

# Group Financial Results For The First Quarter 2016

Investor conference call – May 19, 2016

**Andrei Dubovskov**  
President, Chief Executive Officer

**Alexey Kornya**  
Vice President, Chief Financial Officer

**Vasyl Latsanych**  
Vice President, Chief Marketing Officer



**MTS**

You know that you can!

# Safe harbor

Some of the information in this presentation 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.



**MTS**

You know that you can!

# Table of contents

## FINANCIAL & CORPORATE HIGHLIGHTS

- Key period highlights: 3D Strategy
- Group financial highlights: revenue
- Group financial highlights: adjusted OIBDA
- Group financial highlights: net profit
- Group mobile subscriber base dynamics
- Group capital expenditures
- Group debt at the end of Q1 2016
- Group balance sheet and net debt
- Outlook for 2016
- Dividend outlook

## KEY FINANCIAL & OPERATING RESULTS

- Russia financial highlights
- Russia fixed financial and operating indicators
- Ukraine, Armenia, Turkmenistan and Uzbekistan financial highlights & operating indicators
- Belarus financial highlights & operating indicators

## APPENDIX



**MTS**

You know that you can!

# FINANCIAL & CORPORATE HIGHLIGHTS



You know that you can!

# Key Period Highlights: 3D Strategy

## Group Revenue (RUB bln)



## Total Russia Revenue (RUB bln)



## Mobile Business in Russia (RUB bln)

+6.6%

76.8

81.8

Q1 2015

Q1 2016

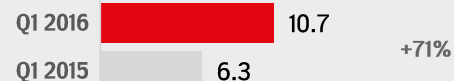
## Group Adjusted OIBDA (RUB bln)



## Mobile Subscriber Base Russia (Mln)



## Sales of Goods



## Mobile Service Revenue



## DATA: Growth in a challenging macroeconomic environment

- Increase in Group revenue despite volatility throughout markets
- Highest smartphone penetration in Russia
- Expansion of LTE networks throughout Russia and launch of 3G services in Ukraine

## 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
- Entrance to the Tower infrastructure market

## DIVIDENDS: Efficiency and value creation

- The Board of Directors confirmed the Company's new dividend policy which sets a target payout of RUB 25 – 26 per ordinary share per calendar year
- The Board of Directors recommended that an annual general meeting of shareholders ("AGM") approve annual dividends of RUB 14.01 per ordinary MTS share (RUB 28.02 per ADR) or a total of RUB 28.0 bln based on the full-year 2015 financial results
- The Board of Directors tasked management to propose a share buyback program and allocate up to RUB 30 bln over three years
- MTS PJSC took possession of shares representing 3.3% of charter capital with an intention to cancel the shares

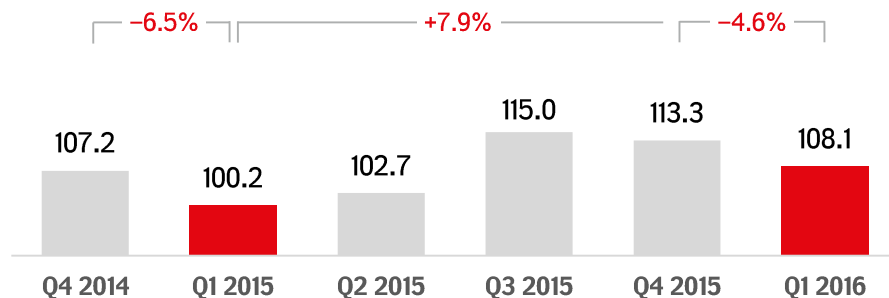


**MTS**

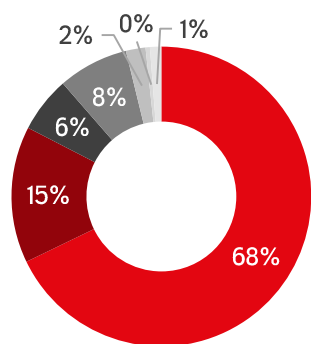
You know that you can!

# Group Financial Highlights: Revenue

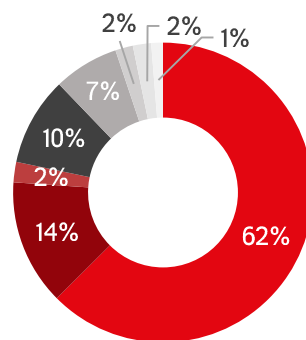
Total Group Revenue  
(RUB bln)



Total Group Revenue Breakdown\*



Q1 2015



Q1 2016

\*Not including eliminations



You know that you can!

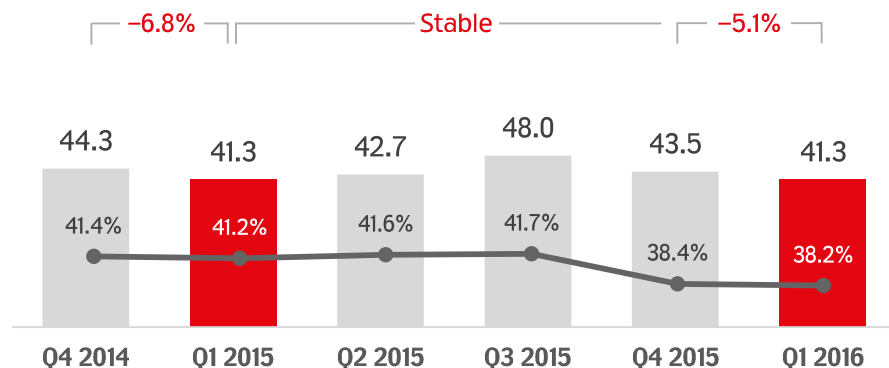
## Strong Y-o-Y revenue growth due to:

- Strategic focus on increasing handset sales through aggressive pricing and expanded retail footprint
- Growth in traffic consumption and expansion of our active subscriber base in Russia as a result of pricing and retail strategy
- Launch of 3G services in Ukraine
- Contribution from growth in Uzbekistan operations

- Q-o-Q revenue decline attributable to lower voice revenues and lower sales of goods due to seasonal factors, including fewer work days, less travel and weaker, post-holiday retail spending

# Group Financial Highlights: Adjusted OIBDA

## Total Group Adjusted OIBDA\* and OIBDA Margin (RUB bln)



## Total Group Adjusted OIBDA: Factor Analysis



\*Adjusted for a gain in the amount of 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



**MTS**

You know that you can!

### Y-o-Y stability in Adjusted OIBDA despite:

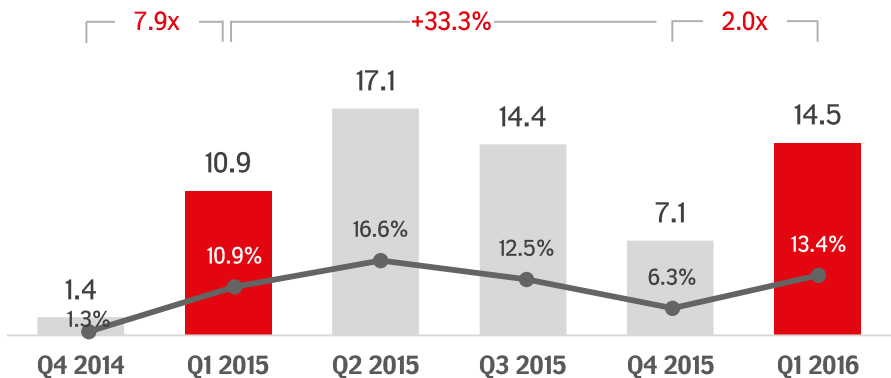
- Higher contribution from lower-margin sales of handsets in Russia to the revenue mix
- Build out of the retail chain in Russia to compensate for aggressive competitive behavior
- Increased roaming and international calling costs in Russia
- Greater inflationary pressures in our core markets, including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

### Q-o-Q Adjusted OIBDA decline due to seasonal factors, as well as seasonal increase of social tax expense in Russia of roughly RUB 0.8 bln

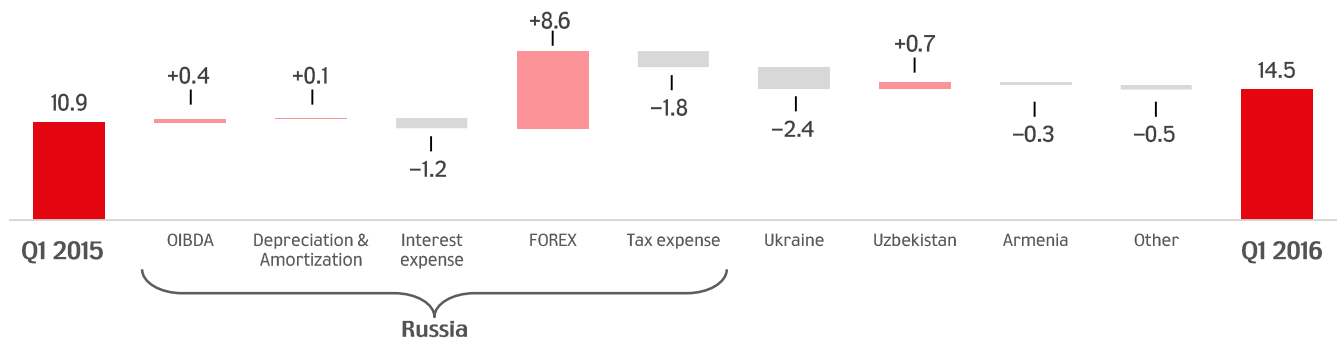
- Despite expansion of retail footprint by roughly 1,200 stores, OIBDA performance stable as increased general & administrative costs compensated by economies in sales & marketing expenses related to dealers

# Group Financial Highlights: Net Profit

Total Group Net Profit and Net Profit Margin  
(RUB bln)



Total Group Net Profit: Factor Analysis



- Net profit on y-o-y basis in Q1 2016 impacted by:
  - Non-cash FOREX gain of RUB 2.3 bln for the period
  - Absence of a reserve related to the cash balances held in distressed banks in Ukraine in the amount of RUB 1.7 bln that was made in Q1 2015
- 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)	Q1 2015	Q4 2015	Q1 2016	Y-o-Y, % Change	Q-o-Q, % Change
Total Mobile	104.2	107.8	108.3	+3.8%	+0.4%
Russia	74.5	77.3	77.3	+3.7%	–
Ukraine*	20.3	20.4	20.7	+2.2%	+1.3%
Armenia	2.1	2.1	2.1	–	–
Turkmenistan	1.7	1.6	1.6	–3.3%	–
Uzbekistan	0.4	1.1	1.3	3.0x	+17.5%
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 emphasis on sales through its proprietary retail network
- 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



➤ In 2016, MTS plans to reduce CAPEX to around RUB 85 bln due to following factors:

- End of build-out of GPON in Moscow
- Incremental build-out of LTE, which currently is present in all of Russia's regions
- Lower Y-on-Y 3G CAPEX in Ukraine

	CAPEX	As % of Sales	CAPEX	As % of Sales
Russia*	79,619	20.4%	16,490	17.1%
Ukraine**	12,427	44.1%	1,590	19.9%
Armenia	1,371	15.2%	99	4.6%
Turkmenistan	500	9.8%	34	2.4%
Uzbekistan	2,195	47.6%	157	7.1%
<b>Group</b>	<b>96,111</b>	<b>22.3%</b>	<b>18,371</b>	<b>17.1%</b>
<b>(in RUB mln)</b>	<b>2015</b>		<b>3M 2016</b>	

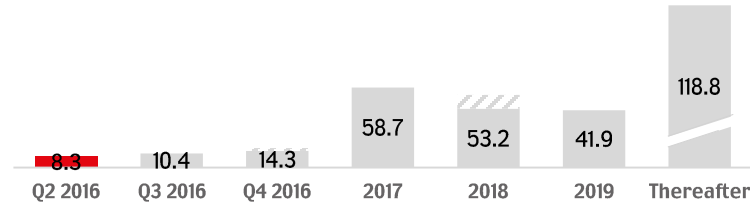
\* Excluding costs of RUB 3.4 bln related to the acquisition of a 4G license in Russia in 2015 and RUB 2.6 bln in 2016

\*\* Excluding costs of UAH 2.7 bln (RUB 7.0 bln) related to the acquisition of a 3G license in 2015

# Group Debt at The End Of Q1 2016

## Debt Repayment Schedule (RUB bln)

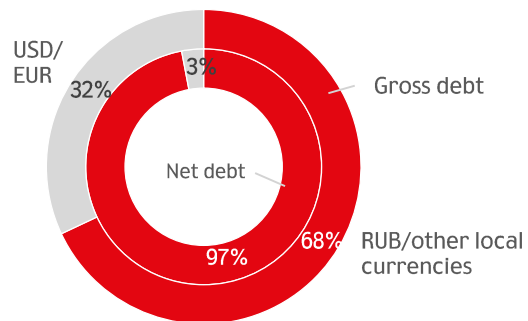
Total Group Debt\* = RUB 305.6 bln



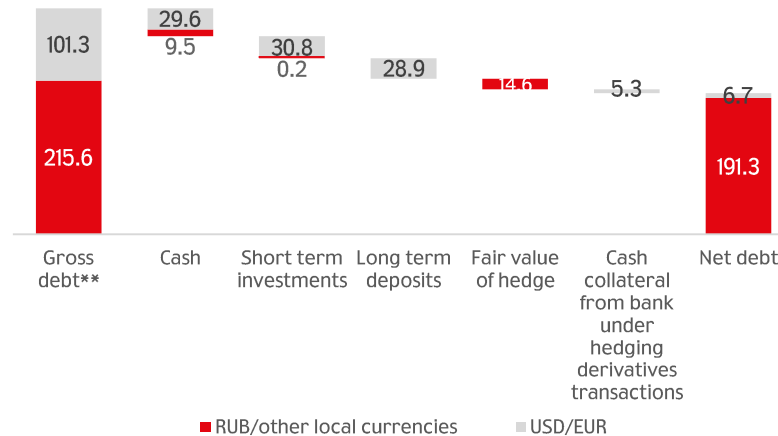
/// Bonds 8 series and BO-01 ruble bonds contain put options that as of March 31, 2016, MTS expected to be exercised in November 2016 and March 2018, respectively

\*Net of financial leasing and unamortized debt issuance cost adjustment, as of March 31, 2016

## Gross/Net Debt Composition by Currency, Q1 2016\*\*

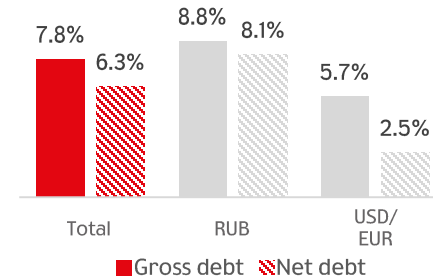


## Net Debt Factor Analysis by Currency (RUB bln)



\*\*Including financial leasing and including FOREX hedging in the amount of \$511.5 mln as of Q1 2016

## Weighted Ave Interest Rate



➤ Stable debt repayment schedule provides greater flexibility in managing liquidity, meeting obligations, while providing adequate cash flows for both debt obligations and shareholder remuneration strategy

➤ High proportion of ruble-denominated debt mitigates risks associated with currency volatility and enhances MTS's balance sheet strength

- 97% ruble-denominated net debt position
- USD-denominated debt balanced by on-going hedging activities, USD/EUR-denominated short-term investments and long-term deposits



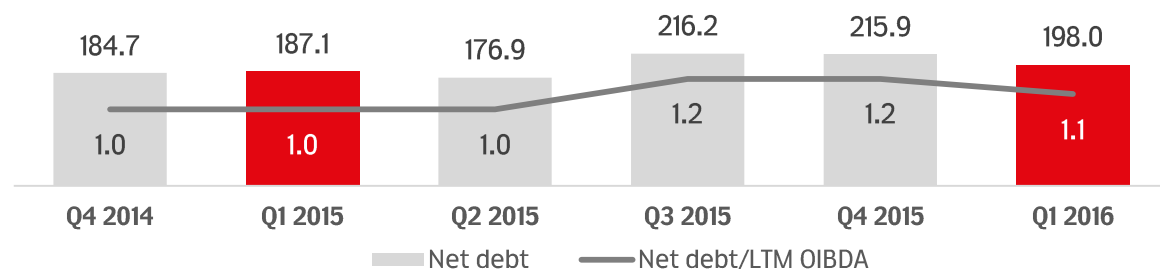
**MTS**

You know that you can!

# Group Balance Sheet And Net Debt

Balance sheet (RUB mln)	As of December 31, 2015	As of March 31, 2016
Total debt*	348,012	316,891
Short-term debt	54,346	46,273
Long-term debt	293,666	270,618
Cash and cash equivalents	33,464	44,389
Short-term investments	49,840	30,961
Long-term deposits	30,677	28,886
Fair value of hedge	18,174	14,636
Net debt**	215,857	198,019
LTM Adjusted OIBDA	175,546	175,515
Net debt/LTM Adjusted OIBDA	1.2x	1.1x

## Net Debt (RUB bln)



\*Including finance lease obligations

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



**MTS**

You know that you can!

- Net debt/LTM Adjusted OIBDA remained stable at 1.1x
- Short-term investments include mostly USD-denominated deposits while 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:

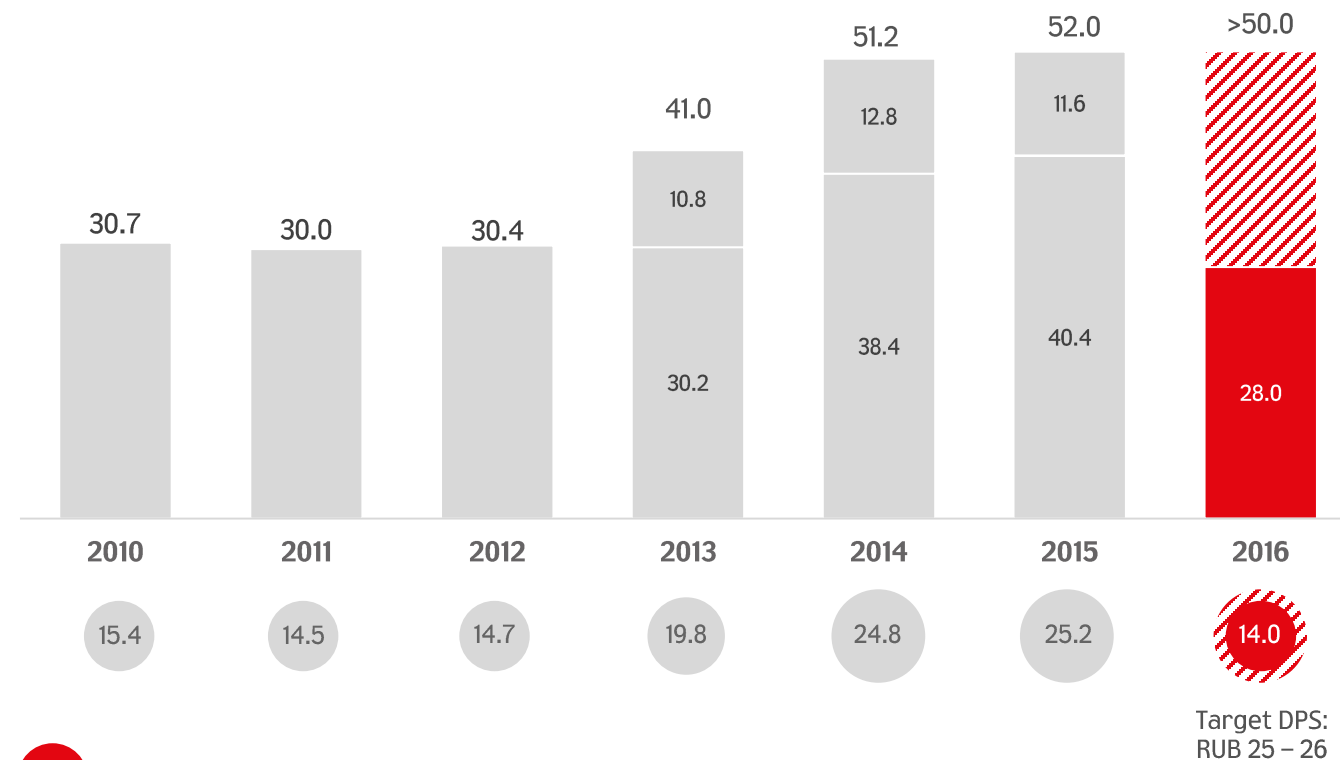
- Heightened competition in retail distribution in Russia due to aggressive behavior by our competitors;
- The build-out of 3G in Ukraine and non-market factors impacting our profitability;
- Developments in other foreign subsidiaries; and
- Macroeconomic developments and currency volatility throughout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

# Dividend Payout

## Dividend History (RUB bln)



● – Dividend Per Share (RUB)

## PAYOUT IN 2016

- The Board of Directors recommended that an annual general meeting of shareholders approve annual dividends of RUB 14.01 per ordinary MTS share (RUB 28.02 per ADR) or a total of RUB 28.0 bln based on the full-year 2015 financial results

## SHAREHOLDER REMUNERATION POLICY

- The Board of Directors confirmed the Company's new dividend policy
  - Under the new dividend policy, management sets a target payout of RUB 25.0 – 26.0 per ordinary MTS share (RUB 50.0 – 52.0 per ADR) per calendar year. 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;
  - Payments will continue to be made on a semi-annual basis.
- In addition, the Board has tasked management to consider 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 RUB 30 bln to be spent over the next three years on the repurchase of shares. Such a program would require further approvals by the Board.

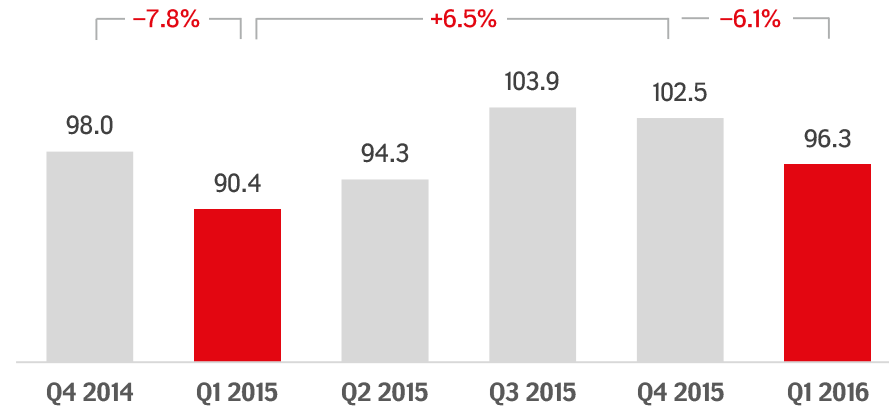
# KEY FINANCIAL & OPERATING RESULTS



You know that you can!

# Russia Financial Highlights

## Total Russia Revenue (RUB bln)



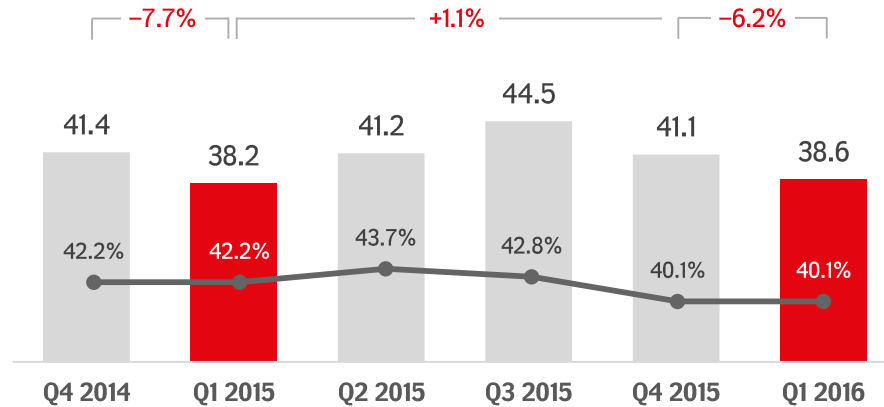
- Y-o-Y revenue growth driven by:
  - Higher usage of data and messaging products
  - Increased data adoption among subscribers
  - Quality subscriber additions
  - Strong sales of handsets
- Q-o-Q revenue dynamics impacted by traditional seasonal factors, including fewer work days, less travel and weaker, post-holiday retail spending

Revenue segment	Q4 2014	Q1 2015	Q1 2015 vs Q4 2014	Q4 2015	Q1 2016	Q1 2016 vs Q4 2015	Q1 2016 vs Q1 2015
Mobile	74.6	70.5	-5.5%	74.9	71.1	-5.1%	+0.9%
Fixed line	16.0	15.3	-4.1%	15.5	15.4	-1.0%	+0.3%
Sales of goods	9.2	6.3	-32.1%	13.8	10.7	-22.7%	+71.0%
Integrated services	-	-	-	0.9	2.5	+184.5%	-



# Russia Financial Highlights

## Total Russia OIBDA and OIBDA Margin (RUB bln)



- Y-on-Y OIBDA growth despite:
  - Expansion of the retail footprint;
  - Aggressive smartphone pricing strategies;
  - Impact of ruble volatility on costs denominated in foreign currencies, including international roaming and calling; and
  - Inflationary pressure among certain SG&A costs
- Y-o-Y OIBDA increase partly due to reimbursement for forfeited spectrum resources

	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Subscribers, mln	74.6	74.5	75.4	76.9	77.3	77.3
Total minutes, bln min	86.9	82.1	87.3	88.1	89.6	86.4
Total smartphone data, Tb	47,179	55,764	59,879	75,085	97,057	112,417
Smartphone penetration, %	42.4	43.6	44.9	47.4	48.4	50.3
Mob. Int. penetration, %	43.5	45.2	42.9	43.9	47.2	46.8

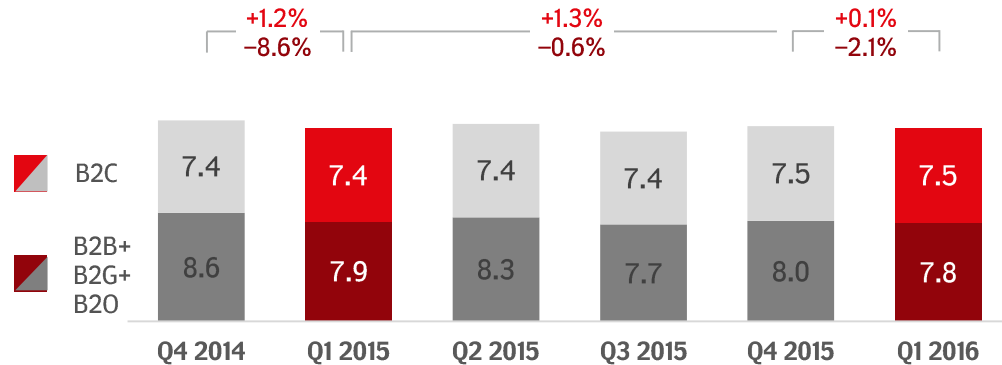


**MTS**

You know that you can!

# 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
- Y-o-Y fixed-line growth in B2C reflects the success of GPON project together with the development in Pay-TV market in Moscow in Q1 2016\*:
  - B2C broadband market share: 31.3% (Q1 2015: 28.5%)
  - B2C Pay-TV market share: 26.1% (Q1 2015: 19.1%)

Subs (by type, thou)	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Fixed telephony	3,640	3,601	3,571	3,540	3,503	3,472
Internet	2,357	2,436	2,486	2,537	2,630	2,680
TV	2,696	2,719	2,730	2,741	2,745	2,745
GPON subs	1,095	1,183	1,279	1,365	1,504	1,598

\*Company estimates

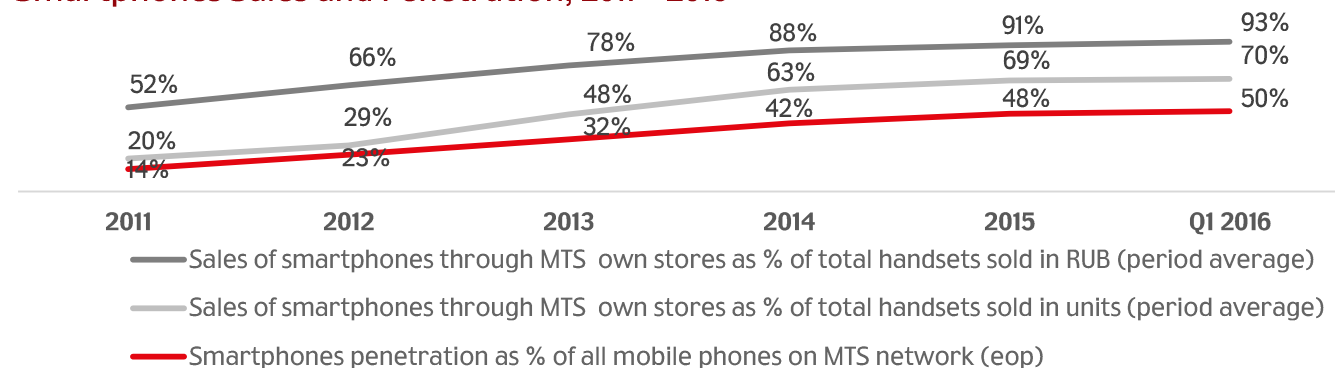


**MTS**

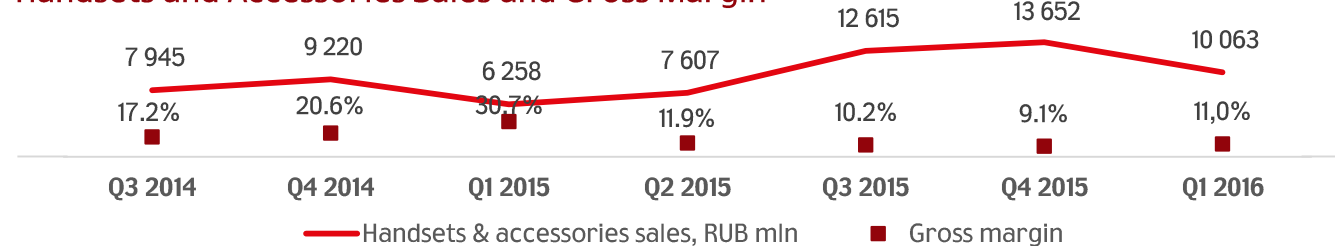
You know that you can!

# MTS Retail Network

## Smartphones Sales and Penetration, 2011 – 2016



## Handsets and Accessories Sales and Gross Margin



- At the end of Q1 2016, MTS's retail network comprised 5,368 stores, including 1,702 franchised outlets
- In Q1 2016, smartphones accounted for 70% of phones sold in MTS stores in units
- LTE smartphones accounted for 45.8% of smartphones in units sold in the MTS retail chain (Q4 2015: 38.5%)
- 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 40% Y-o-Y increase in number of smartphones sold, while total smartphone penetration on our network reached 50.3%

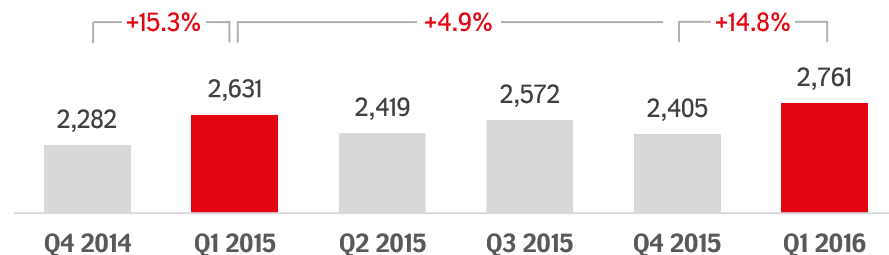


**MTS**

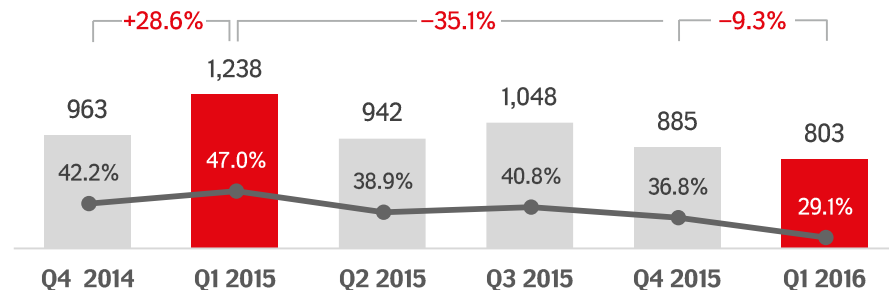
You know that you can!

# Ukraine Financial Highlights

## Total Ukraine Revenue (UAH mln)



## Total Ukraine Adjusted OIBDA\* and OIBDA Margin (UAH mln)



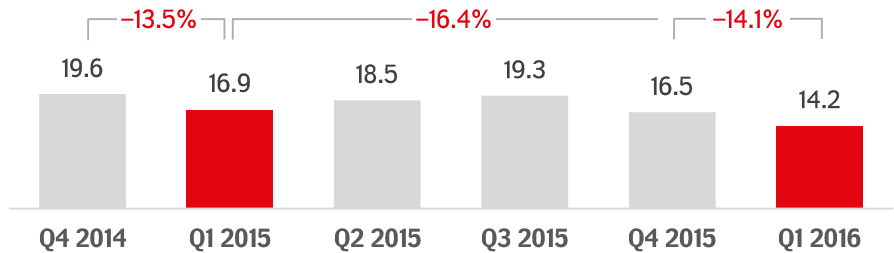
	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Subscribers, mln	20.2	20.3	20.3	20.3	20.4	20.7
Total minutes, bln min	30.8	30.7	30.4	30.3	31.9	32.6

\* 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

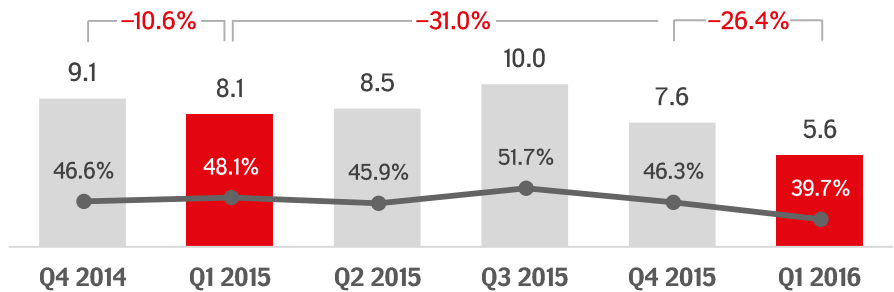
- Year-over-year revenue impacted by:
  - Intensive growth of data traffic, due to widespread 3G roll-out;
  - Launch of new voice and data tariffs under the Vodafone brand;
  - Growth of interconnect revenues after introduction of tariff plans with lower roaming prices; and
  - Increased roaming revenues.
- Topline growth year-over-year was mitigated by a revenue spike in Q1 2015, due to changes in interconnect and international calling prices
- Substantial growth in subscriber base after rebranding to Vodafone and intensive 3G roll-out
- OIBDA decrease driven by:
  - Higher costs on international calling together with higher volumes;
  - One-time marketing, promotion and rebranding-related fees; and

# Armenia Financial Highlights

Total Armenia Revenue  
(AMD bln)



Total Armenia Adjusted OIBDA\* and OIBDA Margin  
(AMD bln)



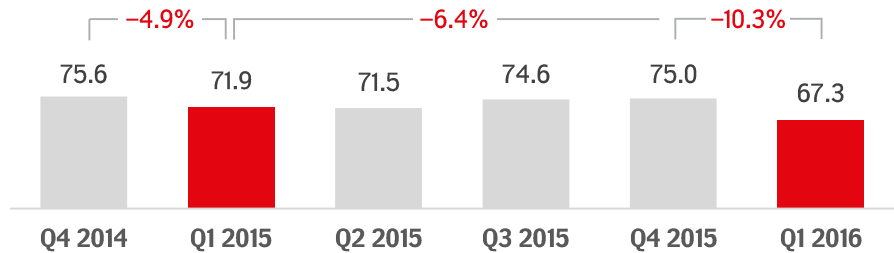
	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Subscribers, thou	2,146	2,117	2,110	2,127	2,115	2,099
Total minutes, mln min	3,366	3,154	3,398	3,461	3,393	3,206

- Revenue trends reflect lower overall voice activity, due to macroeconomic issues, as well as increased data substitution for international dialing
- OIBDA trend reflects decline in revenues, including decreased revenues from roaming and international calling

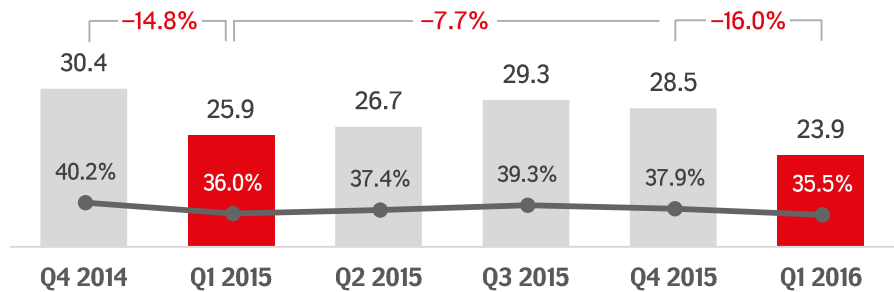
Adjusted for impairment of goodwill in the amount of AMD 24.4 bln in Q4 2015

# Turkmenistan Financial Highlights

Total Turkmenistan Revenue  
(TMT mln)



Total Turkmenistan OIBDA and OIBDA Margin  
(TMT mln)

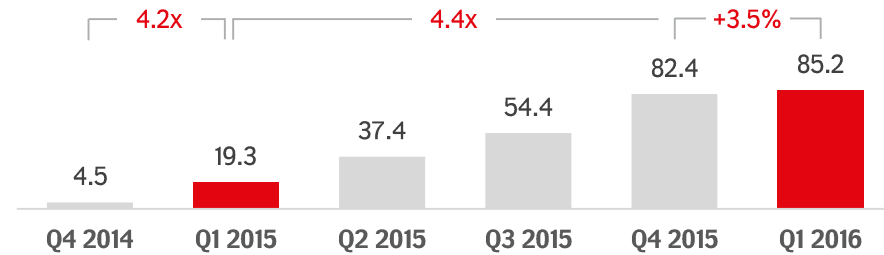


	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Subscribers, thou	1,719	1,675	1,623	1,612	1,610	1,621
Total minutes, mln min	2,830	2,567	2,549	2,481	2,414	2,278

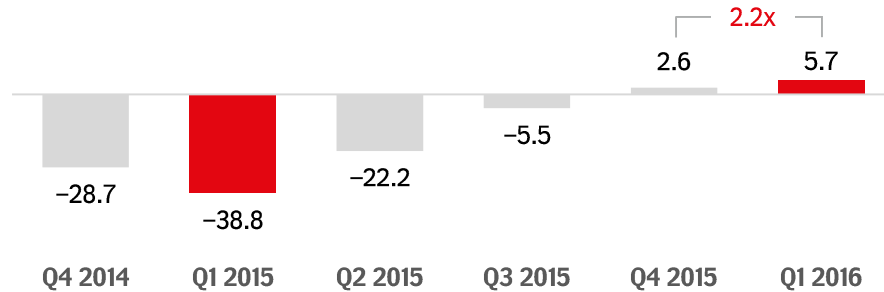
- Y-o-Y revenue decline reflects a slight decline in the active subscriber base and macroeconomic impact on voice usage
- Q-o-Q revenue decline is attributable to seasonally lower voice traffic as well as to lower data consumption
- Y-o-Y decline in OIBDA due to higher payroll and network costs

# Uzbekistan Financial Highlights

## Total Uzbekistan Revenue (UZS bln)



## Total Uzbekistan OIBDA (UZS bln)



	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Subscribers, thou	188	424	643	871	1,095	1,287
Total minutes, mln min	42	322	739	1,202	1,554	1,765

- Top-line growth also attributable to increased data consumption
- OIBDA growth reflects increasing network scale benefits and fewer launch-related expenses

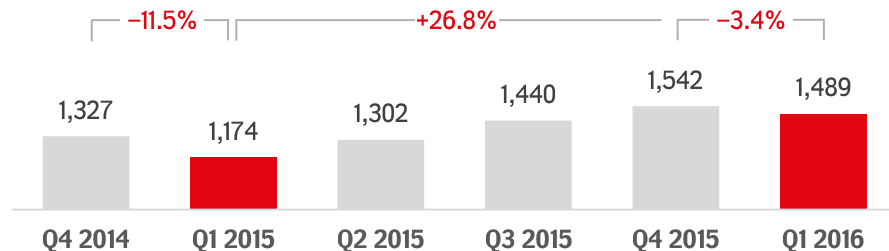


**MTS**

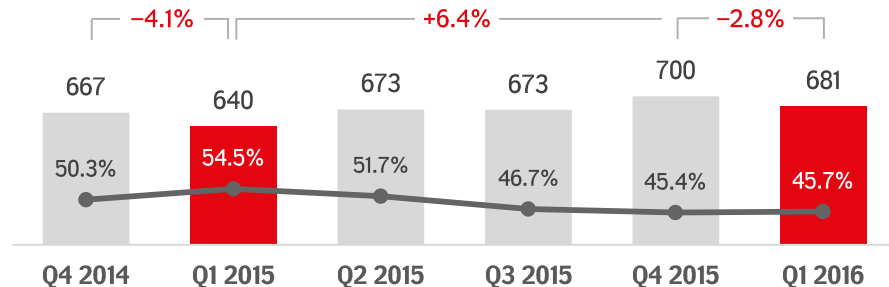
You know that you can!

# Belarus Financial Highlights

## Total Belarus Revenue (BYR bln)



## Total Belarus Adjusted OIBDA\* and OIBDA Margin (BYR bln)



	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Subscribers, mln	5.3	5.3	5.3	5.3	5.3	5.3
Total minutes, bln min	7.7	7.1	7.4	7.5	7.4	7.1

- Y-o-Y improvement in topline attributable to:
  - An increase in data revenues attributable to Company's success in increasing smartphone penetration and customer migration to bundled tariff plans
  - Stronger pricing for data usage
  - Rising sales of handsets as the Company focused on stimulating sales of smartphones
  - Launch of LTE services
- OIBDA margin was badly impacted due to increased share of revenues from sales of goods

\*OIBDA adjusted in Q1 2015 for reserves due to investments in distressed Delta Bank in the amount of BYR 69.69 bln



**MTS**

You know that you can!



# APPENDIX



You know that you can!

# 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	Q3 2015						Q4 2015						Q1 2016					
	Group	RUS	UKR	ARM	TUK	UZB	Group	RUS	UKR	ARM	TUK	UZB	Group	RUS	UKR	ARM	TUK	UZB
OPERATING PROFIT/(LOSS)	27,319	27,275	1,675	680	326	(1,404)	18,876	23,481	1,158	(3,122)	330	(1,163)	21,031	21,599	795	120	278	(607)
Add: Loss from impairment of goodwill in Armenia	–	–	–	–	–	–	3,516	–	–	3,516	–	–	–	–	–	–	–	–
ADJUSTED OPERATING PROFIT/(LOSS)	27,319	27,275	1,675	680	326	(1,404)	22,392	23,481	1,158	394	330	(1,163)	21,031	21,599	795	120	278	(607)
ADD: D&A	20,700	17,252	1,358	626	203	1,275	21,104	17,634	1,390	656	209	1,228	20,248	16,984	1,557	737	232	760
ADJUSTED OIBDA	48,019	44,527	3,032	1,306	529	(128)	43,495	41,115	2,548	1,050	538	65	41,279	38,583	2,351	857	510	154

# Definitions & reconciliations

	Q3 2015						Q4 2015						Q1 2016					
	Group	RUS	UKR	ARM	TUK	UZB	Group	RUS	UKR	ARM	TUK	UZB	Group	RUS	UKR	ARM	TUK	UZB
OPERATING MARGIN	23.7%	26.2%	22.5%	26.9%	24.3%	n/a	16.7%	22.9%	16.7%	n/a	23.4%	n/a	19.5%	22.4%	9.9%	5.6%	19.4%	n/a
Add: Loss from impairment of goodwill in Armenia	–	–	–	–	–	–	3.1%	–	–	154.9%	–	–	–	–	–	–	–	–
ADJUSTED OPERATING MARGIN	23.7%	26.2%	22.5%	26.9%	24.3%	n/a	19.8%	22.9%	16.7%	17.4%	23.4%	n/a	19.5%	22.4%	9.9%	5.6%	19.4%	n/a
ADD: D&A	18.0%	16.6%	18.2%	24.8%	15.1%	95.8%	18.6%	17.2%	20.0%	28.9%	14.8%	61.1%	18.7%	17.6%	19.5%	34.2%	16.2%	34.1%
ADJUSTED OIBDA MARGIN	41.7%	42.8%	40.7%	51.7%	39.4%	n/a	38.4%	40.1%	36.7%	46.3%	38.1%	3.2%	38.2%	40.1%	29.4%	39.7%	35.6%	6.9%

# 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 Dec 31, 2015	As of Mar 31, 2016
Current portion of LT debt and of finance lease obligations	54,346	46,273
LT debt	282,435	259,968
Finance lease obligations	11,231	10,650
Total debt	348,012	316,891
Less:		
Cash and cash equivalents	33,464	44,389
ST investments	49,840	30,961
LT deposits	30,677	28,886
Effects of hedging of non-ruble denominated debt	18,174	14,636
Net debt	215,857	198,019

**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 three months ended Mar 31, 2015	For three months ended Mar 31, 2016
Net cash provided by operating activities	39,115	39,076
Less:		
Purchases of property, plant and equipment	(21,886)	(13,656)
Purchases of intangible assets*	(3,539)	(4,715)
Proceeds from sale of property, plant and equipment	1,291	1,153
Investments in and advances to associates	—	(1,326)
Acquisition of subsidiaries, net of cash acquired	—	—
Free cash flow	14,981	20,532

\*Excluding purchases of 3G license in Ukraine (RUB 7.0 bln) in Q1 2015 and 4G license in Russia (RUB 2.6 bln) in Q1 2016



**MTS**

You know that you can!

# Definitions & reconciliations

**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.



**MTS**

You know that you can!

# Contact information

## MTS Investor Relations

+7 495 223 20 25

[ir@mts.ru](mailto:ir@mts.ru)

[www.mtsgsm.com](http://www.mtsgsm.com)

## Latest Financial Information

[www.mtsgsm.com/resources/reports/](http://www.mtsgsm.com/resources/reports/)

## Official MTS Blog

[www.mtsgsm.com/blog/](http://www.mtsgsm.com/blog/)

## Follow Us

[twitter.com/JoshatMTS](https://twitter.com/JoshatMTS)

## Download the MTS Investor Relations App for iPad:

<http://goo.gl/oRuyqk>



**MTS**

You know that you can!