

Group Financial Results For The Fourth Quarter and Full Year 2015

Investor conference call – March 21, 2016

Andrei Dubovskov
President, Chief Executive Officer

Alexey Kornya
Vice President, Chief Financial Officer

Vasyl Latsanych
Vice President, Chief Marketing Officer



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- Belarus financial highlights & operating indicators

APPENDIX



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FINANCIAL & CORPORATE HIGHLIGHTS



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Key Period Highlights: 3D Strategy

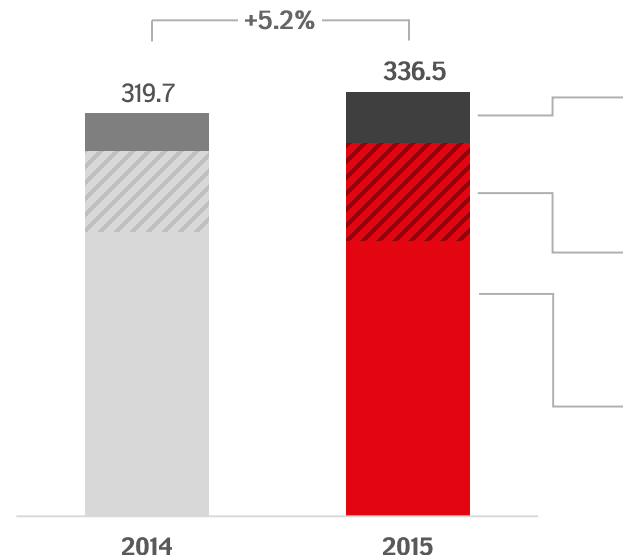
Group Revenue
(RUB bln)



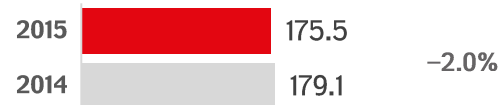
Total Russia Revenue
(RUB bln)



Mobile Business in Russia
(RUB bln)



Group Adjusted OIBDA
(RUB bln)



Mobile Subscriber Base Russia
(Mln)



Sales of Handsets & Accessories



Data Traffic Revenue



Mobile Service Revenue



DATA: Growth in a challenging macroeconomic environment

- Rise in Group revenue in spite of macroeconomic challenges throughout our markets of operation
- Highest smartphone penetration in the Russian market
- Launch and development of LTE in 83 regions of Russia
- Won license for providing 3G services throughout Ukraine
- Launched 3G under Vodafone brand in Ukraine
- Won federal spectrum auction in Russia for 2.6 GHz LTE frequency and additional 1800 MHz blocks in select regions

DIFFERENTIATION: Focus on a unique customer value proposition

- Leading proprietary retail network of over 5,000 stores in Russia
- Y-o-Y increase in sales of handsets to push customer data adoption, attract higher-quality customers and focus more sales through proprietary retail network
- Gains in market share in B2C broadband and pay-TV markets in Moscow through completion of GPON project
- Introduction of satellite TV products across Russia

DIVIDENDS: Efficiency and value creation

- Paid out record dividend amount of RUB 25.17 per share, or a total of RUB 52.0 bln, during calendar year 2015
- Entered into infrastructure and spectrum sharing agreements to accelerate LTE roll-out more efficiently in select regions

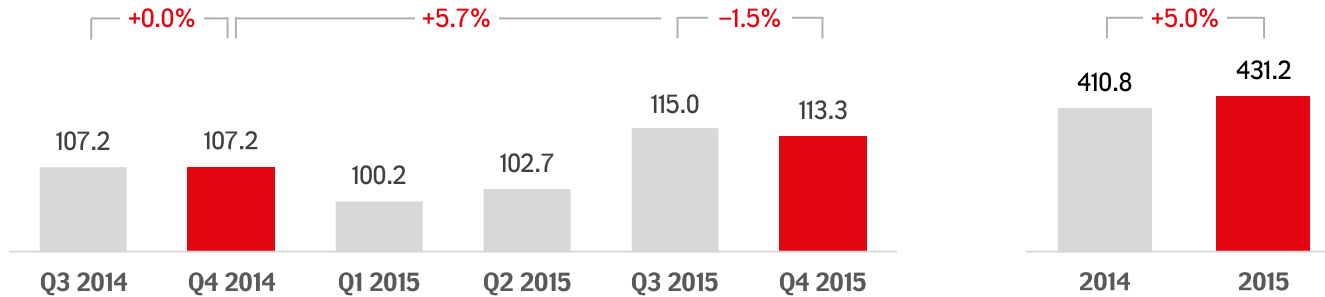


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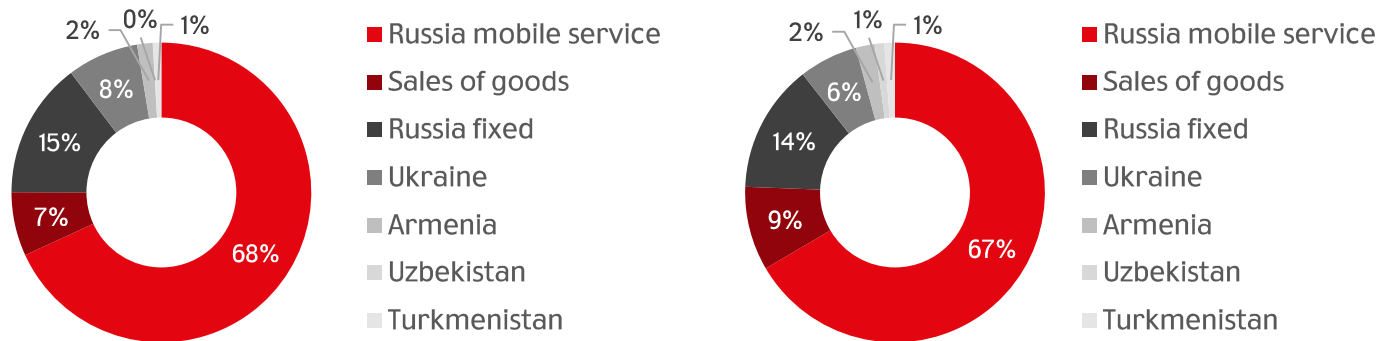
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Group Financial Highlights: Revenue

Total Group Revenue
(RUB bln)



Total Group Revenue Breakdown*



2014

2015

*Not including eliminations



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Strong Y-o-Y revenue growth due to:

- Strategic focus on increasing handset sales through aggressive pricing and expanded retail footprint
- Growth in data traffic revenues and expansion of our active subscriber base in Russia as a result of pricing and retail strategy
- Market share gain in Moscow B2C broadband and pay-TV markets
- Contribution from growth in Uzbekistan operations

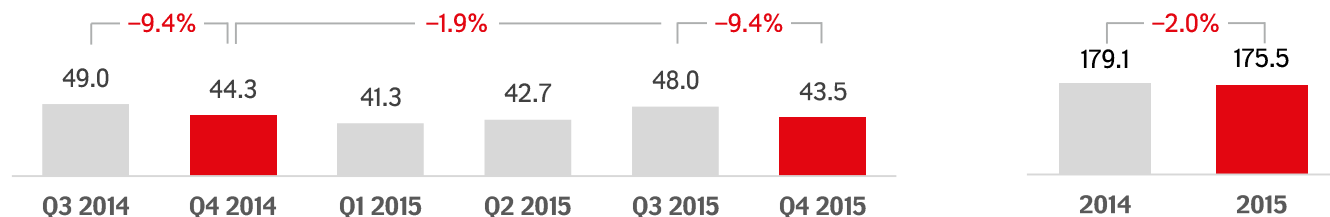
Y-o-Y revenue dynamics also impacted by:

- Decrease in revenues in Ukraine due to hryvna volatility, termination of business activities in Crimea and operational challenges in eastern Ukraine

Q-o-Q revenue downsize attributable to traditional seasonal factors, such as lower roaming revenues and lower active usage

Group Financial Highlights: Adjusted OIBDA

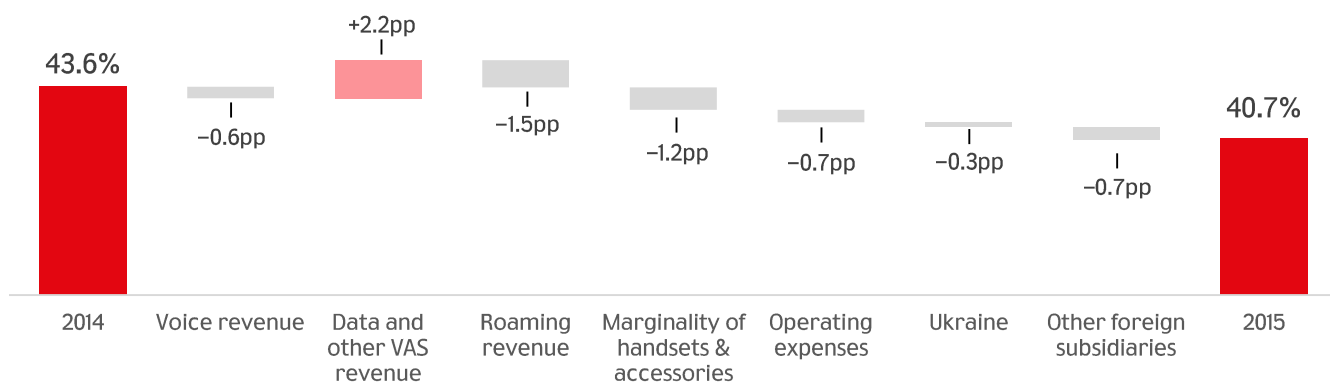
Total Group Adjusted OIBDA* (RUB bln)



Adjusted OIBDA Margin*

45.7%	41.4%	41.2%	41.6%	41.7%	38.4%	43.6%	40.7%
Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2014	2015

Adjusted OIBDA Margin: Factor Analysis



Y-o-Y decline in Adjusted OIBDA reflects:

- Higher contribution from sales of handsets in Russia to the sales mix
- Build out of the retail chain in Russia to compensate for aggressive competitive behavior
- Increased roaming and international calling costs in Russia
- Greater inflationary pressures in our core markets, including increased utility expenses, lines and sites rental costs, higher network maintenance and IT costs and increased taxes and frequency fees in Ukraine
- Costs related to the development of operations in Uzbekistan
- Currency volatility throughout our markets of operation

*Adjusted for a gain in the amount of RUB 6.7 bln (RUB 3.6 bln in Q3 2014 and RUB 3.1 bln in Q4 2014) from reentrance into Uzbekistan and adjusted for provision for cash balances deposited in distressed Ukrainian banks: RUB 5.1 bln and RUB 1.7 bln in Q4 2014 and Q1 2015 respectively, and for impairment of goodwill in Armenia in the amount of RUB 3.5 bln in Q4 2015

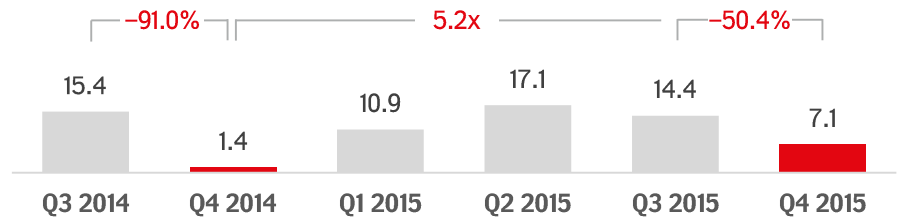


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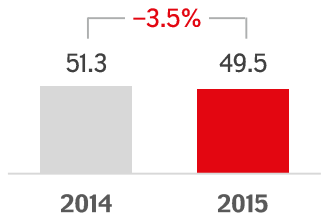
Group Financial Highlights: Net Profit

Total Group Net Profit
(RUB bln)



Net Profit Margin

14.4%	1.3%	10.9%	16.6%	12.5%	6.3%
Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015



12.5%	11.5%
2014	2015

- Net profit in Q4 2015 impacted by:
 - OIBDA trends
 - Impairment of goodwill in Armenia for RUB 3.5 bln
 - Share of losses at MTS Bank in the amount of RUB 2.3 bln
 - Non-cash FOREX loss of RUB 3.0 bln
- Full-year decline in net income attributable to additional factors, including:
 - Increased depreciation and amortization expenses
 - Developments in foreign subsidiaries, including Ukraine, Armenia and Uzbekistan
- MTS continues to see sustained macroeconomic volatility in its markets of operations that may impact the financial and operational performance throughout the Group

Group Mobile Subscriber Base Dynamics

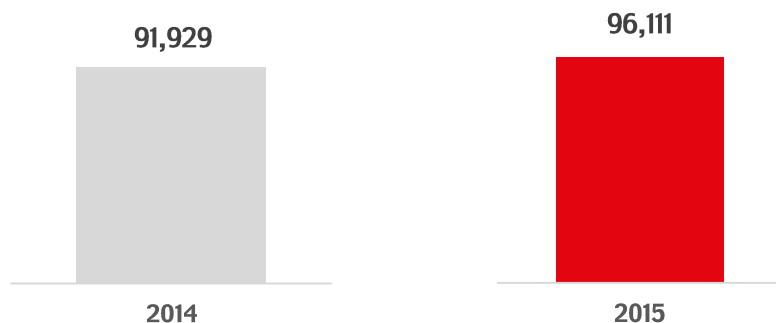
Subscribers (mln unless noted)	Q4 2014	Q3 2015	Q4 2015	Y-o-Y, % Change	Q-o-Q, % Change
Total Mobile	104.2	107.1	107.8	+3.5%	+0.7%
Russia	74.6	76.9	77.3	+3.6%	+0.5%
Ukraine*	20.2	20.3	20.4	+1.0%	+0.7%
Armenia	2.1	2.1	2.1	–	–
Turkmenistan	1.7	1.6	1.6	–6.3%	–
Uzbekistan	0.2	0.9	1.1	5.8x	+25.8%
Belarus**	5.3	5.3	5.3	–	–

*Including CDMA subscribers

**MTS owns a 49% stake in Mobile TeleSystems LLC, a mobile operator in Belarus, which is not consolidated

- In Russia, MTS continues to attract and retain high-quality subscribers by promoting innovative tariff plans and driving sales through its proprietary retail network
- In April 2015, MTS altered its retail strategy to compensate for exit from Svyaznoi retail chain, the control of which acquired by our competitors:
 - Increase retail footprint by roughly 20%
 - Lower handset prices to drive data adoption and competitively position MTS's handset portfolio
 - Increase sale of SIM-cards through MTS's retail network to 65%
- MTS sustains its active subscriber base through:
 - Best-in-class customer service
 - Market-leading network performance
 - Tariff plans and a market-leading retail platform designed to migrate voice-only customers to data plans

Group Capital Expenditures



	CAPEX	As % of Sales	CAPEX	As % of Sales
Russia*	85,491	22.8%	79,619	20.4%
Ukraine**	4,210	12.8%	12,427	44.1%
Armenia	1,142	16.0%	1,371	15.2%
Turkmenistan	1,084	28.4%	500	9.8%
Uzbekistan	1	0.6%	2,195	47.6%
Group	91,929	22.4%	96,111	22.3%
(in RUB mln)	2014		2015	

* Excluding costs of RUB 3.4 bln related to the acquisition of a 4G license in Russia in 2015

** Excluding costs of UAH 2.7 bln (RUB 7.044 bln) related to the acquisition of a 3G license in 2015



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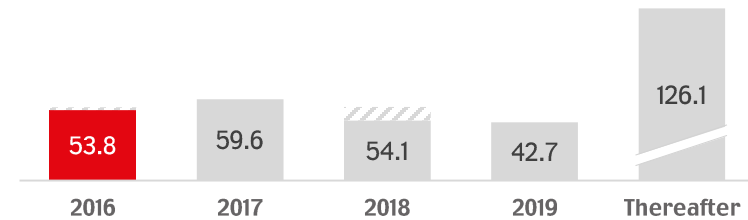
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- For twelve months of 2015, CAPEX equaled RUB 96.1 bln as the Company:
 - Developed further its mobile data networks throughout its markets of operation
 - Completes deployment of GPON project in Moscow
 - Modernize fixed-line network in other markets in Russia
 - Build out 3G services in Ukraine
 - Relaunched network services in Uzbekistan
- Mobile Russia (ex. MGTS) CAPEX/Sales ratio stood at 19.6%
- For the period, MTS reduced CAPEX as a % of sales in Russia, Armenia and Turkmenistan following a period of sustained opportunistic investments in building out networks
- In Ukraine, CAPEX naturally increased due to the company's acquisition of a license to provision UMTS/3G services
 - In Q1 2015, MTS won a tender for a nationwide license for the provision of 3G telecommunications services in the 1950–1965 MHz/2140–2155 MHz
 - The cost of the license (UAH 2.7 bln or RUB 7.0 bln) and payments for refarming frequencies (UAH 358 mln or RUB 865 mln) as one-time expenses are not included in total CAPEX amount

Group Debt at The End Of Q4 2015

Debt Repayment Schedule (RUB bln)

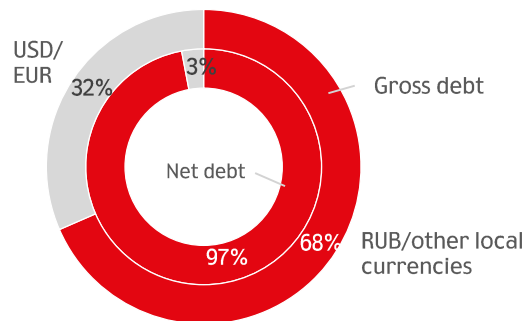
Total Group Debt* = RUB 336.2 bln



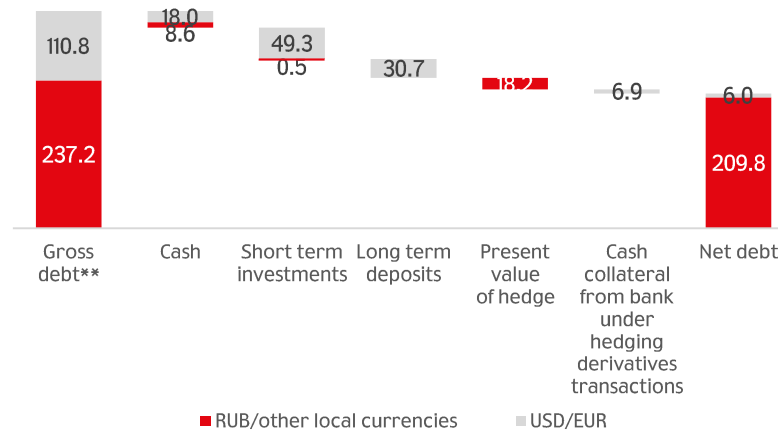
/// Bonds 8 series and B0-01 ruble bonds contain put options that as of December 31, 2015, MTS expected to be exercised in November 2016 and March 2018, respectively

*Net of financial leasing and unamortized debt issuance cost adjustment, as of December 31, 2015

Gross/Net Debt Composition by Currency, Q4 2015**



Net Debt Factor Analysis by Currency (RUB bln)



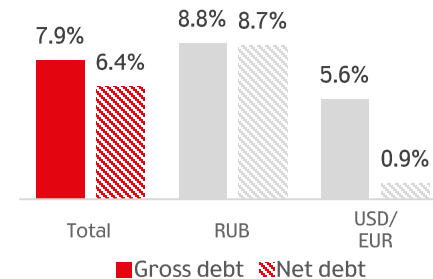
**Including financial leasing and including FOREX hedging in the amount of \$549.5 mln as of Q4 2015



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Weighted Ave Interest Rate

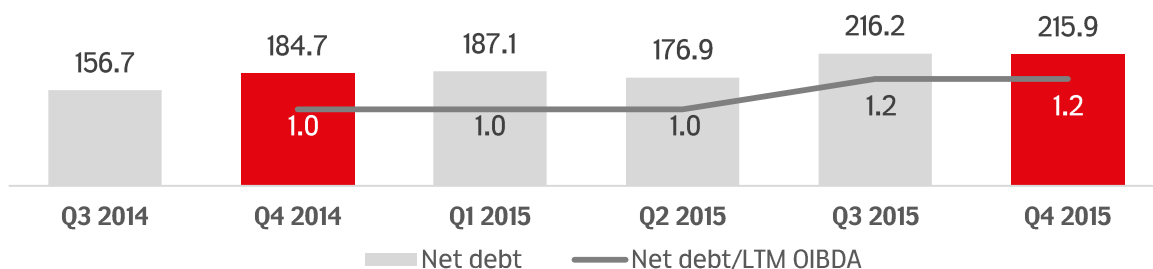


- In Q4 2015, MTS drew RUB 5 bln from a credit line with Sberbank
- MTS added a RUB 3 bln credit line from Absolut bank to its liquidity management profile
- In Q4 2015, MTS repaid Series 02 RUB 10 bln bonds
- Repurchase of the Series 08 ruble denominated bonds in the amount of RUB 12.9 bln
- In Q4 MTS restructured a part of its currency swaps under credit support and received from banks a cash collateral in the amount of RUB 6.9 bln
- Quarterly increase in total debt primarily due to revaluation of the foreign-currency denominated portion of the debt portfolio following ruble volatility in Q4 2015
- High proportion of ruble-denominated debt mitigates risks associated with currency volatility and enhances MTS's balance sheet strength
 - 97% ruble net debt position
 - USD-denominated debt balanced by on-going hedging activities, USD/EUR-denominated short-term investments and long-term deposits
- At the end of Q4, MTS drew RUB 10 bln from the repo market, which was repaid in early 2016

Group Balance Sheet And Net Debt

Balance sheet (RUB mln)	As of September 30, 2015	As of December 31, 2015
Total debt*	347,737	348,012
Short-term debt	60,102	54,346
Long-term debt	287,635	293,666
Cash and cash equivalents	25,149	33,464
Short-term investments	56,627	49,840
Long-term deposits	27,461	30,677
Present value of hedge	22,349	18,174
Net debt**	216,151	215,857
<i>LTM Adjusted OIBDA</i>	<i>176,396</i>	<i>175,546</i>
<i>Net debt/LTM Adjusted OIBDA</i>	<i>1.2x</i>	<i>1.2x</i>

Net Debt (RUB bln)



*Including finance lease obligations

**Adjusted for the effects of hedging of non-ruble denominated debt

- Net debt/LTM OIBDA remained stable at 1.2x
- Short-term investments include USD/EUR-denominated deposits
- Long-term deposits are all USD-denominated

Outlook For 2016

Total Group Revenue (RUB bln)



Total Group Adjusted OIBDA (RUB bln)



Group CAPEX (RUB bln)



GROUP REVENUE: For 2016, MTS forecasts Group revenue growth of >4% due primarily to:

- Growth in data usage and sustained data adoption;
- Increased sales of handsets;
- Rising share in Moscow B2C broadband/pay-TV markets; and
- Growth in revenue in foreign subsidiaries

GROUP OIBDA: MTS anticipates adjusted Group OIBDA growth of -2 to +1% in 2016. Our markets remain volatile due to a number of factors:

- Heightened competition in retail distribution in Russia due to aggressive behavior by our competitors;
- The build-out of 3G in Ukraine and non-market factors impacting our profitability;
- Developments in other foreign subsidiaries; and
- Macroeconomic developments and currency volatility throughout our markets of operation.

GROUP CAPEX: MTS aims to reduce FY2016 CAPEX to RUB 85 bln

- MTS will revisit its guidance during each quarterly disclosure with the goal of providing the market with its most up-to-date views on the current fiscal year

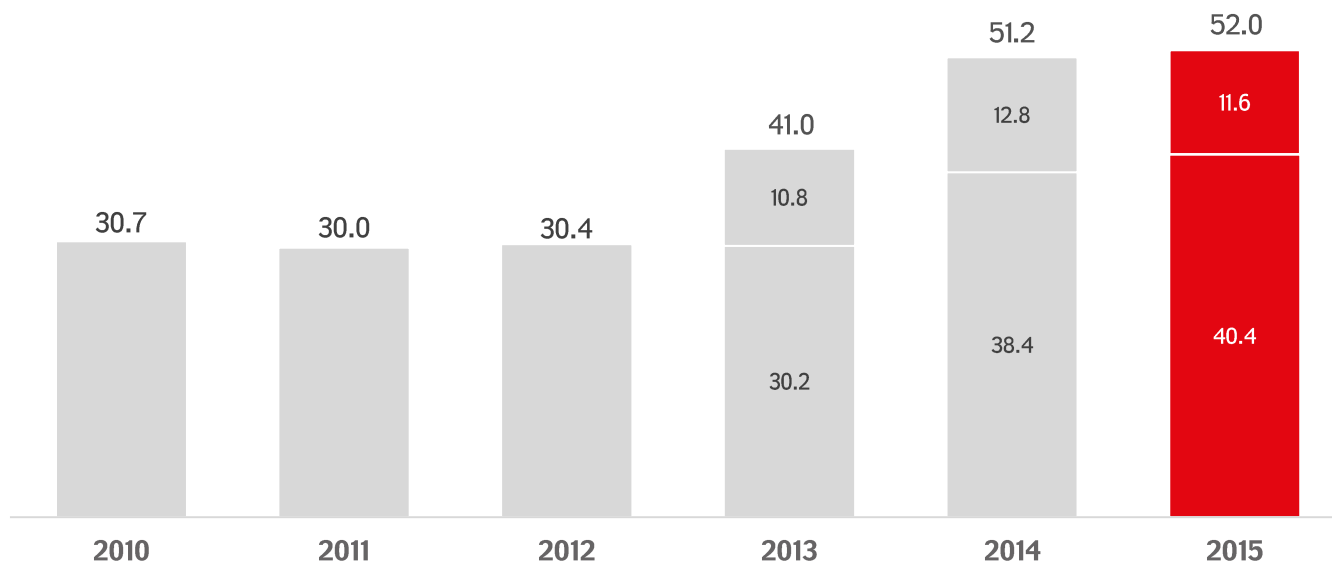


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Dividend Payout

Dividend History
(RUB bln)



PAYOUT IN 2015

- Paid out RUB 5.61 per ordinary MTS share (RUB 11.22 per ADR), or a total of RUB 11.6 billion, based on H1 2015 financial results in Q4 2015
- Paid out record dividends of RUB 25.17 per ordinary MTS share (RUB 50.34 per ADR), or a total of RUB 52.0 bln, during the calendar year 2015

SHAREHOLDER REMUNERATION POLICY

- MTS will present its new dividend policy to the Board of Directors in Spring 2016
 - MTS management remains committed to maintaining stable level of dividend payout in absolute terms in keeping with its practices over the previous years
- MTS recently announced the direct acquisition of 67,995,335 ordinary shares (in the form of 33,997,667 ADRs) or 3.29% of registered capital
 - Shares were transferred to accounts owned by MTS, which qualifies them as treasury shares, which are not eligible to receive dividends
 - Shares were acquired through the liquidation process of Mobile TeleSystems Bermuda Ltd, which had held the shares since their acquisition in 2006–2008
 - Pending further approvals, MTS intends to cancel these shares and reduce its charter capital accordingly

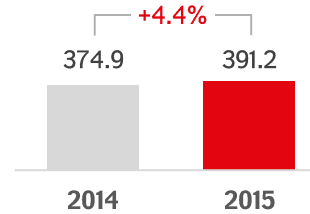
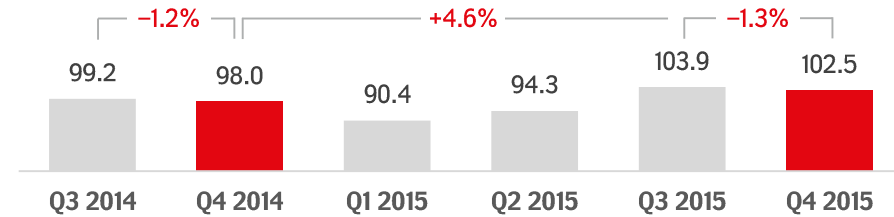
KEY FINANCIAL & OPERATING RESULTS



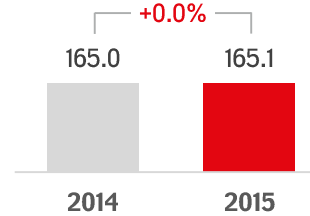
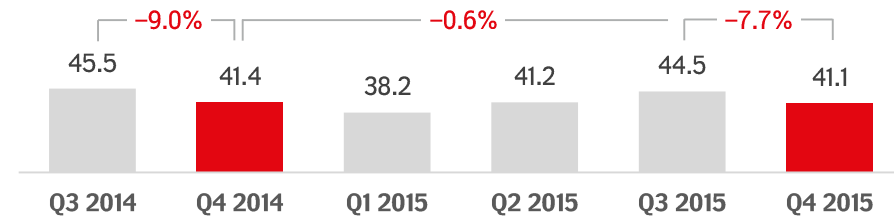
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Russia Financial Highlights

Total Russia Revenue (RUB bln)



Total Russia OIBDA (RUB bln)



OIBDA Margin

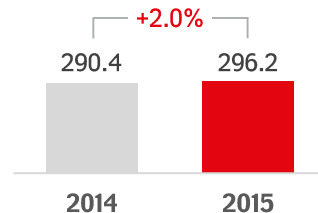
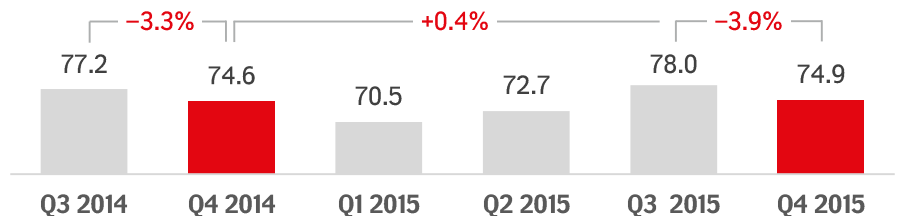
45.8%	42.2%	42.2%	43.7%	42.8%	40.1%
Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015

44.0%	42.2%
2014	2015

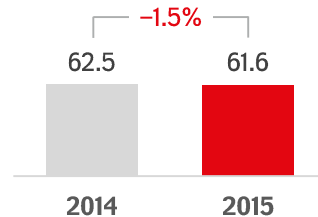
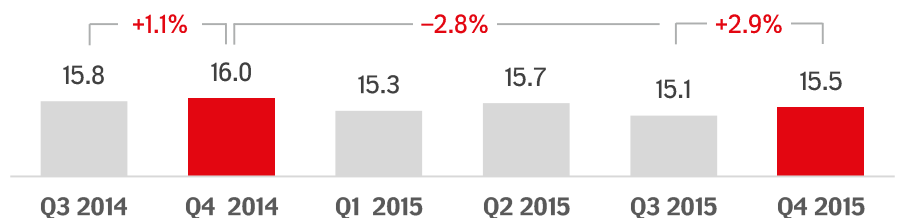
- Y-o-Y revenue expansion driven by:
 - Higher usage of data and messaging products
 - Increased data adoption among subscribers
 - Quality subscriber additions
 - Strong sales of handsets
- OIBDA stability despite:
 - Increased smartphone sales;
 - Expansion of the retail footprint;
 - Aggressive smartphone pricing strategies;
 - Impact of ruble devaluation on costs denominated in foreign currencies, including international roaming and calling; and
 - Inflationary pressure among certain SG&A costs

Russia Revenue Breakdown

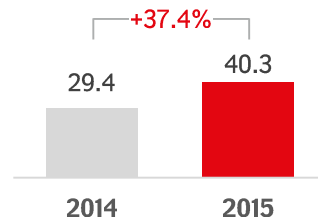
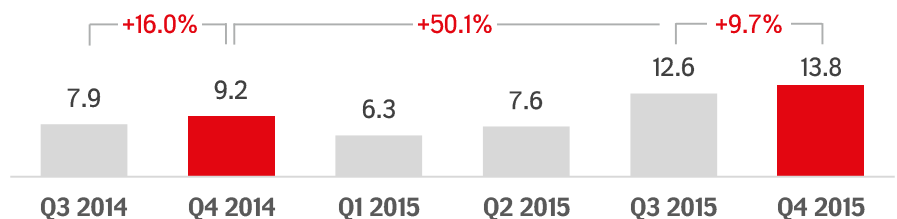
Mobile Revenue (RUB bln)



Fixed Line Revenue (RUB bln)



Sales of Handsets & Accessories (RUB bln)



- Y-o-Y growth in mobile service revenue attributable to:
 - Increased data adoption through higher penetration of smartphones and tablets aided by aggressive smartphone pricing strategy
 - Upselling existing data users to tariff plans and options with incremental higher traffic allowances
 - Increase in the active subscriber base
- Q-o-Q increase in fixed line revenue due to seasonal trends, as well as the discontinuation of promotional campaigns and introduction of new tariffs with higher price
- Sequential increase in sales of handsets as the Company maintained its focus on promoting sales of smartphones to boost smartphone penetration, attract higher-quality subscribers and respond to changes in retail market

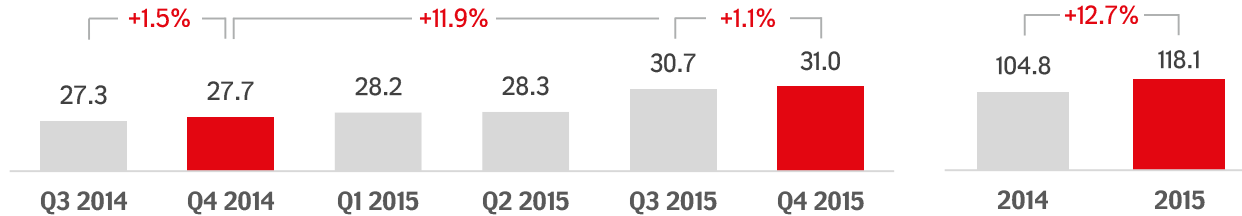


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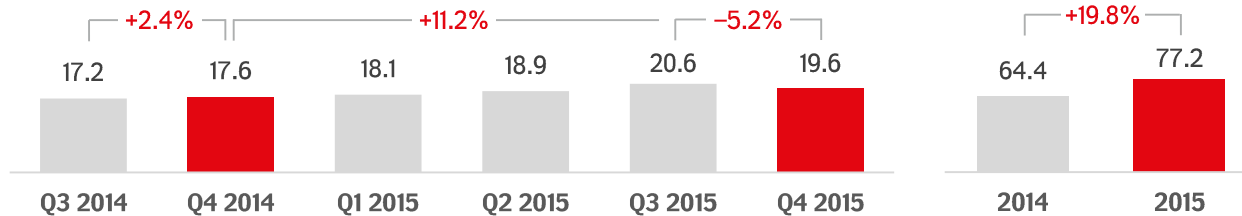
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Russia Mobile Operating Indicators

Total VAS Revenue (RUB bln)



Data Traffic Revenue (RUB bln)

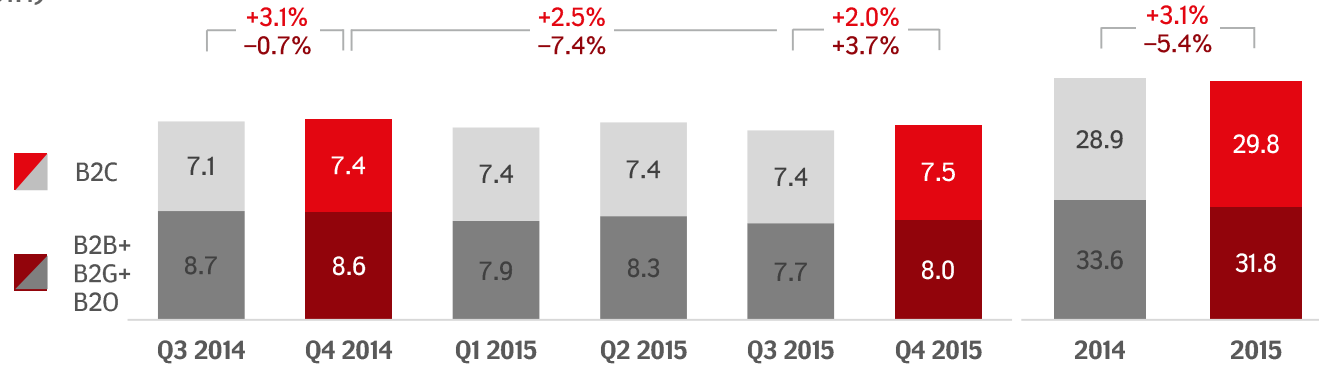


SUBS, MLN	73.3	74.6	74.5	75.4	76.9	77.3	74.6	77.3
CHURN, %	9.2%	11.0%	10.1%	9.1%	9.7%	10.8%	41.1%	39.6%
ARPU	358	337	315	324	341	323	338	326
MOU	377	393	367	388	386	387	372	381
APPM	0.95	0.86	0.86	0.83	0.88	0.84	0.91	0.85
	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2014	2015

- Y-o-Y growth in VAS revenues attributable to Company's focus on stimulating data usage, promotion of affordable smartphones in its retail chain, sustained investment in high-speed data networks, and success in creating the market's strongest value proposition to customers
- Key initiatives included:
 - Development of LTE networks in 83 Russia's regions
 - Sustained low level of smartphone prices in MTS retail stores
 - Focus on promoting voice & data tariffs which resulted in 3x growth of bundled tariffs' share in sales and 6 p.p. increase of bundled tariffs in subscriber base
- Decrease in Y-o-Y churn as MTS increases share of SIM-card distribution through its proprietary retail network to 60%
- Q-on-Q churn reflects seasonal factors

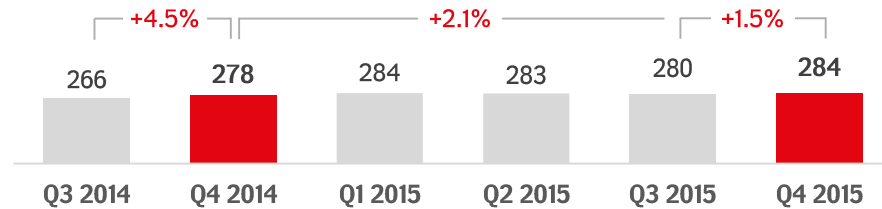
Russia Fixed Financial And Operating Indicators

Fixed Line Revenue (RUB bln)



- Sustained Y-o-Y improvement in B2C revenue attributable to growth in B2C subscriber base in Moscow and the regions and success in upselling existing customers through network modernization
- Continued B2C ARPU growth highlights the rising share of double-/triple-/quad-play customers, the continued migration of pay-TV subscribers to MTS's digital TV platform, upselling broadband subscribers through modernization of fixed-line networks in the regions and migration of ADSL customers in Moscow to GPON

B2C ARPU (RUB)



SUBS* (thou)	8,931	8,694	8,757	8,787	8,818	8,878
– Fixed telephony	3,677	3,640	3,601	3,571	3,540	3,503
– Internet	2,359	2,357	2,436	2,486	2,537	2,630
– TV	2,894	2,696	2,719	2,730	2,741	2,745
	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015

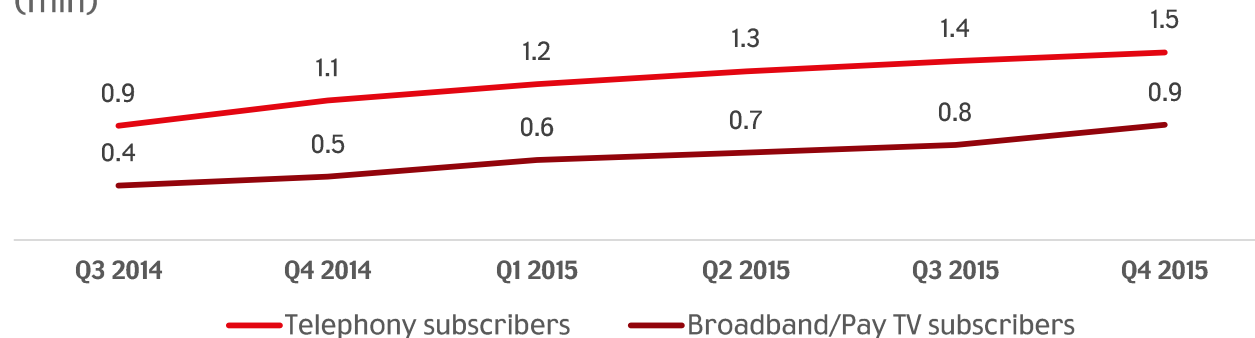
*Including residential fixed-line telephony, broadband, and pay-TV subscribers and not including satellite TV subscribers



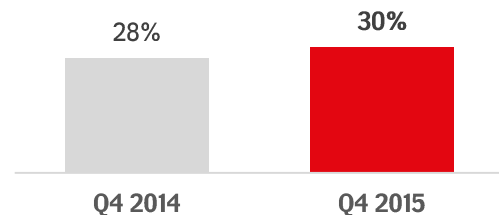
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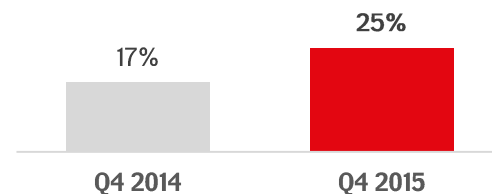
GPON Subscribers (mln)



Broadband B2C Subscriber Market Share in Moscow*



Pay TV (digital) B2C Subscriber Market Share in Moscow*



*Source: TMT Consulting



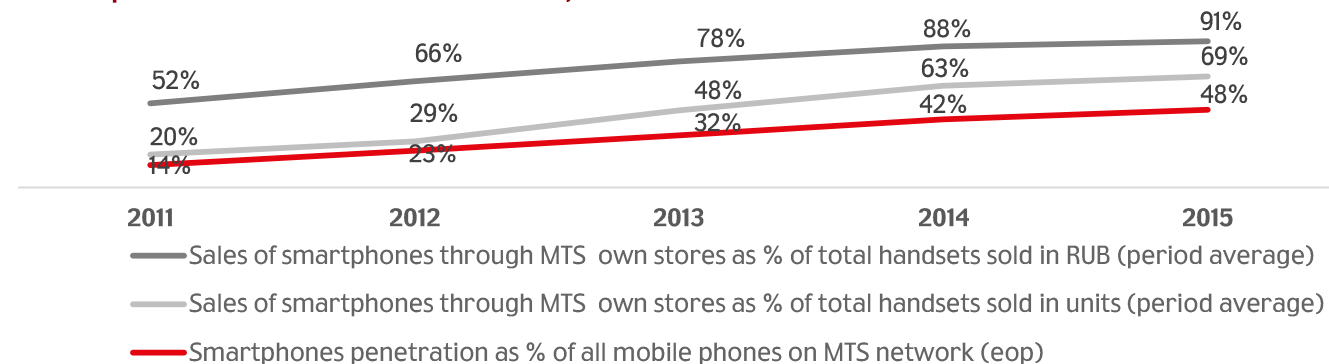
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- In H2 2011, MGTS began a RUB 50.0 bln investment project to replace outdated ADSL networks with state-of-the-art Gigabit Capable Passive Optic Network (GPON), which allow Internet access speeds of up to 1 Gb/s to the Moscow households and businesses
 - Upgrade completed in 2015
- MGTS currently offers broadband access at the speeds up to 500 Mb/s and over 230 TV channels, including 40 HD channels as well as VoD services over IPTV
 - MGTS is growing its subscriber base by upselling its existing customers from ADSL to GPON and acquiring new subscribers
- Construction of GPON network has enabled MTS to gradually increase its share in the Moscow B2C market of broadband and Pay-TV
 - Around 95% of homes connected to MGTS are covered by GPON
 - Double-/Triple-/Quad-play subscribers account for 62% of GPON base

MTS Retail Network

Smartphones Sales and Penetration, 2011 – 2015



Handsets and Accessories Sales and Gross Margin



- At the end of Q4 2015, MTS's retail network comprised 5,166 stores, including 1,681 franchised outlets
- In Q4 2015, smartphones accounted for 72% of phones sold in MTS stores in units
- LTE smartphones accounted for 38.5% of smartphones in units sold in the MTS retail chain
- Beginning in Q2 2015, MTS reduced prices on all models of smartphones sold in its retail chain in order to:
 - Counteract competitors' efforts to markedly increase their share of distribution in the market
 - Attract higher-value customers, including customers migrating from voice- to data- or bundled tariffs
 - Drive further migration to higher-value tariffs and data plans
- As a result, we registered a 50% Y-o-Y increase in number of smartphones sold, while total smartphone penetration on our network reached 48.4%

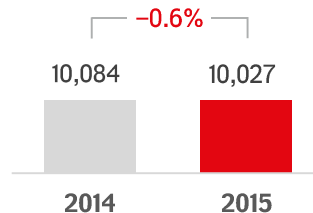
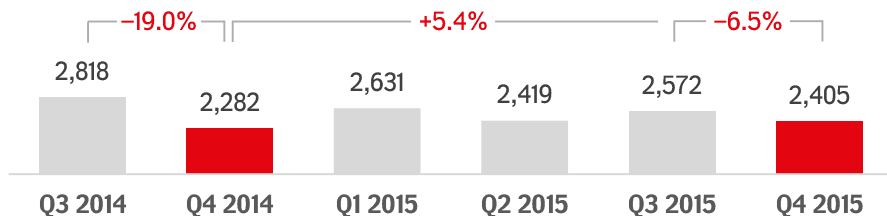


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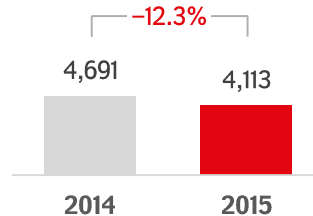
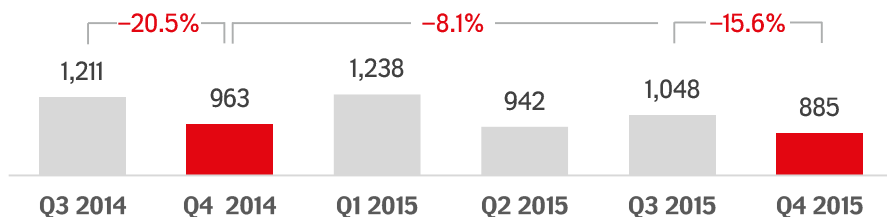
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Ukraine Financial Highlights

Total Ukraine Revenue (UAH mln)



Total Ukraine Adjusted OIBDA* (UAH mln)



Adjusted OIBDA Margin

43.0%	42.2%	47.0%	38.9%	40.8%	36.8%
Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015

46.5%	41.0%
2014	2015

* Adjusted for provision for cash balances deposited in distressed Ukrainian banks: UAH 1,449 bln and UAH 648 mln in Q4 2014 and Q1 2015 respectively



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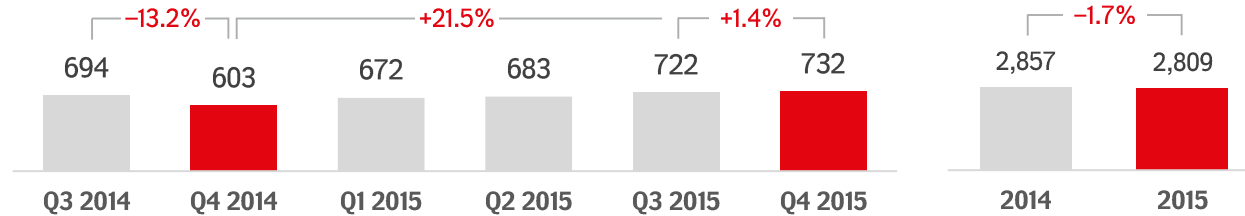
- Y-o-Y decline in topline reflective of termination of operations in Crimea, operational challenges in the East of Ukraine and declining disposable incomes
- Organically MTS delivered positive dynamics Y-o-Y driven by the launch of proprietary 3G services in H2 2015, higher interconnect revenues and increase in prices for tariff options, international roaming and calling
- OIBDA decline attributable to higher fees and spectrum costs, as well as expenses related to 3G build-out, and operating challenges in eastern Ukraine

MARKET UPDATE

- On October 15, 2015, MTS extended its existing strategic partner market agreement with Vodafone to launch the Vodafone brand in Ukraine.
- Vodafone is advising on network build-out, operation and optimization and the launch of 3G services (including bundled offers, long distance international calls, roaming at competitive prices, music and game applications)
- By the end of 2015, all major regional centers were covered with 3G

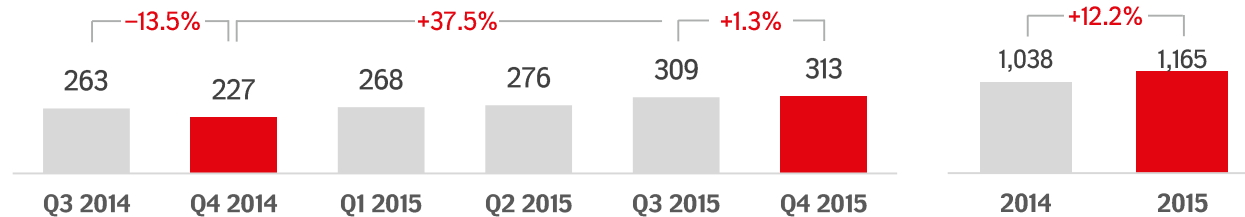
Ukraine Mobile Operating Indicators

Total VAS Revenue (UAH mln)



➤ Y-o-Y increase in total VAS revenue driven by introduction of 3G in market

Data Traffic Revenue (UAH mln)



➤ Increase in data traffic attributable to early 3G adopters and initial build out of 3G-enabled networks

SUBS, MLN	22.7	20.2	20.3	20.3	20.3	20.4	20.2	20.4
CHURN, %	4.6%	17.6%	5.5%	5.6%	6.9%	6.6%	34.2%	24.5%
ARPU	41	35	43	39	42	39	40	41
MOU	483	480	508	502	500	523	554	508
SAC	63.4	69.3	69.2	86.7	76.2	83.4	57.6	79.5
APPM	0.09	0.07	0.08	0.08	0.08	0.07	0.07	0.08
	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2014	2015

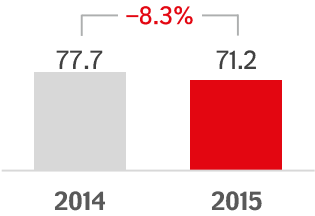
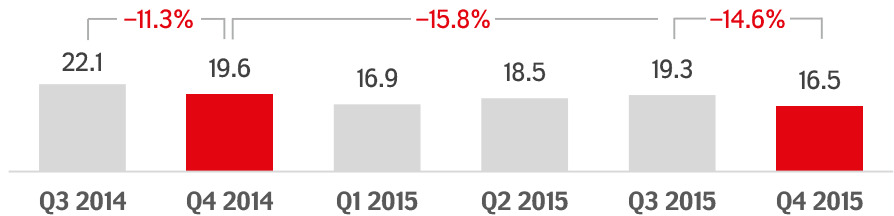


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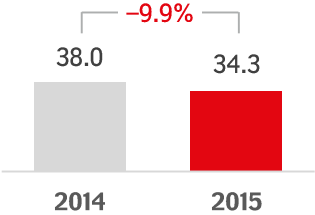
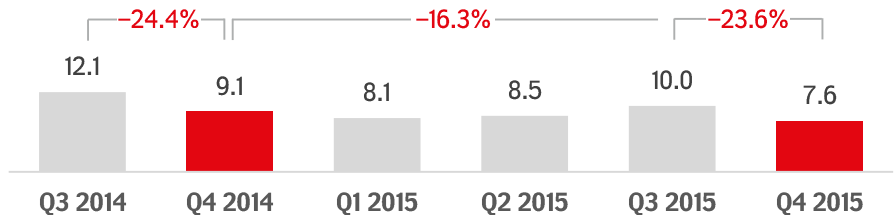
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Armenia Financial Highlights

Total Armenia Revenue
(AMD bln)



Total Armenia Adjusted OIBDA*
(AMD bln)



OIBDA Margin

54.6%	46.6%	48.1%	45.9%	51.7%	46.3%
Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q4 2015

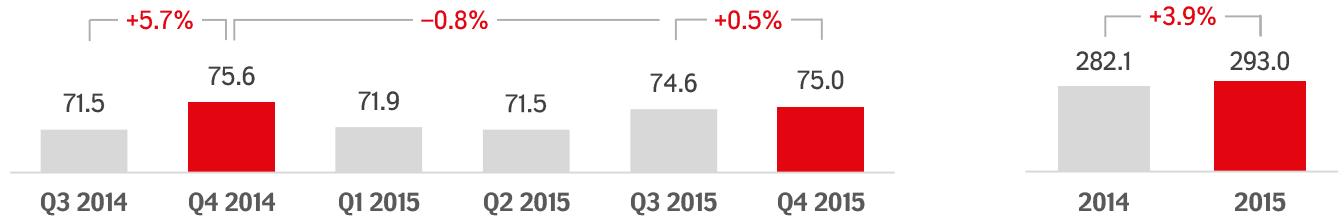
49.0%	48.1%
2014	2015

- Revenue dynamics driven by a sustained decline in local and international calling and roaming due to macroeconomic factors
- Overall decline in OIBDA reflects the decline in revenues, including decline in high-margin roaming and international calling revenues

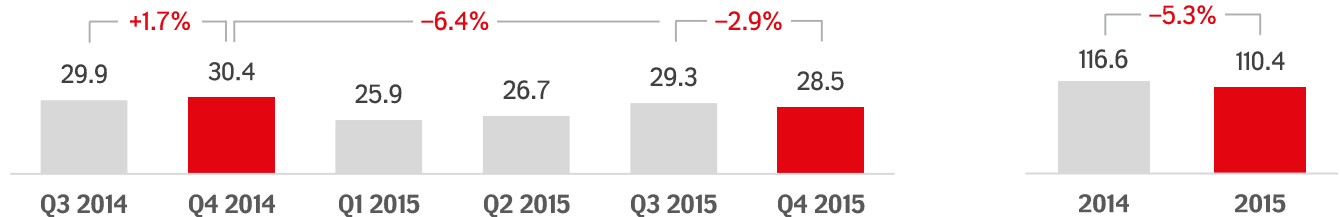
Adjusted for impairment of goodwill in the amount of AMD 24.4 bln (RUB 3.5 bln) in Q4 2015

Turkmenistan Financial Highlights

Total Turkmenistan Revenue (TMT mln)



Total Turkmenistan OIBDA (TMT mln)



OIBDA Margin

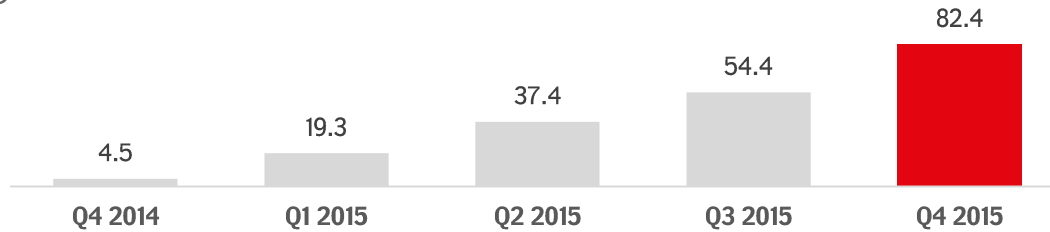
41.8%	40.2%	36.0%	37.4%	39.3%	37.9%	41.3%	37.7%
Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2014	2015

Y-o-Y topline decrease driven by slight decline in active subscriber base, which led to lower voice revenue

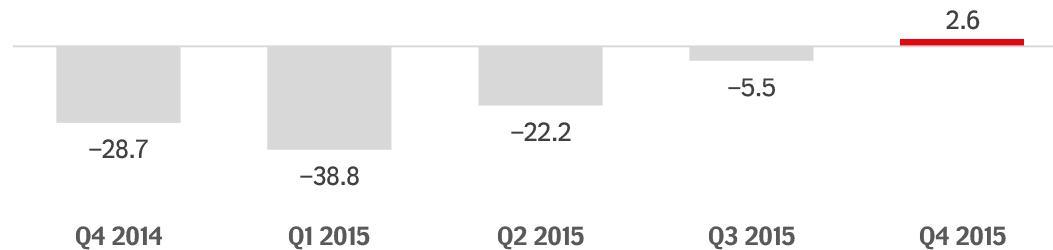
Y-o-Y decline in OIBDA due to the impact of USD appreciation on foreign currency denominated cost items, including IT and network maintenance fees, higher line rental costs and an increase in payroll in January 2015

Uzbekistan: Re-entering The Market

Total Uzbekistan Revenue (UZS bln)



Total Uzbekistan OIBDA (UZS bln)



Operating Indicators

SUBS, MLN	0.2	0.4	0.6	0.9	1.1
ARPU (UZS)	–	21,027	23,373	23,976	27,101
MOU	–	356	462	530	527
CHURN, %	–	8.4%	13.0%	14.3%	17.1%
	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015

- MTS continues to attract new clients and increase ARPU in Uzbekistan
- MTS achieved positive OIBDA in Q4 2015
- On September 24, 2014, MTS took possession of a 50.01% stake in the Russian-Uzbek entity Universal Mobile Systems LLC (UMS)
 - UMS has been granted 2G, 3G and LTE licenses, and received frequencies, numbering capacity and other permits required for the launch of the operations
- MTS launched operations throughout the territory of Uzbekistan on December 1, 2014
- MTS focuses on attracting high-value customers through superior network quality and excellence in customer service

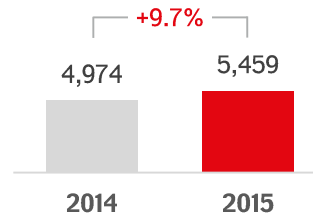
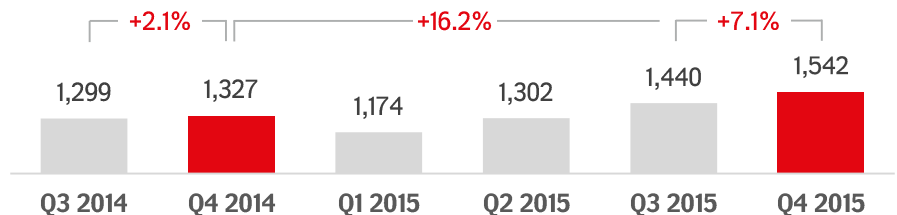


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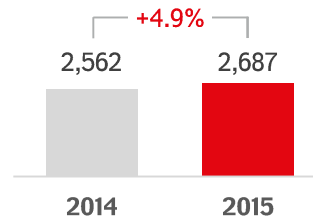
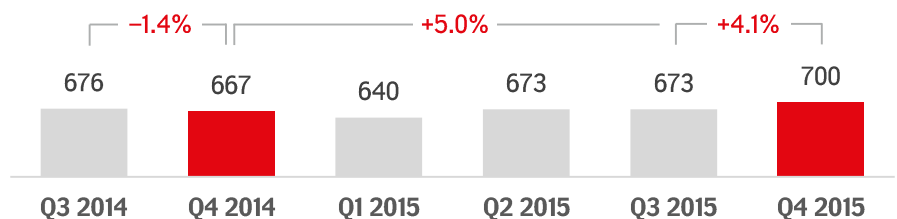
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Belarus Financial Highlights

Total Belarus Revenue (BYR bln)



Total Belarus Adjusted OIBDA* (BYR bln)



Adjusted OIBDA Margin

52.1%	50.3%	54.5%	51.7%	46.7%	45.4%
Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015

51.5%	49.2%
2014	2015

- Y-o-Y improvement in topline attributable to
 - An increase in data revenues attributable to Company's success in growing smartphone penetration and customer migration to V&D tariff plans, as well as stronger pricing for data usage
 - Rising sales of handsets as the Company focused on stimulating sales of smartphones
 - SMS revenue increase due to higher tariffs
 - Launch of LTE services
- Q-o-Q rise in revenues due to increased sales of handsets and accessories
- Decline in margin reflects higher mix of handsets in revenues

*OIBDA adjusted in Q1 2015 for reserves due to investments in distressed Delta Bank in the amount of RUB 282 mln (BYR 69.69 bln)



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APPENDIX



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Definitions & reconciliations

In 2010, the Russian State Duma enacted a law requiring Russian companies, which have securities traded on the Moscow Exchange, to prepare consolidated financial statements under International Financial Reporting Standards (IFRS) beginning from the Financial Year ended December 31, 2015. To conform to this requirement, the Group will prepare its financial statements for the Financial Year Ended December 31, 2015 with comparable data for the Financial Year ended December 31, 2014 under IFRS.

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

RUB mln	Q2 2015						Q3 2015						Q4 2015					
	Group	RUS	UKR	ARM	TUK	UZB	Group	RUS	UKR	ARM	TUK	UZB	Group	RUS	UKR	ARM	TUK	UZB
OPERATING PROFIT/(LOSS)	22,501	23,728	1,190	412	237	(1,373)	27,319	27,275	1,675	680	326	(1,404)	18 876	23 481	1 158	(3 122)	330	(1 163)
Add: Loss from impairment of goodwill in Armenia	–	–	–	–	–	–	–	–	–	–	–	–	3,516	–	–	3,516	–	–
ADJUSTED OPERATING PROFIT/(LOSS)	22,501	23,728	1,190	412	237	(1,373)	27,319	27,275	1,675	680	326	(1,404)	22,392	23 481	1 158	394	330	(1 163)
ADD: D&A	20,221	17,517	1,107	525	165	917	20,700	17,252	1,358	626	203	1,275	21 103	17 634	1 390	656	209	1,228
ADJUSTED OIBDA	42,722	41,245	2,297	937	402	(455)	48,019	44,527	3,032	1,306	529	(128)	43 495	41 115	2 548	1 050	538	65



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Definitions & reconciliations

	Q2 2015						Q3 2015						Q4 2015					
	Group	RUS	UKR	ARM	TUK	UZB	Group	RUS	UKR	ARM	TUK	UZB	Group	RUS	UKR	ARM	TUK	UZB
OPERATING MARGIN	21.9%	25.2%	20.2%	20.1%	22.0%	n/a	23.7%	26.2%	22.5%	26.9%	24.3%	n/a	16.7%	22.9%	16.7%	n/a	23.4%	n/a
Add: Loss from impairment of goodwill in Armenia	–	–	–	–	–	–	–	–	–	–	–	–	3.1%	–	–	154.9%	–	–
ADJUSTED OPERATING MARGIN	21.9%	25.2%	20.2%	20.1%	22.0%	n/a	23.7%	26.2%	22.5%	26.9%	24.3%	n/a	19.8%	22.9%	16.7%	17.4%	23.4%	n/a
ADD: D&A	19.7%	18.6%	18.8%	25.7%	15.4%	117.6%	18.0%	16.6%	18.2%	24.8%	15.1%	95.8%	18.6%	17.2%	20.0%	28.9%	14.8%	61.1%
ADJUSTED OIBDA MARGIN	41.6%	43.7%	38.9%	45.8%	37.4%	n/a	41.7%	42.8%	40.7%	51.7%	39.4%	–	38.4%	40.1%	36.7%	46.3%	38.1%	3.2%

Definitions & reconciliations

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

RUB mln	As of Sep 30, 2015	As of Dec 31, 2015
Current portion of LT debt and of finance lease obligations	60,102	54,346
LT debt	277,218	282,435
Finance lease obligations	10,417	11,231
Total debt	347,737	348,012
Less:		
Cash and cash equivalents	25,149	33,464
ST investments	56,627	49,840
LT deposits	27,461	30,677
Effects of hedging of non-ruble denominated debt	22,349	18,174
Net debt	216,151	215,857

Free cash flow is represented by net cash from operating activities less cash used for certain investing activities. Free cash flow is commonly used by investors, analysts and credit rating agencies to assess and evaluate our performance over time and within the wireless telecommunications industry. Because free cash flow is not based in IFRS and excludes certain sources and uses of cash, the calculation should not be looked upon as an alternative to our Consolidated statement of cash flows or other information prepared in accordance with IFRS.

RUB mln	For twelve months ended Dec 31, 2014	For twelve months ended Dec 31, 2015
Net cash provided by operating activities	158,979	144,088
Less:		
Purchases of property, plant and equipment	(73,573)	(76,671)
Purchases of intangible assets*	(18,356)	(19,440)
Proceeds from sale of property, plant and equipment	619	2,988
Investments in and advances to associates	(7,767)	—
Acquisition of subsidiaries, net of cash acquired	(2,755)	—
Free cash flow	57,147	50,965

*Excluding purchases of 3G license in Ukraine (RUB 7.044 bln) and 4G license in Russia (RUB 3.4 bln)



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Definitions & reconciliations

Average monthly service revenue per subscriber (ARPU). We calculate our ARPU by dividing our service revenues for a given period, including interconnect, guest roaming fees and connection fees, by the average number of our subscribers during that period and dividing by the number of months in that period.

Average monthly minutes of usage per subscriber (MOU). MOU is calculated by dividing the total number of minutes of usage during a given period by the average number of our subscribers during the period and dividing by the number of months in that period.

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.

Churn. We define our “churn” as the total number of subscribers who cease to be a subscriber as defined above during the period (whether involuntarily due to non-payment or voluntarily, at such subscriber’s request), expressed as a percentage of the average number of our subscribers during that period.

Subscriber acquisition cost (SAC). We define SAC as total sales and marketing expenses and handset subsidies for a given period. Sales and marketing expenses include advertising expenses and commissions to dealers. SAC per gross additional subscriber is calculated by dividing SAC during a given period by the total number of gross subscribers added by us during the period.



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Contact information

MTS Investor Relations

+7 495 223 20 25

ir@mts.ru

www.mtsgsm.com

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