

MOBILE TELESYSTEMS PJSC  
Form 6-K  
August 18, 2015

## **FORM 6-K**

# **UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Report of Foreign Issuer**  
**August 18, 2015**

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

**Commission file number: 333-12032**

## **Mobile TeleSystems PJSC**

(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 Second Quarter Ended June 30, 2015**

August 18, 2015

**Moscow, Russian Federation** Mobile TeleSystems PJSC ( MTS - NYSE: MBT), the leading telecommunications provider in Russia and the CIS, today announces its unaudited IFRS financial results for the three months ended June 30, 2015.

**Key Financial Highlights of Q2 2015**

- Consolidated group revenue increased 3.9% y-o-y to RUB 102.7 bln
- Total revenue in Russia rose 4.4% y-o-y to RUB 94.3 bln
- Mobile service revenue in Russia improved 2.8% y-o-y to RUB 72.7 bln
- Data traffic revenue in Russia grew 23.4% y-o-y to RUB 18.9 bln
- Handset sales increased 26.7% y-o-y to RUB 7.6 bln
- Group OIBDA down 2.1% to RUB 42.7 bln

- OIBDA in Russia rose 2.2% y-o-y to RUB 41.2 bln
- MTS reaffirms its Group guidance:
- Group revenue growth of more than 2%
- Revenue growth in MTS Russia more than 3%
- Group OIBDA margin of more than 40%
- MTS revises its FY2015 CAPEX guidance to RUB 92 bln to reflect planned investments in 3G network development in Ukraine

**Key Corporate and Industry Highlights**

- Signed a USD 200 mln equivalent term loan facility agreement with China Development Bank Corporation ( CDB ) in renminbi and US dollars
- Completed dividend payment of RUB 19.56 per ordinary MTS share (RUB 39.12 per ADR), or a total of RUB 40.419 bln based on the full-year 2014 financial results
- Semi-annual dividend recommendation by the MTS Board of RUB 5.61 per ordinary MTS share (RUB 11.22 per ADR), or a total of RUB 11.592 bln based on H1 2015 financial results
- Signed binding agreements to acquire 100% of the shares of NVision Group JSC, the developer and owner of the MTS billing system and one of the largest system integrators and complex IT solutions providers in Russia, for a total enterprise value up to RUB 15 billion, including debt



## Commentary

Mr. Andrei Dubovskov, MTS President and CEO, commented, In Q2 2015, we delivered Group revenue growth of 3.9% to RUB 102.7 bln. Data adoption continues to drive growth in Russia and other markets, while recent changes in our approach to distribution have helped boost handset revenue. Adjusted OIBDA fell year-over-year to RUB 42.7 bln. Our OIBDA margin came in at 41.6%. This reduction from last year is due largely to a lower contribution from our Ukraine business given the cessation of operations in Crimea, ongoing turbulence in the East of Ukraine and hryvna devaluation, as well as to costs related to our re-launch in Uzbekistan.

Mr. Vasyl Latsanych, MTS Vice President for Marketing, said, For the quarter, total revenue in Russia grew to RUB 94.3 bln rubles or 4.4% year-over-year. Our service revenue grew by 2.8% year-over-year to RUB 72.7 bln driven by a 23.4% increase in data traffic revenues and strong subscriber additions. The growth was boosted by rising smartphone penetration, which reached nearly 45% of the active base. In spite of a slowdown in retail markets, we saw a surge in sales of smartphones in our retail stores following our decision to reduce to further drive data penetration. This initiative is a part of our efforts to enhance our mobile market share by driving foot-traffic to our stores in light of the recent changes in the mobile retail landscape in Russia.

Mr. Alexey Kornya, MTS Vice President for Finance and Investments, said, In Russia, OIBDA came in at RUB 41.2bln, or 2.2% above Q2 2014. Quarter-over-quarter, OIBDA increased 8.1%, or over twice the pace of revenue growth. While stronger roaming revenues and increase in prices of international calling did contribute to the growth, we also saw OIBDA expansion due to lower dealer commissions as we implement our new retail strategy. Another factor pressuring margins is our increase in handset sales, which translated to a 0.9 percentage point decline in OIBDA margin year-over-year. Group net profit improved during the quarter by 57% to RUB 17.1 bln. Our bottom line was boosted by revenue and OIBDA dynamics, as well as a non-cash RUB 3.6 bln FOREX gain on the value of our non-ruble denominated debt.

Mr. Andrei Dubovskov concluded, As our Q2 results clearly demonstrate, we were able to sustain the market leading pace of service revenue growth by increasing high-quality customer additions in our controlled sales channel in spite of changes in distribution in Russia. Given the solid performance in the first half of the year, we believe we are fully on track to meet our annual guidance of the Group revenue growth of at least 2%, revenue growth in Russia of at least 3% and Group OIBDA margin of at least 40%. While we do see upside to revenue performance, we believe it is prudent to reiterate the guidance in light of the uncertain macroeconomic environment and sustained currency volatility in our markets of operation.

## Additional Information

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

MTS affirms that the alleged activities related to MTS's business in Uzbekistan have been referenced in a civil forfeiture complaint, filed by US Department of Justice (DOJ) in the U.S. District Court, Southern District of New York (Manhattan), directed at certain assets of an unnamed Uzbek government official. The Complaint alleges among other things that MTS and certain other parties made corrupt payments to the unnamed Uzbek official to assist their entrance and operations in the Uzbekistan telecommunications market. The Complaint is solely directed towards assets held by the unnamed Uzbek official, and none of MTS's assets are affected by the Complaint.

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As MTS disclosed in March 2014, both the US Securities and Exchange Commission (SEC) and DOJ are currently conducting an investigation related to MTS's former operations in Uzbekistan. As previously disclosed, the Company has received requests for documents and information from both the SEC and DOJ and continues to cooperate with these investigations in good faith.

**Conference Call**

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

To take part in the conference call, please dial one of the following telephone numbers and quote the confirmation code, **7639515**

From Russia: + 7 495 213 0977

From the UK: +44(0)20 3427 0503

From the US: +1 212 444 0895

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

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

From the US: +1 347 366 9565 PIN 9328560#

From the UK: +44 (0)20 3427 0598 PIN 9328560#

From Russia: +7 (495) 705 9453 PIN 9328560#

*This press release provides a summary of some of the key financial and operating indicators for the period ended June 30, 2015. For full disclosure materials, please visit <http://www.mtsgsm.com/resources/reports/>.*



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Financial Summary

| RUB mln                   | Q2 15   | Q2 14  | y-o-y  | Q1 15   | q-o-q |
|---------------------------|---------|--------|--------|---------|-------|
| Revenues                  | 102,691 | 98,879 | 3.9%   | 100,182 | 2.5%  |
| Adjusted OIBDA            | 42,722  | 43,661 | -2.1%  | 41,309  | 3.4%  |
| - margin                  | 41.6%   | 44.2%  | -2.6pp | 41.2%   | 0.4pp |
| Adjusted operating profit | 22,501  | 25,334 | -11.2% | 20,861  | 7.9%  |
| - margin                  | 21.9%   | 25.6%  | -3.7pp | 20.8%   | 1.1pp |
| Net profit                | 17,074  | 21,810 | -21.7% | 10,887  | 56.8% |
| - margin                  | 16.6%   | 22.1%  | -5.5pp | 10.9%   | 5.7pp |

Russia Highlights

| RUB mln                           | Q2 15  | Q2 14  | y-o-y  | Q1 15  | q-o-q  |
|-----------------------------------|--------|--------|--------|--------|--------|
| Revenues(1)                       | 94,336 | 90,390 | 4.4%   | 90,423 | 4.3%   |
| - mobile                          | 72,749 | 70,739 | 2.8%   | 70,521 | 3.2%   |
| - fixed                           | 15,706 | 15,584 | 0.8%   | 15,319 | 2.5%   |
| - sales of handsets & accessories | 7,607  | 6,003  | 26.7%  | 6,258  | 21.6%  |
| OIBDA                             | 41,245 | 40,338 | 2.2%   | 38,171 | 8.1%   |
| - margin                          | 43.7%  | 44.6%  | -0.9pp | 42.2%  | 1.5pp  |
| Net profit                        | 18,746 | 19,618 | -4.4%  | 9,109  | 105.8% |
| - margin                          | 19.9%  | 21.7%  | -1.8pp | 10.1%  | 9.8pp  |

|                | Q2 14 | Q3 14 | Q4 14 | Q1 15 | Q2 15 |
|----------------|-------|-------|-------|-------|-------|
| ARPU (RUB)     | 335.5 | 357.6 | 336.5 | 315.4 | 323.6 |
| MOU (min)      | 373   | 377   | 393   | 367   | 388   |
| Churn rate (%) | 10.9% | 9.2%  | 11.0% | 10.1% | 9.1%  |

Ukraine Highlights

| UAH mln        | Q2 15 | Q2 14 | y-o-y   | Q1 15 | q-o-q   |
|----------------|-------|-------|---------|-------|---------|
| Revenues       | 2,419 | 2,570 | -5.9%   | 2,631 | -8.1%   |
| Adjusted OIBDA | 942   | 1,279 | -26.3%  | 1,238 | -23.9%  |
| - margin       | 38.9% | 49.8% | -10.9pp | 47.0% | -8.1pp  |
| Net profit     | 214   | 771   | -72.2%  | 1,096 | -80.5%  |
| - margin       | 8.8%  | 30.0% | -21.2pp | 41.6% | -32.8pp |

|                      | Q2 14 | Q3 14 | Q4 14 | Q1 15 | Q2 15 |
|----------------------|-------|-------|-------|-------|-------|
| ARPU (UAH)           | 38.4  | 41.2  | 34.8  | 42.7  | 39.2  |
| MOU (min)            | 575   | 483   | 480   | 508   | 502   |
| Churn rate (%)       | 4.5%  | 4.6%  | 17.6% | 5.5%  | 5.6%  |
| SAC (UAH)            | 50.8  | 63.4  | 69.3  | 69.2  | 86.7  |
| - dealer commission  | 31.2  | 37.5  | 40.0  | 44.6  | 48.7  |
| - adv&mktg           | 13.3  | 17.0  | 20.3  | 16.6  | 25.8  |
| - handset subsidy    | 0.8   | 1.7   | 2.8   | 0.2   | 1.9   |
| - SIM card & voucher | 5.6   | 7.1   | 6.2   | 7.7   | 10.4  |

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

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Armenia Highlights

| AMD mln    | Q2 15  | Q2 14  | y-o-y   | Q1 15  | q-o-q  |
|------------|--------|--------|---------|--------|--------|
| Revenues   | 18,479 | 18,876 | -2.1%   | 16,921 | +9.2%  |
| OIBDA      | 8,491  | 9,043  | -6.1%   | 8,147  | +4.2%  |
| - margin   | 45.9%  | 47.9%  | -2.0pp  | 48.1%  | -2.2pp |
| Net profit | 4,078  | 11,911 | -65.8%  | 2,420  | 68.5%  |
| - margin   | 22.1%  | 63.1%  | -41.0pp | 14.3%  | 7.8pp  |

|                | Q2 14   | Q3 14   | Q4 14   | Q1 15   | Q2 15   |
|----------------|---------|---------|---------|---------|---------|
| ARPU (AMD)     | 2,939.3 | 3,378.6 | 2,956.6 | 2,565.4 | 2,835.7 |
| MOU (min)      | 516     | 527     | 523     | 493     | 536     |
| Churn rate (%) | 7.7%    | 9.0%    | 9.5%    | 8.7%    | 8.4%    |
| SAC (AMD)      | 5,302.3 | 4,773.3 | 6,261.6 | 5,545.7 | 5,766.7 |

Turkmenistan Highlights

| TMT mln    | Q2 15 | Q2 14 | y-o-y  | Q1 15 | q-o-q |
|------------|-------|-------|--------|-------|-------|
| Revenues   | 71    | 69    | 3.1%   | 72    | -0.6% |
| OIBDA      | 27    | 31    | -13.0% | 26    | 3.1%  |
| - margin   | 37.4% | 44.3% | -6.9pp | 36.0% | 1.4pp |
| Net profit | 13    | 19    | -28.0% | 12    | 11.7% |
| - margin   | 18.8% | 26.9% | -8.1pp | 16.7% | 2.1pp |

|                | Q2 14 | Q3 14 | Q4 14 | Q1 15 | Q2 15 |
|----------------|-------|-------|-------|-------|-------|
| ARPU (TMT)     | 13.6  | 14.1  | 14.8  | 13.7  | 14.4  |
| MOU (min)      | 574   | 564   | 553   | 504   | 515   |
| Churn rate (%) | 10.4% | 11.2% | 10.3% | 12.1% | 13.0% |
| SAC (TMT)      | 24.1  | 26.7  | 26.1  | 28.9  | 28.3  |

Uzbekistan Highlights

| UZS mln  | Q2 15    | Q1 15    | q-o-q |
|----------|----------|----------|-------|
| Revenues | 37,398   | 19,292   | 93.9% |
| OIBDA    | (22,235) | (38,819) | n/a   |
| - margin | n/a      | n/a      | n/a   |
| Net loss | (28,123) | (41,853) | n/a   |
| - margin | n/a      | n/a      | n/a   |

|                | Q4 14 | Q1 15  | Q2 15  |
|----------------|-------|--------|--------|
| ARPU (UZS)     |       | 21,027 | 23,373 |
| MOU (min)      |       | 356    | 462    |
| Churn rate (%) |       | 8.4%   | 13.0%  |

Belarus Highlights

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| <b>BYR bln</b> | <b>Q2 15</b> | <b>Q2 14</b> | <b>y-o-y</b> | <b>Q1 15</b> | <b>q-o-q</b> |
|----------------|--------------|--------------|--------------|--------------|--------------|
| Revenues       | 1,302        | 1,238        | 5.2%         | 1,174        | 10.9%        |
| Adjusted OIBDA | 673          | 632          | 6.5%         | 640          | 5.2%         |
| - margin       | 51.7%        | 51.1%        | 0.6pp        | 54.5%        | -2.8pp       |
| Net profit     | 368          | 277          | 32.7%        | 478          | -23.1%       |
| - margin       | 28.2%        | 22.4%        | 5.8pp        | 40.7%        | -12.5pp      |

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|                  | Q2 14 | Q3 14 | Q4 14 | Q1 15 | Q2 15 |
|------------------|-------|-------|-------|-------|-------|
| ARPU (BYR 000 s) | 68.5  | 72.2  | 74.3  | 68.8  | 73.3  |
| MOU (min)        | 491   | 498   | 480   | 448   | 470   |
| Churn rate (%)   | 4.7%  | 5.5%  | 5.8%  | 5.1%  | 4.7%  |
| SAC (BYR 000 s)  | 154.2 | 158.8 | 189.1 | 201.5 | 222.8 |

CAPEX Highlights

| RUB mln       | FY 2014 | 6M 2015 |
|---------------|---------|---------|
| Russia        | 85,491  | 49,351  |
| - as % of rev | 22.8%   | 26.7%   |
| Ukraine(2)    | 4,210   | 3,564   |
| - as % of rev | 12.8%   | 25.8%   |
| Armenia       | 1,142   | 171     |
| - as % of rev | 16.0%   | 4.0%    |
| Turkmenistan  | 1,084   | 314     |
| - as % of rev | 28.4%   | 13.4%   |
| Uzbekistan    | 1       | 241     |
| - as % of rev | 0.6%    | 19.0%   |
| Group(2)      | 91,929  | 53,641  |
| - as % of rev | 22.4%   | 26.4%   |

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For further information, please contact in Moscow:

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

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Mobile TeleSystems PJSC ( 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, Belarus, and Uzbekistan, a region that boasts a total population of more than 230 million. Since June 2000, MTS Level 3 ADRs have been listed on the New York Stock Exchange (ticker symbol MBT). Additional information about the MTS Group can be found at [www.mtsgsm.com](http://www.mtsgsm.com).

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

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

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

**Attachment A**

**Non-IFRS financial measures.** This presentation includes financial information prepared in accordance with International Financial Reporting Standards, or IFRS, as well as other financial measures referred to as non-IFRS. The non-IFRS financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Due to the rounding and translation practices, Russian ruble and functional currency margins, as well as other non-IFRS financial measures, may differ.

**Operating Income Before Depreciation and Amortization (OIBDA) and OIBDA margin.** OIBDA represents operating income before depreciation and amortization. OIBDA margin is defined as OIBDA as a percentage of our net revenues. OIBDA may not be similar to OIBDA measures of other companies, is not a measurement under IFRS 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 IFRS, 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 and Adjusted OIBDA can be reconciled to our consolidated statements of operations as follows:

| <b>Group (RUB mln)</b>   | <b>Q2 14</b> | <b>Q3 14</b> | <b>Q4 14</b> | <b>Q1 15</b> | <b>Q2 15</b> |
|--|--------------|--------------|--------------|--------------|--------------|
| Operating profit   | 25,334       | 33,464       | 22,852       | 19,163       | 22,501       |
| Less: Gain from reentrance in Uzbekistan                                 |              | (3,604)      | (3,130)      |              |              |
| Add: Provision for cash balances deposited in distressed Ukrainian banks |              |              | 5,138        | 1,698        |              |
| Adjusted operating profit  | 25,334       | 29,860       | 24,860       | 20,861       | 22,501       |
| Add: D&A   | 18,326       | 19,107       | 19,486       | 20,448       | 20,221       |
| Adjusted OIBDA   | 43,661       | 48,967       | 44,346       | 41,309       | 42,722       |

| <b>Russia (RUB mln)</b> | <b>Q2 14</b> | <b>Q3 14</b> | <b>Q4 14</b> | <b>Q1 15</b> | <b>Q2 15</b> |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| Operating profit        | 24,205       | 28,324       | 24,299       | 21,091       | 23,728       |
| Add: D&A                | 16,133       | 17,156       | 17,065       | 17,080       | 17,517       |
| OIBDA                   | 40,338       | 45,481       | 41,365       | 38,171       | 41,245       |

| <b>Ukraine (RUB mln)</b> | <b>Q2 14</b> | <b>Q3 14</b> | <b>Q4 14</b> | <b>Q1 15</b> | <b>Q2 15</b> |
|--------------------------|--------------|--------------|--------------|--------------|--------------|
| Operating profit/(loss)  | 2,167        | 2,075        | (3,468)      | 693          | 1,190        |

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Add: Provision for cash balances deposited in

|                            |       |       |       |       |       |
|----------------------------|-------|-------|-------|-------|-------|
| distressed Ukrainian banks |       |       | 5,138 | 1,698 |       |
| Adjusted operating profit  | 2,167 | 2,075 | 1,670 | 2,391 | 1,190 |
| Add: D&A                   | 1,660 | 1,410 | 1,448 | 1,344 | 1,107 |
| Adjusted OIBDA             | 3,826 | 3,485 | 3,118 | 3,735 | 2,297 |

| Armenia (RUB mln) | Q2 14 | Q3 14 | Q4 14 | Q1 15 | Q2 15 |
|-------------------|-------|-------|-------|-------|-------|
| Operating profit  | 347   | 642   | 464   | 436   | 412   |
| Add: D&A          | 419   | 425   | 523   | 623   | 525   |
| OIBDA             | 766   | 1,067 | 986   | 1,059 | 937   |



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| Turkmenistan (RUB mln) | Q2 14 | Q3 14 | Q4 14 | Q1 15 | Q2 15 |
|------------------------|-------|-------|-------|-------|-------|
| Operating profit       | 255   | 246   | 329   | 252   | 237   |
| Add: D&A               | 122   | 133   | 177   | 205   | 165   |
| OIBDA                  | 377   | 379   | 506   | 458   | 402   |

| Uzbekistan (RUB mln) | Q2 14 | Q3 14 | Q4 14 | Q1 15   | Q2 15   |
|----------------------|-------|-------|-------|---------|---------|
| Operating loss       |       |       |       | (2,134) | (1,373) |
| Add: D&A             |       |       |       | 1,209   | 917     |
| OIBDA                |       |       |       | (925)   | (455)   |

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

| Group  | Q2 14 | Q3 14  | Q4 14  | Q1 15 | Q2 15 |
|--|-------|--------|--------|-------|-------|
| Operating margin   | 25.6% | 31.2%  | 21.3%  | 19.1% | 21.9% |
| Less: Gain from reentrance in Uzbekistan                                 |       | (3.4)% | (2.9)% |       |       |
| Add: Provision for cash balances deposited in distressed Ukrainian banks |       |        | 4.8%   | 1.7%  |       |
| Adjusted operating margin  | 25.6% | 27.9%  | 23.2%  | 20.8% | 21.9% |
| Add: D&A   | 18.5% | 17.8%  | 18.2%  | 20.4% | 19.7% |
| Adjusted OIBDA margin  | 44.2% | 45.7%  | 41.4%  | 41.2% | 41.6% |

| Russia           | Q2 14 | Q3 14 | Q4 14 | Q1 15 | Q2 15 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 26.8% | 28.6% | 24.8% | 23.3% | 25.2% |
| Add: D&A         | 17.8% | 17.3% | 17.4% | 18.9% | 18.6% |
| OIBDA margin     | 44.6% | 45.8% | 42.2% | 42.2% | 43.7% |

| Ukraine  | Q2 14 | Q3 14 | Q4 14   | Q1 15 | Q2 15 |
|--|-------|-------|---------|-------|-------|
| Operating margin   | 28.2% | 25.6% | (46.4)% | 8.8%  | 20.2% |
| Add: Provision for cash balances deposited in distressed Ukrainian banks |       |       | 68.8%   | 21.5% |       |
| Adjusted operating margin  | 28.2% | 25.6% | 22.4%   | 30.2% | 20.2% |
| Add: D&A   | 21.6% | 17.4% | 19.4%   | 17.0% | 18.8% |
| Adjusted OIBDA margin  | 49.8% | 43.0% | 41.7%   | 47.3% | 38.9% |

| Armenia          | Q2 14 | Q3 14 | Q4 14 | Q1 15 | Q2 15 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 21.7% | 32.9% | 21.7% | 19.8% | 20.1% |
| Add: D&A         | 26.2% | 21.8% | 24.4% | 28.3% | 25.7% |
| OIBDA margin     | 47.9% | 54.6% | 46.1% | 48.1% | 45.8% |

| Turkmenistan     | Q2 14 | Q3 14 | Q4 14 | Q1 15 | Q2 15 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 29.9% | 27.1% | 26.2% | 19.8% | 22.0% |
| Add: D&A         | 14.3% | 14.6% | 14.1% | 16.1% | 15.4% |
| OIBDA margin     | 44.3% | 41.7% | 40.2% | 36.0% | 37.4% |

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**Attachment B**

**Net debt** represents total debt less cash and cash equivalents and short-term investments, long-term deposits and effect of hedging of non-ruble denominated debt. Our net debt calculation is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare our periodic and future liquidity within the wireless telecommunications industry. The non-IFRS financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS.

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

| <b>RUB mln</b>  | <b>As of Dec 31, 2014</b> | <b>As of Jun 30, 2015</b> |
|---|---------------------------|---------------------------|
| Current portion of LT debt and of finance lease obligations | 41,955                    | 49,624                    |
| LT debt   | 240,860                   | 263,382                   |
| Finance lease obligations                                   | 8,857                     | 8,466                     |
| Unamortized debt issuance cost                              | (1,707)                   | (2,496)                   |
| <b>Total debt</b>   | <b>289,965</b>            | <b>318,976</b>            |
| Less:   |                           |                           |
| Cash and cash equivalents                                   | 61,410                    | 44,120                    |
| ST investments  | 9,942                     | 46,319                    |
| LT deposits   | 13,671                    | 36,802                    |
| Effects of hedging of non-ruble denominated debt            | 21,936                    | 17,340                    |
| <b>Net debt</b>   | <b>183,006</b>            | <b>174,395</b>            |

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

| <b>RUB mln</b>                                      | <b>For six months ended<br/>Jun 30, 2014</b> | <b>For six months ended<br/>Jun 30, 2015</b> |
|---|--|--|
| Net cash provided by operating activities           | 77,838                                       | 72,016                                       |
| Less:   |  |  |
| Purchases of property, plant and equipment          | (23,062)                                     | (40,921)                                     |
| Purchases of intangible assets(3)                   | (5,447)                                      | (12,720)                                     |
| Proceeds from sale of property, plant and equipment | 231  | 1,326  |
| Investments in and advances to associates           | (2,702)                                      |  |
| <b>Free cash flow</b>                               | <b>46,858</b>                                | <b>19,701</b>                                |

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

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

| RUB mln   | Six months ended<br>Dec 31, 2014<br>A | Six months ended<br>Jun 30, 2015<br>B | Twelve months<br>ended<br>Jun 30, 2015<br>C = A + B |
|---|---------------------------------------|---------------------------------------|---|
| Net operating profit  | 56,316                                | 41,664                                | 97,980  |
| Less: Gain from reentrance into Uzbekistan                                  | (6,734)                               |                                       | (6,734)   |
| Add: Provision for cash balances deposited in distressed<br>Ukrainian banks | 5,138                                 | 1,698                                 | 6,836   |
| Add: D&A  | 38,593                                | 40,669                                | 79,262  |
| <b>LTM ADJUSTED OIBDA</b>   | <b>93,313</b>                         | <b>84,031</b>                         | <b>177,344</b>                                      |

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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

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

## FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015 AND 2014 (UNAUDITED)

(Amounts in millions of RUB except per share amount)

|   | Six months<br>ended<br>June 30, 2015 | Six months<br>ended<br>June 30, 2014 | Three months<br>ended<br>June 30, 2015 | Three<br>months<br>ended<br>June 30, 2014 |
|---|--------------------------------------|--------------------------------------|--|---|
| <b>Net operating revenue</b>  |                                      |                                      |  |   |
| Service revenue   | 188 831                              | 184 174                              | 95 021                                 | 92 845                                    |
| Sales of handsets and accessories   | 14 042                               | 12 251                               | 7 669                                  | 6 034                                     |
|   | <b>202 873</b>                       | <b>196 425</b>                       | <b>102 690</b>                         | <b>98 879</b>                             |
| <b>Operating expenses</b>   |                                      |                                      |  |   |
| Cost of services  | (63 400)                             | (57 062)                             | (31 028)                               | (28 665)                                  |
| Cost of handsets and accessories  | (11 729)                             | (10 820)                             | (7 043)                                | (5 381)                                   |
| Selling, general and administrative expenses                                  | (44 745)                             | (42 702)                             | (22 449)                               | (21 392)                                  |
| Depreciation and amortization expense   | (40 669)                             | (36 429)                             | (20 221)                               | (18 326)                                  |
| Other operating expense   | (611)                                | (1 040)                              | (94)                                   | (174)                                     |
| Operating share of the profit of associates                                   | 1 643                                | 1 014                                | 646                                    | 393                                       |
| Provision for cash balances deposited in distressed Ukrainian banks           | (1 698)                              |                                      |  |   |
| <b>Net operating profit</b>   | <b>41 664</b>                        | <b>49 386</b>                        | <b>22 501</b>                          | <b>25 334</b>                             |
| Currency exchange gain  | 107                                  | 435                                  | 3 616                                  | 4 201                                     |
| <b>Other (expenses)/income:</b>   |                                      |                                      |  |   |
| Finance income  | 4 763                                | 2 316                                | 2 437                                  | 1 358                                     |
| Finance costs   | (12 609)                             | (8 480)                              | (6 561)                                | (4 043)                                   |
| Other (loss)/income   | (599)                                | 534                                  | (594)                                  | 733                                       |
| <b>Total other expenses, net</b>  | <b>(8 445)</b>                       | <b>(5 630)</b>                       | <b>(4 717)</b>                         | <b>(1 952)</b>                            |
| <b>Profit before provision for income taxes</b>                               | <b>33 326</b>                        | <b>44 191</b>                        | <b>21 399</b>                          | <b>27 583</b>                             |
| Income tax expense  | (6 649)                              | (9 364)                              | (4 711)                                | (5 615)                                   |
| <b>Net profit</b>   | <b>26 677</b>                        | <b>34 827</b>                        | <b>16 688</b>                          | <b>21 968</b>                             |
| Net loss/(profit) attributable to non-controlling interests                   | 1 284                                | (309)                                | 386                                    | (159)                                     |
| <b>Net profit attributable to the MTS Group</b>                               | <b>27 961</b>                        | <b>34 519</b>                        | <b>17 074</b>                          | <b>21 810</b>                             |
| <b>Other comprehensive (loss)/profit, net of taxes</b>                        |                                      |                                      |  |   |
| Currency translation adjustment   | (12 042)                             | (9 647)                              | (3 086)                                | (3 731)                                   |
| Unrealized (losses)/gains on derivatives                                      | (3 402)                              | 1 173                                | (811)                                  | (1 181)                                   |
| <b>Total other comprehensive loss, net of taxes</b>                           | <b>(15 444)</b>                      | <b>(8 474)</b>                       | <b>(3 897)</b>                         | <b>(4 912)</b>                            |
| <b>Total comprehensive income</b>   | <b>11 233</b>                        | <b>26 353</b>                        | <b>12 792</b>                          | <b>17 056</b>                             |
| Less comprehensive loss/(income) attributable to the noncontrolling interests | 1 604                                | (309)                                | 860                                    | 7   |

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|   |               |               |               |               |
|---|---------------|---------------|---------------|---------------|
| <b>Comprehensive income/(loss) attributable to the Group</b>                          | <b>12 837</b> | <b>26 045</b> | <b>13 652</b> | <b>17 063</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:                     | 14.06         | 17.15         | 8.59          | 19.51         |

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

As of June 30,2015 AND As of December 31,2014

(Amounts in millions of RUB)

|  | As of June 30,<br>2015 | As of December 31,<br>2014 |
|--|------------------------|----------------------------|
| <b>NON-CURRENT ASSETS:</b>                               |                        |                            |
| Property, plant and equipment                            | 291 118                | 299 023                    |
| Investment property                                      | 314                    | 290                        |
| Intangible assets  | 105 374                | 98 520                     |
| Investments in associates                                | 12 383                 | 15 217                     |
| Deferred tax assets                                      | 5 633                  | 6 186                      |
| Non-current income tax assets                            | 836                    |                            |
| Other non-current non-financial assets                   | 10                     |                            |
| Other investments  | 40 089                 | 17 065                     |
| Accounts receivable (related parties)                    | 3 154                  |                            |
| Other non-current financial assets                       | 17 348                 | 21 950                     |
| <b>Total non-current assets</b>                          | <b>476 259</b>         | <b>458 251</b>             |
| <b>CURRENT ASSETS:</b>                                   |                        |                            |
| Inventory  | 9 984                  | 7 509                      |
| Trade and other receivables                              | 35 504                 | 34 463                     |
| Accounts receivable (related parties)                    | 5 394                  | 4 525                      |
| Short-term investments                                   | 46 319                 | 9 942                      |
| VAT receivable   | 9 653                  | 8 071                      |
| Current income tax assets                                | 3 858                  | 8 656                      |
| Assets held for sale                                     | 659                    | 2 136                      |
| Advances paid and prepaid expenses, other current assets | 3 533                  | 4 341                      |
| Cash and cash equivalents                                | 44 120                 | 61 410                     |
| <b>Total current assets</b>                              | <b>159 024</b>         | <b>141 053</b>             |
| <b>Total assets</b>                                      | <b>635 283</b>         | <b>599 304</b>             |
| <b>EQUITY:</b>   |                        |                            |
| Total shareholders' equity attributable to the MTS Group | 148 509                | 168 829                    |
| Non-controlling interests                                | 8 348                  | 9 793                      |
| <b>Total equity</b>                                      | <b>156 857</b>         | <b>178 622</b>             |
| <b>NON-CURRENT LIABILITIES:</b>                          |                        |                            |
| Borrowings   | 270 055                | 248 549                    |
| Deferred tax liabilities                                 | 23 912                 | 24 809                     |
| Provisions   | 2 957                  | 2 838                      |
| Other financial liabilities                              | 3 590                  | 3 714                      |
| Other non-financial liabilities                          | 4 617                  | 4 583                      |
| <b>Total non-current liabilities</b>                     | <b>305 131</b>         | <b>284 493</b>             |
| <b>CURRENT LIABILITIES:</b>                              |                        |                            |
| Borrowings   | 48 921                 | 41 416                     |
| Provisions   | 8 005                  | 8 684                      |



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|                                     |                |                |
|-------------------------------------|----------------|----------------|
| Trade and other payables            | 87 725         | 54 839         |
| Accounts payable (related parties)  | 2 816          | 4 674          |
| Income tax liabilities              | 468            | 1 368          |
| Other non-financial liabilities     | 25 360         | 25 208         |
| <b>Total current assets</b>         | <b>173 295</b> | <b>136 189</b> |
| <b>Total liabilities and equity</b> | <b>635 283</b> | <b>599 304</b> |

**MOBILE TELESYSTEMS****CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)****FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014**

(Amounts in millions of RUB)

|  | Six months ended<br>June 30, 2015 | Six months ended<br>June 30, 2014 |
|--|-----------------------------------|-----------------------------------|
| <b>Net profit</b>  | 26 677                            | 34 827                            |
| <b>Adjustments to reconcile net profit to net cash provided by operating activities:</b> |                                   |                                   |
| Depreciation and amortization  | 40 669                            | 36 429                            |
| Finance income   | (4 763)                           | (2 316)                           |
| Finance costs  | 12 609                            | 8 480                             |
| Income tax expense   | 6 649                             | 9 364                             |
| Currency exchange gain   | (107)                             | (435)                             |
| Amortization of deferred connection fees   | (569)                             | (576)                             |
| Equity in net loss/(profit) of associates  | (839)                             | (794)                             |
| Change in fair value of financial instruments  | (91)                              | (943)                             |
| Inventory obsolescence expense   | 86                                | 162                               |
| Provision for doubtful accounts  | 1 483                             | 1 733                             |
| Change in provisions   | 4 752                             | 4 851                             |
| Other non-cash items   | (294)                             | (60)                              |
| <b>Working capital adjustments:</b>  |                                   |                                   |
| (Increase)/Decrease in accounts receivable   | (4 824)                           | 2 698                             |
| (Increase)/Decrease in inventory   | (2 516)                           | 1 030                             |
| (Increase)/Decrease in VAT receivable  | (1 599)                           | 280                               |
| Decrease in prepaid expenses and other assets  | 3 113                             | 716                               |
| Increase/(Decrease) in trade accounts payable, accrued liabilities and other liabilities | 2 103                             | (6 614)                           |
| Dividends received   | 1 471                             | 1 303                             |
| Income taxes paid  | (4 207)                           | (5 898)                           |
| Interest received  | 2 062                             | 1 292                             |
| Interest paid (net of interest capitalised)  | (9 849)                           | (7 691)                           |
| <b>Net cash provided by operating activities</b>   | <b>72 016</b>                     | <b>77 838</b>                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                                   |                                   |
| Purchases of property, plant and equipment   | (40 921)                          | (23 062)                          |
| Purchases of intangible assets (net of purchases of 3G licences in Ukraine)              | (12 720)                          | (5 447)                           |
| Purchases of 3G licences in Ukraine  | (7 044)                           |                                   |
| Proceeds from sale of property, plant and equipment                                      | 1 326                             | 231                               |
| Purchases of short-term investments  | (28 790)                          | (29 187)                          |
| Proceeds from sale of short-term investments   | 4 422                             | 23 383                            |
| Purchase of other investments  | (39 867)                          | (15 283)                          |
| Proceeds from sale of other investments  | 97                                | 730                               |
| Investments in associates  |                                   | (2 702)                           |
| <b>Net cash used in investing activities</b>   | <b>(123 497)</b>                  | <b>(51 337)</b>                   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                                   |                                   |

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|  |                 |                |
|--|-----------------|----------------|
| Repayment of notes   | (479)           | (16 619)       |
| Notes and debt issuance cost paid  | (1 213)         | (25)           |
| Finance lease principal paid   | (224)           | (20)           |
| Dividends paid   | (82)            | (56)           |
| Cash flows under capital transactions with related parties   | 4 252           |                |
| Proceeds from loans  | 43 818          | 20 000         |
| Loan principal paid  | (9 009)         | (5 944)        |
| Other financing activities   | 5               | (2)            |
| <b>Net cash provided by/(used) in financing activities</b>   | <b>37 068</b>   | <b>(2 666)</b> |
| Effect of exchange rate changes on cash and cash equivalents   | (2 924)         | (998)          |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS:</b>   | <b>(17 337)</b> | <b>22 837</b>  |
| <b>CASH AND CASH EQUIVALENTS, at beginning of the period, including cash and cash equivalents within assets held for sale of 156</b> | 61 566          | 30 612         |
| <b>CASH AND CASH EQUIVALENTS, at end of the period</b>   | <b>44 229</b>   | <b>53 449</b>  |
| Less cash and cash equivalents within assets held for sale   | (109)           |                |
| <b>CASH AND CASH EQUIVALENTS, at end of the period</b>   | <b>44 120</b>   | <b>53 449</b>  |























































































































































**SIGNATURES**

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

**MOBILE TELESYSTEMS PJSC**

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

Date: **August 18, 2015**

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