



**MTS**

You know that you can!

# DELIVERING ON OUR 3D STRATEGY

## DATA DIGITAL DIVIDENDS

Q4 & Full Year 2016  
Financial & Operating Results

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

## Q4 2016 HIGHLIGHTS

MTS Group – Key figures (RUB bln)	Q4 2016	Q4 2015	Change %	2016	2015	Change %
Revenue	111.6	111.3	0.2%	435.7	426.6	2.1%
of which: Russia	103.8	102.5	1.2%	400.6	391.2	2.4%
Adjusted OIBDA	41.8	43.4	-3.8%	169.3	177.0	-4.4%
of which: Russia	41.0	41.1	-0.2%	162.5	165.1	-1.5%
Operating profit	21.4	20.0	6.9%	87.7	93.9	-6.7%
Profit attributable to owners of the Company:	12.4	7.1	73.2%	48.5	49.5	-2.1%
Profit from continuing operations	12.4	7.7	61.5%	51.8	52.3	-0.9%
Loss from discontinued operation	-	-0.5	n/a	-3.4	-2.8	18.8%
Operating cash flow				130.6	144.1	-9.4%
Cash CAPEX				83.6	96.1	-13.1%
Net debt				220.9	215.9	2.3%
Net debt / LTM Adjusted OIBDA				1.3x	1.2x	n/a
Free cash flow				47.0	51.0	-7.9%

Mobile subscribers (mln)	Q4 2015	Q3 2016	Q4 2016	Y-o-Y Change %	Q-o-Q Change %
Total	106.7	108.8	109.9	2.9%	0.9%
Russia	77.3	79.0	80.0	3.5%	1.3%
Ukraine <sup>1</sup>	20.4	20.8	20.9	2.5%	0.5%
Armenia	2.1	2.1	2.1	-1.1%	-1.0%
Turkmenistan	1.6	1.6	1.7	2.6%	1.3%
Belarus <sup>2</sup>	5.3	5.3	5.2	-1.9%	-1.9%

Andrei Dubovskov, President and Chief Executive Officer, commented on the results:

“As we continue to execute on our 3D Strategy, we delivered strong financial results in 2016, despite on-going macroeconomic factors and a challenging competitive environment. Currency volatility in certain markets factored into our Group results, but underlying performance was in line with our expectations.

Looking ahead, we remain cautiously optimistic about the telecom market and strongly feel that MTS is well-positioned to benefit from any improvement in the macroeconomic and operating environment. We are pleased to announce that we continue to pursue our 3D strategy by focusing on *digital* as we aim to use a variety of digital technologies to enhance our data transformation, differentiate ourselves from our competitors and enhance overall efficiencies and shareholder returns.”

<sup>1</sup> Including CDMA subscribers

<sup>2</sup> MTS owns a 49% stake in Mobile TeleSystems LLC, a mobile operator in Belarus, which is not consolidated

## KEY CORPORATE DEVELOPMENTS

### LAUNCH OF MTS MONEY APP AND NEW MOBILE PAYMENT SYSTEM

MTS launched the mobile app “MTS Money”, which enables customers to upload virtual banking cards, tickets for public transportation in Moscow and discount coupons to their NFC-enabled smartphones

The launch of the new payment system allows MTS customers to leave their cash and bank cards at home as they will be able to make payments from their mobile accounts in a variety of retail locations for virtually any product or service.

### BIG DATA TO DEVELOP MTS RETAIL CHAIN

The launch of a pilot project to utilize Big Data for the optimization of the MTS monobrand retail chain.

### MTS LAUNCH INNOVATION CENTER

Launched the Innovation Center, a department that brings a new approach to business development through the launch of new products and services. The Center uses agile development, a flexible methodology, for service development. The establishment of the Innovation Center will reduce the timeline for launching new products by 3–4x.

### ACQUISITION OF SMARTS TO DEVELOP LTE NETWORKS

Acquisition of a regional asset of SMARTS to enhance services in the Republic of Mari El through additional spectrum of 14.8 Mhz in the 1,800 Mhz range that will allow to develop LTE networks.

### MTS IMPLEMENTS INNOVATIVE CORPORATE GOVERNANCE PRACTICE

MTS was the first company in the history of Russian corporate governance to launch an online service for electronic voting for MTS shareholders.

### NEW DIVIDEND POLICY AND 2016 PAYOUT

In April 2016, the Board of Directors approved a new dividend policy, under which management set a target payout of RUB 25.0 – 26.0 per ordinary MTS share (RUB 50.0 – 52.0 per ADR) per calendar year payable in two semi-annual payments. The policy guarantees a minimum payout of RUB 20.0 per ordinary MTS share (or RUB 40.0 per ADR). The new policy will cover 2016 – 2018.

In 2016, MTS paid out RUB 52.0 bln or RUB 26.0 per share in dividends. In June, MTS paid out its first payment of RUB 28.0 bln (RUB 14.01 per ordinary share or RUB 28.02 per ADR) based on its FY2015 results. In Q4, MTS made an additional payment totaling 24.0 bln or RUB 11.99 per ordinary MTS share (RUB 23.98 per ADR) based on H1 2016 results.

### EQUITY TENDER OFFERS

In addition to the dividend payout, the Board has considered the advisability of a share repurchase program as an additional way to create further shareholder value. As part of such a program, the Group could allocate up to 30bln rubles to be spent over the next three years on the repurchase of shares.

In October and December 2016, the Board of Directors gave approval for MTS to launch two Modified Dutch Tender Offers with the goal of returning a maximum of RUB 10 bln to the Company’s Holders of Shares of Common Stock and ADR Holders. Through two tenders, launched in October 2016 and January 2017, MTS acquired 17,532,278 shares for a total consideration of RUB 5.0 bln. In transactions related to the tenders, MTS acquired a number of shares proportional to its aggregate ownership from its majority shareholder, Sistema JSFC, at prices determined by the tender. In total, MTS spent RUB 10.0 bln to acquire a total of 35,121,665 shares.

### EUROBOND REPURCHASE

MTS repurchased USD 267 mln of Loan Participation Notes due in 2020 (issued in 2010 in

the amount of USD 750,000,000 at 8.625%) through a tender offer in June.

### PARTNERSHIPS

MTS and Samsung Electronics, the world-leading company in consumer electronics and hi-end IT, announced the signing of a memorandum with the intention to co-operate in developing 5G technologies. Under the strategic partnership, the companies will work on innovations aimed at implementing a LTE-Advanced Pro network, developing standards and the deployment of 5G in Russia regions

MTS also concluded a partnership agreement with Huawei, by which Huawei will supply a broader range of smartphones and other consumer electronics for sale through the MTS retail network.

### EXIT FROM UZBEKISTAN

MTS sold 50.01% stake in the telecommunications operator Universal Mobile Systems (UMS) to the State Unitary Enterprise Centre of Radio Communication, Radio Broadcasting and Television of The Ministry of Development of Information Technologies and Communications of the Republic of Uzbekistan.

### TOWER MARKET

MTS entered the tower infrastructure market with the intention of developing a new business direction to manage existing tower infrastructure and further monetize its asset base. Initially, MTS offered over 5,500 of its towers and antenna support structures for rent in many regions throughout Russia, but has since expanded the program to include most of its towers and sites.

## GROUP BUSINESS PERFORMANCE

Group Highlights (RUB bln)	Q4 2016	Q4 2015	Change %	2016	2015	Change %
Revenue	111.6	111.3	0.2%	435.7	426.6	2.1%
Adjusted OIBDA margin	41.8	43.4	-3.8%	169.3	177.0	-4.4%
Profit attributable to owners of the Company	37.4%	39.0%	-1.6pp	38.8%	41.5%	-2.7pp
margin	12.4	7.1	73.2%	48.5	49.5	-2.1%
margin	11.1%	6.4%	4.7pp	11.1%	11.6%	-0.5pp

### CONSOLIDATED FINANCIAL HIGHLIGHTS

**Group revenue** increased year-over-year 2.1% to RUB 435.7 through the continued execution of our 3D strategy: data, differentiation and dividends. Sustained growth in data usage throughout key markets, coupled with increased handset sales in Russia, offset the negative effect of macroeconomic factors in key segments, such as business markets and roaming users, while the effect of a strengthening ruble continued to dampen the contribution from foreign subsidiaries. Overall, revenue performance outpaced the market in MTS's key geographies.

Despite prolonged macroeconomic volatility and increased levels of competition in MTS's key markets, **Group Adjusted OIBDA** declined slightly to RUB 169.3 bln. Additional expenses in retail and

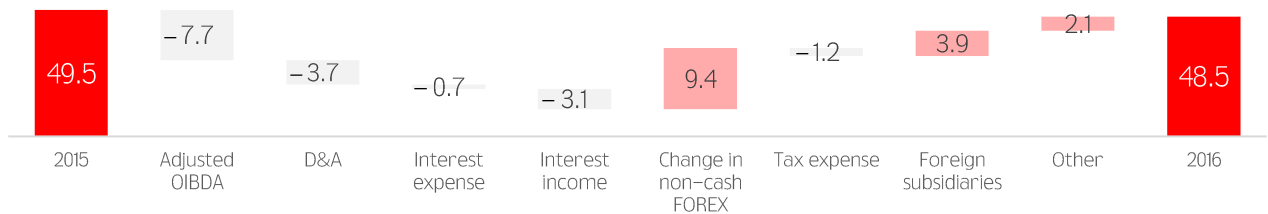
macroeconomic factors increased costs in Russia, while the strengthening ruble limited the contribution from foreign subsidiaries. Nevertheless, the stabilizing macroeconomic environment and the Group's strategic approach towards efficiency places MTS in a strong position to benefit from an overall improvement in the regional market.

**Group net profit** decreased slightly for the year to RUB 48.5 bln largely in line with OIBDA trends. Overall, the gradual strengthening of the ruble throughout the year coupled with improved performance of associates, including MTS Bank, offset one-off losses, such as the mid-year disposal of UMS, to deliver healthy earnings for the Group.

#### Group Adjusted OIBDA Factor Analysis (RUB bln)



#### Group Net Profit Factor Analysis (RUB bln)

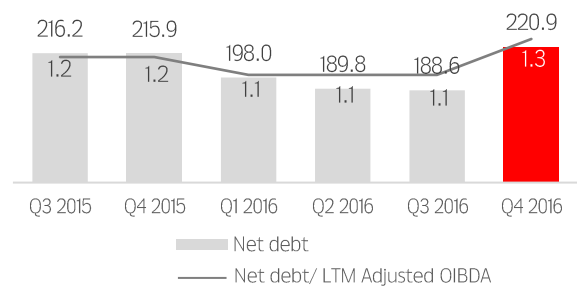


## LIQUIDITY AND CASH FLOW

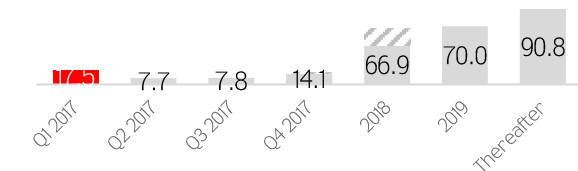
Debt & Liquidity (RUB bln)	As of December 31, 2016	As of September 30, 2016
Current portion of LT debt and of finance lease obligations	47.7	59.8
LT debt	227.7	208.7
Finance lease obligations	10.4	10.1
Total debt	285.8	278.6
Less:		
Cash and cash equivalents	18.5	36.5
ST investments	8.7	11.7
LT deposits	27.1	30.3
Effects of hedging of non-ruble denominated debt	10.7	11.5
Net debt	220.9	188.6

By the end of the year, **total debt** stood at RUB 274.8 bln (net of leases and debt issuance costs), which is trending lower due to currency stability, as well as the retirement and repayment of various debt instruments. In particular, in June, MTS repurchased USD 267 mln of outstanding Eurobonds to take advantage of a favorable market and its strong liquidity position in order to provide hedges against future currency volatility and general balance sheet flexibility.

Net debt (RUB bln)

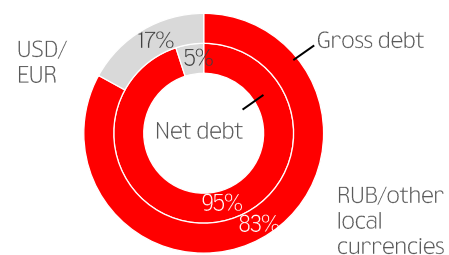


### Total debt<sup>3</sup> = RUB 274.8 bln



Bonds 8 series, Bonds BO-01 and BO-02 ruble bonds contain put options that as of December 31, 2016, MTS expected to be exercised in November 2017, March 2018 and August 2018, respectively

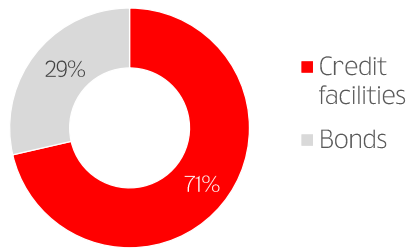
Gross/Net debt structure by currency<sup>4</sup>



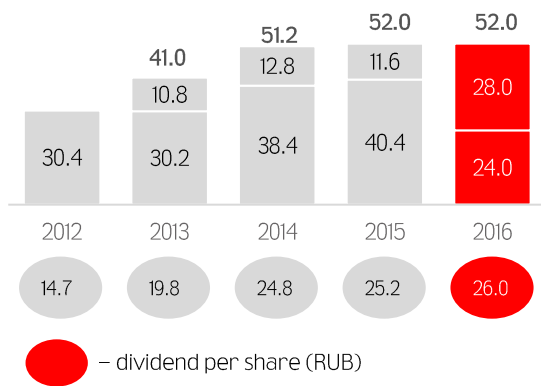
<sup>3</sup> Total group debt net of financial leasing and unamortized debt issuance cost adjustment

<sup>4</sup> Including financial leasing and including FOREX hedging in the amount of \$764.2 mln as of Q4 2016

### Gross debt structure by type



### Dividend history (RUB bln)



In Q4, MTS paid out its semi-annual **dividend** payment of RUB 24.0 bln. For the calendar year, MTS paid out RUB 52.0 bln or RUB 26.0 per share in accordance with its dividend policy. In April 2016, MTS disclosed that it would consider spending up to RUB 30 bln over three years to complement its dividend payout with other ways to enhance shareholder returns. As part of this consideration, MTS launched two modified Dutch auction tenders in Q4 2016 and Q1 2017 to acquire 17.5 mln shares for an overall cost of close to RUB 5.0 bln. Simultaneously, MTS entered into a binding agreement with Sistema, its controlling shareholder, to acquire number of shares proportional to their ownership stake at the prices determined by the market. In total, MTS acquired 35.1 mln shares for a consideration of RUB 10.0 bln.

### Cash CAPEX Breakdown (RUB bln)

	2016	2015
Russia <sup>5</sup>	73.8	79.6
as % of revenue	18.4%	20.4%
Ukraine <sup>6</sup>	7.5	12.4
as % of revenue	25.6%	44.1%
Armenia	1.0	1.4
as % of revenue	11.8%	15.2%
Turkmenistan	0.4	0.5
as % of revenue	9.0%	9.8%
Group CAPEX <sup>7</sup>	83.6	96.1
as % of revenue	19.2%	22.5%

For the year, MTS spent RUB 83.6 bln on **capital expenditures**, a decline of 13.1% from 2015 and slightly less than its guidance of RUB 85.0 bln. By the end of 2016, MTS completed its fiber-optic enhancement programs and introduced LTE-enabled networks to every region of operation in Russia. By the end of the year, MTS installed an additional 6,200 LTE-enabled base stations to complement its high-quality mobile network for

customers in order to retain its leading market position. While investments continue incrementally, MTS sees opportunity to gradually reduce its CAPEX, while sustaining its market-leading network coverage and enhancing cash flows.

<sup>5</sup> Excluding costs of RUB 3.4 bln related to the acquisition of a 4G license in Russia in 2015 and RUB 2.6 bln in 2016

<sup>6</sup> Excluding costs of RUB 7.0 bln related to the acquisition of a 3G license in 2015 in Ukraine

<sup>7</sup> Including RUB 875 mln spent on CAPEX in UMS LLC in 2016 and RUB 2.2 bln in 2015, while Group Revenue for 2015 and 2016 doesn't include Revenue from UMS LLC



Cash Flow (RUB bln)	For the year ended December 31, 2016	For the year ended December 31, 2015
Net cash provided by operating activities	130.6	144.1
Less:		
Purchases of property, plant and equipment	(55.5)	(76.7)
Purchases of intangible assets <sup>8</sup>	(28.0)	(19.4)
Proceeds from sale of property, plant and equipment	4.0	3.0
Investments in associates	(4.1)	–
Free cash flow	47.0	51.0

Free cash flow amounted to RUB 47.0 bln for 2016. This is a slight decline from 2015, which can largely be attributed to one-off factors, such as an investment in MTS Bank totalling RUB 4.1 bln and higher interest payments that derived from the

repurchase of MTS's Eurobonds 2020 in June. Tax payments also rose for the year as the appreciating ruble increased the tax base of the Company.

## RUSSIA

Russia Highlights (RUB bln)	Q4 2016	Q4 2015	Change %	2016	2015	Change %
Revenue <sup>9</sup>	103.8	102.5	1.2%	400.6	391.2	2.4%
mobile	75.2	74.9	0.3%	295.0	296.2	–0.4%
fixed	15.4	15.5	–0.5%	61.2	61.6	–0.7%
integrated services	0.8	0.9	–10.3%	5.6	1.1	5x
sales of goods	14.8	13.8	6.7%	49.6	40.3	23.1%
OIBDA	41.0	41.1	–0.2%	162.5	165.1	–1.5%
margin	39.6%	40.1%	–0.5pp	40.6%	42.2%	–1.6pp
Net profit	13.7	11.8	15.5%	53.9	53.1	1.5%
margin	13.2%	11.5%	1.7pp	13.5%	13.6%	–0.1pp

For the year, **total revenue in Russia** increased slightly to RUB 400.6 bln. The Group saw a slight decline of less than 1% in its mobile and fixed-line businesses, which was offset by a 23% year-on-year increase in sales of goods. The Group also witnessed a threefold increase in revenues in our integration business, which also supported topline performance.

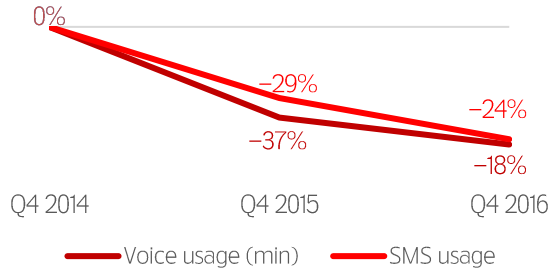
In the **mobile** sector, revenues declined by 0.4% to RUB 295.0 bln. Key factors include reduced calling volume in business segments and roaming voice usage (see the graph below) among mass market customers largely attributable to on-going macroeconomic volatility. However, the Company is encouraged by year-over-year growth in revenue in Q4 of 0.3%, a dynamic that reflects an overall improvement business and consumer sentiment in Russia. In addition,

<sup>8</sup> Excluding purchases of 3G license in Ukraine in the amount of RUB 7.0 bln in 2015 and 4G license in Russia in the amount of RUB 3.4 bln in 2015 and RUB 2.6 bln in 2016

<sup>9</sup> Net of eliminations

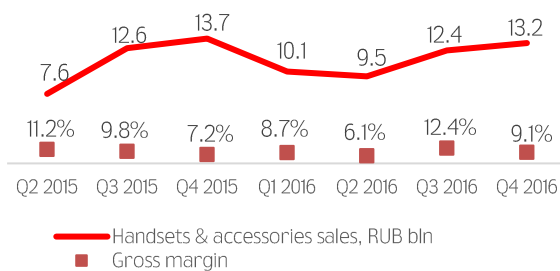
**subscriber growth** increased 3.5% for the year, a fact that highlights the strength of our brand, leadership in key segments like business and the burgeoning M2M market, and the overall success of our focus on controlled, MTS-branded retail distribution channels.

### Change in roaming traffic



The Company achieved a 23% increase in **sales of goods** over the year as it continued to defend market share from intensified retail competition through the aggressive pricing of handsets, beneficial partnerships with leading handset providers, appealing MTS-branded data devices and through sales of software products. Handset pricing continued to improve in Q4, as both the strengthening of the ruble and commercial policies helped to sustain improvement in handset profitability.

### Handsets and Accessories Sales and Gross Margin<sup>10</sup>



**Mobile internet penetration** reached nearly 50% as customers respond both to our attractive product portfolio and our tariff policies. **LTE-traffic** in the total volume of subscriber mobile traffic increased to 26% in 2016 from 17% in 2015 as we have demonstrated

sustained, effective expansion of LTE within each of Russia's 83 regions.

Fixed-line revenue (RUB bln)	Q4 2016	Q4 2015	Change %	2016	2015	Change %
Total	15.4	15.5	-0.5%	61.2	61.6	-0.7%
B2C	7.5	7.5	-0.2%	29.9	29.8	0.3%
B2B+B2G+B2O	7.9	8.0	-0.9%	31.3	31.8	-1.8%

In MTS's **fixed-line business**, sales decreased slightly by 0.7% to RUB 61.2 bln, due to a 3.7% decrease in fixed-telephony subscribers. Nevertheless, the Company's B2C broadband and pay-tv markets continued to grow. Market shares in Moscow increased in both home broadband (up 3 pp to 33%) and pay-tv (up 4.6 pp to 29.6%<sup>11</sup>) as we leverage the network capabilities of our fiber-optic networks to offer unmatched speed, quality and services. For the year, both B2B and B2G projects remain largely stagnant, due to the overall macroeconomic environment.

MTS's **integration business**, launched with the acquisition of Nvision, showed promise in 2016. In addition to measurable revenue growth, the scope of our integrated products and services received a boost as we developed cloud computing service to the new level and started to work with large clients and continued to enhance our capabilities in Big Data and telematics solutions. Sales of software from Nvision increased q-o-q by 17.7%, which also contributed to our overall revenue dynamics.

**Russia OIBDA** declined 1.5% to RUB 162.5 bln, which in relation to the overall Russian market showcases the Group's focus on efficiency and the success of strategic decisions, such as the advocacy for mono-brand retail distribution. Similar to MTS's revenue dynamic, in Q4, the Company saw a mere decline of 0.2% year-over-year, which is attributable to both the improving macroeconomic environment and the cessation of further retail expansion. Having achieved the Group's goals in relation to its retail efforts, the Company has already begun reducing its footprint incrementally in Q1 2017.

<sup>10</sup> Margin on Handsets and Accessories for previous periods was restated due to change in methodology of calculating cost of sales of handsets and accessories

<sup>11</sup> Accounts only for the customers who use Digital TV platform

## UKRAINE

Ukraine Highlights (UAH bln)	Q4 2016	Q4 2015	Change %	2016	2015	Change %
Revenue	2.8	2.4	15.3%	11.1	10.0	11.1%
Adjusted OIBDA <sup>12</sup> margin	1.1 39.5%	0.9 36.8%	23.8% 2.7pp	3.8 34.1%	4.1 41.0%	-7.7% -6.9pp
Net profit margin	0.3 11.9%	0.4 17.1%	-20.1% -5.2pp	1.3 11.4%	2.3 22.8%	-44.3% -11.4pp

In **Ukraine**, the Group continues to witness growth in the market due to the launch of 3G services. **Revenues** increased 11.1% to UAH 11.1 bln for the year, while revenues increased over 15% year-over-year in Q4. During the year, MTS attracted an additional 425,083 subscribers, and having launched data services in all of Ukraine's major population areas (covered 54% of population with 3G), we are seeing exponential growth in data consumption.

While **Adjusted OIBDA** declined 7.7% year-over-year to UAH 3.8 bln, the Group saw a relatively

strong increase of Adjusted OIBDA in the second half of the year. In Q4, year-over-year Adjusted OIBDA increased 23.8% at an OIBDA margin of 39.5% as the Group benefits from economies of scale relating to its 3G roll out and gains traction from the introduction of the Vodafone brand. While the strengthening of the ruble versus the hryvna negatively impacted our Group results, the market is demonstrating underlying improvement, which bodes well for our future performance.

## OTHER FOREIGN MARKETS: ARMENIA, TURKMENISTAN, BELARUS

Armenia Highlights (AMD bln)	Q4 2016	Q4 2015	Change %	2016	2015	Change %
Revenue	14.0	16.5	-15.3%	58.3	71.2	-18.1%
Adjusted OIBDA <sup>13</sup> margin	5.4 38.5%	7.6 46.3%	-29.5% -7.8pp	23.5 40.2%	34.3 48.1%	-31.5% -7.9pp
Net profit margin	1.7 12.3%	-17.1 n/a	-110.0% n/a	3.6 6.3%	-6.5 n/a	-156.0% n/a

In Armenia, **revenue** declined 18% for the year to AMD 58.3 bln. Macroeconomic factors continue to dampen usage of services such as international calling and roaming, coupled with general economic weakness in the market due to the decline of remittances from abroad. Each of these factors also weakens usage of core voice

and data products. In Q4, results were slightly better, as revenue year-over-year declined 15% to AMD 14.0 bln.

Increased pressure on the market has also led to an increase in competition, which is one factor that explains the 32% decline in Adjusted OIBDA year-over-year. Reflecting revenue trends,

<sup>12</sup> Adjusted OIBDA for 2015 doesn't include provision for cash balances deposited in distressed Ukrainian banks of RUB 1.7 bln (UAH 0.6 bln)

<sup>13</sup> Adjusted for impairment of goodwill in the amount of AMD 24.4 bln in Q4 2015

Adjusted **OIBDA** declined slightly less to AMD 5.4 bln in Q4 year-over-year. Overall, the Adjusted **OIBDA margin** for the year remains strong at

40.2% as the Company continuously focus on ways to improve efficiency in this challenging operating environment.

Turkmenistan Highlights (TMT mln)	Q4 2016	Q4 2015	Change %	2016	2015	Change %
Revenue	63.0	75.0	-16.0%	260.2	293.0	-11.2%
OIBDA margin	25.4	28.5	-10.7%	93.7	110.4	-15.1%
Net profit margin	40.4%	37.9%	2.5pp	36.0%	37.7%	-1.7pp
	12.1	15.2	-20.4%	42.5	56.2	-24.4%
	19.2%	20.3%	-1.1pp	16.3%	19.2%	-2.9pp

In **Turkmenistan**, **revenue** for the year also declined by 11.2% to TMT 260 mln. Despite a slight 2.6% gain in subscribers for the year, macroeconomic-driven factors, which impact overall voice and data usage, continue to weaken customer value. In Q4, revenues declined year-over-year by roughly 16.0% to TMT 63 mln.

**OIBDA** of 15.1%. The Group has made efforts to increase network capacity and accommodate a greater number of customers on its network, competitive pressures too continue to present challenges to significantly increasing scale benefits. Overall, our **OIBDA margin** in Turkmenistan was 36.0%.

Macroeconomic pressures in Turkmenistan also contributed to the year-over-year decline in

Belarus Highlights (BYN mln)	Q4 2016	Q4 2015	Change %	2016	2015	Change %
Revenue	176.3	154.2	14.3%	662.2	545.9	21.3%
Adjusted OIBDA <sup>14</sup> margin	87.7	70.0	25.2%	311.5	268.7	16.0%
Net profit margin	49.7%	45.4%	4.3pp	47.0%	49.2%	-2.2pp
	53.8	51.3	4.9%	189.5	182.8	3.6%
	30.5%	33.3%	-2.8pp	28.6%	33.5%	-4.9pp

In **Belarus**, MTS continues to see the benefits of an increasing appetite for voice and data products and regulatory efforts to sustain value in the market. **Revenue** increased for the year by 21.3% to BYN 662 mln as we were able to increase prices on V&D products.

Partly this was aided by a strengthening of the BYN in relation to the USD and EUR in the second-half of Q4 as customer demand for roaming and international dialing began to increase prior to the holiday season. Overall, the Adjusted **OIBDA margin** in Belarus remained strong at 47.0%.

**Adjusted OIBDA** rose nearly 16% to BYN 312 mln aided by a strong Q4 increase in OIBDA of 25.2%.

<sup>14</sup> OIBDA adjusted in 2015 for reserves due to investments in distressed Delta Bank in the amount of BYN 6.97 mln

## 2017 OUTLOOK

### Group revenue:

For 2017, MTS estimates its Group revenue outlook at +2% /– 2% growth rate based on developments in the following areas:

- Competitive factors in distribution and tariff policies;
- Handset sales due to optimization of retail distribution channels;
- Service revenue dynamics in Russia;
- Service revenues in foreign subsidiaries and currency volatility in relation to the Russian ruble.

### Group OIBDA:

MTS estimates its outlook on adjusted Group OIBDA growth rate at +2% /– 2% in consideration of the following factors:

- Competitive factors and potential optimization in distribution;
- Business/consumer sentiment and usage of high-value products like roaming;
- Developments in foreign subsidiaries; and
- Macroeconomic developments and currency volatility throughout our markets of operation.

### Group CAPEX:

FY2017 CAPEX estimated to trend downwards to RUB 80 bln, due to a number of factors:

- Launch of LTE in each region of Russia by middle of 2016;
- Completion of fiber improvements in key Russian markets;
- Further incremental improvements and enhancements to LTE networks;
- Implementation of infrastructure and spectrum sharing projects;
- Completion of bulk of 3G build-out in Ukraine and future development of LTE;
- Evolution of commercial 5G solutions and introduction into Russian market; and
- Continued investments in digital products and services.

Group CAPEX forecast (RUB bln)



## CONFERENCE CALL DETAILS

The conference call will start today at:

18:00 hrs (Moscow time)

15:00 hrs (London time)

11:00 hrs (US Eastern time)

To take part in the conference call, please dial one of the following telephone numbers and quote the confirmation code, 435552

From Russia: + 7 495 213 1765

From the UK: + 44 (0) 330 336 9401

From the US: + 1 719 325 2340

The conference call will also be webcast live from the Science Museum in London. Please register for the webcast at <http://mtswecast.com/ir-2017>.

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

From the US: +1 719 457 0820 PIN 4139373

From the UK: +44(0)20 7660 0134 PIN 4139373

From Russia: 810 800 2702 1012 PIN 4139373

*This press release provides a summary of some of the key financial and operating indicators for the period ended December 31, 2016. For full disclosure materials, please visit <http://www.mtsgsm.com/resources/reports/>*

## CONTACT INFORMATION

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

## ATTACHMENTS

### Attachment A

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

Operating Income Before Depreciation and Amortization (OIBDA) and OIBDA margin. OIBDA represents operating income before depreciation and amortization. OIBDA margin is defined as OIBDA as a percentage of our net revenues. OIBDA may not be similar to OIBDA measures of other companies, is not a measurement under IFRS and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of profit or loss. We believe that OIBDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions of mobile operators and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under IFRS, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Our OIBDA calculation is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within the wireless telecommunications industry. We use the term Adjusted for OIBDA and operating profit where there were items that do not reflect underlying operations that were excluded. Adjusted OIBDA can be reconciled to our consolidated statements of profit or loss as follows:

Group (RUB bln)	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
Operating profit	20.0	21.6	20.5	24.2	21.4
Add: Loss from impairment of goodwill in Armenia	3.5	–	–	–	–
Adjusted operating profit	23.5	21.6	20.5	24.2	21.4
Add: D&A	19.9	19.5	20.2	21.5	20.4
Adjusted OIBDA	43.4	41.1	40.7	45.7	41.8

Russia (RUB bln)	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
Operating profit	23.5	21.6	22.0	24.1	23.2
Add: D&A	17.6	17.0	17.8	19.1	17.9
OIBDA	41.1	38.6	39.7	43.2	41.0

Ukraine (RUB bln)	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
Operating profit	1.2	0.8	0.6	1.2	1.0
Add: D&A	1.4	1.6	1.5	1.5	1.7
OIBDA	2.5	2.4	2.2	2.7	2.7

Armenia (RUB mln)	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
Operating profit/ (loss)	(3,122)	120	136	196	8
Add: Loss from impairment of goodwill in Armenia	3,516	–	–	–	–
Adjusted operating profit	394	120	136	196	8
Add: D&A	656	737	681	690	701
Adjusted OIBDA	1,050	857	817	886	709

Turkmenistan (RUB mln)	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
Operating profit	330	278	209	197	243
Add: D&A	209	232	207	215	216
OIBDA	538	510	416	412	459

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

Group	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
Operating margin	18.0%	20.4%	19.3%	21.5%	19.2%
Add: Loss from impairment of goodwill in Armenia	3.2%	–	–	–	–
Adjusted operating margin	21.1%	20.4%	19.3%	21.5%	19.2%
Add: D&A	17.9%	18.4%	19.0%	19.2%	18.3%
Adjusted OIBDA margin	39.0%	38.8%	38.3%	40.7%	37.4%

Russia	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
Operating margin	22.9%	22.4%	22.5%	23.4%	22.3%
Add: D&A	17.2%	17.6%	18.2%	18.5%	17.2%
OIBDA margin	40.1%	40.1%	40.8%	41.9%	39.6%

Ukraine	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
Operating margin	16.7%	9.9%	8.8%	16.2%	14.8%
Add: D&A	20.0%	19.5%	21.4%	21.2%	24.8%
OIBDA margin	36.7%	29.4%	30.1%	37.4%	39.6%

Armenia	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
Operating margin	n/a	5.6%	6.6%	9.5%	0.4%
Add: Loss from impairment of goodwill in Armenia	155.0%	–	–	–	–
Adjusted operating margin	17.4%	5.6%	6.6%	9.5%	0.4%
Add: D&A	28.9%	34.2%	32.9%	33.6%	38.1%
Adjusted OIBDA margin	46.3%	39.7%	39.5%	43.1%	38.5%

Turkmenistan	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
Operating margin	23.4%	19.4%	16.8%	16.7%	21.4%
Add: D&A	14.8%	16.2%	16.6%	18.2%	19.0%
OIBDA margin	38.1%	35.6%	33.4%	35.0%	40.5%

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## Attachment B

### Definitions

Subscriber. We define a “subscriber” as an organization or individual, whose SIM-card:

- shows traffic-generating activity or
- accrues a balance for services rendered or
- is replenished or topped off

Over the course of any three-month period, inclusive within the reporting period, and was not blocked at the end of the period.



MOBILE TELESYSTEMS  
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016 AND 2015

(Amounts in millions of RUB)

	Twelve months ended December 31, 2016	Twelve months ended December 31, 2015
Profit for the period	48,450	47,404
Adjustments for:		
Depreciation and amortization	83,259	82,473
Impairment of Goodwill in Armenia	-	3,516
Finance income	(5,273)	(8,368)
Finance costs	27,427	26,630
Income tax expense	14,954	13,269
Currency exchange (gain)/loss	(3,232)	6,213
Change in fair value of financial instruments	(166)	(1,014)
Amortization of deferred connection fees	(2,287)	(2,362)
Share of the (profit)/loss of associates	(1,828)	324
Inventory obsolescence expense	1,548	384
Allowance for doubtful accounts	2,857	3,221
Change in provisions	13,161	7,265
Non-cash loss on sale of subsidiary in Uzbekistan	2,726	-
Other non-cash items	(3,656)	(562)
Movements in operating assets and liabilities:		
(Increase)/Decrease in trade and other receivables	(3,525)	2,781
Increase in inventory	(1,816)	(5,998)
Decrease/(Increase) in VAT receivable	227	(642)
(Increase)/Decrease in advances paid and prepaid expenses	(812)	574
Decrease in trade and other payables and other current liabilities	(9,086)	(4,449)
Dividends received	2,801	3,269
Income taxes paid	(11,687)	(9,643)
Interest received	3,344	4,760
Interest paid (net of interest capitalised)	(26,821)	(24,957)
Net cash provided by operating activities	130,565	144,088
CASH FLOWS FROM INVESTING ACTIVITIES:		
Aquisition of subsidiary, net of cash acquired	(5)	-
Purchases of property, plant and equipment	(55,538)	(76,671)
Purchases of intangible assets (net of purchases of 3G licences in Ukraine and 4G licenses in Russia)	(28,013)	(19,440)
Purchases of 4G licenses in Russia/3G licences in Ukraine	(2,598)	(10,426)
Proceeds from sale of property, plant and equipment and assets held for sale	4,042	2,988
Purchases of short-term and other investments	(9,739)	(73,485)
Proceeds from sale of short-term and other investments	39,021	31,678
Investments in associates	(4,094)	-
Disposal of discontinued operation, net of cash disposed of	(378)	-
Net cash used in investing activities	(57,302)	(145,356)

CASH FLOWS FROM FINANCING ACTIVITIES:		
	3,063	
Cash flows from transactions under common control		(4,821)
		(16,132)
Loan principal paid	(69,532)	
Proceeds from loans	50,696	63,162
Repayment of notes	(20,364)	(24,018)
Proceeds from issuance of notes	10,000	5
Notes and debt issuance cost paid	(16)	(1,244)
Finance lease principal paid	(334)	(409)
Dividends paid	(52,805)	(50,786)
Cash outflow under credit guarantee agreement related to foreign-currency hedge	(2,984)	6,706
Repurchase of common stock	(748)	(6)
Other financing activities	(14)	(52)
Net cash used in financing activities	(83,038)	(27,595)
		761
Effect of exchange rate changes on cash and cash equivalents	(5,219)	
NET DECREASE IN CASH AND CASH EQUIVALENTS:	(14,994)	(28,102)
	33,464	61,566
CASH AND CASH EQUIVALENTS, at beginning of the period		
CASH AND CASH EQUIVALENTS, at end of the period	18,470	33,464

MOBILE TELESYSTEMS  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2016 AND  
2015

(Amounts in millions of RUB except per share amount)

	Twelve months ended	Twelve months ended	Three months ended	Three months ended
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Continuing operations:				
Service revenue	386,486	386,159	97,050	97,575
Sales of goods	49,206	40,480	14,542	13,745
	<u>435,692</u>	<u>426,639</u>	<u>111,592</u>	<u>111,320</u>
Cost of services	(130,158)	(126,805)	(31,817)	(32,630)
Cost of goods	(45,574)	(36,555)	(13,364)	(13,118)
Selling, general and administrative expenses	(94,046)	(87,340)	(24,942)	(22,391)
Depreciation and amortization	(81,582)	(77,843)	(20,390)	(19,876)
Other operating income/(expense)	222	(2,415)	(537)	(694)
Operating share of the profit of associates	3,115	3,456	857	931
	–	–	–	–
Provision for cash balances deposited in distressed Ukrainian banks	–	(1,698)	–	–
Impairment of goodwill in Armenia	–	(3,516)	–	(3,516)
Operating profit	87,669	93,923	21,399	20,026
Currency exchange gains/(losses)	3,241	(6,154)	174	(3,008)
Other (expenses)/income:				
Finance income	5,273	8,368	1,087	1,670
Finance costs	(27,136)	(26,422)	(5,462)	(7,164)
Other expenses	(1,438)	(2,712)	(651)	(1,065)
Total other expenses, net	(23,301)	(20,766)	(5,026)	(6,559)
Profit before tax from continuing operations	67,609	67,003	16,547	10,459
Income tax expense	(15,138)	(13,931)	(4,028)	(2,609)
Profit for the period from continuing operations	52,471	53,072	12,519	7,850
Discontinued operation:				
Loss from discontinued operation, net of tax	(4,021)	(5,668)	–	(1,077)
Profit for the period	48,450	47,404	12,519	6,773
Loss/(income) for the period attributable to non-controlling interests	24	2,085	(158)	362
Profit for the period attributable to owners of the Company	<u>48,474</u>	<u>49,489</u>	<u>12,361</u>	<u>7,135</u>
Other comprehensive (loss)/income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Unrecognised actuarial gain	50	86	50	86
<i>Items that may be reclassified subsequently to profit or loss</i>				

Exchange differences on translating foreign operations	(16,657)	1,465	(3,522)	1,921
Net fair value (loss)/gain on financial instruments	(1,200)	(3,223)	331	(236)
Other comprehensive (loss)/income for the period	(17,807)	(1,672)	(3,141)	1,771
Total comprehensive income for the period	30,643	45,732	9,378	8,544
Less comprehensive loss/(income) for the period attributable to the noncontrolling interests	625	1,455	(158)	205
Comprehensive income for the period attributable to owners of the Company	31,268	47,187	9,220	8,749
Weighted average number of common shares outstanding, in thousands – basic	1,989,282	1,988,728	1,989,261	1,988,717
Earnings per share attributable to the Group – basic:				
EPS from continuing operations	26.06	26.31	6.22	3.85
EPS from discontinued operation	(1.69)	(1.43)	–	(0.26)
Total EPS – basic	24.37	24.88	6.22	3.59
Weighted average number of common shares outstanding, in thousands – diluted	1,990,694	1,990,196	1,990,656	1,990,185
Earnings per share attributable to the Group – diluted:				
EPS from continuing operations	26.04	26.29	6.21	3.85
EPS from discontinued operation	(1.69)	(1.42)	–	(0.26)
Total EPS – diluted	24.35	24.87	6.21	3.59

MOBILE TELESYSTEMS  
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)  
As of December 31, 2016 AND As of December 31, 2015

(Amounts in millions of RUB)

	As of December 31, 2016	As of December 31, 2015
<b>NON-CURRENT ASSETS:</b>		
Property, plant and equipment	272,841	302,662
Investment property	336	364
Intangible assets	108,813	109,064
Investments in associates	10,551	9,299
Deferred tax assets	6,150	9,287
Other non-current non-financial assets	896	480
Other investments	36,319	34,667
Accounts receivable (related parties)	3,693	3,335
Other non-current financial assets	13,877	25,203
Total non-current assets	453,476	494,361
<b>CURRENT ASSETS:</b>		
Inventories	14,330	14,510
Trade and other receivables	29,805	34,542
Accounts receivable (related parties)	4,401	6,326
Short-term investments	8,657	49,840
VAT receivable	7,098	9,815
Income tax assets	1,601	5,190
Assets held for sale	808	549
Advances paid and prepaid expenses, other current assets	5,824	4,781
Cash and cash equivalents	18,470	33,464
Total current assets	90,994	159,017
Total assets	544,470	653,378
<b>EQUITY:</b>		
Equity attributable to equity holders	139,235	160,115
Non-controlling interests	4,713	8,256
Total equity	143,948	168,371
<b>NON-CURRENT LIABILITIES:</b>		
Borrowings	237,113	292,168
Deferred tax liabilities	26,611	27,346
Provisions	2,350	2,565
Other non-current financial liabilities	2,774	676
Other non-current non-financial liabilities	4,129	4,342
Total non-current liabilities	272,977	327,097
<b>CURRENT LIABILITIES:</b>		
Borrowings	47,207	53,701
Provisions	8,075	7,863
Trade and other payables	41,473	57,756
Accounts payable (related parties)	1,014	1,809
Income tax liabilities	962	831
Other current financial liabilities	3,049	9,778
Other current non-financial liabilities	25,765	26,172
Total current liabilities	127,545	157,910
Total equity and liabilities	544,470	653,378

