

MOBILE TELESYSTEMS PJSC  
Form 6-K  
August 18, 2016

## **FORM 6-K**

# **UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Report of Foreign Issuer**  
**August 18, 2016**

**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, 2016**

August 18, 2016

**Moscow, Russian Federation** Mobile TeleSystems PJSC ( MTS NYSE: MBT; MOEX: MTSS), the leading telecommunications provider in Russia and the CIS, today announces its unaudited IFRS financial results for the three months ended June 30, 2016.

**Key Financial Highlights of Q2 2016**

- Consolidated group revenue increased by 5.3% y-o-y to RUB 108.1 bln
- Total revenue in Russia rose by 3.3% y-o-y to RUB 97.4 bln
- Mobile service revenue in Russia increased by 0.1% y-o-y to RUB 72.8 bln
- Sales of goods in Russia increased by 38.7% y-o-y to RUB 10.6 bln
- Active subscriber base increased by 3.5% for the Group to 109.0 mln
- MTS' s proprietary retail network in Russia increased to 5,838 stores

- Revenue in Ukraine increased by 13.5% y-o-y to UAH 2.7 bln
- YTD Free Cash Flow reached nearly RUB 24.0 bln
- Total Group debt fell to RUB 274.5(1) bln as Net Debt/LTM Adjusted OIBDA remained stable at 1.1x

#### Key Corporate and Industry Highlights

- Paid out in dividends RUB 28.0 bln or RUB 14.01 per ordinary MTS share (RUB 28.02 per ADR) based on FY2015 results
- The Board of Directors recommended that the Extraordinary General Meeting of shareholders approve semi-annual dividends of RUB 11.99 per ordinary MTS share (RUB 23.98 per ADR), or a total of RUB 24.0 bln, based on H1 2016 financial results
- MTS through its subsidiary, Dega Retail Holding Limited, repurchased USD 267 mln of Loan Participation Notes due in 2020 (issued in 2010 in the amount of USD 750,000,000 at 8.625%) through a tender offer
- Sold 50.01% stake in the telecommunications operator Universal Mobile Systems (UMS) to the State Unitary Enterprise Centre of Radio Communication, Radio Broadcasting and Television of The Ministry of Development of Information Technologies and Communications of the Republic of Uzbekistan

#### Commentary

Mr. Andrei Dubovskov, President and CEO of MTS, commented, For the period, we are pleased to report strong topline growth of 5.3% as total Group revenue increased to RUB 108.1 bln. Factors that have allowed us to build on our successful 3D strategy and set the pace for the market include: strong retail sales; stable

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(1) Net of financial leasing and unamortized debt issuance cost adjustment, as of June 30, 2016



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service revenue despite on-going weaker usage in certain mobile market segments; growth in B2C home Internet and pay-tv markets; and growth in Ukraine through the steady adoption of 3G data services.

Macroeconomic factors and competitive issues continue to impact our performance in many ways, in particular voice and messaging usage in roaming, but in sum, our group revenue performance currently out-paces the market.

Mr. Dubovskov continued, OIBDA performance was slightly weaker in Q2 than anticipated as we witnessed a 4.3% decline in OIBDA for an OIBDA margin of nearly 38%. Our guidance for the year was predicated on changes in the retail environment, but we continue to see strong competitor activity in this space. Retail competition impacts both the gross margin and OIBDA directly, but it also has a sustained impact on effective pricing. These factors, combined with the continued macroeconomic volatility throughout our markets, dampened our performance for the period.

Mr. Vasyl Latsanych, Vice President, Strategy and Marketing, commented, Total revenue in Russia increased by 3.3% to RUB 97.4 bln. Our mobile business revenue grew slightly during the period as we see a continuation of trends that had previously defined our growth: stronger data usage due to both the growth of customer usage and migration to data plans, as smartphone penetration reached over 51%; 3.2% growth in subscribers as we focus more on sales through our proprietary retail channels; and higher handset sales as we continue to implement our retail strategy of upgrading existing feature phone users, as well as attracting new active voice and data users.

Mr. Latsanych continued, In our fixed-line business, revenue decreased by 2.8% to RUB 15.3 bln. We see continuous growth from our B2C broadband and pay-TV markets, as market shares in Moscow in both home internet and pay-tv rose. However, overall B2B and B2G spending has fallen due to macroeconomic factors, which reduces overall voice calling. In Ukraine, revenue for the period increased by 13.5% to UAH 2.7 bln. Key drivers include an increase of subscribers and data consumption, which is rising as we have rolled out 3G to all major population centers throughout Ukraine. Among our foreign subsidiaries, revenue in Armenia declined 18.6% year-over-year, while in Turkmenistan, we saw a 7.5% decline. Both markets remain exposed to macroeconomic trends, which continue to weaken voice and data usage.

Alexey Kornya, Vice President, Finance, Investments and M&A, added, We witnessed a decline in year-over-year group OIBDA of 4.3% to RUB 40.9 bln. While the decline we have seen in the contribution from our foreign subsidiaries has stabilized, Russia witnessed OIBDA decline due to factors we have long identified as having a negative impact on our OIBDA, including higher retail expenses and also roaming costs in light of higher currency volatility. Overall, for the first half of 2016, we are only down 2.2% on OIBDA, which is close to our previous guidance of minus 2%.

Mr. Kornya continued, Group net profit for the period decreased year-over-year to RUB 9.1 bln. Primary this decline was attributable to a number of factors, including OIBDA trends; the accelerated realization of RUB 3.1 bln in interest expense due to our repurchase of USD 267 mln of our 2020 Eurobond notes; and a smaller non-cash FOREX gain compared to Q2 2015 of RUB 1.0 bln for the period, due to relative ruble weakness vis-à-vis our non-ruble denominated debt.

Free cash flow to date amounted to 24.0 billion rubles, an increase of 22% year-over-year for the period. CAPEX equaled nearly RUB 40.0 bln, lower than in H1 2015, but in line with our guidance of RUB 85 bln for the year. Spending is lower in each of our markets as we focus on incremental investments in our more developed data markets and have completed our launch of our core 3G network in Ukraine.

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Recently, we paid out dividends of RUB 28.0 bln or RUB 14.01 per share. The Board of Directors also recommended that an Extraordinary General Meeting of Shareholders approve a semi-annual dividend

payment of close to RUB 24.0 bln or RUB 11.99 per share, which would satisfy our commitment to deliver RUB 25.26 per share in dividends over the course of calendar year 2016.

By the end of the period, total debt stood at RUB 274.5 bln(2), which is trending lower due to our on-going debt repayments as well as financial policies. Our net debt/LTM Adjusted OIBDA remained stable at a manageable 1.1x, a comfortable level for the Company and very low in relation to our peers. Virtually our entire non-ruble debt position is currently covered by a combination of hedges, short-term deposits and stable long-term investments, all of which are denominated in US dollar or Euro. Adding to this, we repurchased USD 267 mln of our 2020 Eurobonds in Q2 to take advantage of a strong market and our favorable liquidity position to provide hedges against currency volatility and balance sheet flexibility. We remain focused on sustaining a strong balance sheet and identifying further ways to optimize our debt portfolio.

## 2016 Outlook

*In accordance with IFRS 5 disclosure requirements, from Q3 2016 the Group shall present financial results in a manner that enables users of the financial statements to evaluate the effects of discontinued operations. Results of discontinued operations shall be excluded from the results of continuing operations and presented separately as a single amount in the statement of comprehensive income.*

**Group Revenue:** For 2016, MTS amends its Group revenue outlook to 2-3% growth, due to disposal of UMS LLC and expected full deconsolidation of UMS's financial results in Q3 2016 and other factors:

- Subscriber growth in Russia;
- Rising data usage and sustained data adoption in Russia and Ukraine;
- Increased sales of handsets in Russia; and
- Rising share in Moscow B2C broadband/pay-TV markets.

**Group OIBDA:** MTS is compelled to revise its outlook on adjusted Group OIBDA growth to -4% due primarily to the sale of UMS LLC as well as other factors:

- Sustained competitive pressures in the Russian distribution market and the Company's strategic efforts to sustain market share;



- The build-out of 3G in Ukraine and non-market factors impacting our profitability;
- Developments in foreign subsidiaries; and
- Macroeconomic developments and currency volatility throughout our markets of operation.

**Group CAPEX:** MTS affirms its Group CAPEX guidance of RUB 85 bln

**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.

**Conference Call**

The conference call will start today at:

18:00 hrs (Moscow time)

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(2) Net of financial leasing and unamortized debt issuance cost adjustment, as of June 30, 2016

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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, 9935476

From Russia + 7 495 545 0588

From the UK: + 44(0)20 3427 1906

From the US: + 1 646 254 3361

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 9935476

From the UK: +44(0)20 3427 0598 PIN 9935476

*This press release provides a summary of some of the key financial and operating indicators for the period ended June 30, 2016. For full disclosure materials, please visit <http://www.mtsgsm.com/resources/reports/>.*

## Financial Summary

| <b>RUB mln</b>   | <b>Q2 16</b> | <b>Q2 15</b> | <b>y-o-y</b> | <b>Q1 16</b> | <b>q-o-q</b> |
|------------------|--------------|--------------|--------------|--------------|--------------|
| Revenues         | 108,136      | 102,691      | 5.3%         | 108,090      | stable       |
| OIBDA            | 40,885       | 42,722       | -4.3%        | 41,279       | -1.0%        |
| - <i>margin</i>  | 37.8%        | 41.6%        | -3.8%        | 38.2%        | -0.4%        |
| Operating profit | 20,053       | 22,501       | -10.9%       | 21,031       | -4.6%        |
| - <i>margin</i>  | 18.5%        | 21.9%        | -3.4%        | 19.5%        | -1.0%        |
| Net profit       | 9,056        | 17,074       | -47.0%       | 14,507       | -37.6%       |
| - <i>margin</i>  | 8.4%         | 16.6%        | -8.2%        | 13.4%        | -5.0%        |

## Russia Highlights

| <b>RUB mln</b>               | <b>Q2 16</b> | <b>Q2 15</b> | <b>y-o-y</b> | <b>Q1 16</b> | <b>q-o-q</b> |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenues(3)                  | 97,435       | 94,336       | 3.3%         | 96,302       | 1.2%         |
| - <i>mobile</i>              | 72,786       | 72,749       | 0.1%         | 71,132       | 2.3%         |
| - <i>fixed</i>               | 15,263       | 15,706       | -2.8%        | 15,369       | -0.7%        |
| - <i>integrated services</i> | 1,258        |              | n/a          | 2,492        | -49.5%       |
| - <i>sales of goods</i>      | 10,552       | 7,607        | 38.7%        | 10,700       | -1.4%        |
| OIBDA                        | 39,706       | 41,245       | -3.7%        | 38,583       | 2.9%         |
| - <i>margin</i>              | 40.8%        | 43.7%        | -2.9%        | 40.1%        | 0.7%         |
| Net profit                   | 10,788       | 18,746       | -42.5%       | 15,000       | -28.1%       |
| - <i>margin</i>              | 11.1%        | 19.9%        | -8.8%        | 15.6%        | -4.5%        |

## Ukraine Highlights

| <b>UAH mln</b>  | <b>Q2 16</b> | <b>Q2 15</b> | <b>y-o-y</b> | <b>Q1 16</b> | <b>q-o-q</b> |
|-----------------|--------------|--------------|--------------|--------------|--------------|
| Revenues        | 2,745        | 2,419        | 13.5%        | 2,761        | -0.6%        |
| OIBDA           | 827          | 942          | -12.2%       | 803          | 3.0%         |
| - <i>margin</i> | 30.1%        | 38.9%        | -8.8%        | 29.1%        | 1.0%         |
| Net profit      | 222          | 214          | 3.7%         | 275          | -19.3%       |
| - <i>margin</i> | 8.1%         | 8.8%         | -0.7%        | 10.0%        | -1.9%        |

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

## Armenia Highlights

| AMD mln           | Q2 16   | Q2 15  | y-o-y  | Q1 16  | q-o-q |
|-------------------|---------|--------|--------|--------|-------|
| Revenues          | 15,040  | 18,479 | -18.6% | 14,151 | 6.3%  |
| OIBDA             | 5,944   | 8,491  | -30.0% | 5,618  | 5.8%  |
| - margin          | 39.5%   | 45.9%  | -6.4%  | 39.7%  | -0.2% |
| Net profit/(loss) | (1,991) | 4,078  | n/a    | 239    | n/a   |
| - margin          | n/a     | 22.1%  | n/a    | 1.7%   | n/a   |

## Turkmenistan Highlights

| TMT mln    | Q2 16 | Q2 15 | y-o-y  | Q1 16 | q-o-q  |
|------------|-------|-------|--------|-------|--------|
| Revenues   | 66    | 71    | -7.5%  | 67    | -1.7%  |
| OIBDA      | 22    | 27    | -17.2% | 24    | -7.5%  |
| - margin   | 33.4% | 37.4% | -4.0%  | 35.5% | -2.1%  |
| Net profit | 10    | 13    | -29.1% | 11    | -15.8% |
| - margin   | 14.4% | 18.8% | -4.4%  | 16.8% | -2.4%  |

## Uzbekistan Highlights

| UZS mln  | Q2 16    | Q2 15    | y-o-y  | Q1 16    | q-o-q |
|----------|----------|----------|--------|----------|-------|
| Revenues | 92,372   | 37,398   | 147.0% | 85,241   | 8.4%  |
| OIBDA    | 9,770    | (22,235) | n/a    | 5,731    | 70.5% |
| - margin | 10.6%    | n/a      | n/a    | 6.7%     | 3.9%  |
| Net loss | (10,771) | (28,123) | n/a    | (12,507) | n/a   |
| - margin | n/a      | n/a      | n/a    | n/a      | n/a   |

## Belarus Highlights

| BYR bln    | Q2 16 | Q2 15 | y-o-y | Q1 16 | q-o-q |
|------------|-------|-------|-------|-------|-------|
| Revenues   | 1,619 | 1,302 | 24.3% | 1,489 | 8.7%  |
| OIBDA      | 757   | 673   | 12.4% | 681   | 11.1% |
| - margin   | 46.8% | 51.7% | -4.9% | 45.7% | 1.1%  |
| Net profit | 466   | 368   | 26.6% | 397   | 17.2% |
| - margin   | 28.8% | 28.2% | 0.6%  | 26.7% | 2.1%  |

## CAPEX Highlights

| <b>RUB mln</b> | <b>FY 2015</b> | <b>6M 2016</b> |
|----------------|----------------|----------------|
| Russia(4)      | 79,619         | 35,306         |
| - as % of rev  | 20.4%          | 18.2%          |
| Ukraine(5)     | 12,427         | 3,155          |
| - as % of rev  | 44.1%          | 20.8%          |
| Armenia        | 1,371          | 281            |
| - as % of rev  | 15.2%          | 6.6%           |
| Turkmenistan   | 500            | 63             |
| - as % of rev  | 9.8%           | 2.3%           |
| Uzbekistan     | 2,195          | 867            |
| - as % of rev  | 47.6%          | 20.1%          |
| <b>Group</b>   | <b>96,111</b>  | <b>39,671</b>  |
| - as % of rev  | 22.3%          | 18.3%          |

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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 - NYSE:MBT; MOEX:MTSS) is the leading telecommunications group in Russia, Central and Eastern Europe. We provide wireless Internet access and fixed voice, broadband and pay-TV to over 100 million customers who value high quality of service at a competitive price. Our wireless and fixed-line networks deliver best-in-class speeds and coverage throughout Russia, Ukraine, Armenia, Turkmenistan and Belarus. To keep pace with evolving customer demand, we continue to grow through innovative products, investments in our market-leading retail platform, mobile payment services, e-commerce and IT solutions. For more information, please visit: [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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(4) Excluding costs of RUB 3.4 bln related to the acquisition of a 4G license in Russia in 2015 and RUB 2.6 bln in 2016

(5) Excluding purchase of 3G license in Ukraine in the amount of RUB 7.0 bln in 2015

**Attachments to the Second Quarter 2016  
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 profit or loss. 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 can be reconciled to our consolidated statements of operations as follows:

| Group (RUB mln)                                  | Q2 15  | Q3 15  | Q4 15  | Q1 16  | Q2 16  |
|--|--------|--------|--------|--------|--------|
| Operating profit                                 | 22,501 | 27,319 | 18,876 | 21,031 | 20,053 |
| Add: Loss from impairment of goodwill in Armenia |        |        | 3,516  |        |        |
| Adjusted operating profit                        | 22,501 | 27,319 | 22,392 | 21,031 | 20,053 |
| Add: D&A   | 20,221 | 20,700 | 21,103 | 20,248 | 20,832 |
| Adjusted OIBDA                                   | 42,722 | 48,019 | 43,495 | 41,279 | 40,885 |

| Russia (RUB mln) | Q2 15  | Q3 15  | Q4 15  | Q1 16  | Q2 16  |
|------------------|--------|--------|--------|--------|--------|
| Operating profit | 23,728 | 27,275 | 23,481 | 21,599 | 21,954 |
| Add: D&A         | 17,517 | 17,252 | 17,634 | 16,984 | 17,752 |
| OIBDA            | 41,245 | 44,527 | 41,115 | 38,583 | 39,706 |

| Ukraine (RUB mln) | Q2 15 | Q3 15 | Q4 15 | Q1 16 | Q2 16 |
|-------------------|-------|-------|-------|-------|-------|
| Operating profit  | 1,190 | 1,675 | 1,158 | 795   | 627   |
| Add: D&A          | 1,107 | 1,358 | 1,390 | 1,557 | 1,530 |
| OIBDA             | 2,297 | 3,032 | 2,548 | 2,351 | 2,157 |

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| Armenia (RUB mln)                                | Q2 15 | Q3 15 | Q4 15   | Q1 16 | Q2 16 |
|--|-------|-------|---------|-------|-------|
| Operating profit/ (loss)                         | 412   | 680   | (3,122) | 120   | 136   |
| Add: Loss from impairment of goodwill in Armenia |       |       | 3,516   |       |       |
| Adjusted operating profit                        | 412   | 680   | 394     | 120   | 136   |
| Add: D&A   | 525   | 626   | 656     | 737   | 681   |
| Adjusted OIBDA                                   | 937   | 1,306 | 1,050   | 857   | 817   |

| Turkmenistan (RUB mln) | Q2 15 | Q3 15 | Q4 15 | Q1 16 | Q2 16 |
|------------------------|-------|-------|-------|-------|-------|
| Operating profit       | 237   | 326   | 330   | 278   | 209   |
| Add: D&A               | 165   | 203   | 209   | 232   | 207   |
| OIBDA                  | 402   | 529   | 538   | 510   | 416   |



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| Uzbekistan (RUB mln) | Q2 15   | Q3 15   | Q4 15   | Q1 16 | Q2 16 |
|----------------------|---------|---------|---------|-------|-------|
| Operating loss       | (1,373) | (1,404) | (1,163) | (607) | (447) |
| Add: D&A             | 917     | 1,275   | 1,228   | 760   | 667   |
| OIBDA                | (455)   | (128)   | 65      | 154   | 220   |

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

| Group  | Q2 15 | Q3 15 | Q4 15 | Q1 16 | Q2 16 |
|--|-------|-------|-------|-------|-------|
| Operating margin                                 | 21.9% | 23.7% | 16.7% | 19.5% | 18.5% |
| Add: Loss from impairment of goodwill in Armenia |       |       | 3.1%  |       |       |
| Adjusted operating margin                        | 21.9% | 23.7% | 19.8% | 19.5% | 18.5% |
| Add: D&A   | 19.7% | 18.0% | 18.6% | 18.7% | 19.3% |
| Adjusted OIBDA margin                            | 41.6% | 41.7% | 38.4% | 38.2% | 37.8% |

| Russia           | Q2 15 | Q3 15 | Q4 15 | Q1 16 | Q2 16 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 25.2% | 26.2% | 22.9% | 22.4% | 22.5% |
| Add: D&A         | 18.6% | 16.6% | 17.2% | 17.6% | 18.2% |
| OIBDA margin     | 43.7% | 42.8% | 40.1% | 40.1% | 40.8% |

| Ukraine          | Q2 15 | Q3 15 | Q4 15 | Q1 16 | Q2 16 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 20.2% | 22.5% | 16.7% | 9.9%  | 8.8%  |
| Add: D&A         | 18.8% | 18.2% | 20.0% | 19.5% | 21.4% |
| OIBDA margin     | 38.9% | 40.7% | 36.7% | 29.4% | 30.1% |

| Armenia  | Q2 15 | Q3 15 | Q4 15  | Q1 16 | Q2 16 |
|--|-------|-------|--------|-------|-------|
| Operating margin                                 | 20.1% | 26.9% | n/a    | 5.6%  | 6.6%  |
| Add: Loss from impairment of goodwill in Armenia |       |       | 155.0% |       |       |
| Adjusted operating margin                        | 20.1% | 26.9% | 17.4%  | 5.6%  | 6.6%  |
| Add: D&A   | 25.7% | 24.8% | 28.9%  | 34.2% | 32.9% |
| Adjusted OIBDA margin                            | 45.8% | 51.7% | 46.3%  | 39.7% | 39.5% |

| Turkmenistan     | Q2 15 | Q3 15 | Q4 15 | Q1 16 | Q2 16 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin | 22.0% | 24.3% | 23.4% | 19.4% | 16.8% |
| Add: D&A         | 15.4% | 15.1% | 14.8% | 16.2% | 16.6% |
| OIBDA margin     | 37.4% | 39.4% | 38.1% | 35.6% | 33.4% |

| Uzbekistan       | Q2 15 | Q3 15 | Q4 15 | Q1 16 | Q2 16 |
|------------------|-------|-------|-------|-------|-------|
| Operating margin |       |       | n/a   | n/a   | n/a   |
| Add: D&A         |       |       | 61.1% | 34.1% | 31.9% |
| OIBDA margin     |       |       | 3.2%  | 6.9%  | 10.5% |

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**Attachment B**

**Net debt** represents total debt less cash and cash equivalents and short-term investments and long-term deposits. 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 Mar 31, 2016</b> | <b>As of June 30, 2016</b> |
|---|---------------------------|----------------------------|
| Current portion of LT debt and of finance lease obligations | 46,273                    | 49,586                     |
| LT debt   | 259,968                   | 225,569                    |
| Finance lease obligations                                   | 10,650                    | 10,297                     |
| <b>Total debt</b>   | <b>316,891</b>            | <b>285,452</b>             |
| Less:   |                           |                            |
| Cash and cash equivalents                                   | 44,389                    | 24,956                     |
| ST investments  | 30,961                    | 27,978                     |
| LT deposits   | 28,886                    | 30,409                     |
| Effects of hedging of non-ruble denominated debt            | 14,636                    | 12,369                     |
| <b>Net debt</b>   | <b>198,019</b>            | <b>189,740</b>             |

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

| <b>RUB mln</b>                                      | <b>For the six months ended<br/>June 30, 2015</b> | <b>For the six months ended<br/>June 30, 2016</b> |
|---|---|---|
| Net cash provided by operating activities           | 72,016  | 63,674  |
| Less:   |   |   |
| Purchases of property, plant and equipment          | (40,921)  | (25,545)  |
| Purchases of intangible assets(6)                   | (12,720)  | (14,126)  |
| Proceeds from sale of property, plant and equipment | 1,326   | 1,300   |
| Investments in associates                           |   | (1,326)   |
| Free cash flow                                      | 19,701  | 23,977  |

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(6) Excluding costs of RUB 3.4 bln related to the acquisition of a 4G license in Russia in 2015 and RUB 2.6 bln in 2016 and purchase of 3G license in Ukraine in the amount of RUB 7.0 bln in 2015

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

| RUB mln                                | Six months ended<br>Dec 31, 2015 | Six months ended<br>June 30, 2016 | Twelve months<br>ended<br>June 30, 2016 |
|--|----------------------------------|-----------------------------------|---|
|  | A                                | B                                 | C = A + B                               |
| Net operating profit                   | 46,195                           | 41,084                            | 87,279                                  |
| Add: Impairment of goodwill in Armenia | 3,516                            |                                   | 3,516                                   |
| Add: D&A                               | 41,803                           | 41,080                            | 82,883                                  |
| LTM ADJUSTED OIBDA                     | 91,514                           | 82,164                            | 173,678                                 |

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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.

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

As of June 30,2016 AND As of December 31,2015

(Amounts in millions of RUB)

|  | As of June 30,<br>2016 | As of December 31,<br>2015 |
|--|------------------------|----------------------------|
| <b>NON-CURRENT ASSETS:</b>                               |                        |                            |
| Property, plant and equipment                            | 288 402                | 302 662                    |
| Investment property                                      | 359                    | 364                        |
| Intangible assets  | 110 609                | 109 064                    |
| Investments in associates                                | 8 545                  | 9 299                      |
| Deferred tax assets                                      | 8 816                  | 9 287                      |
| Other non-financial assets                               | 682                    | 480                        |
| Other investments  | 34 386                 | 34 667                     |
| Accounts receivable (related parties)                    | 3 513                  | 3 335                      |
| Other financial assets                                   | 17 773                 | 25 203                     |
| <b>Total non-current assets</b>                          | <b>473 085</b>         | <b>494 361</b>             |
| <b>CURRENT ASSETS:</b>                                   |                        |                            |
| Inventories  | 12 813                 | 14 510                     |
| Trade and other receivables                              | 37 252                 | 34 542                     |
| Accounts receivable (related parties)                    | 2 447                  | 6 326                      |
| Short-term investments                                   | 27 978                 | 49 840                     |
| VAT receivable   | 7 041                  | 9 815                      |
| Income tax assets  | 3 655                  | 5 190                      |
| Assets held for sale                                     | 461                    | 549                        |
| Advances paid and prepaid expenses, other current assets | 5 665                  | 4 781                      |
| Cash and cash equivalents                                | 24 956                 | 33 464                     |
| <b>Total current assets</b>                              | <b>122 268</b>         | <b>159 017</b>             |
| <b>Total assets</b>                                      | <b>595 353</b>         | <b>653 378</b>             |
| <b>EQUITY:</b>   |                        |                            |
| Equity attributable to equity holders                    | 145 216                | 160 115                    |
| Non-controlling interests                                | 6 218                  | 8 256                      |
| <b>Total equity</b>                                      | <b>151 434</b>         | <b>168 371</b>             |
| <b>NON-CURRENT LIABILITIES:</b>                          |                        |                            |
| Borrowings   | 234 634                | 292 168                    |
| Deferred tax liabilities                                 | 29 094                 | 27 346                     |
| Provisions   | 2 221                  | 2 565                      |
| Other financial liabilities                              | 554                    | 676                        |
| Other non-financial liabilities                          | 4 182                  | 4 342                      |
| <b>Total non-current liabilities</b>                     | <b>270 685</b>         | <b>327 097</b>             |
| <b>CURRENT LIABILITIES:</b>                              |                        |                            |
| Borrowings   | 49 009                 | 53 701                     |
| Provisions   | 5 691                  | 7 863                      |
| Trade and other payables                                 | 82 981                 | 57 756                     |

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|                                     |                |                |
|-------------------------------------|----------------|----------------|
| Accounts payable (related parties)  | 1 702          | 1 809          |
| Income tax liabilities              | 1 045          | 831            |
| Other financial liabilities         | 7 991          | 9 778          |
| Other non-financial liabilities     | 24 815         | 26 172         |
| <b>Total current liabilities</b>    | <b>173 234</b> | <b>157 910</b> |
| <b>Total equity and liabilities</b> | <b>595 353</b> | <b>653 378</b> |

## MOBILE TELESYSTEMS

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE THREE AND SIX MONTHS ENDED June 30, 2016 AND 2015

(Amounts in millions of RUB except per share amount)

|  | Six months<br>ended<br>June 30, 2016 | Six months<br>ended<br>June 30, 2015 | Three months<br>ended<br>June 30, 2016 | Three months<br>ended<br>June 30, 2015 |
|--|--------------------------------------|--------------------------------------|--|--|
| <b>Net operating revenue</b>   |                                      |                                      |  |  |
| Service revenue  | 195 007                              | 188 831                              | 97 680                                 | 95 021                                 |
| Sales of goods   | 21 219                               | 14 042                               | 10 456                                 | 7 669                                  |
|  | <b>216 226</b>                       | <b>202 873</b>                       | <b>108 136</b>                         | <b>102 690</b>                         |
| <b>Operating expenses</b>  |                                      |                                      |  |  |
| Cost of services   | (68 374)                             | (63 400)                             | (33 776)                               | (31 028)                               |
| Cost of goods  | (20 053)                             | (11 729)                             | (10 307)                               | (7 043)                                |
| Selling, general and administrative expenses                             | (47 579)                             | (44 745)                             | (23 912)                               | (22 449)                               |
| Depreciation and amortization expense                                    | (41 080)                             | (40 669)                             | (20 832)                               | (20 221)                               |
| Other operating income/(expenses)  | 482                                  | (611)                                | (17)                                   | (94)                                   |
| Operating share of the profit of associates                              | 1 462                                | 1 643                                | 761                                    | 646                                    |
| Provision for cash balances deposited in distressed<br>Ukrainian banks   |                                      | (1 698)                              |  |  |
| <b>Operating profit</b>  | <b>41 084</b>                        | <b>41 664</b>                        | <b>20 053</b>                          | <b>22 501</b>                          |
| Currency exchange gain   | 3 270                                | 107                                  | 997                                    | 3 616                                  |
| <b>Other (expenses)/income:</b>  |                                      |                                      |  |  |
| Finance income   | 3 005                                | 4 763                                | 1 309                                  | 2 437                                  |
| Finance costs  | (16 057)                             | (12 609)                             | (9 323)                                | (6 561)                                |
| Other expenses   | (1 294)                              | (599)                                | (608)                                  | (594)                                  |
| <b>Total other expenses, net</b>   | <b>(14 346)</b>                      | <b>(8 445)</b>                       | <b>(8 622)</b>                         | <b>(4 718)</b>                         |
| <b>Profit before tax</b>   | <b>30 008</b>                        | <b>33 326</b>                        | <b>12 428</b>                          | <b>21 399</b>                          |
| Income tax expense   | (6 720)                              | (6 649)                              | (3 457)                                | (4 711)                                |
| <b>Profit for the period</b>   | <b>23 288</b>                        | <b>26 677</b>                        | <b>8 971</b>                           | <b>16 688</b>                          |
| Loss for the period attributable to non-controlling<br>interests         | 275                                  | 1 284                                | 85                                     | 386                                    |
| <b>Profit for the period attributable to owners of the<br/>Company</b>   | <b>23 563</b>                        | <b>27 961</b>                        | <b>9 056</b>                           | <b>17 074</b>                          |
| <b>Other comprehensive income/(loss)</b>                                 |                                      |                                      |  |  |
| <i>Items that may be reclassified subsequently to profit or<br/>loss</i> |                                      |                                      |  |  |
| Exchange differences on translating foreign operations                   | (9 603)                              | (12 042)                             | (1 429)                                | (3 085)                                |
| Net fair value loss on financial instruments                             | (1 736)                              | (3 402)                              | (131)                                  | (811)                                  |

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|  |                 |                 |                |                |
|--|-----------------|-----------------|----------------|----------------|
| <b>Other comprehensive loss</b>  | <b>(11 339)</b> | <b>(15 444)</b> | <b>(1 560)</b> | <b>(3 896)</b> |
| <b>Total comprehensive income for the period</b>                                     | <b>11 949</b>   | <b>11 233</b>   | <b>7 411</b>   | <b>12 792</b>  |
| Less comprehensive loss for the period attributable to the non-controlling interests | 921             | 1 604           | 233            | 860            |
| <b>Comprehensive income for the period attributable to owners of the Company</b>     | <b>12 870</b>   | <b>12 837</b>   | <b>7 644</b>   | <b>13 652</b>  |
| Weighted average number of common shares outstanding, in thousands - basic           | 1 989 067       | 1 988 730       | 1 989 424      | 1 988 730      |
| Earnings per share attributable to the Group - basic:                                | 11,85           | 14,06           | 4,55           | 8,59           |
| Weighted average number of common shares outstanding, in thousands - diluted         | 1 989 510       | 1 989 951       | 1 990 174      | 1 989 951      |
| Earnings per share attributable to the Group - diluted:                              | 11,84           | 14,05           | 4,55           | 8,58           |

## MOBILE TELESYSTEMS

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED June 30, 2016 AND 2015

(Amounts in millions of RUB)

|   | Six months ended<br>June 30, 2016 | Six months ended<br>June 30, 2015 |
|---|-----------------------------------|-----------------------------------|
| <b>Profit for the period</b>  | 23 288                            | 26 677                            |
| <b>Adjustments for:</b>   |                                   |                                   |
| Depreciation and amortization   | 41 080                            | 40 669                            |
| Finance income  | (3 005)                           | (4 763)                           |
| Finance costs   | 16 057                            | 12 609                            |
| Income tax expense  | 6 720                             | 6 649                             |
| Currency exchange gain  | (3 270)                           | (107)                             |
| Change in fair value of financial instruments   | 179                               | (91)                              |
| Amortization of deferred connection fees  | (491)                             | (569)                             |
| Share of the profit of associates   | (442)                             | (839)                             |
| Inventory obsolescence expense  | 621                               | 86                                |
| Allowance for doubtful accounts   | 1 131                             | 1 483                             |
| Change in provisions  | 6 317                             | 4 752                             |
| Other non cash items  | (793)                             | (294)                             |
| <b>Movements in operating assets and liabilities:</b>   |                                   |                                   |
| Increase in trade and other receivables   | (7 458)                           | (4 824)                           |
| Decrease/(increase) in inventory  | 950                               | (2 516)                           |
| Decrease/(increase) in VAT receivable   | 461                               | (1 599)                           |
| Decrease in advances paid and prepaid expenses  | 843                               | 3 113                             |
| (Decrease)/Increase in trade and other payables and other current liabilities                         | (3 337)                           | 2 103                             |
| Dividends received  | 1 181                             | 1 471                             |
| Income taxes paid   | (2 960)                           | (4 207)                           |
| Interest received   | 2 081                             | 2 062                             |
| Interest paid (net of interest capitalised)   | (15 479)                          | (9 849)                           |
| <b>Net cash provided by operating activities</b>  | <b>63 674</b>                     | <b>72 016</b>                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                                   |                                   |
| Purchases of property, plant and equipment  | (25 545)                          | (40 921)                          |
| Purchases of intangible assets (net of purchases of 3G licences in Ukraine and 4G licenses in Russia) | (14 126)                          | (12 720)                          |
| Purchases of 4G licenses in Russia/3G licences in Ukraine   | (2 598)                           | (7 044)                           |
| Proceeds from sale of property, plant and equipment and assets held for sale                          | 1 300                             | 1 326                             |
| Purchases of short-term investments   | (4 891)                           | (28 790)                          |
| Proceeds from sale of short-term investments  | 22 040                            | 4 422                             |
| Purchase of other investments   | (2 591)                           | (39 867)                          |
| Proceeds from sale of other investments   | 2                                 | 97                                |
| Investments in associates   | (1 326)                           |                                   |
| <b>Net cash used in investing activities</b>  | <b>(27 735)</b>                   | <b>(123 497)</b>                  |



**CASH FLOWS FROM FINANCING ACTIVITIES:**

|  |                 |                 |
|--|-----------------|-----------------|
| Cash flows under capital transactions with related parties   | 3 063           | 4 252           |
| Loan principal paid  | (26 035)        | (9 009)         |
| Proceeds from loans  | 1 036           | 43 818          |
| Repayment of notes   | (17 904)        | (479)           |
| Notes and debt issuance cost paid  |                 | (1 213)         |
| Finance lease principal paid   | (168)           | (224)           |
| Dividends paid   |                 | (82)            |
| Cash outflow under credit guarantee agreement related to foreign-currency hedge  | (1 034)         |                 |
| Other financing activities   |                 | 5               |
| <b>Net cash (used in)/provided by financing activities</b>   | <b>(41 042)</b> | <b>37 068</b>   |
| Effect of exchange rate changes on cash and cash equivalents   | (3 405)         | (2 924)         |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS:</b>  | <b>(8 508)</b>  | <b>(17 337)</b> |
| <b>CASH AND CASH EQUIVALENTS, at beginning of the period, including cash and cash equivalents within assets held for sale of 156 as of January 1, 2015</b> | <b>33 464</b>   | <b>61 566</b>   |
| <b>CASH AND CASH EQUIVALENTS, at end of the period</b>   | <b>24 956</b>   | <b>44 229</b>   |
| Less cash and cash equivalents within assets held for sale   |                 | (109)           |
| <b>CASH AND CASH EQUIVALENTS, at end of the period</b>   | <b>24 956</b>   | <b>44 120</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, 2016**

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