16.1%	18.1%	18.8%	17.9%
OIBDA margin	45.4%	42.0%	43.3%	45.4%	45.4%

<b>Ukraine</b>	<b>Q3 12</b>	<b>Q4 12</b>	<b>Q1 13</b>	<b>Q2 13</b>	<b>Q3 13</b>
Operating margin	30.5%	25.6%	24.9%	30.0%	31.4%
Add: D&A	22.6%	24.5%	26.6%	22.5%	20.0%
OIBDA margin	53.2%	50.1%	51.5%	52.6%	51.5%

<b>Armenia</b>	<b>Q3 12</b>	<b>Q4 12</b>	<b>Q1 13</b>	<b>Q2 13</b>	<b>Q3 13</b>
Operating margin	25.0%	20.3%	21.1%	29.5%	33.2%
Add: D&A	32.2%	33.1%	29.1%	22.8%	21.2%
OIBDA margin	57.2%	53.4%	50.3%	52.3%	54.4%

<b>Turkmenistan</b>	<b>Q3 12</b>	<b>Q4 12</b>	<b>Q1 13</b>	<b>Q2 13</b>	<b>Q3 13</b>
Operating margin	n/a	31.3%	26.7%	32.9%	37.8%
Add: D&A	n/a	0.1%	0.4%	0.2%	0.5%
OIBDA margin	n/a	31.4%	27.1%	33.1%	38.3%

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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 balance sheets as follows:

<b>RUB mln</b>	<b>As of Dec 31, 2012</b>	<b>As of Sep 30, 2013</b>
Current portion of debt and of capital lease obligations	27,624.3	29,114.7
Long-term debt	204,432.3	194,785.5
Capital lease obligations	48.5	18.7
Total debt	232,105.1	223,918.8
Less:		
Cash and cash equivalents	22,014.2	45,083.8
Short-term investments	4,034.4	11,345.2
Net debt	206,056.5	167,489.8

Last twelve month (LTM) OIBDA can be reconciled to our consolidated statements of operations as follows:

<b>RUB mln</b>	<b>Three months ended Dec 31, 2012 A</b>	<b>Nine months ended Sep 30, 2013 B</b>	<b>Twelve months ended Sep 30, 2013 C=A+B</b>
Net operating income	23 412.6	74 538.6	97 951.2
Add: D&A	17 043.4	55 483.5	72 526.9
OIBDA	40 456.0	130 022.1	170 478.1

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

RUB mln	For nine months ended Sep 30, 2012	For nine months ended Sep 30, 2013
Net cash provided by operating activities	104 109.6	121 602.1
Less:		
Purchases of property, plant and equipment	(49 352.1)	(35 967.2)
Purchases of intangible assets	(4 740.9)	(7 946.0)
Proceeds from sale of property, plant and equipment	91.7	269.5
Proceeds from sale of other investments	1 375.5	
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	(1 701.1)	
Free cash flow	47 682.7	72 166.6

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### 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.



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

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## MOBILE TELESYSTEMS

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

## FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012 (UNAUDITED)

(Amounts in millions of RUB except per share amount)

	Nine months ended September 30, 2013	Nine months ended September 30, 2012	Three months ended September 30, 2013	Three months ended September 30, 2012
<b>Net operating revenue</b>				
Service revenue	275 003	259 091	96 238	91 299
Sales of handsets and accessories	18 689	20 735	7 150	8 138
	<b>293 692</b>	<b>279 826</b>	<b>103 388</b>	<b>99 437</b>
<b>Operating expenses</b>				
Cost of services	(61 940)	(61 555)	(21 262)	(21 360)
Cost of handsets and accessories	(15 446)	(18 128)	(5 877)	(6 925)
Sales and marketing expenses	(16 768)	(15 251)	(5 785)	(5 347)
General and administrative expenses	(64 125)	(57 474)	(21 565)	(19 301)
Depreciation and amortization expense	(55 484)	(50 867)	(18 895)	(17 214)
Provision for doubtful accounts	(1 600)	(2 069)	(525)	(519)
Impairment of long-lived assets	(70)	(396)	(10)	(293)
Other operating expenses	(3 721)	(3 705)	(2 074)	(1 411)
<b>Net operating income</b>	<b>74 538</b>	<b>70 381</b>	<b>27 395</b>	<b>27 067</b>
Currency exchange and transaction (loss)/gain	(4 633)	3 001	(28)	3 413
<b>Other (expenses)/income:</b>				
Interest income	2 118	2 185	622	410
Interest expense, net of capitalized interest	(12 515)	(13 224)	(4 036)	(3 612)
Other income/(loss)	11 592	(37)	688	151
<b>Total other income/ (expenses), net</b>	<b>1 195</b>	<b>(11 076)</b>	<b>(2 726)</b>	<b>(3 051)</b>
<b>Income from continuing operations before provision for income taxes</b>	<b>71 100</b>	<b>62 306</b>	<b>24 641</b>	<b>27 429</b>
Provision for income taxes	(13 964)	(14 527)	(6 282)	(6 174)
<b>Net income from continuing operations</b>	<b>57 136</b>	<b>47 779</b>	<b>18 359</b>	<b>21 255</b>
<b>Net income/(loss) from discontinued operations</b>	<b>3 733</b>	<b>(34 393)</b>		<b>(802)</b>
<b>Net income</b>	<b>60 869</b>	<b>13 386</b>	<b>18 359</b>	<b>20 453</b>
Less net income attributable to the noncontrolling interests	(782)	(741)	(280)	(271)
<b>Net income attributable to the Group</b>	<b>60 087</b>	<b>12 645</b>	<b>18 079</b>	<b>20 182</b>

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<b>Other comprehensive income/(loss), net of taxes</b>				
Currency translation adjustment	(3 312)	(1 663)	(423)	(1 922)
Unrealized gains (losses) on derivatives	1 370	462	(224)	(440)
Unrecognized actuarial gains	28	18	9	5
<b>Total other comprehensive loss, net of taxes</b>	<b>(1 914)</b>	<b>(1 183)</b>	<b>(638)</b>	<b>(2 357)</b>
<b>Total comprehensive income</b>	<b>58 955</b>	<b>12 203</b>	<b>17 721</b>	<b>18 096</b>
Less comprehensive income attributable to the noncontrolling interests	(874)	(740)	(229)	(216)
<b>Comprehensive income attributable to the Group</b>	<b>58 081</b>	<b>11 463</b>	<b>17 492</b>	<b>17 880</b>
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	28.33	23.65	9.09	10.55
EPS from discontinued operations	1.88	-17.29		-0.40
Total EPS	30.21	6.36	9.09	10.15

**MOBILE TELESYSTEMS****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****AS OF SEPTEMBER 30, 2013 AND DECEMBER 31, 2012 (UNAUDITED)**

(Amounts in millions of RUB)

	As of September 30, 2013	As of December 31, 2012
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	45 084	22 014
Short-term investments	11 345	4 034
Trade receivables, net	39 847	33 372
Accounts receivable, related parties	586	336
Inventory and spare parts	8 344	8 586
VAT receivable	6 528	5 415
Prepaid expenses and other current assets	22 426	18 605
<b>Total current assets</b>	<b>134 160</b>	<b>92 362</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>256 650</b>	<b>271 782</b>
<b>INTANGIBLE ASSETS</b>	<b>71 125</b>	<b>73 448</b>
<b>INVESTMENTS IN AND ADVANCES TO ASSOCIATES</b>	<b>13 036</b>	<b>5 532</b>
<b>OTHER INVESTMENTS</b>	<b>4 349</b>	<b>5 814</b>
<b>OTHER NON CURRENT ASSETS</b>	<b>6 404</b>	<b>6 040</b>
<b>Total assets</b>	<b>485 724</b>	<b>454 978</b>
<b>CURRENT LIABILITIES</b>		
Trade accounts payable	26 299	22 588
Accrued expenses and other current liabilities	66 823	60 855
Accounts payable, related parties	3 471	2 338
Current portion of long-term debt, capital lease obligations	29 115	27 624
<b>Total current liabilities</b>	<b>125 708</b>	<b>113 405</b>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt	194 785	204 432
Capital lease obligations	19	49
Deferred income taxes	19 508	10 670
Long-term accounts payable, related parties	9 823	10 133
Deferred revenue and other long-term liabilities	9 823	10 133
<b>Total long-term liabilities</b>	<b>224 135</b>	<b>225 284</b>
<b>Total liabilities</b>	<b>349 843</b>	<b>338 689</b>
<b>Redeemable noncontrolling interests</b>	<b>2 556</b>	<b>2 298</b>
<b>SHAREHOLDERS EQUITY:</b>		
<b>Total shareholders equity attributable to the MTS Group</b>	<b>129 532</b>	<b>110 723</b>

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Non-redeemable Noncontrolling interest	3 793	3 268
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>133 325</b>	<b>113 991</b>
<b>Total liabilities and shareholders' equity</b>	<b>485 724</b>	<b>454 978</b>

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## MOBILE TELESYSTEMS

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012 (UNAUDITED)

(Amounts in millions of RUB)

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
<b>Net cash provided by operating activities - continuing operations</b>	121 602	104 110
<b>Net cash (used in)/provided by operating activities - discontinued operations</b>	(547)	3 126
<b>Net cash provided by operating activities</b>	<b>121 055</b>	<b>107 236</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of subsidiaries, net of cash acquired		(1 701)
Purchases of property, plant and equipment	(35 967)	(49 352)
Purchases of intangible assets	(7 946)	(4 741)
Proceeds from sale of property, plant and equipment	269	92
Purchases of short-term investments	(27 997)	(29 642)
Proceeds from sale of short-term investments	21 290	28 212
Purchase of other investments	(703)	(2 100)
Proceeds from sale of other investments		1 376
Investments in and advances to associates, net	(5 089)	
<b>Net cash used in investing activities - continuing operations</b>	<b>(56 143)</b>	<b>(57 856)</b>
<b>Net cash provided by/used in investing activities - discontinued operations</b>	<b>115</b>	<b>(2 510)</b>
<b>Net cash used in investing activities</b>	<b>(56 028)</b>	<b>(60 366)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Acquisition of noncontrolling interests in existing subsidiaries		(261)
Proceeds from issuance of notes	25 651	
Repurchase of common stock	(20)	
Proceeds from sale of treasury stock		1
Repayment of notes	(1 876)	(25 562)
Notes and debt issuance cost paid	(184)	
Capital lease obligation principal paid	(137)	(161)
Dividends paid	(29 086)	(29 506)
Cash deconsolidated on loss of control over Stream		(227)
Proceeds from loans		6 090
Loan principal paid	(37 040)	(32 622)
<b>Net cash provided by/(used in) financing activities - continuing operations</b>	<b>(42 692)</b>	<b>(82 248)</b>
<b>Net cash provided by/(used in) financing activities - discontinued operations</b>		
<b>Net cash provided by/(used in) financing activities</b>	<b>(42 692)</b>	<b>(82 248)</b>
Effect of exchange rate changes on cash and cash equivalents	735	(968)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS:</b>	<b>23 070</b>	<b>(36 346)</b>
<b>CASH AND CASH EQUIVALENTS, at beginning of the period</b>	<b>22 014</b>	<b>59 589</b>
<b>CASH AND CASH EQUIVALENTS, at end of the period</b>	<b>45 084</b>	<b>23 243</b>
Less cash and cash equivalents from discontinued operations, at end of period		(4 859)

<b>CASH AND CASH EQUIVALENTS from continuing operations, at end of period</b>	<b>45 084</b>	<b>18 384</b>
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**SIGNATURES**

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

**MOBILE TELESYSTEMS OJSC**

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

Date: **November 19, 2013**

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