

2015 Annual Report



Pantone 485

PRE-APPROVED

by the resolution adopted by MTS PJSC Board of Directors
May 20, 2016, Minutes No.248

APPROVED

by Annual General Meeting of Shareholders of MTS PJSC
June 23, 2016, Minutes No.39

MTS Company was the first among telecommunications providers in Russia, which registered the corporate colour as the trade mark.

The creative idea of design of the 2015 Annual Report was based on our desire to support the corporate brand colour — Pantone® 485.

Mission

We believe that life is a space of opportunity for all. Since birth, every person has the potential to take advantage of this opportunity for their own good and that of the whole world. We believe that every human being is a potential hero who can accept any challenge and follow their dreams.

The world is changeable and every day springs new surprises, thus, following these circumstances, MTS gives every person assurance helping to fulfil their potential and move towards new prospects. MTS is a source of opportunity.

You know that you can!

Contents

About the Company

About MTS	6
MTS Today	7
History of the Company	8
Main Outcomes for 2015	10
2015 Highlights	12
Message of the Board Chairman	14

Management Report

Message of the President	18
MTS Business Model	22
Our Markets	24
Our Strategy	30
Business Overview	36
Financial Overview	42
Risk Management	74

Corporate Governance

Report of the Board of Directors	82
Interaction with Shareholders and Investors	86
MTS Group Governance System	94
Subsidiaries Management	162
Internal Control and Audit	164
External Audit	168
Compliance System	169
Capital and Securities	174
Corporate Governance Development	181

Sustainable Development

Our approach to Sustainable Development and Social Responsibility	186
Our Employees	188
Social Investments	194

Additional Information

Report on compliance with principles and recommendations of the Corporate Governance Code	202
Consumption of Power Resources	219
Glossary	220
Disclaimer	221
Additional Information about the Company	222

In this Annual Report, the terms “MTS”, the “Company”, and the “Group” shall refer to the group of companies consisting of MTS PJSC and its subsidiaries; MTS PJSC shall mean Mobile TeleSystems Public Joint Stock Company.

The indicators contained in this Annual Report are as of December 31, 2015, unless other periods or dates are expressly indicated.

About the Company

About MTS	6
MTS Today.....	7
History of the Company	8
Main Outcomes for 2015	10
2015 Highlights	12
Message of the Board Chairman	14



About MTS

Dear friends,

We are working in the telecommunications industry which is strategic for the country development and indispensable for resolving a wide range of everyday and business tasks of any person. All kinds of services rendered by MTS, such as mobile and fixed -line telephony, Internet access, have long been firmly established in the “consumer basket” of every Russian.

Our work is aimed not only at rendering high-quality, beneficial and convenient services to the customers, as well as ensuring high service level, but we are also constantly looking ahead: MTS opens up the doors to innovative future for the customers by improving services and launching their advanced versions on the market, as today our subscribers can quickly find the right information in the Internet, go shopping, pay for travels, buy tickets for concerts and movies, manage their finances and make many other useful and interesting things with the help of a mobile phone. We consider this only the beginning and are planning for further progress!

Our goal is to make sure that MTS customers could use the opportunities offered by modern mobile technology in full, while not limiting them in communication. A highly professional MTS team implements new ideas and projects daily so that our customers in any region and of any income could use communication services as much as they want and like not bearing any unforeseen costs.

Join MTS, stay with us for many years and you will always be one step ahead, as we know, understand and appreciate you striving to anticipate your expectations!

Sincerely, Andrey Dubovskov,
MTS PJSC President

MTS Today

RUB 431.2 billion

revenue of MTS Group in 2015

108.2 million subscribers

the scope of MTS Group mobile subscriber base
(including Belarus)

83 constituent entities
of the Russian Federation

Launch of LTE networks in all operation areas

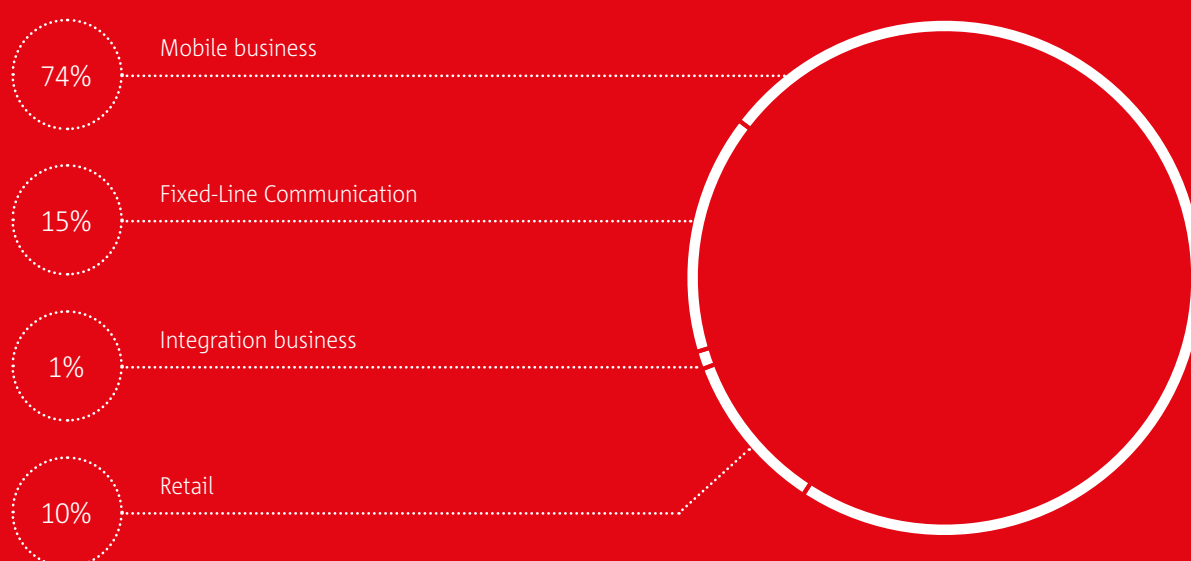
48.4%

penetration of smartphones in MTS network in 2015

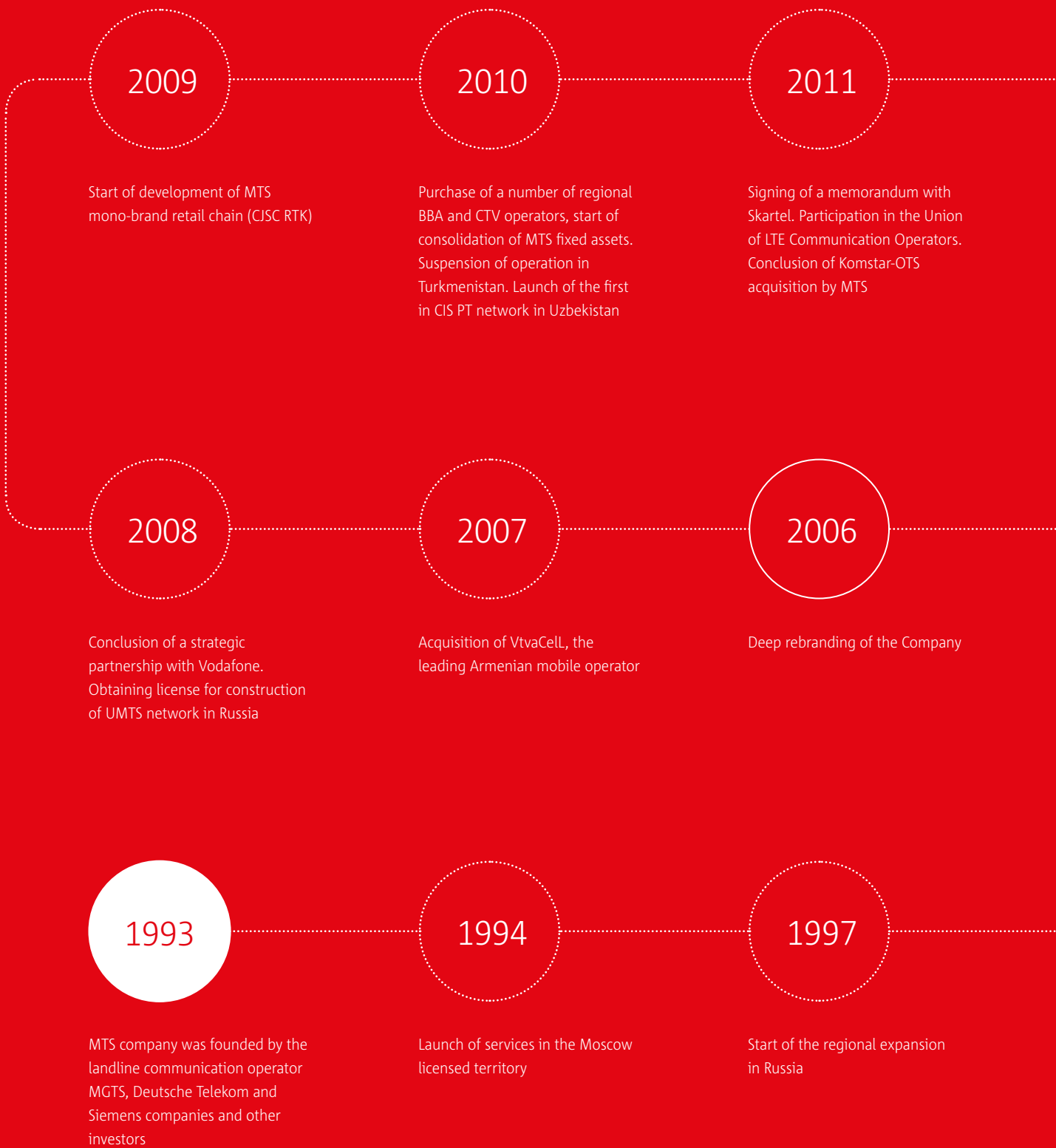
95% of Moscow households

having access to GPON

Business structure in Russia



History of the Company



2015

Strategic partnership with Vodafone in Ukraine, MTS Ukraine re-branding

2012

Obtaining frequencies and the federal license for provision of communication services of LTE standard in Russia, launch of home network in Moscow. Acquisition of Tascom CJSC. Resumption of activities in Turkmenistan, connecting approximately 1 million subscribers by the end of the year. Signing of indicative offer with MTS Bank and JSFC Sistema on acquisition of 25.095% of the authorized capital in MTS-Bank OJSC. Suspension of operation in Uzbekistan

2013

Conclusion of an agreement between Alnmo, MTS, Nomihold Security Inc. and other related parties on settlement of disputes as to investments in Bitel LLC, former largest mobile communication operator in Kyrgyzstan. Approval of new revision of MTS dividend policy

2014

Presentation of new 3D strategy with the main focuses on Data, Differentiation and Dividends

2005

Expansion in CIS and launch of operation in Belarus

2004

Expansion in CIS and launch of operation in Belarus

2003

Expansion in CIS and launch of operation in Belarus

2000

IPO at NYSE exceeded USD 350 million for funding the expansion in Russia and CIS countries

2001

In August the Company's subscriber base exceeded 2 million users

2002

Expansion in CIS and launch of operation in Belarus

Main Outcomes for 2015

In 2015, the consolidated revenue of MTS Group increased during the year by 5% to RUB 431.2 billion;

MTS and nine world's leading operators (BT, Deutsche Telekom, Reliance Jio Infocomm Ltd, Millicom, MTS, Orange, Rogers, TeliaSonera and TIM) established an alliance of operators in order to promote products and services offered by innovative partner companies quickly and efficiently. The total potential customer base of all alliance members covers about one billion people in more than 80 countries;

MTS won the auction for the right to obtain a license to render GSM telecommunications services, LTE telecommunications services and subsequent modifications thereof in the 1,710-1,785 MHz and 1,805-1,880 MHz radio frequency bands;

MTS and VimpelCom signed an agreement on large-scale partnership in 2016 for sharing LTE frequencies in 20 regions of Russia. Such sharing will allow the operators to double the data transfer rate available to subscribers;

Launch and promotion of satellite TV throughout Russia

₽ Financial indicators

Consolidated income

431.2 billion RUB

5% increase by 2014

OIBDA

175.5 billion RUB

OIBDA profitability

40.7%

Total net income

49.5 billion RUB

Net income margin

11.5%



Operational indicators

Growth of Group's income in all the operation markets, despite macroeconomic challenges

By the end of 2015 LTE networks are constructed in

83 regions of Russia

Home network of stores encompasses

>5000

It is the largest in Russian non-grocery retail chain

The decline of MTS customers 'churn indicator

−1.5 p.p.

compared to the year 2014

Record dividend payments for the year 2015

52 billion RUB

2015 Highlights

February

23

MTS Ukraine won a license to provide third generation (3G) communication in the 1950-1965 MHz and 2140-2155 MHz frequency bands within the framework of a public tender. The license cost amounted to 2.7 billion hryvnia

May

8

MTS signed a loan agreement with China Development Bank (CDB) to raise funds in Chinese Yuan and US dollars equivalent to a total of USD 200 million

July

17

MTS signed an agreement for the acquisition of 100% shares of NVision Group JSC, MTS billing owner and developer, one of Russia's largest system integrators and suppliers of comprehensive IT solutions, from subsidiaries of Sistema JSFC by the end of 2015 for the amount of up to RUB 15 billion, including debentures.

August

11

Termination of dividend payments for 2014 totalling RUB 53.23 billion: in November 2014, the company paid dividends for the first half of 2014 totalling RUB 12.81 billion, while payments as per the results of fiscal 2014 amounted to RUB 40.42 billion

October

6

Obtaining of a federal frequency spectrum in the 2.6 GHz band and more blocks in the 1800 MHz band in some regions as a result of auctions

October

16

Extension of the agreement for strategic partnership with Vodafone in Ukraine, MTS Ukraine re-branding

December

18

Signing of agreements with VimpelCom for sharing network infrastructure and frequency spectrum, which contributes to the accelerated deployment of LTE networks in the regions

December

21

Signing of an agreement with Ericsson for cooperation in the development and implementation of the fifth-generation (5G) communication technology in Russia

August

31

MTS launched the first 4G LTE network in the Moscow subway allowing MTS subscribers to use mobile Internet at a speed rate of up to 150 Mbps.

September

15

Launch of a hybrid TV platform expanding the capabilities of the traditional digital and satellite TV via interactive services

September

18

Once again, the company's TOP managers entered the list of Russia's best managers according to the 16th "Russia's 1,000 TOP Managers Rating" compiled by Russia's Managers Association and Kommersant Publishing House; in 2015, MTS executives became the leaders in taking first places in the Telecommunications and Data Transmission category

October

1

MTS shareholders approved the payment of interim dividends for the first half of 2015 amounting to RUB 5.61 per one MTS PJSC ordinary share (RUB 11.22 per ADR) or RUB 11.6 billion

December

31

Launch and development of LTE networks in 83 regions of Russia

Record-setting dividend payments amounting to RUB 52 billion for the calendar year 2015



Message of the Board Chairman

Dear shareholders,

2015 was a challenging year for the economy of Russia and neighbouring countries. The ongoing crisis affected the telecommunications industry negatively as well: fall of the consumer purchasing power, reduction of expenses of the corporate customers, rouble devaluation and rise in the borrowing costs. As always happens in such cases, the market competition has been increasing for each remaining rouble, hryvnia or dram of the customer. Therefore, I am pleased to report that, despite this complicated situation, in 2015, MTS Group increased its revenue by 5% to RUB 431 billion, including due to its growth in the largest, yet stagnant Russian mobile communication market.

Senior executives specified the main company performance outcomes for the past year in more detail in the next section. Here, I would like to draw your attention to the fact that the overall positive company development dynamics in this difficult time evidences both the right choice of MTS development strategy in general and its high-quality implementation by the Group's management fully supported and controlled by the Board of Directors. Although Andrey Dubovskov, the President of our company, will set out in this Report the MTS strategy in more detail in a few pages, I would like to highlight the main achievements in its implementation in 2015.

Following the strategy approved at year-end 2013, MTS identified three main development areas: Data, Differentiation and Dividends (the 3D strategy). I am pleased to report that MTS demonstrated good results in all these areas. Thus, in 2015, MTS revenue from mobile data transfer in the Russian market grew by 20% to RUB 77.2 billion, including due to the significant growth

in LTE base stations; 3G-networks were launched in all major cities of Ukraine and their active construction is going on that has already given further impetus to business in this country. New business directions aimed at ensuring sustained business growth in the future were being developed actively. Although the share of financial services, M2M services, satellite TV and fixed line communication in the Russian regions is not great in terms of the total revenue, I am sure that these services will become a full-fledged support for MTS business in the future. Finally, thanks to the competent work of the company's financial unit and to the continued managerial efforts to improve operating efficiency, MTS in 2015 paid record-setting dividend amounting to RUB 52 billion.

Over the past year, the Board of Directors met about 12 times and these meetings were by no means formal. Whether a discussion of the management report on the overall strategy progress, changes in the company KPI or entering a system integration market new to MTS – all these and dozens of other equally im-



+5%

MTS Group revenue



431.2
billion RUB

portant issues were subjected to an extensive discussion by the Board members. An ample narrative on the activity of the Board of Directors is set forth in the relevant section hereof. I would like to thank my colleagues from the Board for their contribution to the representation of interests of the company shareholders. Our four independent non-executive directors used their considerable experience by participating actively in the strategy discussions and making of investment decisions. In these difficult times, we remain committed to high corporate governance standards and keep a regular and transparent communication with our shareholders and the market in general.

Ron Sommer,
Chairman of MTS PJSC Board of Directors

Management Report

Message of the President	18
MTS Business Model.....	22
Our Markets.....	24
Our Strategy.....	30
Business Overview.....	36
Financial Overview	42
Risk Management.....	74



Message of the President

Dear shareholders,

I am pleased to announce the completion of another successful year for MTS: in 2015, MTS Group continued its steady growth for the benefit of shareholders, subscribers, employees and, ultimately, societies of all the countries where we operate and build long-term partnerships under complicated economic conditions.

MTS strengthened its leading position in the info-communication market of Russia as a successful multi-service telecommunication company focused on steady growth, innovation implementation and improvement of people's lives. Over the past year, the MTS Group subscriber base increased by 3.5 percent reaching 107.8 million subscribers and by 3.6 percent in Russia reaching 77.3 million subscribers. This means that high-quality communication and high-speed mobile Internet provided by MTS are becoming more available, including in remote regions, and this fact opens up new opportunities for our business and customers contributing to overcoming the digital inequality, to the economic development of Russia and the countries where we operate.

We were building modern data transfer networks at a quickened pace, offering new products and services and developing a unique ecosystem for the Russian market at the junction of various fields and industries like IT services, trade, finance, TV broadcasting and content distribution. Consistent implementation of the 3D "DATA. DIFFERENTIATION. DIVIDENDS" strategy resulted in increased revenue both within the Group and in Russia being our main market.

Growth factors

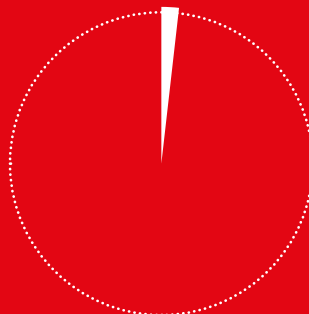
Despite the ongoing macroeconomic instability in the markets where we operate, the weakening of the rouble, lower incomes of citizens and aggressive actions committed by competitors in the retail distribution in Russia, the MTS Group revenue increased by five percent exceeding RUB 431 billion. The total 2015 MTS revenue in Russia increased by 4.4 percent to RUB 391.2 billion and OIBDA reached RUB 165.1 billion as compared to RUB 165.0 billion a year earlier. It should be noted that our company was growing in opposition to the market trends: at year-end 2015, MTS was the only company among the leading Russian communication market players, who showed an increase of total revenue and OIBDA.

The main contribution to revenue growth was brought by the growing demand for data transfer services in all markets where we operate. In particular, our business was positively impacted by the revenue growth of our active subscribers in Russia due to the pricing policy and increased penetration of smartphones, growth of high-quality subscriber base in Russia resulting from the updated retail development strategy, launch of a 3G network in Ukraine after obtaining a license for rendering communication services in this standard and resumption of operation in Uzbekistan.



+3.5%

Growth of MTS Group
subscriber base



107.8
mln of
subscribers

Data

Providing the key element of our strategy being DATA, we were the first among Russian communication operators to launch LTE networks in all 83 regions where we operate by the end of 2015. Herewith, more than 53% MTS base stations in Russia are high-speed 3G and 4G data transfer networks. In order to ensure our future growth, we obtained a federal lot of frequencies in the 2,600 MHz band at two auctions, alongside with additional 1,800 MHz bands in five regions. We signed an agreement with VimpelCom communication operator for the joint frequency spectrum use in more than 20 regions of Russia to accelerate the construction of LTE networks and cost savings.

We promoted the sale of devices focused on the consumption of Internet traffic and data, developed our own sales channels, thus, constructing Russia's largest non-food retail network currently featuring more than 5,000 show-rooms throughout the country by the end of 2015. In terms of the fixed business, we are increasing the mass market share steadily due to the update of communication networks and promotion of new package offers in the field of television and broadband access. We also strengthened our position in Ukraine by signing a strategic partnership with Vodafone, one of the world's largest telecommunication companies.

Thanks to the efficient and prudent business strategy and skilful cash flow management, in 2015, MTS paid to shareholders record-setting dividends amounting to RUB 52 billion.

Differentiation

In order to DIFFERENTIATE our business, we were actively developing financial services, e-commerce, M2M-solutions; we offered corporate customers a variety of industry products based on converged and cloud solutions, as well as entered the system integration market. We increased the share of our Mos-

cow subsidiary, MGTS, in the market for fixed broadband access and pay-TV services to individuals as a result of the completion of a large-scale GPON network deployment project. In addition, we launched and promoted the satellite TV service throughout Russia.

Investments, debt load, dividends

In 2015, capital expenditures of MTS Group in all the markets of operation amounted to RUB 96.1 billion. Despite significant capital expenditure of the Group, in 2015, we managed to maintain the ratio of net debt to LTM OIBDA at a comfortable

level of 1.2x. Moreover, almost 70 percent of our debentures are denominated in roubles being the main currency of our revenue, which reduces the risks associated with the exchange rate volatility.

Sustainable development

we went on building harmonious business relations with all the stakeholders: society, state, professional communities and employees. The company was doing its best to increase transparency and develop corporate culture focused on prevention of violations of anti-corruption and anti-trust legislation. Thus, last year, MTS established the first comprehensive anti-trust compliance system in the Russian telecommunication industry.

We participate actively in social programs and charity projects aimed at supporting the vulnerable segments of the population, treating sick children and developing children's creativity. Last year, more than one million people received our help and support and, in general, our corporate social responsibility

projects cover more than 10 million people. Our efforts were recognised by authoritative communities: we became the Runet Prize Laureate, the Leader in Corporate Charity and SABRE Awards runner-up for charity. MTS Projects were recognized as the "Best Social Projects in Russia" and the "Best IT projects in Education and Healthcare".

We owe our high results to the efforts of our well-knit team and competent HR-policy. In 2015, the level of MTS staff involvement in the company affairs in Russia rose by seven percentage points to 80 percent. Working at MTS is becoming increasingly attractive, as evidenced by the reduction of staff search time by 12 percent. As a result, at year-end 2015, we were recognised

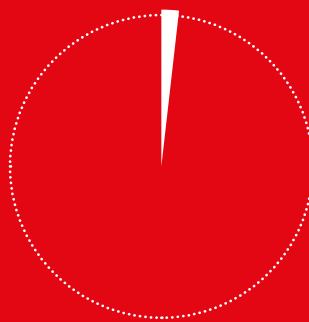
80%

MTS staff involvement in the company affairs in Russia



>4%

Forecast of MTS Group revenue for 2016



the best employer in Russia as per AoN Hewitt, entered the TOP-5 Russian Employers Rating and became the leaders among

telecommunication companies, won the People Investor Prize and became a three-time winner of the Russian HR-Brand Award.

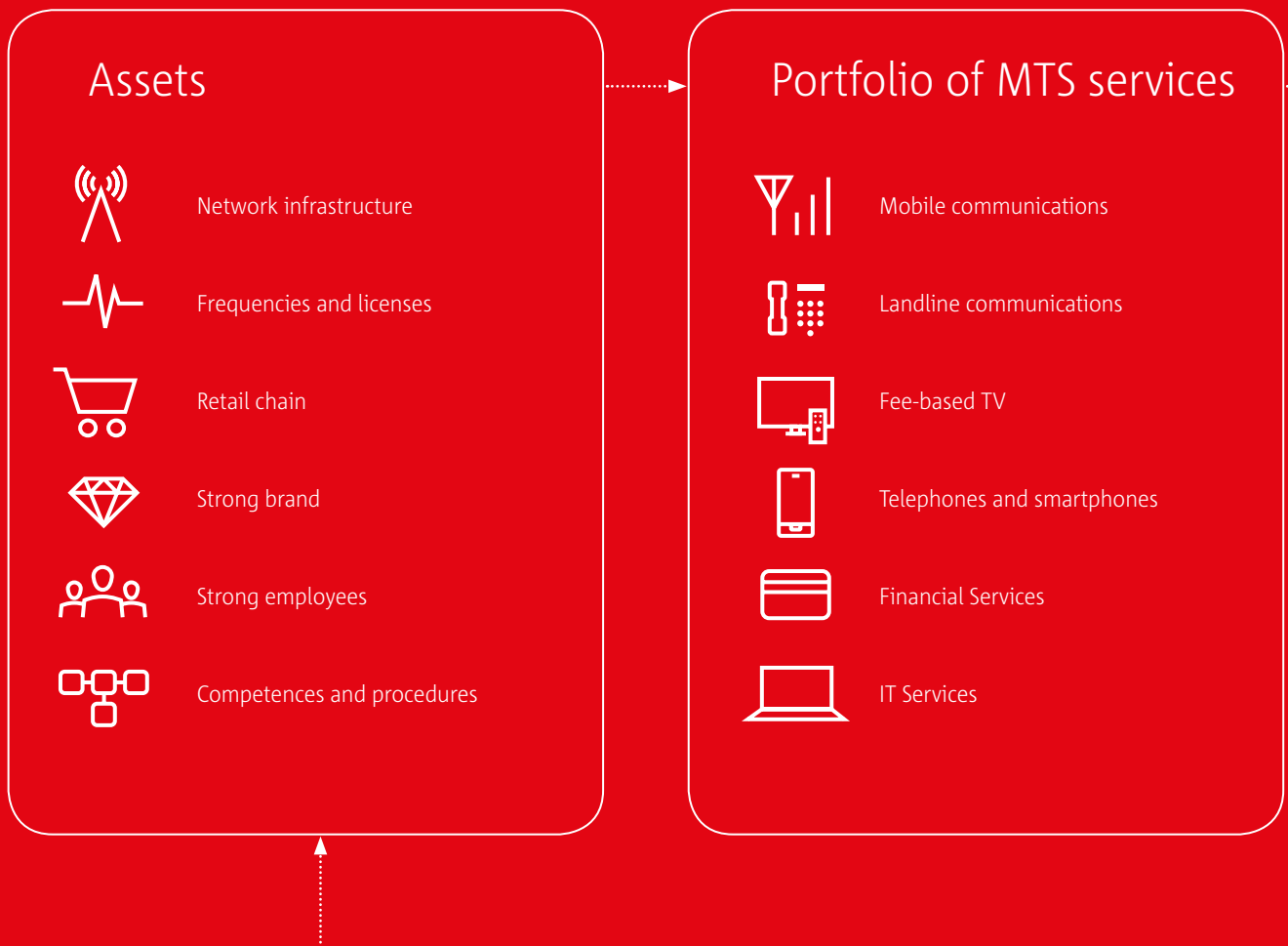
2016 forecast

In 2016 we will go on implementing the 3D strategy, which will allow relying on the growth of the Group's revenue by more than 4% despite the circumstances of continued macroeconomic instability and uncertain consumer demand. Therefore, we will continue building LTE networks, encouraging the consumption of data transfer services, fixed broadband access and pay-TV in the markets of our operation; we will promote convergent solutions in related areas and respond to market challenges proactively and flexibly when implementing retail strategy.

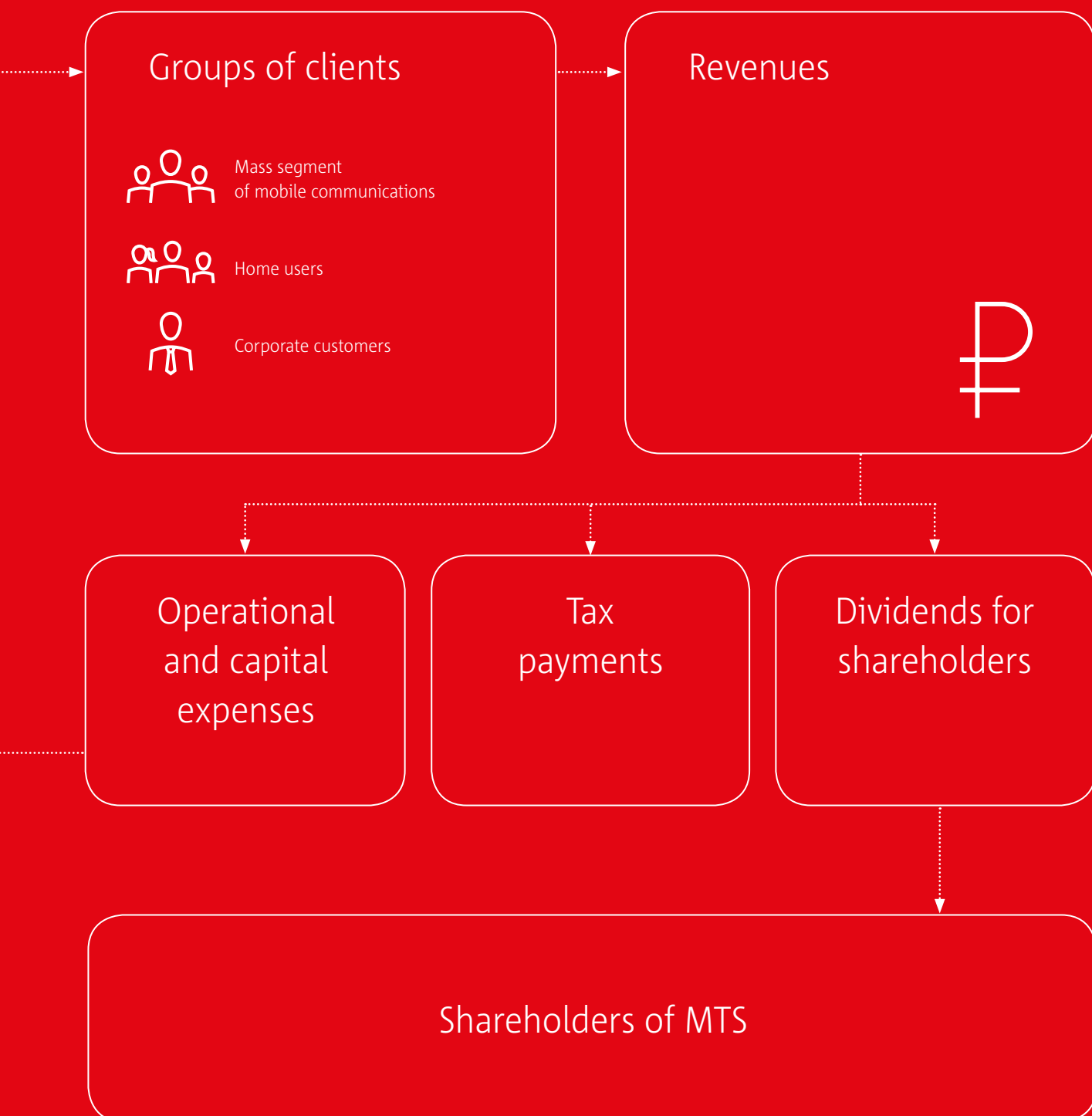
We hope that our operation in these areas will ensure the ongoing company development, increase its operating efficiency, as well as investment attractiveness, and strengthen the leadership of MTS in the Russian telecommunication market. We also acknowledge our commitment to the principles of long-term and sustainable development based on the harmonious combination of business interests, human values and national development priorities.

Andrey Dubovskov,
President of MTS PJSC

MTS Business Model



MTS as a totality of interrelated assets creates and promotes portfolio of MTS services provided to various groups of clients for a fee that combines into MTS revenues used for operational and capital expenses, tax payments and dividends for shareholders.



Our Markets

MTS Group Key Markets



Mobile communications

The leading telecommunications operator in Russia



Mobile Internet services

In 2015, MTS demonstrated the best income dynamics in terms of data transfer among the major competitors in Russia



Landline communications

MTS is among the TOP-3 Russian broadband access operators



Fee-based TV

MTS is among the TOP-5 Russian pay-TV operators



Telephones and smartphones

MTS retail network featuring more than 5,000 showrooms, the largest non-food retail network



Financial services

15% of subscribers use MTS financial services. Financial Services mean the possibility of combining new telecommunication technology with banking products and services

Overview of the economic situation and market development

MTS PJSC is licensed to operate in the entire territory of the Russian Federation. In the reporting year, subsidiaries of MTS PJSC continued to carry out their activity in the territory of Ukraine (MTS UKRAINE PJSC), the Republic of Armenia (K-Telecom CJSC), the Republic of Turkmenistan (MTS-Turkmenistan ES), the Republic of Uzbekistan (Universal Mobile Systems LLC), as well as the Republic of Belarus (Mobile TeleSystems JLLC). The total population of the licensed area covered by MTS PJSC exceeds 230 million people.

Russia

The mobile communication market in Russia and the CIS countries was developing rapidly driven by the steady decline in the price level both for the services of mobile operators and the subscriber equipment. It resulted in the increase in mobile communication penetration in the broadening population segments.

In Russia mobile communication services are rendered by four federal operators: MTS PJSC, MegaFon PJSC, VimpelCom PJSC and RT-Mobile CJSC (T2RTK Holding, a joint venture of Rostelecom PJSC and Tele2), as well as regional telecommunication companies operating in different standards for cellular communication: GSM, NMT 450 and CDMA –1x, UMTS (3G).

The largest markets for mobile communication services throughout the territory of the Russian Federation (by the number of subscribers) are Moscow and the Moscow region, as well as St. Petersburg and the Leningrad region.

The trend of slowing down the growth of the mobile operators' subscriber base first appeared in 2005 and continued in the following years. This can be attributed to the gradual market saturation and operators' focus on the quality of the subscriber base. Marketing efforts shift from attracting new subscribers towards ensuring loyalty and improving profitability of the existing customers, as well as attracting subscribers of competitors to its network. On December 1, 2013, the law on keeping a number

when changing mobile communication operator (MNP) came into force. At the moment, introduction of the possibility to keep the number when switching to another operator has not had a significant impact on the market share of mobile operators in the Russian mobile communication market.

At year-end 2015, the level of mobile penetration exceeded 170% securing the position of Russia among the most advanced telecommunication markets in the world. Being one of the leading players in the telecommunication market of Russia and the CIS, MTS aspires to use the existing growth potential for all of the most dynamic industry segments.

In the Company's traditional mobile telephony segment, the most important growth factors are the increase in the overall level of using communication services and more active consumption of extra services by the subscribers when increasing their loyalty. MTS offers its customers tariff offers at fair prices, as well as informs them of any changes in connection terms and data plans regularly and timely. Data plan development at MTS is also

carried out taking into account regional features, which allows launching offers adapted to each region in the market.

Mobile Internet development is gaining importance for the mobile market growth in Russia and the CIS countries. The basis for qualitative growth in consumption of mobile Internet services is the development of 3G and 4G (LTE) networks.

MTS 3G network operates in all federal districts of Russia, Armenia, Belarus, Turkmenistan and Ukraine. In Russia, growth in MTS revenue from mobile Internet was 20% in 2015, the number of regular users of data transfer services was also increasing. The level of data transfer traffic consumption by mobile Internet users increased by 1.4 as compared to 2014.

LTE networks were commercially launched in all regions of Russia (except for the Republic of Crimea). MTS was the first Russian communication operator to provide an opportunity to use LTE networks in international roaming. LTE penetration among mobile Internet users in 2015 doubled in comparison with 2014.

Ukraine

At year-end 2015, the number of subscribers in Ukraine (MTS UKRAINE PrJSC) amounted to 20.4 million (including CDMA) or 35% of the market. Penetration of mobile services is 137%, according to our estimates. The main competitors: Kyivstar, a subsidiary of VimpelCom Ltd. and Lifecell, a subsidiary of Turkcell.

Launch of a 3G network and a partnership program with Vodafone gave a new impetus to the market development. Enhanced cooperation allows MTS customers in Ukraine to access the latest Vodafone technology and services, as well as provides additional benefits for the mass and corporate market.

Other Markets

At year-end 2015, the number of subscribers of MTS subsidiaries and affiliates in the CIS countries amounted to: Turkmenistan (MTS-Turkmenistan ES) – 1.6 million, the Republic of Armenia (K-Telecom CJSC) – 2.1 million, the Republic of Uzbekistan (Universal Mobile Systems LLC) – 1.1 million, the Republic of Belarus (MTS JLLC, not consolidated in the MTS Group financial statements) – 5.3 million subscribers.

Cellular communication market in these countries (except Uzbekistan) is characterised by high penetration of over 100%.

Looking into the Future

Global trends in the telecommunications sector

The fundamental present and future challenge for operators is the continuing explosive growth of data transfer volumes in mobile networks. The pace of such growth in both developed and developing markets will not fall below ten percent per year over the next five years, even according to the most pessimistic forecasts. Increased penetration of smartphones, as well as increased consumption by the existing subscribers, not only provide operators with additional revenue (to some extent compensating for the fall in the segment of voice calls and short message service), but, above all, make them face the problem of cost-efficient mobile network capacity build-up.

Although many operators are seeking to enter new markets, including those related to telecommunications, the effect of these efforts is quite unimpressive and does not guarantee future stability. Therefore, the priority of operators is to find a solution to the traffic growth issues. Here, at the intersection of the growing needs of subscribers, technological and financial opportunities, there is and will be a search for innovations meant to provide a stable industry development trajectory.

Technology trends

Growth of LTE-networks' coverage, redistribution of a frequency resource for LTE ("refarming"), ongoing implementation of Carrier Aggregation and VoLTE functions both by operators and manufacturers of smartphones: all these areas visible to subscribers as well have already gained momentum and are routine for the operators. In terms of industry, the development and implementation of new technologies aimed at helping to cope with the traffic growth and, at the same time, to provide a reasonable return on investment in such growth are of interest.

The already available technologies helping to solve this problem include self-organising networks (SON), massive use of small—and pico-cells and new high-speed RRL in the 70-80 GHz band. All these innovations are already being implemented, including at MTS networks.

These new and promising areas include software-defined networks (SDN), network functions virtualization (NFV) and the use of LTE-Unlicensed spectrum. A number of global operators stated their desire to accelerate development in these areas and, thus, become a locomotive for their promotion along with equipment suppliers. On the contrary, many operators opted for a more cautious approach waiting for the maturity of these technologies.

Another technological innovation area stands apart being LPWAN networks (low-power wide-area networks) characterised by extremely low consumption of subscriber devices (usually a variety of sensors, meters, etc.). Currently, the formation of global standards (NB-IoT, LTE-M) is being terminated, after which the operators will begin deploying such networks based on the existing mobile infrastructure. In the meantime, such networks are developed based on proprietary standards (LoRa, SigFox and similar) by new entrants in the M2M market.

Trends in related areas

The basic movement is carried out in the markets, for which telecom is a source of Internet connection, yet not necessarily the primary beneficiary of the innovations happening.

Such areas as Internet of Things, Smart Home, Smart City, Connected Cars, autonomous vehicles, new technology in medicine, education, finance and banking will become the growth drivers. The main innovation centres will be the manufacturers of telecommunication equipment, IT companies and companies from other industries. Mobile operators need to be prepared in

advance to work in a new environment, in particular, due to a significant increase in the number of connections to their networks. On a global scale, independent analysts give an estimate of the number of devices running in the networks of mobile operators by 2020 as exceeding 25 billion. Less than 10 billion devices thereof will fall on mobile phones and smartphones, while all the other connections will be distributed among consumer electronics and M2M/IoT devices.

Thus, there is a further increase in the number of new services based on existing mobile communication networks and the emergence of fundamentally new 5G-based products and business ecosystems is expected. Significant progress in the creation of software for biometric identification systems to carry out financial transactions and get access to confidential information on mobile devices may be noted. There is also a movement toward the direction that mobile networks and smartphones will become a kind of “control centres,” “smart” homes, cars, personal safety, monitoring and health care systems. There is a big probability of the emergence of new companies, which will repeat the success of Uber and make their business by means of combining existing technical advances into a single user-friendly product. Herewith, creation of new products, services and promotion thereof are

impossible to implement on their own, so the formation of various partnerships (including with the participation of unexpected players from distant areas) and ecosystems based thereon will go on in the future.

There is no clear answer as to how efficiently mobile operators can take advantage of the new changes and whether they will play the part of just a network provider or become one of the key beneficiaries of this process. Despite this uncertainty, the fact that a growing number of companies from new markets and industries are interested in building their business models based on the networks of mobile operators allows the operators increasing their subscriber base and revenue.

Market Development Forecast for Russia and Ukraine for 2016 and the Medium Term

Russia

Macroeconomic background in Russia being our main market remains complicated, but we do not see any catastrophic events or a significant reduction in the demand volume. Moreover, in current conditions, we are able to steadily increase the revenue amount annually. The year of 2015 did not become an exception in this regard (the total revenue volume within MTS Group increased by 5% compared to 2014). Our expectations regarding the macroeconomic parameters over the next 2–3 years are moderately conservative: we are ready to stabilisation or even to their deterioration to some extent. We are confident that, within the framework of the current strategy taking into account the efforts that we make in all areas of our business, we will be able to level the negative market trends and ensure that the target values for the main operating indicators are met.

In conformity with global trends, reduction in the revenue volume from traditional voice and non-voice services is detected in the Russian telecommunication market being key for us. In this direction, we expect a further decline. This fall may be compensated by the growth of revenue from data transfer services, which in the short and medium term will be the main telecommunication sector growth driver. For our part, we intend to promote consumption of such services by a set of measures, including the following:

- Offer of rates combining voice, SMS, data and content (Voice & Data rates)
- Active sales of smartphones and other data-oriented subscriber equipment (including at minimum prices for the ultimate decrease of the entry threshold for subscribers)

- Further development of 3G and LTE networks in terms of reasonable investment planning and possible cost minimisation
- Data service range expansion, including in partnership with the major market players of services and content (social networks, e-commerce companies)

During 2015, Russian mobile market profile in terms of active players changed to a certain extent as there took place the final formation of the fourth federal operator established on the basis of Rostelecom and Tele2 assets united. We would like to note that this event did not cause redistribution of market shares or a significant pressure on us and we hope that the situation would not change dramatically in the future.

In terms of the fixed line telephony market, where our company is a significant player, we expect a further decline in revenue from voice services and a slight increase in revenue from high-speed access to the Internet and pay-TV (primarily due to the potential of penetration growth which is now exceeding 50% a little).

In our opinion, the slowdown in the telecommunication market growth rates to a minimum (according to our forecasts, about + 0.5-1% per year on average over the next 3 years) and macroeconomic uncertainty create preconditions for some system changes. Reduction in the total volume of connections and weakening of the struggle for sales, a more balanced approach toward investment, including an operators' partnership when constructing LTE networks, a rational pricing policy will allow market participants to stabilise their operating and financial performance and ensure further development.

In addition to the telecommunication segment which is traditional for us, we see growth potential in a number of related

sectors. In order to implement it, we have adopted the concept of “differentiation” as one of the key strategy elements, implying distribution of operations in such markets as financial services, satellite television, development and sales of branded devices, implementation of Big Data technology, system integration, digital commerce (online store, self-service portal), M2M (Internet of Things). The company implements projects of a strategic status by each and every one of these directions. Currently, their contribution to the company revenue compared with the telecommunications segment is small, but we consider them as potential growth points, a way of levelling the industry risks and enrichment of the main business due to synergies. Our approximate guide in the differentiation segments’ share in the total company income exceeds 15% in the five-year term.

Ukraine

2015 became one of the most challenging years for the Ukrainian economy. Negative dynamics of key macroeconomic indicators had a negative impact on the level of paying capacity and demand volume leading to some deterioration of the main operating parameters of MTS-Ukraine. Nevertheless, we look at the 2016 prospects with cautious optimism. We expect that the crisis peak will be passed in 2016 and the main macroeconomic indicators, including GDP, industrial production and retail trade volumes, will show positive dynamics at the level of 1-3%.

In accordance with the trends common to the developed telecommunication markets, the services based on the data transfer

will become the principal Ukrainian market growth driver, and we connect further growth prospects with this class of services. In 2015, MTS-Ukraine won the tenders for frequencies and a 3G license, arranged spectrum clearing and invested a substantial amount of funds in the network construction. As a result, at year-end, the company was among the leaders in terms of population coverage by a 3G network which is the most important factor for achieving our long-term goal in this direction being confident leadership in perceiving quality, reliability and speed rate in the data transfer services segment.

It should be noted that the penetration of smartphones in the Ukrainian market is at a lower level compared with the Russian market (lagging behind by about 1.5 years), where we see a growth potential, rather than a limiting factor. In implementing the prospect for economic recovery and growth of effective demand, we can expect acceleration of the “smartphonisation” pace which in combination with the already achieved high level of the 3G network development will have a significant positive impact on the volume of demand and, consequently, on the revenue from data transfer services.

The most important event of 2015, which, we believe, will have a significant positive impact on the future company operation, is the signing of an agreement on the use of the Vodafone brand in the Ukrainian market. We are sure that rendering of services under one of the strongest European brands will further strengthen the company’s competitive position in the fight for the data services’ segment.

Our Strategy

Key Development Areas and Targets (KPI)

Description of the Main 3D Strategy Elements

MTS operation is based on the strategic **3D** concept: **Data, Differentiation, Dividends**. This formulation reflects our vision of growth trends, future development prospects and key operation priorities.

“**Data**” being the first element reflects a segment that is currently the main source of growth for the telecommunication services market. In our opinion, data-related services will form in future the most important part of the customer experience, while traditional voice and non-voice services will play the part of a compulsory minimum, a basic service. The term “Data” means not only the data transfer process and technology. In our interpretation, it is a wide sector of the customer experience affecting all spheres of human activity in the modern world of information. This is an area of interaction between the service providers of various areas and scale with the customers independently forming their own information and service environment. Telecommunication operators are a key element of contact establishing in this model and we will seek to realise our natural advantages when being in this role: to find points of growth, to capture consumer environment queries, to determine the most popular services and to be active in this field implementing ourselves not just as a communication operator, but also as a service provider, accumulating knowledge and improving the data processing methods.

We formulated the “**Differentiation**” direction based on the desire to take a broader look at the area of our operations, going beyond the status of a conventional telecommunications operator, and covering not only a full range of communication services, but also the related areas such as financial services, M2M, geo-location and cloud-based services, subscriber equipment, TV, content, etc. We believe that the purpose of the differenti-

ation is the creation of our own differentiating factors that will enable us to significantly differ from our competitors, to deliver a special value, to provide our customers with a unique customer experience, to create products and services that would not only motivate people to choose MTS, but would also significantly increase our customers’ loyalty. This value also reflects our ongoing commitment to improvement of products and services in all sectors of the Company’s operation, to win and retain significant market position, and, where possible, to be market leaders, to deliver advanced and diverse customer experience. Therefore, Differentiation is associated not only with our intention to generate value in the promising markets, but also with the desire to diversify the service portfolio, thus mitigating the industry risks and strengthening our competitive position.

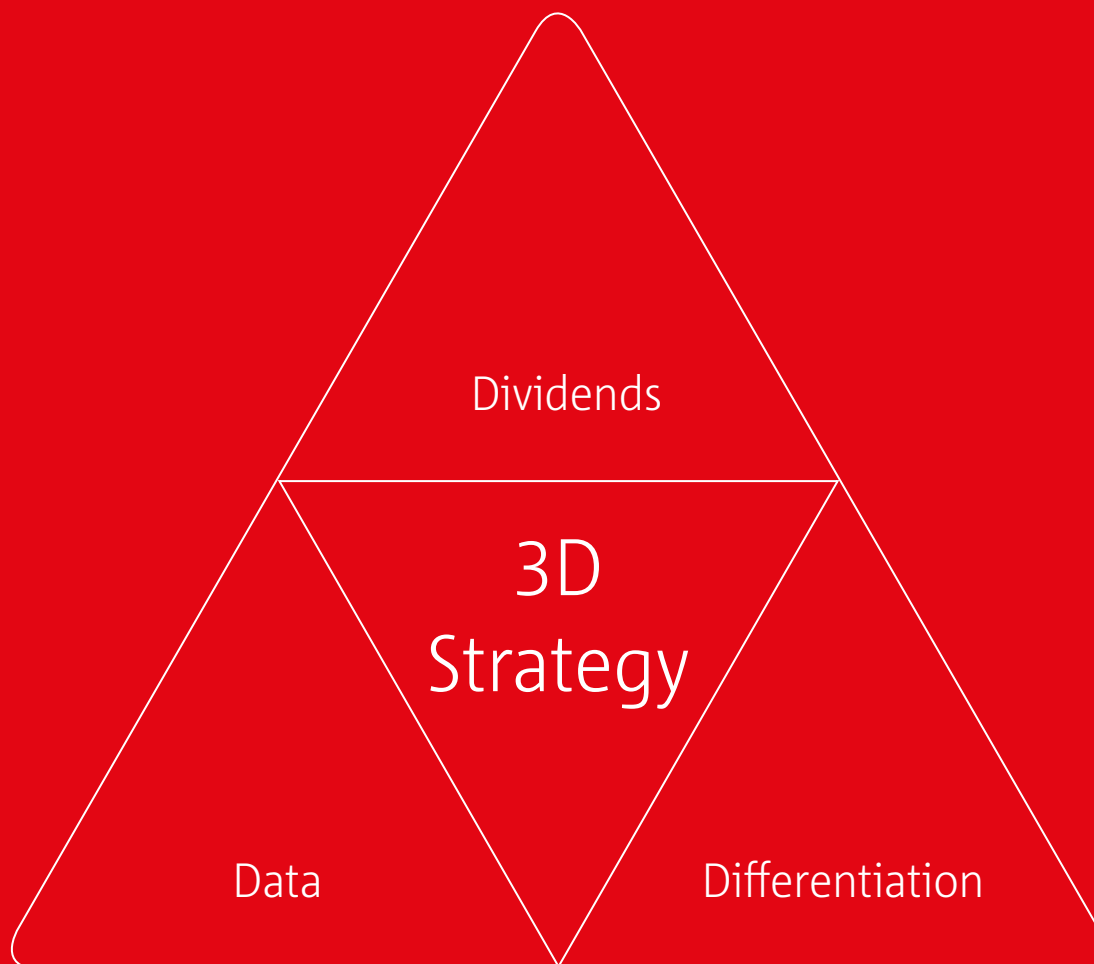
Another strategy direction indicated as “**Dividends**” reflects the emphasis we will place on maintenance of stable shareholder return. Despite the macroeconomic challenges of late, MTS does not plan any changes to its dividend policy. The most important part of the process of creating shareholder value is a constant and consistent improvement of business efficiency, based on the optimal use of technological and organizational solutions, control of expenses, sound investment policies, and improvement of business processes. As a separate direction underlining our aspiration to ensure cash flow stability and predictability, as well as reduce the foreign exchange risks, we identify maintenance of the optimal level of debt and its cost.

The main strategic priorities of MTS in the short and medium term are:

Assurance of high profitability for the shareholders

Constant improvements of investment
and operational efficiency

Maintenance of the best possible level
of debt and its value



Completion of MTS transformation into
a data company

Competitive development of 3G and LTE
networks

Consolidation of frequency resources
suitable for development of LTE networks

Fixed business

Financial services

Internet of things (IoT)

Satellite TV

Big Data

System Integration

Cloud Services

Mobile devices



Andrey Dubovskov, President of MTS PJSC, noted: “We believe that there is no sense in strategy changing during challenging times, because it will evidence that we did our business wrong in less challenging times, in the times of a healthy economy, and were not ready for any changes. Experience has proven that we have always been ready for hard times and actually show that we can be better than the market even in a period challenging for the economy.”

Andrey Dubovskov, President of MTS PJSC

- Retaining leadership in the mobile segment, both in terms of total revenue and the number of subscribers, and growth rate in the most dynamic mobile data transfer business
- Active development of mobile data networks (LTE and 3G) to achieve growth potential with growth rates above the market average
- Ensuring of a high competitiveness level and provision of a full range of telecommunications services in the fixed line sector
- Development of financial services in cooperation with MTS-Bank, implementation of synergies with other business areas
- Increased operating efficiency of the single-branded retail chain, using this channel to sell the services and promote consumption of the data transfer services, including by selling our own range of branded subscriber devices
- Development of promising areas of data services: Big Data (value extraction from the company’s information assets), M2M and the Internet of Things, customisation and branding of mobile devices, system integration

MTS strategically positions itself as a primarily telecommunication company, the universal service provider, offering a full range of high quality services, absolute and undisputed leader in the mobile segment. Telecommunications is our key competence and core business. At the same time we have gained intellectual, organisational and management capacity to be used as a basis to seek points of growth in adjacent markets that will allow us to create more value for our customers and shareholders, and more broadly – to enrich the lives of people, to provide new opportunities for living, business and self-fulfilment. We are convinced that implementation of the 3D Strategy will allow us to maintain and strengthen the market position, ensure financial stability and operating efficiency, guarantee the development and growth in the most dynamic segments, will enable us to offer our subscribers the best experience and to fulfil the obligations to the shareholders.

Strategy Implementation in 2015

Steady achievement of the target values of key operating indicators is the best demonstration of successful implementation of our strategy. It should be noted, that the cautious forecast given by us at the beginning of the year was further adjusted positively, which was made possible thanks to the successful implementation of a number of strategic projects and the final result was beyond these expectations.

Indicator	Forecast		Actual
	Initial (early 2015)	Adjusted (Q3, 2015)	
Earnings addition, MTS Group	> 2%	> 4%	5.0%
Earnings addition, MTS-Russia	> 3%	> 4%	4.4%
Adjusted MTS Group OIBDA margin	> 40%	> 40%	40.7%
MTS Group CAPEX	~ RUB 85 billion	~ RUB 92 billion	RUB 96.11 billion

As a part of strategy implementation, MTS was working on several directions, among which the following deserve special attention.

Data Direction

Promotion of Voice & Data rates	<ul style="list-style-type: none">• Penetration of V&D rates increased by more than 2 times in 2015
Stimulation of data-oriented subscriber equipment sales	<ul style="list-style-type: none">• Development and promotion of branded equipment with pre-installed applications were carried out• Entry threshold reduction was implemented by reducing the retail margin on the phones in all price segments• Smartphone sales increased by 1.4 as compared to 2014
Development of 3G/4G network	<ul style="list-style-type: none">• The number of LTE subscribers doubled in 2015• An agreement for implementation of joint investment with VimpelCom in order to optimise costs and increase construction pace was concluded
Increased radio frequency spectrum utilisation capacity	<ul style="list-style-type: none">• Refarming of frequencies in the 1800 MHz band for LTE was carried out actively• Acquisition of lots at the frequency auctions

Implementation of projects in this direction allowed increasing revenue from data transfer services by 19.8% in 2015 compared to the previous year.

Differentiation Direction

Digital commerce	<ul style="list-style-type: none">• Double increase in MTS Online Store revenue in 2015• Leadership by the number of MTS website hits among all Russian mobile operators• Successful implementation of the planned joint projects with OZON
Financial sector development	<ul style="list-style-type: none">• At year-end 2015, penetration of financial services in the base reached 15%
Entry into the system integration market	<ul style="list-style-type: none">• NVision Group CJSC was acquired and its integration started
Satellite TV	<ul style="list-style-type: none">• A complete sales network using our own channels and product-specific partners was constructed; mass sales were launched by mid-year
M2M and the Internet of Things	<ul style="list-style-type: none">• At year-end 2015, MTS kept its leading position in the M2M market• Projects on the telemetry of stationary objects (electricity, utilities, industrial facilities) were implemented• Projects with insurance companies using geo-location data were carried out
Extraction of value from the company's information assets through the implementation of the Big Data concept	<ul style="list-style-type: none">• In 2015, the development strategy until 2020 was approved
Other services (OTT/Cloud)	<ul style="list-style-type: none">• A number of projects was implemented: B2C "Second Memory", B2B "Easy Office", branded digital services (music, games) were launched

Positive effects from the differentiation projects are visible now, but a significant impact of their results on the company operating performance is a matter of the medium— and long-term prospects.

Dividends Direction

The Board of Directors and the management of MTS are aware that regular and stable dividends form an integral component of the investment attractiveness of MTS and shareholder return. Since 2010, MTS has paid in total over RUB 235 billion of annual dividends, with their average annual growth rate amounting to 12% (notably, during 2010-2015 the annual amount of payment has increased by 69%). In 2015, the company made a record-setting payment of RUB 52 billion.

It should be noted that the amount of dividend paid by MTS from 2006 to 2015 is the largest among all Russian mobile operators.

We are sure that our current strategy fully meets the current market conditions, ensures the concentration of efforts in the most important and promising areas and allows achieving operating and financial results at the level above the market.

Strategy in the Field of Mergers and Acquisitions

The company monitors the opportunities of inorganic growth both in the markets of its operation and beyond. MTS PJSC has sufficient experience in the integration of acquired companies that allows incorporating them into the business structure efficiently and getting a positive economic effect as quickly as possible.



Business Overview

Mobile Business

Russia

In order to increase the marketing strategy efficiency, the data plans proposed are targeted at different consumer segments. Voice & Data package offers are the core of our data plan range: data plans of the Smart range. These data plans are focused on the rapidly growing segment of smartphone users and aimed at ARPU stabilisation, consumption growth and increased customer loyalty. For a particular subscriber fee, a data plan includes packages of minutes, SMS and Internet traffic. Cancellation of surcharges for intra-network roaming (roaming in trips to Russia) allowed forming a bright differentiator of this range. The launch of Smart Nonstop data plan focused on the younger audience became a significant event.

A distinctive feature of any data plan aimed at communication is free calls within the network. MTS has been focusing on promoting package data plans since 2011, which led to a change in the subscriber profile and traffic patterns (more than 80% of traffic is now closed within the network), which allowed to significantly increase the average consumption of minutes and the loyalty of our subscriber base. We go on offering data plans with no subscriber fees for the customers using feature phones.

The third group of data plans contains the rates targeted exclusively at the users of mobile Internet services. We offer rates for the users of modems and tablets within this group. The data plan for tablet users includes unlimited access to MTS Mobile TV, which is also a significant differentiator for the subscribers. This service is used by more than 40% of the subscribers of this data plan.

Despite the reduction in the number of trips abroad, MTS continues to offer attractive rates for our customers to communicate in international roaming. Today, we offer our customers a variety of options to the basic data plan in order to significantly optimise the costs of voice roaming by free incoming calls. By the end of 2015, a significant portion of the international roaming traffic accounted for the customers using the option “Zero without borders.” For mobile Internet users who continue to enjoy the usual services when travelling, we offer the updated “BIT abroad” option with daily traffic package increased to 30 MB allowing to significantly optimise expenses for mobile Internet while roaming.



“In 2015, MTS Group demonstrated significant growth due to the successful implementation of 3D strategy. The annual revenue addition of 5% was higher than the original forecasts and the pace of our competitors. This result is particularly important for us in a situation of an economic crisis proving that we can show growth in terms of a general economy decline. This growth was based on further development of mobile Internet and subscriber base in the key markets of our operation, as well as the share increase in the broadband access and pay-TV markets for private customers in Moscow.”

Vasyl Latsanych,
Vice President, Marketing, Member of the Management Board

Retail Distribution

Sales Channels

The main share of connections carried out by MTS subscribers being more than 60% is taken by selling via our own mono-brand retail network actively constructed in Russia in 2009-2010. Our own sales channel allows increasing the number of connections by monitoring their quality and reducing the level of subscriber churn.

The volumes of MTS connections in Russia decreased slightly due to the suspension of cooperation with the Svyaznoy retail chain, but the development of our own retail and alternative sales channels (regional dealers) helped to compensate for this loss. MTS became the largest non-food retail network in Russia and the number of showrooms exceeded 5,000.

The distribution channel presence geography was expanded and the number of points increased by 25% over the year.

The main priorities of the retail network operation in 2015 were as follows:

- Increased sales of V&D and other data rates
- Increased sales of data-generating devices
- Increased sales of data products in the B2B channel
- Development of the online channel
- Leadership in service quality among mono-brand retail
- Increased operating efficiency
- Increased customer flow
- Providing sales of the key operator products.

Sales of Subscriber Equipment



Sales

In Q4 2015, the share of smartphones among all the phones sold at MTS retail stores amounted to 72%.

4G-smartphone share reached 38.5% of all the smartphones sold.



Smartphone Owners

Smartphone penetration increased from 42% to 48% in 2015.

4G share among all data devices increased by more than 2 times compared to 2014: from 11% to 23%.



MTS smartphones

72% of smartphone owners among MTS customers use mobile Internet.

Long-term activity using MTS smartphones is 94%, which is 8% higher than the average of the devices available

MTS Smart Sprint 4G smartphone won the 2015 Runet Best Gadget Prize in the category of operator smartphones.

Business in Ukraine and in Other Markets of Our Operation

Ukraine

In Ukraine, the Company renders services in the standards GSM 900/1800, CDMA 450, IMT-2000 (UMTS).

2015 became the most eventful year over the past few years:

- the purchase of a 3G license in February 2015 was the defining event of the year. Three largest mobile operators in Ukraine took part in the tender for the 3G-license. MTS Ukraine PrJSC received the second most attractive lot;
- indoor 3G network construction and launch in the popular shopping malls and airports started in Q2 of 2015. In the period from Q3 of 2015 and until the end of the year, our own network was launched in all regional centers, except the conversion cities of Zhytomyr, Zaporizhie and Cherkasy, as well as Donetsk and Lugansk. At the end of 2015, the 3G network worked in the territory inhabited by 35% of the population;
- thanks to the collaboration with TriMob LLC, MTS Ukraine PrJSC was the first to grant its subscribers the opportunity to use 3G Internet through Unlimited 3G service in national roaming of TriMob LLC network;
- in order to increase the user penetration level and the volume of mobile Internet consumption, the campaign “3G Gigabytes as a Gift” was launched since October 1, 2015. Under the campaign terms, the subscribers of prepaid and contract service forms may get 4 GB and 5 GB respectively at a maximum speed rate regardless of the 2G/3G network;
- On October 15, 2015, a strategic agreement with Vodafone Sales and Services Limited (hereinafter referred to as Vodafone) for cooperation and use of the Vodafone brand in Ukraine was signed. The first data plans under a new Vodafone Red brand became available to subscribers in Ukraine in November 2015. The main advantage of these packages was in affordable roaming connection and calls to international destinations. The range feature was in inclusion of free minutes for calls to subscribers of other mobile operators in Ukraine and fixed-line numbers, as well as to international destinations (62 countries), into the package.

Armenia

Since September 2007, MTS owns a leading operator in the Armenian market being K-Telecom CJSC.

Under the VivaCell-MTS trademark, our Company offers telecommunication services in the standard GSM 900/1800, UMTS and LTE. VivaCell-MTS subscribers are granted access to innovative rates and services, as well as convenient service formats meeting international standards applicable in MTS Group.

Despite the tough competition in the Armenian telecommunication market, VivaCell-MTS maintains its leadership by a landslide from its competitors. The market share at the end of 2015 was 59%, according to our estimates.

The main priorities of MTS in the Armenian market in 2015 were as follows:

- Development of mobile Internet consumption: the consumption of these services increased by 17% in 2015;
- preserving high market share by subscribers and revenue due to increasing the data plan attractiveness regularly: “Dialect,” “Yes,” “City Talks,” “Personal” and development of unlimited options: “Super Couple,” “Super 0” and “Jan-Jan”;
- strengthening leadership in the mobile broadband access market in the Small Screen and Big Screen segments. The development of this area was reinforced by such activities as: “Super BIT,” “BIT Unlimited,” “MTS Connect,” “MTS Connect LTE,” “4G=3G,” as well as expanding the range of smartphones sold within the package offer “Smartphone Plus Data Plan for 1 dram.”

Turkmenistan

The Company resumed operation in Turkmen market on August 30, 2012, and started connecting new subscribers since October 1, 2012. In 2015, the 3G network became available to all network subscribers.

The main priorities of MTS in 2015 were as follows:

- Growth of the customer base
- Increased voice revenue by stimulating the consumption of intra-network traffic
- Increased revenue from data transfer through the optimal DATA-channel use
- Expansion of V&D “Smart” data plans and increase in smart-phones in the base
- Development of maintenance services, VAS-services and content services

Uzbekistan

The Company resumed operation in Uzbek market on December 1, 2014, under the brand UMS (Universal Mobile Systems). The main priority of MTS after the return to the market of Uzbekistan became the subscriber base return and attraction of new active subscribers being Internet users to a free network.

Key events of the year:

- Expansion of the starting data plan range with the new “Optima” and “Mini” data plans focused on large target subscriber base segments;
- Providing a wide selection of additional Internet packages, both due to the diversity of the volume offered and different terms and periods;
- Recovery of VAS— and content services’ portfolio.

UMS reached the highest figure among all the countries of the Group in terms of penetration into the base of smartphone users: 65%.

Fixed-Line Communication

Development of Fixed-Line Networks

Broadband access growth rates at the Russian market are falling. The service is developed mainly due to the growth in the number of private users, but, considering the penetration of more than 50% at the end of 2015, the market is saturated not only in the large but also in the majority of medium-sized cities. ARPU service growth is

difficult in highly competitive conditions and also due to the trend towards service packages (Internet + TV and Internet + TV + telephony). The operators have exhausted their opportunities for organic growth and the process of subscriber migration from operator to operator does not bring long-term benefits to the companies.

Fixed-Line Telephony Services

MTS continues to systematically follow the strategy of improving the quality of our fixed line products by upgrading the networks, launching digital and interactive TV services, expanding the capacities of the main channels for the growth of speed rates for the subscribers.

In 2015, MTS increased the attractiveness of the Basic Digital TV Package significantly by implementing new channel packaging since July 1. The Basic Package channel offer increased by more than 40% (an average from 90 to 130), the number of Basic Package HD channels increased almost by 3 times (from 9 to 26). It is the largest Basic Package of the regional markets, which is also included in all package offers with broadband access and telephony.

Removal of blocks and expansion of broadband access network capacity allowed changing the service by increasing the average consumption rate of the existing broadband access subscribers up to 2 times.

2015 was marked with a serious decline in prices on selling offers from federal broadband access operators; following the market dynamics, MTS also reduced its rates on selling broadband access offers and packages. MTS stimulated addi-

tional sales of broadband access to the MTS TV base thanks to the said actions.

In 2015, MTS launched a hybrid platform that extends the capabilities of conventional digital and satellite TV by interactive components. At the program level, the hybrid TV solution will connect IPTV cable TV on the basis of the MGTS network in Moscow and DVB-C in the regions of Russia, as well as MTS Satellite TV, with online services: web services with access via the TV screen, program guide with advanced features, video on demand and the service of watching later. Test operation of the hybrid platform began in the 10 largest cities of Russia: Nizhny Novgorod, Yekaterinburg, Rostov-on-Don, Novokuznetsk, Volgograd, Krasnodar, Izhevsk, Kirov, Belgorod and St. Petersburg; it will be further launched in all regions of operation of the MTS TV service. The final project stage will be the launch of the hybrid platform within the MTS TV mobile service and Stream OTT-portal.

The year ended with the start of a federal campaign to launch the new “TV Everywhere” product, a service allowing MTS TV to be watched on any screen, anywhere. Active promotion and connection are planned for 2016.

In 2015, the sales of telephony and package Triple Play products were launched further in 16 regions.

Financial services

In 2015, a joint project of MTS and MTS-Bank gained further development. This partnership allowed MTS becoming an integrated provider of telecommunications and financial services, as well as using the synergy of the two areas to increase customer loyalty and monetisation.

Within the project framework, MTS aims at becoming a supplier of financial services to the largest subscriber base in Russia in order to improve loyalty, increase the lifecycle of subscribers and ARPU.

Main achievements

Penetration of financial services in the subscriber base increased by 3 percentage points and reached 15% at the end of 2015.

Alongside with the shrinkage in retail lending market and ceased credit card issuance in the MTS showrooms, the issuance of POS-loans in the MTS retail network resumed in 2015. Changes in the risk strategy led to a sharp increase in the quality of POS-loans issued against 2014 being more default.

In February 2015, a new debit product “MTS Money Contribution” entered the market.

The process of integration of MTS financial products and MTS Bank was launched: new product placement principles were formed and financial zones were presented in the MTS retail

network which are a single point of consumer access to all financial services. A pilot project was launched in 17 MTS showrooms integrated with the MTS Bank's offices, which allowed to reduce the operating costs of MTS Bank at the first stage and to increase the penetration of financial services in the customer flow.

The process of transferring the MTS financial products to the MTS Bank base (settlement bank) started.

A number of new services, including innovative (“Mobile Ticket”), was launched.

A significant turnover increase for mobile payments on the partner data trading platforms and the growing number of transactions were achieved in an exclusive cooperation with partners.

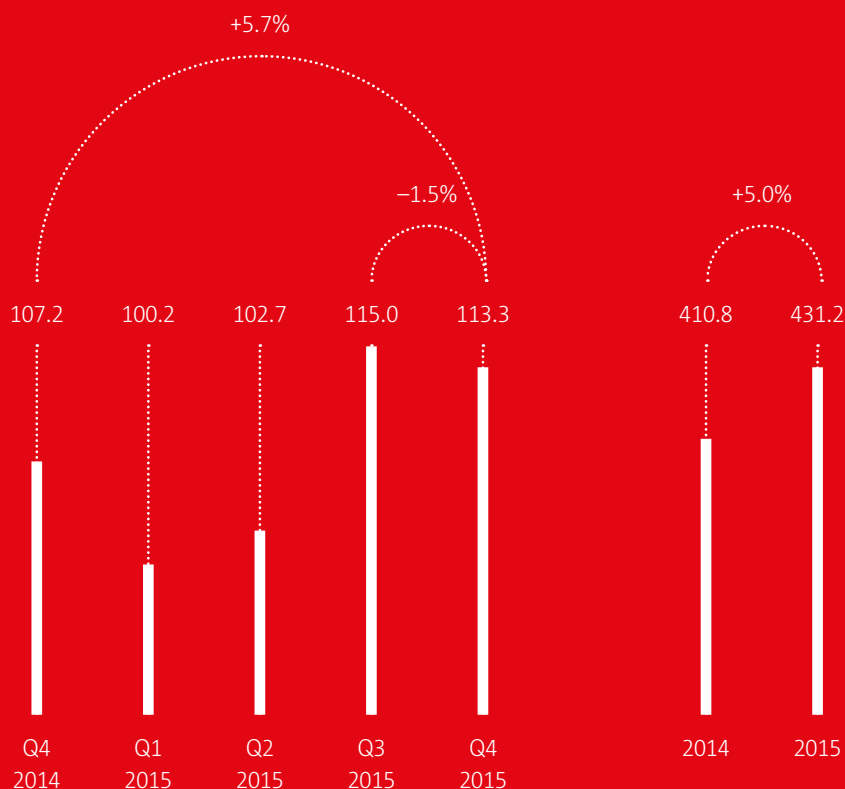
Financial Overview

The consolidated financial statements for the fiscal year 2015 ended on December 31, 2015¹, was drawn-up in accordance with IFRS.

This change in financial reporting standards is consistent with the approach of global and European telecommunication companies, most of which draw up their statements as per IFRS. The IFRS reporting is formed in Russian roubles as the core assets and activities of MTS are concentrated in Russia.

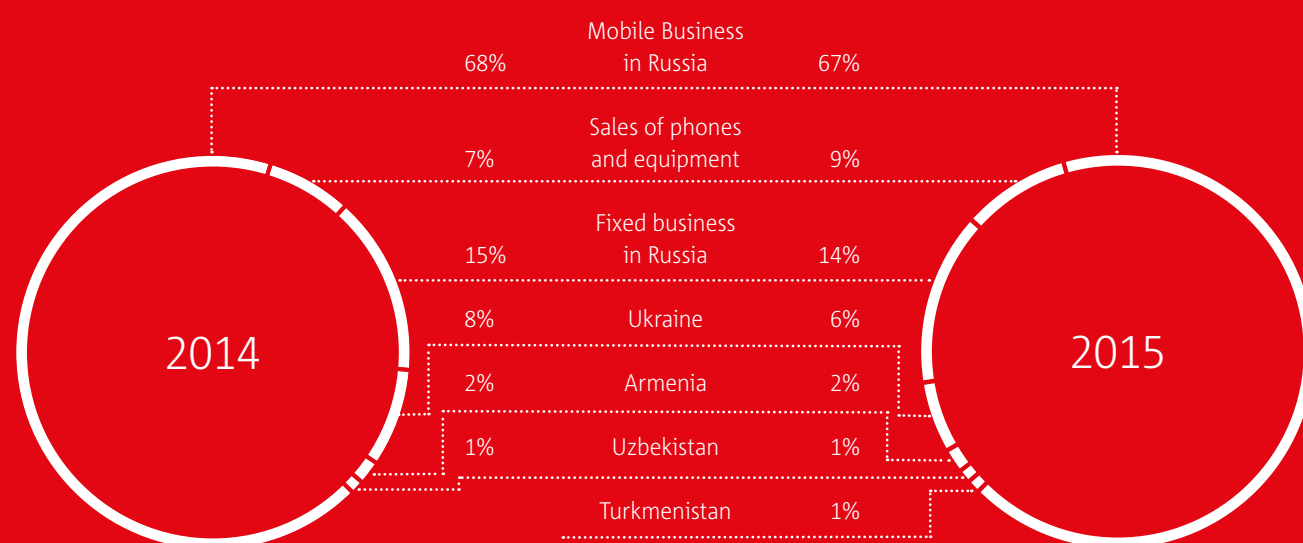
Financial indicators of the group

Income of the Group (billion RUB)



¹ Information on the consolidated financial and operating results of MTS Group in Q4 2015 and 2015 in general: <http://www.company.mts.ru/comp/ir/report/2016-03-21-5101567/>.

Distribution of Group's income¹



¹ Without regard to internal group operations

Significant increase in the annualized income was caused by:

- Increase in the income from data transmission and expansion of the subscriber base in Russia due to the price policies and retail development strategies
- Increase of market shares of BBA and fee-based TV for private customers in Moscow

- Contribution to business development in Uzbekistan where MTC launched a network in December 2014

Annualized income was also impacted by reduction in the yield in Ukraine due to the weakening of the national currency, terminations of activities in Crimea and business difficulties in the eastern part of the country

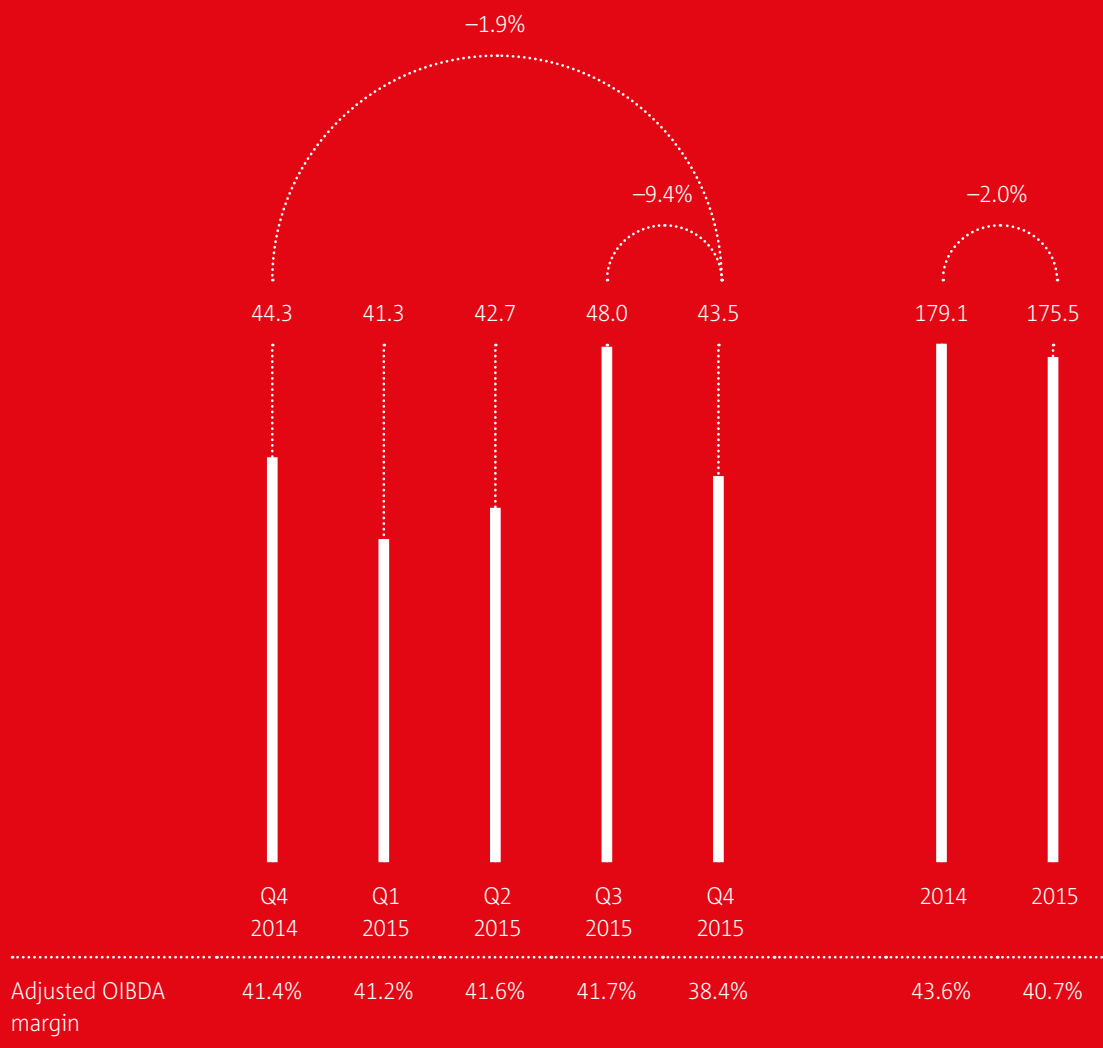
Quarterly income reduction was caused by traditional seasonal factors such as decrease in use of roaming services



“We are pleased to announce the completion of another successful year of growth for MTS. The Group revenues increased by 5% to more than RUB 431 billion as a result of our 3D strategy implementation. We can see a steady demand for data transfer services in all markets of our operation and we are pleased to be finally able to render high-speed mobile Internet access services to our customers in Ukraine after obtaining a license to render 3G services at the beginning of last year”.

Andrey Dubovskov, MTS PJSC President

Adjusted OIBDA¹ of the Group (billion RUB)



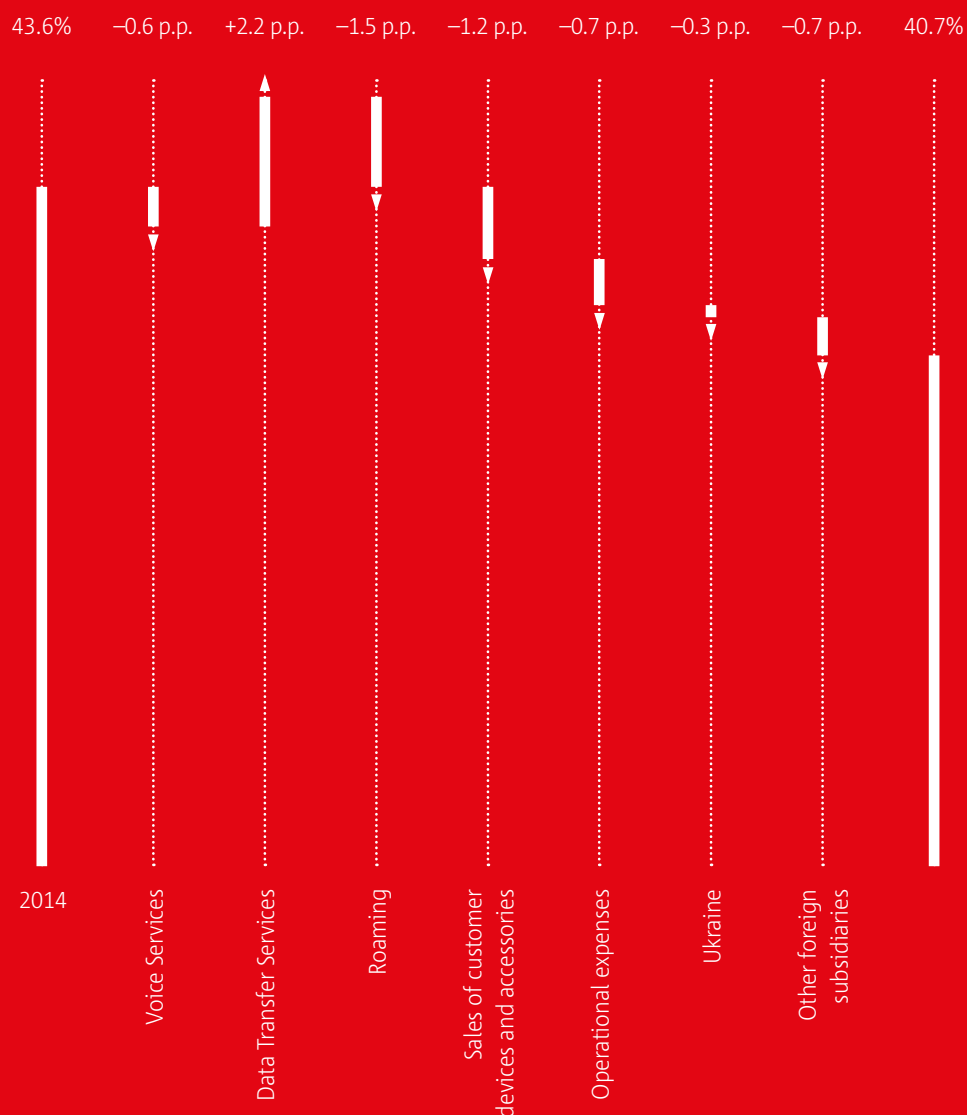
¹ Excluding the income in amount of 6.7 billion RUB (3.6 billion RUB in Q3 2014 and 3.1 billion RUB in Q4 2014) from the resumption of operations in Uzbekistan and the reserves for monetary funds in Ukrainian banks subsequently declared insolvent, in amount of 5.1 billion RUB in Q4 2014 and 1.7 billion RUB in Q1 2015.



“Despite the continuing macroeconomic uncertainty, we finished the year 0.7 percentage points higher than the previously predicted level margin of adjusted OIBDA of 40%. At year-end, the adjusted OIBDA of MTS Group decreased slightly by 2% to RUB 175.5 billion mainly due to negative macroeconomic factors, regulatory changes in Ukraine and aggressive actions committed by our competitors in the Russian retail distribution”.

Andrey Dubovskov,
MTS PJSC President

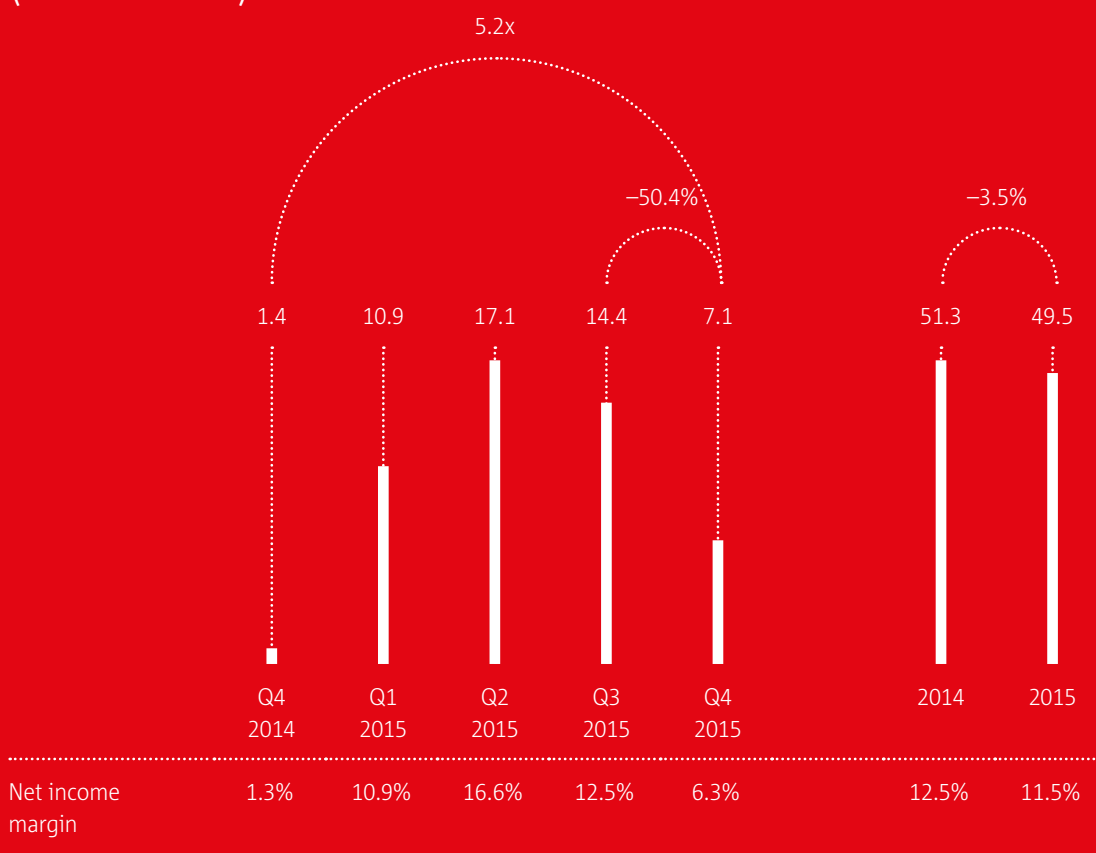
Adjusted OIBDA margin: factor analysis



Reduction of annualized OIBDA indicator represents:

- Higher share of income from sales of phones in the total amount of Group's income
- Expenses for building up a retail chain in response to aggressive actions of the competitors
- Increase in cost of production of roaming services and international calls for the Russian market
- Increase of inflation impact in the key markets of MTS operation, including rising costs of power, lease of channels and platforms for base stations, maintenance of communication and IT networks, increase of tax payments and payments for use of a radio-frequency spectrum for Ukrainian business
- Expenses related to resumption of activities in Uzbekistan
- Volatility of national currencies in all the operation markets of the Group

Net income of the Group (billion RUB)



Net income indicator in the fourth quarter of 2015 was impacted by:

- OIBDA dynamics
- Quarterly increase of the annualized net income was caused by a low base of the previous period
- Loss from goodwill depreciation in Armenia by 3.5 billion RUB

- Share in losses of MTS Bank in amount of 2.3 billion RUB
- Non-monetary losses from exchange rate fluctuations in amount of three billion RUB.

Net income reduction in 2015 was also impacted by depreciation expenses

Unstable macroeconomic indicators of the countries that are vital for MTS business can also impact the financial and operational indicators of the Group in future



“Net profit of MTS Group decreased by 3.5% per year to RUB 49.5 billion. In addition to the trends impacting the OIBDA, the main factors that influenced reduction in net profit were the growth of depreciation costs associated with the expansion of our network, as well as the increase in fundraising costs. Other market factors include the loss on impairment of assets in Armenia, as well as losses from the resumption of operations in Uzbekistan”.

Alexey Kornya,
Vice President, Finance and Investments, Member of the Management Board

Dynamics of subscriber base in mobile business

MTS subscribers (mil.)	Q4 2015	Q3 2015	Q4 2014	Quarterly, %	Annualized, %
Total for mobile subscribers of the Group	107.8	107.1	104.2	+0.7%	+3.5%
Russia	77.3	76.9	74.6	+0.5%	+3.6%
Ukraine ¹	20.4	20.3	20.2	+0.7%	+1.0%
Turkmenistan	2.1	2.1	2.1	—	—
Armenia	1.6	1.6	1.7	—	−6.3%
Uzbekistan	1.1	0.9	0.2	+25.8	5.8x
Belarus ²	5.3	5.3	5.3	—	—

¹ Including CDMA network subscribers

² MTS owns 49% of shares in MTS JLLC in Belarus, considered by the share.

In Russia MTS continues to connect and keep high-quality subscribers due to attractive rate offers and management of sales through the home retail chain.

MTS maintains a sustainable growth of the subscriber base through:

- Great customer service
- Great communication quality
- Data plans and retail chain, aimed at migration of subscribers from voice data plans to package plans with the internet traffic included

Capital expenditures of MTS Group (billion RUB)



	2014		2015	
	CAPEX	In % of income	CAPEX	In % of income
Russia ¹	85,491	22.8%	79,619	20.4%
Ukraine ²	4210	12.8%	12,427	44.1%
Armenia	1142	16.0%	1371	15.2%
Turkmenistan	1084	28.4%	500	9.8%
Uzbekistan	1	0.6%	2195	47.6%
Group	91,929	22.4%	96,111	22.3%

¹ Excluding expenses for acquisition of 4G licenses in amount of 3.4 billion RUB in 2015

² Excluding expenses for acquisition of 3G licenses in Ukraine amount of 2.7 billion UAH (7.044 billion RUB) in 2015.

Capital expenditures of MTS Group for 2015 amounted to 96.1 billion RUB, including:

- Development of data transfer networks in all operation markets
- Completion of the project on deployment of GPON networks in Moscow
- Modernization of landline communication networks in Russian regions
- Resumption of provision of communication services in Uzbekistan

Capital expenditures share against proceeds of the company lessened within the reporting period, primarily in Russia, Armenia

and Turkmenistan, after the period of aggressive development of MTS networks in these countries

Increase of capital expenditures in the Ukrainian market is a natural effect of obtained licenses for provision of communication services by 3G/UMTS standard:

- In the first quarter of 2015 MTS won the license on provision of 3G communication services at the entire territory of Ukraine in the ranges of 1950-1965 MHz and 2140-2155 MHz.
- Capital expenditures of the Group don't include neither one-time payments for acquisition of 3G licenses in amount of 2.7 billion UAH or 7 billion RUB, not the cost of refarming of frequencies (358 million UAH or 865 million RUB).

Forecast for 2016



Total income of the Group
(1 billion RUB)



Adjusted OIBDA of the Group
(1 billion RUB)



Capital expenditures of the Group
(1 billion RUB)

Income of the Group : MTS forecast an income increase of the Group at the level of >4% for 2016, caused by:

- Expansion of mobile internet use and sustainable growth of data users among MTS subscribers
- Growth of smartphone sales
- Growth of MTS share in the market of BBA services and fee-based TV for private customers in Moscow
- Income growth in foreign subsidiaries

OIBDA of the Group: MTS expects that adjusted OIBDA will vary within the range from -2 to +1 % in 2016. Volatility of operation markets is under the following influences:

- Increase of competition in the retail market due to aggressive actions of the competitors
- Building up 3G networks in Ukraine and non-market influences that impact our profitability
- Macroeconomic factors and volatility of national currents in the operation markets

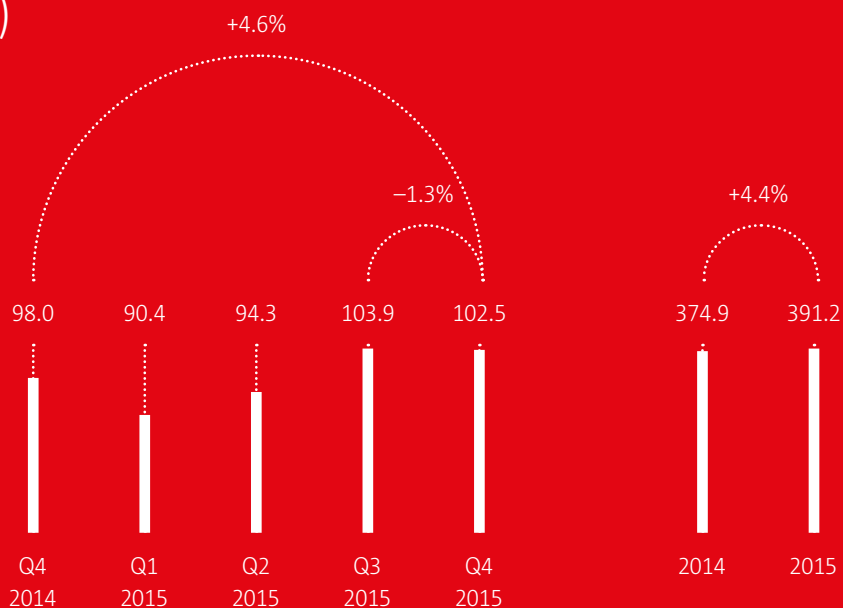
Capital expenditures of the Group: MTS is planning to reduce capital investments in 2016 to 85 billion RUB.

MTS intends to reconsider its forecasts within the framework of future quarterly disclosures of financial and operational indicators, which will allow to provide the up-to-date view of the current financial year to the market.

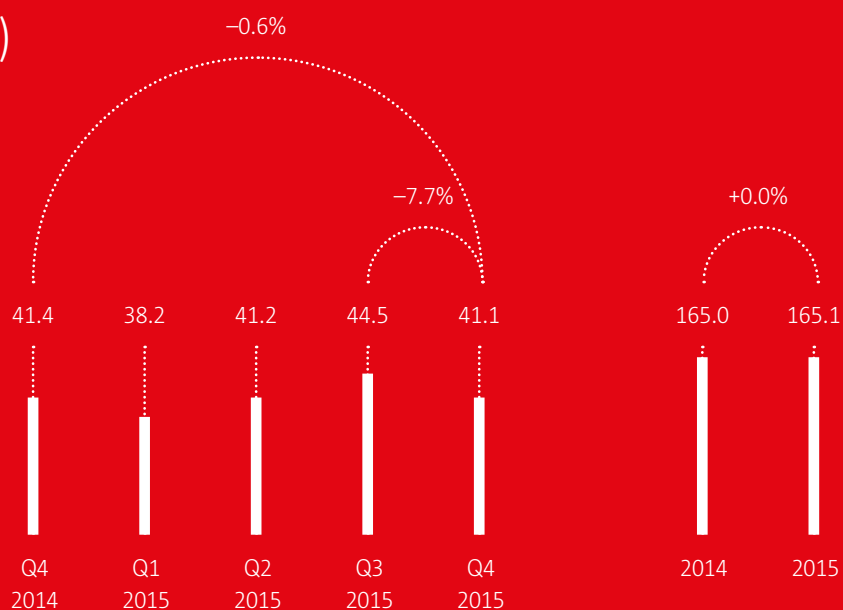
Russia

Financial indicators

Income (billion RUB)

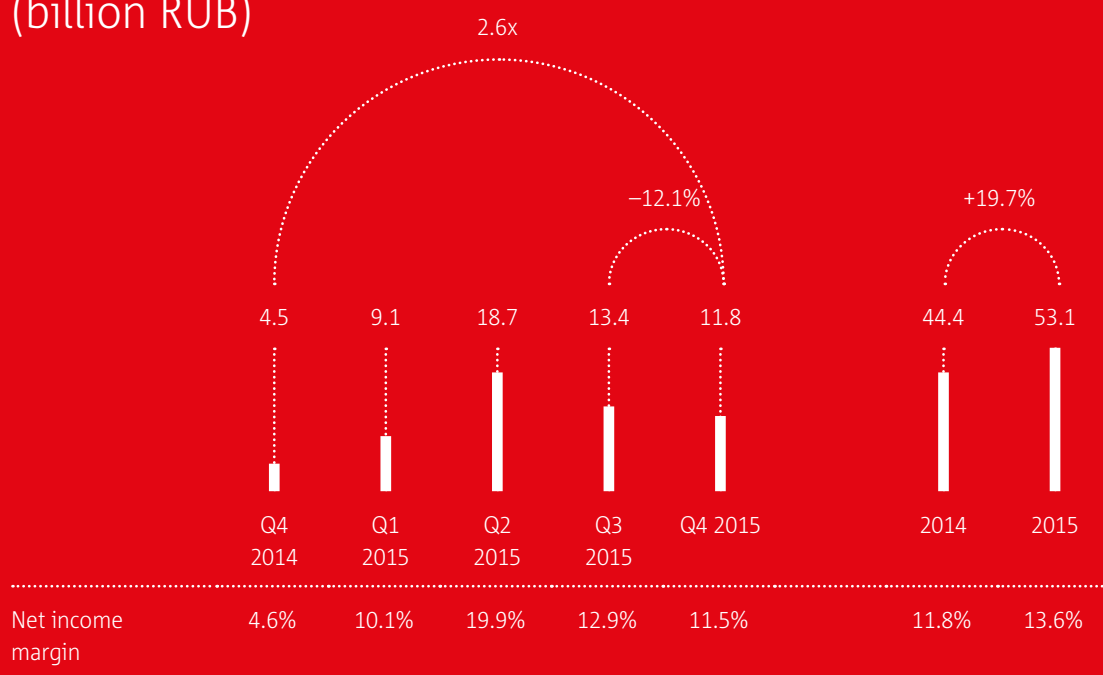


OIBDA (billion RUB)



OIBDA margin	42.2%	42.2%	43.7%	42.8%	40.1%	44.0%	42.2%
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Net income (billion RUB)



Annualized income growth due to:

- Expansion of use of data transfer services
- Increase of high-quality connections
- High level of smartphone sales.

- Impact of rouble depreciation upon the amount of expenses in foreign currencies, including costs of international calls, roaming services and equipment
- Impact of inflation upon total and administrative expenses.

Stable level of OIBDA despite:

- Growth of smartphone sales
- Retail chain expansion
- Aggressive retail strategy

Net income growth in Russia for the 4th quarter of 2015 against the same period of 2014 due to effective management of exchange rate risks

Net income growth in 2015 against the last year was caused by the rouble devaluation decrease

MTS is an all-time leader in the amount of income and OIBDA in Russia

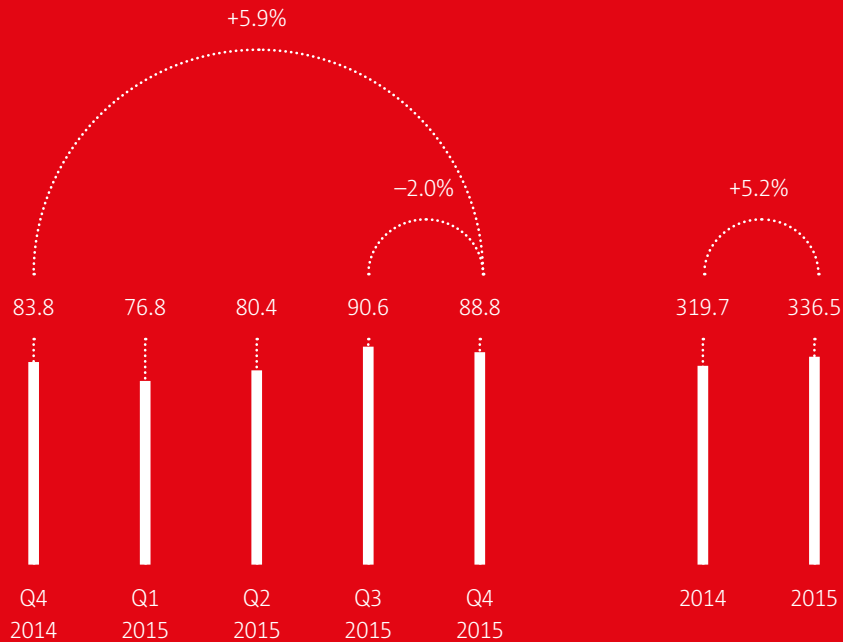


“Over the year, the company’s revenue in Russia increased by 4.4% to more than RUB 391 billion. During this time, we noted the influence of a number of negative macroeconomic factors, but steady mobile business of MTS successfully overcame these difficulties”.

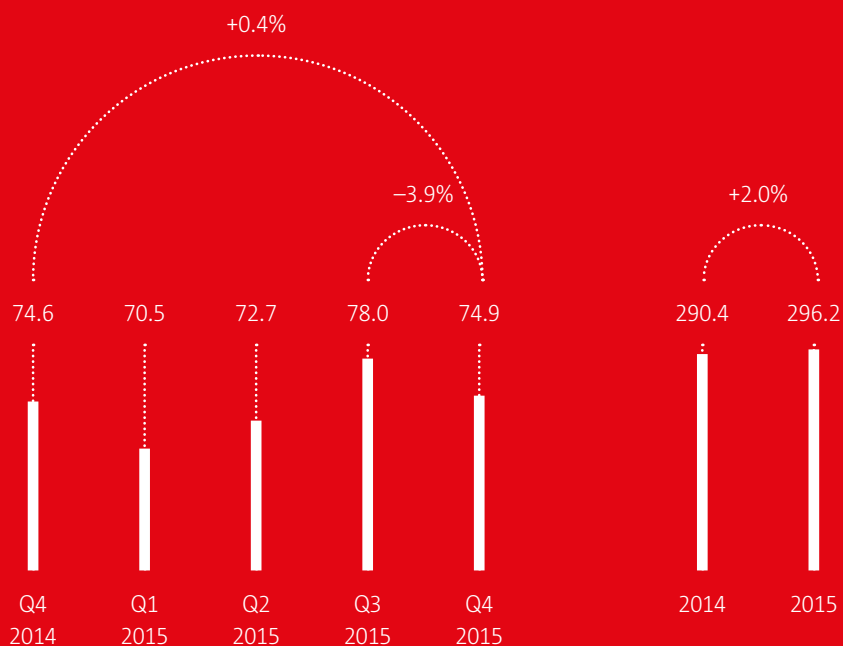
Vasyl Latsanych,
Vice President, Marketing, Member of the Management Board

Structure of mobile Business income in Russia

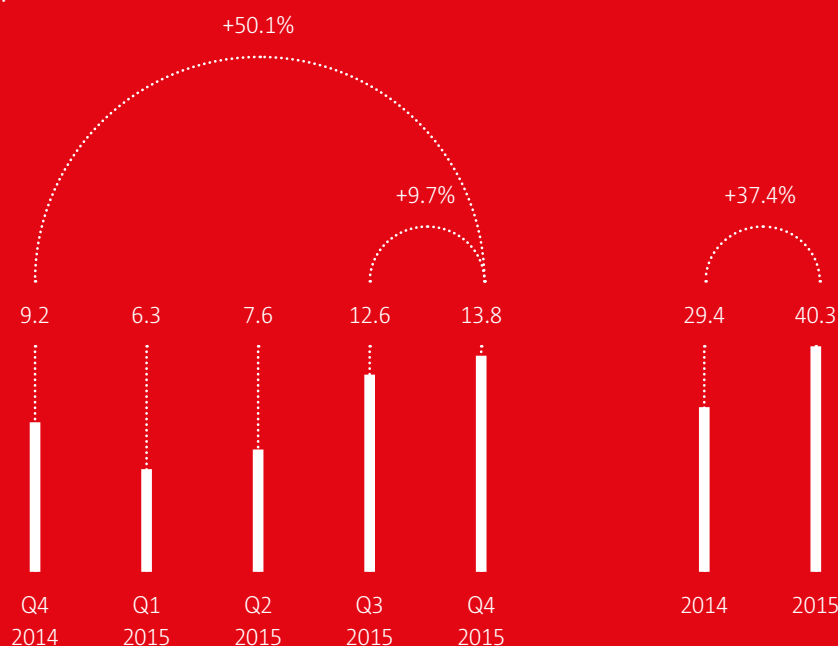
Mobile business income
(billion RUB)



Income from mobile services without regard
to sales of phones and equipment
(billion RUB)



Income from sales of phones and accessories (billion RUB)



Increase in the annualized income from mobile services was caused by:

- Increase in consumption of data services and growth of market penetration of smartphones and tablets due to implementation of an aggressive retail strategy
- Increase in consumption of services by the existing data subscribers
- Growth of the active subscriber base
- Continuing growth of sales of equipment due to implementation of the retail strategy of the company aimed at promotion of sales and market penetration of smartphones, and the involvement of high-quality subscribers

MTS is a leader in amount and growth rate of mobile business income in Russia

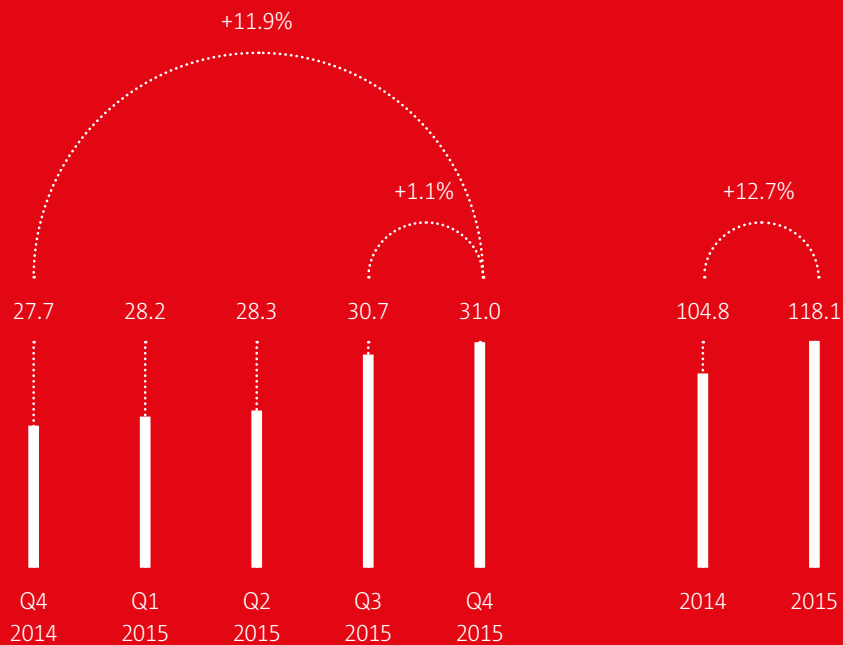


“The MTS mobile business revenue increased by 5.2% due to the growth of the active subscribers and as a result of increased revenue from data transfer services due to the rising penetration of smartphones and transition of users to package data plans”.

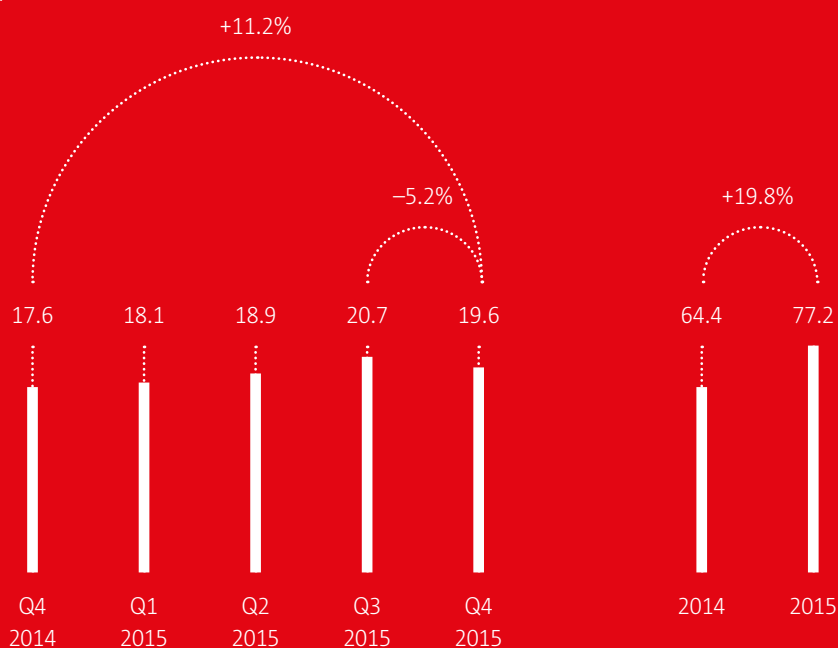
Vasyl Latsanych,
Vice President, Marketing, Member of the Management Board

Operational indicators of the mobile business

Total income from VAS services (billion RUB)



Income from data transfer services (billion RUB)



	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2014	2015
Subscribers, million	74.6	74.5	75.4	76.9	77.3	74.6	77.3
Churn, %	11.0%	10.1%	9.1%	9.7%	10.8%	41.1%	39.6%
ARPU (RUB)	337	315	324	341	323	338	326
MOU	393	367	388	386	387	372	381
APPM (RUB)	0.86	0.86	0.83	0.88	0.84	0.91	0.85

Annual growth of income from additional services reflects the focus of the company on a promotion of data transfer services use, promotion of affordable smartphones in the retail chain, ongoing investments in mobile internet networks, successful market offers.

Annualized churn reduction represents an increase in share of sales of the contracts through the home retail chain to 60%

Quarterly change of churn indicator was caused by seasonal influences

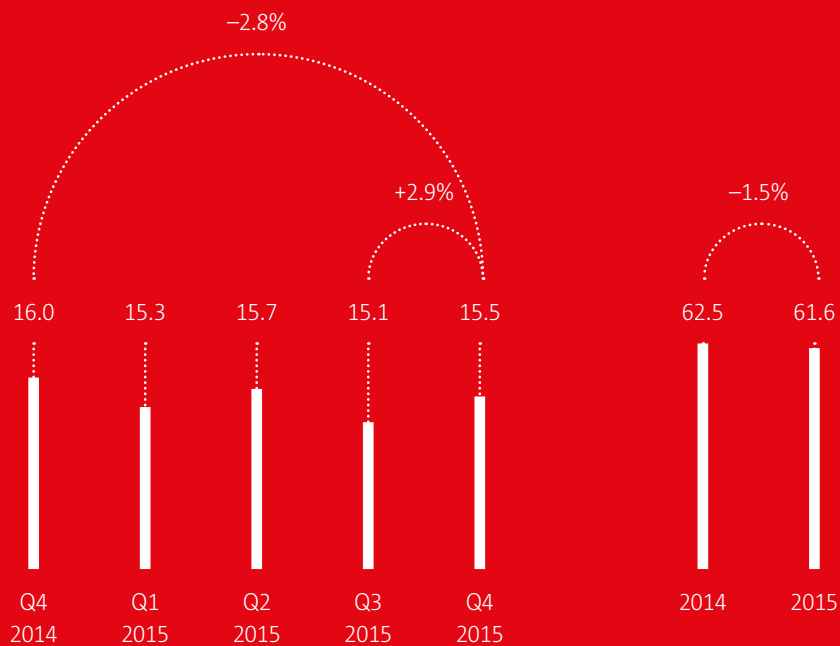
Key initiatives:

- Launch of LTE networks in all operation areas
- Implementation of the retail strategy of MTS on offer of affordable smartphones in the retail chain
- Focus on promotion of package data plans, which provided for three-time growth of the share of package plans in sales

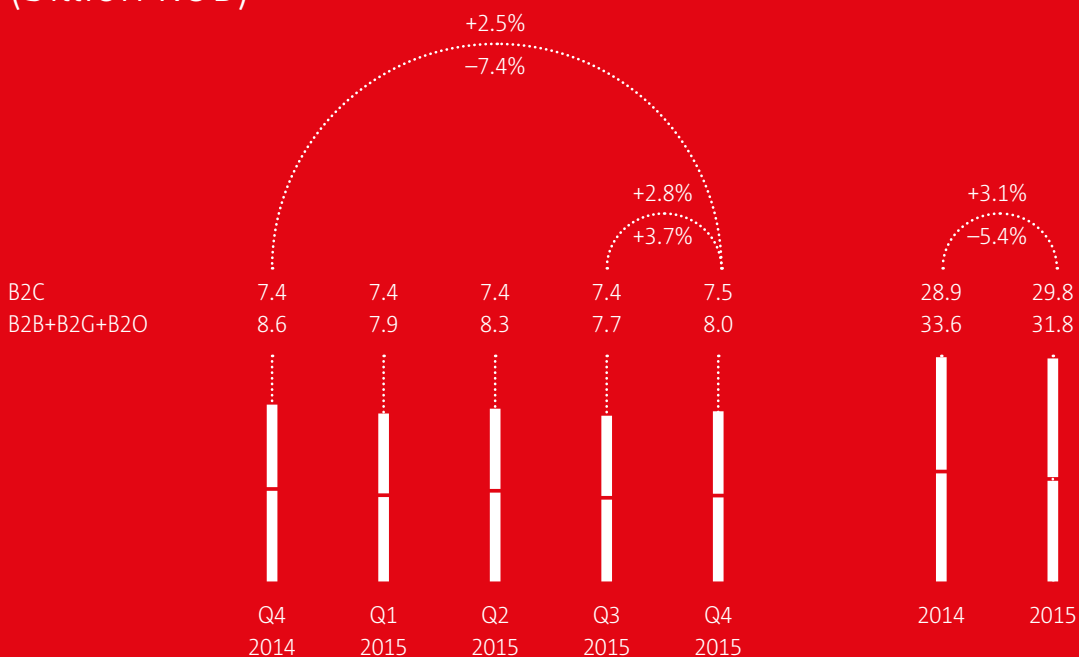


Financial and operational indicators of the mobile business

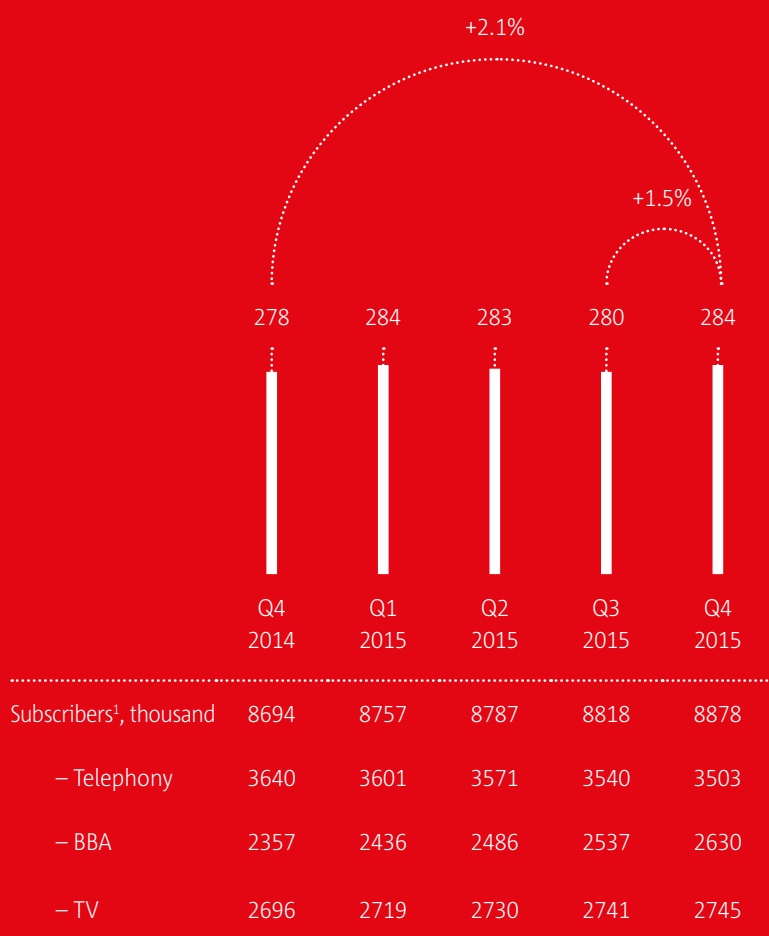
Income from fixed services (billion RUB)



Structure of the income from fixed services (billion RUB)



ARPU B2C (RUB)



¹ It includes landline telephony, BBA and TV subscribers and doesn't include satellite TV subscribers

Ongoing annualized growth of income in the retail BBA market due to expansion of the subscriber base in Moscow and regions and connection of the subscribers to modernized networks in the regions

Quarterly growth of income from fixed services was caused by seasonal influences, termination of promo campaigns and transfer of the subscribers to new data plans

ARPU growth in the retail market due to the increase of share of several-service packages, migration of fee-based TV subscribers to a digital platform, connecting to modernized networks in the regions and transfer of ADSL subscribers to GPON network in Moscow.

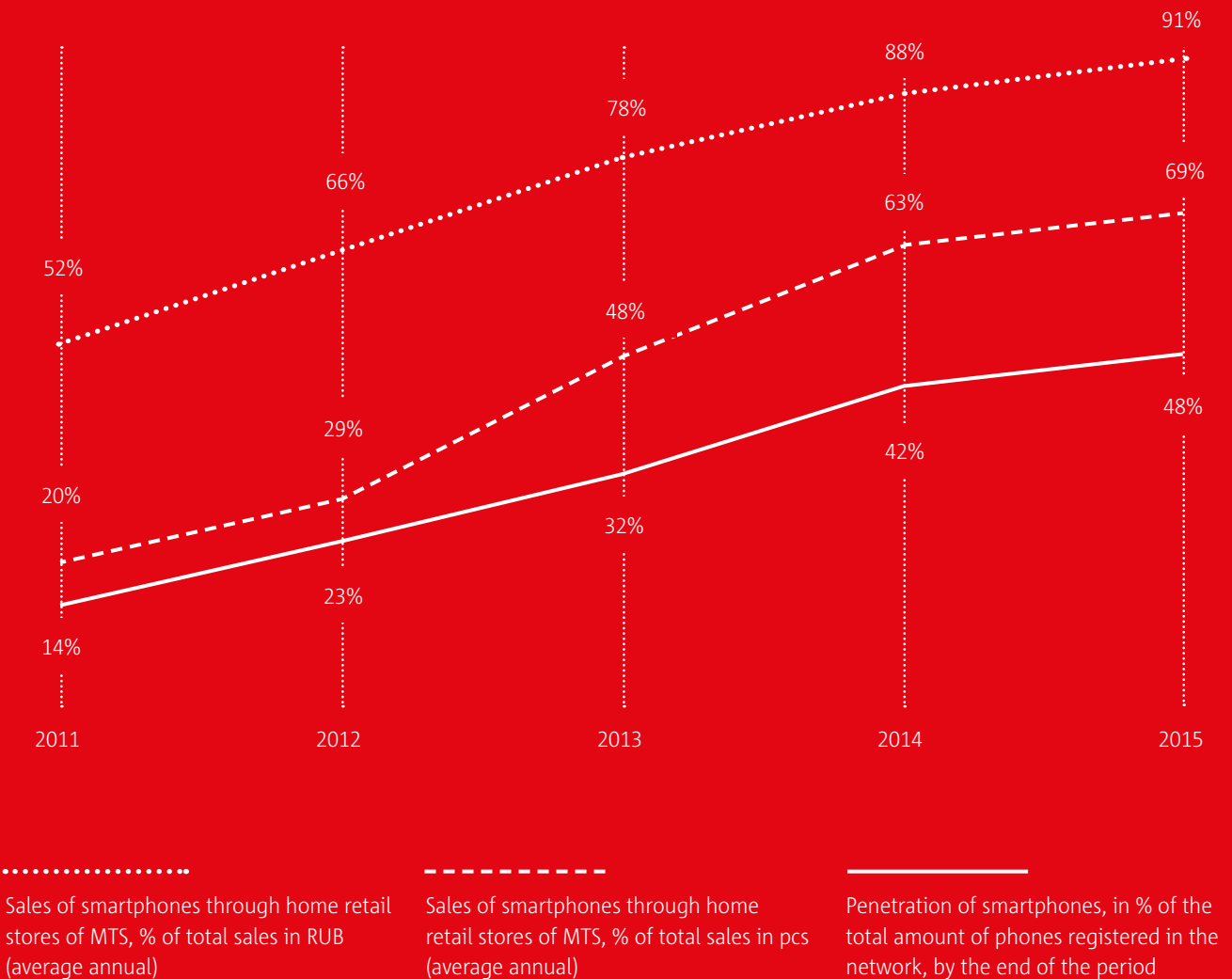


“In 2015, our fixed-line business revenue decreased slightly by 1.5%. However, we are encouraged by the increase in revenue by 2.9% in Q4 of 2015 compared to Q3 2015. Such growth is driven by a steady increase in the share of our company in the mass market; for the quarter, we increased our subscriber base in the broadband Internet access segment by nearly 100,000 subscribers.”

Vasyl Latsanych,
Vice President, Marketing, Member of the Management Board

MTS retail chain

Penetration of smartphones in sales and operator networks, 2011–2015



By the end of the 4th quarter of 2015 the retail chain included 5,166 outlets with 1,681 franchising store among them

In the 4th quarter of 2015 the share of smartphones among all the phones sold in MTS retail was 72%

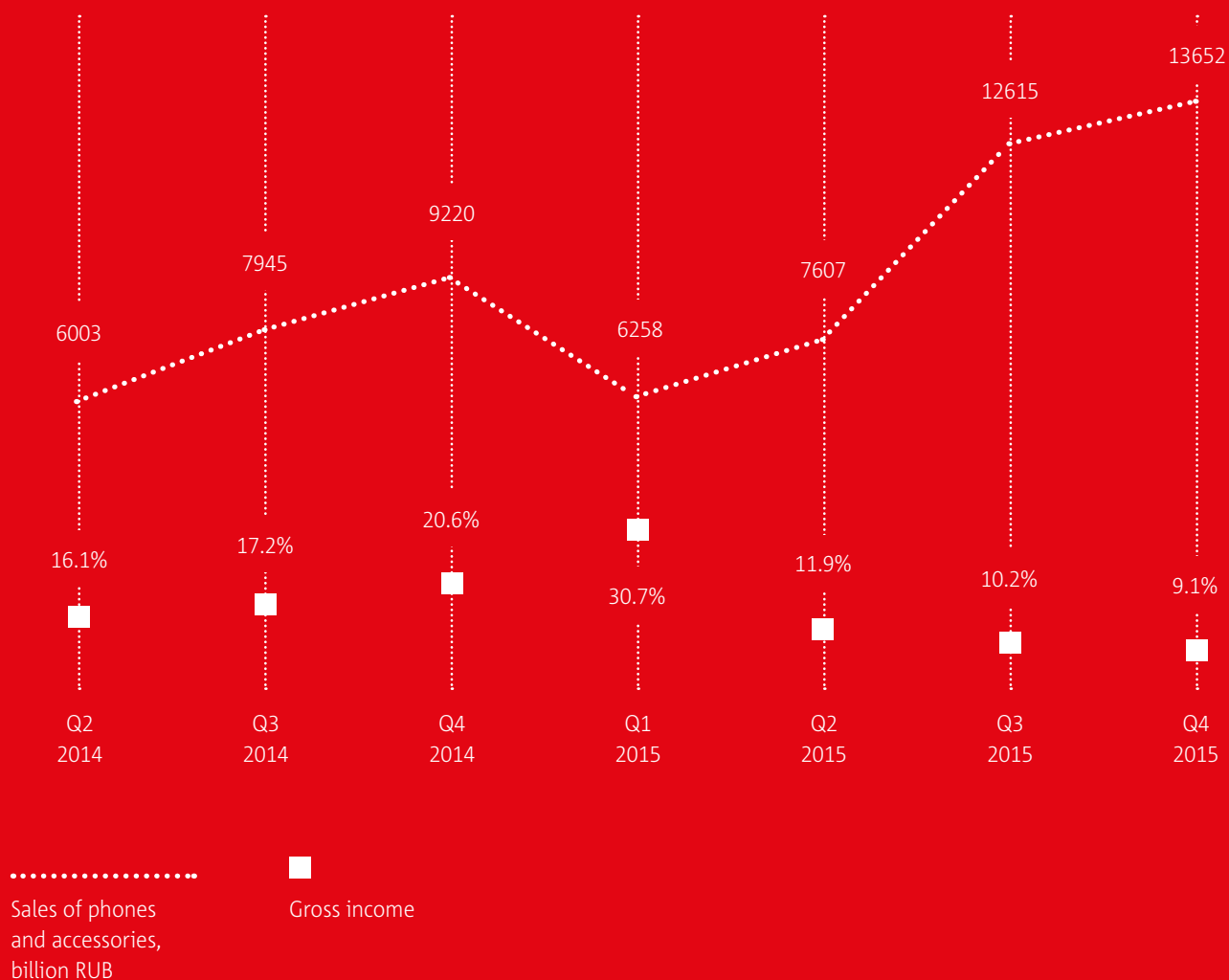
Share of LTE-compatible smartphones reached 38.5% of all smartphones sold in the retail chain of the operator

In the 2nd quarter of 2015 MTS sharply reduced prices for all the models of smartphones in the home retail chain in order to:

- Counteract to activities of the competitors on expansion of the market share of their own retail chains
- Involve high-income subscribers and encourage transition of subscribers to package data plans

As a result, the annualized amount of sold smartphones increased by 59%, and penetration of smartphones in the subscriber base amounted to 48.4%

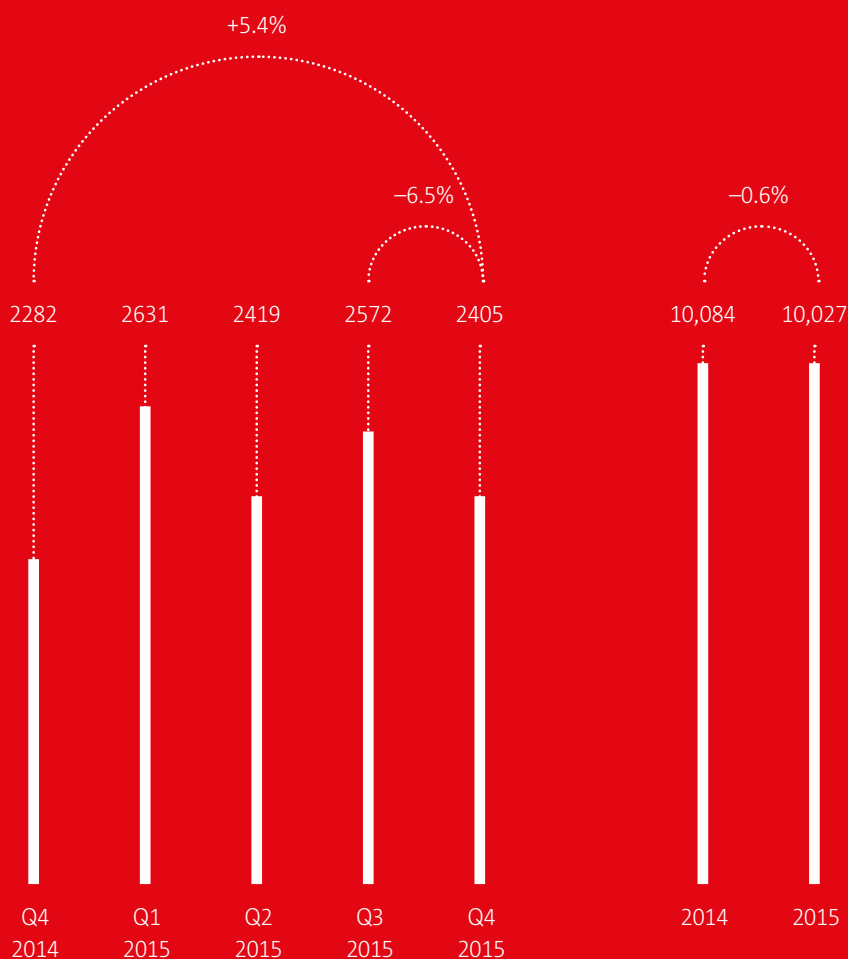
Profit and gross income from sales of phones and accessories



Ukraine

Financial results

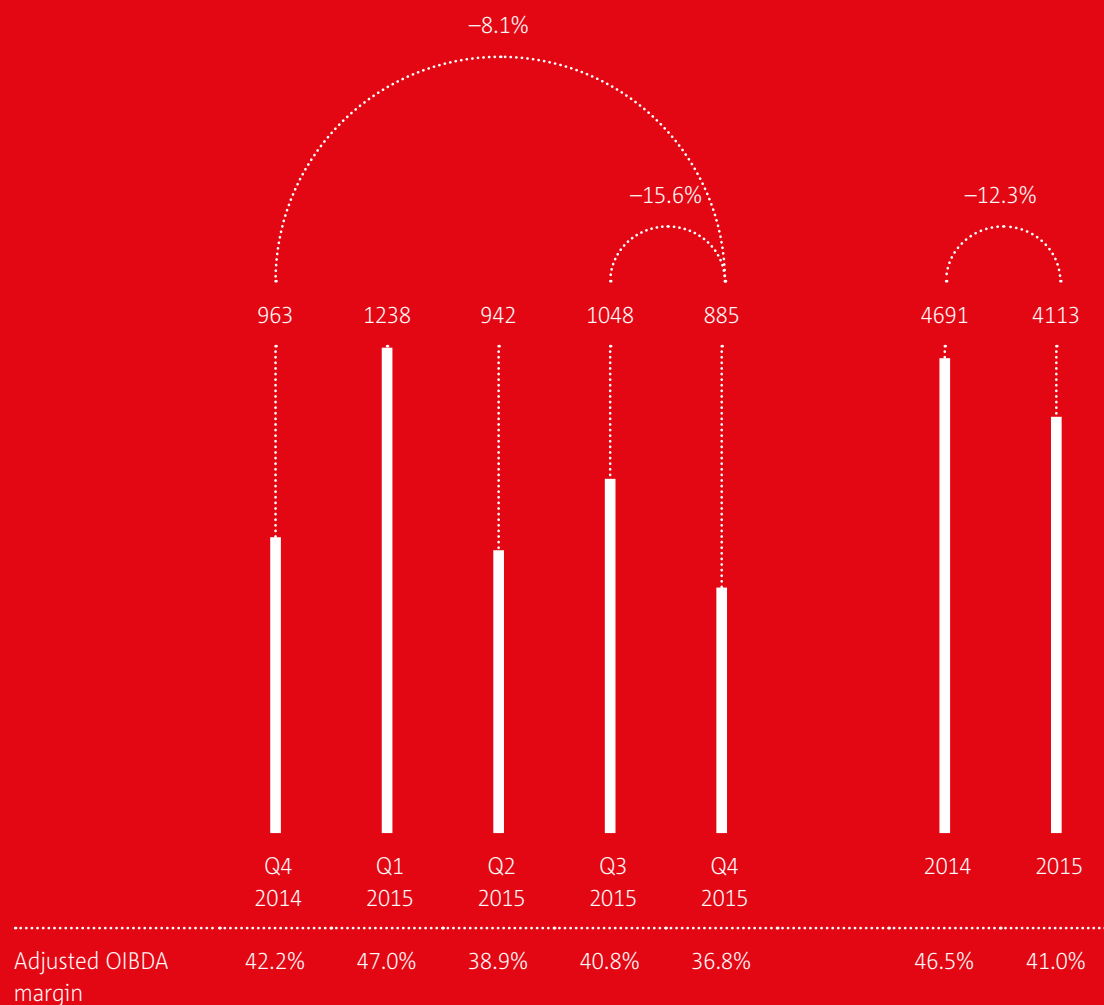
Income
(million UAH)



"In Ukraine, the revenue decreased slightly by 0.6% to more than 10 billion hryvnia in 2015. We constructed 3G networks all over Ukraine, launched the networks in all major regional centers under the Vodafone brand and were able to deploy communication networks on a par with our main rival at year-end.

Vasyl Latsanych, Vice President, Marketing, Member of the Management Board

Adjusted OIBDA¹ (million UAH)



¹ Adjusted by the value of reserves for monetary funds in insolvent Ukrainian banks in amount of 1.449 billion UAH in the fourth quarter of 2014 and 648 million UAH in the first quarter of 2015

Annualized reduction of income due to termination of operations in Crimea, difficulties in provision of communication services in the conflict zone at the east of Ukraine and general deterioration of economic situation in the country

Organic revenue growth in the fourth quarter year-on-year due to the launch of 3G communication services in the second half of 2015, increase of profit from interconnecting and growth of income after raising the prices for tariff options, international roaming and international calls

OIBDA reduction due to increase of the payment for frequencies, increase of expenses for 3G network deployment and maintenance of operations at the east of Ukraine

Market condition

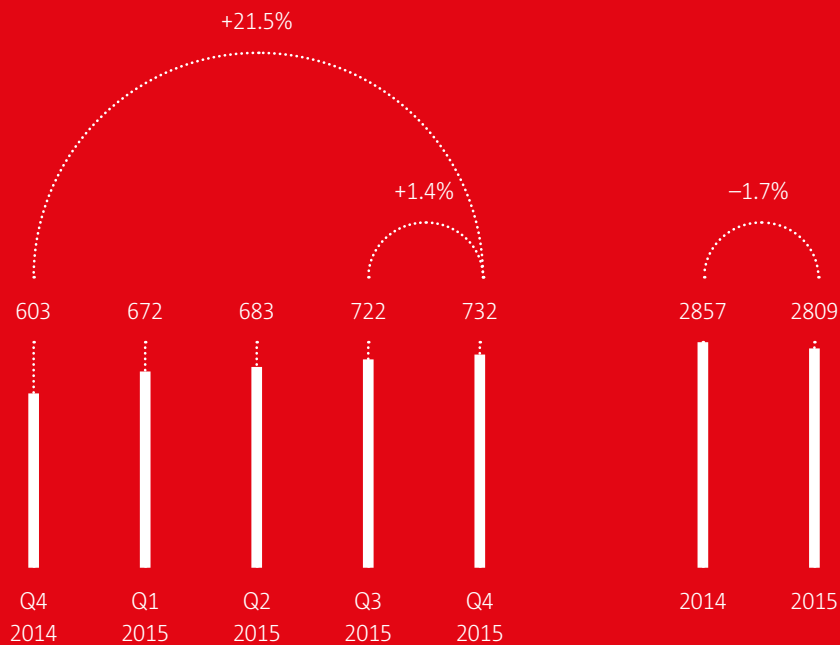
On October 15, 2015 MTS extended the agreement on strategic partnership with Vodafone, which was used by the companies to conduct a re-branding of MTS Ukraine

Vodafone carries out consultations on a construction, management and optimization of networks, launch of services based on 3G network, including package offers, international calls, roaming services by competitive prices, musical and gaming applications for the subscribers

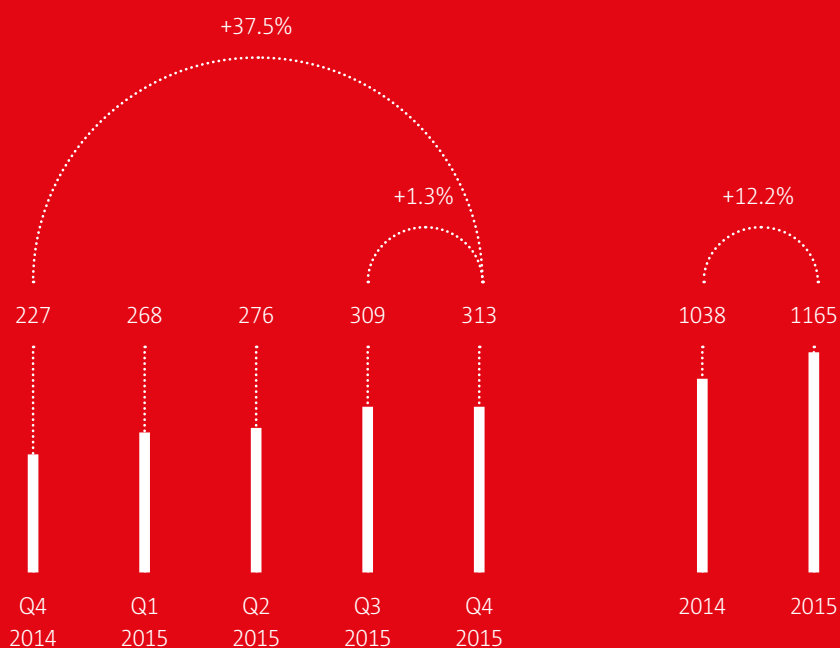
By the end of 2015 MTS covered most of the central cities of regions with its 3C networks

Operational and financial results

Income from VAS services (million UAH)



Income from data transfer (million UAH)



	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2014	2015
Subscribers, million	20.2	20.3	20.3	20.3	20.4	20.2	20.4
Churn, %	17.6%	5.5%	5.6%	6.9%	6.6%	34.2%	24.5%
ARPU	35	43	39	42	39	40	41
MOU	480	508	502	500	523	554	508
SAC (hryvnias)	69.3	69.2	86.7	76.2	83.4	57.6	79.5
APPM (hryvnias)	0.07	0.08	0.08	0.08	0.07	0.07	0.08

Annualized growth of income from additional communication services due to 3G deployment

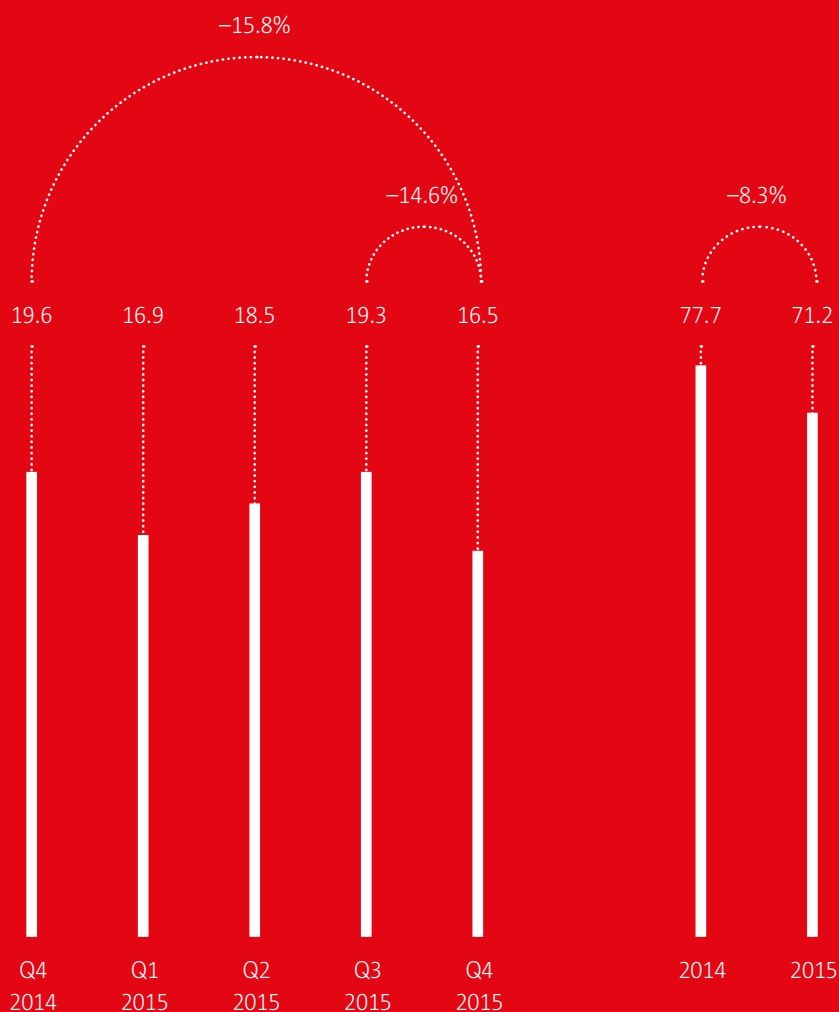
Growth of income from data transfer due to a rapid increase in amount of users of new services because of the launch of 3G networks.



Armenia

Financial results

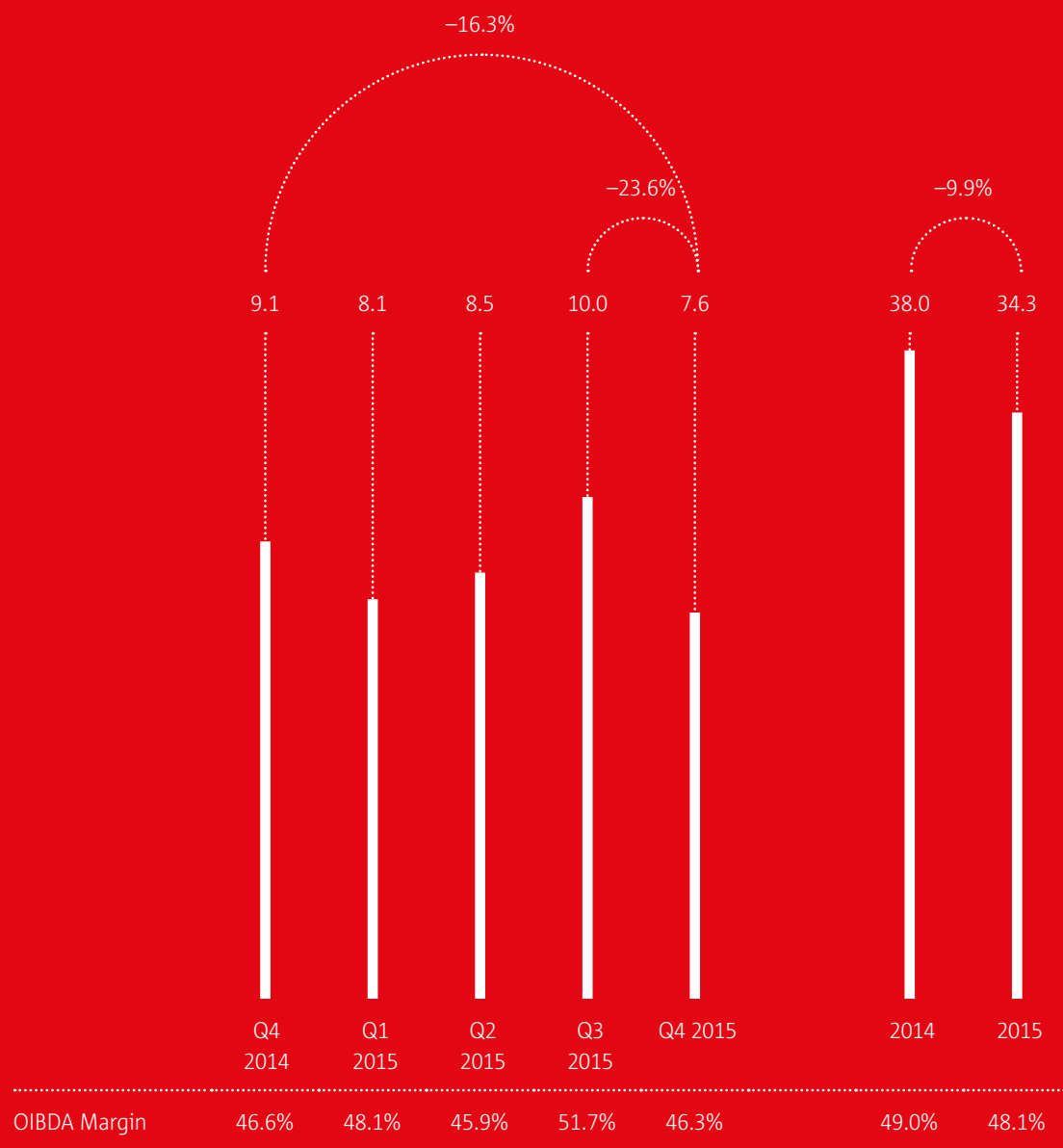
Income
(billion drams)



“The revenue of our Armenian subsidiary decreased by more than 8% as compared to the previous year due to negative macroeconomic factors that influenced the use of such services as international calls and roaming.”

Vasyl Latsanych, Vice President, Marketing, Member of the Management Board

Adjusted OIBDA¹ (billion drams)



¹ Adjusted to losses from goodwill depreciation in Armenia by 3.5 billion RUB in Q4 2015

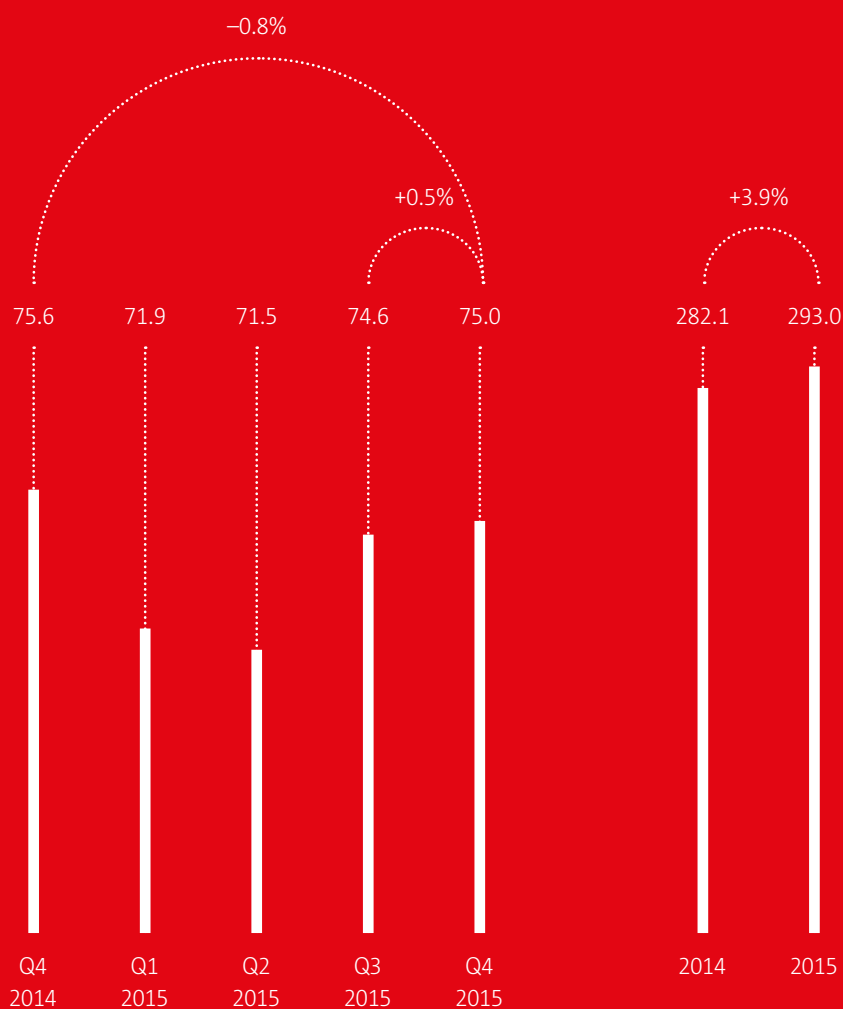
Profit dynamics is caused by a significant reduction of the volume of local and international calls and roaming calls due to adverse macroeconomic influences

OIBDA dynamics was influenced by the reduction of profit from high-yield services which are roaming and international voice calls

Turkmenistan

Financial indicators

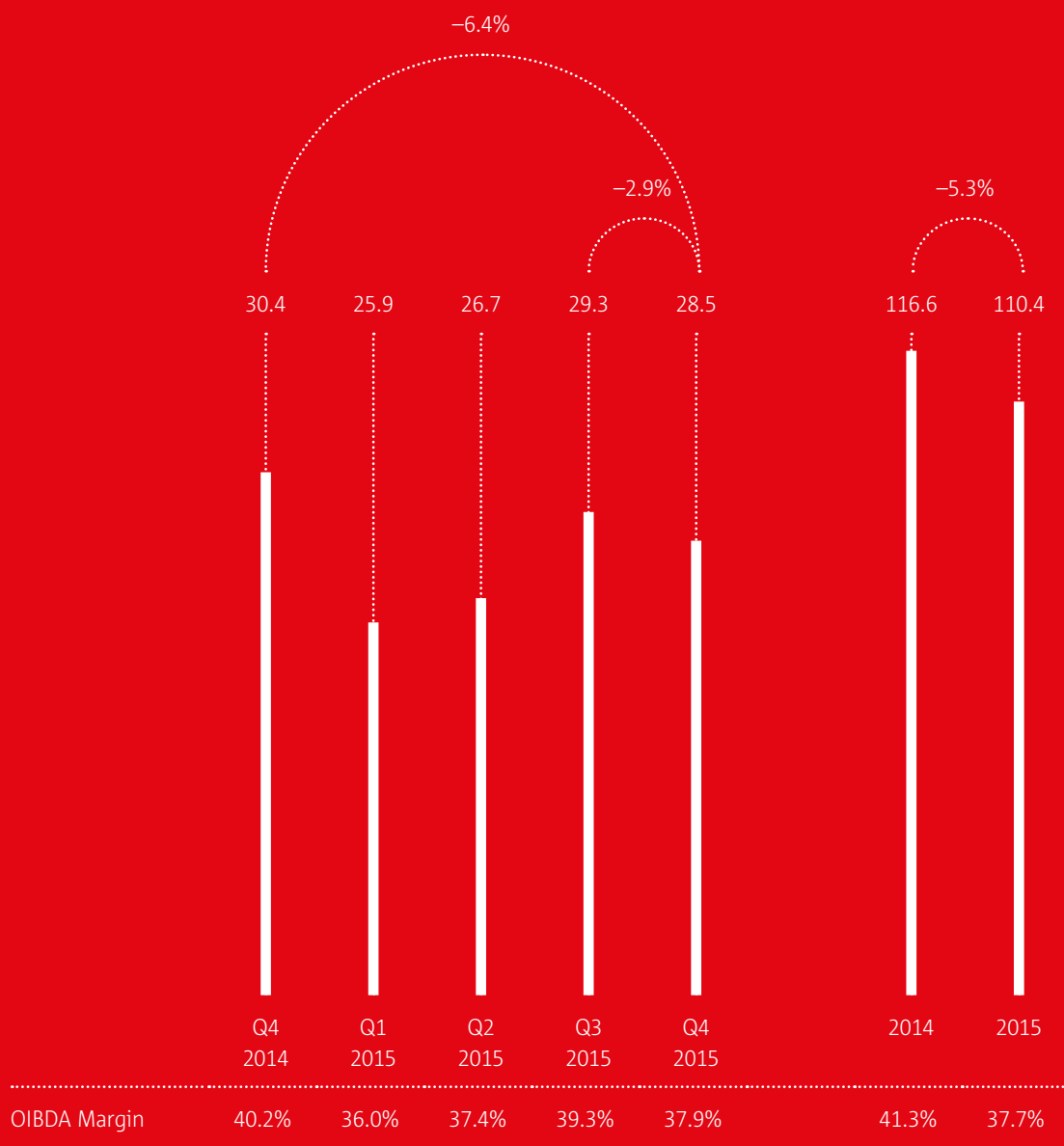
Income
(million manats)



In Turkmenistan, the revenue increased by 3.9% over the year as a result of increased use of communications services.

Vasyl Latsanych, Vice President, Marketing, Member of the Management Board

OIBDA (million manats)



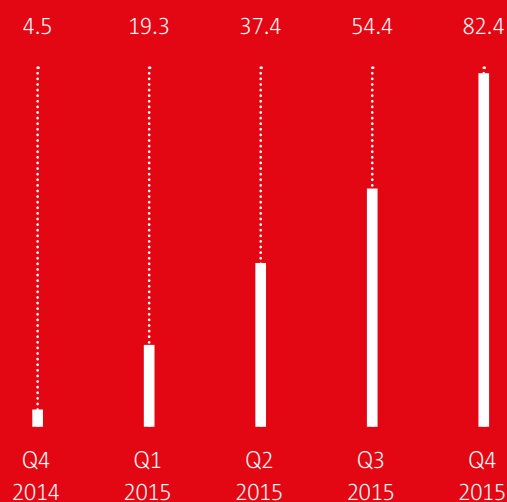
Annualized reduction of profit was caused by a slight decrease in the amount of subscribers, leading to a reduction of profit from voice communication services

Annualized OIBDA reduction due to the strengthening of USD which influenced the expenditures in foreign currencies, including IT and network maintenance costs, and raised prices of communication channels lease and wage indexation in January 2015

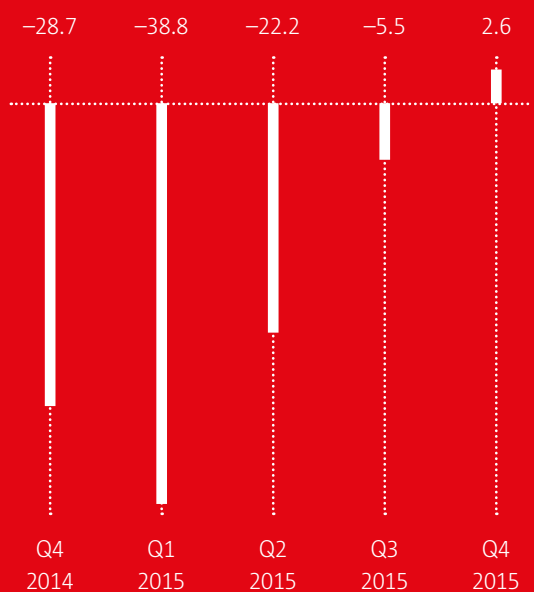
Uzbekistan

Resumption of MTS operation

Income
(billion soms)



OIBDA
(billion soms)



Operational indicators

	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Subscribers, million	0.2	0.4	0.6	0.9	1.1
ARPU (soms)	—	21,027	23,373	23,976	27,101
MOU (minutes)	—	356	462	530	527
Churn, %	—	8.4%	13.0%	14.3%	17.1%

MTS attracts new users and provides for a growth of average revenue per one customer

Company reached a positive OIBDA value for the first time in the fourth quarter of 2015

On September 24, 2014 MTC obtained 50.01% in the Joint Russian-Uzbek enterprise Universal Mobile Systems LLC (UMS)

UMS Company, Joint enterprise of MTS and Uzbekistan State obtained licenses for 2G, 3G and LTE communication services,

frequencies, numbering capacity and other permits required for the launch of operation

MTS started its operation in the territory of Uzbekistan on December 1, 2014

The Company focused its efforts on involvement of high-yield subscribers due to the high quality of communication and great customer service



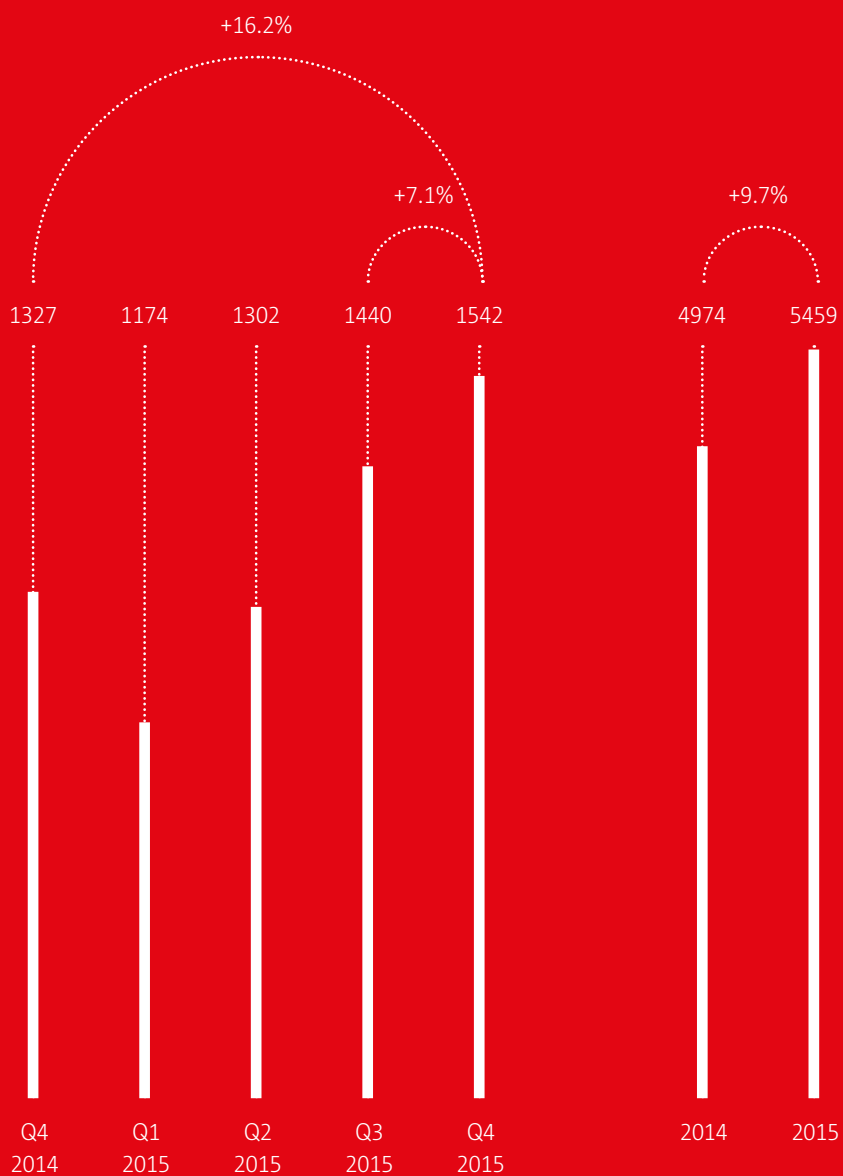
“In Uzbekistan, where the number of our subscribers exceeded one million in Q4 of 2015, we can see an impressive revenue growth of more than 51% compared to Q3 2015”.

Vasyl Latsanych,
Vice President, Marketing, Member of the Management Board

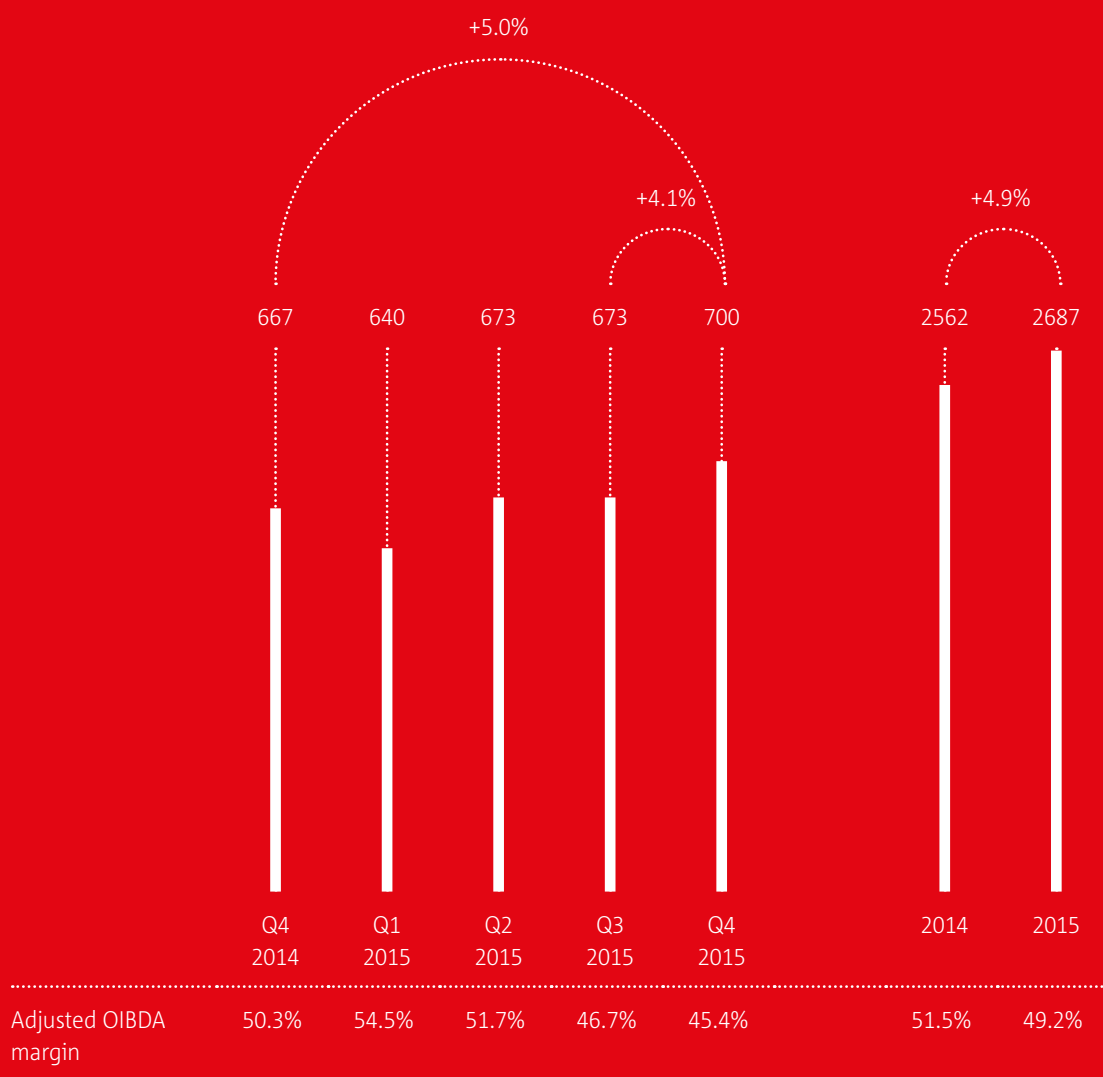
Belarus

Financial indicators

Income
(billion BYR)



Adjusted OIBDA¹ (billion BYR)



¹ Adjusted by the value of reserves for monetary funds in the insolvent Delta Bank in amount of 282 million RUB (69.69 billion BYR) in the first quarter of 2015

Annualized income increase was caused by:

- Increase of profit from data transfer due to successful strategy of the company aimed at expansion of smartphones penetration and transition of the subscribers to package data plans, and due to rise in tariffs for data transfer services
- Increase in equipment sales due to company's efforts on a promotion of smartphone sales

- Growth of income from data transfer, resulting from raising of tariff rates

- Launch of services based on LTE networks.

Quarterly growth of income due to increasing sales of subscriber equipment and accessories

OIBDA margin dynamics was impacted by the growth of low-margin sales of equipment

Overview of the Significant Transactions of the Group

Significant Transactions of MTS PJSC

1. Purchase of 100% of the shares of NVision Group JSC, the owner and developer of MTS billing and one of the largest system integrators and suppliers of integrated IT solutions in Russia.

In December 2015, we terminated the purchase of NVision Group JSC and its subsidiaries, the owner and developer of MTS billing and one of the largest system integrators and suppliers of integrated IT solutions in Russia.

Andrey Dubovskov, President of MTS PJSC, said that “The purchase of NVision Group is a part of the long-term MTS 3D strategy aimed at business diversification and innovation development. Unique NVision Group competence will allow us to achieve three main goals: to improve the service of our subscriber base by investing in the billing modernisation, to receive savings on IT costs due to integration and economies of scale and to strengthen our positions in the corporate market. In the near future, MTS can offer its customers integrated solutions in the form of a full range of IT services, telecommunication services and system integration services. We expect that entering the prospective and complementary markets for IT services, IT consulting and system integration will have a positive impact on our business, as today,

the size of markets for IT solutions increases and their growth rates are higher than those of the traditional B2B-segment telecommunication markets in Russia and globally.”

2. Extension of the agreement for strategic partnership between MTS PJSC and Vodafone, under which the companies will re-brand MTS-Ukraine PrJSC (100% owned by MTS Group). Under the new agreement, the operator shall work under the Vodafone brand and develop 3G networks.

MTS and Vodafone signed a strategic partnership agreement in 2008 for the first time, which was then extended. Cooperation with Vodafone allowed MTS to gain exclusive access to the best practices, product portfolio and Vodafone marketing development for mass and corporate markets, as well as to receive expert Vodafone support in the stages of selection, launch and promotion of MTS marketing initiatives and the introduction of new technology. The companies are also involved in global joint procurement programs for network and subscriber equipment, which allows increasing the operating efficiency of business processes and strengthen positions in the markets of operation.

“MTS and Vodafone implemented a number of strategic initiatives for the development of mobile Internet services in the countries of their presence within the framework of their partnership. Therefore, the beginning of the formation of a fundamentally new market for 3G services in Ukraine is the optimal time to expand our cooperation, which will allow taking advantage of the opportunities of the growing market in Ukraine efficiently,” – Vasyl Latsanych, Vice President, Marketing.

Essential Affiliates as of December 31, 2015

Russian Telephone Company Closed Joint Stock Company	Location: 5 ul. Vorontsovskaya, bldg. 2, 109147 Moscow, Russia The share of MTS PJSC in the authorised capital of the affiliate, %: 100 Primary business: implementation of sales of the MTS PJSC services.
MTS UKRAINE Private Joint Stock Company	Location: 15 ul. Leipzigskaia, 01601 Kiev, Ukraine The share of MTS PJSC in the authorised capital of the affiliate (indirect participation through subsidiaries Preludium B.V. and Allegretto Holding S.a.r.l., %: 100 Primary business: rendering of cellular radio-telephone communication services under the Vodafone trademark in the territory of Ukraine.
Moscow City Telephone Network Public Joint Stock Company	Location: 25 ul. Bolshaya Ordynka, bldg. 1, 119017 Moscow, Russia The share of MTS PJSC in the authorised capital of the affiliate, %: Directly: 56.01% Via affiliates: 38.59% The share of the affiliate in the authorised capital of MTS PJSC, %: 0.4595 Primary business: rendering of fixed line communication services in the territory of Moscow

Information on Significant Transactions of Affiliates

No such transactions were carried out in 2015.

Credit Ratings of MTS Issuer

Credit agencies Fitch, Moody's and Standard & Poor's assigned the following ratings to the Company's debentures¹:

Changes that occurred after the reporting date

Moody's	Ba1, stable	Moody's	Ba1, review for possible downgrade
Standard&Poor's	BB+, negative forecast	Standard&Poor's	none
Fitch	BB+, stable	Fitch	none

¹ data as of December 31, 2015

Risk Management

Risk Management System

Risk management is carried out in MTS Group within the accepted conceptual risk management frameworks (document “Company Risk Management. Integrated Model” of the Committee of Sponsoring Organizations of the Treadway Commission (COSO)). The integrated risk management process is functioning efficiently in accordance with the needs of the Group and international standards. Risk management policy aims to minimize unexpected losses from risks and to maximize capitalisation, taking into account the relation between risk and return of investments acceptable to the shareholders and the management of MTS Group.

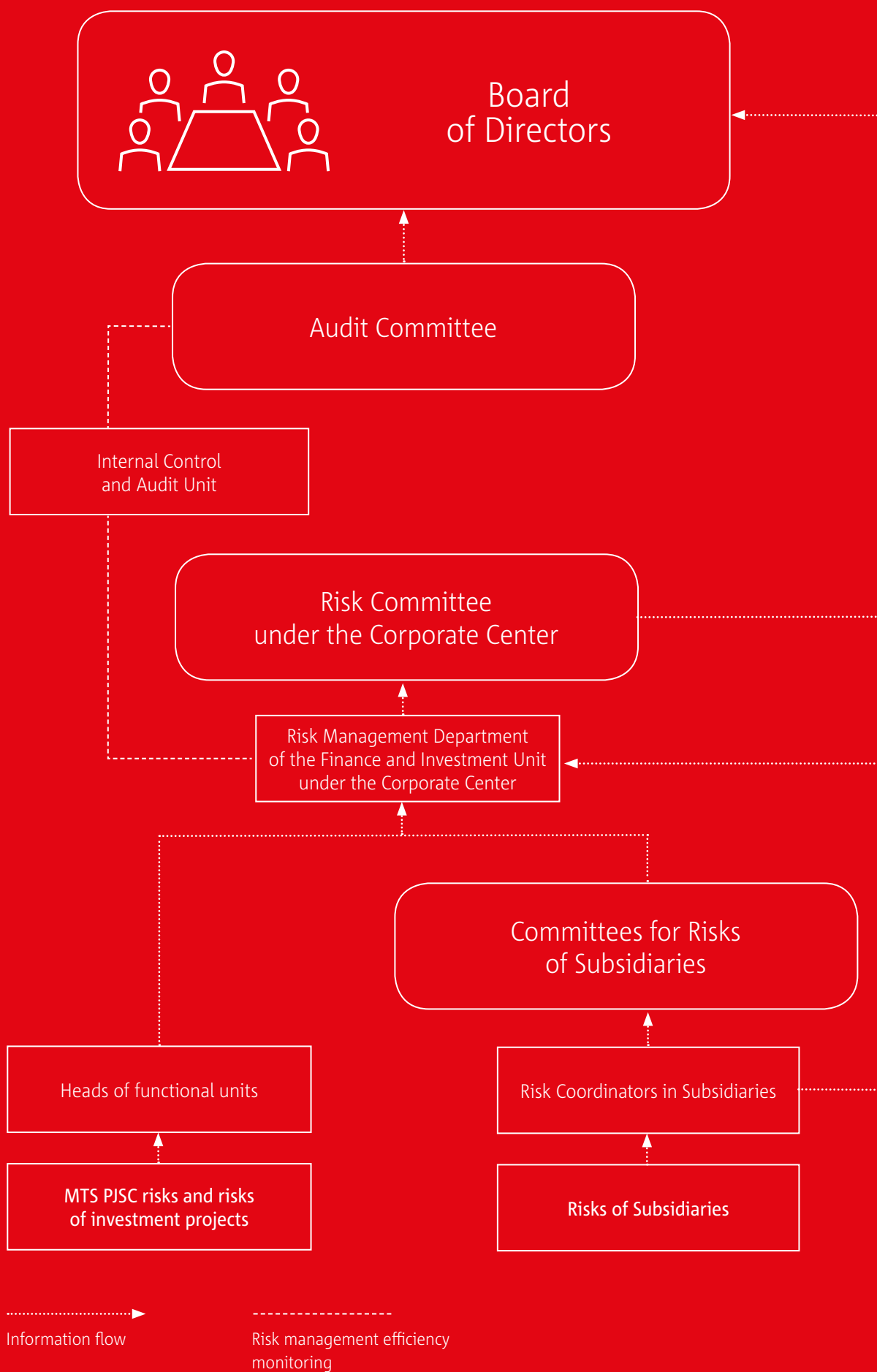
The risk management process passed all stages of implementation, automation and integration into the company business processes (processes of strategic and investment planning, as well as into the cross-functional projects and the preparation of external reporting), that now makes it possible to identify and consider the risks when making key decisions for the guaranteed achievement of goals and strengthening of business leadership.

Risk Management Department of the Corporate Centre (RMD CC) assesses the most significant risks on the basis of long-term financial model and regularly conducts simulations for obtaining key financial indicators considering the risk and probability

distributions of these indicators. RMD CC applies econometric techniques for the analysis of individual risks.

A report on the status of the MTS Group risks is reviewed quarterly by the Risk Committee, which discusses the key company risks and makes collective decision on the elaboration of measures for their mitigation.

Notification of the MTS Group management is carried out taking into account the whole risk spectrum to ensure the completeness, quality and comparability of the information provided for each level of decision-making.



Organisational Risk Management Support

Risk management activity is distributed among the functional units of the company:

- RMD CC is responsible for developing a risk assessment methodology, regular collection of information and reporting the results of this assessment to the Risk Committee and the company executives. RMD CC also carries out operational control of the process and provides cross-functional interaction between units within the integrated risk management in the company. Cross-functional interaction with the risk owners in subsidiaries is provided by risk coordinators in such subsidiaries.
- The risk owners are the heads of functional units, whose achievement of goals is affected by the risks. The owners are responsible for the analysis, evaluation, implementation of risk management measures and reporting on the activity within the process of integrated risk management.
- The Risk Committee makes collective decisions in the field of integrated risk management.
- The efficiency of the risk management process is estimated by the Unit for Internal Control and Audit with the corresponding information presented for consideration, in particular, to the Audit Committee.
- The Audit Committee monitors the risk management efficiency, as well as the assessment of procedures used by MTS Group to identify the principal risks and evaluation of appropriate control procedures (including the procedures for loss control and risk insurance) in order to determine their adequacy and efficiency.
- The Board of Directors operates directly or through its committees within its competence and resolves the issues of assessing the political, financial and other risks affecting the Company's operation. MTS Board of Directors delegates monitoring of risk management efficiency to the MTS Audit Committee, as well as reviews the Audit Committee reports.

2015 Key Activities

The Committees for Risks of CC and its subsidiaries were conducted.

The Policy for Managing Antitrust Risks confirmed the participation of the Risk Management Department (hereinafter – RMD) in the assessment of risks associated with the antitrust legislation.

RMD assessed the principal risks in the framework of the MTS Group strategic session.

RMD assessed the risks of investment projects aimed at:

- development of fixed-line business;

- transport subsystem management;
- development of IT infrastructure;
- construction and optimisation of a radio subsystem;
- cost optimisation;
- development and launch of new services.

RMD conducted trainings on risk management for MTS employees.

Plans for 2016

In 2016, it is planned to update information on risks for the external reporting regularly and hold Risk Committees on a routine basis. It is also planned to further integrate into the decision-making processes, including to provide analytical conclusions for individual projects within functional units.

Risk Factors

Risk Description	Risk Mitigation Measures
Country and macroeconomic risks	
<p>Macroeconomic and socio-political instability, possible downturns and slow-down of economic growth in the countries where we operate may lead to a decrease in demand for the provided services, and have a negative impact on the financial condition of our corporate customers and partners, including financial institutions, which can lead to the decrease in our revenues and performance indicators and adversely affect the security of assets.</p>	<p>We are now monitoring the macroeconomic situation in the markets where the Group operates. In order to strengthen our leading position, we are focused on the expansion of coverage and capacity of the existing network, as well as on ensuring the satisfaction of customers with the quality of communication services.</p>
<p>We can be influenced by country and political risks, as well as the risks associated with the legal status and the ability to provide uninterrupted services in the countries where we operate, which may affect our financial condition, the security of assets and operating results.</p>	<p>We are now monitoring the political situation in the markets where the Group operates, which allows responding quickly to the changing conditions in the markets functioning.</p>
Financial risks	
<p>The considerable part of our expenses, costs and financial obligations, including capital expenses and loans, are denominated in USD and/or EUR or linked to USD and/or EUR exchange rate, while the large portion of our income is denominated in local currencies of the countries where we operate. The situation in our markets, including stability of the banking system, inflation, change in exchange rates of local currencies against USD and/or EUR, a possibility for free conversion of currencies and making currency payments impacts our operating performance and business results. Rate of the Company's development and its financial standing depend on debt financing. Crisis of financial markets, external limitations and sanction may restrict the ability of the Company to raise debt financing.</p>	<p>A number of measures were taken aimed at the portfolio structuring in order to reduce dependence on exchange rate fluctuations; in particular, there is a system for currency risk hedging in place. In order to develop our business, the company attracts new funding sources, in particular, we signed a loan agreement with China Development Bank in 2015 to raise funds in Chinese Yuan and US dollars.</p>
<p>The contracts related to our bonds and bonds of our controlling shareholder, and also some loan agreements include restrictive provisions that limit our opportunities to raise loans and engage in various activities. Failure to comply with such contractual provisions could have resulted in default and, as a result, in a request to immediately repay the debt, which might have negative effects on our business.</p>	<p>We are monitoring the implementation of the provisions of contracts and agreements for granting loans in order to comply with the financial covenants contained in the loan documentation.</p>
<p>The system of taxation in the countries where we operate is undergoing constant changes; legislation in this area tends to have ambiguous interpretation. For example, poorly drafted Russian transfer pricing rules may increase the risk of price adjustment by tax authorities and lead to additional tax burden within transfer pricing control. This may complicate tax planning and related business processes, and may also have adverse material impact on our business, financial standing and operating results.</p>	<p>We meet the requirements of the tax legislation in the countries where the Group operates. We respond to any changes promptly and follow the current trends in law-making, as well as tax laws of Russia and foreign jurisdictions, which allows making timely integrated decisions in the field of tax planning and customs regulation. We use the experience of qualified consultants quite often.</p>

Risk Description

Risk Mitigation Measures

Regulatory and legal risks

Our business in the countries where we operate is regulated by governments, in particular, through licensing and laws. Legislation in the field of communication services is constantly changing.

For example, the Ministry of Communications of the Russian Federation is currently considering the possibility of changing the concept and regulation of inter-operator interaction. In addition, an issue on changes in the existing approaches and rules in the field of regulating prices for the services of inter-connection and traffic transit is being considered.

In June 2015, the media reported that the Ministry of Communications prepared a draft order, according to which telecommunication operators may be required to collect and store information on all communication management actions committed by their personnel for three years and provide it to the FSB upon request. Moreover, the intelligence agencies can get access to data on foreign contractors of the operators.

On April 11, 2016, the draft law «On introduction of amendments to certain legislative instruments of the Russian Federation to the extent of provision for additional measures to combat terrorism and ensure public security» was submitted for consideration to the dedicated committee of the State Duma in accordance wherewith telecommunication operators may become obliged to store information on facts of receipt, transmission, delivery and/or processing of voice information and text messages, inclusive of their contents as well as images, sounds and other messages of telecommunication services users within the Russian Federation territory for three years and to provide the said information to the empowered state authorities carrying out operational investigative activities or ensuring security of the Russian Federation as may require it for completion of the objectives entrusted to such authorities in the cases established by federal laws.

Compliance with the requirements stipulated by laws and orders (if adopted) could result in additional costs incurred by the operator to implement the legislation standards.

State authorities of the countries where we operate have high degree of discretion in terms of issuing, renewal, suspension and withdrawal of licenses, identification of criteria to classify companies in certain territories as monopolies, companies with dominant and / or a significant position, etc.

Being a company whose stock is traded in the U.S. stock market, we are subject not only to Russian, but also to American anti-corruption legislation (US Foreign Corrupt Practices Act), and potentially to anti-corruption law of the UK (UK Bribery Act). If an inconsistency of our actions with these requirements is revealed, this may result in criminal and / or civil law sanctions against us.

In March 2014, MTS PJSC received a request for information from the US Securities and Exchange Commission and the US Department of Justice regarding the investigation of the former subsidiary in Uzbekistan. MTS PJSC is cooperating with the above-mentioned organisations: it provided the information upon request and continues to provide answers on demand. Since the investigation has not been completed, there is no way to predict its outcome, including the possible imposition of fines and penalties which could be significant.

We conduct regular monitoring of the legislation in order to meet the requirements set.

As market representatives, we participate together with the regulatory authorities in the working groups on optimisation of the regulatory framework in the communication industry.

Regulatory risks are given special attention within the framework of strategic planning.

There are special rules and procedures necessary for the prevention of corrupt practices both on the part of employees and contractors applicable in the company.

Risk Description	Risk Mitigation Measures
Technology risks	
<p>We use radio frequencies distributed by the governments of the countries where we operate. Our network capacity and possibility of its expansion, which, among other things, is important to maintain our market share in terms of subscribers and profits, depends on the possibility of timely prolong the right for currently used radio frequencies and receive new ones.</p>	<p>We are monitoring the deadlines for the licenses for the provision of telecommunication services and take all necessary measures for their timely extension, ensure compliance with license conditions and other regulatory requirements.</p>
<p>The ability to continuously provide communications services is one of the basic conditions of licenses and subscription contracts. Technology breakdowns during servicing of our network as a result of system failure, accident or violation of network security may adversely affect the ability to provide services to the subscribers and our reputation.</p>	<p>In order to render the communication services, the use of the reserve telecommunication equipment, network management systems, operating and maintenance systems is provided. Information security is provided by a complex system of engineering, technical and other information security measures.</p>
Competitive environment	
<p>Our business, performance indicators and financial position depend on the competitive environment in the countries where we operate, demand for our services and efficiency of operations. The telecommunications market is characterised by rapid technological changes and differs by continuous emergence of new competitive products and services. Increased competition associated with the emergence of new market players, as well as the increased use of IP-telephony and other services provided via the Internet, may adversely affect the ability to support subscriber base growth and lead to a reduction in operating income margin, a reduction in market share and use of different pricing, servicing or marketing policies, and have a material adverse effect on the business, financial condition and operation performance.</p>	<p>We invest in the development/update of the communication networks, as well as in the related business areas.</p> <p>Our strategy involves the creation of synergies with the Group companies as part of the development of the technological base for the expansion of the range of services for all market segments and strengthening the leadership in the telecommunication industry.</p>
Operation risks	
<p>We invest in expanding the portfolio of value added services and also in building communication systems (including 4G), developing wireless and fixed-line communication services, television and other new competitive services. Our competitive status, financial and performance indicators, among other things, depend on success in implementation of these initiatives.</p>	<p>We provide a balanced investment policy in order to expand the network infrastructure and the range of services rendered.</p>
<p>Rate of growth of our subscriber base, market share and revenue depend, inter alia, on the ability to expand our retail chain, maintain relationships with regional distributors and on the independent dealers' market structure.</p>	<p>We work on the expansion and improvement of the home trade network, on maintenance and further development of the marketing network through national, regional and local dealers.</p>
<p>Details on these and other risks see in the section "Item 3 – Key Information – D. Risk Factors" of the annual report of MTS PJSC according to the form 20-F¹, and in quarterly reports of MTS PJSC².</p>	

¹ http://www.mtsgsm.com/resources/annual_reports/.

² http://www.company.mts.ru/comp/ir/control/data/quarterly_reports/.

Corporate Governance

Report of the Board of Directors	82
Interaction with Shareholders and Investors	86
MTS Group Governance System.....	94
Subsidiaries Management	162
Internal Control and Audit	164
External Audit.....	168
Compliance System	169
Capital and Securities.....	174
Corporate Governance Development.....	181



Report of the Board of Directors

Results of the year in the context of 3D strategy implementation

Last 12 to 18 month showed us how rapidly a macroeconomic environment, business climate and the world in general may change. We saw how strong external influences can be and how rapidly and promptly we need to react to them. Despite such dynamic changes we were able to provide for a required speed and balance in taking difficult decisions such as return of the Company to Uzbekistan market, entry of the Company into a new for it market of the system integration, start of using the brand of our Vodafone partner within the framework of MTS Ukraine business. And perhaps, to avoid getting the impression that all our decisions were aimed at changes, we need to mention that we confirmed a compliance with the strategy “3D Data, Differentiation, Dividends” adopted at the end of 2013.

Data

When categorizing achievements of the Company by 3D areas, initiatives worth noting primarily are related to Data Transformation.

One of key achievements of the Company in 2015 were a record-breaking volume of construction of the networks for mobile data transfer, and modernization of the landline communication network in Moscow.

Here it is necessary to mention a highly intensive development of new LTE network in Russia over the last 18 months. LTE networks have been launched in 83 regions of Russia. We also continue to develop other elements of our network, for example, 3G mobile network and landline networks, especially in Moscow. All of this allowed the Company to show better income dynamics in comparison to competitors in terms of mobile Internet income in Rus-

sia in 2015. Similar efforts were made in other countries of MTS operation. For example, we received 3G license and launched 3G network in first cities of Ukraine. All these issues were worked on at the level of the Board of Directors with a significant attention to the right balance between commercial and competition consequences which are usually defined by the timeline of market entry and the efficiency of investments. Such concentration on the efficiency resulted in initiation and implementation of a very interesting project – active joint use of LTE network in some regions with our competitor VimpelCom. By the way, it was a first example of the active joint use of mobile networks in the entire history of mobile communications in Russia. I also believe that MTS managers were able to improve a very complex method for planning of LTE coverage we call “smart LTE investments” at least partly because of such attention to the efficiency.

Differentiation

As for the second “D,” differentiation, aimed at creation of differentiation points, we need to mention two brand new commercial areas that were analysed and adopted by MTS Board of Directors:

- 1) Acceleration / launch of “Big data” project as one of the main areas of further development of the entire communications industry;
- 2) Entry into the system integration market. This is the opportunity for MTS enter the adjacent market and get an additional

growth, as well as the possibility for differentiation in B2B market.

It would be no exaggeration to say that initial stages of creating ideas for both projects were carried out by the Board of Directors as we continuously analysed and assessed MTS strategy, business activities, structures and processes and compared them to cutting-edge practices of leading communication operators in the world.

Dividends

Now the last D in 3D strategy, dividends: Board of Directors always thoroughly checks how chief officers of the Company optimize operational expenses and carry out “smart” investments. Finally, despite significant investments that were required for the deployment of LTE networks, introduction GPON and other projects, those investments were made efficiently (intentionally, with a maximum output) and timely.

Board of Directors always examines the main investment projects of the Company thoroughly and requires from the managers an unconditional efficiency of such projects. This allows MTS to star reducing capital expenditures in current difficult times without losing its competitiveness. And that absolutely has a positive impact on possible dividends that are subject of interest of all the investors.

Work intensity and interaction with managers

Before and after each meeting of the Board of Directors, i.e. virtually each month, I have several meetings or phone conversations with representatives of the shareholders or managers of the Company. As usual, topic of such meetings is the “Management of Strategic Changes”. This is all related to initiation of global and strategic changes we consider within the Company. Usually the discussions go beyond a routine management and performance or simple strategy matters. Sometimes they touch upon a general view of systems and processes.

For example, last year we discussed the new Corporate Governance Code (hereinafter, for the purposes of this section – the Code) a lot, outside of the Board of Directors meetings. However, normally addressed issues are important complex strategy

matters and long-term perspective. For example, we may discuss long-term global technology trends and things we must do in MTS to meet the requirements of changing environment. We can discuss and share our opinions on Big Data or reflect upon the influence on MTS from developing robotic technologies or IT start-ups. Or we can share our concerns and opinions on specific risks we see in the future of the Company.

We believe it is a good practice allowing each shareholder to share interesting ideas and useful observations of experience of other companies and businesses, which at the end of the day enriches our discussions in the Board of Directors and forms a strong base for right decisions of the executives.

Significance of the role of the independent members of the Board of Directors

We acknowledge that the Board of Directors needs to include independent directors in order to efficiently discharge their functions and take deliberate substantiated decisions.

On June 25, 2015 we increased the number of independent directors in the Board of Directors to four directors. The increase of the independent directors’ number allows the independent standpoint within the Board of Directors to exercise greater influence on the business decisions taken, on the Company’s corporate policy and strategy.

According to the Code recommendations, the key committees, namely the Audit Committee and the Remuneration and

Nominations Committee are made up exclusively of independent directors.

At the same time, we note a considerable extension of the independent director’s role issues related to corporate strategy and its implementation monitoring, increase of the Company’s corporate governance quality in general, situation evaluation in case of reorganizations, mergers and acquisitions. The independent director is a participant of all the business processes of the Company carrying responsibility for the Company’s standing and work results on an equal basis.

Evaluation of the Board of Directors performance

The evaluation of the Board of Directors performance serves as an efficient tool of corporate governance development and is aimed to raise the efficiency of Board of Directors performance.

After adoption of the Code and completion of the corporate governance audit of MTS in 2015 the Corporate Governance Com-

mittee under the Board of Directors made a decision on the need for drafting a new methodology, for which an external advisor was engaged.

Self-evaluation of the Board of Directors using a new evaluation methodology is planned for 2016.

Development of Corporate Governance System at Plans for 2016

2015 we continued the work on development of our corporate governance system.

Beginning of 2015 saw the completion of the audit of Company's corporate governance, conducted following the instruction of the Corporate Governance Committee under the Board of Directors within the framework of implementation of Code recommendations in the company. Audit confirmed high level of corporate governance and implementation of principles and recommendations of the Corporate Governance Code.

Following the audit results we approved the Roadmap for implementation of Code recommendations in MTS (Roadmap), and started its enforcement. Most of the Roadmap activities were done by the end of 2015. Details on fulfilment of the Code see in the section on observation of principles and recommendations of the Corporate Governance Code.

In 2015 we also introduced new institute of anti-monopoly compliance, new for Russian practices of corporate governance. Details on implementation of the system see in the Compliance System section.

We positively assess the results we managed to achieve, however we do not settle for them. We strive to continuously improve our corporate governance in view of the experience and practices in the market, listing regulations and legislation changes. That is why our main goal for the next year is to continue implementation of Roadmap activities with regard to changing regulatory environment.

Ron Sommer
Chairman of MTS PJSC Board of Directors

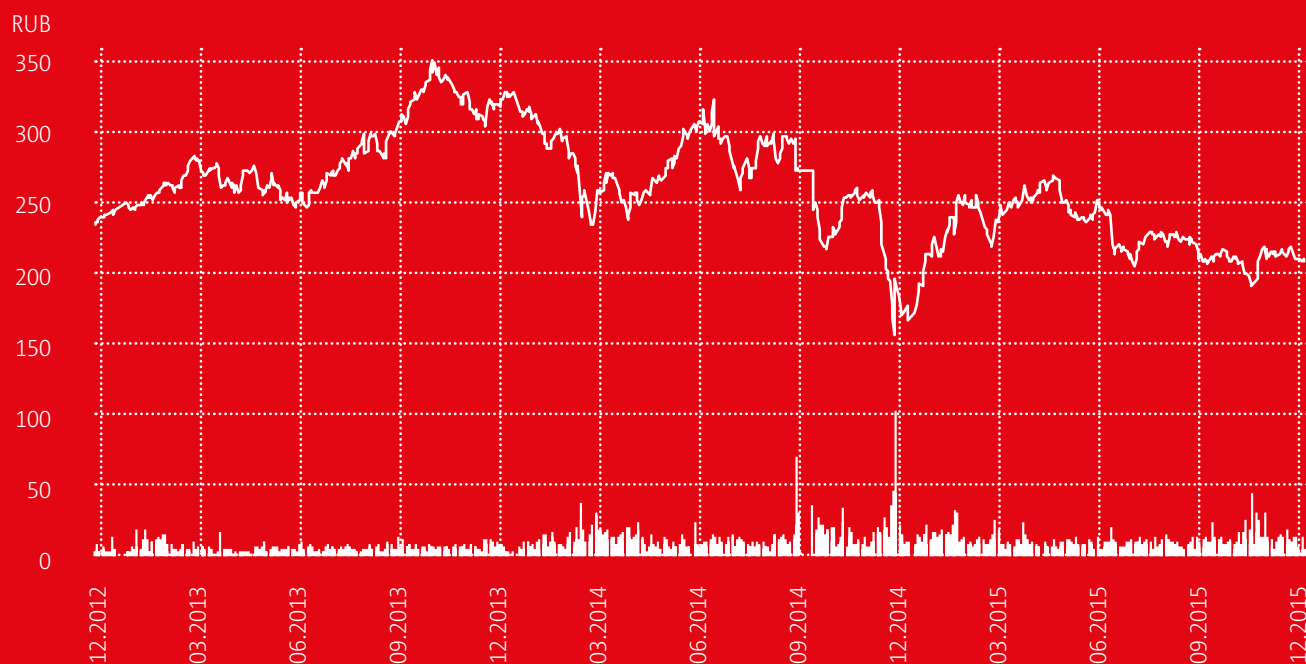


Interaction with Shareholders and Investors

MTS Securities

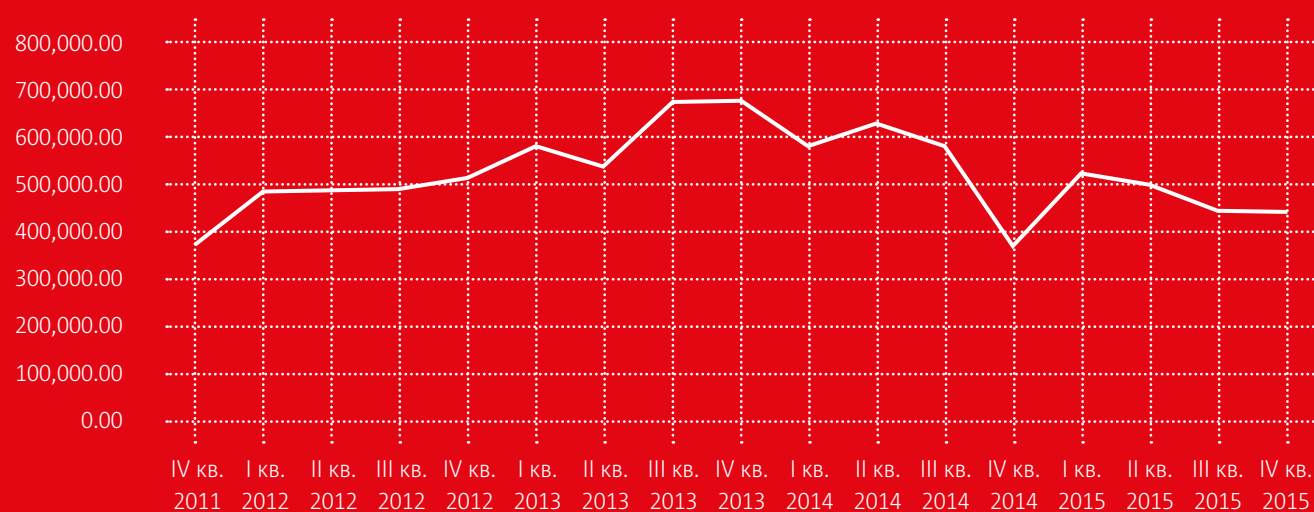
Dynamics of prices and volume of trading in MTS PJSC common shares

Trading platform: MOEX (Moscow), issuer code MTSS



Market capitalization of MTS PJSC, million roubles (MOEX)¹

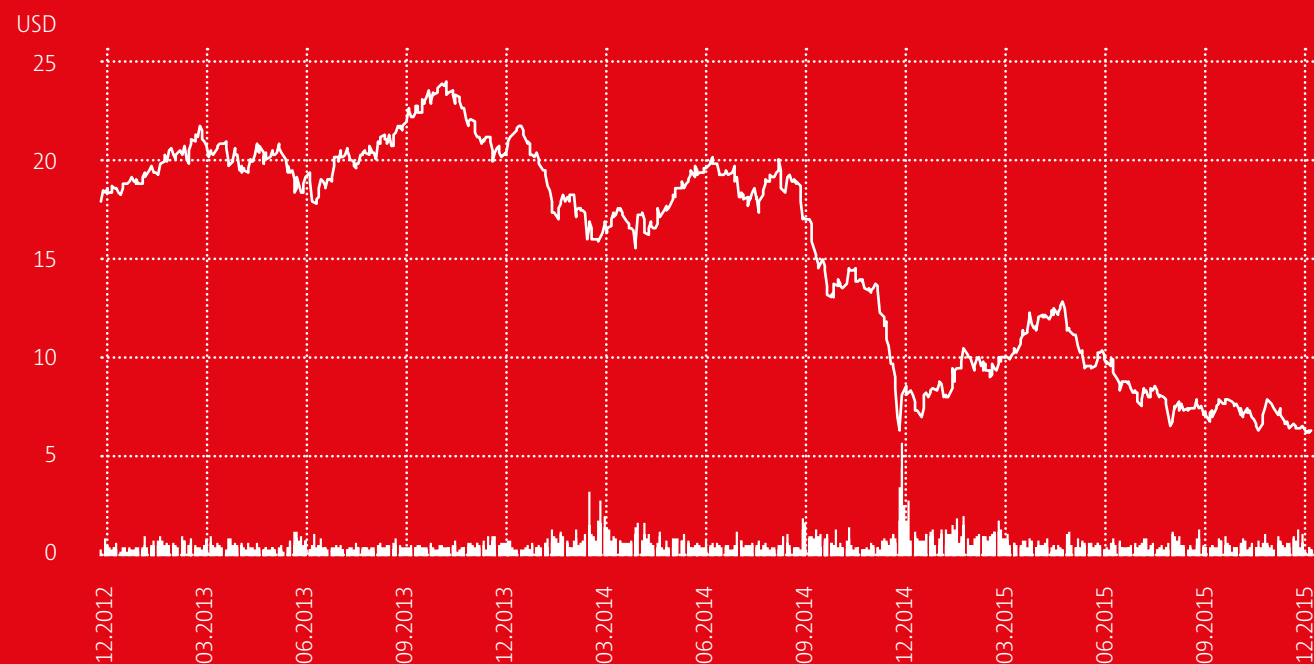
Market capitalization of MTS PJSC, million RUB (MOEX)



¹ Capitalization is calculated as a product of the total amount of MTS PJSC shares and weighted average price of one share, calculated according to prices at the moment of closing of trade in MTS PJSC shares at Moscow Exchange.

Dynamics of prices and volume of trading in American Depositary Receipts of MTS PJSC

Trading platform: NYSE (New York), issuer code MBT



Dividends

Board of Directors and MTS executives understand that permanent stable dividends are the integral component of the investment appeal of MTS and profitability for the shareholders. Since 2010 MTS has paid in total over 235 billion RUB in annual dividends with average annual growth rate of 12% (at that, annual volume of payment grew by 69% from 2010 to 2015).

Being a leader among telecommunication companies that operates in rapidly developing and at the same time volatile markets, MTS has a goal to maintain a sufficient volume of resources and level of flexibility in order to reach its operational and financial targets. Experience shows that MTS always looks for ways to create a value for the shareholders through both commercial and financial strategies which can include both organic or non-organic development and Company's practices in capital management.

In April 2016 the Board of Directors of MTS approved new dividend policies.

Following traditional practices, MTS will continue to pay dividends semi-annually, fulfilling its obligation on adding value for the shareholders. Board of Directors shall determine the amount of payments, considering a number of factors which include cash flows from operation activities, capital expenditures and debt standing of the company. Decisions on dividends shall be taken by the Board of Directors and then voted on at annual or extraordinary meetings of shareholders.

For the calendar years 2016 – 2018 MTS sets the goal to achieve a dividend profitability at the level of 25.0 – 26.0 RUB per one share, being obliged to pay as dividends at least 20.0 RUB per one share through two semi-annual payments. In addition, Company's executives may determine ways to create an additional profitability with regard to the market situation, providing resources in amount up to 30 billion RUB within 3 years for repurchase of shares in the open market and their further redemption.

When deciding on an increase of income for the shareholders using a program on repurchase of shares, the Board of Directors shall consider a current availability of funds, operational indicators, amount of debt and future needs of the company, as well as general situation in the markets.

Regulation "On Dividend Policies" is published at the official website of MTS PJSC¹.

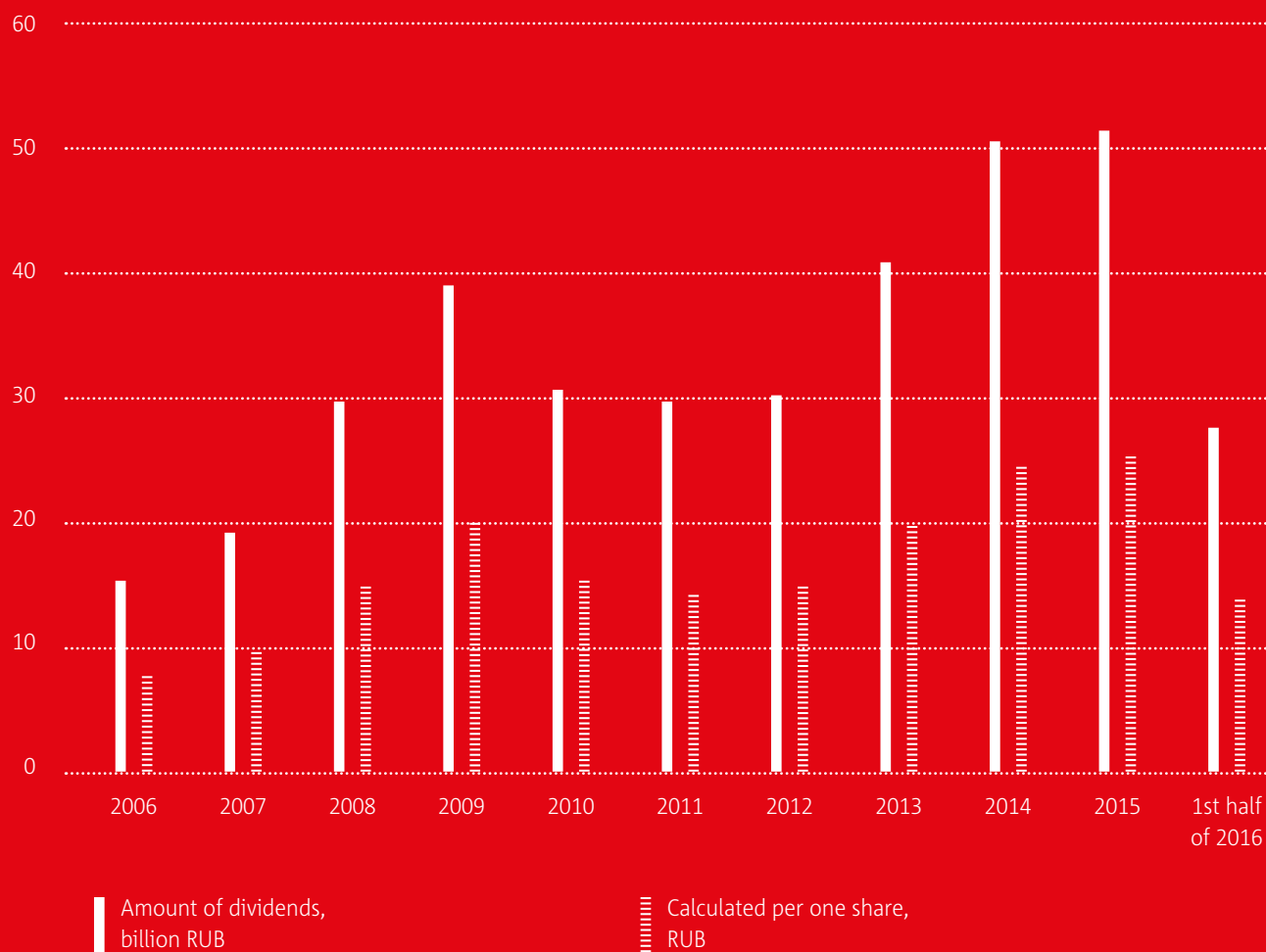
Report on payment of announced (accrued) dividends on MTS PJSC shares

Total amount of dividends accrued and paid in 2015 (according to the results of 2014 and first half of 2015) was RUB 52,011,421,978.35.

The Company has fully met its obligation to shareholders on payment of dividends.

¹ <http://www.mtsgsm.com/information/dividends/>

Dividend accrual history



Interaction with Shareholders and Investors

One of the most important goals of the Company is to maintain strong trustful relationships with shareholders and investors, based on the principles of direct dialog in accordance with the effective legislation and prevalent international practices.

MTS PJSC tries its best to consider interests of investors and shareholders and to establish trustful relationships of MTS with partners through the improvement of transparency and openness of Company's activities.

In accordance with the public availability principle the Company publishes information on significant events at the website of US Securities and Exchange Commission¹, of the Russian Information Agency (newsfeed)², and at the official website of MTS: for shareholders and investors³ as well as in iOS application⁴.

Besides, MTS publishes at its official website some other information. Sections "For investors and shareholders"⁵ and "Corporate Governance"⁶ include internal corporate documents, annual reports, reports on sustainable development, materials for shareholder meetings, information on the registrator and auditor, information on dividend policies, quarterly financial statements under IFRS and RAS, information on quoted prices of shares and bonds. Annual Report of MTS PJSC is also published in iTunes⁷.

Maintenance and development of the effective dialog with equity market participants require a constant involvement of Company's managers. MTS representatives regularly participate in international conferences, hold road shows and meetings with investors, organize days of analysts.

Publication of financial results according to quarterly statements is carried out with phone conferences involving MTS managers. Published financial statements are supported by presentation materials for better coverage of achieved results and presentation of the Company's strategy.

MTS strives to continuously improve interaction with investors and shareholders, using the experience of other companies and monitoring the latest legislation changes and advanced standards in this area.

In case of question related to MTS activities the investors may contact the services on interaction with shareholders and relations with investors

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¹ <http://www.sec.gov>

² <http://www.disclosure.ru>

³ <http://www.mtsgsm.com>

⁴ <https://itunes.apple.com/gb/app/mts-investor-relations/id928385820?mt>

⁵ <http://www.mtsgsm.com/information/stock/>

⁶ http://www.mtsgsm.com/about/corporate_governance/

⁷ <https://itunes.apple.com/ru/app/godovaa-otcetnost-gruppy-mts/id919440557?mt=8>

Investor's calendar for 2016¹

January 20–22, 2016	dbAccess CEEMEA Conference, London
January 18–22, 2016	Goldman Sachs Road Show, New York – Boston— Atlanta – Albuquerque — Dallas
March 21, 2016	Disclosure of financial and operational results for the 4th quarter of 2015
April 12–13, 2016	Exchange Forum 2016, The Ritz-Carlton, Moscow
April 25–26, 2016	UBS Emerging Market Dividend Conference, London
May 11–13, 2016	Morgan Stanley 3rd Flagship Global Emerging Markets Conference, London
May 2016	VTB Capital Investment Conference: London Session
May 19, 2016	Disclosure of financial and operational results for the 1st quarter of 2016
May 23–25, 2016	44th Annual J.P. Morgan Global Technology, Media and Telecom Conference, Boston
June 1–3, 2016	BofAML EM Corporate Credit conference, Miami, Florida
June 7–9, 2016	2016 Global Telecom & Media Conference, Bank of America Merrill Lynch, London
June 20–24, 2016	Renaissance Capital's 20th Annual Russia Investor Conference, Moscow
August 18, 2016	Disclosure of financial and operational results for the 2nd quarter of 2016
September 7–8, 2016	Deutsche Bank's GEMs conference in NYC
November 17, 2016	Disclosure of financial and operational results for the 3rd quarter of 2016
November 29 – December 2, 2016	WOOD's Winter EME Conference, Prague
December 1–3, 2016	UBS Global Emerging Markets One-on-One Conference, New York

¹ Dates can be specified.

The most significant events in the area of interaction with investors in 2016

For 2016 top managers of the Company are planning to actively cooperate with investors, participate in investment conferences, forums and road shows, organize meetings with representatives of stock exchanges and analysts of investment funds.

- On January 2016 Alexey Kornya, member of the Management Board and Vice President for Finance and Investments has taken part in dbAccess CEEMEA Conference held in London.
- A roadshow was held in several US towns from 18 to 22 January, 2016. During this event MTS managers met representatives of international investment funds: Charlemagne Capital, JP Morgan, T Rowe Price, UBS, HSBC Global Asset Management, Credit Suisse.
- On April 12 and 13, 2016, managers of the Company participated in the Exchange Forum held in Moscow.
- For May 2016 MTS managers are planning to take part in VTB Capital Investment Conference and Morgan Stanley 3rd Flagship Global Emerging Markets Conference (London), 44th Annual J.P. Morgan Global Technology, Media and Telecom Conference (Boston).

Matters of interest for investors

In 2015 we faced an aggressive behaviour of the main competitors in the area of distribution and this fact required taking protective measures in order to preserve the subscriber base and market share. It was decided to increase the amount of retail MTS stores to more than 5000, increase the share of sales of SIM cards in the home network, increase sales of smartphones and develop new services for promising Internet users. Also the focus was placed on a development of multi-brand network and online sales.

Our achievements

1.

MTS won the award “For active corporate policies in disclosure of information”¹

Judges including representatives of Interfax and AK&M information agencies, Bank of Russia, Moscow Exchange and Association of Independent Directors took into account regular phone conferences of the company with analysts and its briefings for journalists, high quality of its press releases, user-friendliness of the corporate website and full disclosure of information on the beneficiaries.

“MTS listed on the exchanges in Russia and abroad manages to maintain a balance between disclosure of information in all jurisdictions, providing for simultaneousness of making an important for investors information public in Russian and English. For us, it is an important sign of a conscious approach of the company to information transparency matters,” – said Vladimir Gerasimov, executive director of Interfax Group and the chairman of judges of the contest.

“Active interaction with the media, information openness and strict compliance with international standards of report disclosure are the important components in operation of any public company. And the fact that MTS team was acknowledged as the best player in the information field gives evidence that we approach the work with information professionally and passionately at all business levels – from well-timed and transparent communication of corporate news to investors and journalists to popularization of unique products at the crossing of telecom, online retail, banking, content and television,” said MTS President Andrey Dubovskov.

The honorary award was granted on December 1, 2015 during the ceremony of “Director of the year 2015” National Awards organized by the Association of Independent Directors and Russian Union of Industrialists and Entrepreneurs.

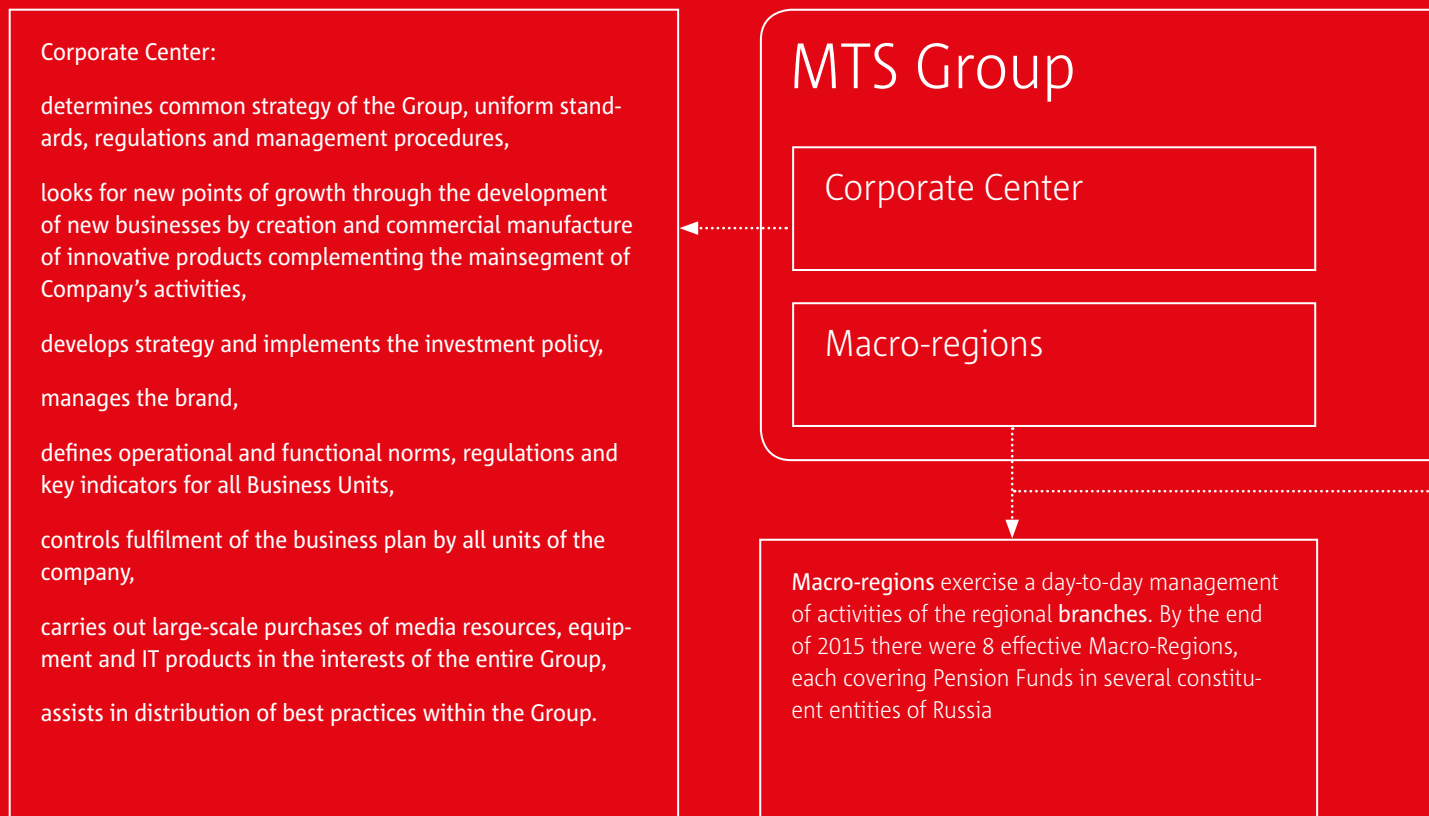
2.

Annual Report of MTS PJSC for 2014 won the Communications award in the open contest of annual reports of joint stock companies held by the Financial and Stock Market Department of Krasnodar Region

¹ Award “For active corporate policies in disclosure of information” was established in 2003 for the companies that were the most successful in operative and full disclosure of information for the investors. Judges shall choose a winner based on completeness and timeliness of disclosure by companies of reports, corporate events, information on final beneficiaries, and on simultaneousness of disclosure for Russian and foreign investors as well as general assessment of company's actions in the information realm.

MTS Group Governance System

Model of Group management supposes a single development strategy of Group's companies with regard to priorities and business peculiarities.



Differentiation is associated not only with our intention to generate value in the promising markets, but also with the desire to diversify the service portfolio, thus mitigating the industry risks and strengthening competitive position of MTS due to the use of synergy effect. Its essence is to take a broader look at the areas of our operations, going beyond the status of a conventional telecommunications operator, and covering not only a full range of communication services but also the related areas such as financial services, M2M, geo-location and cloud-based services. We are looking to create differentiating factors that will enable us to significantly differ from our competitors, to deliver a special value, to provide our customers with a unique customer experience, to create products and services that would not only motivate people to choose MTS, but would also significantly increase our customers' loyalty.

Coordination Commissions by the main areas of activities are operating for the discussion of strategic and operational issues at the expert level.

MTS implements a matrix management system where strategic and operational functions are distributed among

MTS Foreign Companies
Business Unit

Branches

Operation management of subsidiaries carrying out their activities in the territories of Ukraine, Turkmenistan, Armenia, Uzbekistan and Belarus Republic

MTS PJSC is successfully implementing the goals on strengthening of its leadership and maintenance of high business efficiency due to an effective management of the Group of Companies.

The following business areas are formed in the Group according to key strategic purposes¹:

Telecommunications. Key competence, core business. Intellectual, organizational and management potential gained is used as a basis to look for the points of growth at the adjacent markets, using synergy effect of interaction with the main.

Fixed business. MTS is among the largest Russian companies providing services of a broadband access (BBA) to the internet and cable television. Synergy with the fixed BBA is used to provide to MTS customers a digital cable television (IPTV and DVB-C), video services, complex solutions for offices, combining landline and mobile communications.

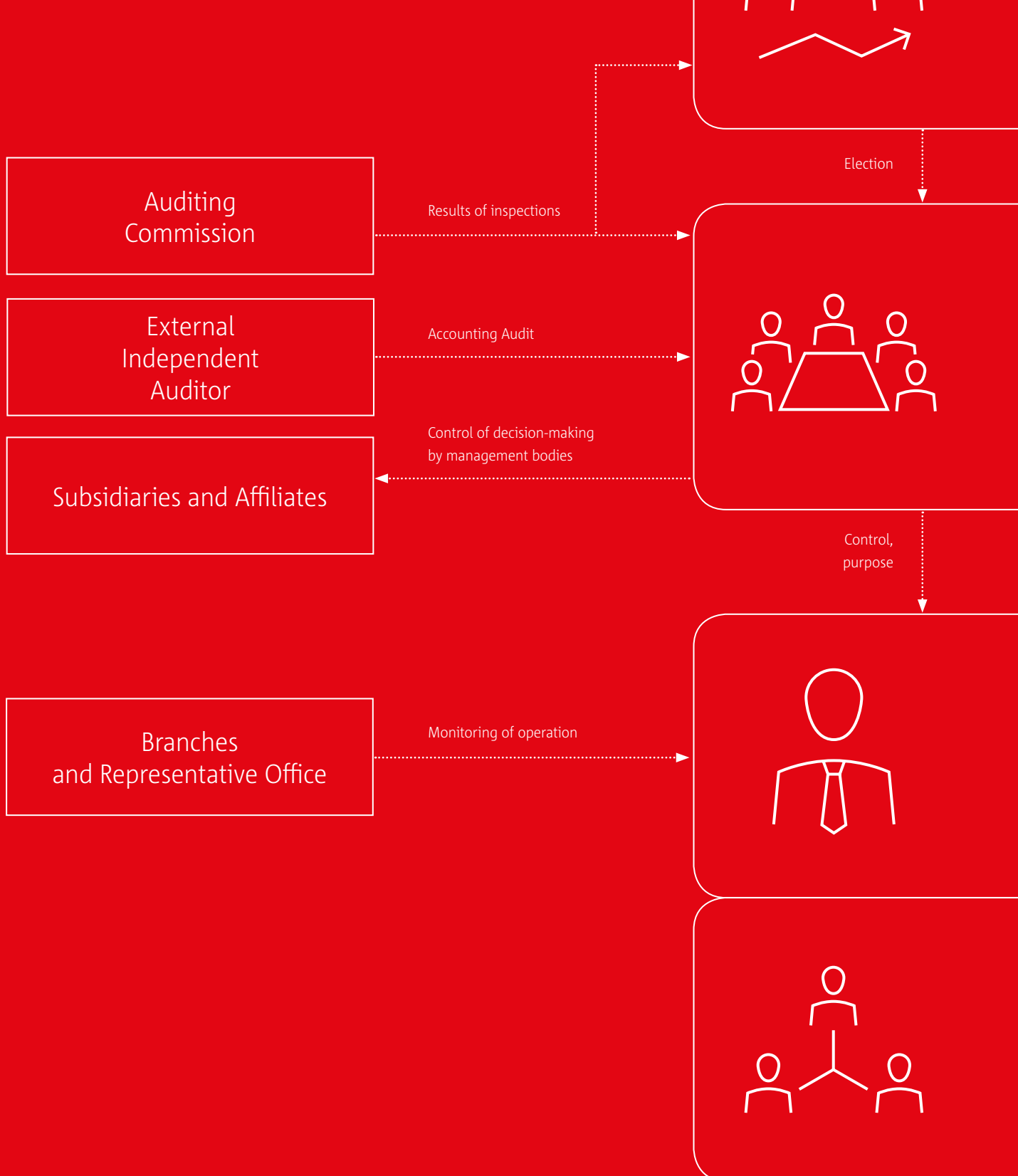
Mobile retail (MTS Retail Chain) is a key channel of customer involvement and service. Our subscribers can always receive in MTS offices a full range of services provided by the operator, including of services of the broadband access to the Internet and television. Home retail chain of MTS, having combined the capabilities of telecommunication and banking technologies, is a key integration tool of the operator and MTS bank. Using this channel to sell the financial services and promote consumption of the data transfer services, including by selling our own range of branded subscriber devices, facilitates the increase of operational efficiency.

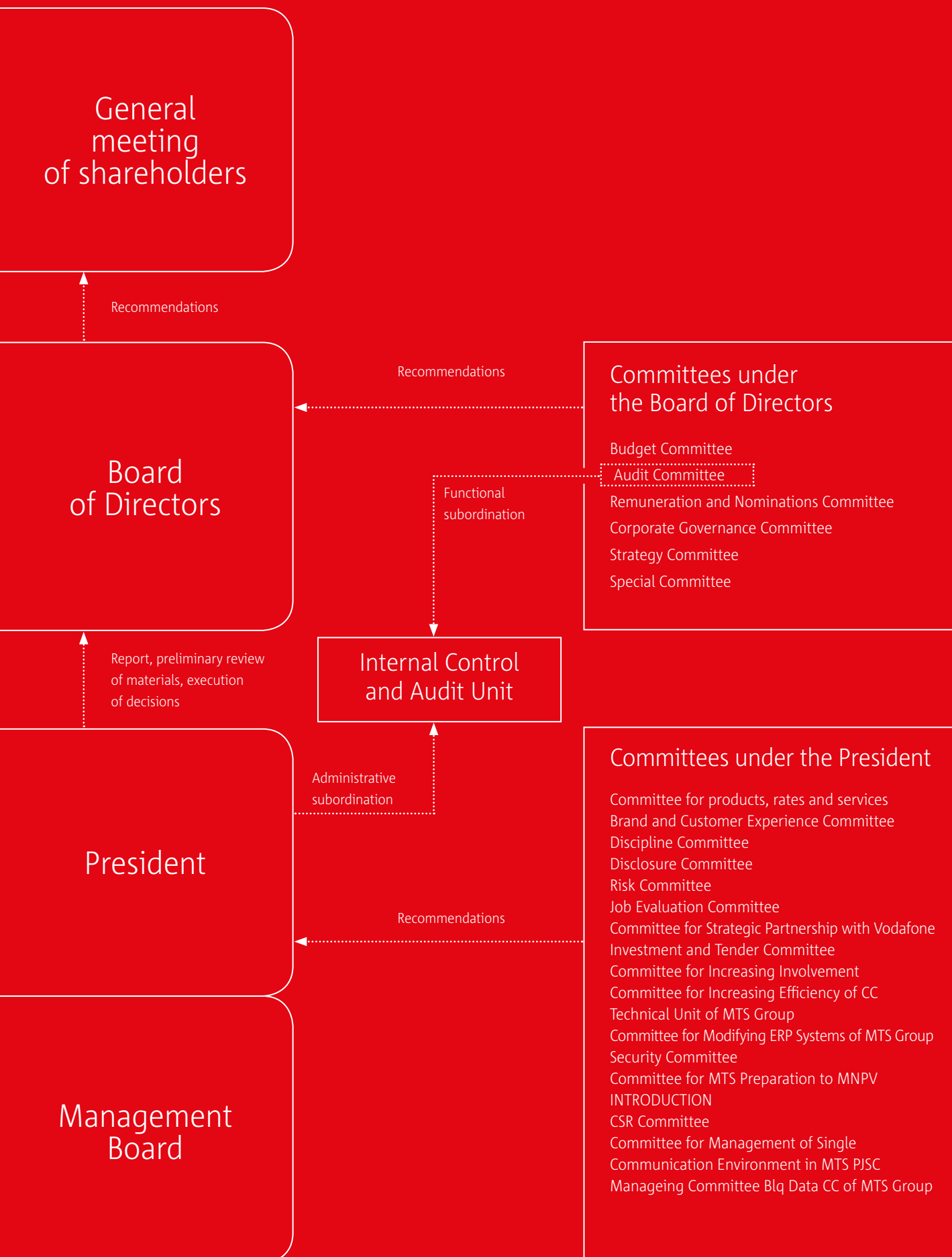
System Integration. (NVision Group and NVision Program Solutions) due to NVision Group the operator would be able to offer comprehensive services in the areas of IT, communications and system integration to its customers. Considering that IT market is growing faster than traditional telecommunication services for the corporate customers, the entire business of MTS should experience a positive impact.

Bank and financial services (MTS Bank). Partnership with MTS Bank allowed us to become an integrated provider of telecom and financial services, use a synergy of the two areas to increase a loyalty and monetization of customers, become the first provider of financial services for the largest subscriber base in Russia in order to increase loyalty and service life of the subscribers and to rise ARPU.

¹ Main purposes and goals for said areas are stipulated in 3D Strategy of MTS Group for 2014-2016.

MTS PJSC management structure in 2015





System of governance and control bodies

Governance bodies

General meeting of shareholders

Higher Governance Body of MTS PJSC.

Procedure for the General Shareholders' Meeting is aimed at assurance of adherence to the rights of shareholders, and meets all the requirements of the Russian Federation legislation.

Procedure for preparation, convocation, holding and summarizing results of the General Shareholders' meeting is defined by the Charter and Regulation on the General Meeting of MTS PJSC Shareholders¹.

Board of Directors

Board of Directors exercises a general management of MTS PJSC activities.

It is a key element of the corporate governance system of the Company, representing interests of shareholders through the effective management organization.

Establishment procedure, status, composition, functions, purposes and goals, powers of the Board of Directors, its operating procedure and interaction with other management bodies of the company are determined by the Charter and Regulation on the Board of Directors of MTS PJSC².

Management Board

Collective executive body of MTS PJSC.

It shall organize an effective day-to-day management of current activities of the Company, including implementation of decisions taken by the Board of directors within its current competences.

Number and identities of the Management Board members shall be approved by the Board of Directors upon a proposal of the President. Management Board Chairman is the President of MTS PJSC.

Management Board follows the Charter and the Regulation on Management Board of MTS PJSC in its activities³.

President

One-person executive body of MTS PJSC.

He exercises a day-to-day management of current activities of the Company.

Activities of the President shall provide for profitability and competitiveness of the Company, its financial and economic stability, enforcement of rights of the shareholders and social guarantees of Company's employees.

Andrey Anatolyevich Dubovskov has been the President of MTS PJSC from March 5, 2011.

The President governs the Company's activities in accordance with the Charter and the Regulation on President of MTS PJSC⁴.

¹ http://www.mtsgsm.com/upload/contents/294/MTS_GSM_Regulations_2015_eng.pdf

² http://www.mtsgsm.com/upload/contents/294/MTS_BoD_Regulations_2015_eng.pdf

³ http://www.mtsgsm.com/upload/contents/294/MTS_Management_Board_Regulations_2015_eng.pdf

⁴ http://www.mtsgsm.com/upload/contents/294/MTS_CEO_Regulations_2015_eng.pdf

Internal Control System

Auditing Commission

Auditing Commission is a permanent elective body of the Company, exercising periodic control over the financial and economic activities of the Company, activities of its management bodies and officers.
Its activities are regulated by the Charter and the Regulation on Auditing Commission of MTS PJSC¹.

Internal Control and Audit Unit

Internal Control and Audit Unit is an independent structural unit of MTS PJSC, consisting of: Internal Audit Department, Control Department, Administrative Control Department, and Methodology and Coordination Department. Head of the Internal Control and Audit Unit is the Director for Internal Control and Audit who is functionally subordinated to the Chairman of the Audit Committee under the Board of Directors of MTS OJSC, and administratively subordinated directly to the President of MTS PJSC. Its activities are regulated by the Regulation on Internal Control and Audit Unit.

Audit Committee under the Board of Directors

Audit Committee is a collegial deliberative body under the Board of Directors, which reviews matters related to control of functional efficiency of the risk management and internal control system and reliability of the financial statements of MTS Group, considers candidates and results of inspections of external auditors and ensures preparation of recommendations to the Board of Directors in order to take decisions on such matters.

Auditor

Independent estimate of reliability of accounting (financial) statements of the Company.
In order to audit and approve the annual financial statements of the Company, the General Meeting of Shareholders shall annually approve the Auditor.

¹ http://www.mtsgsm.com/upload/contents/294/MTS_Auditing_Commission_Regulations_2015_eng.pdf

General Meeting of Shareholders

The General Meeting of Shareholders is the supreme management body of the Company, exercising its activities in accordance with provisions of the Company's Charter, Regulation on the General Meeting of Shareholders of MTS PJSC¹, and the requirements of legislation of the Russian Federation.

Company's shareholders take part in governance over the Company through decisions taken at the general meetings of shareholders. Shareholders may exercise a significant influence on business through the voting. In particular, powers of the general meeting of shareholders encompass the approval of annual report and financial statements, distribution of profit, including payment of dividends, election of key management and control bodies of the Company, approval of significant deals and related-party transactions as well as a number of other important matters.

Procedure for the General Shareholders' Meeting is aimed at assurance of adherence to the rights of shareholders, and meets all the requirements of the Russian Federation legislation.

Notifying shareholders on holding of the General Meeting of Shareholders

Shareholders shall be notified on holding of the General Meeting of Shareholders through publication of this information at the official website of the Company (www.mts.ru) at least in 30 (thirty) calendar days before its date.

Information on holding of the General Meeting of Shareholders can be additionally sent by registered mail to the address indicated in the list of person with a right to participate in the General Meeting of Shareholders, or handed to such persons directly, under signed receipt within the term set out for publication of information on holding of the General Meeting of Shareholders at the official website of the Company.

With regard to recommendation of the Corporate Governance Code, aimed at creation for the shareholders of best possible con-

ditions for participation in the general meeting; model proxy form shall be published at the official website of the Company.

Within the framework of preparation to the General Meeting of MTS Shareholders the shareholders get the opportunity to ask members of executive bodies and Board of Directors on issues of the agenda of the General Shareholders' Meeting, and to voice their opinion on issues of the Meeting's agenda by sending e-mails to the address shareholder@mts.ru.

We are trying to present materials for the General Meeting in a comprehensible form. That is why we create a special section (micro-site) dedicated to the Annual General Meeting of Shareholders where we publish required documents (presentations, document comparisons, comments to them, details on candidates) and provide an access to the online broadcasting of the Annual Meeting.

Holding of the General Meeting of Shareholders

Shareholders may implement their voting right by most simple and convenient for them ways without any encumbrance. Voting at the General Meetings of Shareholders is carried out through a direct participation in the meeting or filling and sending to the Company (and to its registrar) of ballots for voting on the agenda issues. Due to legislation changes allowing to use e-voting options at the General Meetings, the Company closely examines the possibility of organization of this method for participation in the meetings.

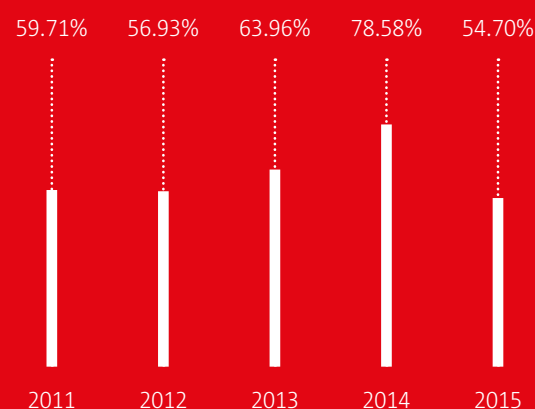
Organization and holding of the General Meetings of Shareholders shall be arranged in a way allowing for an unburdensome access for all the shareholders. General meetings held in the form of a joint attendance shall be organized only in the city where the Company is located (Moscow) at addresses convenient for coming and personal participation of the shareholders and their representatives.

¹ http://www.mtsgsm.com/upload/contents/294/MTS_GSM_Regulations_2015_eng.pdf

In the reporting year we implemented a number of activities related to holding of the Annual General Meeting of Shareholders:

- a video briefly representing the financial year results was shown for the first time;
- online broadcasting of the Annual Meeting was organized and successfully carried out at MTS website, allowing shareholders who didn't attend the meeting in person to follow the course of the meeting in real time. Video record of the meeting is available at MTS website in the "General Meetings of Shareholders" section;
- Activities allowing to demonstrate innovative technologies of MTS and to receive an interactive consultation on social projects of the Company were arranged during the registration of shareholders and during the break.

Quorum of the Annual General Shareholders' Meetings in MTS PJSC



General Shareholders' Meetings in 2015

Three General Shareholders' Meetings were conducted in 2015:

<p>Annual General Meeting of MTS PJSC shareholders June 25, 2015 In the form of joint attendance (Protocol No.35 dated 25.06.2015)</p>	<p>The Annual General Shareholders' Meeting approved the Annual Report for 2014 and annual accounting statements for 2014. A decision on the profit distribution was taken, and the dividends according to the results for the reporting year 2014 were announced. New compositions of the Company's Board of Directors and Review Board were elected. Company's auditor was appointed New revisions were approved: of the Charter, Regulation on the Annual General Shareholders' Meeting, Regulation on the Board of Directors, Regulation on the President, Regulation on the Management Board, and Regulation on the Review Board. New revisions of the documents were drawn up with regard to legislation changes, requirements of regulating bodies and recommendations of the Corporate Governance Code.</p>
<p>Extraordinary general meeting of MTS PJSC shareholders August 25, 2015 In the form of absentee voting (Protocol No.36 dated 25.08.2015)</p>	<p>Decisions at the extraordinary general meeting of shareholders were taken on MTS PJSC reorganization through the acquisition of COMSTAR-Regions CJSC, Penza GSM JSC, SMARTS-Ivanovo JSC, SMARTS-Ufa JSC, and on changing the Charter of MTS PJSC.</p>
<p>Extraordinary general meeting of MTS PJSC shareholders September 30, 2015 In the form of absentee voting (Protocol No.37 dated 01.10.2015)</p>	<p>Decision at the extraordinary general meeting of shareholders was taken on a distribution of MTS PJSC profit (payment of dividends) according to the results for the first half of 2015.</p>

Board of Directors

Board of Directors of the Company plays a pivotal role in effective organization of the corporate governance system.

Board of Directors promotes interests of the shareholders and bears responsibility for the increase of business worth by organization of an effective management.

Board of Directors of the Company exercises general governance over Company's activities in accordance with provisions of the Company's Charter, Regulation on the Board of Directors of MTS PJSC¹, and the requirements of legislation of the Russian Federation.

The main purposes of the Board of Directors are:

- development and analysis of general corporate strategy, control over its implementation;
- providing for the control over executive bodies and chief executives of the Company, and evaluation of their activities;
- increase of capitalization of the Company, expansion of its market positions, achievement and preservation of the Company's competitiveness;
- maintenance of a stable financial standing, increase of revenues and profitability;
- protection of rights and lawful interests of Company's shareholders.

Organization of the Board of Directors' activities

At least six in-person meetings shall be conducted each year in accordance with the approved plan of meetings of the Board of Directors. If necessary, it is possible to participate in a joint meeting through video conferencing. Extraordinary meetings shall be convened to take decisions on urgent matters. Meetings in the form of absentee voting shall be conducted to vote on issues that members of the Board of Directors don't have significant contradictions over.

Plan of Board of Directors' activities for the next year shall be approved in December of the current year. Dates, periods and locations of meetings shall be determined according to the schedules of activities of the Board of Directors members in order to provide for participation of all the directors.

Traditionally the plan of activities includes the main issues of Company's operation: strategy, finances, budget and risks, HR

matters. Such plan shall be prepared with regard to the suggestions of the Board of Directors members and Company's managers. All issues of the BoD meeting agenda shall normally be reviewed by dedicated committees, allowing to discuss and draw up recommendations for a final decision of the Board of Directors.

In-person meetings of the Board of Directors are usually held in Moscow headquarters. First meeting of the newly elected Board of Directors shall be held with personal attendance, on the day of the General Shareholders' Meeting which decided on election of the Board of Directors.

To hold the meeting in the headquarters it is necessary to plan and approve the schedule of activities for 2 days: meetings of committees under the Board of Directors, briefing with BoD members (PreBoard), the meeting of the Board of Directors, and

¹ http://www.mtsgsm.com/upload/contents/294/MTS_BoD_Regulations_2015_eng.pdf

to make all practical arrangements: on provision of simultaneous translation, services on hotel booking, transfers, catering, etc.

Chairman of the Board of Directors holds monthly meetings/consultations in the form of audio conferencing with representatives of shareholders and / or managers of the Company. Main topic of such meetings is a matter of the management of strategic changes. This allows to initiate global strategic changes outside of routine management and to change the focus of a common perception of Company's systems and processes.

We believe it is a good practice allowing to share ideas and observations from their experience of work with other companies and businesses, which at the end of the day enriches our discussions in the Board of Directors and forms a strong base for right decisions of the executives.

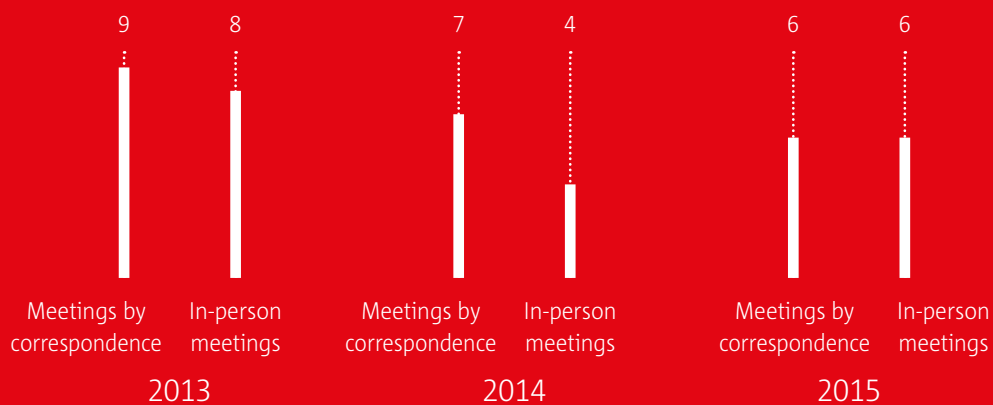
Our Company has the practice of field meetings of BoD. This approach allows for BoD members to combine participation and discussion of planned meetings' issues with analysis of Company's operation in specific regions, and with business meetings with the heads of Company's branches.

The company has the electronic document management system "Portal of the Board of Directors" implemented in personal tablet computers of the members of the management bodies. The system has significantly facilitated the interaction between the members of the Board of Directors, committee members of the Board of Directors and Company's managers in elaboration and adoption of key solutions.

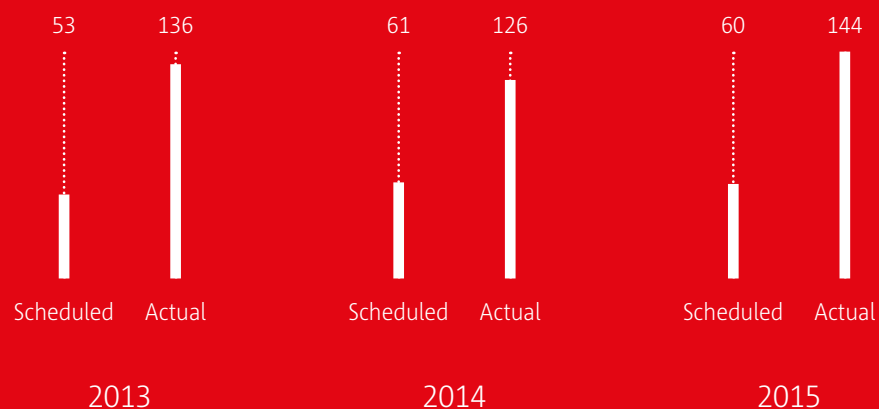


2015 saw 12 meetings of the Board of Directors, including 6 in-person meetings and 6 meetings by correspondence.

Number of meetings held by the Board of Directors in 2013–2015



Number of issues considered at meetings of the Board of Directors



Participation of the directors in meetings of the Board of Directors in 2015

Director	in-person meetings	meetings by correspondence
Ron Sommer	6	6
Anton Abugov ¹	2	1
Aleksandr Gorbunov	6	6
Andrey Dubovskov	6	6
Sergey Drozdov ²	-	-
Michel Combes	5	6
Stanley Miller	6	6
Vsevolod Rozanov	6	6
Regina Von Flemming ²	4	5
Thomas Holtrop	6	6
Mikhail Shamolin ²	3	5

¹ Powers of the Board of Directors member terminated on June 25, 2015

² Elected as a member of the Board of Directors on June 25, 2015.

94%

Average percentage of participation of the Board of Directors members in the meetings



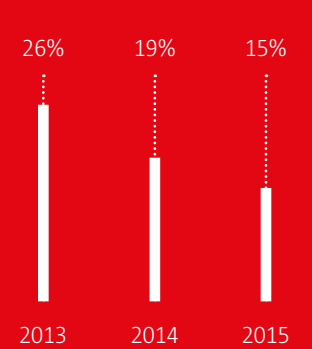
>90%

meetings of the Company's Board of Directors were held with 100% participation of the Board of Directors members

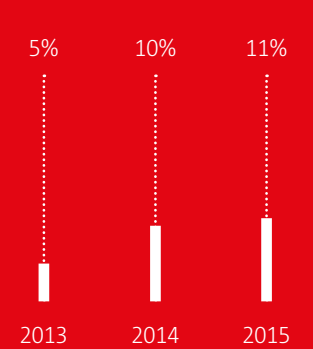


Structure of matters reviewed at the meetings of the Board of Directors in 2015

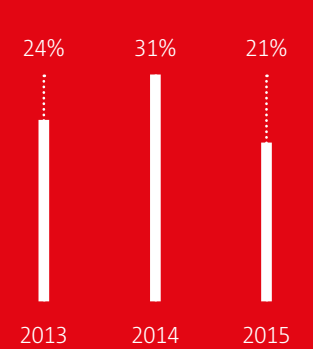
Strategy, main



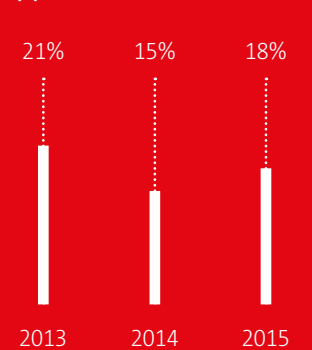
Finance



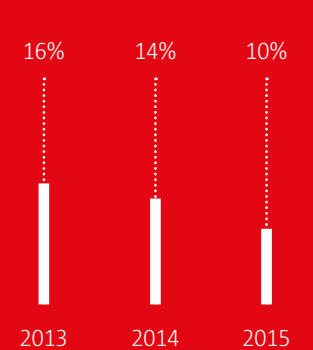
Corporate governance



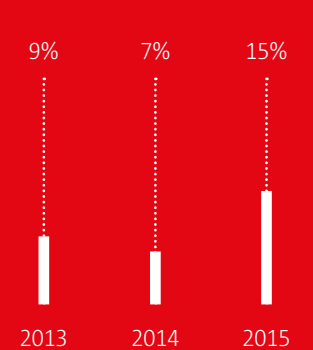
Transaction approval



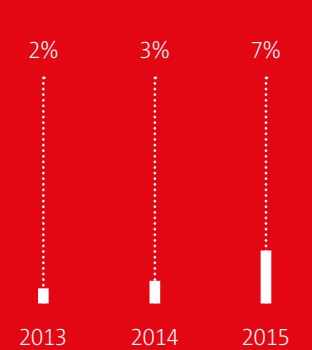
HR and organizational structure



Participation in Subsidiaries and Affiliates



Other



Among the matters reviewed at the meetings of MTS PJSC Board of Directors in 2015, it is necessary to emphasize a range of issues with solutions that were important for our Company.

1. MTS Group Strategy for 2016 – 2018, strategy of business development in the system integration segment, strategy of communications.
2. Review of the results of MTS Group budget fulfilment for 2014, on MTS Group budget adoption for 2016.
3. Conclusion of a credit agreement with the Public Development Bank of China on an employment of funds in Chinese yuans and US dollars in the total equivalent of 200 million US dollars for the purchase of telecommunications equipment and related services.
4. Purchase of Envision Group JSC, the owner and developer of MTS billing and one of the largest in Russia system integrators and suppliers of integrated IT solutions.
5. Extension of the agreement on a strategic partnership with Vodafone in Ukraine, rebranding of MTS Ukraine.

6. Review of reports:

- on risk management;
- on evaluation of completion of individual tasks of Management Board members;
- on functioning of the system for control over the insider trading legislation compliance;
- on operation of the units of internal audit, control and compliance, including the report on risk management system efficiency;
- on KSO program implementation;
- on the results of independent evaluation of the compliance system efficiency.

7. Recommendations of the Board of Directors on a payment of dividends for 2014 and first half of 2015.

8. Acquisition of subsidiaries and participation of MTS PJSC in other organizations.

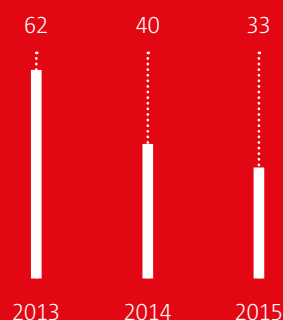
Instructions of the Board of Directors given to managers of the Company

In 2015 the Board of Directors gave 33 instructions to managers of the Company.

Members of the Board of Directors get information on the status of completion of Board's assignments at each in-person meeting.

Proper completion of the Board of Directors' assignments is one of the conditions for awarding the Company's personnel.

Instructions of the Board of Directors given to managers of the Company



Composition of the Board of Directors

MTS PJSC Board of Directors consists of 9 (nine) persons.

The current composition of the Board of Directors was elected at the annual General Shareholders' Meeting of MTS PJSC on June 25, 2015, and was in effect until the end of 2015 after the election.

New composition of the Board of Directors included Mikhail Shamolin (President of JSFC Sistema OJSC) and Regina Von Flemming (CEO of Axel Springer Russia Publishing House until October 2015).

We acknowledge that the Board of Directors needs to include independent directors in order to efficiently discharge their functions and take deliberate substantiated decisions. The presence of independent members of the Board of Directors allows to ensure a reasonable balance of interests of all the parties concerned: the Company itself, its shareholders and other concerned parties. For the independent directors to be able to influence the decisions taken by the Board of Directors, their number must be equal to at

least one third of the total composition of the Board of Directors. In this connection, the number of independent directors in our Board of Directors is over 1/3.

Since June 25, 2015 we have increased the number of independent directors in the Board of Directors to four directors. The increase of the independent directors' number allows the independent standpoint within the Board of Directors to exercise greater influence on the business decisions taken, on the Company's corporate policy and strategy.

Criteria of independence of the Board of Directors' members are defined in the Regulation on the Board of Directors of MTS PJSC¹ and correspond to state-of-the-art international practices of corporate governance. It is worth noting that current independent members of the Board of Directors fully correspond to the criteria of independence stipulated both in the Corporate Governance Code and in the Listing Regulations of the Moscow Exchange and NYSE.

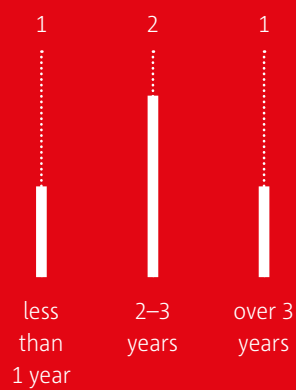
Composition of the Board of Directors as of December 31, 2015



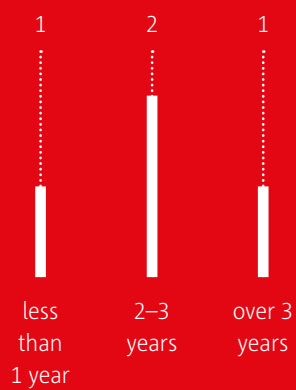
¹ http://www.mtsgsm.com/upload/contents/294/MTS_BoD_Regulations_2015_eng.pdf

Duration of work in the Board of Directors

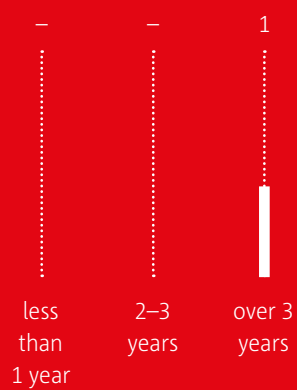
Independent



Non-executive



Independent



Information on members of the Board of Directors as of December 31, 2015



In 2015 entered the rankings of “25 best representatives of the Board of Directors” during the ceremony of “Director of the year 2015” National Awards

Ron Sommer

Non-executive Director
Chairman of the Board of Directors
Chairman of the Strategy Committee under the Board of Directors
Member of the Budget Committee under the Board of Directors

He was born in 1949, in Haifa.

In 1971 he graduated from the University of Vienna and earned Ph.D. in Mathematics.

Professional experience::

- In 1980 he took the position an executive director in the German branch of Sony Group, in 1986 became the Chairman of Sony Deutschland Management Board
- 1990 – 1993: President and Chief Operating Officer of Sony Corporation (USA)
- 1993 – 1995: President and Chief Operating Officer of Sony Europe
- 1995 – 2002: Chairman of the Management Board of Deutsche Telekom AG
- 2004 – 2009: member of Motorola Inc. Board of Directors (USA)
- 2004 – 2012: member of the International Advisory Board of Blackstone Group
- In 2005 as an independent director he joined the Board of Directors of JSFC Sistema OJSC where he also acted as a Chairman of the Investor Relations Committee
- 2006 – 2009: member of the Board of Directors in WEATHER INVESTMENTS (Italy)
- 2009–2011: First Vice President and the Head of “Telecommunication Assets” business unit of JSFC Sistema OJSC.

Member of the Supervisory Board of Munich Reinsurance company, member of the Board of Directors of Tata Consultancy Services, Chairman of the Supervisory Board of MTS UKRAINE PJSC.

Citizenship: Germany.

He was elected as a member of MTS PJSC Board of Directors for the first time at the General Shareholders’ Meeting on June 25, 2009.

During the reporting year he didn’t own shares of MTS PJSC (directly/indirectly).



Andrey Dubovskov

President
Chairman of the Board
Executive Director
Member of the Corporate Governance Committee under the Board of Directors
Member of the Strategy Committee under the Board of Directors

He was born in 1966, in Alma-Ata.

In 1993 he graduated from the All-Russian State University of Cinema n.a. S.A. Gerasimov with the specialty in film direction.

Professional experience:

- 1993 – 2002: a range of leading positions in Millicom International Cellular S.A., Millicom International Cellular B.V., “Regional cellular communications” LLC, “800” LLC and other companies in Moscow, Alma-Ata, Nizhny Novgorod, Ekaterinburg, Perm and Kiev
- 2002 – 2004: CEO of “Tele2” Group company in Nizhny Novgorod
- 2004 – 2006: Director of MTS PJSC Branch in Nizhny Novgorod
- 2006 – 2007: Director of “Ural” Macro-Region of MTS PJSC
- 2007 – 2008: First Deputy CEO of MTS UKRAINE PrJSC
- 2008 – 2011: CEO of MTS UKRAINE PrJSC
- 2011 to the present day: President, Management Board Chairman of MTS PJSC

Chairman of the Board of Directors in MGTS PJSC and Russian Telephone Company JSC, Deputy Chairman of the Board of Directors in “Mobile TeleSystems” JLLC, member of the Supervisory Board in MTS UKRAINE PrJSC, member of the Board of Directors in JSFC Sistema OJSC, International Cell Holding LTD, SISTEMA SHYAM TELESERVICES LIMITED.

Citizenship: Russia.

He was elected as a member of MTS PJSC Board of Directors for the first time at the General Shareholders’ Meeting on June 27, 2011.

During the reporting year he owned ordinary registered shares of MTS PJSC in the amount of 202,410 shares.



Aleksandr Gorbunov

Non-executive Director
Deputy Chairman of the Board of Directors
Member of the Strategy Committee under the Board of Directors
Member of the Budget Committee under the Board of Directors

He was born in 1967, in Moscow.

In 1992 he graduated from Moscow Engineering Physics Institute with specialty in experimental nuclear physics and plasma physics.

In 1999 he earned MBA from Harvard University.

Professional experience:

- 2002 – 2003: Deputy CEO of NTP Intellect Telecom OJSC
- 2003 — 2005: Head of the Strategic Analysis Service, Chief Strategy Officer of the Strategic Analysis Department of MTS OJSC.
- 2005 — 2006: Head of the Corporate Development Department, acting First Vice President and the Director of Strategy and Development Complex of JSFC Sistema OJSC
- 2006 – 2010: Vice President for Strategy and Development of Komstar-OTS OJSC
- 2010 – 2012: Counselor of the President of SITRONICS OJSC
- 2010 – 2012: Executive Vice President for Telecommunication Assets Development of “Basic Assets” Business Unit of JSFC Sistema OJSC.
- 2012 – 2015: Executive Vice President (Investment Portfolio) of JSFC Sistema OJSC.
- 2015 to the present day: Vice President, manager of telecommunication assets of JSFC Sistema OJSC.

Chairman of the Board of Directors in SISTEMA SHYAM TELESERVICES LIMITED, member of the Advisory Committee in Ozon Holdings Ltd.

Citizenship: Russia.

He was elected as a member of MTS PJSC Board of Directors for the first time at the General Shareholders’ Meeting on February 14, 2013.

During the reporting year he didn’t own shares of MTS PJSC (directly/indirectly).



Michel Combes

Independent Director
Member of the Appointments
and Remuneration Committee under the Board of Directors
Member of the Audit Committee under the Board of Directors
Member of the Special Committee under the Board of Directors

He was born in 1962, in Bologna.

He graduated from Ecole Polytechnique and National Higher School of Telecommunications in Paris; he has degrees from Paris Dauphine University (Ph.D. in the Corporate Strategy) and Conservatory of Arts and Crafts (Ph.D. in Prognostics).

Professional experience:

- 1991 – 1995: Government of France, Paris Branch of Transport and Tourism Ministry, Technical Advisor for International Civil Aviation Matters.
- 1995 – 1999: Chief Executive Officer of Globecast France Télécom, Paris.
- 1999 – 2001: Chief Executive Officer of Nouvelles Frontières, Paris.
- 2001 – 2002: Chief Executive Officer of Assystem, Paris.
- 2003 – 2006: Senior Vice President and Financial Director of France Télécom, Paris.
- 2001 – 2002: Chief Executive Officer of TDF (Télédiffusion de France), Paris.
- 2008 – 2012: European CEO of Vodafone, London; Non-executive Director of Vodafone PLC.
- 2013 – 2015: Chief Executive Officer of Alcatel-Lucent SA.
- 2014 – 2015: Non-executive Director, member of ALTICE Audit Committee

Non-executive Director in HDL Development, Chairman of the Board of Directors in SFR-Numericable.

Citizenship: France.

He was elected as a member of MTS PJSC Board of Directors for the first time at the General Shareholders' Meeting on February 14, 2013.

During the reporting year he didn't own shares of MTS PJSC (directly/indirectly).



In 2015 entered the rankings of 50 Best Independent Directors during the ceremony of Director of the Year 2015 National Awards

Stanley Miller

Independent Director
Chairman of the Remuneration and Nominations Committee under the Board of Directors
Member of the Audit Committee under the Board of Directors
Member of the Budget Committee under the Board of Directors
Member of the Strategy Committee under the Board of Directors
Member of the Special Committee under the Board of Directors

He was born in 1958, in Vinberg.

Degree in Law and Administration from South Africa University and degree in Personnel Management from Management and Trade University in Capetown (South Africa).

He completed several programs of business administration including the Proteus Leadership program in London Business School.

Professional experience

- 1988 – 1991: CEO of the Group on Operations in South Africa of Electronic Media Network company.
- 1991 – 1997: various positions in NETHOLD company.
- 1994 to the present day: Chief Executive Officer of Leaderman – SA Luxembourg.
- 1997 to the present day: Chief Executive Officer of Leaderman – NV Belgium.
- 1998 – 2010: Chief Executive Officer of Royal KPN NV.
- 2001 – 2010: Chief Executive Officer of BASE NV Belgium.
- 2002 to the present day: Chief Executive Officer and owner of ULS BVBA Belgium.
- 2005 to the present day: Chief Executive Officer and owner of Milvest BVBA Belgium.
- 2006 – 2010: member of Royal KPN NV Board of Directors
- 2006 – 2010: Chairman of the Board of Directors in E-Plus GMBH Germany.
- 2006 to the present day: owner of Main Branch Pty South Africa.

Director in Main Branch Pty South Africa, Director in Arrow Creak Investments 75 (PTY) LTD South Africa.

Citizenship: Belgium.

He was elected as a member of MTS PJSC Board of Directors for the first time at the General Shareholders' Meeting on June 24, 2010.

During the reporting year he didn't own shares of MTS PJSC (directly/indirectly).



Vsevolod Rozanov

Non-executive Director
Deputy Chairman of the Board of Directors
Chairman of the Budget Committee under the Board of Directors
Chairman of the Corporate Governance Committee
under the Board of Directors

He was born in 1971, in Moscow.

He graduated from the Economic Department of Moscow State University n.a. M.V. Lomonosov with specialty in Economics of Foreign Countries.

Professional experience:

- 1993 – 2001: various consulting positions in Bain & Company in Moscow, London and Stockholm.
- 2002 – 2004: Deputy CEO for Economics and Finances in MTU-Inform CJSC
- 2004 – 2006: Deputy CEO for Economics and Finances in KOMSTAR — United TeleSystems OJSC
- 2006 – 2008: Vice President for Finance and Investments, Management Board member of MTS OJSC
- 2008 – 2013: President of SISTEMA SHYAM TELESERVICES LIMITED (India)
- 2013 to the present day: Senior Vice President, Head of the Finance and Investments Complex, Management Board member in JSFC Sistema OJSC

Chairman of the Board of Directors in MTS-Bank PJSC, Deputy Chairman of the Board of Directors in SISTEMA SHYAM TELESERVICES LIMITED, member of the Board of directors in EAST-WEST UNITED BANK S.A., Landshaft CJSC, Lider Invest CJSC, LesInvest LLC, RTI OJSC, Management Board member in Sistema Charity Fund.

Citizenship: Russia.

He was elected as a member of MTS PJSC Board of Directors for the first time at the General Shareholders' Meeting on June 27, 2012.

During the reporting year he owned ordinary registered shares of MTS PJSC in the amount of 72,792 shares.



Regina Von Flemming

Independent Director

She was born in 1965, in Lubeck.

In 1992 she graduated from Free University of Berlin with specialty in Political Science, and from

Institute for Policy Studies (Paris).

In 1993 she graduated from INSEAD Business School (Paris), and finished postgraduate studies in the German Institute of Development Trade (Germany).

Professional experience::

- 1996 – 1999: CEO of Krone Russia.
- 1999 – 2000: CEO of Ehrmann AG.
- 2000 – 2003: Vice President of the American-Russian Investment Fund “Delta Capital”.
- 2003 – 2009: founder and owner of the consulting company Flemming & Partner GmbH Berlin.
- 2005 – 2015: CEO of Axel Springer Russia Publishing House.

Management Board member and the Head of Committee for Corporate Social Responsibility of the Russian-German Foreign Trade Chamber (AHK).

Member of Reporters Without Borders Union, member of Paul Klebnikov Fund in New York, member of the European Business Association (Moscow), member of the German-Russian Forum (Berlin), member of “Young Forum Leaders” (Munich), member of FIDAR (initiative women in supervisory boards, Berlin), member of the Club of Independent Directors (Moscow).

Citizenship: Germany.

She was elected as a member of MTS PJSC Board of Directors for the first time at the General Shareholders’ Meeting on June 25, 2015.

During the reporting year she didn’t own shares of MTS PJSC (directly/indirectly)



Thomas Holtrop

Independent Director

Chairman of the Audit Committee under the Board of Directors

Chairman of the Special Committee under the Board of Directors

Member of the Remuneration and Nominations Committee
under the Board of Directors

Member of the Corporate Governance Committee
under the Board of Directors

He was born in 1954, in Dortmund.

He studied psychology in University of Freiburg and business administration with the specialty in economics and production organization in the German Academy of Civil Employees.

Professional experience:

- 1990 – 1999: Vice President of American Express International Inc. in New York, Frankfurt and London, member of the Board of Directors in Bank 24 AG and Deutsche Bank 24 AG.
- 2001 – 2004: President of T-Online International AG.
- 2002 – 2004: member of Deutsche Telekom AG Board of Directors.
- 2005 – 2006: Chief Executive Officer of Thomas Cook AG.
- 2005 – 2011: member of the Supervisory Board of Gruner + Jahr Publishing House (Hamburg).
- 2009 – 2011: member of Komstar-OTS OJSC Board of Directors, Chairman of Audit Committee, Strategy Committee and Remuneration and Nominations Committee under the Board of Directors of Komstar-OTS OJSC.

Citizenship: Germany.

He was elected as a member of MTS PJSC Board of Directors for the first time at the General Shareholders' Meeting on February 14, 2013.

During the reporting year he didn't own shares of MTS PJSC (directly/indirectly).



Mikhail Shamolin

Non-executive Director

He was born in 1970, in Moscow.

In 1992 he graduated from Moscow Institute of Road Traffic. In 1993 he obtained a second graduate degree in the Russian Academy of State Service under the President of the Russian Federation.

In 1996 – 1997 he underwent a preparation program for top managers in Finance and Management in Wharton Business School.

Professional experience:

- 1998 – 2004: various positions in the international consulting company McKinsey&Co.
- 2004 – 2005: Managing Director for ferroalloy business in Interpipe Corporation (Ukraine)
- 2005 – 2006: Vice-President for Sales and User Maintenance
- 2006 – 2008: Vice President, Director of MTS Russia Business Unit
- 2008 – 2011: President, Management Board Chairman of MTS PJSC
- 2011 to the present day: President, Management Board Chairman of MTS PJSC.

Member of the Board of Directors, of the Strategy Committee, of the Nominations, Remuneration and Corporate Governance Committee, Investor Relations and Dividend Policy Committee under the Board of Directors of JSFC Sistema OJSC; member of the Guardianship Board of Sistema Charity Fund.

Member of the Board of Directors in Russkaya Zemlya LLC, RZ Agro OJSC, Gruppa Kronshadt LLC; member of the Supervisory Board of Gruppa Kronshtadt JSC.

Citizenship: Russia.

He was elected as a member of MTS PJSC Board of Directors for the first time at the General Shareholders' Meeting on June 25, 2015.

During the reporting year he didn't own shares of MTS PJSC (directly/indirectly).

Changes in the composition of the Board of Directors during 2015

Until June 25, 2015, the composition of the Board of Directors was as follows:

1. Anton Abugov
2. Alexander Gorbunov
3. Sergey Drozdov

4. Andrey Dubovskov
5. Ron Sommer
6. Michel Combes
7. Stanley Miller
8. Vsevolod Rozanov
9. Thomas Holtrop

Key competences of the Board of Directors members

Member of the Board of Directors	Duration of work in the Board of Directors	Key competences							
		Strategy	Finance and Audit	Industry Specialization (Telecom)	Legal Matters and Corporate Governance	Personnel management	Risk Management	M&A	GR/IR
Ron Sommer	6 years (from June 2009)	•	•	•	•	•	•	•	•
A. Dubovskov	4 years (from June 2011)	•	•	•	•	•	•	•	•
A. Gorbunov	2 years (from February 2013)	•	•	•	•	•	•	•	•
M. Combes	2 years (from February 2013)	•	•	•		•	•	•	•
S. Miller	5 years (from June 2010)	•	•	•		•	•	•	•
V. Rozanov	3 years (from June 2012)	•	•	•	•	•	•	•	•
Regina Von Flemming	1 year (from June 2015)	•	•			•			•
T. Holtrop	2 years (from February 2013)	•	•	•	•	•	•	•	
M. Shamolin	1 year (from June 2015)	•	•	•	•	•	•	•	•

Conflict of interests: information is indicated in the section "Regulation of possible conflicts of interests between MTS PJSC management bodies".

Board of Directors members didn't make transactions with the Company's shares in the reporting year.

None of the Board of Directors members received loans (credits) from the Company in 2015.

Events after a reporting date

In April 2016, Chairman of the Board of Directors Ron Sommer became holder of 0.0049% of the ordinary registered shares of MTS PJSC.

Role of the Board of Directors Chairman and independent directors in the operation of the Board of Directors

Chairman of the Board of Directors

Last year brought for the Company many events, changes, commercial achievements.

In this context it would be more accurate to say that the main goal of the Board of Directors Chairman is to maintain a balance.

To maintain a balance in many senses. First of all, to preserve a balance between old and new ideas, i.e. between maintenance of the existing fairly effective practices and development of the new ones. This concerns both Company's development and Board of Directors activities.

Besides, in particular, Ron Sommer, the Chairman of the Board of Directors, managed to maintain a correct balance between stability and development in the Board of Directors due to increase of efficiency of the Board Committees' operation (e.g. Strategy Committee, Remuneration and Appointments Committee, Corporate Governance Committee, Special Committees for specific projects) and due to his personal participation in selection of the candidates for positions of 4 independent BoD directors.

In particular, Ron Sommer, the Chairman of the Board of Directors, managed to maintain a correct balance between stability and development in the Board of Directors proper due to increase of efficiency of operation of the Committees under the Board of Directors and due to his personal participation in selection of the candidates for positions of 4 independent BoD directors.

Two deputy Chairmen of the Board of Directors were elected to provide for an efficient BoD operation, with competences determined for each of them:

- Alexandr Gorbunov: strategy, international mergers / acquisitions and partnerships of MTS Group;
- Vsevolod Rozanov: operational and financial control, management of debt and exchange risks of MTS Group.

Independent directors

From the moment BoD included independent members their role and contribution to representation of interests of our Company have been getting stronger.

Board of Directors annually reviews a compliance with independence criteria and determination of the status of BoD members, as usual, at the first meeting of the newly elected Board of Directors.

Independent directors participate in a strategic session for discussion of Company's strategy updating with participation of BoD members, representatives of the majority shareholder and managers of the Company. Following the strategic sessions results the matter of update of Company's strategy and development plan shall be presented for consideration of the Board of Directors. In 2015 the strategic sessions was held in July in Moscow. Matters discussed on the session covered the updated strategy of the Company and key strategic short-term and mid-term initiatives and projects.

Independent directors are actively involved in preliminary discussions of related-party transactions before their review by the Board of Directors.

The Company implements a practice of preliminary review of transactions at meetings of the Audit Committee under the Board of Directors, consisting only of independent directors. As common practice shows, this noticeably facilitates the work of independent BoD members as to approval of and agreeing upon transactions.

Our independent directors use their vast experience by participating actively in the strategy discussions and making investment decisions. MTS shareholders may rest assured that the Company is managed by one of the best teams in business with a deep understanding of both telecommunications sector and Russian market..

Secretary of the Board of Directors

Main purpose of the BoD Secretary of MTS PJSC is to ensure compliance of the Company's management bodies with the requirements of legislation and internal regulatory documents of the Company which guarantee the enforcement of rights and interests of its shareholders.

Regulatory base for implementation of BoD Secretary's functions, besides the Charter, is the Regulation on MTS PJSC Board of Directors.

Secretary of the Board of Directors:

- carries out an instatement of newly elected members of the Company's Board of Directors
- informs members of the Board of Directors and invited persons on forthcoming meetings of the Board of Directors;
- sends to members of the Board of Directors materials on issues of the Board of Directors agenda;
- upon request, provides to members of the Board of Directors an additional information on Company's activities;
- calculates the votes on issues put to a vote and keeps record of the Board of Directors meetings;
- ensures storage of the Board of Directors documents;
- controls implementation of the Board of Directors decisions;
- assists the Chairman of the Board of Directors in planning for activities of the Board.



In 2015 Maxim Kalinin entered the rankings of 25 best Corporate Governance Directors and Corporate Secretaries during the ceremony of 10th Director of the year National Award

Maxim Kalinin

He was born in 1972, in Moscow.

In 1997 graduated from Moscow State University with the specialty in Law.

From 2005 to the present day exercises the powers of BoD Secretary of MTS PJSC

He is a member of the Council of Corporate Secretaries National Association (CSNA), which allows MTS to strengthen its presence in the corporate governance sphere and promotes a development of the institute of corporate secretaries in general

Professional experience:

- 2005 to the present day: Corporate Governance Director of MTS PJSC.

Director for Corporate Governance is also responsible for preparation and conduct of meetings of the shareholders of MTS PJSC, Management of subsidiaries of MTS Group, Ensure the timely disclosure of information in accordance with the requirements of the securities market legislation, integrated management of intangible assets, other functions,

Citizenship: Russia.

He doesn't own either MTS PJSC shares (directly/indirectly) or stocks or shares of MTS PJSC subsidiaries; he is not a relative of any persons who are members of management and/or control bodies overseeing financial and business activities of MTS PJSC.

According to the information available to the Company, the secretary of the Board of Directors had no conflict of interests, in particular – in connection with his participation in thee management bodies of competitors of MTS PJSC.

According to available information in the Company in the reporting year, there was no conflict of interests with the Board of Directors Secretary , including related to his participation in the competition management bodies of MTS PJSC.

Committees of the Board of Directors

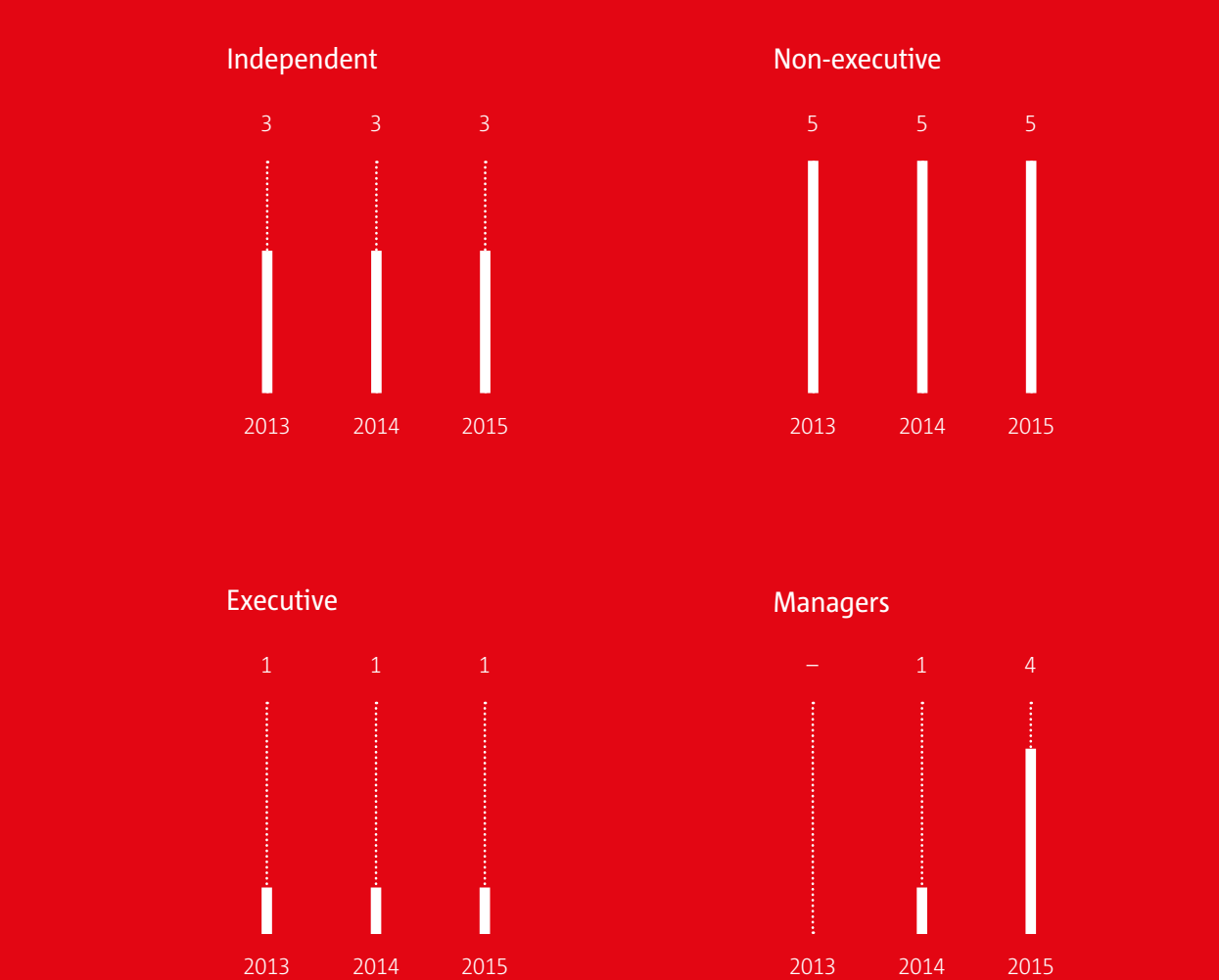
The following committees operated under the Board of Directors in order to increase the efficiency of decisions taken by the Board of Directors, to exercise a detailed preliminary review of the most topical matters and to prepare the corresponding recommendations by the end of 2015: Budget Committee, Audit Committee, Remuneration and Nominations Committee, Corporate Governance Committee, Strategy Committee, Special Committee of Independent Directors.

Powers of and requirements to compositions of the committees shall be determined by regulations on committees approved by

the Board of Directors. Committees may involve external experts and advisors in order to resolve their tasks. Results of review of agenda issues by the Committees shall be communicated to Board of Directors members before each BoD meeting.

Each BoD member is also a member of 2 to 5 committees. Representation of Company's managers in the committees allows for a meaningful dialog during the committee meetings.

Members of Committees



Attendance of Committee meetings in 2015

Committee Member	Remuneration and Nominations Committee	Audit Committee	Budget Committee	Strategy Committee	Corporate Governance Committee	Special Committee of Independent Directors
	(7 in-person meetings)	(12 meetings including 9 in-person meetings and 3 meetings in the form of absentee voting)	(7 meetings including 6 in-person meetings and 1 meeting in the form of absentee voting)	(4 in-person meetings)	(3 meetings including 2 in-person meetings and 1 meeting in the form of absentee voting)	(10 in-person meetings)
Ron Sommer			6/7	4/4		
Anton Abugov ¹				–		
Andrey Dubovskov				4/4	3/3	
Aleksandr Gorbunov			7/7	4/4		
Sergey Drozdov ¹					–	
Ruslan Ibragimov ²					1/3	
Aleksey Kornya			7/7			
Michel Combes Independent Director not a member of MTS PJSC executive management	4/7	9/12				3/10
Stanley Miller Independent Director not a member of MTS PJSC executive management	7/7	11/12	6/7	3/4		9/10
Vsevolod Rozanov			7/7		3/3	
Thomas Holtrop Independent Director not a member of MTS PJSC executive management	6/7	12/12			3/3	10/10

¹ Powers of the Committee member terminated on June 25, 2015.

² Elected as a committee member on June 25, 2015.

Activities of committees in the reporting year

Budget Committee

Budget Committee is an auxiliary body of MTS PJSC Board of Directors for preparation of recommendations to the Board of Directors upon review of matters of preparation, approval, amendment and supervision over the execution of budgets, long-term business plans and investment plans of MTS PJSC.

Tasks

Development and provision to the Board of Directors of recommendations on the matters:

- related to approval and amendment of budgets, long-term business plans and investment plans;
- of supervision over the progress of budget fulfilment;
- Methods for determination of key indicators of budgets, long-term business plans and investment plans.
- budget fulfilment and necessity of its amendment.

Number and identities of the members

Number of the Committee members within the reporting year didn't change (5 members including the Chairman).

The composition of the Committee was approved at the meeting of the Board of Directors dated June 25, 2015:

Committee members	from June 24, 2014	from June 25, 2015
V. Rozanov, Chairman, Non-executive Director	●	●
R. Sommer, Non-executive Director	●	●
A. Gorbunov, Non-executive Director	●	●
S. Miller, Independent Director	●	●
A. Kornya, Member of the Management Board, Vice President of MTS PJSC for Finance and Investments	●	●

- person was/is a Committee member

Meetings

Reporting year saw 7 (seven) meetings of the Committee:
6 in-person meetings and 1 meeting in the form of absentee voting.

Participation of Committee members in the meetings:

Committee members	March 27 (in-person)	June 25 (in-person)	September 9 (in-person)	October 28 (in-person)	December 1 (in-person)	December 17 (in-person)	June 17 (by correspondence)
V. Rozanov	●	●	●	●	●	●	●
R. Sommer	○	●	●	●	●	●	●
A. Gorbunov	●	●	●	●	●	●	●
S. Miller	●	●	●	●	●	○	●
A. Kornya	●	●	●	●	●	●	●

● Committee member participated in the meeting ○ Committee member didn't participate in the meeting

Issues and recommendations reviewed

- On preliminary review of MTS Group budget for 2016;
- On preliminary review of the Report on fulfilment of the capital expenditure budget for the 1st quarter of 2015 and prognosis for 2015;
- Investment program of MTS for 2015
- Funding of LTE network construction and expansion using a State support;
- Management of MTS accounts receivable;
- Amendment of the capital expenditure budget of MTS for 2015;

- Management of MTS debt and liquidity;
- and others

The Committee has provided the following recommendations to the Board of Directors:

- To approve a budget proposal for 2016 and recommend it for consideration at the meeting of the Board of Directors;
- To inform the Budget Committee on a status of the accounts receivable management regularly at the Committee meetings;
- To present to the Budget Committee an issue of the accounts receivable management at the Committee meeting;

Work results in 2015

The Committee considered during the reporting year all required issues related to approval and amendment of budgets, long-term business plans and investment plans.

Besides, the Committee's operation plan for the next year on main functional areas was drafted and approved.

Audit Committee

The Audit Committee is a collective deliberative body under the Board of Directors. The committee was established for the purposes of assisting in efficient implementation of functions of the Board of Directors in terms of control over financial and economic activities of the Company.

The committee follows in its activities the recommendations and requirements of the effective legislation, the Charter and internal documents of the Company, Code of Ethics and Business Conduct, decisions of management bodies of the

Company, and Regulation on the Audit Committee. On May 21, 2015, MTS PJSC Board of Directors approved new revision of the Regulation on Audit Committee.

Tasks:

- control over completeness, accuracy and credibility of financial statements of MTS Group of Companies; analysis of annual financial statements, intermediate financial information and corresponding documents submitted to US Securities and Exchange Commission and other regulating bodies for the assessment of their completeness and information consistency, conducted jointly with the executives and external auditor;
- control over reliability and efficiency of the system for risk management and internal control, and corporate governance system; analysis and evaluation of completion of the procedures for risk management and internal control; control of procedures for compliance of the Group with legislation (anti-corruption, anti-monopoly, etc.) requirements, ethical standards, regulations and procedures of the Group, requirements of stock exchanges;
- assurance of independence and fairness of internal and external audit implementation; review of internal control and audit policies, plan, corresponding budget and results of Internal Control and Audit Unit activities, as well as assessment of efficiency of Internal Control and Audit Unit activities, including approval and evaluation of KPIs fulfilment; assessment of independence, fairness and lack of a conflict of interests of Group's external auditors, including evaluation of candidates for the Group's auditor position, drawing up proposals on appointment, reelection and dismissal of Group's external auditors, payment for their services and conditions of their involvement; supervision over the external audit and evaluation of quality of the audit inspection, and assessment of the auditor's report confirming the veracity of financial statements;
- control over efficiency of the system for notification on potential cases of unethical practices of the Group's employees and third parties or other violations in the Group; review of reports on operation of the Single Hotline of MTS Group of Companies; control of ethical standards, analysis and assessment of implementation of policies for the management of conflicts of interests;
- other tasks.



In 2015 as well as in previous years we actively worked on the assurance of control over reliability and efficiency of the system for risk management and internal control of the Company. The Audit Committee reviewed new revision of the Regulation on MTS PJSC Internal Control System, approved by the Board of Directors in September 2015.

In our supervision over the internal and external audit we continued activities related to the control of independence and fairness of internal and external audit functions, and assessed the quality of audit and efficiency of internal and external audit activities.

Thomas Holtrop, Audit Committee Chairman

Number and identities of the members

Number of the Committee members within the reporting year didn't change (3 members including the Chairman).

The composition of the Committee was approved at the meeting of the Board of Directors dated June 25, 2015:

Committee members	from June 24, 2014	from June 25, 2015
T. Holtrop, Chairman, Independent Director, financial expert	●	●
M. Combes, Independent Director	●	●
S. Miller, Independent Director	●	●

● person was/is a Committee member

Meetings

Committee activities were based on the approved action plan according to main functions assigned to the Committee. Reporting year saw 12 (twelve) meetings of the Committee: 9 in-person meetings and 3 meetings in the form of absentee voting.

Besides these meetings the Committee members held meetings with financial executives of the Company and managers responsible for the system of management of risks and internal control, as well as with external advisors of the Company on a number of issues.

Committee members	February 20 (by correspondence)	March 13 (in-person)	April 14 (in-person)	May 15 (in-person)	June 25 (in-person)	July 6 (by correspondence)	July 30 (by correspondence)	August 17 (in-person)	September 8 (in-person)	October 28 (in-person)	November 16 (in-person)	December 16 (in-person)
T. Holtrop	●	●	●	●	●	●	●	●	●	●	●	●
M. Combes	●	●	●	●	●	●	●	○	●	○	○	●
S. Miller	●	○	●	●	●	●	●	●	●	●	●	●

● Committee member participated in the meeting

○ Committee member didn't participate in the meeting

Key areas of the Audit Committee activities in 2015 were as follows:

In the sphere of risk management and internal control system

Audit Committee reviewed new revision of the Regulation on Internal Control System of MTS PJSC which was approved by the Board of Directors in September 2015 for implementation in MTS PJSC of provisions of the Corporate Governance Code, and with

regard to key changes of COSO Internal Control – Integrated Framework 2013.

During 2015 the Committee controlled the procedures providing for Group's compliance with the requirements of Sarbanes-Oxley Act. Plan for 2015 and operation results of the Department for

Internal Control Systems for the first half of 2015 and for 2015 in general were reviewed;

The analysis of intermediate financial information of the Group was conducted jointly with the executives and external auditor for the first, second and third quarters of 2015; also they analyzed consolidated financial statements of the Group for the year, prepared in accordance with International Financial Reporting Standards (IFRS). Annual Report of MTS PJSC for 2015 by the form 20-F was discussed and approved. Reports on financial and operational results of MTS Group for the 1st, 2nd, 3rd and 4th quarters and for 2015 were reviewed and approved.

During 2015 the Committee was conducting a preliminary review of related-party transactions before their presentation for approval of MTS PJSC Board of Directors.

In the area of the compliance system management

The Committee reviewed strategic areas of compliance activities for 2015 in MTS Group of Companies and discussed reports on the status of compliance system implementation in MTS PJSC and subsidiaries in the first half of 2015, and the results of the year. Evaluation of correspondence of MTS anti-corruption compliance system with the requirements of applicable anti-corruption laws and best international anti-bribery practices was reviewed. The project was implemented under instruction of the Audit Committee using assistance of the invited external KPMG advisor. The project included evaluation of compliance system elements and analysis of the efficiency of anti-corruption control procedures and their actual implementation; compliance with the best international anti-corruption practices was found.

During 2015 the Committee was conducting a preliminary review of related-party transactions before their presentation for approval of MTS PJSC Board of Directors.

In the area of internal control and audit management

During 2015 the Committee reviewed information about current operation of the Internal Control and Audit Unit. The Chairman of the Audit Committee held regular meetings with the Director for Internal Control and Audit. The committee reviewed and approved results of the Internal Control and Audit Unit's operation for the first six months and in general for 2015, and performed evaluation of KPI implementation for 2015. The Audit Committee positively evaluated operations of the Internal Control and Audit Unit, and believes it is efficient.

In 2015 the Committee reviewed and approved the strategy, KPIs, work plan and budget of the Internal Control and Audit Unit for 2016.

in the area of external audit management

The audit committee recommended CJSC Deloitte and Touche CIS as the auditor of financial statements of MTS PJSC, which was then confirmed by a recommendation of the Board of Directors and by shareholders of the Company at the annual general shareholders' meeting on June 25, 2015.

According to the recommendation of the Audit Committee, on July 31, 2015 the Board of Directors approved the amount of remuneration for the auditor of CJSC Deloitte and Touche CIS for audit of financial statements of MTS Group of Companies in the amount of 121,580 thous. RUB (VAT and overhead expenses excluded).

Each year at the beginning of audit process the auditor shall present to Committee's consideration a detailed audit plan, identify and evaluate key risks. Evaluation of efficiency and quality of the audit process shall be prepared by the Committee according to the results of analysis of auditor's reports. Audit Committee discussed and approved results and conclusions of the external auditor based on results of the review of quarterly overviews of financial information for the first, second and third quarters of 2015 and the annual audit, including comments in the area of internal control. Based on 2015 results the Committee gave a positive evaluation of the audit quality and audit procedure efficiency in general.

Besides, the Audit Committee gave a positive evaluation of auditor's opinions based on results of the audit of MTS PJSC financial statements for 2015 prepared in accordance with Russian accounting standards, and consolidated financial statements of MTS PJSC and its subsidiaries for 2015 prepared in accordance with IFRS.

The Committee exercised supervision over compliance of the auditors with independence principles. During 2015 the Committee considered information on permissible non-audit services, which was provided by the external auditor, and discussed with the auditor a possible impact of the service on independence of the auditor. Permissible non-audit services were preliminarily approved by the Committee in accordance with the procedure described in the Regulation on Audit Committee.

In the area of counteraction to unethical practices of MTS Group employees and third parties

Policies on reception and processing of reports on accounting matters, issues of internal control over preparation of financial statements and audit of their new revisions were approved.

Work results of the Single Hotline of MTS Group of Companies for 2015 were reviewed.

In the area of compliance with ethical standards and management of conflicts of interests

Report on operation of the line under the Committee on Business Conduct and Ethics, and Discipline Committee report for 2015

were reviewed and taken into consideration. Results of the annual testing of knowledge and certification of compliance with the standards of the Business Conduct and Ethics Code and Policies of MTS OJSC “Compliance with Anti-corruption Laws” were analyzed.

Issues and recommendations of the Audit Committee reviewed at the meetings in 2015:

- Approval of reports on financial and operational results of MTS Group for 2014, and for the 1st, 2nd and 3rd quarters of 2015;
- Review and approval of reports of CJSC Deloitte and Touche CIS on the results of annual audit for 2014, and quarterly reviews of financial information for the 1st, 2nd and 3rd quarters of 2015;
- Discussion and approval of the Annual Report of MTS PJSC by the form 20-F;
- Review and recommendation to the Board of Director on approval of new revision of the Regulation on Internal Control System of MTS PJSC;
- Review and approval of the strategy, KPIs and work plan of the Internal Control and Audit Unit for 2016, and of operation results for 2014 and the first half of 2015;
- Review of the plan for 2015 and operation results of the Department for Internal Control Systems for 2014 and the first half of 2015;
- Review of the results of MTS Group strategy implementation in the compliance area for 2014, and approval of the plan for further development of the anti-corruption compliance system in MTS Group of companies for 2015;
- Review of the report on status of compliance system introduction in MTS PJSC and subsidiaries in the first half of 2015;
- Review of work results of the Single Hotline of MTS Group of Companies for 2015;
- Preliminary review of related-party transactions..

The Committee has provided the following recommendations to the Board of Directors:

- The Committee recommended CJSC Deloitte and Touche CIS as the auditor of MTS PJSC financial statements for 2015;
- Amount of remuneration of CJSC Deloitte and Touche CIS auditor was approved following the recommendation of the Audit Committee;
- New revision of the Regulation on Audit Committee was approved following the recommendation of the Audit Committee;
- New revision of the Regulation on Internal Control System of MTS PJSC was approved following the recommendation of the Audit Committee.

Work results in 2015

In the reporting year the Committee reviewed all required issues related to the assurance of control over reliability and efficiency of the system for risk management and internal control, veracity of financial statements of MTS Group of Companies, independence and fairness of internal and external audit implementation, efficiency of the system for notifying on potential cases of unethical practices of

the Group's employees and third parties or other violations in the Group.

The Committee's operation plan for the next year on main functional areas was drafted and approved.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee is an auxiliary collective deliberative body under the Board of Directors. Main purposes of the Committee are: formulation of HR policy of the Company, determination of the system for remuneration of chief officers of the company, shaping the strategy for development of corporate culture in MTS Group.

Committee members follow leading international practices and trends in preparation of effective solutions within the terms of their reference.

Tasks:

- and update of MTS PJSC HR policy, preparation of a succession pool for the positions of chief officers;
- Drawing up proposals on candidates and on determination of significant conditions for remuneration of the chief executives, and proposals on an early termination of office;
- Evaluation of performance results of the Company's President and Management Board members for the reporting period and preparation of proposals on their reappointment;
- Development and submission for BoD review of internal documents related to implementation of the Options Plan of the Company;
- Control over meeting the requirements of the effective legislation, MTS PJSC Charter and internal regulatory acts of MTS PJSC as to compliance with HR policy of the Company, standards and procedures in the sphere of remuneration and appointments;
- The Committee preliminarily addresses the issues reviewed at meetings of the Company's Board of Directors in the sphere of appointment and remuneration of top managers of the Company.

Number and identities of the members

Number of the Committee members within the reporting year didn't change (3 members including the Chairman).

New composition of the Committee was approved at the meeting of the Board of Directors dated June 25, 2015

Committee members	from June 24, 2014	from June 25, 2015
S. Miller, Chairman, independent member of the Board of Directors	●	●
M. Combes, independent member of the Board of Directors	●	●
T. Holtrop, independent member of the Board of Directors	●	●

- person was / is a Committee member

Meetings

Reporting year saw 7 (seven) in-person meetings of the Committee.

Participation of Committee members in the meetings is reflected in the table:

Committee members	February 25 (in-person)	April 14 (in-person)	June 26 (in-person 1)	June 26 (in-person 2)	September 8 (in-person)	October 28 (in-person)	December 16 (in-person)
S. Miller	●	●	●	●	●	●	●
M. Combes	●	●	●	●	○	○	○
T. Holtrop	○	●	●	●	●	●	●

● person was/is a Committee member

○ person wasn't/is a Committee member

Key areas of activities:

Matters of appointments and succession assurance

Candidates for positions of an immediate subordination to the company's President were considered. Experience sufficiency was evaluated; the results achieved in the Company were also analyzed for internal candidates. Candidates for key managerial positions in various functions of the Company were considered, their readiness for appointment as well as strengths and development possibilities were evaluated.

Independence of the candidates for inclusion in the Audit Committee under the MTS PJSC Board of Directors was assessed.

Issues of the systems for remuneration of managers

Key indicators of the performance of company's top managers were determined, the results of previous period activities were reviewed

Procedures required for the support of long-term motivation program were implemented, including determination of the current-year program participants and program's KPI targets.

technical standards for top managers were updated according to the current needs.

Matters related to the efficiency of development of the personnel management function

HR strategy implementation results and objectives for future periods were reviewed. Recommendations on the main areas of activities were given to the company's managers.

Key transformations of the company's organizational structure, their correspondence to the upper-level business objectives and the company's strategy

Issues and recommendations reviewed

- Assessment of the results of activities performed by the President and top managers of the company in 2014.
- Setting goals for 2015, including the list, target values and influence (weight) of each of the parameters upon the resulting remuneration award.
- Review of KPI results of the long-term awarding programs for 2014 and setting goals for 2015.
- Drawing up lists of participants of the long-term awarding programs according to the program's regulations
- Appointments and employment termination of the Management Board members and top managers.
- Evaluation of top managers' remuneration level against the market level and their contribution to company's results.
- Evaluation of the candidates for MTS PJSC Board of Directors meeting the independence criteria.
- Development of the company's organizational structure.

Corporate Governance Committee

The committee was created in order to develop and improve the system and practices of corporate governance in the Company. The Committee within the terms of its reference preliminarily reviews the most important issues and prepares recommendations for the Board of Directors to take relevant decisions

Tasks

The Committee faces the challenges on a development of priority areas of Company's activities as to implementation of the corporate governance standards and control over practices in this sphere and settlement of corporate conflicts. In relation to the goals that were set the Committee performs the following functions:

- control over reliability and efficiency of the system and practices of corporate governance, and preparation of suggestions on their improvement, as well as a comparative analysis of corporate governance policies and programs in other companies;
- determination of policies in the area of voluntary disclosure of information by the Company and control over the compliance with information policies;
- assistance in prevention and settlement of corporate conflicts between the shareholders and between the shareholders and executive bodies of the Company, as well as review of complaints and comments of the shareholders;
- preliminary review of internal regulatory documents of the Company submitted for approval (preliminary review) of the Board of Directors, and of the Company's annual report.

Number and identities of the members

Number of the Committee members within the reporting year didn't change (4 members including the Chairman).

Composition of the Committee was approved at the meeting of the Board of Directors dated June 25, 2015:

Committee members	from June 24, 2014	from June 25, 2015
S. Drozdov, Chairman, Non-executive Director	●	—
V. Rozanov, Chairman, Non-executive Director	●	●
A. Dubovskov, President, Chairman of MTS PJSC Board, Executive Director	●	●
R. Ibragimov, Management Board Member, MTS PJSC-Vice-President on Corporate and Legal Issues	—	●
T. Holtrop, Independent Director	●	●

● person was/is a Committee member

— person wasn't/is a Committee member

Meetings

Reporting year saw 3 meetings of the Committee: 2 in-person meetings and 1 meeting in the form of absentee voting.

Participation of Committee members in the meetings is reflected in the table:

Committee members	April 14 (by correspondence)	May 21 (by correspondence)	December 16 (in-person)
S. Drozdov	○	○	—
V. Rozanov	●	●	●
A. Dubovskov	●	●	●
R. Ibragimov	—	—	●
T. Holtrop	●	●	●

- Committee member participated in the meeting ○ Committee member didn't participate in the meeting
— person wasn't a Committee member at the moment of the meeting

Issues and recommendations reviewed

10 issues were reviewed in total during the reporting year.

Besides organizational issues, the Committee within its terms of reference considered the following:

- preliminary review of the Charter and internal documents of the Company that regulate the activities of the management bodies and Auditing Commission, and new revision of the Regulation on Information Policies;
- preliminary review the Annual Report of the Company for 2014;
- review of the Progress Report on Insider Trading Regulatory Compliance for 2014;
- control over enforcement of the action plan on implementation of recommendations of the Corporate Governance Code in the Company's practices;
- and others.

The Committee has provided the following recommendations to the Company's Board of Directors:

- to recommend to the Annual General Shareholders' Meeting members to approve new revisions of the Charter, Regulation on the Annual General Shareholders' Meeting, Regulation on the Board of Directors, Regulation on the President, Regulation on the Management Board and Regulation on the Auditing Commission;
- to approve new revision of the Regulation on Information Policies;
- to approve the Annual Report of the Company for 2014 preliminarily;
- to approve the Progress Report on Insider Trading Regulatory Compliance for 2014.

Work results in 2015

The Committee considered in 2015 all the matters related to the corporate governance in the Company; no issues on settlement of corporate conflicts arose; no complaints or comments from the shareholders on a competence of the Committee were received.

Besides, a plan of Committee's work in the main operation areas for the next year was developed and approved in view of upcoming changes in the regulation which affect the Company's activities.

Strategy Committee

The Committee is an auxiliary body of MTS PJSC Board of Directors for preparation of recommendations to the Board of Directors upon review of a strategic development of key functions, projects and Company in general, and implementation of investment projects and long-term investment programs.

Tasks:

- preliminary review and provision of recommendations to the Board of Directors on issues within the terms of reference of the Strategy Committee;
- discussion and drawing up of recommendations on strategic activity areas and projects of the Company

Number and identities of the members

Changes occurred in the composition of the Committee members within the reporting year.

New composition of the Committee was approved at the meeting of the Board of Directors dated December 17, 2015:

Committee members	from June 24, 2014	from June 25, 2015	from Decem- ber 17, 2015
A. Abugov, Chairman, Non-executive Director	●	—	—
R. Sommer, Non-executive Director	●	●	●
A. Gorbunov, Non-executive Director	●	●	●
A. Dubovskov, President, Chairman of MTS PJSC Board, Executive Director	●	●	●
S. Miller, Independent Director	●	●	●
A. Babin, Joint-stock Strategy Department of MTS PJSC	—	—	●
N. Vasilkov, Strategy Complex Manager of JSFC Sistema OJSC	—	—	●
V. Vinogradov, Mergers and Acquisitions Department Director of MTS PJSC	—	—	●

- person was/is a Committee member — person wasn't/is a Committee member

Meetings

Reporting year saw 4 (four) in-person meetings of the Committee.

Participation of Committee members in the meetings:

Committee members	February 25 (in-person)	June 25 (in-person)	September 8 (in-person)	December 16 (in-person)
A. Abugov	●	○	○	○
R. Sommer	●	●	●	●
A. Gorbunov	●	●	●	●
A. Dubovskov	●	●	●	●
S. Miller	●	●	○	●
A. Babin ¹	○	○	○	○
A. Vasilkov ¹	○	○	○	○
V. Vinogradov ¹	○	○	○	○

● Committee member participated in the meeting ○ Committee member didn't participate in the meeting

¹ became the Committee member on December 17, 2015.

Issues and recommendations reviewed

- | | |
|---|--|
| <ul style="list-style-type: none"> • Implementation status and development strategy of MTS differentiation projects • Status and program of activities aimed for the increase of client perception indicators in Russia in general and in Moscow. • On the results of MTS Group strategic session for 2016-2018. • Technological strategy of MTS Group for 2016-2018. • Marketing strategy of MTS Group for 2016-2018. | <p>The Committee has provided the following recommendations to the Company's Board of Directors:</p> <ul style="list-style-type: none"> • Finalize the MTS strategy for 2016-2018 in view of the comments of committee members and present it to MTS Board of Directors in October 2015; • Consider the matter of MTS Group strategy in the area of marketing at the strategic session of MTS in 2016. |
|---|--|

Work results in 2015

In the reporting year the Committee reviewed all required issues related to Company's strategic development and investment project implementation.

Besides, the Committee's work plan for the next year on main functional areas was drafted and approved.

Special Committee of Independent Directors

The primary task of the Special Committee of Independent Directors is to analyse transaction execution terms and related risks, work out an opinion on expediency of entering into transactions, prepare recommendations to the Board of Directors concerning approval of transactions, interaction with consultants with respect to transactions and other issues.

Tasks

Committee's tasks are to monitor transactions for asset acquisition, including, to assure compliance of transaction terms with fair market conditions comparable with other similar transac-

tions, assure compliance of transaction terms with Company's and all its shareholders' interests.

Number and identities of the members

Number of the Committee members within the reporting year didn't change (3 members including the Chairman).

New composition of the Committee was approved at the meeting of the Board of Directors dated June 25, 2015:

Committee members	from December 18, 2014	from June 25, 2015
S. Miller, Independent director	●	●
M. Combes, Independent Director	●	●
T. Holtrop, Chairman, Independent Director	●	●

● person was / is a Committee member — person wasn't / is a Committee member

Meetings

Reporting year saw 10 (ten) in-person meetings of the Committee.

Participation of Committee members in the meetings:

Committee members	February 11 (in-person)	March 5 (in-person)	March 17 (in-person)	April 14 (in-person)	May 19 (in-person)	June 03 (in-person)	June 17 (in-person)	June 24-25 (in-person)	September 09 (in-person)	December 16 (in-person)
T. Holtrop	●	●	●	●	●	●	●	●	●	●
S. Miller	●	●	●	●	●	●	●	●	○	●
M. Combes	○	○	●	○	○	○	●	●	○	○

● Committee member participated in the meeting ○ Committee member didn't participate in the meeting

Issues and recommendations reviewed

- detailed reports and expert reports in respect of the Transaction for Envision Group asset acquisition (hereinafter – the Transaction) were reviewed;
- a draft memorandum of the Transaction's structure was reviewed;
- draft sales-purchase contracts were reviewed;
- other issues related to preparation for Transaction execution.

The Committee has provided the following recommendations to the Company's Board of Directors:

Recommend the Board of Directors to approve the Transaction in essence, under terms set out in draft sales-purchase contracts.

Work results in 2015

In the reporting year the Committee reviewed all required issues related to preparation for Transaction's execution.

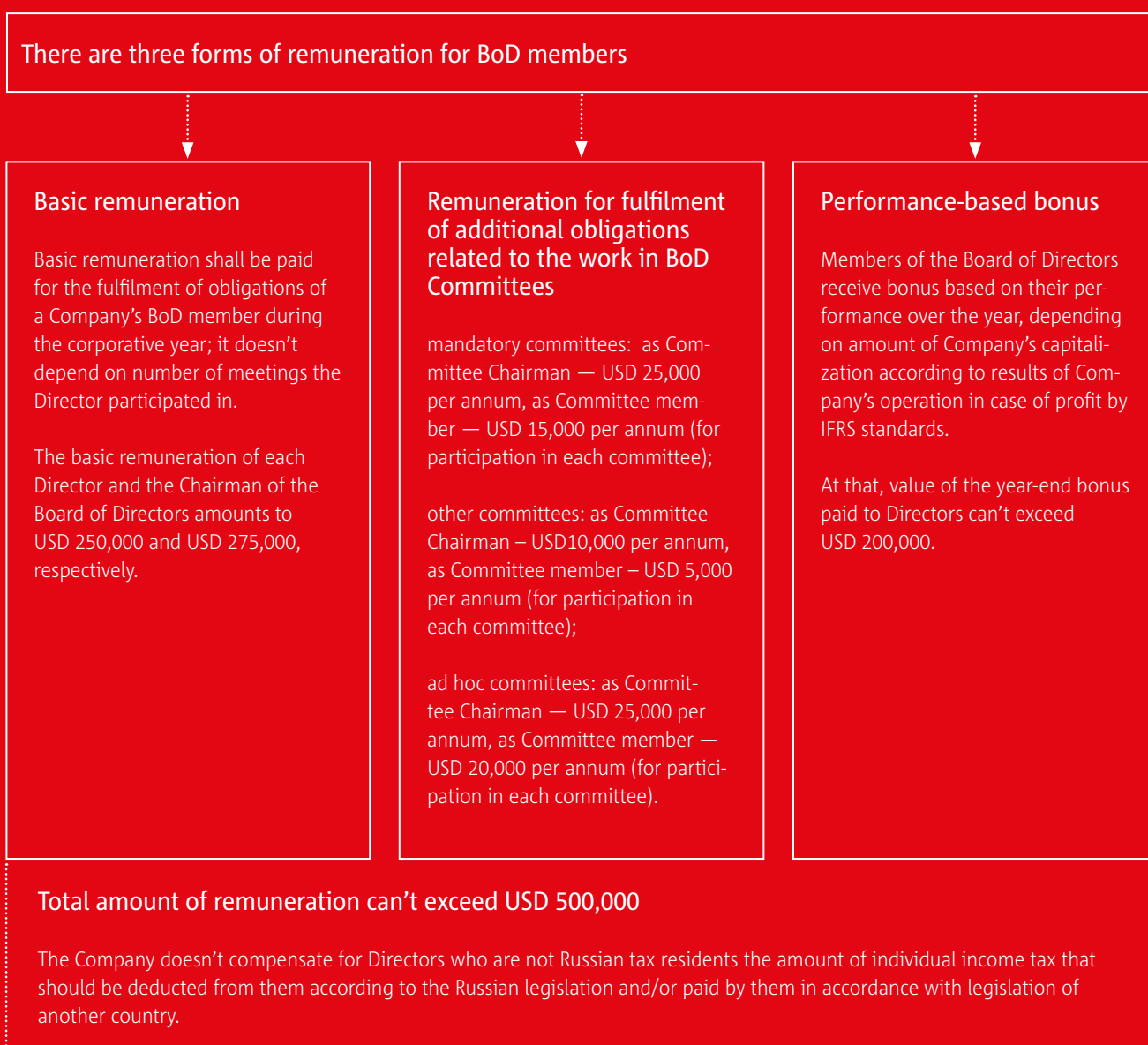
Information on remuneration of Members of the Board of Directors

The procedure and terms of remuneration payment to members of the Board of Directors of MTS PJSC are defined in accordance with the Regulation on remunerations and compensations paid to members of the Board of Directors of MTS PJSC¹.

Remuneration for the fulfilment of obligations of MTS PJSC BoD members shall be paid to the Board of Directors members who are

independent directors and to the Board of Directors members who are not employees or members of management bodies of the companies included in MTS Group.

All the categories of Company's Board of Directors members shall have the right for compensation of overhead expenses related to the fulfilment of obligations of a BoD member.



¹ http://www.mtsgsm.com/upload/contents/328/Statute_on_remunerations_final_eng.pdf

Compensations of expenses

Compensations shall be paid in accordance with actually made and documented target expenses:

- on travelling to the destination and back
- on accommodation lease
- on communication services

- other documented expenses.

BoD members also get compensations for miscellaneous expenses in amount not more than 200 thousand USD per year.

Directors who are not Russian citizens receive compensations in US dollars.

Remuneration paid to members of the Board of Directors in 2015

Indicator Name	Amount, RUB
Remuneration for participation in operations of the management body	68,042,715.03
Cost compensations	3,784,988.22
TOTAL	71,827,703.25

Evaluation of Board of Directors' performance

The evaluation of Board of Directors performance acts as an efficient tool of corporate governance development and is aimed at raising efficiency of Board of Directors performance.

After adoption of the Code and conduction of the corporate governance audit of MTS in 2015 the Corporate Governance Committee at the Board of Directors made a decision on the need for drafting a new methodology, for which an external consultant was engaged.

In 2016, self-evaluation of Board of Directors using a new evaluation methodology is planned.

Informing newly elected members of the Board of Directors about Company's operation

In accordance with best corporate governance practices for newly elected members of the Board of Directors an orientation (information) course in the format of interactive presentation in Russian and English is held. This course enables to shortly familiarise new members of the Board of Directors with Company's development history, operation of the Board of Directors, main documents governing Company's operations, annual financial reporting, development strategy, Company's management structure etc.

The President, Company's management and secretary of the Board of Directors take part in the presentation. Besides, individual meetings with senior functional management of the Company are offered to members of the Board of Directors, at which members of the Board of Directors may obtain any information required for their work.

In June 2015 two members of the Board of Directors were elected in the Company's Board of Directors: Regina von Flemming and Mikhail Shamolin. Relevant meetings aimed at induction of specified members of the Board of Directors in the office were held.

Role of the Board of Directors in organisation of the efficient risk management and internal control system¹

The Board of Directors within its competence is liable for organisation of the risk management and internal control system in the Company, including approved reports of Company's executive bodies on efficiency of the risk management system, efficiency of the Company's internal control system, including compliance system.

The Board of Directors is liable for efficiency of the risk management process, for building and maintaining of the Company's risk management and internal control system; annually reviews a report of the Audit Committee based on annual results with analysis of current control systems and discovered violations.

As of today, an efficiently operating risk management and internal control system aimed at assuring reasonable confidence in achievement of objectives set in the Company was established in the Company.

¹ A more detailed information is presented in the section "Risk Management and Internal Control System."

Officials and MTS Group Companies Liability Insurance

D&O policy

Enables to assure protection of members of the Board of Directors, Management Board and management of MTS PJSC (hereinafter — Officials) and provide coverage for indemnification of Officials, in connection with actions or claims submitted against them or their persecution by authorised state authorities for their actions/omissions while they exercise office duties in the office held, namely:

- compensation of expenses of Officials for lawyers and legal protection in connection with the above actions or claims;
- indemnification of damages caused to plaintiffs by actions/omission of Officials (in the event that the lawsuit is satisfied by the court);
- indemnification of damages of MTS PJSC and subsidiaries of MTS PJSC for claims related to securities (except for lawsuits related to IPO of American depositary receipts).

Insurance sum (limit of liability) for the last 5 (five) years is equal to 250 mln US dollars.

President and Management Board of MTS

A key role in implementation of the selected strategy, organisation of efficient implementation of resolutions of the Board of Directors, management of current operations of the Company belongs to Executive Bodies of the Company — President (sole executive body) and Management Board (collegial executive body).

Executive bodies are accountable to the Board of Directors and General Shareholders Meeting.

The executive bodies of the Company shall be established by the Board of Directors.

The President and Management Board act on the basis of the articles of association of MTS PJSC, Regulation on President of MTS PJSC¹ and Regulation on the Management Board of MTS PJSC².

Executive bodies:

- shall organise the Company's activities and be responsible for results of these activities, ensure the enforcement of decisions made by the General Meetings of Shareholders and by the Board of Directors;

- assure establishment and maintenance of operation of the efficient risk management and internal control system in the Company, are responsible for implementation of resolutions of the Board of Directors in terms of organisation of the risk management and internal control system;

- shall be responsible for effective economic, financial, scientific and technical and social policies of the Company.

The Board of Directors is entitled at any time to adopt a resolution on early termination of President's powers as well as on termination of powers of an individual member of the Management Board or all members of the Management Board and on establishment of new Executive Bodies.

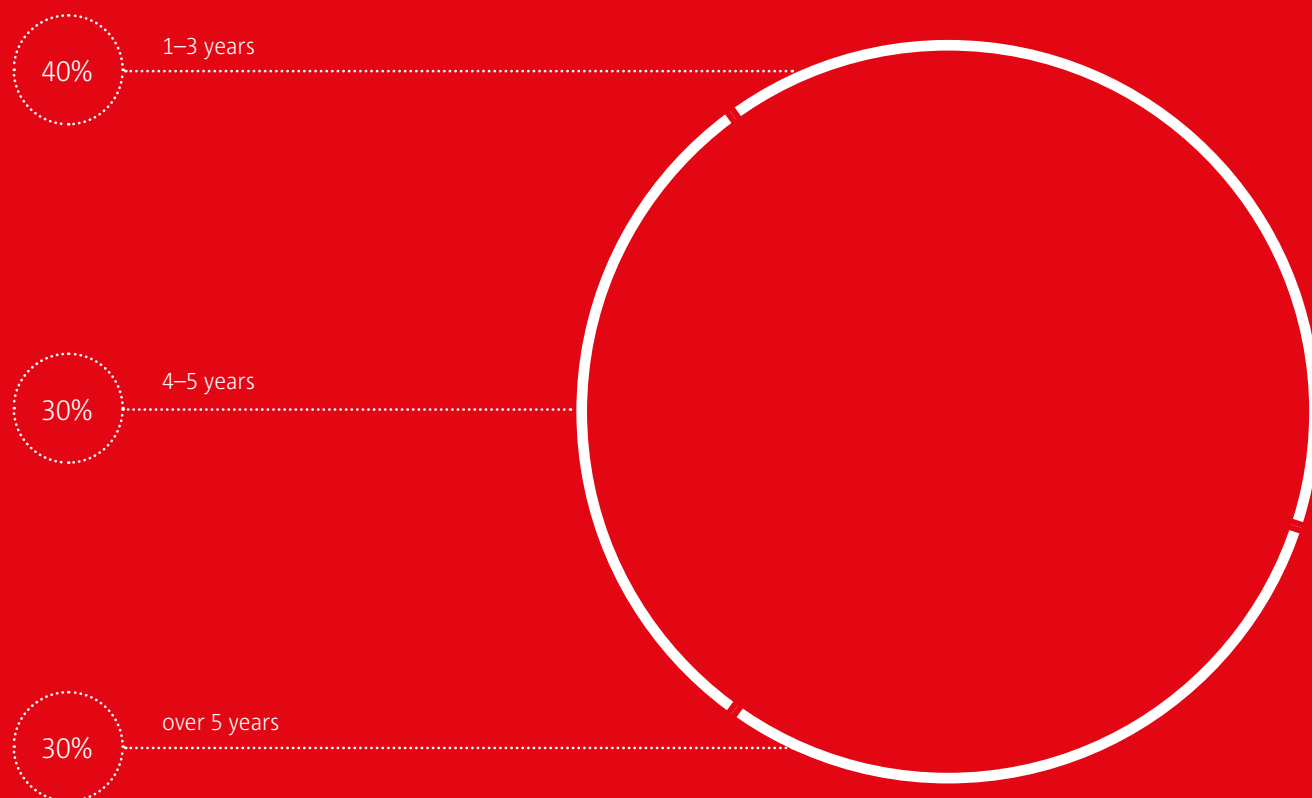
¹ http://www.mtsgsm.com/upload/contents/294/MTS_CEO_Regulations_2015_eng.pdf

² http://www.mtsgsm.com/upload/contents/294/MTS_Management_Board_Regulations_2015_eng.pdf

Composition of the Management Board in 2015

During 2015 (from March 5, 2011) Andrey Dubovskov performed functions of the President of MTS PJSC.

Duration of work in the Management Board



Information about the President and members of the Management Board as of December 31, 2015



Andrey Dubovskov

President, Management Board Chairman¹

He was born in 1966, in Alma-Ata.

In 1993 he graduated from the All-Russian State University of Cinema n.a. S.A. Gerasimov with the specialty in film direction.

Professional experience:

- 1993 – 800: a range of leading positions in Millicom International Cellular S.A., Millicom International Cellular B.V., “Regional cellular communications” LLC, “800” LLC and other companies in Moscow, Alma-Ata, Nizhny Novgorod, Ekaterinburg, Perm and Kiev
- 2002 – 2004: CEO of “Tele2” Group company in Nizhny Novgorod
- 2004 – 2006: Director of MTS PJSC Branch in Nizhny Novgorod
- 2006 – 2007: Director of “Ural” Macro-Region of MTS PJSC
- 2007 – 2008: First Deputy CEO of MTS UKRAINE PrJSC
- 2008 – 2011: CEO of MTS UKRAINE PrJSC
- 2011 to the present day: President, Management Board Chairman of MTS PJSC

Chairman of the Board of Directors in MGTS PJSC and Russian Telephone Company JSC, Deputy Chairman of the Board of Directors in “Mobile TeleSystems” JLLC, member of the Supervisory Board in MTS UKRAINE PrJSC, member of the Board of Directors in JSFC Sistema OJSC, International Cell Holding LTD, SISTEMA SHYAM TELESERVICES LIMITED.

As part of the Management Board of MTS PJSC since 2011.

During the reporting year he owned ordinary registered shares of MTS PJSC in the amount of 202,410 shares.

¹ Deputy Chairman of the Management Board was not elected.



Mikhail Arkhipov

Member of the Management Board — Vice-President, Human Resources

He was born in 1982, in Murmansk.

In 2004 he graduated from the faculty of sociology of Moscow State University named after M.V. Lomonosov.

Professional experience:

- 2004 – 2004: LLC MPZ Campomos, HR manager
- 2004 – 2008: OJSC San InBev, compensations and benefits manager, compensations and benefits director
- 2008 – 2009: senior human resources manager of CJSC KPMG
- 2009 — 2013: human resources director of PJSC SIBUR Holding
- 2013 to the present day: MTS PJSC, member of the Management Board — Vice-President, Human Resources.

Member of the Board of Directors of SISTEMA SHYAM TELESERVICES LIMITED, chairman of the HR and Remunerations Committee at the Board of Directors of PJSC MGTS.

As part of the Management Board of MTS PJSC since 2013.

During the reporting year he owned ordinary registered shares of MTS PJSC in the amount of 10,000 shares.



Kirill Dmitriev

Member of the Management Board — Director, Moscow Macro-Region

He was born in 1978 in the town of Kingisepp.

In 2000 he graduate from St. Petersburg State University of Economy and Finance.

Professional experience:

- 2006 — 2009: director of key retail accounts of Baltic Beverages Holding (Ukraine)
- 2009 — 2011: PJSC MTS Ukraine, director of the Western Territorial Department
- 2011 — 2014: PJSC MTS, general director of North-West Macroregion
- 2014 to the present day: PJSC MTS, member of the Management Board — director of Moscow Macroregion

As part of the Management Board of MTS PJSC since 2014.

During the reporting year he didn't own shares of MTS PJSC (directly/indirectly).



Ruslan Ibragimov

Member of the Management Board — Vice-President, Corporate and Legal Issues

He was born in 1963 in the town of Taldykorgan.

In 1986 he graduated from the faculty of law of Moscow State University after M.V.Lomonosov.

In 1992 he completed postgraduate studies of Peoples' Friendship University of Russia named after P. Lumumba. PhD in law.

Professional experience:

- 1992 — 1996: he worked in commercial banks, headed legal services.
- 1996 — 2002: RSM Top Audit, took the office of the director of legal service, director-partner, deputy general director, head of the department of tax and legal advice
- 2002 — 2003: he worked as a lawyer in various bar associations
- 2004-2006: Moscow bar association “Ibragimov, Kagan and partners, associate
- 2006 — 2007: MTS PJSC, director of legal department, he was then transferred to the post of the chief legal officer.
- 2007 — 2008: MTS PJSC, head of the Legal Unit.
- 2008 — 2013: MTS PJSC — Vice-President, Corporate and Legal Issues
- 2013 to the present day: MTS PJSC, Management Board Member — Vice-President, Corporate and Legal Issues.

Management Board Member, vice-president of the Non-Profit Partnership “Association of Corporate Lawyers”, member of the Non-Profit partnership “Assistance to Competition Development” and Non-Profit partnership “Assistance to competition development in CIS countries”, member of the All-Russian Public Organisation “Association of Russian Lawyers”, senior director of the Association of Independent Directors, Chairman of the Committee on legal business support of the Association of Russian managers, Chairman of the Management Board of the Association “National Payment Council”, independent director of OJSC “Publishing House “Higher School”, member of the Board of Directors of LLC “Doctor nearby”, PJSC NIS, member of the Corporate Governance Committee at the Board of Directors of MTS PJSC

As part of the Management Board of MTS PJSC since 2007.

During the reporting year he owned ordinary registered shares of MTS PJSC in the amount of 19,824 shares.



Aleksey Kornya

Member of the Management Board — Vice President, Finance and Investments

He was born in 1975, in Bryansk.

In 1998 he graduated from St. Petersburg State University of Economy and Finance.

Professional experience:

- 2000 – 2000: CJSC PricewaterhouseCoopers Audit, consultant-auditor
- 2000 – 2004: OJSC North-West Telecom, chief financial consultant, chief specialist on financial consultation
- 2004 – 2007: MTS PJSC, in July 2004 — financial director of the branch of MTS PJSC of Urals Macroregion; in October 2004 — director of the Financial Planning and Analysis Department of the Financial Unit of MTS Group
- 2007 – 2008: MTS PJSC, controlling director of the Finance and Investment Unit.
- 2008 – 2009: MTS PJSC, deputy of the vice-president for finance and investments, acting vice-president for finance and investments
- 2010 – 2013: MTS PJSC, vice-president for finance and investments
- 2013 to the present day: MTS PJSC, member of the Management Board — Vice President, Finance and Investments

Member of the Board of Directors of JLLC Mobile TeleSystems, member of the supervisory board of PrJSC MTS UKRAINE, member of the Board of Directors of PJSC MTS-Bank, International Cell Holding LTD, CJSC Russian Telephone Company, LLC MC Sistema Capital, member of the Budget Committee at the Board of Directors of MTS PJSC.

As part of the Management Board of MTS PJSC since 2008.

During the reporting year he didn't own shares of MTS PJSC (directly/indirectly).



Vasily Latsanich

Management Board Member — Vice President for Marketing

He was born in 1972 in Veliky Berezhnyy village (Ukraine).

In 1995 he graduated from the Higher State Institute named after N.Lysenko (Ukraine, Lvov).

Professional experience:

- 1996 — 2001: Coca-Cola Ukraine Ltd, Coca-Cola Bottlers Siberia, he took a number of marketing and general management offices
- 2001-2011: PJSC MTS Ukraine, head of the marketing department, in October 2005 he was appointed to the post of the marketing director of PJSC MTS Ukraine
- 2011 – 2011: PJSC MTS Ukraine, CEO
- 2011 – 2013: MTS PJSC — Vice President for Marketing
- 2013 to the present day: MTS PJSC, Management Board member — vice-president for marketing.

Chairman of the Board of Directors, Chairman of the Appointment and Remuneration Committee at the Board of Directors, member of the Strategy and M&A Transactions Committee at the Board of Directors of LLC Stream, member of the supervisory board of PJSC MTS Ukraine, member of the Board of Directors of JSC Russian Telephone Company, member of the Board of Directors, chairman of the Strategy Committee at the Board of Directors of OJSC MGTS, member of the Advisory Committee of Ozon Holdings Ltd., member of the Board of Directors of PJSC MTS Bank, Chairman of the Board of Directors, member of the Strategy, Mergers and Acquisitions and International Cooperation Committee to the Board of Directors of PJSC NIS, Chairman of the Board of Directors of JSC SMM, member of the Board of Directors of CJSC Medsy Group of Companies.

As part of the Management Board of MTS PJSC since 2011.

During the reporting year he didn't own shares of MTS PJSC (directly/indirectly)



Vadim Savchenko

Member of the Management Board — Vice-President for Sales and Maintenance

He was born in 1974, in Ishim town.

He graduated from the law faculty of the Humanitarian University in Yekaterinburg as well as Kiev National Economic University named after Vadim Getman majoring in corporate economics.

Professional experience:

- 2005 — 2007: MTS PJSC, director of the Partner Relationship Director of Urals Macroregion
- 2007 — 2008: OJSC TS-retail, director of Urals branch
- 2008 — 2011: PrJSC MTS Ukraine, director for sales and subscriber maintenance
- 2011 — 2013: MTS PJSC — Vice-President for Sales and Maintenance
- 2013 to the present day: MTS PJSC, member of the Management Board — vice-president for sales and maintenance.

Member of the Supervisory Board of PrJSC MTS UKRAINE, member of the Board of Directors of International Cell Holding LTD, Chairman of the Board of Directors, member of the HR and Remuneration Committee, Strategy Committee of MGTS PJSC, member of the Board of Directors of HC MTS Turkmenistan, JSC RTK.

As part of the Management Board of MTS PJSC since 2011.

During the reporting year he owned ordinary registered shares of MTS PJSC in the amount of 29,220 shares.



Andrey Smelkov

member of the Management Board — vice-president for foreign companies

He was born in 1976, in Novgorod city.

In 1998 he graduated from the faculty of management and economics of Novgorod State University named after Y.Mudriy. In 2000 he received a degree in Telemark University (Norway) majoring in economics and business administration. In 2012 he completed the course in Wharton business school (USA) for competence development program for heads of companies.

Professional experience:

He has extensive professional experience in telecommunication industry in CIS countries.

- 2001 – 2002: Arrive AS (Norway), information safety director
- 2002 – 2002: CJSC Novgorod Telecommunications, marketing and advertisement manager
- 2002 – 2003: CJSC Novgorod Telecommunications, marketing and advertisement director
- 2003 – 2004: CJSC Novgorod Telecommunications, deputy general director
- 2004 — 2006: PJSC Vypelcom, head of the branch in Nizhniy Novgorod.
- 2006 — 2008: PJSC Vypelcom (subsidiary in Uzbekistan), chief manager for regional network development, deputy general director for business development in regions
- 2008 — 2010: SkyMobile company (Kyrgyzstan), General Director.
- 2010 — 2013: Tele2 (Kazakhstan), chief executive officer, chairman of the Board of Director.
- 2013 – 2013: Tele2 AB (Sweden), Chief adviser of the vice-president
- 2013 to the present day: MTS OJSC, Member of the Management Board — Vice President, MTS Foreign Companies Business Unit.

Chairman of the Board of Directors of HC MTS-Turkmenistan and CJSC K-Telecom, Chairman of the Supervisory Board of LLC UMS, member of the Board of Directors of JLLC Mobile TeleSystems, Sistema Shyam Teleservices Limited.

As part of the Management Board of MTS PJSC since 2013.

During the reporting year he didn't own shares of MTS PJSC (directly/indirectly).



Andrey Ushatskiy

Member of the Management Board — Vice President, Engineering and IT

He was born in 1974, in Moscow.

In 1997 he graduate from the Moscow Energy Institute.

In 2002 — 2004 he educated under MBA program for managers in the Academy of National Economy at the RF Government.

Professional experience:

- He has been working in MTS PJSC since 1996, starting from the post of the radiorelay line service specialist, then head of the network operation service, director of the network operation department and director of MTS Russia business unit.
- 2009 – 2013: MTS PJSC vice-president for engineering.
- 2013 to the present day: MTS PJSC, member of the Management Board — vice-president for engineering and IT.

Chairman of the Board of Directors of JSC Metro-Telecom, member of the supervisory board of PrJSC MTS UKRAINE, member of the Board of Directors of HC MTS-Turkmenistan, JSC Intellect Telecom and JSC Envision Group, member of the Board of Directors, member of the Strategy Committee of PJSC MGTS

As part of the Management Board of MTS PJSC since 2009.

During the reporting year he owned ordinary registered shares of MTS PJSC in the amount of 14,000 shares.



Valeriy Shorzhin

Management Board Member — Vice-President, Procurement and Administration

He was born in 1963, in Ulyanovsk town.

In 1986 he graduated from MHTC named after N.A. Bauman,

Professional experience:

- 1993 – 1996: JSCB Tveruniversal bank, Department of bank technologies automation
- 1996 – 2000: STS Sovintel, communication engineer, head of the traffic analysis and control group, director of the network control and development department
- 2000 – 2006: STS Sovintel, IT director.
- 2006 – 2008: Farlep-Invest (Ukraine), IT director and chief technical officer
- 2008 – 2011: MTS PJSC, IT director
- 2011 – 2014. MTS PJSC, director of the procurement department
- 2014 to the present day: MTS PJSC, Management Board Member — Vice-President, Procurement and Administration.

Member of the Supervisory Board of PrJSC MTS Ukraine, member of the Board of Directors of MGTS PJSC and JSC Envision Group.

He was elected for the first time in the Management Board of MTS PJSC; he was reelected in the Management Board in 2014.

During the reporting year he didn't own shares of MTS PJSC (directly/indirectly).

Information about changes in composition of the Management Board in 2015

In the reporting year, in accordance with a resolution of the Board of Directors of MTS PJSC powers of Ivan Zolochevskiy as a member of the Management Board were terminated. The reason for early termination of powers of Ivan Zolochevskiy was return

to a previous management system, in which the General Director of PrJSC MTS was not included in composition of the Management Board. We deem such a scheme to be the most efficient one.

Events after a reporting date

The Board of Directors of MTS PJSC passed a resolution on April 11, 2016 on changes in composition of the Management Board of MTS PJSC since May 17, 2016:

1. Powers of Vadim Savchenko, member of the Management Board of MTS PJSC, were terminated.

2. Igor Yegorov was elected as a member of the Management Board of MTS PJSC.

3. The quantitative composition of the Management Board of MTS PJSC was defined in the following composition:

- 1) Andrey Dubovskov – Chairman of the Management Board of MTS PJSC
- 2) Mikhail Arkhipov
- 3) Kirill Dmitriev

4) Igor Yegorov

5) Ruslan Ibragimov

6) Aleksey Kornya

7) Vasily Latsanich

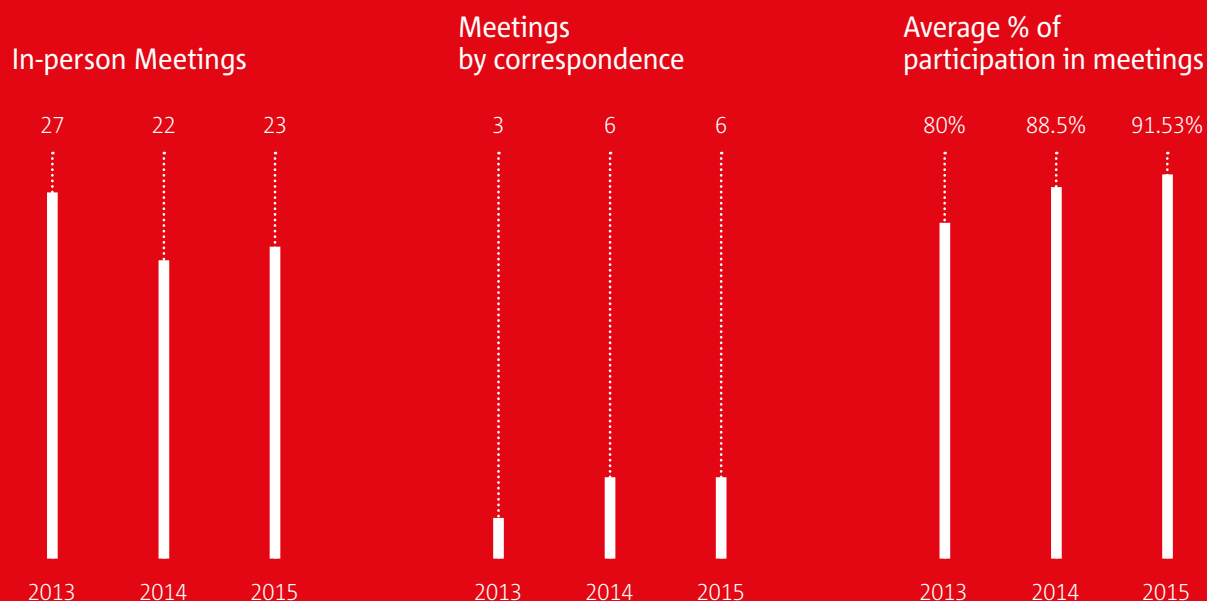
8) Andrey Smelkov

9) Andrey Ushatskiy

10) Valeriy Shorzhin

For the previous 2015 the Management Board held 28 meetings: 22 in person form, 6 in the form of absentee voting.

Statistics of Management Board operation



Participation of members of the Management Board in meetings of the Management Board in 2015

Management Boar Member	In-person Meetings	Meetings by correspondence
A. Dubovskov	22	6
M. Arkhipov	22	6
K. Dmitriev	21	6
I. Zolocheskiy	14	2
R. Ibragimov	22	6
A. Kornya	19	6
V. Latsanitch	21	6
V. Savchenko	19	6
A. Smelkov	16	5
A. Ushatskiy	22	6
V. Shorzhin	20	6

Transactions with shares of MTS PJSC executed by members of the Management Board in 2015

In June 2015 Company's management acquired shares of MTS PJSC.

Management Boar Member	Amount of the share of a corresponding person in the charter capital of MTS PJSC before the transaction	Amount of the share of a corresponding person in the charter capital after the transaction	Date, from which the share of a corresponding person in the charter capital of MTS PJSC was changed
Mikhail Arkhipov Member of the Management Board — Vice-President, Human Resources	did not own shares	0.00048%	04.06.2015
Vadim Savchenko Member of the Management Board — Vice-President for Sales and Maintenance	did not own shares	0.00141%	04.06.2015

Conflict of interests: information is indicated in the section "Regulation of possible conflicts of interests between MTS PJSC management bodies.

The Company did not grant loans (credits) to the President and Management Board in 2015.

Events after a reporting date

In April 2016, the amount of the participation share of the members of the Management Board in the charter capital of MTS PJSC changed as a result of implementation of the first trench of the

Program for Long-Term Material Incentivization of top managers of MTS PJSC based on ordinary shares of MTS PJSC approved by the Board of Directors of MTS PJSC in 2013.

Member of the Management Board	Amount of the share of a corresponding person in the charter capital of MTS PJSC before adoption of the Long-Term Material Incentivization of top managers of MTS PJSC	Amount of the share of a corresponding person in the charter capital after the transaction	Date, from which the share of a corresponding person in the charter capital of MTS PJSC was changed
Mikhail Arkhipov Member of the Management Board — Vice-President, Human Resources	0.00048%	0.00242%	25.04.2016
Kirill Dmitriev Member of the Management Board — Director, Moscow Macro-Region	did not own shares	0.00141%	25.04.2016
Andrey Dubovskov President, Management Board Chairman	0.0098%	0.01697%	25.04.2016
Ruslan Ibragimov Member of the Management Board — Vice-President, Corporate and Legal Issues	0.00096%	0.0035%	25.04.2016
Aleksey Kornya Member of the Management Board — Vice President, Finance and Investments	did not own shares	0.00419%	25.04.2016
Vasily Latsanich Management Board Member — Vice President for Marketing	did not own shares	0.00299%	25.04.2016
Vadim Savchenko Member of the Management Board — Vice-President for Sales and Maintenance	0.00141%	0.00427%	25.04.2016
Andrey Ushatskiy Member of the Management Board — Vice President, Engineering and IT	0.00068%	0.00316%	25.04.2016
Valeriy Shorzhin Management Board Member — Vice-President, Procurement and Administration	did not own shares	0.0023%	25.04.2016

Principles of remuneration of Management Board members and senior officials

A contract is entered into with every Management Board member, which defines labour terms, procedure for definition of the amount of remuneration, terms of compensation of expenses connected with execution of duties of the Management Board member and contract termination procedure. The contract shall be signed on behalf of the Company by the Chairperson of the

Board of Directors of the Company or by a person authorised by the Board of Directors. The Board of Directors is entitled at any time to terminate the contract with a member of the Company's Management | Board. Terms and conditions of the contract shall be approved by the Board of Directors of the Company.

Information about principles and system of remuneration of senior officials

Remuneration of senior officials shall be fixed and calculated based on the Policy for labour payment of employees of MTS PJSC and meets the following principles:

- observation of fairness and competitiveness of remuneration;
- connection of remuneration with personal contribution and final work results in the Company in general;
- motivation for achievement of target business development parameters in accordance with strategic development installations approved by the Board of Directors.

The system of remuneration to senior officials includes elements of base remuneration and variable premium part:

- Base remuneration — monthly official salary;
- Short-term motivation system is an annual premium paid for fulfilment of key performance indicators ("KPI") fixed in general for the Company for a corresponding reporting period as well as for fulfilment of functional individual tasks defined by the Board of Directors;
- The long-term material incentive program is aimed at increasing the Company's shareholder value as well as preserving long-term labour and corporate relations between the Company and its management.

Evaluation of performance of the President and members of the Management Board

One of the tasks of the Board of Directors is to assure control of operation of the President and member of the Board of Directors as well as evaluate their performance which is performed based on materials approved by the Remuneration and Appointment Committee.

The evaluation of the President and member of the Management Board for 2015 was performed in accordance with an existing method based on fulfilment of key performance indicators of the Company in general, functional individual tasks and competence development level.

Remuneration of members of the Management Board and senior officials based on 2015 results

Remuneration paid to members of the Management Board in 2015

Indicator Name	Amount, RUB
Salary	158,520,005.32
Premiums	285,244,196.00
Cost compensations	106,686,471.52
Other remuneration types	1,654,677.02
TOTAL	552,105,349.86

Remuneration paid to senior officials in 2015 году¹

Indicator Name	Amount, RUB
Salary	264,330,316
Premiums	406,741,925
Cost compensations	139,400,491
Other remuneration types	1,896,956
TOTAL	812,369,688

¹ includes information about remuneration of 22 senior officials of the Company (including members of the Management Board), and for the reporting year 2 (two) officials took their posts for less than 12 months

Structure of remuneration of top management in 2015

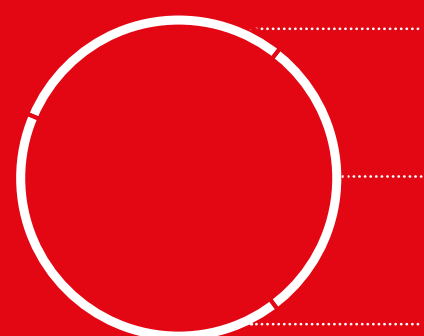
The structure of income of Company's chief executives varies depending on the post level.

The higher is the post in the internal hierarchy of the Company, the larger share is the variable remuneration part.

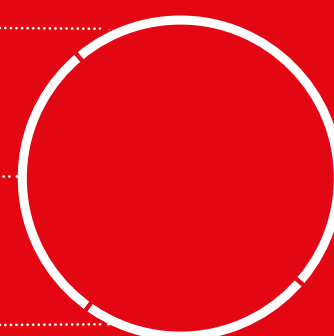
The actual element value individually varies depending on the work schedule in the reporting year, reached results as per KPIs and shareholder value according to the long-term bonus payment program.

Typical element ratio is presented in the following options:

Members of the management board



Department directors



Subsidiaries Management

The Company established a multilevel corporate management system, which provides for consecutive interaction of all holding's management bodies starting from the General Meeting of Shareholders of MTS to the executive bodies of a subsidiary. Such a model enables a parent company to efficiently coordinate operations of all subsidiaries while assuring interests of all stakeholders.

During management of subsidiaries (hereinafter – the Subsidiaries) MTS adheres to the following principles:

1. Subsidiary management is carried out through MTS representatives in subsidiaries.

The following management methods are applied:

- Adoption of resolutions at GSM/GMM¹ of subsidiaries and affiliates (heads of divisions responsible for forming a position for the purposes of implementation of member/shareholder rights in respect of a subsidiary acting based on a power of attorney were appointed)

- Appointment/election of MTS representatives in management and control bodies of subsidiaries (collegiate management bodies (BD², Management Board), SEB³, SC⁴).

Definition of MTS position regarding participation in voting of MTS Representatives in GSM/GMM, collegiate management bodies and while making decisions of SEB of MTS subsidiary as well as other business companies, direct and indirect participation.

¹ GSM / GMM: General Meeting of Shareholders/General Meeting of Participants

² BD / SB: Board of Directors/Supervisory Board

³ SEB: Sole Executive Body

⁴ SC: Auditing Committee

2. Coordinated use of functional, strategic and project management in subsidiary management:

Strategic management through approval at BD/SB of:

- strategy;
- main areas of activities;
- report on strategy implementation.

Functional management through approval at BD/SB of:

- business-plan;
- budget;
- organisational structure;
- functional strategies;
- personnel motivation system;
- reports on financial and economic activities;
- internal control and audit principles.

Project management through approval at BD/SB of:

- relevant business issues;
- transactions with assets ;
- establishment of special committees;
- priority projects.

3. Meeting requirements of applicable legislation, articles of associations, internal documents of companies, legitimate rights and interests of shareholders/members of subsidiaries

At the level of MTS as part of strategic and financial management processes principal decisions on areas of subsidiaries are made.

Decisions of MTS management bodies are translated to particular subsidiaries through participation of MTS representatives in GSM/OMS and collegial management bodies meeting requirements of all internal regulatory documents of subsidiaries and applicable legislation.

4. Unified Corporate Governance Standards

Unified internal decision-making procedures, unified management standards and cycle at all management phases are applied in MTS:

- scheduling;
- data accounting and collection;
- control and analysis.

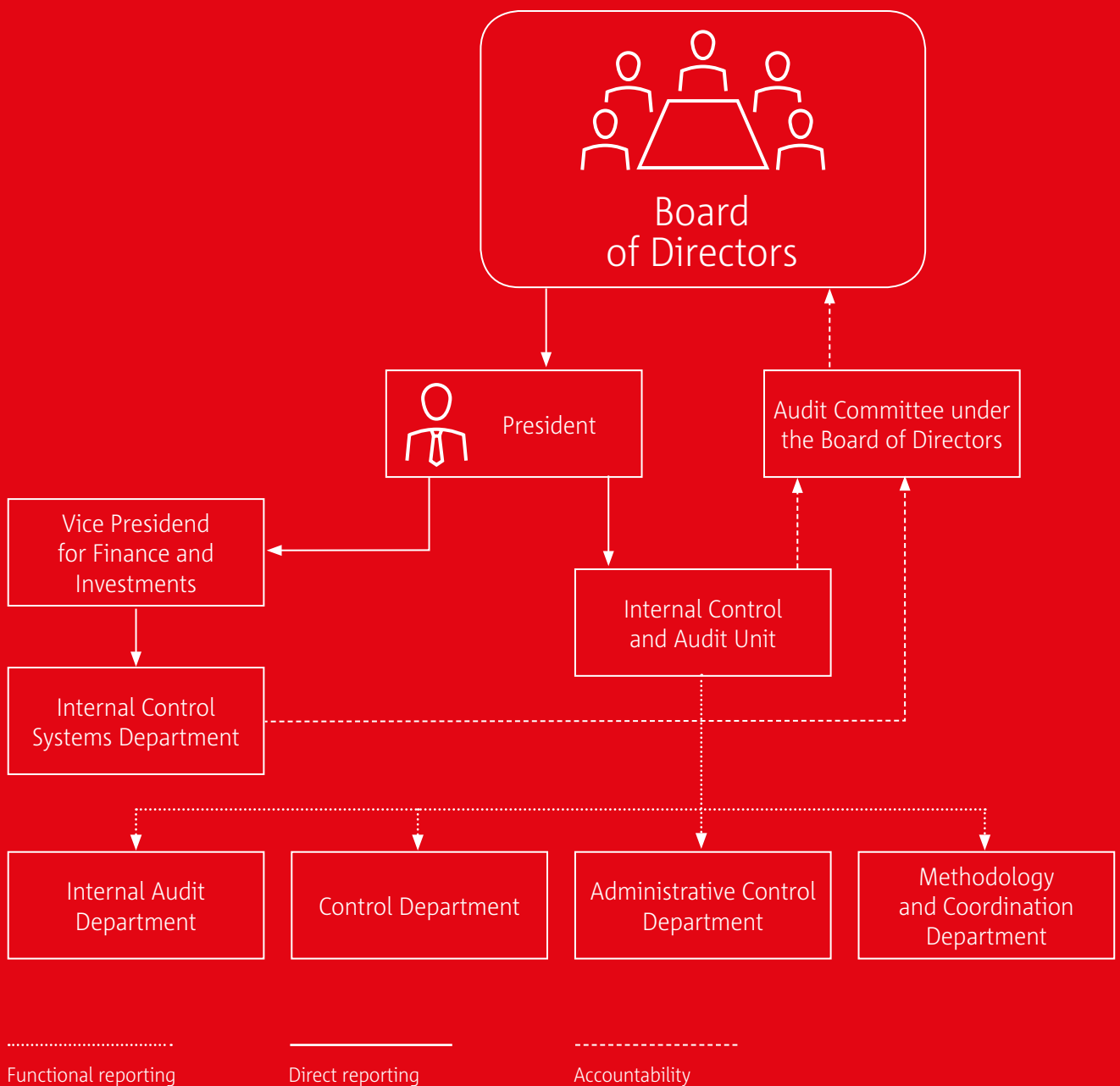
Corporate secretaries of subsidiaries are liable for timely drafting and approval of internal corporate governance documents of subsidiaries.

5. Application of best management practices

Corporate directors — professional and independent members of collegiate management bodies in foreign subsidiaries is a decent alternative to representative of holding's parent company.

Internal Control and Audit

Internal Control System



The internal control system of MTS PJSC represents a combination of internal control processes implemented by ICS entities based on existing organisational structure, internal policies and regulations, internal control and risk management procedures and method applied in the Company at all management levels and as part of all functional areas.

Establishment and efficient operation of the internal control system is aimed at assuring reasonable confidence in achievement of objectives faced by the Company and enable to assure proper control over financial and economic activities of the Company as well as its efficiency. The internal control system of MTS PJSC represents a combination of interrelated components, the structure of which meets the general accepted methodology COSO Internal Control — Integrated Framework 2013. In accordance with COSO model a control environment is established, the risk assessment system is applied and control procedures are implemented.

Under the internal control system a range of anti-corruption measures mitigating reputational risks and risks of application of sanctions for officials' bribery against MTS PJSC. For the purposes of counteraction to abuses, authorisation of transactions and operations, distinction of powers and rotation of duties, control of actual availability and condition of facilities is implemented.

MTS PJSC approved the Policy for meeting anti-corruption legislation defining measures aimed at establishing elements of the corporate culture, organisational structure, rules and procedures assuring non-admission of corruption.

As part of the Single hot line of MTS Group of Companies the line of the internal control and audit unit was organised as a safe, confidential and available method of the Audit Committee informing of the Board of Directors and Internal Control and Audit Unit about facts of breaches of legislation, internal procedures, Code of Business Conduct and Ethics of MTS PJSC by its any employees

and (or) any members of the management body or body of control over financial and economic activities of MTS PJSC.

Proposals for improvement of anti-corruption procedures and other internal control procedures are received by the hot line addressed to the Audit Committee of the Board of Directors and the Internal Control and Audit Unit. A person who submitted relevant information is protected from any forms of pressure (including from dismissal, persecution, any forms of discrimination).

For systematic independent evaluation of reliability and efficiency of the risk management and internal control system and corporate management practice performance of the internal audit by the Internal Control and Audit Unit of MTS PJSC was organised in MTS PJSC. The internal control and audit unit is an individual structural division of MTS PJSC functionally subordinate to the Board of Directors and administratively – directly to the President of MTS PJSC.

The audit committee of the Board of Directors of MTS PJSC twice a year reviews Reports of the Internal Control and Audit Unit about the operation of the internal audit, control, compliance and risk management divisions. The audit committee positively evaluated the work of the Internal Control and Audit Unit in terms of evaluation of internal control, risk management and corporate governance system efficiency as well as evaluated operation of the risk management functions as efficient and meeting tasks as of today.

The audit committee of the Board of Directors of MTS PJSC on a quarterly basis reviewed reports of external auditors CJSC Deloitte and Touche CIS approving their performance.

The Board of Directors defines a policy in respect of internal control and annually reviews the report of the Audit Committee based on the work results for a year with an analysis of current control systems and discovered violations. Report of the Audit Commission is annually attached to materials of the annual General Shareholder Meeting of MTS PJSC.

Audit Committee at the Board of Directors

The Audit Committee is a collegial deliberative body of the Board of Directors. The committee was established for the purposes of assisting in efficient implementation of functions of the Board of Directors in terms of control over financial and economic activities of the Company.

Detailed information about the Audit Committee's work results in the reporting year is presented in the section "Committees of the Board of Directors".

Results of evaluation by the Committee of the external and internal audit process efficiency

Specified in the section "Report on operation of the Audit Committee"

Auditing Committee

On June 25, 2015 the followings persons were elected as members of the Auditing Committee at the annual general shareholder meeting of MTS PJSC:

1. Irina Borisenkova, born in 1963, takes the post of the Chief Accountant, managing director of the Finance and Investment Complex of JSFC Sistema OJSC.
2. Maxim Mamonov, born in 1978, takes the post of the internal control and audit director of MTS PJSC.
3. Anatoliy Panarin, born in 1988, takes the post of the planning head of the Finance and Investment Complex of JSFC Sistema OJSC.

The Auditing Committee acting in accordance with the articles of association of MTS PJSC as well as the Regulation on the Auditing Committee of MTS PJSC is a permanently operating elected body of the Company and exercises periodic control over financial and economic activities of the Company, activities of its management bodies and officials (including its separate subdivisions, services, branches and representative offices) by means of documentary and actual audits.

The Auditing Committee is independent from officials of the Company's management bodies and is accountable only to the General Shareholder Meeting of the Company.

Report on operation of the Auditing Committee

In April 2015, based on the results of the performed audit, the Auditing Committee did not record material facts of violation of accounting and financial statements submission procedures while carrying out financial and economic activities of the Company.

The Auditing Committee confirmed that financial statements of the Company for 2014 and the Annual report on Company's activities for 2014, in terms of Company's financial statements, are authentic.

In April 2016 the Auditing Committee held the audit of financial and economic activities of the Company for 2015. The opinion report of the Auditing Committee will be submitted for approval of the Annual General Shareholder Meeting of MTS in June 2016.

Internal Control and Audit Unit

The Internal Control and Audit Unit is an independent structural subdivision and consists of the Internal Audit Department, Control Department, administrative control department and methodology and coordination department. Head of the Unit is the Director for Internal Control and Audit who is functionally subordinated to the Chairman of the Audit Committee under the Board of Directors of MTS PJSC, and administratively subordinated directly to the President of MTS PJSC.

The Internal Control and Audit Unit performs the following functions:

- Evaluation of the internal control system's efficiency based on the following areas: efficiency and effectiveness of business operations, authenticity of financial and management accounting, compliance with internal standards and external requirements;

- Evaluation of the risk management system's efficiency in the company in general and development of recommendations for improvement of the risk management system;
- Development of recommendations for improvement of internal control, risk management and corporate governance procedures, and assistance to management in development of corrective measures based on the results of performed audits / inspections of financial and economic activities;
- Implementation of monitoring of execution of recommendations for rectification of violations and deficiencies discovered based on audit results;
- Analysis of authenticity of performance indicators and achievement of planned results during audits/inspections of financial and economic activities;
- Coordination, analysis and registration of messages received to the "Unified hot line";
- Analysis of compliance of company's operations with requirements of legislation (including anti-corruption) during audits/inspections of financial and economic activities.

The Internal Control and Audit Unit submitted 4 reports at meetings of the Auditing Committee, all reports were approved by the Auditing Committee.

Report on operation of the Internal Control and Audit Unit

In 2015, the Internal Control and Audit Unit carried out the activities in accordance with the functions entrusted to them, including:

- in September 2015 a new revision of the Regulation on the internal control system defining a combination of interrelated components, the structure of which meets the generally accepted methodology COSO IC-IF, was drafted and approved by the Board of Directors;
- in July 2015 the Company's President approved a new revision of the regulation "Processing of messages of the "Unified hot line" of MTS Group of Companies expanding the number of control objects.

Department of Internal Control Systems

The Department of Internal Control Systems is an independent structural subdivision and consists of the development and support department, certification and testing department, IT-process control department.

The Department of Internal Control Systems performs the following main functions:

- Perform testing, evaluation and certification of the system of internal control over generation of financial statement of MTS Group.
- Coordinate interaction of external auditors and functional subdivisions of the company during the audit of efficiency of the internal control system of MTS Group.

The department of internal control systems is directly subordinate to the vice-president of MTS PJSC for finance and investments and is accountable to the Auditing Committee at the Board of Directors of MTS PJSC.

Report on operation of the Department of Internal Control Systems

In 2015, the internal control system for MTS Group was updated taking into consideration testing and external audit results for 2014, changes of organisational structure and business processes.

Based on the results of internal evaluation and external audit the internal control system of MTS Group as of December 31, 2015 was found efficient having no material and significant deficiencies

External Audit

Auditor

For the purposes of independent evaluation of authenticity of accounting (financial) statements the Company engages an external auditor on an annual basis for auditing statements prepared in accordance with IFRS and RAS.

CJS Deloitte and Touche CIS (performed audit of statements of MTS PJSC for 2002 – 2014) was approved as the auditor of financial statements of the Company for 2015 by a resolution of the Annual General Shareholder Meeting of MTS PJSC.

In the reporting year, contract with the Auditor were concluded for conductance of:

- the audit of annual financial statements of MTS PJSC for 2015 prepared in accordance with RAS;
- review engagement of abbreviated consolidated financial statements of MTS PJSC and its subsidiaries as of March 31, June 30 and September 30, 2015 prepared in accordance with IFRS);
- integrated audit of consolidated financial statements of MTS PJSC and its subsidiaries and audit of efficiency of the system of internal control over preparation of financial statements for 2015.

In March 2016 the Auditing Committee approved results of the integrated audit of consolidated financial statements and audit of efficiency of the system of internal control over preparation of financial statements for 2015 performed by the external auditor.

Based on the results of the audits performed the Auditor of MTS PJSC expressed its opinion on authenticity of financial statements of MTS PJSC prepared in accordance with RAS as well as expressed its opinion on authenticity of consolidated financial statements prepared in accordance with IFRS.

A tender for selection of the external auditor of MTS PJSC is conducted at least once in five years.

To conduct the tender, MTS PJSC establishes a tender commission. Based on tender results the tender commission generates recommendations for selection of the external auditor which are submitted for approval to members of the Auditing Committee at the Board of Directors of MTS PJSC.

In the event that the auditor candidacy is approved by the Auditing Committee, Board of Directors and General Shareholder Meeting of the Company, a contract for financial statements audit services shall be signed with an auditing company.

The amount of auditor's remuneration for audit of statements of MTS Group of Companies for 2015 approved by the Board of Directors of the Company made up 121,580 thous. RUB, excluding VAT (including works for audit of compliance with requirements of the Sarbanes-Oxley Act).

During 2015 Deloitte also rendered advisory services for individual taxation issues and other audit related services. The total value of such services in 2015 was 15,313 thous. RUB

Compliance System

Taking a leading position in the industry, the Company is aware of its high responsibility for business transparency, ethics and lawfulness. For the purposes of maintaining and preserving its high business reputation to the state, shareholders, customers, partners, competitors and society in general, the Company for several years has been developing the corporate system of compliance with requirements of applicable legislation and business ethics (“compliance”).

The Company adheres to principles of compliance with requirements of applicable anti-corruption legislation (anti-corruption legislation of countries, on the territory of which the Company performs its activities, Foreign Corrupt Practices Act 1977, The Bribery Act 2010) and business ethics in all business relations and irrespective of a world country, in which the Company performs its business activities. The Company fixed the principle of non-acceptance of corruption in any forms and occurrences both in everyday activities and when implementing strategic projects.

Main documents governing compliance of the procedure inside MTS are the Code of Business Conduct and Ethics, Compliance with anti-corruption legislation Policy, Conflict of interests management Policy. Besides, procedures for assuring compliance with anti-corruption legislation are fixed in regulations of Company’s business-processes.

The compliance system in MTS PJSC sets forth measures aimed at regulatory risk management, improving corporate culture of the Company, implementing and developing in the Company best corporate governance practices as well as standards of responsible business conduct relying on norms of applicable legislation, recommendations of regulatory bodies, industrial specifics and best practices in this area.

Basic principles and elements of the compliance system in MTS PJSC are as follows.

- Company’s management actively demonstrates its commitment to compliance principles as well as supports efforts for implementation and assurance of operation of the corporate compliance system (tone from the top).
- The Company regularly conducts measures for discovery and subsequent updating of corruption risks paying special attention to risks specific for its activities, regions of operations as well as potentially vulnerable business-processes.
- The Company develops and implements anti-corruption procedures reasonably and proportionally meeting the level and nature of discovered risks.
- The Company implements and maintains the program of training of its employees and members of management bodies in principles and standards of compliance with applicable anti-corruption legislation by means of a specially developed training system. The Company by means of informing and training contributes to the increase of the level of corporate culture, awareness of anti-corruption and business ethics issues.

- The Company exercises monitoring of efficiency of implemented procedures for corruption prevention, monitors compliance and, if required, improves them.
 - the Company established criteria for defining the need for inclusion of an anti-corruption clause in the text of a contract, which take into consideration the risk level both depending on contract party category and on the type of established relationships.
 - for the purposes of minimisation of the risk of Company's involvement in corrupt practices, the Company developed due diligence procedures both in respect of contract parties – legal entities (including members of joint ventures, companies or associations) and in respect of individuals with whom the Company plans to enter into a labour contract or a civil law contract. The due diligence procedure is also applied if the Company acquires a stake in some legal entities.
 - the Company established the procedure for preliminary control as well as the reporting system and subsequent analysis of the most risky transactions in terms of compliance, including, but not limited to, in the area of granting, implementation of representation expenses, organisation of measures, corporate social responsibility, procurement, marketing, sales, M&A transactions etc.
 - as part of internal control procedures the Company conducts inspections of the discipline of execution of the established procedure for implementation of business processes, including inspections of lawfulness of executed transactions with Company's assets;
 - the Company operates a hot line enabling, inter alia, to anonymously send messages about compliance violations. Bona-fide claimants are provided by the Company with protection from any forms of persecution or discrimination.
- In 2015 the Company continued to improve the compliance system as follows.
- The project of independent evaluation of efficiency of the compliance system of MTS PJSC was implemented. Based on the results of evaluation conducted by an international professional consultant, the corporate compliance system of MTS was marked as an example of the leading Russian anti-corruption compliance practice.
 - The project of independent evaluation of compliance risks by divisions in their specific business processes (evaluation of “from bottom to top”) with methodological support of the Compliance Department was implemented. Based on project results the compliance risk map was updated. The procedure for independent evaluation of compliance risks by business divisions will become annual and will be automated.
 - A number of system-important compliance procedures was reviewed and improved, regulatory documents were refined, including, proposals for modification of the procedure for contract party auditing for the purpose of its optimisation and implementation of a risk-oriented approach were drafted, the current version of the Code of Business Conduct and Ethics of MTS PJSC etc. was updated.
- In 2015 the Company continued active development of the corporate compliance culture: the frequency of internal compliance communications was increased significantly, the range of used internal communication tools was expanded, the Ethics and Compliance Day was held for the first time in the Company. The number of MTS employees, who undergo training in compliance in-person and in electronic form, is rising.
- Active development of compliance systems in subsidiaries and affiliates of MTS continued. The Company pays special attention to compliance development in jurisdictions with high country risks. Under the compliance system development strategy in the entire MTS Group of Companies the implementation program includes companies newly entered into MTS Group.

During a year Company's specialists actively spoke at specialist conferences, participated in work groups, round tables dedicated to compliance as well as took direct part in establishment of international standards and best practices in this area.

Coduct of business conduct and ethics of MTS PJSC

The leading position of our Company in the market is largely determined by the size and scope of its activities, dynamic development and continuous differentiation of products and services for subscribers. Today, however, it takes more than just seeking to improve investment and operating efficiency to be a successful company. Prominence of our Company obliges us to support its reputation in a best possible way as a socially responsible organisation for our subscribers, shareholders, partners, and all stakeholders and the public.

Code of Business Conduct and Ethics (hereinafter, the Code) contains the basic business principles of MTS PJSC. In its activities, MTS complies with legislation and generally accepted standards of business ethics. The Company does not accept any other ways of doing business that are contrary to these rules.

The Code should be regarded as a document containing a minimum set of standards and requirements adopted by the Company in order to promote fair and ethical business practices and to prevent abuse. The Code defines the rules and standards that should be followed by the employees in their everyday work. In cases requiring application of higher standards than the accepted

commercial practice, or regulations having greater legal force under the current legislation, MTS will use such higher standards.

The Code applies to the members of the Board of Directors, senior management and other employees of the Company.

All employees are responsible for compliance with the Code and are personally responsible for their actions.

The Code is a fundamental document, which guides us in our daily work and helps us to protect the good name of our Company and maintain our competitive advantage.

Insider Information

MTS as a company holding leading positions in the field of corporate governance and issuer, the securities of which are circulated not only in Russia but in USA pays special attention to the development of measures for counteraction to unlawful usage of insider information.

The Company operates the system of processes and procedures aimed at preventing breaches of legislation on the usage of insider information built with due account of best Russian and international practices. Thus, the company adopted regulatory acts establishing the procedure for usage of insider information and corresponding prohibitions regulating the procedure for maintaining the insider list, list of insider information as well as the procedure for submission of information upon requests from the Bank of Russia and the Moscow stock exchange.

In accordance with best international practices and for the purposes of prevention of transaction using inside information, the Company set restrictions for all employees and members of management bodies for execution of transactions with MTS securities in so called “Closed” periods.

Besides, an important system element is the program of regular training of company’s insiders in their duties, requirements and prohibitions of legislation on insider information as well as procedures for insider information protection applied in MTS.

Subsequent control, in the form of audits of compliance with rules for insider information disclosure and audits of insiders’ compliance with requirements of legislation and internal regulations of the company plays a no less important role. In 2015 such audits did not discover major breaches. High standards and quality of MTS policies in terms of compliance with legislation on protection of insider information were confirmed in 2015 as part of cooperation with an international law firm.

System of antimonopoly risk prevention

Developing its leadership not only in business but also in the area of corporate governance, MTS in 2015 implemented the antimonopoly risk management system. The system's task is to mitigate legal risks arising during Company's activities which are related to requirements of legislation on protection of competition.

Basic elements of the established system are based on generally accepted risk management and requirement compliance assurance principles and are developed together with major auditors and legal advisers.

The system's core is periodic risk assessment, implemented preliminary and subsequent controls as well as regular employee training. In this regard, a series of specialised trainings aimed

at forming in them a clear understanding of requirements of antimonopoly legislation as well as high compliance-culture level was conducted for MTS employees working in all Macro-regions — from Moscow to Vladivostok.

The operating system was presented to a regulator (FAS of Russia) which positively responded to MTS initiative.



Capital and Securities

Shareholder capital structure

Authorized capital of MTS PJSC as
of December 31, 2015 amounted to
RUB 206,641,356.20

Placed and declared shares of MTS PJSC as of December 31, 2015

Shares' categories (types)	Quantity (pcs.)	Nominal value of one share (RUB)
Placed shares		
Ordinary shares	2,066,413,562	0.1
Voting shares	2,066,413,562	0.1
Preferred shares	0	0
Declared shares		
Ordinary shares	100,000,000	0.1
Preferred shares	0	0

Shareholder capital structure of MTS PJSC as of December 31, 2015¹

Information about persons owning shares disposing of votes by shares being beneficiaries by shares of MTS PJSC

	Number of ordinary shares	Interest of authorised capital
JSFC Sistema OJSC ^{2, 3}	1,063,335,886	51.46%
MGTS PJSC ⁴	9,496,163	0.46%
MTS PJSC ⁵	29,666	0.001
MOBILE TELESYSTEMS BERMUDA Ltd ⁶	67,995,335	3.29%
Shares in free circulation ⁷	925,556,512	44.79%
Total	2,066,413,562	100.00%

¹ All ordinary registered voting shares at the disposal of MTS PJSC, in accordance with requirements of current legislation do not grant a voting right, are not counted during voting, dividends are not accrued for them.

² The ownership interest of JSFC Sistema OJSC includes ownership interests of its following subsidiaries: LLC Sistema Telecom Assets (10.67% of shares of MTS PJSC) and Sistema Finance S.A. (10.00% of shares of PJSC MTS).

³ Vladimir Petrovitch Evtushenkov is a controlling person of JSFC Sistema JSC.

⁴ MGTS PJSC is a subsidiary of MTS PJSC.

⁵ Bought out by MTS PJSC from shareholders of MTS PJSC as part of the obligatory buy-out procedure due to reorganisation of MTS PJSC in the form of take-over of subsidiaries.

⁶ MOBILE TELESYSTEMS BERMUDA Ltd (subsidiary of MTS PJSC) is the owner of ADR for shares of MTS PJSC.

⁷ Includes 10.46% of shares of MTS PJSC and ADR for 34.33% of shares of MTS PJSC.

Information on the number of shareholders

Total number of persons registered in the shareholder register of the issuer as of the end of 4-th quarter of 2015: 89.

Total number of persons included in the list of persons compiled by the latter (as of 15.01.2016) having a right to exercise

(implement) rights to shares of MTS PJSC and for compilation of which nominal issuer's shareholders presented data on persons, for the benefit of whom they owned (own) shares of MTS PJSC: 20,323.

Events after a reporting date

During the 1st quarter of 2016 the shareholder capital structure of the Company was changed.

On March 17, 2016 — 67,995,335 ordinary shares in the form of 33,997,667 ADRs (3.29% of MTS authorised capital) which previously belonged to Mobile TeleSystems Bermuda Limited (100% MTS subsidiary) were transferred to a treasury account of MTS PJSC as part of asset distribution during liquidation of Mobile TeleSystems Bermuda Limited.

These shares were acquired on the market as part of the shares' buy-back program starting from 2006.

On December 17, 2015 the Board of Directors of MTS PJSC adopted a resolution on liquidation of Mobile TeleSystems Bermuda Limited.

Acquired shares were transferred to the account of MTS PJSC and are treasury shares, for which, according to RF legislation, dividends are not paid.

For updated information about the shareholder capital structure visit the Company's web site — <http://www.company.mts.ru/comp/ir/shareholders/>.

The management of MTS PJSC has no information about existing share ownership interests exceeding five percent of authorised capital of MTS PJSC apart from the above-mentioned.

Information about securities

Shares

Shares of MTS PJSC are circulated on the leading Russian platform — Moscow stock exchange (MOEX) and are listed on the New-York stock exchange. From October 3, 2003 shares of MTS PJSC were included in the list of non-listed securities of the Moscow Interbank Currency Exchange. In December 2003 shares of MTS PJSC were included in “B” quotation list at MICEX. Since October 2010 shares have been traded in “A1” quotation list. Since June 2014 shares of MTS PJSC have been traded at the 1st level of MICEX securities list.

At the New-York stock exchange MTS shares are listed in the form of American Depositary Receipts – ADR (ratio: 1 ADR to 2 shares).

The ordinary shares of MTS PJSC fixes for its owner (shareholder) a certain volume of property rights, including the right to participate in Company’s management, the right to obtain a portion of Company’s profits in the form of a dividend as well as the right to obtain a portion of property remained after Company’s liquidation.

The Company’s issued and placed shares are ordinary registered shares of the same par value.

Information about circulation of shares of MTS PJSC at stock exchanges

Trading Platform Name	Issuer Code
NYSE, New-York	MBT
MOEX, Moscow	MTSS

Information about current lists and transaction prices:

- [http:// www.moex.com](http://www.moex.com)
- <http://www.nyse.com>

Price and volume of shares of MTS PJSC (RUB), 2015

MICEX	Price (RUB)
Minimum share price	174.70
Maximum share price	271.00
Average daily trade volume (pcs.)	2,720,659
Prices as of 31.12.2015	210.00

Price and volume of American depositary receipts of MTS PJSC (USD), 2015

NYSE	Price (doll.)
Minimum share price	6.11
Maximum share price	12.77
Average daily trade volume (pcs.)	2,577,018
Prices as of 31.12.2015	6.18

American Depositary Receipts

On June 30, 2000 MTS was successfully allowed to issue American depositary receipts (ADR) of the 3rd level at the New York stock exchange (<http://www.nyse.com/about/listed/mbt.html>). MTS PJSC became the second company in Russia which implemented the ADR program of the highest level.

At present, Company's ADRs are also traded at the London stock exchange, Frankfurt stock exchange, Berlin stock exchange and Munich stock exchange. The New York stock exchange accounts for main trade volumes.

On April 20, 2010 MTS PJSC informed about a change in the ratio between ADRs and company's shares starting from May 3,

2010. As a result of such a change, the ratio of ADRs to ordinary shares was changed from 1:5 to 1:2. Thus, holders of MTS ADRs registered at the end of the work day of April 28, 2010 received additional 1.5 ADRs for every available ADR.

As of December 31, 2015 the total number of ADRs for ordinary registered share amounted to 388,698,253 ADR, which makes up 777,396,505 ordinary registered shares or 37.62% of company's authorised capital.

A depositary under ADR program and shareholder of MTS PJSC is JP Morgan Chase Bank, N.A., to which a depositary account of depositary programs was opened.

Bonds

MTS PJSC is one of the largest issuers of corporate bonds in Russia. The Company uses funds from bonds' placement for debt portfolio refinancing and implementation of the investment program.

The first issue of the bonded loan of MTS PJSC in roubles for RUB 10 billion took place in June 2008. In October 2008 MTS PJSC placed two more issues of bonds for RUB 10 billion. In May 2009 the issue of the bonded loan for RUB 15 billion took place, in July 2009 – another issue for RUB 15 billion. On November 16, 2010 MTS PJSC placed two issues of bonds for RUB 10 and 15 billion. Funds received from bonds' placement were used for corporate goals, for optimisation of company's debt portfolio and investment program implementation.

In April 2011 three issues of A, B, C series bonds were placed for the total amount of RUB 35,990,400 by means of conversion of registered interest-bearing book-entry inconvertible bonds

of COMSTAR OJSC – United TeleSystems into registered interest-bearing book-entry inconvertible bonds of MTS PJSC.

On January 28, 2012 Eurobonds of Mobile TeleSystems Finance SA were repaid for USD 400 mln.

On April 3, 2013, the first issue of exchange-traded bonds in roubles of MTS PJSC was performed for RUB 10 billion with the circulation period of 10 years and offer within 5 years.

On May 30, 2013 dollar Eurobonds for USD 500 mln with repayment within 10 years were placed.

On October 17, 2013 bonds of 01 series for RUB 10 billion were repaid in full.

On May 13, 2014 bonds of 04 series for RUB 15 billion were repaid in full.

Bonds' issues

Issuer	Mobile TeleSystems Public Joint-Stock Company
Security type	Non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of 03 series
Coupon	1-4 coupon — 8.7%, 5-10 coupons — 8% per annum, 11 coupon — 7% per annum, 12-13 coupons — 7.5% per annum, 14-15 coupons — 12% per annum, 16-20 -10% per annum
Placement price	100%
Issue currency	Ruble
Issue amount	10,000,000,000
Placement date	June 24, 2008
Repayment date	June 12, 2018
ISIN Reg No	RU000A0JPTJ4
Offer	—

Issuer	Mobile TeleSystems Public Joint-Stock Company
Security type	Non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of 07 series
Coupon	1-14 coupons — 8.7% per annum
Placement price	100%
Issue currency	Ruble
Issue amount	10,000,000,000
Placement date	November 16, 2010
Repayment date	November 07, 2017
ISIN Reg No	RU000A0JR4H6
Offer	—

Issuer	Mobile TeleSystems Public Joint-Stock Company
Security type	Non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of 05 series
Coupon	1-3 coupons — 14.25% per annum, 4-7 coupons — 8.75% per annum
Placement price	100%
Issue currency	Ruble
Issue amount	15,000,000,000
Placement date	July 28, 2009
Repayment date	July 19, 2016
ISIN Reg No	RU000A0JQ8Q9
Offer	—

Issuer	Mobile TeleSystems Public Joint-Stock Company
Security type	Non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of 08 series
Coupon	1-10 coupons — 8.15% per annum, 11-12 coupons — 10.75% per annum
Placement price	100%
Issue currency	Ruble
Issue amount	15,000,000,000
Placement date	November 16, 2010
Repayment date	November 03, 2020
ISIN Reg No	RU000A0JR4J2
Offer	November 03, 2016

Issuer	Mobile TeleSystems Public Joint-Stock Company	Issuer	Mobile TeleSystems Public Joint-Stock Company
Security type	Exchange-traded Non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of BO-01 series	Security type	Registered interest-bearing book-entry non-convertible bonds of "C" series
Coupon	1-10 coupons — 8.25% per annum, 11-20 coupons — 8.25% per annum	Coupon	5 % of the Bond's par value for the entire circulation period.
Placement price	100%	Placement price	100%
Issue currency	Ruble	Issue currency	Ruble
Issue amount	10,000,000,000	Issue amount	12,000,000
Placement date	April 03, 2013	Placement date	01.04.2011
Repayment date	March 23, 2023	Repayment date	28.06.2022
ISIN Reg No	RU000A0JTTA5	ISIN Reg No	4-11-04715-A
Offer	March 28, 2018	Offer	—

Issuer	Mobile TeleSystems Public Joint-Stock Company	Issuer	MTS International Funding Limited
Security type	Registered interest-bearing book-entry non-convertible bonds of "B" series	Security type	Eurobonds (144A/Reg S), guaranteed by the Company
Coupon	8 % of the Bond's par value for the entire circulation period.	Coupon	8.625% fixed, payment once in six months
Placement price	100%	Placement price	100%
Issue currency	Ruble	Issue currency	US dollar
Issue amount	11,998,800	Issue amount	750,000,000
Placement date	01.04.2011	Repayment date	June 22, 2020
Repayment date	21.08.2016		
ISIN Reg No	4-10-04715-A		
Offer	—		

Issuer	MTS International Funding Limited
Security type	Notes (144A/Reg S), guaranteed by the Company
Coupon	5.00% fixed, payment once in six months
Placement price	100%
Issue currency	US dollar
Issue amount	500,000,000
Repayment date	May 30, 2023

Corporate Governance Development

We consider corporate governance as a condition of sustainable development and element of company's investment attractiveness. Thus, we are interested, above all, in qualitative corporate governance and build it not only based on requirements of legislation but also take into account recommendations of the Corporate Governance Code as well as Russian and foreign corporate governance practices.

Key MTS corporate governance principles are:

- comprehensive protection of shareholder rights and interests;
- information openness and transparency;
- single corporate policy in respect of subsidiaries;
- independence of the Board of Directors in definition of the Company's strategy, approval of business plans, other important decisions;
- control over management activities;
- observance of business ethics when doing business;
- doing socially responsible business aimed at assuring sustainable development of the Company, its welfare growth.

Procedures of preparation and conduction of the general shareholder meeting enable MTS to assure equal attitude to all shareholders from the Company when they exercise their rights to participation in Company's management and profits' receipt.

The remuneration system applied in MTS is aimed at the growth of Company's shareholder value, and the level of remuneration paid is fair and sufficient for motivation of employees and members of management bodies.

The risk management and internal control system was developed taking into account generally accepted conceptual foundations COSO (The Committee of Sponsoring Organizations of the Treadway Commission), is efficient and is aimed at assuring reasonable confidence in achievement of objectives faced by the Company.

The Company has an efficient system of control over transactions executed amidst the conflict of interests.

The information disclosure system is built taking into account requirements of listing rules of the Moscow Stock Exchange and NYSE, is efficient and assures compliance with the transparency principle.

The Company's system approach also covers areas where compliance with legislation is essential. Thus, systems of assurance of compliance with anticorruption, antimonopoly and insider legislation were built in the company based on best international compliance standards.

Settlement of possible conflicts of interests of management bodies of MTS PJSC

For the purposes of establishment of a uniform and efficient actual and potential conflict of interests management system as well as definition of requirements for employees' conduct, observance of which enables to minimise risks of making decisions under the influence of personal interests and connections, in 2012 the Company put into operation the Conflict of Interests Management Policy". Compliance with the Policy is an obligation of any employee of the Company, irrespective of its official position. Employees holding management positions are obliged to show the example of law-abiding and ethical conduct and actively support execution of the Conflict of interests management Policy.

When hired all employees familiarise themselves with this Policy, fill in and sign the form "Disclosure of information about the conflict of interests." As the conflicts of interests arise, each situation must be reviewed and settled.

For the purposes of non-admission of conflicts of interests, the Company holds an annual knowledge testing and certification of compliance with norms of the Code of Business Conduct and Ethics for executives and top management, the result of which are reviewed at the Auditing Committee at the Board of Directors of MTS PJSC.

Members of the Management Board and employees are not entitled to participate in approval, agreement, other decision-making

in respect of transactions concluded by the Company if they are or may be under the influence of the conflict of interests.

During the conflict of interests management the Company is guided by the principles of lawfulness, confidentiality, impartiality, objectiveness and reasonable sufficiency, obligatory immediate disclosure of information by Company's employees about the actual or potential conflict of interests or likelihood of such a conflict.

During 2015 no conflict of interests of members of the Management Board of MTS PJSC was found.

Besides, procedures preventing a possible conflict of interests of directors are established in our Company. Members of the Board of Directors must refrain from actions which may result in appearance of a conflict of interests and, if such a situation exists or arises, disclose information about it to the Board of Directors and not participate in voting on conflict agenda items.

Members of the Board of Directors, who have interest in agenda items of the Board of Directors, do not take part in discussion and voting on the specified agenda items.

During 2015 no conflict of interests of members of the Board of Directors of MTS PJSC was found.



We consider corporate governance as a condition of sustainable development and element of company's investment attractiveness. Thus, we are interested, above all, in qualitative corporate governance and build it not only based on requirements of legislation but also take into account recommendations of the Corporate Governance Code as well as Russian and foreign corporate governance practices.

Maxim Kalinin, corporate Governance Director of MTS PJSC

Development of the Corporate Governance System and Plans for 2016

In 2015 we continued the work on development of our corporate governance system.

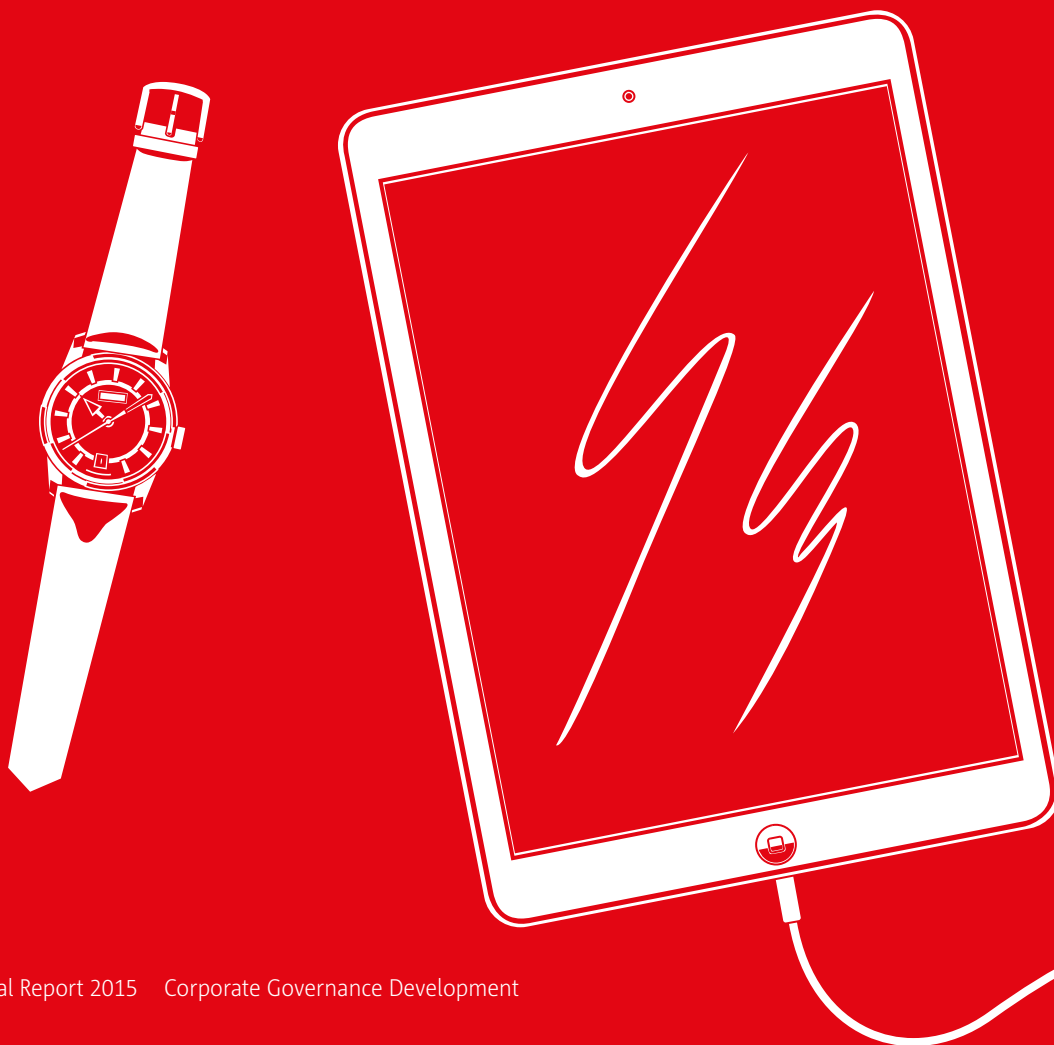
Beginning of 2015 saw the completion of the audit of the company's corporate governance, conducted following the instruction of the Corporate Governance Committee under the Board of Directors within the framework of implementation of the recommendations Corporate Governance Code (hereinafter for the purposes of this section – the Code) within the company. Audit confirmed high level of corporate governance and implementation of principles and recommendations of the Code.

Following the audit results we approved the Roadmap for implementation of Code recommendations in MTS, and started its enforcement. Most of the Roadmap activities were done by the

end of 2015. Details on fulfilment of the Code see in the section on observation of principles and recommendations of the Corporate Governance Code.

In 2015 we also introduced new institute of anti-monopoly compliance, new for Russian practices of corporate governance. Details on implementation of the system see in the Compliance System section.

We positively assess the results we managed to achieve, however we do not settle for them. We strive to continuously improve our corporate governance in view of the experience and practices in the market, listing regulations and legislation changes. That is why our main goal for the next year is to continue implementation of Roadmap activities with regard to changing regulatory environment.



Sustainable Development



Our approach to Sustainable Development and Social Responsibility.....	186
Our Employees	188
Social Investments.....	194



Our approach to Sustainable Development and Social Responsibility

MTS provides telecommunication services to over 100 billion subscribers in Russia and CIS, countries of Eastern and Central Europe. We are working in the industry which is strategic for the country development and indispensable for resolving a wide range of everyday and business tasks of any person.

Our technologies, pricing policy and communication quality affect the life quality of all these people. We understand a huge responsibility for assuring a better future for next generations on the basis of sustainable development. This is the top challenge of our time, task, solution of which requires intense everyday work. Sustainable development for MTS is above all a mechanism which:

- contributes to sustainable development, health strengthening and social welfare raising;
- takes into account expectations of stakeholders;
- is integrated in Company's activities and is implemented by it in practice;
- meets legislation and is in line with international standards of conduct;
- contributes to the increase of Group's transparency and improvement of the management system.

One of MTS main principles is integration of corporate social responsibility (CSR) in all aspects of Group's activities. We firmly follow the adopted policy in the area of corporate social responsibility, implement the best world and Russian practices. We understand under sustainable development a system of consecutive economic, environmental and social measures implemented based on continuous interaction with stakeholders and aimed at a more efficient risk management, long-term MTS image and business reputation improvement as well as capitalisation and competitiveness growth.

Principles of corporate social responsibility

In 2015 MTS company performed self-evaluation of its operations in accordance with recommendations of the international standard ISO 26000: 2010 "Manual on social responsibility"¹.

The international standard ISO 26000 represents a manual on principles underlying social responsibility, main topics and problems concerning social responsibility and methods of integration of a socially responsible aspect in strategies, systems, practices and processes of the entity.

Plans for 2016

In 2016 review of the current Policy on corporate social responsibility for introduction of seven topics of the Standard is planned:

- organisational management
- human rights
- labour practices
- environment
- bona-fide business practices
- relationships with consumers
- participation in the life of communities and their development.

¹ In March 2013 it was the Russian standard GOST R ISO 26000

Based on the results of self-evaluation a decision was made to continue improvement of MTS activities in the area of corporate social responsibility and sustainable development based on recommendations of ISO 26 000, implement the required range of measures. The process of evaluation of standard application completeness will be conducted at least once in three years.¹

The applicable MTS activities in the area of corporate social responsibility Policy was compiled in close integration with a business strategy which is based on principles of three “D”:

- **The unit “DATA”:** work with talented youth, designers and young scientists, search and support of innovative projects in the area of ICT and telecommunications aimed at advanced development of the telecommunication industry of the country. Popularization of the use of state-of-the-art Internet technologies for raising the comfort level of social life.
- **The unit “DIFFERENTIATION”:** the company sees as its main task provision of qualitative, innovative and available products and communication services and financial services to all consumers. MTS makes a reasonable contribution in the cause of creation of equal opportunities by means of provision of equal access to advanced technologies, innovative products and services, implementing projects contributing personal potential implementation.
- **The unit “DIVIDENDS”:** implementation of best practices in the area of CSR, standardisation of corporate social responsibility processes in accordance with international recommendations, creation of a transparent and attractive environment for shareholders, potential investors and partners, strengthening of corporate culture and MTS subscribers’ loyalty.

On our official web site in “Social Responsibility” section² one may find reports of sustainable development of MTS Group which have been published since 2008.

The 2015 report of sustainable development was compiled in accordance with the international standard GRI G4. Every year we try to raise reporting quality as we understand that the process of reporting in the area of sustainable development assures implementation of a number of strategic and operating tasks:

- realise the total volume of main impacts of our company on economics, environment and society
- identify opportunities for business development and risk minimisation
- identify areas for improvement of the company’s management system
- raise the degree of employees’ involvement in business processes and engagement of motivated specialists
- boost innovations and elaborate optimum solutions
- improve reputation, raise partner and customer loyalty, deserve respect among local community
- obtain competitive advantages.

On the official MTS web site² you can familiarise with main CSR-projects implemented by the Company as well as with information for feedback.

We maintain continuous dialogue with stakeholders and give an opportunity to obtain all information about one’s social activities.

¹ http://www.company.mts.ru/comp/social_responsibility/strategy/

² http://www.company.mts.ru/comp/social_responsibility/

Our Employees

The economically active number
of employees of MTS PJSC as
of December 31, 2015 amounted to
30,815 people

The economically active number of employees of MTS PJSC as of December 31, 2015 amounted to 30,815 people.

As of today, the Company operates a competitive payroll system consisting of fixed and variable parts. The compensations' and benefits' package is provided to Company's employees, which meets practices existing on the labour market.

The amount of the fixed salary (official salary) part is defined taking into account salary ranges established for each position category (grade) on the basis of labour market analysis in the region of operations and Company's Positioning Policy in respect of the labour payment market.

The variable part in the Company is represented by the incentive system which provides for clear and transparent principles of establishment target bonus sizes and calculation of its actual values on the basis of key performance indicators and individual tasks fixed in evaluation forms of each employee.

Apart from the above incentive system, the Company operates a bonus system for employees engaged in sales and subscriber services, the basic principle of which is motivation to reach the final result. A distinctive feature of the system is a revenue structure with a large variable part and other payment frequency. For Company's employees responsible for direct sales a commission bonus scheme (direct sales interests).

All company's employees participate annually in the performance evaluation procedure which includes both an evaluation of fulfilment of key performance indicators and the competence development level. Managers during the evaluation process provide an extended feedback based on annual work results, besides, following the evaluation results a plan of developing measures is generated for employees, and key employees are defined, who are included in the talent management program of MTS PJSC.

Thanks to a qualitatively built personnel development system, 4 out of 5 manager's vacancies in the company are closed by means of in-house candidates. And implementation of new advanced remote training platforms in 2015 will enable in future to provide opportunities for employee's development with high quality and availability.

MTS provides its employees a broad compensations' and benefits' package focused on social protection of employees. Employees receive official benefits (including cars and compensation of costs for their usage, mobile communication with a wide limit), social benefits (including life insurance, additional payment for the sick list, material assistance), representative benefits, additional benefits (including compensation of fitness and swimming pools, wide range of services under voluntary medical insurance, benefits' package during relocation within the company). Besides, employees are allowed to take part in the cafeteria benefit program where based on employee's individual decision his set of benefits may be changed. Such an approach

enables to qualitatively satisfy varying employees' needs with high cost effectiveness.

In 2015, the Unified Personnel Service Centre was launched, which enables to qualitatively change local staff relations and raise the speed of base operational service for employees.

In 2015, MTS company was acknowledged as one of 11 best employers of Russia (according to the International Certification Aon Hewitt BEST EMPLOYERS STUDY). Besides, the company was awarded with HeadHunter prize for work with the youth and earned People Investor award for implementation of RegiON intracorporate contest.

Personnel advanced training

MTS PJSC applies a system training model which is based on Company's strategic objective and human resources management objectives. The training system is also based on corporate values SIMPLY of MTS Group and requirements for employees' professional knowledge and skills.

The Company operates a Corporate University setting training standards and coordinating personnel training and development processes. Tasks of the Corporate University also include building training systems for various functional divisions of the company. The mission of the Corporate University is to create development opportunities expanding people and business borders, for MTS confident future.

Main objectives of the function "Personnel Training and Development":

- assure systematic, efficient development of employees based on corporate values and Company's key competences;
- generate required knowledge, skills and attitudes required for employees and managers for raising efficiency at the existing position;
- create a tool for development of Candidates Pool and Successors to key positions;
- assure succession of expert / unique knowledge and experience;
- create a self-training environment in the Company where every manager and every employee is interested in devel-

opment and involved in processes of creation, maintenance and multiplication of knowledge and skills in the Company.

Personnel training and advanced training is performed by means of the following forms and methods:

- **Integration training.** The Company holds uniform centralised induction courses for all new employees, the aim of which is to understand Company's business and culture, its structure as well as to study internal processes and organisational procedures by new employees. Additional programs for induction in the internal structure, business-processes of the Company and adopted interaction procedures are conducted for new managers. Team-building measures for raising a corporate spirit and strengthening a corporate structure are held for operating employees. Managers of Company's functional divisions conduct training of operating employees in accordance with rules drafted in internal regulatory documents. For newly implemented processes functional seminars, master-classes and webinars are held.
- **Professional training.** Systematic professional training aimed at assuring continuous development of professional personnel knowledge and skills is implemented in the Company. Rates and contents of training programs as well as rates for employees' participation in professional conferences are set in accordance with requirements of positions as well as in accordance with requirements for employees' professional knowledge. Professional training planning is carried out based on business need of a particular division. Professional training of employees directly working with customers is carried out mainly by internal resources based on uniform standards (taking into account territorial peculiarities).

- **Development of manager's managerial competences.** The managerial competence development system is based on the concept of fulfilment of an individual training plan as well as target and modular training for managers. Target and modular programs are recommended for dedicated categories of managers, individual training plans are formed based on the results of the annual evaluation of managers' competences. A focus is made on training of managers in personnel management methods (selection, evaluation, grading, developing feedback, creation of individual development plans, mentorship, coaching, motivation of employees etc.) and interaction with subordinates based on uniform corporate standards. An important objective of managerial training, apart from generation of an uniform approach among managers is to motivate and retain Company's managers. The direction and contents of managers' training programs are defined by the Company's development strategy, business tasks of divisions and managers' competence development level based on evaluation results.
 - **Training of candidates pool and successors to managerial positions.** The candidates pool training system is based on individual development plans of every employee included in the candidates pool group. Training programs are formed individually in accordance with results of evaluation measures and competence development level.
 - **Self-education.** Conditions for employees' self-education are created in the company. The internal library of recommended literature on competences was established.
 - **In-person trainings, seminars.** When conducting such type of training and seminars, an internal resource is actively used, author's internal trainings adapted to Company's business specifics are developed. A significant share of internal programs is held in a comfortable online format which enables any employee to take use of training opportunities in the Company. The Academy of trainer's mastership for preparation of in-house trainers was implemented, a remote program for trainer from remote RF regions was launched.
 - **Post-training support.** Based on training results employees receive a list of recommended literature and additional materials for studying, for the part of programs fulfilment of home task and its discussion with a training for better skill mastering are stipulated. Follow up seminars, workshops, workshops on the topics of past training with a view to master employees' knowledge and skills and to discuss issues of obtained knowledge application in practice may be conducted.
 - **Remote training.** Remote training forms are actively used by the Company for all training types. Theoretical courses are conducted mainly in a remote format. Remote methods are also actively used for evaluating training efficiency: knowledge testing based on training results, evaluations of satisfaction with training programs, practical applicability of training programs.
 - **On-the-job training** is regarded as a priority and the most efficient method. One of the main tasks of a manager of any level is professional growth of his subordinates. The Company operates a mentorship system for all employees: from trainees to experts.
 - **Master-classes from Company's top managers.** Company's top manager take active part in training and development of Company's employees. Master-classes of Company's key managers are held in the Company on a regular basis, the task of which is to bring main Company's objectives, Company's strategy to personnel as well as to discuss key projects. When holding master classes, the top managers can get the feedback from the employees and discuss the prospective changes in their processes.
- In addition, by the end of 2015, the following programs have been implemented in the Company.
- New cycle of the "Talent Management" comprehensive development program was launched for successors for leadership positions, high-potential employees (Hi-Po), specialists with unique expertise (Hi-Pro). For each of the groups, target training programs have been developed, including the development of an individual development plan, 360 and Hogan feedback scoring, master classes, workshops, business breakfasts with top executives, mentoring programs.
 - Remote Personnel Testing and Training System (SDTO) is being developed. 282 new courses were added to Remote Personnel Testing and Training System, including videos of webinars/video courses, etc. (3 times more than in 2014); each employee completed more than four courses in the SDTO system; in total the employees completed 155,924 man-courses.
 - A system of online learning through webinars is actively developing. In 2015, training in this format has been held for more than 27,000 employees.
 - The corporate electronic library has been updated and expanded; now in addition to e-books, it also has audio-books on personal and professional development. In total the library includes more than 600 books.
 - The "Leadership Academy" development program was launched across Russia. During 2014, every fourth participant of "Leadership Academy" took a new career step.
 - Implementation of the "Sharing Knowledge" project continued, where the employees share their expertise with colleagues in the format of webinars and workshops.
 - For MTS managers, Rules for MTS Manager were developed, including basic principles of management in the Company. Program to teach the rules was conducted in 2015, 50% of the Company's executives had full-time training.

- In support of the Company's strategy, targeted training programs "Coaching in Management," "Kaizen Idea: Efficiency Development" were launched. "Anti-Brittle Team," "Systematic Thinking" development programs and modular program "Art of Productivity with No Stress" were designed to be launched in 2016.
- The English teaching program implementation continued in the format of clubs, full-time and online groups. Moderators are guest lecturers (Russian-speaking and native speakers of English).
- Candidate Pool program in Sales and Customer Service Block units was implemented.
- Total coverage of employees trained was 209,000 man-courses.

In line with the Company's HR strategy, functional academies were developed:

- **Customer Care Academy for the employees engaged in customer service;**

- **Academy of Business Sales for the employees engaged in sales of products and services for corporate customers;**
- **Coaching Skills Academy for the development of coaches within MTS Group. The goals of the Academy are professional development of corporate and in-house trainers of MTS Group and spreading single philosophy / policy / learning principles across the Company;**
- **Leadership Academy for high-potential employees of MTS Group. The key objectives of the Academy include development of managerial and communication skills of high-potential professionals;**
- **HR Academy for employees of the HR unit;**
- **iMBA for employees in remote regions.**

The criteria for sending the employees for vocational training are the approved vocational training plans, formed by functional managers based on the annual appraisal results.

Induction training has to be completed by all new employees, and if a new regulation/process is introduced – by all existing employees of the Company.

Occupational health and labour safety

MTS PJSC pays close attention to the issue of ensuring comfortable and safe working conditions. Personnel safety is the main component of corporate social responsibility of the Company.

MTS is guided in the field of occupational health and safety by the laws of the Russian Federation, as well as international law and local regulations on labour protection.

The Company operates a three-tier system of OSH management, focused on creating a safe working environment, prevention of occupational injuries and personnel training of safe work rules.

Labour protection activities carried out by MTS PJSC are aimed at:

- Ensuring the priority of preserving life and health in the workplace;
- Improving of the OSH management system;
- Timely training of managers and specialists on labour protection;
- Organisation of preventive and periodic medical examinations of employees;
- Timely provision of employees with special clothing, footwear and other personal protective equipment;
- Organisation of the production control and evaluation of the special conditions of employment;
- Ensuring the safety of production equipment and processes;
- Accounting and analysis of occupational injuries, organisation of investigation of accidents and activities to prevent occupational injuries and diseases;
- Providing units with normative documents, communicating the laws and regulations on labour protection to the employees;
- Promotion of occupational safety and health issues.

In January 2016, the analysis of the implementation of the planned activities on labour protection in the past year was performed. In total, MTS PJSC spent RUB 74.1 M RUB on labour protection measures in 2015 (in 2014 — 66.5 M RUB), which amounted to an average amount of 2324 RUB (in 2014 — 2018 RUB) per employee.

In 2015 18,366 persons underwent external and internal health and safety training. Employees trained on health and safety are managers, experts, members of commissions on health and safety and other categories of employees. Various training systems are used for internal training on health and safety, including a remote health and safety training system of the Corporate MTS University. The Company provides training on first aid to persons injured at the production facility. First aid is a complex of actions aimed at recovery or preservation of life and health of the injured. The main objective of training is practice of independent actions and behaviour of employees aimed at preserving life of every injured, before arrival of rescue services. To increase efficiency of practical training, robots-simulators “Gosha” are purchased in the Company.

One of the major trends in the prevention of occupational injuries and diseases is a special assessment of working conditions. This process allows to fully identify and objectively evaluate the harmful and (or) dangerous production factors and risks in the workplace, to plan the activities to improve working conditions. As of December 31, 2015, 21,065 workplaces (87.3% of the total quantity of workplaces) have been estimated in MTS Corporate Center and MTS PJSC Macro-regions, in 2016, special assessment of working conditions will continue.

Personal protective equipment (PPE) plays an important role in the prevention of employee’s direct exposure to harmful and (or) hazardous production factors. MTS PJSC developed and approved norms of free issue of special clothing, footwear and other personal protective equipment to workers who are engaged in work with harmful and (or) dangerous working conditions. Timely procurement of certified PPE is provided, deadlines of wearing and testing of personal protective equipment are met. Properly organised safekeeping of PPE is ensured.

MTS employees engaged in work with harmful and (or) dangerous working conditions undergo preventive (at employment) and periodic (during work) medical examinations. The purpose of the periodic medical examination is a dynamic monitoring of the employee's health in the workplace, prevention and timely establishment of the signs of occupational and general disease, and prevention of accidents. During the reporting period, MTS PJSC held preventive and periodic medical examinations of 2,989 and 8,758 employees, respectively. As a result of periodic medical examinations, 20 employees needed to transfer to another job, and health resort treatment was recommended to 273 employees.

Particular attention is paid to the organisation of MTS activities to prevent occupational injuries and diseases, to carry out preventative measures to manage occupational risks. For this purpose, various organisational and technical measures have been implemented for accidents prevention. In 2015, six minor accidents and one severe accident occurred within MTS PJSC (in 2013 five minor accidents occurred). It should be noted that 71% of accidents are due to falls of the injured as a result of personal carelessness, and 29% are due to road traffic accidents. Rate of injury, which is characterised by a frequency¹ factor of accidents (Ff), was 0.21 (in 2014 — 0.15), for comparison, in "Communication" industry — 1.56.

Annually MTS PJSC cooperates with the Social Insurance Fund of the Russian Federation for financial support of preventive measures to reduce accident injury rate and occupational diseases of employees and health resort treatment of employees working with hazardous and (or) dangerous production factors, as well as to obtain discounts on insurance tariff for compulsory social insurance against industrial accidents and occupational diseases. In 2015 the total amount received from this work made 9.6 M RUB (in 2014 — 9.5 M RUB). Using the funds of the Social Insurance Fund of the Russian Federation, medical examinations were performed; overalls, safety shoes and other PPE were purchased; special assessment of labour conditions was made; health resort treatment was organised for MTS employees.

OSH management system in MTS PJSC has been recognised at the regional and district levels. In 2015, a number of MTS branches became winners of city and regional contests for labour protection.

A lot of attention is paid to promotion of labour protection issues, various forms of operation are used. Every year in April, in anticipation of the Global Labour Protection Day, various actions are taken to improve the labour conditions and protection of the Company employees, to prevent accident frequency rate and occupational diseases. Last year the representatives of MTS and subsidiaries participated in the work of the first All-Russian Labour Protection Week in Sochi. The busy schedule of the All-Russian Labour Protection Week made it possible to participate in professional discussions, to study best practices and experience of colleagues, to learn about the main directions of labour protection law improvement, to get recommendations and answers to practical questions.

In order to motivate Macro-regions and regions to achieve high indicators in the field of labour protection, in 2015 the review contest was held on labour protection for best labour conditions and protection among Macro-regions of MTS PJSC. Activities of Macro-regions and regions were assessed by 20 indicators. Winners of the review contest were: Branch of MTS PJSC in Altai Territory, Macro-region "Siberia"; Branch of MTS PJSC in Smolensk, Macro-region "Centre"; Macro-region "Moscow".

Two branches of MTS PJSC got the "Employer's Trust Certificate".

Every year the Company assesses the effectiveness of OSH management system based on quantitative indicators that objectively assess the degree of implementation of the labour policy. Assessment is carried out for each region. As a result of evaluating the OSH management system effectiveness, the analysis is performed, concrete measures on improvement of labour protection are planned.

Social Investments

Social projects and charity

Education and development

Generation M All-Russian Charity Project

Generation M is an all-Russian creative charity project combining the idea of developing children's creativity and helping critically ill children. The project idea can be found on the website of the unique online creative academy www.pokolenie.mts.ru, where every Russian child can develop their creativity online guided by the recognized masters of art professions. Distinguished experts teach courses in various creative fields and give each child a feedback and recommendations for further personal growth. Herewith, the project participants help raising funds for the treatment of critically ill peers through the website activity: this activity is converted into "real money" sent to charity foundations. We involve children in a unique virtual and real activity, give them the opportunity to connect to the "good Internet" and to accept universal human values by developing charity through supporting children's creativity.

2015 key achievements:

- Internet audience of the project exceeded 8,500,000 people;
- RUB 13,908,085.89 collected for the treatment of 21 children with cancer;
- In support of the project, more than 250 creative laboratories established throughout the country and about 11,000 personal creative works uploaded to the website;
- More than 400,000 participants of creative activities online and offline;
- 11,000 unique publications in the media about the project and 90 project information partners;

- The project was the finalist of SABRE Awards 2015, the main international award in the field of public affairs, branding and reputation management, and won the nomination "Gamification and User-Generated Contests" of In2 SABRE Awards 2015;
- 2015 Runet Award Laureate in the category "Culture, Media and Mass Communication";
- Winner of the 2015 Corporate Charity Leaders Award for a creative approach to charity.

2016 Plans:

In 2016, within the framework of the project, MTS plans to actively develop partnerships with leading Russian creative organizations, such as K.S. Stanislavsky International Fund, the famous ERALASH movie magazine, Neposedy children's theatre studio, the international Live Classics competition of young readers, the Union of Cinematographers of the Russian Federation, etc. The children participating in the project will have a unique opportunity within the framework of such cooperation: a grant to study at a leading theatre university of the country, training at the famous film studios, shooting of ERALASH clips and much more.

MTS Mobile Library

The social and educational MTS project aims at reviving the culture of reading mainly among the youth segment using modern gadgets and mobile Internet actively. MTS sets mobile stands in public and popular places of the Russian cities, where anyone

can download new books and the immortal literature classics on their smartphone or tablet using a mere QR-code. 50 regions of the country joined the project by 2015. Today, MTS Mobile Library stands are located in more than 700 schools in the regions of Russia, in public transport, at stops, in libraries and public parks. In 2016, MTS plans to connect more than 20 regions to the project in collaboration with the Ministry of Education of the Russian Federation.

Kids on the Internet

In 2015, MTS continued to develop its educational and exhibition project “Kids on the Internet” implemented by MTS together with the Foundation for Internet Development, supported by the Ministry of Communications and Mass Media of the Russian Federation, the Ministry of Education and Science of the Russian Federation, the League of Safe Internet, and with the participation of Google and a number of partners. “Kids on the Internet” is a set of educational activities combining interactive exhibitions and a series of training classes for younger students and their parents. The project is aimed at informing children, parents and teachers about the potential risks when using the Internet, the ways of protection from online threats, as well as useful Internet features for education, development, communication and leisure.

In 2015, educational interactive exhibitions and classes were held in the Kaliningrad, Penza, Nizhniy Novgorod, Samara, Tomsk and Novosibirsk regions, the Republic of Komi and the Krasnoyarsk Territory. During operation, they were attended by more than 20,000 pupils of 1-5 grades of regular regional schools. As of to date, a total of more than 300,000 people participated in the project: children, teachers and parents. Exhibitions and lessons of useful and safe Internet were conducted in more than 30 Russian regions.

In 2015, a new programme for cooperation with the parents and the teachers’ community was developed successfully within the framework of the “Kids on the Internet” project: “Talk to Your Child about the Internet”. This programme is mainly aimed at improving awareness of adults, parents of minor children and school teachers, on issues of the Internet information security for children and adolescents.

2016 Plans:

- Project implementation in all federal districts of the Russian Federation
- Development of innovative and interactive educational content

Kids Teaching Adults

The social and educational MTS project “Kids Teaching Adults” has been implemented since 2013 and is aimed at solving an important social issue of developing a modern information society in Russia and converging generations. The key idea of the project is that young people perfectly skilled in networking could share knowledge with adults who have not mastered the Internet yet. In 2015, the project was held among students of 7-10 grades in schools in more than 50 cities of Russia. In 2016, it is planned to expand the project geography.

Everybody Can Surf on the Internet

This MTS Project is meant to teach the older generation the skills of safe Internet use for improving their lives. The regions hold a cycle of free workshops aimed at increasing Internet literacy and adaptation of the older generation in the information society within the MTS project with engagement of library communities, as well as public and veterans’ organizations. Now, more than 15,000 people have been trained under the programme. In 2015, the MTS training course was passed by the representatives of the older generation in the Republics of Karelia, Tatarstan, Khakassia, the Perm Territory and the regions of Orel, Vladimir and Ivanovo.

In 2015, graduates of the course “Everybody Can Surf on the Internet”¹ presented the MTS team at the V All-Russian Championship on Computer Decathlon among Retirees (in Moscow and Kazan) organized by the Russian Union of Pensioners (RUP) and supported by the Council of the Federation Committee on Social Policy, the Russian Union of Pensioners (RUP), the Ministry of Communications and Mass Media of the Russian Federation, the Ministry of Education and Science of the Russian Federation and the Pension Fund of the Russian Federation.

In 2015, MTS developed a Mobile Academy course being a continuation of the basic training programme for the older generation. The course is aimed at people over the age of 50, new users of smartphones and tablets and hence the mobile Internet.

The first permanent Mobile Academy classrooms to train older people in using the mobile Internet opened in Moscow, Obninsk and Kazan.

2016 Plans:

- Distribution of the Mobile Academy project in 10 regions of the Russian Federation together with the Russian Union of Pensioners (RUP)
- Adaptation of the website www.svvp.ru in conformity with the demands of the project's target audience.

Innovation development among youth

MTS Lab

MTS opens MTS Labs in cooperation with leading Russian universities. Within the programme, MTS opens telecommunication classes with modern telecommunication equipment in universities and schools so that engineering students could get acquainted with modern communication standards when practicing. MTS experts also regularly conduct seminars and workshops for students. In 2015, MTS labs opened in Orel, Belgorod and Smolensk regions. In 2016, MTS plans to expand the project geography to improve the quality of training of field-oriented students in all federal districts of the country.

MTS is a frequent technical partner of youth activities providing high-speed Internet channels. For example, in 2015, MTS supported the DOTA-2 championship (famous online game) in the Penza region and the finals of the League of Legends World Championship (online game).

Within the student community support programme, MTS launched a Wi-Fi network in the Republic of Tuva in the Ermak field camp at the V Kyzyl-Kuragino International Archaeological and Geographical expedition. Thanks to the Internet access, young researchers could quickly get historical information at any point in the excavations and upload photos of their unique finds.

In 2016, MTS plans to support the student communities in the programmes for search, selection and acceleration of innovation projects created by youth in the field of information and communication technology and services. Thus, the regional stages of Telecom Idea, the MTS project to identify and support talented youth working on projects in the field of information and communication technology and services that can be claimed in the commercial, social and public spheres, will be held in 12 cities of Russia.

Charity and healthcare

Spread the Good, MTS Charity Programme

"Spread the Good" MTS charity programme was launched in late 2011 to help children in need of urgent treatment. "Spread the Good" provides targeted assistance funds only through proven partner foundations with an impeccable reputation: Sozidaniye CF, Centre for Humanitarian Programs, Podsolnukh CF, Rusfond, AIF Dobroye Serdtse, K. Khabensky CF. MTS promotes a simple and convenient way to charitable payments from one's personal MTS account with the command *700# within the programme. Each sending of an USSD-request amounting to RUB 1 – 15,000 can be transferred to the treat-

ment of children. The service is available for all subscribers of MTS Russia.

In 2015, 90 children from 50 regions of Russia received help due to the programme. The total budget for 2015 of "Spread the Good" charity programme aimed at providing urgent treatment of critically ill children exceeded RUB 50.6 million, while the own MTS funds amounted to RUB 9.7 million in the general programme budget.

¹ www.svvp.ru

Corporate Donation

As part of a corporate donation programme aimed at ensuring the needs of medical institutions for blood and its components, MTS organized Donor Day in some regions with the participation of the company employees. As part of the Donor Day, employees can donate donor material that is subsequently transferred regularly to the medical institutions, including birth centres, children's hospitals, surgical units, cancer treatment centres, and is also used for the production of medical drugs and blood components. In 2015, the blood transfusion station in the Novosibirsk region announced gratitude to the MTS employees for long-term effective cooperation. Many employees from Moscow, Novosibirsk, Sverdlovsk, Chelyabinsk regions, Krasnoyarsk, Primorsky, Khabarovsk, Kamchatka territories and YaNAO participate in the Donor Day regularly and have already earned the status of honorary donors.

Operation Smile

Since 2012, MTS has been supporting Operation Smile non-governmental charitable organization treating children with congenital facial defects in 25 countries. In 2015, Operation Smile supported by MTS was held in the Irkutsk region, the Republics of Buryatia and Bashkortostan. In 2015, more than 150 children underwent surgery.

Monitoring of Ambulances

In the Ryazan region, MTS implemented a project on providing sim-cards to regional ambulances. To date, more than 250 sim-cards distributed within the project provide locating ambulance crews and rapid transfer of information to the control unit. In 2016, the project is planned to be implemented in several regions of the country.



Projects aimed at preserving historical heritage

Virtual History

Innovation historical and cultural MTS project “Virtual History” is based on the augmented reality technology allowing to display city appearance in historical perspective on the smartphone screen, learn new information about the city history, watch archival documents and pictures, get familiarized with the memories of the city residents and, thus, take a virtual city tour by means of a QR code. As part of the project, innovative commemorative plates with QR codes, special barcodes by reading which with a mobile device the visitor can access unique information about the object, were set up in a number of cities at the historical and architectural sites or in the city museums.

To date, more than 20 art, national and local history museums from different Russian cities joined the project. In 2015, the launch of the “Virtual History” to the 2000-year anniversary of Derbent in Dagestan became the most ambitious project. MTS QR plates are set on the historical monuments of Derbent with support and participation of the Ministry of Culture and the Historical Museum of Derbent.

In some cities, the Mobile Audio Guide function is implemented within the project allowing listening to an audio tour of any facility by reading a QR code. Thus, MTS Mobile Audio Guide on the Ekaterinburg Zoo, a mobile application in English and Russian, was created in the Sverdlovsk region. Visitors to the zoo can read a special QR code which runs the audio guide for any animal of interest.

In 2015, the tours to commemorate the 70-year anniversary of Victory in the Great Patriotic War implemented in the Novosibirsk region and the Krasnoyarsk Territory became a separate area of the “Virtual History”. In Chelyabinsk, MTS launched an innovative cultural and historic project “Chelyabinsk – Tankograd – Victory”: interactive stands with QR codes appeared in memorable city places allowing learning about the contribution of the Chelyabinsk citizens to the Victory. A unique online platform tankogradpobeda.rf (tankogradpobeda.rf) was also created being the most comprehensive source of information on military Chelyabinsk to date.

Eco-friendly initiatives

MTS implements a set of measures to improve the business’ environmental sustainability and form a culture of respect for the environment and each other among employees, customers and partners. In 2015, pilot eco-friendly campaigns for the collection and recycling of used batteries and accumulators “Batteries, Come Get Recycled!” were carried out, as well as a clean-up event in conjunction with Sistema JSFC and all affiliated companies of System Energy. The employees participated in the waste paper collection activities “MTS Paper Boom” eagerly sending 15,335 kg of waste paper to recycling. They managed to save

153 trees, 15,335 kWh of electricity, 306,700 litres of water; they prevented the emission of 26,070 kg of CO₂.

2016 Plans:

- Launch of the project on the collection and recycling of batteries in MTS showrooms throughout the Russian Federation
- Introduction of eco-friendly packaging for the sim-cards

Support for underprivileged citizenry

MTS supports veterans’ organizations and initiatives in support of the veterans in the territory of all federal districts of Russia. In 2015, the majority of the events was dedicated to the celebration of the 70-year anniversary of Victory in the Great Patriotic War: “Calling Fellow Soldier” campaign in the Central Federal District, “The Link of Times” campaign in the regions of Siberia being a large-scale campaign, including a photo exhibition dedicated to the 70-year anniversary of the Great Victory in the city streets, a special hotline for veterans, arrangement of the Victory Parade broadcast for the veterans unable to participate in it, holding

concerts involving MTS employees. In 2016, MTS plans to organize holidays for veterans in commemorative dates regularly.

In 2015, implementation of the Social HR project continued: support and conduct of activities aimed at attracting to work and adaptation of employees of mature age and young professionals with disabilities, as well as creation of an affordable and comfortable environment for all staff categories.

In the reporting period, MTS supported such large and socially significant events as:

- Competition for young job seekers with disabilities “Road to a Career” allowing business to see that there are unreached resources, young, enterprising and talented experts with disabilities, professionally trained in various fields, along with other labour market participants;
- Annual “Best Friends” dance marathon where MTS traditionally involves employees to once again draw public attention to the fact that we all have equal opportunities. The event is attended by more than 1,000 people;
- International film festival on the lives of disabled people “Cinema without Barriers” meant to show the histories of struggle and success, as well as to acquaint the viewer with those who lives and works in spite of any obstacles;
- Sporting activities aimed at the formation of sport inclusion: joint football matches “MTS Unity Cup” and beach volleyball games with corporate teams of MTS and other major businesses.

Support of Orphanages

In 2015, MTS supported orphanages in every constituent region of the Russian Federation. We implemented a striking project

on organizing lessons and workshops for children in the Ural orphanages on the following topics: “Everything about Communication”, “Communication and Children”, “Communication without Borders”, which allowed training about 3,000 children in mobile literacy basics and developing the skills needed to work with mobile devices. MTS employees held vocational orientation courses for older students, where children could learn how to draw up CV’s, conduct telephone conversations and use office equipment. In the Republic of Tatarstan, MTS employees equip training and sports classes with necessary equipment themselves. Traditionally, the company volunteers of every MTS branch organize New Year celebrations in the sponsored orphanages; the “Christmas Tree of Wishes” nationwide campaign is held in the MTS offices, where employees give gifts to children in accordance with their wishes to Grandfather Frost. In the Urals, the employees make ice rinks for the sponsored orphanages themselves.

A separate area of social work with local communities is helping disabled children. In Perm, MTS employees held a campaign “We Can Hear You” for children with hearing disabilities, where they spoke about updates to major communication trends with the support of sign language interpreters. In the Penza region and the Perm territory, MTS employees organized and carried out a sports event for disabled children.

In 2016, MTS plans to continue to support the sponsored orphanages and organizations, while developing the company volunteer movement actively.

Help in emergency situations

In 2015, MTS restored the only city park damaged as a result of large-scale flooding in the Republic of Altai. Works on mass tree planting, cleaning and preparing the land plot for the next planting were carried out in the park.

Additional Information

Report on compliance with principles and recommendations of the Corporate Governance Code.....	202
Consumption of Power Resources.....	219
Glossary	220
Disclaimer.....	221
Additional Information about the Company	222



Report on compliance with principles and recommendations of the Corporate Governance Code

Hereby the Board of Directors of MTS PJSC represents that the principles of corporate governance recorded by the Corporate Governance Code (hereinafter referred to as the Code, CGC) are complied with by the Company, excluding certain principles and recommendations of the Code specified in the Annex to this Representation.

This report on compliance with the principles and recommendations of the Corporate Governance Code in MTS PJSC was considered by the Board of Directors of MTS PJSC at the meeting on May 20, 2016, the meeting minutes No.248.

The Board of Directors confirms that the data given in this report contain full and valid information on compliance of the company with the principles and recommendations of the Corporate Governance Code for 2015 as well as for the period from the reporting date. And to the date of approval of the Annual Report of MTS PJSC by the Board of Directors of MTS PJSC.

Brief description of most substantial aspects of the model and practice of corporate governance in the Company

The system (model) of corporate governance of MTS PJSC was built on the basis of the norms of the existing legislation of the Russian Federation, provisions of the Charter of the Company and principles recommended for use by the Corporate Governance Code, with account of the listing rules requirements of the Moscow Stock Exchange and NYSE. Description of most substantial aspects of the corporate governance model and practice is provided in the section "Corporate Governance" of the Annual Report of MTS PJSC.

Description of the methodology, which the joint stock company used to assess compliance with principles of corporate governance recorded by the Corporate Governance Code

Assessment of compliance with corporate governance principles recorded in the Code is implemented by the method of analysis and comparison of internal standards and procedures with recommendations of the Code.

Planned (suggested) actions and measures of the joint stock company to improve and model and practice of corporate governance

In 2015 the President developed and approved the Road Map for implementation of the Corporate Governance Code recommendations in MTS PJSC (hereinafter referred to as the Road Map). Most planned actions were implemented in 2015. In 2016 we plan to continue further work on performance of actions of the Road Map.

Detailed data on compliance with the principles of the Code as of the date of approval of the Annual Report of MTS PJSC by the Board of Directors of MTS PJSC, as well as on actions for further implementation of the Code recommendations is provided below in the Annex to this Representation.

Annex to the Representation of the Board of Directors of MTS PJSC on compliance with the principles and recommendations of the Corporate Governance Code

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status ¹ of compliance with the corporate governance principle	Explanations ² of the deviation from criteria of assessment of compliance with the corporate governance principle
1.1	The company shall provide for equal and fair attitude towards all shareholders that exercise their right for participation in company governance.			
1.1.1	The company creates the maximum favourable conditions for the shareholders to participate in the general meeting, conditions to generate a justified position on the general meeting agenda items, to coordinate their actions, as well as the opportunity to speak their opinion on the considered issues.	<p>1. The internal document of the company approved by the general meeting of shareholders that regulates the procedures of holding a general meeting is openly available.</p> <p>2. The company provides the accessible method of communication with the company, such as a “hot line”, e-mail or forum in the Internet, making it possible for the shareholders to speak their opinion and send the questions in respect to the agenda in process of preparation for the general meeting. The specified actions were undertaken by the company before every general meeting held during the reporting period.</p>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
1.1.2	The procedure of communicating holding of a general meeting and providing materials for the general meeting enables the shareholders to properly prepare for their participation in it.	<p>1. The message on holding a general meeting of shareholders is placed (published) on the website in the Internet at least 30 days before the date of the general meeting.</p> <p>2. The message on holding a general meeting specifies the venue of the meeting and documents required to be admitted into the venue.</p> <p>3. Shareholders were provided access to information on those who proposed agenda items and candidates for the Board of Directors and Audit Commission of the Company.</p>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
1.1.3	In process of preparation and holding of a general meeting the shareholders could freely and timely receive information on the meeting and materials to it, ask questions to the executive authorities and members of the Board of Directors of the company, communicate with each other.	<p>1. In the reporting period the shareholders were given a chance to ask questions to the members of the executive authorities and members of the Board of Directors of the Company before and during the annual general meeting.</p> <p>2. The position of the Board of Directors (including special opinions included into the minutes), on each issue of the agenda of the general meetings held in the reporting period was included into the materials for the general meeting of shareholders.</p> <p>3. The company provided access to entitled shareholders to the list of persons authorised to participate in the general meeting, starting from the date of its receipt by the company, in all cases of holding general meetings in the reporting period.</p>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

¹ Status “complied with” is only specified, if the company meets all criteria of assessment of compliance with the corporate governance principle. Otherwise, the status “partially complied with” or “not complied with” is indicated.

² Provided on each criterion of assessment of compliance with the principle of corporate governance, if the company complies only with some criteria or does not comply with any criterion of assessment of compliance with the principle. If the company specified the status “complied with”, no explanations are required.

1.1.4	Implementation of the shareholder's right to request calling of a general meeting, to propose candidates for the management bodies and to make proposals for inclusion into the agenda of the general meeting was not accompanied with unwarranted difficulties.	1. In the reporting period the shareholders were able within at least 60 days upon completion of the appropriate calendar year to make proposals for inclusion into the agenda of the annual general meeting. 2. In the reporting period the company did not reject inclusion of proposals for the agenda or candidates to the company bodies due to misprints and other minor defects in the shareholder's proposal.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
1.1.5	Each shareholder was able to freely implement their voting right by most simple and convenient for them ways.	1. The internal document (internal policy) of the company contains provisions, in accordance with which each participant of the general meeting may before the end of the appropriate meeting request the copy of the filled bulletin certified by the counting board.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
1.1.6	The procedure of holding a general meeting established by the company provides equal opportunity to all persons present at the meeting to speak their opinion and ask their questions of interest.	1. During general meetings of shareholders in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time was provided for reports on agenda items, as well as time for discussion of these questions. 2. Candidates to the company management and control bodies were available to answer questions of shareholders at the meeting, where their candidates were put to vote. 3. The Board of Directors, when making decisions related to preparation and holding of general meetings of shareholders, considered the question of using telecommunications facilities for provision of remote access to shareholders for participation in the general meetings in the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
1.2	Shareholders were provided equal and fair opportunity to participate in the profit of the company by receiving dividends.			
1.2.1	The company developed and introduced a transparent and clear mechanism for determination of the dividend amount and their payment.	1. The dividend policy in the company was developed, approved by the Board of Directors and disclosed. 2. If the dividend policy of the company uses the company reporting indicators for determination of the dividend amount, then the appropriate provisions of the dividend policy shall take into account the consolidated indicators of the financial statements.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
1.2.2	The company does not make a decision on payment of dividends, if such decision, formally not breaking the limitations established by the law, is economically unjustified and may result in formation of false representations about the company's business.	1. The dividend policy of the company includes clear references to financial/economic circumstances, when the company should not pay dividends.	<input type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input checked="" type="checkbox"/> not complied with	The dividend policy does not contain references to specific circumstances, under which the Company does not pay dividends, since payment of the dividends is one of the key elements of the company strategy and the main method to establish the shareholder value. The company does not believe it possible to limit the right of the shareholders for making the decision on payment of dividends, excluding the cases, when such right is directly limited by the law. At the same time, in accordance with the Dividend Policy, the Board of Directors of the Company, when deciding on the recommendation of the dividend amount, takes into account the financial results of the company business, which involves a reasonable and fair approach to determination of the recommendation on the amount of dividends.
1.2.3	The company does not allow for deterioration of the dividend rights of the existing shareholders.	1. In the reporting period the company did not commit actions resulting in deterioration of dividend rights of existing shareholders.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

1.2.4	The company strives to exclude usage of other methods of gaining profit (income) by the shareholders at the expense of the company, apart from dividends and liquidation value.	1. In order to exclude other methods of gaining profit (income) by the shareholders at the expense of the company, apart from dividends and liquidation value, the internal documents of the company establish controls, which provide for timely detection and procedure of approval of transactions with persons affiliated (related) with major shareholders (persons entitled to dispose of voting rights of voting shares), in those cases, when the law formally does not recognise such transactions as transactions of interest.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
1.3	The system and practice of corporate governance provide for equal conditions for all shareholders — owners of shares of one category (type), including minority (small) shareholders and foreign shareholders, and equal attitude to them from the company.		
1.3.1	The company created conditions for fair attitude to each shareholder from the management bodies and controlling persons of the company, including conditions preventing abuse of major shareholders in respect to minority shareholders.	1. Within the reporting period the procedures of management of potential conflicts of interest in major shareholders are effective, and the Board of Directors paid proper attention to conflicts between shareholders, if such occurred.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
1.3.2	The company does not undertake actions that result or may result in artificial redistribution of corporate control.	1. Quasi-treasury shares are absent or did not participate in voting during the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
1.4	Shareholders are provided with reliable and effective methods to register rights for shares, as well as the opportunity of free and unhindered alienation of shares they own.		
1.4	Shareholders are provided with reliable and effective methods to register rights for shares, as well as the opportunity of free and unhindered alienation of shares they own.	1. Quality and reliability of activities executed by the company registrar to keep the register of securities' owners comply with the needs of the company and its shareholders.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.1	The Board of Directors executes strategic management of the company, determines the main principles and approaches to organisation of the risk management system and internal control in the company, monitors activity of the executive bodies of the company and implements other key functions.		
2.1.1	The Board of Directors is responsible for making decisions related to appointment and dismissal in the executive bodies, also due to improper performance of one's job duties. The Board of Directors also monitors that the executive bodies of the company act in accordance with the approved strategy of development and main directions of the company's business.	1. The Board of Directors has powers registered in the charter for appointment, dismissal and determination of the agreement terms in respect to the members of the executive bodies. 2. The Board of Directors considered the report (reports) of the sole executive body and members of the collective executive body on achievement of the company strategy.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.1.2	The Board of Directors establishes the main reference points for the company's business in the long term, assesses and approves the key indicators of business and main business objectives of the company, assesses and approves the strategy and business plans on the main types of the company's business.	1. During the reporting period at the meetings of the Board of Directors, the issues were considered, which were related to the progress of achievement and update of the strategy, approval of the financial and business plan (budget) of the company, as well as consideration of criteria and indicators (including interim ones) for achievement of the strategy and business plans of the company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.1.3	The Board of Directors defines principles and approaches to organisation of the risk management and internal control system in the company.	1. The Board of Directors defined principles and approaches to organisation of the risk management and internal control system in the company. 2. The Board of Directors assessed the risk management and internal control system in the company during the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with

2.1.4	The Board of Directors defines the company policy on remuneration and (or) recovery of costs (compensations) to the member of the Board of Directors, executive bodies and other key management employees of the company.	1. The company developed and introduced the policy (policies) approved by the Board of Directors for remuneration and recovery of costs (compensations) of the members of the Board of Directors, executive bodies of the company and other key management employees of the company. 2. During the reporting period, at the meetings of the Board of Directors, issues related to the specified policy (policies) were considered.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.1.5	The Board of Directors plays a key role in prevention, detection and settlement of internal conflicts between the company authorities, shareholders of the company and employees of the company.	1. The Board of Directors plays a key role in prevention, detection and settlement of internal conflicts. 2. The company created a system of identification of transactions related to a conflict of interest, and a system of actions aimed at resolution of such conflicts	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.1.6	The Board of Directors plays a key role in ensuring transparency of the company, timeliness and completeness of information disclosure by the company, unhindered access of shareholders to the company documents.	1. The Board of Directors approved the Regulation on Information Policy. 2. There are persons defined in the company as responsible for implementation of the information policy.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.1.7	The Board of Directors monitors practice of corporate governance in the company and plays a key role in the substantial corporate events of the company.	1. During the reporting period the Board of Directors considered the issue on the practice of corporate governance in the company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.2.	The Board of Directors reports to all shareholders of the company.			
2.2.1	Information on operation of the Board of Directors is disclosed and provided to shareholders.	1. The annual report of the company for the reporting period includes information of attendance of the meetings of the Board of Directors and committees by certain directors. 2. The annual report contains information on the main results of assessment of the activities of the Board of Directors held in the reporting period.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	In the reporting period the assessment of operation/efficiency of the Board of Directors was not made. Nevertheless, the Company, having engaged an external consultant, developed a new methodology of self-assessment for the Board of Directors, and the Corporate Governance Committee decided to do self-assessment in 2016.
2.2.2	The chairman of the Board of Directors is available for communication with the company shareholders.	1. There is a transparent procedure in the company, which provided for the shareholders an opportunity to send questions and their position on them to the chairman of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.3.	The board of directors is an effective and professional body of company management, capable of producing objective independent opinions and making decisions meeting the interests of the company and its shareholders.			
2.3.1	Only persons with perfect business and personal reputation and having knowledge, skills and experience required for making decisions related to the competence of the Board of Directors, and required for effective realisation of its functions, are elected by the members of the Board of Directors.	1. The procedure accepted in the company for assessment of efficiency of operation of the Board of Directors also includes assessment of professional qualification of the members of the Board of Directors. 2. In the reporting period the Board of Directors (or its nomination committee) performed assessment of the candidates for the Board of Directors from the point of view of availability of the necessary experience, knowledge, business reputation, absence of conflict of interest, etc.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

2.3.2	The members of the Board of Directors of the company are elected by means of a transparent procedure, making it possible for the shareholders to receive information about candidates, sufficient for generation of representation on their personal and professional qualities.	1. In all cases of holding a general meeting of shareholders in the reporting period, the agenda of which included issues on election of the board of directors, the company provided to the shareholders the biographic data of all candidates to the members of the Board of Directors, results of assessment of such candidates performed by the Board of Directors (or its nomination committee), and also information on compliance of the candidate with the independence criteria, in accordance with the recommendations 102–107 of the Code and written consent of candidates for election into the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.3.3	The composition of the Board of Directors is balanced, also by qualification of its members, their experience, knowledge and business qualities, and enjoys confidence of shareholders.	1. Within the procedure for assessment of work of the Board of Directors performed in the reporting period, the Board of Directors analysed its needs in the field of professional qualification, experience and business skills.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	In the reporting period the assessment of operation/efficiency of the Board of Directors was not made. Nevertheless, the Company, having engaged an external consultant, developed a new methodology of self-assessment for the Board of Directors, and the Corporate Governance Committee decided to do self-assessment in 2016.
2.3.4	The quantitative composition of the Board of Directors of the company makes it possible to organise activities of the Board of Directors in the most efficient manner, including the possibility to form the committees of the Board of Directors, and also provides for the substantial minority shareholders of the company the possibility of election of the candidate they vote for into the Board of Directors.	1. Within the procedure of assessment of the Board of Directors performed in the reporting period, the Board of Directors considered the issue of compliance of the quantitative composition of the Board of Directors with the needs of the company and interests of shareholders.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	In the reporting period the assessment of operation/efficiency of the Board of Directors was not made. Nevertheless, the Company, having engaged an external consultant, developed a new methodology of self-assessment for the Board of Directors, and the Corporate Governance Committee decided to do self-assessment in 2016.
2.4	The Board of Directors includes sufficient number of independent directors.			
2.4.1	An independent director is a person with sufficient professionalism, experience and independence for formation of their own position, capable of producing objective and fair opinions independent on the influence of the executive bodies of the company, separate groups of shareholders or other interested parties. At the same time it should be taken into account that under regular conditions a candidate (elected member of the Board of Director) may not be recognised as independent, if he or she is related to the company, its major shareholder, major contractor or competitor of the company or is related to the state.	1. Within the reporting period all independent members of the Board of Directors met all the criteria of independence specified in the recommendations 102–107 of the Code, or were recognised independent by the decision of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

2.4.2	Assessment of compliance of the candidates to the members of the Board of Directors with the independence criteria is performed, and regular analysis is carried out for compliance of independent members of the Board of Directors with the independence criteria. During performance of such assessment the content shall prevail over the form.	<p>1. In the reporting period the Board of Directors (or the nomination committee of the Board of Directors) produced the opinion on independence of each candidate to the Board of Directors and provided the appropriate report to the shareholders.</p> <p>2. During the reporting period, the Board of Directors (or the nomination committee of the Board of Directors) at least once considered independence of the existing members of the Board of Directors, which are specified by the company in the annual report as the independent directors.</p> <p>3. The company developed procedures that determine the necessary actions of the member of the Board of Directors, if he or she stops being independent, including obligations on timely notification of the Board of Directors, accordingly.</p>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.4.3	Independent directors make at least one third of the elected composition of the Board of Directors.	1. Independent directors make at least one third of the composition of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.4.4	Independent directors play a key role in prevention of internal conflicts in the company and making substantial corporate actions by the company.	1. Independent directors (with no conflict of interests) preliminarily assess the substantial corporate actions related to a potential conflict of interest, and results of such assessment are provided to the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.5	The chairman of the Board of Directors supports most efficient realisation of functions laid upon the Board of Directors.			
2.5.1	The chairman of the Board of Directors is an independent director, or a senior independent director is determined from the elected independent director, which coordinates work of independent directors and cooperates with the chairman of the Board of Directors.	<p>1. The chairman of the Board of Directors is an independent director, or a senior independent director is defined among independent directors¹.</p> <p>2. The role, rights and obligations of the chairman of the Board of Directors (and, if applicable, the senior independent director) are properly defined in the internal documents of the company.</p>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<p>The corporate governance committee and Board of Directors made a decision on inexpediency of election of the independent Chairman of the Board of Directors or appointment of the Senior Independent Director.</p> <p>Practice of appointment of the independent director as the Chairman of the Board of Directors or appointment of the senior independent director in foreign jurisdictions was subject to the need to establish a system of checks and balances for situations, when the chairman of the Board of Directors is simultaneously a sole executive body of the company, which is frequent practice in Anglo-Saxon jurisdictions, but not in the Company.</p> <p>The Chairman of the Board of Directors of MTS PJSC since 2009 is a non-executive director — Mr. Ron Sommer. Large experience of R. Sommer in management bodies of Russian and largest foreign companies in combination with high qualification, also in the telecommunications industry, make a substantial contribution into the effective organisation of the work of the Board of Directors of MTS PJSC. Therefore the Company believes that appointment of the independent Chairman of the Board of Directors will not have additional substantial effect/influence at organisation of work of the Board of Directors and quality of decisions it makes.</p> <p>The company also has a balanced composition of the Board of Directors, both from the point of view of quantitative composition and from the point of view of experience and qualification. Existing procedures of planning, preparation and holding of the meetings of the Board of Directors provide for efficiency of this body.</p>

				Independent directors actively participate in work of the Board of Directors and its committees, regularly communicate with the Chairman of the Board of Directors, and for coordination of their work it is not required to introduce an additional job title of the Senior Independent Director.
2.5.2	The chairman of the Board of Directors provides for constructive atmosphere of holding meetings, free discussion of issues included into the meeting agenda, monitoring over performance of decisions made by the Board of Directors.	1. Efficiency of work of the chairman of the Board of Directors is assessed within the procedure of assessment of Board of Directors efficiency in the reporting period.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	In the reporting period the assessment of operation/efficiency of the Board of Directors was not made. Nevertheless, the Company, having engaged an external consultant, developed a new methodology of self-assessment for the Board of Directors, and the Corporate Governance Committee decided to do self-assessment in 2016.
2.5.3	The chairman of the Board of Directors takes the necessary actions for timely provision of information necessary to make decisions on the issues of the agenda to the members of the Board of Directors.	1. The obligation of the chairman of the Board of Directors to take actions to provide for timely provision of materials to the members of the Board of Directors on the agenda issues of the meeting of the Board of Directors is recorded in the internal documents of the company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.6	Members of the Board of Directors act fairly and reasonably for the interests of the company and its shareholders on the basis of sufficient awareness, with sufficient degree of care and diligence.			
2.6.1	Members of the board of directors make decisions with account of all available information, in absence of conflict of interests, with account of equal attitude to shareholders of the company, within regular entrepreneur risk.	1. Internal documents of the company establish that the member of the Board of Directors must notify the Board of Directors, if he or she has a conflict of interest in respect to any issue of the agenda of the meeting of the Board of Directors or the committee of the Board of Directors, before discussion of the appropriate item of the agenda. 2. Internal documents of the company provide that the member of the Board of Directors shall abstain from voting on any issue, where he or she has a conflict of interest. 3. In the company there is a procedure, which makes it possible for the Board of Directors to receive professional consultations on issues related to its competence, at the expense of the company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.6.2	Rights and obligations of the members of the Board of Directors are clearly formulated and recorded in the internal documents of the company.	1. In the company there is an internal document accepted and published, which defines the rights and obligations of the members of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.6.3	Members of the Board of Directors have sufficient time to perform their obligations.	1. Individual attendance of the meetings of the Board and the committees, as well as time allocated for preparation to participate in the meetings was taken into account within the procedure to assess the Board of Directors, in the reporting period. 2. In accordance with the internal documents of the company, the members of the Board of Directors must notify the Board of Directors about their intent to enter the management bodies of other organisations (apart from subsidiaries and affiliates of the company), as well as on the fact of such appointment.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	In the reporting period the assessment of operation/efficiency of the Board of Directors was not made. Nevertheless, the Company, having engaged an external consultant, developed a new methodology of self-assessment for the Board of Directors, and the Corporate Governance Committee decided to do self-assessment in 2016.
2.6.4	All members of the Board of Directors to the same extent are able to access documents and information of the company. Newly elected members of the Board of Directors within the shortest time possible are provided with sufficient information about the company and work of the Board of Directors.	1. In accordance with the internal documents of the company, the members of the Board of Directors are entitled to access the documents and make queries related to the company and its subsidiaries, and executive bodies of the company shall provide the appropriate information and documents. 2. In the company there is a formalised program of introductory events for newly elected members of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

2.7	Meetings of the Board of Directors, preparation for them and participation of the members of the Board of Directors in them provide for effective operation of the Board of Directors.		
2.7.1	Meetings of the Board of Directors are held when required, with account of the scale of activities and objectives of the company at a certain period of time.	1. The Board of Directors held at least six meetings for the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.7.2	The internal documents of the company record the procedure of preparation and holding of the meetings of the Board of Directors, providing the opportunity for the members of the Board of Directors to properly prepare for its holding.	1. In the company there is an internal document, which defines the procedure of preparation and holding of the meetings of the Board of Directors, where it is also established that a notice on holding a meeting shall be made as a rule at least 5 days before the date of its holding.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.7.3	The form of holding a meeting of the board of directors is determined with account of importance of the agenda items. Most important issues are resolved at the meetings held with physical presence.	1. The Charter or the internal document of the company provides that the most important issues (according to the list provided in the recommendation 168 of the Code) shall be considered at the in-person meetings of the Board.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.7.4	Decisions on the most important issues of the company's business shall be made at the meeting of the Board of Directors by the qualified majority or majority of votes of all elected members of the Board of Directors.	1. The charter of the company provides that the decisions on the most important issues specified in the recommendations 170 of the Code shall be made at the meeting of the Board of Directors by qualified majority, with at least three fourths of votes, or by the majority of votes of all elected members of the Board of Directors.	<input type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input checked="" type="checkbox"/> not complied with <p>The charter of the company does not provide that the decisions on the issues specified in the recommendations 170 of the Code shall be made at the meeting of the Board of Directors by qualified majority, with at least three fourths of votes, or by the majority of votes of all elected members of the Board of Directors. After approval of the Code the issue on implementation of this recommendation was considered by the members of the Corporate Governance Committee at the Board of Directors with involvement of other members of the Board of Directors and the management. The Committee came to the conclusion on invalidity of introduction of more stringent procedures of decision making by the Board of Directors under existing macroeconomic conditions, as they may complicate the operative decision making and require consolidation of opinions of its members. It should be noted that actually this recommendation of the Code is being implemented, and in practice the decisions of the Board of Directors on the specified issues are made by the majority of votes of all elected members of the Board of Directors, such as the decisions made by the Board of Directors, are built on the consensus of all members of the Board of Directors, and key decisions are first worked upon by the independent members of the Board of Directors within the committees' work.</p>
2.8	The Board of Directors establishes the committees for preliminary consideration of the most important issues of the company's business.		
2.8.1	For preliminary consideration of the issues related to control of the financial and economic activities of the company, the audit committee is established, comprising independent directors.	1. The Board of Directors established the Audit Committee made exclusively of independent directors. 2. The internal documents of the company define the objectives of the Audit Committee, including objectives contained in the recommendation 172 of the Code. 3. At least one member of the Audit Committee being an independent director has experience and knowledge in the field of preparation, analysis, assessment and audit of the accounting (financial) statements. 4. Meetings of the Audit Committee were held at least once per quarter during the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with

2.8.2	For preliminary consideration of the issues related to formation of efficient and transparent remuneration practice, the Remuneration Committee is established, comprising independent directors and headed by the independent director, not being the chairman of the Board of Directors.	1. The Board of Directors established the Remuneration Committee, which comprises only independent directors. 2. The chairman of the Remuneration Committee is an independent director, who is not the chairman of the Board of Directors. 3. The internal documents of the company define the objectives of the Remuneration Committee, including objectives contained in the recommendation 180 of the Code.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.8.3	For preliminary consideration of the issues related to HR planning (succession planning), professional composition and efficiency of work of the Board of Directors, the Nomination Committee (for appointments, HR) is established, majority of the members of which are independent directors.	1. The Board of Directors established the Nomination Committee (or its objectives specified in the recommendation 186 of the Code, are implemented within a different committee ¹), the majority of the members of which are independent directors. 2. Internal documents of the company define the objectives of the Nomination Committee (or the appropriate committee with the combined functionality), including the objectives contained in the recommendation 186 of the Code.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	Functions of the Remuneration and Appointment Committee recorded in the regulation on the Committee do not include description of individual obligations of directors and chairman of the Board of Directors. The decision not to include such function made by the Corporate Governance Committee at the Board of Directors of MTS PJSC is related to the fact that the main obligations of the members of the Board of Directors (including the Chairman of the Board of Directors) are already described and recorded in the Regulation on the Board of Directors, which is developed with participation of the Corporate Governance Committee of the Board of Directors of MTS PJSC and the Chairman of the Board of Directors, and is approved by the shareholders of the Company, being the main beneficiaries of the activities of the members of the Board of Directors.
2.8.4	With account of the scale of activity and level of risk, the Board of Directors of the company verified that the composition of its committees fully complies with the objectives of the company's business. Additional committees were either formed or were not recognised necessary (Strategy Committee, Corporate Governance Committee, Ethics Committee, Risk Management Committee, Budget Committee, Health, Safety and Environment Committee etc.).	1. In the reporting period the Board of Directors of the company considered the issue of compliance of the composition of its committees with the objectives of the Board of Directors and objectives of the Company's business. Additional committees were either formed or were not recognised necessary.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.8.5	The composition of the committees was determined so that it made it possible to perform comprehensive discussion of previously considered issues with account of different opinions.	1. Committees of the Board of Directors are headed by independent directors. 2. Internal documents (policies) of the company provide for the provisions, in accordance with which the persons not included into the composition of the Audit Committee, Nomination Committee and Remuneration Committee may visit the meetings of the committees only with the invitation of the chairman of the appropriate committee.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	The company believes that the main criterion in appointment of the heads of the committees should be professionalism and expertise in the field of issues, consideration of which is delegated by the Board of Directors to the appropriate committee, as well as adequate distribution of the load among the members of the Board of Directors, accordingly. Therefore, the Corporate Governance Committee, the Strategy Committee and the Budget Committee are headed by the non-executive members of the Board of Directors, which makes it possible to most efficiently use these committees in the work of the Board of Directors.
2.8.6	Chairmen of the committees regularly inform the Board of Directors and its chairman of the work of its committees.	1. During the reporting period the chairmen of the committees regularly report to the Board of Directors about the work of the committees.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

¹ If objectives of the Nomination Committee are implemented within a different committee, specify its name.

2.9	The Board of Directors provides for performance of assessment of the quality of Board of Directors' work, its committees and members of the Board of Directors.		
2.9.1	Performance of assessment of quality of Board of Directors' work is aimed at definition of degree of efficiency of Board of Directors', committees' and members of the Board of Directors work, compliance of their work with the needs of the company development, activation of work of the Board of Directors and detection of areas, where their activity may be improved.	<p>1. Self-assessment or external assessment of work of the Board of Directors performed in the reporting period included assessment of the work of committees, separate members of the Board of Directors and the Board of Directors in general.</p> <p>2. Results of self-assessment or external assessment of the Board of Directors performed during the reporting period were considered at the in-person meeting of the Board of Directors.</p>	<p><input type="checkbox"/> complied with</p> <p><input type="checkbox"/> partially complied with</p> <p><input checked="" type="checkbox"/> not complied with</p> <p>In the reporting period the assessment of operation/efficiency of the Board of Directors was not made. Nevertheless, the Company, having engaged an external consultant, developed a new methodology of self-assessment for the Board of Directors, and the Corporate Governance Committee decided to do self-assessment in 2016.</p>
2.9.2	Assessment of work of the Board of Directors, Committees and members of the Board of Directors is realised on a regular basis at least once per year. For independent assessment of quality of work of the Board of Directors, at least once in three years an external organisation (consultant) is employed.	<p>1. To perform independent assessment of quality of work of the Board of Directors within the last three reporting periods, at least once the company employed an external organisation (consultant).</p>	<p><input type="checkbox"/> complied with</p> <p><input checked="" type="checkbox"/> partially complied with</p> <p><input type="checkbox"/> not complied with</p> <p>During the reporting period the Company did not perform assessment of the work/efficiency of the Board of Directors with employment of the external consultant, since in the reporting period a new methodology was developed with participation of the consultant for self-assessment of the Board of Directors, and the self-assessment process was initiated. In the future MTS PJSC plans to place for consideration of the Remuneration and Appointment Committee the appropriate proposals on employment of the external consultant with account of the results of the performed self-assessment.</p>
3.1	The corporate secretary of the company performs effective current interaction with the shareholders, coordinates actions of the company for protection of rights and interests of shareholders, supports effective work of the Board of Directors.		
3.1.1	The corporate secretary has knowledge, experience and qualification, sufficient for performance of its obligations, stellar reputation and enjoys confidence of shareholders	<p>1. The corporate secretary has knowledge, experience and qualification, sufficient for performance of its obligations, stellar reputation and enjoys confidence of shareholders.</p> <p>2. On the website of the company in the Internet and in the annual report there is biographic information available on the corporate secretary, with the same level of detail as for the members of the Board of Directors and executive management of the company.</p>	<p><input checked="" type="checkbox"/> complied with</p> <p><input type="checkbox"/> partially complied with</p> <p><input type="checkbox"/> not complied with</p>
3.1.2	The corporate secretary has sufficient independence of the executive bodies of the company and has the necessary powers and resources to perform its objectives.	<p>1. The Board of Directors approves appointment, dismissal and additional remuneration of the corporate secretary.</p>	<p><input checked="" type="checkbox"/> complied with</p> <p><input type="checkbox"/> partially complied with</p> <p><input type="checkbox"/> not complied with</p>
4.1	The level of remuneration paid by the company is sufficient to engage, motivate and retain people that have the necessary competence and qualification for the company. Payment of remuneration to the members of the Board of Directors, executive bodies and other key management employees of the company shall be carried out in accordance with the the remuneration policy accepted in the company.		
4.1.1	The level of remuneration provided by the company to the members of the Board of Directors, executive bodies and other key management employees creates sufficient motivation for their efficient work, making it possible for the company to employ and retain competent and qualified experts. At the same time the company avoids higher remuneration than necessary, as well as unjustified high gap between levels of remuneration of the specified persons and employees of the company.	<p>1. There is an internal document (documents) accepted in the company — a policy (policies) on remuneration of the members of the Board of Directors, executive bodies and other key management employees, which clearly defines the approaches to the remuneration of the specified persons.</p>	<p><input checked="" type="checkbox"/> complied with</p> <p><input type="checkbox"/> partially complied with</p> <p><input type="checkbox"/> not complied with</p>

4.1.2	The company remuneration policy is developed by the Remuneration Committee and approved by the Board of Directors of the company. The Board of Directors, with the support of the Remuneration Committee provides for monitoring of implementation and execution of the remuneration policy in the company, and if necessary — revises and corrects it.	1. During the reporting period the Remuneration Committee considered the remuneration policy (policies) and practice of its (their) introduction, and if required, the necessary recommendations to the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
4.1.3	The remuneration policy of the company comprises transparent mechanisms for determination of the remuneration amount of the members of the Board of Directors, executive bodies and other key management employees of the company, and also regulates all types of payments, benefits and privileges provided to the specified persons.	1. The remuneration policy (policies) of the company comprises (comprise) transparent mechanisms for determination of the remuneration amount of the members of the Board of Directors, executive bodies and other key management employees of the company, and also regulates (regulate) all types of payments, benefits and privileges provided to the specified persons.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
4.1.4	The company determines the policy for recovery of expenses (compensations) that details the list of expenses subject to recovery, and the level of service that the members of the Board of Directors, executive bodies and other key management employees of the company may claim for. Such policy may be a component of the company remuneration policy.	1. The remuneration policy (policies) or other internal documents of the company establish the rules for recovery of the expenses of the members of the Board of Directors, executive bodies and other key management employees of the company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
4.2	The remuneration system of the members of the Board of Directors provides for approach of financial interests of directors with long-term financial interests of shareholders.		
4.2.1	The company pays fixed annual remuneration to the members of the Board of Directors. The company does not pay remuneration for participation in individual meetings of the Board or committees of the Board of Directors. The company does not use the forms of short-term motivation and additional material stimulation in respect to the members of the Board of Directors.	1. Fixed annual remuneration was the only monetary form of remuneration of the members of the Board of Directors for work in the Board of Directors during the reporting period.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
			<p>Fixed annual remuneration was not the only monetary form of remuneration of the members of the Board of Directors for work in the Board of Directors during the reporting period.</p> <p>The amount of the bonus part of the monetary remuneration of the Board of Directors as of the end of the year is linked to the dynamics of the market capitalisation of the Company.</p> <p>Such model of the remuneration system of the members of the Board of Directors was developed before acceptance of the Code with employment of external consultants in accordance with the market practices.</p> <p>Use of the variable part in the structure of the remuneration based on the market cost of the Company shares is aimed at separation of interests of the members of the Board of Directors and management, and orientation of the interests of the members of the Board of Directors at increase of the shareholder value of the Company for the benefit of the shareholders and investors.</p> <p>The road map provides for consideration of the issue on compliance of the procedure for determination of remuneration to the members of the Board of Directors with the best practices by the Remuneration and Appointment Committee.</p>

4.2.2	Long-term ownership of the company shares to a largest extent promotes approach of financial interests of the members of the Board of Directors and long-term interests of the shareholders. At the same time the company does not provide for the rights to sell the shares by achievement of certain indicators of activities, and the members of the Board of Directors do not participate in option programs.	1. If the internal document (documents) — remuneration policy (policies) of the company — provides for provision of the company shares to the members of the Board of Directors, clear rules of shares ownership by the members of the Board of Directors aimed at stimulation of long-term ownership of such shares must be provided for and disclosed.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
4.2.3	The company does not provide for any additional payments or compensations in case of early termination of powers of the members of the Board of Directors in connection with transfer of control over the company or other circumstances.	1. The company does not provide for any additional payments or compensations in case of early termination of powers of the members of the Board of Directors in connection with transfer of control over the company or other circumstances.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
4.3	The system of remuneration of the members of executive bodies and other key management employees of the company provides for dependence of remuneration on the result of operation of the company and their personal contribution to achievement of this result.		
4.3.1	Remuneration of the members of the executive bodies and other key management employees of the company is determined so that reasonable and justified ratio is provided between the fixed part of remuneration and the variable part of remuneration depending on the results of company operation and personal (individual) contribution of the employee to the final result.	1. During the reporting period the annual indicators of efficiency approved by the Board of Directors were used to determine amount of variable remuneration of the members of the executive bodies and other key management employees of the company. 2. During the last completed assessment of the remuneration system of the executive bodies and other key management employees of the company, the Board of Directors (Remuneration Committee) verified that the company uses effective ratio of the fixed part of remuneration and variable part of remuneration. 3. The company provides for the procedure providing for return of bonus payments to the company, which were illegally received by the members of executive bodies and other key management employees of the company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
4.3.2	The company introduced a program of long-term motivation of the members of the executive bodies and other key management employees of the company using shares of the company (options or other derivative financial instruments, the basic asset for which is the shares of the company).	1. The company introduced a program of long-term motivation of the members of the executive bodies and other key management employees of the company using shares of the company (financial instruments based on the company shares). 2. The program of long-term motivation of the members of executive bodies and other key management employees of the company provides for the fact that the right to sell shares and other financial instruments used in this program arises not earlier than in three years from the moment of their provision. At the same time the right for their sale is provided by achievement of certain indicators of the company activities.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
4.3.3	The amount of compensation (golden handshake) paid by the company in case of early termination of powers to the members of the executive bodies or key management employees at the initiative of the company and with absence of unfair actions from their side, does not exceed double size of the fixed part of the annual remuneration.	1. The amount of compensation (golden handshake) paid by the company in case of early termination of powers to the members of the executive bodies or key management employees at the initiative of the company and with absence of unfair actions from their side in the reporting period did not exceed double size of the fixed part of the annual remuneration.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
5.1	In the company an efficiently operating risk management and internal control system aimed at assuring reasonable confidence in achievement of objectives set in the company was established.		

5.1.1	The Board of Directors of the company defined principles and approaches to organisation of the risk management and internal control system in the company.	1. Functions of various management bodies and subdivisions of the company in the risk management and internal control system are clearly defined in the internal documents/appropriate policy of the company approved by the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
5.1.2	Executive bodies of the company provide for development and maintenance of functioning of the efficient risk management and internal control system in the company.	1. Executive bodies of the company provided for distribution of functions and powers in respect to risk management and internal control between their subordinate managers of subdivisions and departments.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
5.1.3	The risk management and internal control system in the company provides for objective, fair and clear presentation of the current status and prospects of the company, integrity and transparency of the company reporting, reasonableness and acceptability of the risks undertaken by the company.	1. In the company there is an approved anti-corruption policy. 2. In the company there is an available method for informing the Board of Directors or the Audit Committee of the Board of Directors about the facts of breaching of the law, internal procedures, company code of ethics.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
5.1.4	The Board of Directors of the company undertakes the necessary actions in order to verify that the existing company risk management and internal control system complies with the principles and approaches to its organisation determined by the Board of Directors and functions effectively.	1. During the reporting period the Board of Directors or the Audit Committee of the Board of Directors assessed efficiency of the risk management and internal control system in the company. Data on the main results of such assessment is included into the composition of the annual report of the company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
5.2	For systematic independent evaluation of reliability and efficiency of the risk management and internal control system and corporate management practice, performance of the internal audit is organised by the company.		
5.2.1	For internal audit, there is a separate structural subdivision in the company, or an independent external organisation is employed. Functional and administrative accountabilities of the internal audit subdivision are separated. The functional subdivision of internal audit reports to the Board of Directors.	1. For internal audit, in the company there is a separate structural subdivision of internal audit, which functionally reports to the Board of Directors or the Audit Committee, or an independent external organisation is employed with the same principle of accountability.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
5.2.2	The internal audit subdivision performs assessment of efficiency of the internal control system, assessment of efficiency of the risk management system, and also the corporate governance system. The company applies the generally accepted standards of activities in the field of internal audit.	1. During the reporting period within performance of the internal audit, the efficiency of the internal control and risk management system is assessed. 2. The company applies generally accepted approaches to internal control and risk management.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
6.1	The company and its activities are transparent for shareholders, investors and other stakeholders.		
6.1.1	In the company there is an information policy developed and introduced, which provides for effective information interaction of the company, shareholders, investors and other stakeholders.	1. The Board of Directors of the company approved the information policy of the company developed with account of the Code recommendations. 2. The Board of Directors (or one of its committees) considered the issues related to company compliance with its information policy at least once in the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with

6.1.2	The company discloses information on the system and practice of corporate governance, including detailed information on compliance with the principles and recommendations of the Code.	<p>1. The company discloses information about the corporate governance system in the company and general principles of corporate governance, use din the company, including those on the website of the company in the Internet.</p> <p>2. The company discloses information on the composition of executive bodies and the Board of Directors, independent members of the Board and their membership in the committees of the Board of Directors (in accordance with the definition of the Code).</p> <p>3. If there is a person that controls the company, the company publishes a memorandum of the controlling entity in respect to the plans of such entity in respect to the corporate governance in the company.</p>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<p>The controlling shareholder did not develop the memorandum in respect to its plans for the corporate governance in MTS.</p> <p>Currently in accordance with the MTS Road Map approved by the Board of Directors, jointly with the representatives of the controlling shareholders, works on research of practices and possibilities for development of such memorandum.</p>
6.2	The company timely discloses full, relevant and valid information about the company to ensure the possibility to make justified decisions by the company shareholders and investors.			
6.2.1	The company discloses information in compliance with the principles of regularity, consistence and efficiency, as well as availability, validity, completeness and comparability of disclosed data.	<p>1. The information policy of the company determines approaches and criteria for definition of information capable of significantly influencing the assessment of the company and cost of its securities and procedures providing for timely disclosure of such information.</p> <p>2. If securities of the company circulate in the foreign organised markets, disclosure of substantial information in the Russian Federation and in such markets is done synchronously and equivalently during the reporting period.</p> <p>3. If foreign shareholders own a substantial quantity of company shares, then during the reporting year disclosure of information was done not only in Russian, but also in one of the most popular foreign languages</p>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
6.2.2	The company avoids formal approach in disclosure of information and discloses substantial information about its activities, even if disclosure of such information is not provided for by the law.	<p>1. During the reporting period the company disclosed annual and semi-annual financial reporting prepared in accordance with the IFRS standards. The annual report of the company for the reporting period includes annual financial reporting made according to the IFRS standards jointly with the auditor's report.</p> <p>2. The company discloses full information on the structure of the company capital in accordance with the Recommendation 290 of the Code in the annual report and on the website of the company in the Internet.</p>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
6.2.3	The annual report of the company, being one of the most important tools for information exchange with shareholders and other stakeholders; it contains information for evaluating the results of the Company activities over the year.	<p>1. The annual report of the company contains information on key aspects of operating activities of the company and its financial results.</p> <p>2. The annual report of the company contains information on environmental and social aspects of the company's business.</p>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
6.3	The company provides information and documents for requests of shareholders in accordance with the principles of fairness and no hardship			
6.3.1	The company provides information and documents for requests of shareholders in accordance with the principles of fairness and no hardship.	1. The information policy of the company determines the unhindered procedure of provision of access to information to shareholders, including information on controlled legal entities of the company, at the request of shareholders.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	The company analysed the recommendations of the Code in part of provision of information to the shareholders about controlled companies. With account the fact that in accordance with the requirements of the law and best practices, MTS PJSC publicly discloses all substantial information about activities of controlled companies publicly, and disclosed information is sufficient for exercise of rights

by shareholders, the Company made the decision on individual consideration of each case, when additional information is requested on controlled companies.

6.3.2	If the company provides information to shareholders, a reasonable balance is provided between interests of specific shareholders and interests of the company itself, which is interested in preservation of confidentiality of important commercial information, which may substantially influence its competitiveness.	1. During the reporting period the company did not reject requests of shareholders for provision of information, or such rejections were justified. 2. In cases defined by the information policy of the company the shareholders are warned about the confidential nature of information and undertake to maintain its confidentiality.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
7.1	Actions that considerably influence or may influence the structure of the joint stock capital and financial condition of the company, and therefore the position of shareholders (substantial corporate actions), are carried out under fair conditions, providing for compliance with the rights and interests of shareholders, as well as other stakeholders.			
7.1.1	Substantial corporate actions include reorganisation of the company, acquisition of 30 and more percents of the voting shares of the company (acquisition), closing of major transactions by the company, increase or decrease of the charter capital of the company, listing and delisting of the company shares, as well as other actions, which may result in substantial change in the rights of shareholders or violation of their interests. The charter of the company defines a list (criteria) of transactions or other actions, being substantial corporate actions, and such actions are related to the competence of the Board of Directors of the company.	1. The charter of the company defines a list of transactions or other actions, being substantial corporate actions, and criteria for their definition. Decision making in respect to substantial corporate actions is referred to the competence of the Board of Directors. In those cases when realisation of these corporate actions is directly related by the law to the competence of the general meeting of shareholders, the Board of Directors provides the appropriate recommendations to the shareholders. 2. The charter of the company includes at least the following actions as the substantial corporate actions: reorganisation of the company, acquisition of 30 and more percents of the voting shares of the company (acquisition), closing of major transactions by the company, increase or decrease of the charter capital of the company, listing and delisting of the company shares.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	The Charter of the Company does not allocate a separate category of substantial corporate actions, however, all actions stipulated by the Code and some other actions qualified by the Company as substantial are included into the competence of the Board of Directors or the general meeting of the shareholders.
7.1.2	The Board of Directors plays a key role in making decisions or generation of recommendations in respect to substantial corporate actions, the Board of Directors relies on the position of the independent directors of the company.	1. In the company there is a procedure, in accordance with which the independent directors state their position on the substantial corporate actions before their approval.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
7.1.3	When making substantial corporate actions, which affect the rights and legal interests of the shareholders, equal conditions are provided for all shareholders of the company, and if the mechanisms specified by the law and aimed at protection of the shareholders' rights are insufficient, additional measures are taken to protect rights and legal interest of the company shareholders. At the same time the company not only complies with the formal requirements of the law, but also the principles of corporate governance specified in the Code.	1. The charter of the company with account of the features of its activities establishes lower minim criteria to refer the company transactions to the substantial corporate actions compared to the law. 2. During the reporting period all substantial corporate actions were approved before their realisation.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
7.2	The company provides for such procedure of making substantial corporate actions, which makes it possible for the shareholders to timely obtain full information on such actions, makes it possible for them to influence making such actions and guarantees compliance and adequate level of protection of their rights during commitment of such actions			
7.2.1	Information on making substantial corporate actions is disclosed with explanation of reasons, conditions and effects of making such actions.	1. During the reporting period the company timely and in detail disclosed information on substantial corporate actions of the company, including grounds and timing for making such actions.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

7.2.2 Rules and procedures related to realisation of substantial corporate actions by the company are recorded in the internal documents of the company.	<p>1. Internal documents of the company provide for the procedure of employment of an independent appraiser to define the cost of property alienated or purchased within a major transaction or a transaction of interest.</p> <p>2. Internal documents of the company provide for the procedure of employing an independent appraiser to assess the cost of purchase and redemption of the company shares.</p> <p>3. Internal documents of the company provide for the extended list of grounds, under which the members of the Board of Directors of the company and other persons specified by law are recognised as interested in the company transactions.</p>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<p>No procedure is recorded to employ an independent appraiser for definition of the property cost and evaluation of the shares cost in the internal documents.</p> <p>In practice the Company applies the recommended mechanisms of protection of the shareholders' rights during commitment of substantial corporate actions:</p> <ul style="list-style-type: none"> — assets are assessed by the independent appraiser; — members of the Board of Directors do not participate in voting on issues, consideration of which may result in occurrence of a conflict of interest. Adequacy of procedures is provided by the control of the Board of Directors, including independent directors, who control commitment of the substantial corporate actions by the Company. In particular, for the purposes of preliminary consideration of "substantial" transactions and projects, a Special Committee is established, which consists only of independent directors, who generate their recommendations for decision making by the Board of Directors, including employment of an external appraiser, when finding it fit.
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List of major transactions and transactions of interest closed by MTS PJSC in 2015

- In 2015 MTS PJSC did not approve (close) transactions, which are recognised in accordance with the Federal Law "Concerning Joint Stock Companies" as major transactions, and also other transactions, closing of which is covered by the procedure of major transactions approval according to the Charter of the Company
- The list of transactions closed by MTS PJSC in 2015 and recognised in accordance with the Federal Law "Concerning

Joint Stock Companies" as transactions of interest, the need to approve which by the authorised management body of the joint stock company is specified by the chapter XI of the Federal Law "Concerning Joint Stock Companies"

Information is available at the corporate website of MTS PJSC at: http://www.company.mts.ru/comp/ir/control/data/annual_reports/62/

Annual consolidated financial reporting of MTS PJSC and subsidiaries for 2015

Information is available at the corporate website of MTS PJSC at: http://www.company.mts.ru/comp/ir/control/data/annual_reports/62/

Consumption of Power Resources

Information on consumption of power resources by MTS PJSC in 2015 (in kind and monetary terms)

Resource	In kind	In monetary terms
Power	936,966,976.34 kW/hr	4,424,598,056.36 RUB
Thermal power	44,241.73 Gcal	64,111,044.80 RUB
Water supply	264,619.71 m ³	8,886,258.08 RUB
Gas supply	1,031,904.36 m ³	5,912,450.79 RUB
Petrol	2,989,635.54 litres	86,001,184.13 RUB
Diesel fuel	3,965,485.16 litres	117,229,233.71 RUB

Glossary

MOU – Minutes of Usage

ARPU – Average Revenue Per User

GPON – Gigabit Passive Optical Network

3G – 3rd Generation

4G – 4th Generation

LTE – Long-Term Evolution

TDD – Time Division Duplex

FDD – Frequency Division Duplex

M2M – Machine-To-Machine

SaaS – Software as a Service

HSPA+ – High Speed Packet Access Plus

MVNO – Mobile Virtual Network Operator

CDMA – Code Division Multiple Access

GSM – Global System for Mobile Communications

Wi-Fi – Wireless Fidelity

UMTS – Universal Mobile Telecommunications System

VAS – Value Added Services

BBA – Broadband Access

FOCL – Fibre Optic Communication Line

OIBDA – Operating Income Before Depreciation And Amortization

CAPEX - CAPital EXpenditure

MICEX – Moscow Interbank Currency Exchange, Russia

Moscow Stock Exchange – the largest stock exchange holding in Russia and Eastern Europe

NYSE – New York Stock Exchange, USA

Bank of Russia – Central Bank of the Russian Federation

SEC – The United States Securities and Exchange Commission, USA

ADR – American Depositary Receipts

IFRS – International Financial Reporting Standards

RFRS – Russian Financial Reporting Standards

CSR – Corporate Social Responsibility

Disclaimer

This Annual Report has been prepared by Mobile TeleSystems PJSC (the “Company”) solely for information purposes and may contain forward-looking statements or forecasts. Such statements or forecasts relate to the matters other than historical facts or statements, and reflect the Company’s intentions, beliefs or current expectations concerning, inter alia, performance results, financial condition, liquidity, efficiency, prospects, growth rates, strategies of the Company and industry in which it operates. Nature of the forward-looking statements and forecasts implies risk and uncertainty, as they relate to events and depend on circumstances that may, or may not arise in the future. The Company cautions that forward-looking statements and forecasts do not guarantee future performance and that actual performance results, financial condition and liquidity of the Company, as well as changes in the industry in which the Company operates may differ materially from those stated or assumed in the forward-looking statements and forecasts contained in this report. The factors

that may lead to material differences between the actual results and the assumptions contained in forward-looking statements or forecasts, include, among others, general economic conditions prevailing in the markets in which the Company operates, competitive environment and risks associated with operating in such markets, market change in the industry and related industries, as well as many other risks affecting the Company and its activities. Moreover, even if the Company performance results, financial condition and liquidity and the changes taking place in the industry in which the Company operates comply with those set forth in the forward-looking statements or forecasts presented herein, those results or changes may not be illustrative of the results or changes in future periods. The Company does not undertake any obligation to review or confirm expectations or estimates, or update any forward-looking statements or forecasts to reflect the events or circumstances occurring or arising after the date of this report.

President
of Mobile TeleSystems
Public Joint Stock Company

A. Dubovskov

Chief Accountant
of Mobile TeleSystems
Public Joint Stock Company

A. Dvoretiskikh

Additional Information about the Company

Information about the Company

Full trade name of the Company:

in Russian: Публичное акционерное общество “Мобильные ТелеСистемы”

in English: Mobile TeleSystems Public Joint Stock Company.

Short trade name of the Company:

in Russian: ПАО “МТС”.

in English: MTS PJSC.

Location of MTS PJSC: 4 ul. Marksistskaya, Moscow, 109147, Russian Federation

Tel.: (495) 911 6555. Fax: (495) 911 6599.

Correspondence address of MTS PJSC: 5 ul. Vorontsovskaya, bldg. 2, Moscow, 109147, Russian Federation

E-mail: info@mts.ru

Internet: <http://www.mtsgsm.com>

Information on subdivision of shareholders and investors relations

Location of subdivision of shareholders and investors relations:

5 ul. Vorontsovskaya, bldg. 2, Moscow, 109147, Russian Federation

Shareholders service subdivision Corporate Governance Department, MTS PJSC:

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Tel.: +7 (495) 911 6552. Fax: +7 (495) 911 6551. E-mail: shareholder@mts.ru

Investors service subdivision Department for Corporate Finances and Investor Relations:

Joshua Tulgan (Director of the Department)

Tel.: +7 (495) 223 2025. Fax: +7 (495) 911 6588. E-mail: ir@mts.ru

Auditor

Deloitte and Touche CIS Closed Joint Stock Company

Address: 5 ul. Lesnaya, Moscow, 125047, Russian Federation

Telephone: (495) 787 0600. Fax: (495) 787 0601. Internet: <http://www.deloitte.com>

Registrar

Joint Stock Company Independent Registrar Company

Address: 8 ul. Ivana Franko, Moscow, 121108

Telephone: +7 (495) 926 8160. Fax: +7 (495) 926 8178. E-mail: info@nrcreg.ru

Internet: <http://www.nrcreg.ru>

Depository

Non-Bank Credit Organisation National Settlement Depository Closed Joint Stock Company

Address: 12 ul. Spartakovskaya, Moscow, 105066

Multi-channel number: + 7 (495) 234 4827

Internet: <http://www.nsd.ru>
