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History of the Company

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- 1993** MTS company was founded by the landline communication operator MGTS, Deutsche Telekom and Siemens companies and other investors.
 - 1994 Launch of services in the Moscow licensed territory.
 - 1997 Start of the regional expansion in Russia.
 - 2000 IPO at NYSE exceeded USD 350 mln for funding the expansion in Russia
 - 2001 In August the Company's subscriber base exceeded 2 million users
 - 2002 Expansion in CIS and launch of operation in Belarus
 - 2003 Acquisition of UMS, leading Ukrainian mobile operator.
 - 2004 Purchase of Uzdurobita company, mobile operator No. 1 in Uzbekistan.
 - 2005 Acquisition of VSP, mobile operator No. 1 in Turkmenistan.

- 2006 Deep Company re-branding.
- 2007 Acquisition of VivaCell, the leading Armenian mobile operator
- 2008 Conclusion of a strategic partnership with Vodafone. Obtaining license for construction of UMTS network in Russia.
- 2009 Start of development of MTS mono-brand retail chain (RTC CJSC).
- 2010 Purchase of a number of regional BBA and CTV operators, start of consolidation of MTS fixed assets. Suspension of operation in Turkmenistan. Launch of the first in CIS PT network in Uzbekistan.
- 2011 Signing of a memorandum with Skartel. Participation in the Union of LTE Telecom Operators Completion of merger of Comstar-UTS OJSC with MTS
- 2012 Obtaining frequencies and the federal license for provision of communication services of LTE standard in Russia, launch of home network in Moscow. Acquisition of Tascom CJSC. Resumption of activities in Turkmenistan, connecting approximately 1 million subscribers by the end of the year. Signing of indicative offer with MTS Bank and JSFC Sistema on acquisition of 25.095% of the authorized capital in MTS-Bank OJSC. Suspension of operations in Uzbekistan.
- 2013 Conclusion of an agreement between Altimeo, MTS, Nomihold Security Inc. and other related parties on settlement of disputes as to investments in Bitel LLC, former largest mobile communication operator in Kyrgyzstan. Approval of new revision of MTS dividend policy.
- 2014 Presentation of new 3D strategy with the main focuses on Data, Differentiation and Dividends.
- 2015 Strategic partnership with Vodafone in Ukraine, MTS Ukraine re-branding
- **2016** MTS entered tower infrastructure rental market and created a new business for management of the existing infrastructure and further monetization of assets

Report

on compliance with principles and recommendations of the Corporate Governance Code

Hereby the Board of Directors of MTS PJSC represents that the principles of corporate governance recorded by the Corporate Governance Code (hereinafter referred to as the Code) are complied with by the Company, excluding certain principles and recommendations of the Code specified in the Annex to this Representation.

This report on compliance with the principles and recommendations of the Corporate Governance Code in MTS PJSC was considered by the Board of Directors of MTS PJSC at the meeting on May 25, 2017, the meeting minutes No. 2548.

The Board of Directors confirms that the data given in this report contain full and valid information on compliance of the company with the principles and recommendations of the Corporate Governance Code for 2016, as well as for the period after the reporting date before the approval of the Annual Report of MTS PJSC by the Board of Directors of MTS PJSC.¹

Brief description of most substantial aspects of the model and practice of corporate governance in the Company

The system (model) of corporate governance of MTS PJSC was built on the basis of the norms of the existing legislation of the Russian Federation, provisions of the Charter of the Company and principles recommended for use by the Corporate Governance Code, with account of the listing requirements of the Moscow Exchange and NYSE. Description of most substantial aspects of the corporate governance model and practice is provided in the section “Corporate Governance” of the Annual Report of MTS PJSC.

¹ The reporting year is specified, and if the report on compliance with the principles and recommendations of the Corporate Governance Code comprises data for the period that elapsed from the moment of reporting year completion and to the date of making this report, the date of making this report is specified.

Description of the methodology, which the joint stock company used to assess compliance with principles of corporate governance recorded by the Corporate Governance Code

Assessment of compliance with corporate governance principles recorded in the Code is implemented by the method of analysis and comparison of internal standards and procedures with recommendations of the Code.

Planned (suggested) actions and measures of the joint stock company to improve and model and practice of corporate governance

In 2015 the President developed and approved the Road Map for implementation of the Corporate Governance Code recommendations in MTS PJSC (hereinafter referred to as the Roadmap). Information on the results of implementation of the Roadmap were reviewed by the Corporate Governance Committee of the Board of Directors in 2017. Information on the planned measures to improve the model and practice of corporate governance is provided in the section “Development of the Corporate Governance System and Plans for 2017”

Detailed data on compliance with the principles of the Code as of the date of approval of the Annual Report of MTS PJSC by the Board of Directors of MTS PJSC, as well as on actions for further implementation of the Code recommendations is provided below in the Annex to this Representation.

Annex to the Representation of the Board of Directors of MTS PJSC on compliance with the principles and recommendations of the Corporate Governance Code

No.	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status ¹ of compliance with the corporate governance principle	Explanations ² of the deviation from criteria of assessment of compliance with the corporate governance principle
1.1	The company shall provide for equal and fair attitude towards all shareholders that exercise their right for participation in governance of the Company.			
1.1.1	The company creates the maximum favourable conditions for the shareholders to participate in the general meeting, conditions to generate a justified position on the general meeting agenda items, to coordinate their actions, as well as the opportunity to speak their opinion on the considered issues.	<p>complied with</p> <p>1. The internal document of the Company approved by the general meeting of shareholders that regulates the procedures of holding a general meeting is openly available.</p> <p>2. The Company provides an accessible method of communication with the Company, such as a "hot line", e-mail or forum in the Internet, making it possible for the shareholders to speak their opinion and send the questions in respect to the agenda in process of preparation for the general meeting. The specified actions were undertaken by the Company before every general meeting held during the reporting period.</p>	<p>■ complied with □ partially complied with □ not complied with</p> <p>■ complied with □ partially complied with □ not complied with</p>	
1.1.2	The procedure of communicating holding of a general meeting and providing materials for the general meeting enables the shareholders to properly prepare for their participation in it.	<p>complied with</p> <p>1. The message on holding a general meeting of shareholders is placed (published) on the website in the Internet at least 30 days before the date of the general meeting.</p> <p>2. The message on holding a general meeting specifies the venue of the meeting and documents required to be admitted into the venue.</p> <p>3. Shareholders were provided access to information on those who proposed agenda items and candidates for the Board of Directors and Audit Commission of the Company.</p>	<p>■ complied with □ partially complied with □ not complied with</p> <p>■ complied with □ partially complied with □ not complied with</p> <p>■ complied with □ partially complied with □ not complied with</p>	
1.1.3	In process of preparation and holding of a general meeting the shareholders could freely and timely receive information on the meeting and materials to it, ask questions to the executive authorities and members of the Board of Directors of the company, communicate with each other.	<p>complied with</p> <p>1. In the reporting period the shareholders were given a chance to ask questions to the members of the executive authorities and members of the Board of Directors of the Company before and during the annual general meeting.</p> <p>2. The position of the Board of Directors (including special opinions included into the minutes), on each issue of the agenda of the general meetings held in the reporting period was included into the materials for the general meeting of shareholders.</p> <p>3. The Company provided access to entitled shareholders to the list of persons authorised to participate in the general meeting, starting from the date of its receipt by the company, in all cases of holding general meetings in the reporting period</p>	<p>■ complied with □ partially complied with □ not complied with</p> <p>■ complied with □ partially complied with □ not complied with</p> <p>■ complied with □ partially complied with □ not complied with</p>	

¹ Status "complied with" is only specified, if the company meets all criteria of assessment of compliance with the corporate governance principle. Otherwise, the status "partially complied with" or "not complied with" is indicated.

² Provided on each criterion of assessment of compliance with the principle of corporate governance, if the company complies only with some criteria or does not comply with any criterion of assessment of compliance with the principle. If the company specified the status "complied with", no explanations are required.

1.1.4	Implementation of the shareholder's right to request calling of a general meeting, to propose candidates for the management bodies and to make proposals for inclusion into the agenda of the general meeting was not accompanied with unwarranted difficulties.	complied with	1. In the reporting period the shareholders were able within at least 60 days upon completion of the appropriate calendar year to make proposals for inclusion into the agenda of the annual general meeting.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
			2. In the reporting period the Company did not reject inclusion of proposals for the agenda or candidates to the company bodies due to misprints and other minor defects in the shareholder's proposal.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
1.1.5	Each shareholder was able to freely implement their voting right by most simple and convenient for them ways.	complied with	1. The internal document (internal policy) of the Company contains provisions, in accordance with which each participant of the general meeting may before the end of the appropriate meeting request the copy of the filled bulletin certified by the counting board.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
1.1.6	The procedure of holding a general meeting established by the Company provides equal opportunity to all persons present at the meeting to speak their opinion and ask their questions of interest.	complied with	1. During general meetings of shareholders in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time was provided for reports on agenda items, as well as time for discussion of these questions.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
			2. Candidates to the Company management and control bodies were available to answer questions of shareholders at the meeting, where their candidates were put to vote	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
			3. The Board of Directors, when making decisions related to preparation and holding of general meetings of shareholders, considered the question of using telecommunications facilities for provision of remote access to shareholders for participation in the general meetings in the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
1.2	Shareholders were provided equal and fair opportunity to participate in the profit of the Company by receiving dividends.			
1.2.1	The company developed and introduced a transparent and clear mechanism for determination of the dividend amount and their payment.	complied with	1. The dividend policy in the Company was developed, approved by the Board of Directors and disclosed.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
			2. If the dividend policy of the Company uses the Company reporting indicators for determination of the dividend amount, then the appropriate provisions of the dividend policy shall take into account the consolidated indicators of the financial statements.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
1.2.2	The Company does not make a decision on payment of dividends, if such decision, formally not breaking the limitations established by the law, is economically unjustified and may result in formation of false representations about the Company's business.	complied with	1. The dividend policy of the Company includes clear references to financial/economic circumstances, when the Company should not pay dividends.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
				<p>1. The dividend policy of the Company³ does not contain references to specific circumstances, under which the Company does not pay dividends, but includes a provision stating that the Company cannot declare or pay the declared dividends in cases stipulated by the legislation of the Russian Federation. Following the historical practice, MTS regularly pays dividends for more than 10 years in a row. The Company uses regular payment of dividends as an element of the policy aimed at increasing the shareholder value of the Company.</p> <p>In 2014, the new "3D" Strategy of MTS was introduced, according to which the payment of dividends is one of its key elements.</p>

¹ www.mtsgsm.com/upload/contents/328/Statute_on_MTS_Dividends_Policy.pdf

We do not abandon the use of the mechanism when dividends are paid out of retained earnings of previous years, and therefore we do not consider it possible to formalize, for example, a prohibition on decisions to pay dividends in the event that the net profit for the reporting year is below the amount of dividends recommended for payment for the reporting year.

In accordance with the Dividend Policy, the Board of Directors of the Company, when determining the recommended amount of dividends, takes into account the financial performance of the Company. When determining the amount of dividends, the Board of Directors takes into account a number of additional factors, including revenue growth prospects, capital expenditure requirements, receipts from core activities, potential acquisition opportunities, and the status of the Company's debt obligations.

The Company does not take a decision to pay dividends, if such a decision is economically unjustified and may lead to false representations about the Company's activities.

The existing dividend payment practices and considerable attention paid to this issue by the Board of Directors provide a balanced approach and mitigate the risks associated with incomplete implementation of the recommendation.

The Company does not plan to change its dividend policy, at least during 2017-2018

1.2.3	The Company does not allow for deterioration of the dividend rights of the existing shareholders.	complied with	1. In the reporting period the Company did not commit actions resulting in deterioration of dividend rights of existing shareholders.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
1.2.4	The Company strives to exclude usage of other methods of gaining profit (income) by the shareholders at the expense of the Company, apart from dividends and liquidation value.	complied with	1. In order to exclude other methods of gaining profit (income) by the shareholders at the expense of the Company, apart from dividends and liquidation value, the internal documents of the Company establish controls, which provide for timely detection and procedure of approval of transactions with persons affiliated (related) with major shareholders (persons entitled to dispose of voting rights of voting shares), in those cases, when the law formally does not recognise such transactions as related party transactions.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
1.3	The system and practice of corporate governance provide for equal conditions for all shareholders – owners of shares of one category (type), including minority (small) shareholders and foreign shareholders, and equal attitude to them from the Company.			
1.3.1	The Company created conditions for fair attitude to each shareholder from the management bodies and controlling persons of the Company, including conditions preventing abuse of major shareholders in respect to minority shareholders.	complied with	1. Within the reporting period the procedures of management of potential conflicts of interest in major shareholders are effective, and the Board of Directors paid proper attention to conflicts between shareholders, if such occurred.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with

1.3.2	The Company does not undertake actions that result or may result in artificial redistribution of corporate control.	complied with	1. Quasi-treasury shares are absent or did not participate in voting during the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
1.4	Shareholders are provided with reliable and effective methods to register rights for shares, as well as the opportunity of free and unhindered alienation of shares they own.			
1.4	Shareholders are provided with reliable and effective methods to register rights for shares, as well as the opportunity of free and unhindered alienation of shares they own.	complied with	1. Quality and reliability of activities executed by the Company registrar to keep the register of securities' owners comply with the needs of the Company and its shareholders.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.1	The Board of Directors executes strategic management of the Company, determines the main principles and approaches to organisation of the risk management system and internal control in the company, monitors activity of the executive bodies of the Company and implements other key functions.			
2.1.1	The Board of Directors is responsible for making decisions related to appointment and dismissal in the executive bodies, also due to improper performance of one's job duties. The Board of Directors also monitors that the executive bodies of the Company act in accordance with the approved strategy of development and main directions of the Company's business.	complied with	1. The Board of Directors has powers registered in the charter for appointment, dismissal and determination of the agreement terms in respect to the members of the executive bodies.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
			2. The Board of Directors considered the report (reports) of the sole executive body and members of the collective executive body on achievement of the Company strategy.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.1.2	The Board of Directors establishes the main reference points for the Company's business in the long term, assesses and approves the key indicators of business and main business objectives of the Company, assesses and approves the strategy and business plans on the main types of the Company's business.	complied with	1. During the reporting period at the meetings of the Board of Directors, the issues were considered, which were related to the progress of achievement and update of the strategy, approval of the financial and business plan (budget) of the Company, as well as consideration of criteria and indicators (including interim ones) for achievement of the strategy and business plans of the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.1.3	The Board of Directors defines principles and approaches to organisation of the risk management and internal control system in the Company.	complied with	1. The Board of Directors defined principles and approaches to organisation of the risk management and internal control system in the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
			2. The Board of Directors assessed the risk management and internal control system in the Company during the reporting period	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.1.4	The Board of Directors defines the Company policy on remuneration and (or) recovery of costs (compensations) to the member of the Board of Directors, executive bodies and other key management employees of the Company.	complied with	1. The Company developed and introduced the policy (policies) approved by the Board of Directors for remuneration and recovery of costs (compensations) of the members of the Board of Directors, executive bodies of the company and other key management employees of the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
			2. During the reporting period, at the meetings of the Board of Directors, issues related to the specified policy (policies) were considered.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with

<p>2.1.5 The Board of Directors plays a key role in prevention, detection and settlement of internal conflicts between the Company authorities, shareholders of the Company and employees of the company.</p>	<p>complied with</p>	<p>1. The Board of Directors plays a key role in prevention, detection and settlement of internal conflicts. <input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p> <p>2. The company created a system of identification of transactions related to a conflict of interest, and a system of actions aimed at resolution of such conflicts <input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>
<p>2.1.6 The Board of Directors plays a key role in ensuring transparency of the Company, timeliness and completeness of information disclosure by the company, unhindered access of shareholders to the Company documents.</p>	<p>complied with</p>	<p>1. The Board of Directors approved the Regulation on Information Policy. <input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p> <p>2. There are persons defined in the Company as responsible for implementation of the information policy. <input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>
<p>2.1.7 The Board of Directors monitors practice of corporate governance in the Company and plays a key role in the substantial corporate events of the Company.</p>	<p>complied with</p>	<p>1. During the reporting period the Board of Directors considered the issue on the practice of corporate governance in the Company. <input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>
<p>2.2. The Board of Directors reports to all shareholders of the Company.</p>		
<p>2.2.1 Information on operation of the Board of Directors is disclosed and provided to shareholders.</p>	<p>complied with</p>	<p>1. The annual report of the Company for the reporting period includes information of attendance of the meetings of the Board of Directors and committees by certain directors. <input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p> <p>2. The annual report contains information on the main results of assessment of the activities of the Board of Directors held in the reporting period. <input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>
<p>2.2.2 The chairman of the Board of Directors is available for communication with the Company shareholders.</p>	<p>complied with</p>	<p>1. There is a transparent procedure in the Company, which provided for the shareholders an opportunity to send questions and their position on them to the chairman of the Board of Directors. <input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>
<p>2.3. The Board of Directors is an effective and professional management body of the Company, capable of producing objective independent opinions and making decisions meeting the interests of the company and its shareholders.</p>		
<p>2.3.1 Only persons with perfect business and personal reputation and having knowledge, skills and experience required for making decisions related to the competence of the Board of Directors, and required for effective realisation of its functions, are elected by the members of the Board of Directors.</p>	<p>complied with</p>	<p>1. The procedure accepted in the company for assessment of efficiency of operation of the Board of Directors also includes assessment of professional qualification of the members of the Board of Directors. <input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p> <p>2. In the reporting period the Board of Directors (or its nomination committee) performed assessment of the candidates for the Board of Directors from the point of view of availability of the necessary experience, knowledge, business reputation, absence of conflict of interest, etc. <input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>

2.3.2	The members of the Board of Directors of the company are elected by means of a transparent procedure, making it possible for the shareholders to receive information about candidates, sufficient for generation of representation on their personal and professional qualities.	complied with	1. In all cases of holding a general meeting of shareholders in the reporting period, the agenda of which included issues on election of the board of directors, the company provided to the shareholders the biographic data of all candidates to the members of the Board of Directors, results of assessment of such candidates performed by the Board of Directors (or its nomination committee), and also information on compliance of the candidate with the independence criteria, in accordance with the recommendations 102–107 of the Code and written consent of candidates for election into the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.3.3	The composition of the Board of Directors is balanced, also by qualification of its members, their experience, knowledge and business qualities, and enjoys confidence of shareholders.	complied with	1. Within the procedure for assessment of work of the Board of Directors performed in the reporting period, the Board of Directors analysed its needs in the field of professional qualification, experience and business skills.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.3.4	The quantitative composition of the Board of Directors of the company makes it possible to organise activities of the Board of Directors in the most efficient manner, including the possibility to form the committees of the Board of Directors, and also provides for the substantial minority shareholders of the company the possibility of election of the candidate they vote for into the Board of Directors.	complied with	1. Within the procedure of assessment of the Board of Directors performed in the reporting period, the Board of Directors considered the issue of compliance of the quantitative composition of the Board of Directors with the needs of the company and interests of shareholders.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.4	The Board of Directors includes sufficient number of independent directors.			
2.4.1	An independent director is a person with sufficient professionalism, experience and independence for formation of their own position, capable of producing objective and fair opinions independent on the influence of the executive bodies of the Company, separate groups of shareholders or other interested parties. At the same time it should be taken into account that under regular conditions a candidate (elected member of the Board of Director) may not be recognised as independent, if he or she is related to the Company, its major shareholder, major contractor or competitor of the Company or is related to the state.	complied with	1. Within the reporting period all independent members of the Board of Directors met all the criteria of independence specified in the recommendations 102–107 of the Code, or were recognised independent by the decision of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.4.2	Assessment of compliance of the candidates to the members of the Board of Directors with the independence criteria is performed, and regular analysis is carried out for compliance of independent members of the Board of Directors with the independence criteria. During performance of such assessment the content shall prevail over the form.	complied with	1. In the reporting period the Board of Directors (or the nomination committee of the Board of Directors) produced the opinion on independence of each candidate to the Board of Directors and provided the appropriate report to the shareholders.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
			2. During the reporting period, the Board of Directors (or the nomination committee of the Board of Directors) at least once considered independence of the existing members of the Board of Directors, which are specified by the Company in the annual report as the independent directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with

		3. The Company developed procedures that determine the necessary actions of the member of the Board of Directors, if he or she stops being independent, including obligations on timely notification of the Board of Directors, accordingly.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.4.3	Independent directors make at least one third of the elected composition of the Board of Directors.	complied with		
		1. Independent directors make at least one third of the composition of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.4.4	Independent directors play a key role in prevention of internal conflicts in the Company and making substantial corporate actions by the Company.	complied with		
		1. Independent directors (with no conflict of interests) preliminarily assess the substantial corporate actions related to a potential conflict of interest, and results of such assessment are provided to the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.5	The chairman of the Board of Directors supports most efficient realisation of functions laid upon the Board of Directors.			
2.5.1	The chairman of the Board of Directors is an independent director, or a senior independent director is determined from the elected independent director, which coordinates work of independent directors and cooperates with the chairman of the Board of Directors.	partially complied with	<input type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input checked="" type="checkbox"/> not complied with	<p>1. The Chairman of the Board of Directors is not an independent director; no senior independent director has been defined.</p> <p>The chairman of the Board of Directors of MTS PJSC since 2009 has been non-executive director, Mr. Ron Sommer. Large experience of R. Sommer in management bodies of Russian and largest foreign companies in combination with high qualification, also in the telecommunications industry, make a substantial contribution into the effective organisation of the work of the Board of Directors of MTS PJSC. The work of R. Sommer is praised by independent experts¹.</p> <p>Therefore, the Company believes that appointment of the independent Chairman of the Board of Directors will not have additional substantial effect/influence at organisation of work of the Board of Directors and quality of decisions it makes of Directors or appointing a Senior Independent Director.</p> <p>The company's Board of Directors composition is well-balanced both in terms of their number and the members' experience and qualification. Independent directors actively participate in the work of the Board of Directors and may directly communicate with the Chairman of the Board of Directors.</p> <p>In addition, the Company has formed Committees consisting exclusively of independent directors, and headed by independent directors. The Committees regularly hold their meetings.</p> <p>The work of the independent directors in the Company is arranged efficiently therefore introduction of an additional position of Senior Independent Director will not result in any improvements in the Company's corporate governance system.</p>

¹ Specify which of two alternative approaches permitted by the principle is introduced in the company, and explain the reasons for the chosen approach.

² In 2016 R. Sommer was ranked among the "Top 25 Chairmen of the Board of Directors" as a part of the "Director of the Year" National Award.

In view of the above, the absence of the status of an independent director for the Chairman of the Board of Directors, as well as the appointed Senior Independent Director, does not result in any additional risks for the Company and its stakeholders. The Corporate Governance Committee and the Board of Directors decided not to elect an independent Chairman of the Board of Directors or appoint a Senior Independent Director.

However, the Company does not restrict the right of independent directors to initiate the institution of the Senior Independent Director or the right of members of the Board of Directors to elect an independent director as the Chairman, if required. Thus, in the future, the Company does not rule out a possibility of electing an independent Chairman of the Board

		2. The role, rights and obligations of the chairman of the Board of Directors (and, if applicable, the senior independent director) are properly defined in the internal documents of the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.5.2	The chairman of the Board of Directors provides for constructive atmosphere of holding meetings, free discussion of issues included into the meeting agenda, monitoring over performance of decisions made by the Board of Directors.	complied with 1. Efficiency of work of the chairman of the Board of Directors is assessed within the procedure of assessment of Board of Directors efficiency in the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.5.3	The chairman of the Board of Directors takes the necessary actions for timely provision of information necessary to make decisions on the issues of the agenda to the members of the Board of Directors.	complied with 1. The obligation of the chairman of the Board of Directors to take actions to provide for timely provision of materials to the members of the Board of Directors on the agenda issues of the meeting of the Board of Directors is recorded in the internal documents of the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.6	Members of the Board of Directors act fairly and reasonably for the interests of the Company and its shareholders on the basis of sufficient awareness, with sufficient degree of care and diligence.		
2.6.1	Members of the Board of Directors make decisions with account of all available information, in absence of conflict of interests, with account of equal attitude to shareholders of the Company, within regular entrepreneur risk.	complied with 1. Internal documents of the Company establish that the member of the Board of Directors must notify the Board of Directors, if he or she has a conflict of interest in respect to any issue of the agenda of the meeting of the Board of Directors or the committee of the Board of Directors, before discussion of the appropriate item of the agenda. 2. Internal documents of the Company provide that the member of the Board of Directors shall abstain from voting on any issue, where he or she has a conflict of interest. 3. In the Company there is a procedure, which makes it possible for the Board of Directors to receive professional consultations on issues related to its competence, at the expense of the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with <input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with <input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.6.2	Rights and obligations of the members of the Board of Directors are clearly formulated and recorded in the internal documents of the Company.	complied with 1. In the Company there is an internal document accepted and published, which defines the rights and obligations of the members of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with

2.6.3	Members of the Board of Directors have sufficient time to perform their obligations.	complied with	1. Individual attendance of the meetings of the Board and the committees, as well as time allocated for preparation to participate in the meetings was taken into account within the procedure to assess the Board of Directors, in the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
			2. In accordance with the internal documents of the company, the members of the Board of Directors must notify the Board of Directors about their intent to enter the management bodies of other organisations (apart from subsidiaries and affiliates of the Company), as well as on the fact of such appointment.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.6.4	All members of the Board of Directors to the same extent are able to access documents and information of the Company. Newly elected members of the Board of Directors within the shortest time possible are provided with sufficient information about the Company and work of the Board of Directors.	complied with	1. In accordance with the internal documents of the Company, the members of the Board of Directors are entitled to access the documents and make queries related to the Company and its subsidiaries, and executive bodies of the Company shall provide the appropriate information and documents.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
			2. In the Company there is a formalised program of introductory events for newly elected members of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.7	Meetings of the Board of Directors, preparation for them and participation of the members of the Board of Directors in them provide for effective operation of the Board of Directors.			
2.7.1	Meetings of the Board of Directors are held when required, with account of the scale of activities and objectives of the Company at a certain period of time.	complied with	1. The Board of Directors held at least six meetings for the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.7.2	The internal documents of the Company record the procedure of preparation and holding of the meetings of the Board of Directors, providing the opportunity for the members of the Board of Directors to properly prepare for its holding.	complied with	1. In the Company there is an internal document, which defines the procedure of preparation and holding of the meetings of the Board of Directors, where it is also established that a notice on holding a meeting shall be made as a rule at least 5 days before the date of its holding.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.7.3	The form of holding a meeting of the Board of Directors is determined with account of importance of the agenda items. Most important issues are resolved at the meetings held with physical presence.	complied with	1. The Charter or the internal document of the Company provides that the most important issues (according to the list provided in the recommendation 168 of the Code) shall be considered at the in-person meetings of the Board.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.7.4	Decisions on the most important issues of the Company's business shall be made at the meeting of the Board of Directors by the qualified majority or majority of votes of all elected members of the Board of Directors.	partially complied with	1. The charter of the Company provides that the decisions on the most important issues specified in the recommendations 170 of the Code shall be made at the meeting of the Board of Directors by qualified majority, with at least three fourths of votes, or by the majority of votes of all elected members of the Board of Directors.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
				<p>1. The charter of the Company does not provide that the decisions on the issues specified in the recommendations 170 of the Code shall be made at the meeting of the Board of Directors by qualified majority, with at least three fourths of votes, or by the majority of votes of all elected members of the Board of Directors.</p> <p>In accordance with the Charter, decisions on most issues within the competence of the Board of Directors are made by a simple majority (more than ½ (one half)) of the votes of the members of the Board of Directors taking part in the meeting).</p>

A minor part of the issues requires unanimous decision of all members of the Board of Directors, without taking into account the retired members of the Board of Directors.

In practice, this recommendation of the Code is fulfilled: over the past years more than 90% of the Board of Directors meetings are held with 100% participation of members of the Board of Directors. Accordingly, in most cases, the simple majority of votes of the members of the Board of Directors participating in the meeting is comparable to the majority of votes of all elected members of the Board of Directors.

After approval of the Code, the issue on implementation of the recommendation was considered by members of the Corporate Governance Committee of the Board of Directors with involvement of other members of the Board of Directors and management. The Committee concluded that more rigorous procedures for decision-making by the Board of Directors were unjustified, including due to the fact that their implementation could negatively affect the promptness of decision-making.

The risks associated with incomplete implementation of recommendations are offset by traditionally high attendance by members of the Board of Directors of the meetings, as well as the decision-making procedures adopted in the Company: decisions made by the Board of Directors are built on the consensus of all members of the Board of Directors, and key decisions are preliminary developed by independent members of the Board of Directors during the work of committees.

No amendments to the Company's Charter regarding the terms for decision-making at the meetings of the Board of Directors are currently planned.

2.8 The Board of Directors establishes the committees for preliminary consideration of the most important issues of the Company's business.

2.8.1 For preliminary consideration of the issues related to control of the financial and economic activities of the Company, the Audit Committee is established, comprising independent directors.

complied with

1. The Board of Directors established the Audit Committee made exclusively of independent directors.

complied with
 partially complied with
 not complied with

2. The internal documents of the company define the objectives of the Audit Committee, including objectives contained in the recommendation 172 of the Code.

complied with
 partially complied with
 not complied with

3. At least one member of the Audit Committee being an independent director has experience and knowledge in the field of preparation, analysis, assessment and audit of the accounting (financial) statements.

complied with
 partially complied with
 not complied with

4. Meetings of the Audit Committee were held at least once per quarter during the reporting period.

complied with
 partially complied with
 not complied with

2.8.2	For preliminary consideration of the issues related to formation of efficient and transparent remuneration practice, the Remuneration Committee is established, comprising independent directors and headed by the independent director, not being the chairman of the Board of Directors.	complied with	1. The Board of Directors established the Remuneration Committee, which comprises only independent directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
			2. The chairman of the Remuneration Committee is an independent director, who is not the chairman of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
			3. The internal documents of the company define the objectives of the Remuneration Committee, including objectives contained in the recommendation 180 of the Code.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.8.3	For preliminary consideration of the issues related to HR planning (succession planning), professional composition and efficiency of work of the Board of Directors, the Nomination Committee (for appointments, HR) is established, majority of the members of which are independent directors.	complied with	1. The Board of Directors established the Nomination Committee (or its objectives specified in the recommendation 186 of the Code, are implemented within a different committee ¹), the majority of the members of which are independent directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
			2. Internal documents of the Company define the objectives of the Nomination Committee (or the appropriate committee with the combined functionality), including the objectives contained in the recommendation 186 of the Code.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
				1. The tasks indicated in Recommendation 186 of the Code are assigned to the Remuneration and Nomination Committee.
				<p>2. The activity of the Committee on Remuneration and Appointments is carried out under the Regulations on the Committee. In accordance with the Regulations, the functions of the committee include, among other things, all the tasks listed in Recommendation 186 of the Code, with the exception of sub-clause 8. The task of describing individual duties of the directors and the Chairman of the Board of Directors was not included in the list of functions of the Remuneration and Nomination Committee for two main reasons:</p> <ul style="list-style-type: none"> — the main duties of members of the Board of Directors (including the Chairman of the Board of Directors) are clearly defined in the Regulations on the Board of Directors; — the composition of the Board of Directors is quite stable: seven out of nine directors were appointed to their office before 2014, when the Code entered into force. Thus, the scope of individual duties of each director has been already formed, and the Company believes that additional description of the duties of directors by the Remuneration and Appointments Committee will be purely formal and will not become a catalyst for improving performance of the Board of Directors. <p>Risks associated with partial failure to comply with this recommendation are offset by introducing an Introductory Course for the newly elected members of the Board of Directors, including description of the duties of the directors and the Chairman of the Board of Directors.</p> <p>In connection with the above, the Committee for Corporate Governance decided that it was inadvisable to include in the functions of the Remuneration and Nomination Committee the task specified in sub-clause 8 of Recommendation 186 of the Code. The Company does not plan to add this task to the functions of the Remuneration and Nomination Committee.</p>

¹ If objectives of the Nomination Committee are implemented within a different committee, specify its name.

2.8.4	With account of the scale of activity and level of risk, the Board of Directors of the Company verified that the composition of its committees fully complies with the objectives of the Company's business. Additional committees were either formed or were not recognised necessary (Strategy Committee, Corporate Governance Committee, Ethics Committee, Risk Management Committee, Budget Committee, Health, Safety and Environment Committee, etc.).	complied with	1. In the reporting period the Board of Directors of the company considered the issue of compliance of the composition of its committees with the objectives of the Board of Directors and objectives of the Company's business. Additional committees were either formed or were not recognised necessary.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	¹ 1. As of 01.01.2016, the following committees of the Board of Directors were formed: — Audit Committee; — Remuneration and Nomination Committee; — Strategy Committee; — Budget Committee; — Committee for Corporate Governance; — Special Committee. At its meeting on June 23, 2016, the Board of Directors reviewed the issue of compliance of the composition of the Board committees with its tasks and objectives of the Company. The Special Committee was recognized to be unnecessary and, therefore, was not formed. The remaining committees continued their activities. The need to create additional committees was not identified.
2.8.5	The composition of the committees was determined so that it made it possible to perform comprehensive discussion of previously considered issues with account of different opinions.	complied with	1. Committees of the Board of Directors are headed by independent directors. 2. Internal documents (policies) of the company provide for the provisions, in accordance with which the persons not included into the composition of the Audit Committee, Nomination Committee and Remuneration Committee may visit the meetings of the committees only with the invitation of the chairman of the appropriate committee.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with <input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.8.6	Chairmen of the committees regularly inform the Board of Directors and its chairman on the work of its committees.	complied with	1. During the reporting period the chairmen of the committees regularly report to the Board of Directors about the work of the committees.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.9	The Board of Directors provides for performance of assessment of the quality of Board of Directors' work, its committees and members of the Board of Directors.				
2.9.1	Performance of assessment of quality of Board of Directors' work is aimed at definition of degree of efficiency of Board of Directors', committees' and members of the Board of Directors work, compliance of their work with the needs of the company development, activation of work of the Board of Directors and detection of areas, where their activity may be improved.	complied with	1. Self-assessment or external assessment of work of the Board of Directors performed in the reporting period included assessment of the work of committees, separate members of the Board of Directors and the Board of Directors in general. 2. Results of self-assessment or external assessment of the Board of Directors performed during the reporting period were considered at the in-person meeting of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with <input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.9.2	Assessment of work of the Board of Directors, Committees and members of the Board of Directors is realised on a regular basis at least once per year. For independent assessment of quality of work of the Board of Directors, at least once in three years an external organisation (consultant) is employed.	partially complied with	1. To perform independent assessment of quality of work of the Board of Directors within the last three reporting periods, at least once the Company employed an external organisation (consultant).	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	1. During the last three reporting periods, the external consultant was not involved in independent evaluation of performance of the Board of Directors. With that, in the reporting period the Company conducted self-assessment of the quality of the work of the Board of Directors with methodological support of an external consultant.

¹ Specify the list of the established additional committees

The evaluation methodology, which was applied at MTS earlier, was developed before the adoption of the Code and only partially complied with the recommendations of the Code. In this regard, in 2016, the Company revised the methodology for the evaluation of the Board of Directors.

The new methodology was developed with involvement of external consultant and fully takes into account the recommendations of the Code, as well as the best international practice in the field of organization of the Board of Directors' work.

In the reporting year, evaluation of the Board of Directors using the new methodology was carried out for the first time and in the form of self-assessment using questionnaire method. The results of the evaluation were considered at the in-person meeting of the Board of Directors.

In 2017, MTS plans to conduct another self-assessment of the Board of Directors using the questionnaire method, and in 2018 to consider evaluation of the Board of Directors with involvement of an external consultant

Due to the fact that the three-year period when an external consultant has to be involved for evaluation started in 2016, in accordance with the provisions of the Code the Company should engage the External Consultant no later than 2018. Thus, there are no additional risks associated with failure to involve of an external consultant for evaluation of the Board of Directors in 2016

3.1	The corporate secretary of the Company performs effective current interaction with the shareholders, coordinates actions of the Company for protection of rights and interests of shareholders, supports effective work of the Board of Directors.		
3.1.1	The corporate secretary has knowledge, experience and qualification, sufficient for performance of its obligations, stellar reputation and enjoys confidence of shareholders	complied with	
	1. The corporate secretary has knowledge, experience and qualification, sufficient for performance of its obligations, stellar reputation and enjoys confidence of shareholders.		<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
	2. On the website of the Company in the Internet and in the annual report there is biographic information available on the corporate secretary, with the same level of detail as for the members of the Board of Directors and executive management of the company.		<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
3.1.2	The corporate secretary has sufficient independence of the executive bodies of the Company and has the necessary powers and resources to perform its objectives.	complied with	
	1. The Board of Directors approves appointment, dismissal and additional remuneration of the corporate secretary.		<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
4.1	The level of remuneration paid by the Company is sufficient to engage, motivate and retain people that have the necessary competence and qualification for the Company. Payment of remuneration to the members of the Board of Directors, executive bodies and other key management employees of the company shall be carried out in accordance with the remuneration policy accepted in the Company.		
4.1.1	The level of remuneration provided by the Company to the members of the Board of Directors, executive bodies and other key management employees creates sufficient motivation for their efficient work, making it possible for	complied with	
	1. There is an internal document (documents) accepted in the Company – a policy (policies) on remuneration of the members of the Board of Directors, executive bodies and other key management employees, which clearly defines the approaches to the remuneration of the specified persons.		<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with

the Company to employ and retain competent and qualified experts. At the same time the Company avoids higher remuneration than necessary, as well as unjustified high gap between levels of remuneration of the specified persons and employees of the Company.

4.1.2	The Company remuneration policy is developed by the Remuneration Committee and approved by the Board of Directors of the Company. The Board of Directors, with the support of the Remuneration Committee provides for monitoring of implementation and execution of the remuneration policy in the Company, and if necessary – revises and corrects it.	complied with	1. During the reporting period the Remuneration Committee considered the remuneration policy (policies) and practice of its (their) introduction, and if required, the necessary recommendations to the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
4.1.3	The remuneration policy of the Company comprises transparent mechanisms for determination of the remuneration amount of the members of the Board of Directors, executive bodies and other key management employees of the Company, and also regulates all types of payments, benefits and privileges provided to the specified persons.	complied with	1. The remuneration policy (policies) of the Company comprises (comprise) transparent mechanisms for determination of the remuneration amount of the members of the Board of Directors, executive bodies and other key management employees of the Company, and also regulates (regulate) all types of payments, benefits and privileges provided to the specified persons.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
4.1.4	The Company determines the policy for recovery of expenses (compensations) that details the list of expenses subject to recovery, and the level of service that the members of the Board of Directors, executive bodies and other key management employees of the Company may claim for. Such policy may be a component of the Company remuneration policy.	complied with	1. The remuneration policy (policies) or other internal documents of the Company establish the rules for recovery of the expenses of the members of the Board of Directors, executive bodies and other key management employees of the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
4.2	The remuneration system of the members of the Board of Directors provides for approach of financial interests of directors with long-term financial interests of shareholders.				
4.2.1	The Company pays fixed annual remuneration to the members of the Board of Directors. The Company does not pay remuneration for participation in individual meetings of the Board or committees of the Board of Directors. The Company does not use the forms of short-term motivation and additional material stimulation in respect to the members of the Board of Directors.	not complied with	1. Fixed annual remuneration was the only monetary form of remuneration of the members of the Board of Directors for work in the Board of Directors during the reporting period.	<input type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input checked="" type="checkbox"/> not complied with	1. Fixed annual remuneration was not the only monetary form of remuneration of the members of the Board of Directors for work in the Board of Directors during the reporting period. The amount and procedure for payment of remunerations and compensations to members of the Board of Directors are regulated by the Regulations on Remuneration and Compensations Payable to Members of the Board of Directors.

In accordance with the Regulations, members of the Board of Directors receive remuneration in the following forms:

- basic remuneration;
- remuneration for additional duties (in committees);
- bonus based on annual performance.

Regulation on Remuneration and Compensations was developed with involvement of an external consultant and approved in 2009, before the Code was brought into force. Its provisions corresponded to the market practices in effect at that time and were designed to ensure that the applicable forms of remuneration complied with the Company's objectives.

Thus, the use of variable part in the compensation structure based on the market value of the Company's shares is aimed to motivate members of the Board of Directors to increase shareholder value of the Company in the interests of shareholders and investors.

The current remuneration procedure is absolutely transparent, and minimizes the possible risks of non-compliance with the Code' recommendations.

The recommendation of the Code on abandoning short-term forms of motivation was considered at the meeting of the Remuneration and Nomination Committee in 2016. Management representatives were instructed to carry out a comprehensive assessment of this issue and provide relevant information for consideration by the Remuneration and Nomination Committee in 2017. Thus, in 2017 we are planning to consider feasibility of implementing this practice.

<p>4.2.2 Long-term ownership of the Company shares to a largest extent promotes approach of financial interests of the members of the Board of Directors and long-term interests of the shareholders. At the same time the Company does not provide for the rights to sell the shares by achievement of certain indicators of activities, and the members of the Board of Directors do not participate in option programs.</p>	<p>complied with</p> <p>1. If the internal document (documents) – remuneration policy (policies) of the Company – provides for provision of the Company shares to the members of the Board of Directors, clear rules of shares ownership by the members of the Board of Directors aimed at stimulation of long-term ownership of such shares must be provided for and disclosed.</p>	<p><input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>
<p>4.2.3 The Company does not provide for any additional payments or compensations in case of early termination of powers of the members of the Board of Directors in connection with transfer of control over the Company or other circumstances.</p>	<p>complied with</p> <p>1. The Company does not provide for any additional payments or compensations in case of early termination of powers of the members of the Board of Directors in connection with transfer of control over the Company or other circumstances.</p>	<p><input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>

4.3	The system of remuneration of the members of executive bodies and other key management employees of the Company provides for dependence of remuneration on the result of operation of the Company and their personal contribution to achievement of this result.		
4.3.1	Remuneration of the members of the executive bodies and other key management employees of the company is determined so that reasonable and justified ratio is provided between the fixed part of remuneration and the variable part of remuneration depending on the results of Company operation and personal (individual) contribution of the employee to the final result.	complied with	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
		1. During the reporting period the annual indicators of efficiency approved by the Board of Directors were used to determine amount of variable remuneration of the members of the executive bodies and other key management employees of the Company.	
		2. During the last completed assessment of the remuneration system of the executive bodies and other key management employees of the Company, the Board of Directors (Remuneration Committee) verified that the Company uses effective ratio of the fixed part of remuneration and variable part of remuneration.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
		3. The company provides for the procedure providing for return of bonus payments to the Company, which were illegally received by the members of executive bodies and other key management employees of the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
4.3.2	The Company introduced a program of long-term motivation of the members of the executive bodies and other key management employees of the company using shares of the Company (options or other derivative financial instruments, the basic asset for which is the shares of the Company).	complied with	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
		1. The Company introduced a program of long-term motivation of the members of the executive bodies and other key management employees of the Company using shares of the Company (financial instruments based on the Company shares).	
		2. The program of long-term motivation of the members of executive bodies and other key management employees of the Company provides for the fact that the right to sell shares and other financial instruments used in this program arises not earlier than in three years from the moment of their provision. At the same time the right for their sale is provided by achievement of certain indicators of the Company activities.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
4.3.3	The amount of compensation (golden handshake) paid by the Company in case of early termination of powers to the members of the executive bodies or key management employees at the initiative of the Company and with absence of unfair actions from their side, does not exceed double size of the fixed part of the annual remuneration.	complied with	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
		1. The amount of compensation (golden handshake) paid by the Company in case of early termination of powers to the members of the executive bodies or key management employees at the initiative of the Company and with absence of unfair actions from their side in the reporting period did not exceed double size of the fixed part of the annual remuneration.	
5.1	In the Company an efficiently operating risk management and internal control system aimed at assuring reasonable confidence in achievement of objectives set in the Company was established.		
5.1.1	The Board of Directors of the Company defined principles and approaches to organisation of the risk management and internal control system in the Company.	complied with	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
		1. Functions of various management bodies and subdivisions of the Company in the risk management and internal control system are clearly defined in the internal documents/appropriate policy of the Company approved by the Board of Directors.	
5.1.2	Executive bodies of the Company provide for development and maintenance of functioning of the efficient risk management and internal control system in the Company.	complied with	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
		1. Executive bodies of the Company provided for distribution of functions and powers in respect to risk management and internal control between their subordinate managers of subdivisions and departments.	

5.1.3	The risk management and internal control system in the Company provides for objective, fair and clear presentation of the current status and prospects of the Company, integrity and transparency of the Company reporting, reasonableness and acceptability of the risks undertaken by the Company.	complied with	<p>1. In the Company there is an approved anti-corruption policy.</p> <p><input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p> <p>2. In the Company there is an available method for informing the Board of Directors or the Audit Committee of the Board of Directors about the facts of breaching of the law, internal procedures, Company code of ethics.</p> <p><input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>
5.1.4	The Board of Directors of the Company undertakes the necessary actions in order to verify that the existing Company risk management and internal control system complies with the principles and approaches to its organisation determined by the Board of Directors and functions effectively.	complied with	<p>1. During the reporting period the Board of Directors or the Audit Committee of the Board of Directors assessed efficiency of the risk management and internal control system in the Company. Data on the main results of such assessment is included into the composition of the annual report of the Company.</p> <p><input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>
5.2	For systematic independent evaluation of reliability and efficiency of the risk management and internal control system and corporate management practice, performance of the internal audit is organised by the Company.		
5.2.1	For internal audit, there is a separate structural subdivision in the Company, or an independent external organisation is employed. Functional and administrative accountabilities of the internal audit subdivision are separated. The functional subdivision of internal audit reports to the Board of Directors.	complied with	<p>1. For internal audit, in the Company there is a separate structural subdivision of internal audit, which functionally reports to the Board of Directors or the Audit Committee, or an independent external organisation is employed with the same principle of accountability.</p> <p><input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>
5.2.2	The internal audit subdivision performs assessment of efficiency of the internal control system, assessment of efficiency of the risk management system, and also the corporate governance system. The Company applies the generally accepted standards of activities in the field of internal audit.	complied with	<p>1. During the reporting period within performance of the internal audit, the efficiency of the internal control and risk management system is assessed.</p> <p><input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p> <p>2. The Company applies generally accepted approaches to internal control and risk management.</p> <p><input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>
6.1	The Company and its activities are transparent for shareholders, investors and other stakeholders.		
6.1.1	In the Company there is an information policy developed and introduced, which provides for effective information interaction of the Company, shareholders, investors and other stakeholders.	complied with	<p>1. The Board of Directors of the company approved the information policy of the Company developed with account of the Code recommendations.</p> <p><input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p> <p>2. The Board of Directors (or one of its committees) considered the issues related to Company compliance with its information policy at least once in the reporting period.</p> <p><input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>
6.1.2	The Company discloses information on the system and practice of corporate governance, including detailed information on compliance with the principles and recommendations of the Code.	partially complied with	<p>1. The Company discloses information about the corporate governance system in the company and general principles of corporate governance, used in the Company, including those on the website of the Company in the Internet.</p> <p><input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>

<p>2. The Company discloses information on the composition of executive bodies and the Board of Directors, independent members of the Board and their membership in the committees of the Board of Directors (in accordance with the definition of the Code).</p>	<p><input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>	
<p>3. If there is a person that controls the Company, the Company publishes a memorandum of the controlling entity in respect to the plans of such entity in respect to the corporate governance in the Company.</p>	<p><input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>	<p>The Company has not published a memorandum of the controlling person regarding its plans with respect to the Company due to the fact that no memorandum was adopted by the controlling person.</p> <p>The controlling shareholder of the Company (JSFC Sistema PJSC, hereinafter also the Corporation¹) timely provides public access to information regarding all its plans with respect to the Company through various disclosure channels (annual report, statements of material facts, press releases, etc.), being guided by the principles of protecting confidential information and the rights of shareholders of the Company.</p> <p>In addition, the Corporate Governance Code is posted on the website of JSFC Sistema PJSC¹.</p> <p>The Corporate Governance Code of JSFC Sistema PJSC states that the Corporation strives to ensure compliance with the provisions and requirements of the current legislation, as well as the best corporate governance standards in the practice of its subsidiaries and affiliates. In addition, the Code contains information on the principles of building relations within JSFC Sistema PJSC Group. In accordance with the Code, the Corporation's main task with respect to subsidiaries and affiliates (portfolio companies) is to promote their comprehensive development in order to increase their value.</p> <p>At the same time, the Corporation takes into account the interests of all shareholders, investors, key consumers of products of subsidiaries, as well as other stakeholders, including state authorities and employees of portfolio companies when making managerial decisions.</p> <p>In connection with the foregoing, the use of an additional disclosure tool (memorandum of controlling person) to disclose public information is inadvisable. The risks of failure to comply with the recommendation are offset by the timely and qualitative disclosure of all essential information by the Corporation.</p> <p>MTS is not aware of the plans of JSFC Sistema PJSC regarding adoption of such memorandum. If the controlling person adopts the memorandum recommended by the Code, it will be published by the Company.</p>

¹ www.sistema.ru/fileadmin/user_upload/corporate_documents/kodeks_korporativnogo_upravljenija.pdf

6.2	The Company timely discloses full, relevant and valid information about the Company to ensure the possibility to make justified decisions by the Company shareholders and investors.		
6.2.1	The Company discloses information in compliance with the principles of regularity, consistence and efficiency, as well as availability, validity, completeness and comparability of disclosed data.	complied with	
		1. The information policy of the Company determines approaches and criteria for definition of information capable of significantly influencing the assessment of the Company and cost of its securities and procedures providing for timely disclosure of such information.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
		2. If securities of the Company circulate in the foreign organised markets, disclosure of substantial information in the Russian Federation and in such markets is done synchronously and equivalently during the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
		3. If foreign shareholders own a substantial quantity of Company shares, then during the reporting year disclosure of information was done not only in Russian, but also in one of the most popular foreign languages	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
6.2.2	The Company avoids formal approach in disclosure of information and discloses substantial information about its activities, even if disclosure of such information is not provided for by the law.	complied with	
		1. During the reporting period the Company disclosed annual and semi-annual financial reporting prepared in accordance with the IFRS standards. The annual report of the Company for the reporting period includes annual financial reporting made according to the IFRS standards jointly with the auditor's report.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
		2. The Company discloses full information on the structure of the company capital in accordance with the Recommendation 290 of the Code in the annual report and on the website of the Company in the Internet.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
6.2.3	The annual report of the Company, being one of the most important tools for information exchange with shareholders and other stakeholders; it contains information for evaluating the results of the Company activities over the year.	complied with	
		1. The annual report of the Company contains information on key aspects of operating activities of the Company and its financial results.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
		2. The annual report of the Company contains information on environmental and social aspects of the company's business.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
6.3	The company provides information and documents for requests of shareholders in accordance with the principles of fairness and no hardship		
6.3.1	The Company provides information and documents for requests of shareholders in accordance with the principles of fairness and no hardship.	partially complied with	
		1. The information policy of the Company determines the unhindered procedure of provision of access to information to shareholders, including information on controlled legal entities of the Company, at the request of shareholders.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
			<p>The information policy of the Company does not specify the right of shareholders to access information on entities controlled by the Company.</p> <p>The Company analysed the recommendation of the Code and concluded that the information provided to shareholders is sufficient to exercise their rights, and therefore, specifying the right of shareholders to access information on entities controlled by the Company is inadvisable.</p> <p>The Company and its activities are fully transparent for shareholders, investors and other stakeholders. All information required for disclosure is regularly published on the Company's website. In addition, MTS provides public access to certain types of information recommended for disclosure by the Code.</p>

In addition, the information policy provides for various methods and forms of information disclosure (including e-conferences, meetings, telephone conversations and other contacts with professional market participants and shareholders, a possibility of visiting the offices of the Company). Thus, the Company provides significant amount of information about itself and its activities in accordance with the principles of fairness and ease.

In this regard, the exercise by shareholders of their right to access to the Company's documents and information in practice is not associated with unjustified difficulties.

At the same time, when providing information to shareholders, the Company seeks to maintain a reasonable balance between the interests of specific shareholders and the interests of the company itself, which is interested in maintaining confidentiality of important commercial information that can have a significant impact on its competitiveness. This approach fully complies with the recommendations of the Code (Clause 6.3.2). As a consequence, the Company considers all requests for additional information that is not freely available on an individual basis.

The company plans to follow the established practice in the future.

6.3.2	If the Company provides information to shareholders, a reasonable balance is provided between interests of specific shareholders and interests of the Company itself, which is interested in preservation of confidentiality of important commercial information, which may substantially influence its competitiveness.	complied with	1. During the reporting period the Company did not reject requests of shareholders for provision of information, or such rejections were justified.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	2. In cases defined by the information policy of the Company the shareholders are warned about the confidential nature of information and undertake to maintain its confidentiality.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
7.1	Actions that considerably influence or may influence the structure of the joint stock capital and financial condition of the Company, and therefore the position of shareholders (substantial corporate actions), are carried out under fair conditions, providing for compliance with the rights and interests of shareholders, as well as other stakeholders.						
7.1.1	Substantial corporate actions include reorganisation of the company, acquisition of 30 and over percents of the voting shares of the company (acquisition), closing of major transactions by the Company, increase or decrease of the charter capital of the Company, listing and delisting of the Company shares, as well as other actions, which may result in substantial change in the rights of shareholders or violation of their interests. The charter of the Company defines a list (criteria) of transactions or other actions, being substantial corporate actions, and such actions are related to the competence of the Board of Directors of the company.	partially complied with	1. The charter of the Company defines a list of transactions or other actions, being substantial corporate actions, and criteria for their definition. Decision making in respect to substantial corporate actions is referred to the competence of the Board of Directors. In cases when realisation of these corporate actions is directly related by the law to the competence of the general meeting of shareholders, the Board of Directors provides the appropriate recommendations to the shareholders.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	2. The charter of the Company includes at least the following actions as the substantial corporate actions: reorganisation of the company, acquisition of 30 and more percents of the voting shares of the Company (acquisition), closing of major transactions by the Company, increase or decrease of the charter capital of the Company, listing and delisting of the Company shares.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	1, 2. During the reporting period, the Charter of the Company did not define a separate category of substantial corporate actions or the criteria for their definition fixed. With that, the recommendation of the Code was fulfilled in fact. All substantial corporate actions provided for by the Code, as well as other actions qualified by the Company as substantial, are subject to consideration by the Board of Directors of the Company. In accordance with the provisions of the Charter of the Company (Articles 27.1, 32.2) and the practices of the Board of Directors in respect of these actions, the Board of Directors either makes a decision or develops a recommendation for the General Meeting of Shareholders.

The participation of the Board of Directors is not formalized in the Charter only with respect to the following substantial corporate actions:

— Making decisions on the reduction of the Company's authorized capital through acquisition by the Company of a number of shares with a view to reducing their total number, as well as by redeeming shares purchased by the Company;

— Making decisions on request for delisting the Company's shares and (or) equity securities convertible into shares of the Company.

At the same time, materials on these issues are subject to consideration by the Board of Directors during preparation for the General Meeting of Shareholders.

The involvement of the Board of Directors in substantial corporate actions in the above-mentioned scope indicates that there are no additional risks due to the absence of definition for category "substantial corporate actions".

The new version of the MTS Charter will be submitted for approval of the Annual General Meeting of Shareholders in 2017. The proposed amendments are aimed at implementing the specified recommendations of the Code.

7.1.2	The Board of Directors plays a key role in making decisions or generation of recommendations in respect to substantial corporate actions, the Board of Directors relies on the position of the independent directors of the Company.	complied with	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
7.1.3	When making substantial corporate actions, which affect the rights and legal interests of the shareholders, equal conditions are provided for all shareholders of the Company, and if the mechanisms specified by the law and aimed at protection of the shareholders' rights are insufficient, additional measures are taken to protect rights and legal interest of the Company shareholders. At the same time the Company not only complies with the formal requirements of the law, but also the principles of corporate governance specified in the Code.	complied with	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with <input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
7.2	The company provides for such procedure of making substantial corporate actions, which makes it possible for the shareholders to timely obtain full information on such actions, makes it possible for them to influence making such actions and guarantees compliance and adequate level of protection of their rights during commitment of such actions		
7.2.1	Information on making substantial corporate actions is disclosed with explanation of reasons, conditions and effects of making such actions.	complied with	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with

7.2.2	Rules and procedures related to realisation of substantial corporate actions by the company are recorded in the internal documents of the Company.	partially complied with	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with <input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<p>1, 2. Internal documents of the Company do not provide for the procedure for employing an independent appraiser to define the cost of property alienated or purchased within a major transaction or related-party transaction, as well as to assess the cost of purchase and redemption of the Company's shares.</p> <p>The Company involves an independent appraiser in all cases provided for by law.</p> <p>Also, the Company's Charter specifies that an independent appraiser should be involved when the Company shares are paid with non-monetary means, in order to determine the market value of such assets, unless otherwise specified by the law of the Russian Federation.</p> <p>We do not consider it necessary to involve an independent appraiser in all transactions, since such an obligation will entail unjustified time costs (related, inter alia, with the need to arrange and hold tenders for the selection of the appraisal organization), and financial expenses.</p> <p>In practice, an independent appraiser may be involved on the initiative of the Board of Directors or its members.</p> <p>Possible negative consequences associated with the lack of an obligation to involve an external appraiser is offset by the existence of clear and transparent procedures for the implementation of major transactions and related-party transactions, active involvement of independent directors in preliminary discussions of related-party transactions, and full compliance with the Russian legislation, including when assessing the cost of purchase and redemption of the Company's shares.</p> <p>Currently, the Company is considering the need to formalize the procedure for involving an independent appraiser to determine the value of property alienated or purchased within a major transaction or related-party transaction, as well as to assess the cost of purchase and redemption of the Company's shares and establishing the relevant procedure in internal regulations.</p>
		3. Internal documents of the Company provide for the extended list of grounds, under which the members of the Board of Directors of the Company and other persons specified by law are recognised as interested in the Company transactions.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

List of major transactions and related party transactions closed by MTS PJSC in 2016

- In 2016 MTS PJSC did not approve (close) transactions, which are recognised in accordance with the Federal Law “Concerning Joint-Stock Companies” as major transactions, and also other transactions, closing of which is covered by the procedure of major transactions approval according to the Charter of the Company
- The list of transactions closed by MTS PJSC in 2016 and recognised in accordance with the Federal Law “Concerning Joint-Stock Companies” as related party transactions, the need to approve which by the authorised management body of the joint stock company is specified by the chapter XI of the Federal Law “Concerning Joint-Stock Companies”

Information is available at the corporate website of MTS PJSC at:
www.company.mts.ru/comp/ir/control/data/annual_reports/66/.

Annual consolidated financial reporting of MTS PJSC and subsidiaries for 2016

Information is available at the corporate website of MTS PJSC at:
www.company.mts.ru/comp/ir/control/data/annual_reports/66/

Consumption of power resources

Information on consumption of power resources by MTS PJSC
in 2016 (in kind and monetary terms)

Resource	In kind		In monetary terms, RUB, ex-VAT
	Resource quantity	Measurement unit	
Power	1,052,982.30	kW/h	5,673,499,351.25
Thermal power	54,730.10	Gcal	70,054,782.08
Water supply	297,470.69	cubic meters	10,517,847.16
Gas supply	932,260.12	cubic meters	5,988,396.73
Petrol	3,574,533.83	l	98,318,783.74
Diesel fuel	4,094,035.58	l	115,328,778.35

Glossary

3G	3rd Generation
3GPP (3rd Generation Partnership Project)	an international consortium developing mobile telephony specifications
4G	4th Generation
ADR	American Depositary Receipts
AR (Augmented Reality, Changed Reality, Augmented Reality)	human-perceived combination of the real world and virtual elements created by computer tools
ARPU	Average Revenue Per User
Bank of Russia	Central Bank of the Russian Federation
BBA	Broadband Access
CAPEX	CAPital EXpenditure
CDMA	Code Division Multiple Access
CSR	Corporate Social Responsibility
E-Health (Electronic Health, eHealth):	implementation of public health functions using information and telecommunication technologies
FDD	Frequency Division Duplex
FOCL	Fibre Optic Communication Line
GPON	Gigabit Passive Optical Network
GSM	Global System for Mobile Communications
HSPA+	High Speed Packet Access Plus
IFRS	International Financial Reporting Standards
IOT network (Internet of Things Networks)	a number of autonomous physical devices connected to a single network via digital communication channels
LTE-M (Long Term Evolution for Machines)	one of the IoT standards developed by 3GPP consortium.

M2M	Machine-To-Machine
M-Health (Mobile Health, mHealth)	performing health functions using mobile devices (smart-phones, tablets, etc.)
Moscow Stock Exchange	the largest stock exchange holding in Russia and Eastern Europe
MOU	Minutes of Usage
MVNO	Mobile Virtual Network Operator
NB-IoT (NarrowBand Internet of Things)	is one of the IoT standards developed by 3GPP consortium.
NFV (Network Function Virtualization)	network architecture concept that involves the use of virtual machines without reference to specialized equipment
NYSE	New York Stock Exchange, USA
OIBDA	Operating Income Before Depreciation And Amortization
RAS	Russian Accounting Standards
SaaS	Software as a Service
SDN (Software-Defined Network)	data network where network management functions are implemented at the software level and are independent of the hardware solution
SEC	The United States Securities and Exchange Commission, USA
TDD	Time Division Duplex
UMTS	Universal Mobile Telecommunications System
VAS	Value Added Services
VR (Virtual Reality, Virtual Reality)	a realistic simulation of the environment created using information technologies and imitating the immersion of the user into it
Wi-Fi	Wireless Fidelity

Additional Information about the Company

Information about the Company	<p>Full trade name of the Company: — in Russian: Публичное акционерное общество «Мобильные ТелеСистемы» — in English: Mobile TeleSystems Public Joint Stock Company.</p> <p>Short trade name of the Company: in Russian: ПАО «МТС» in English: MTS PJSC</p> <p>Location of MTS PJSC: Russian Federation 109147, Moscow, Marksistskaya St., 4 tel.: (495) 911 6555 Fax: (495) 911 6599</p> <p>Correspondence address of MTS PJSC: Russian Federation, 109147, Moscow, Vorontsovskaya Str., 5, bldg. 2</p> <p>E-mail: info@mts.ru Internet: www.mtsgsm.com.</p>
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Information on subdivision of shareholders and investors relations	<p>Location of subdivision of shareholders and investors relations: 5 Vorontsovskaya Str., bldg. 2, 109147, Moscow, Russian Federation</p> <p>Shareholder relations department Corporate Governance Development of MTS PJSC: Maxim Kalinin (Corporate Governance Director) Phone: +7 (495) 911 6552 Fax: +7 (495) 911 6551 E-mail: shareholder@mts.ru</p> <p>Investors service subdivision Department for Corporate Finances and Investor Relations: Joshua Tulgan (Director of the Department) Phone: +7 (495) 223 2025 Fax: +7 (495) 911 6588 E-mail: ir@mts.ru</p>
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Auditor	<p>Closed Joint-Stock Company Deloitte and Touche CIS Address: 5 Lesnaya ulitsa, Moscow, 125047, Russian Federation Phone:(495) 787 0600 Fax:(495) 787 0601 Internet: www.deloitte.com</p>
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Internet: www.nsd.ru

Disclaimer

This Annual Report has been prepared by Mobile TeleSystems PJSC (the “Company”) solely for information purposes and may contain forward-looking statements or forecasts. Such statements or forecasts relate to the matters other than historical facts or statements, and reflect the Company’s intentions, beliefs or current expectations concerning, inter alia, performance results, financial condition, liquidity, efficiency, prospects, growth rates, strategies of the Company and industry in which it operates. Nature of the forward-looking statements and forecasts implies risk and uncertainty, as they relate to events and depend on circumstances that may, or may not arise in the future. The Company cautions that forward-looking statements and forecasts do not guarantee future performance and that actual performance results, financial condition and liquidity of the Company, as well as changes in the industry in which the Company operates may differ materially from those stated or assumed in the forward-looking statements or forecasts contained in this report. The factors that may lead to material differences between the actual results and the assumptions contained in forward-looking statements or forecasts, include general economic conditions prevailing in the markets in which the Company operates, competitive environment and risks associated with operating in such markets, market change in the industry and related industries, as well as other risks affecting the Company and its activities. Moreover, even if the Company performance results, financial condition and liquidity and the changes taking place in the industry in which the Company operates comply with those set forth in the forward-looking statements or forecasts presented herein, those results or changes may not be illustrative of the results or changes in future periods. The Company does not undertake any obligation to review or confirm expectations or estimates, or update any forward-looking statements or forecasts to reflect the events or circumstances occurring or arising after the date of this report.



Dear shareholders!

2016 in many ways was groundbreaking for determination of the Group development strategy, and this year may be easily called the year of changes.

Today, we are glad to present the shareholder's account offering a wide range of functions and opportunities previously available in format of voting in person and personal attendance only.

This is an important step towards our shareholders. We hope that it will become easier, more convenient and efficient to be an MTS shareholder!

Andrey Dubovskov.

MTS. Implementing changes