

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

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

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

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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%

* * *

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/ 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.

* * *

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

* * *

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

**Attachments to the 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:

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

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

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

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:

RUB mln	As of Dec 31, 2014	As of Jun 30, 2015
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)
Total debt	289,965	318,976
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
Net debt	183,006	174,395

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

RUB mln	For six months ended Jun 30, 2014	For six months ended Jun 30, 2015
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)	
Free cash flow	46,858	19,701

(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 Dec 31, 2014 A	Six months ended Jun 30, 2015 B	Twelve months ended Jun 30, 2015 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 Ukrainian banks	5,138	1,698	6,836
Add: D&A	38,593	40,669	79,262
LTM ADJUSTED OIBDA	93,313	84,031	177,344

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.

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 ended June 30, 2015	Six months ended June 30, 2014	Three months ended June 30, 2015	Three months ended June 30, 2014
Net operating revenue				
Service revenue	188 831	184 174	95 021	92 845
Sales of handsets and accessories	14 042	12 251	7 669	6 034
	202 873	196 425	102 690	98 879
Operating expenses				
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)			
Net operating profit	41 664	49 386	22 501	25 334
Currency exchange gain	107	435	3 616	4 201
Other (expenses)/income:				
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
Total other expenses, net	(8 445)	(5 630)	(4 717)	(1 952)
Profit before provision for income taxes	33 326	44 191	21 399	27 583
Income tax expense	(6 649)	(9 364)	(4 711)	(5 615)
Net profit	26 677	34 827	16 688	21 968
Net loss/(profit) attributable to non-controlling interests	1 284	(309)	386	(159)
Net profit attributable to the MTS Group	27 961	34 519	17 074	21 810
Other comprehensive (loss)/profit, net of taxes				
Currency translation adjustment	(12 042)	(9 647)	(3 086)	(3 731)
Unrealized (losses)/gains on derivatives	(3 402)	1 173	(811)	(1 181)
Total other comprehensive loss, net of taxes	(15 444)	(8 474)	(3 897)	(4 912)
Total comprehensive income	11 233	26 353	12 792	17 056
Less comprehensive loss/(income) attributable to the noncontrolling interests	1 604	(309)	860	7

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Comprehensive income/(loss) attributable to the Group	12 837	26 045	13 652	17 063
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, 2015	As of December 31, 2014
NON-CURRENT ASSETS:		
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
Total non-current assets	476 259	458 251
CURRENT ASSETS:		
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
Total current assets	159 024	141 053
Total assets	635 283	599 304
EQUITY:		
Total shareholders' equity attributable to the MTS Group	148 509	168 829
Non-controlling interests	8 348	9 793
Total equity	156 857	178 622
NON-CURRENT LIABILITIES:		
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
Total non-current liabilities	305 131	284 493
CURRENT LIABILITIES:		
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
Total current assets	173 295	136 189
Total liabilities and equity	635 283	599 304

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 June 30, 2015	Six months ended June 30, 2014
Net profit	26 677	34 827
Adjustments to reconcile net profit to net cash provided by operating activities:		
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)
Working capital adjustments:		
(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)
Net cash provided by operating activities	72 016	77 838
CASH FLOWS FROM INVESTING ACTIVITIES:		
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)
Net cash used in investing activities	(123 497)	(51 337)
CASH FLOWS FROM FINANCING ACTIVITIES:		

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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)
Net cash provided by/(used) in financing activities	37 068	(2 666)
Effect of exchange rate changes on cash and cash equivalents	(2 924)	(998)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS:	(17 337)	22 837
CASH AND CASH EQUIVALENTS, at beginning of the period, including cash and cash equivalents within assets held for sale of 156	61 566	30 612
CASH AND CASH EQUIVALENTS, at end of the period	44 229	53 449
Less cash and cash equivalents within assets held for sale	(109)	
CASH AND CASH EQUIVALENTS, at end of the period	44 120	53 449

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**
