

INFORMATION MEMORANDUM

*Joint Limited Liability Company
Mobile TeleSystems*

Minsk

Information memorandum

Registration and contact data of the Company

Full name:	Joint Limited Liability Company Mobile TeleSystems.
Abbreviated name	: JLLC Mobile TeleSystems.
Address:	Nezavisimosty av., 95, Minsk, 220043, Republic of Belarus.
Particulars of registration:	The Company is registered in the Single State Register of legal entities and individual entrepreneurs under № 800013732 on the basis of the decision of the Ministry of Foreign Affairs of the Republic of Belarus of 04 April 2002.
Internet site:	www.mts.by
Director:	General Director of JLLC Mobile TeleSystems - Karpovich Vladimir Sigizmundovich.
Contact details:	tel / fax (017) 237 98 00, 237 98 88.

I. General information about the Company

General information about the activity of the Company

JLLC Mobile TeleSystems was established on April 4, 2002. The commercial operation of a cellular network of JLLC Mobile TeleSystems in the Republic of Belarus started on June, 27, 2002. For ten years of operation in Belarus the Company has raised from the newcomer to the leader among mobile operators in terms of subscribers' base, network infrastructure and radio coverage.

From April 28, 2003, communication is provided to all regional centers of the country, from the end of 2005 – to all district centers. In April 2003, JLLC Mobile TeleSystems came in first place among Belarusian mobile operators on a monthly growth rate of subscriber base. From the end of 2004 JLLC Mobile TeleSystems is the largest mobile operator in the country in terms of subscribers' base, and from the end of 2005 - the operator with the most advanced network infrastructure, that provides high quality communications. As of 30.09.2013 MTS's communications network covers 98,4% of the territory of Belarus with 99,84% population of the country.

At the end of the 3^d quarter of 2013 MTS subscriber base equaled 5,33 million of subscribers.

JLLC Mobile TeleSystems today is not only the largest cellular operator, but also the company, making a significant contribution to development of the economy of the Republic of Belarus. The company is building a telecommunications infrastructure, which enables economic growth, creates new jobs, pays significant taxes into the budget (one of the largest taxpayers in the Republic of Belarus), takes an active part in social projects.

The main field of implementation of the socially responsible position of MTS is provision to the subscribers of the best quality and advanced telecommunications services at affordable rates for everyone. A special role is given to high technological effectiveness, and often unique character of the offered services and products, that is achieved through the active work in frames of the International Group of MTS, as well as partnerships with leading global players of telecommunications market.

Along with telecommunication technologies MTS consciously develops technologies of socially responsible investing. As a member of the UN «Global Compact» MTS conducts in Belarus a number of programs aimed at supporting and developing of national sport, culture, medicine, education and environmental initiatives.

Based on the results of 2005, 2007-2009 years MTS was recognized in Belarus as the brand of the year in the category «Mobile Operator» and «Socially Responsible Brand» of the National contest «Brand of the Year». Based on the results of 2010 year MTS was recognized as the winner in the categories «Active social position» and «Public-Private Partnership» in the honor nomination «Socially Responsible Brand 2010» in the National contest «Brand of the Year». Based on the results of 2012 year in the National contest «Brand of the Year» MTS was recognized as the winner in the consumer categories «Best communications store» and «Socially Responsible Brand». In 2012 MTS was awarded with Certificate of Honor of the National Assembly of the Republic of Belarus for noticeable contribution in creation and implementation of the social and economic policy of the Republic of Belarus, development of the cellular mobile communication in the country.

General types of the activity of the Company

JLLC Mobile TeleSystems conducts:

- a) provision of telecommunications services (main activity, the share in total revenues for nine months of 2013 comprises 86,9%);
- b) retail trade;
- c) lease of property (sublease);
- d) other types of activity not prohibited by law.

The main consumers of the rendered communications services are legal entities and individuals in need of the provision of cellular mobile telecommunications of GSM standard in the territory of the Republic of Belarus.

Quality Management System

JLLC Mobile TeleSystems is the first and the singular cellular operator in Belarus, which received a Conformity Certificate of Quality Management System (QMS) to the requirements STB ISO 9001. The Conformity Certificate is issued by State Committee Certification BGIPK on standardization, metrology and quality management and is registered in the Register of the National System of Conformity Confirmation of the Republic of Belarus on October 29, 2007 under № BY/112 05.01 07701048.

The obtained Conformity Certificate confirms that the company has successfully implemented Quality Management System, which ensures customer satisfaction with the products, services and service of the company, and also confirms the company's activities focus on meeting the expectations of society, employees, investors and partners.

The surveillance audit conducted in 2013 prolonged the term of the certificate till 2016.

In 2010 safety management system was developed and successfully implemented in JLLC Mobile TeleSystems, the Compliance Certificate with the requirements of STB 18001-2009 (OHSAS 18001) under № BY/112 05.04.077 00466 was received.

The Company operates the system of power consumption, developed in accordance with the requirements of State standard of the Republic of Belarus STB ISO 50001-2013.

Special permits (licenses) of the Company

JLLC Mobile TeleSystems has a number of special permits (licenses) to carry out specific types of activity:

- License of the Ministry of Communications and Informatization of the Republic of Belarus to carry out the activity in the field of telecommunications (issued by the decision of 30.04.2004 № 31 for the period of eight years and extended by the decision of 13.02.2012 № 6/4 for the period of ten years till 30.04.2022. It is registered in the Register of licenses of the Ministry of Communications and Informatization of the Republic of Belarus under № 926);

- License of the Ministry of Emergency Situations of the Republic of Belarus to carry out activities to ensure fire safety (extended by the decision of 14.05.2010 № 8 km for the period of five years and is valid till 01.06.2015. It is registered in the Register of licenses of the Ministry of Emergency Situations of the Republic of Belarus under the number 1128);

- License of the Operational and Analytical Center under the Administration of the President of the Republic of Belarus to carry out the activity of technical protection of information, including cryptographic techniques, including the use of digital signature (issued by the order of 10.04.2008 № 54, extended by the order of 15.03.2013 № 18 and is valid till 09.04.2018. It is registered in the Register of licenses of the Operational and Analytical Center under the Administration of the President of the Republic of Belarus under № 111).

Company's Trademarks

The company is the right holder of the following trademarks: «RED», «Giper.Net», «Internight», «Nastroy-ka», «Toning» and «Absolut». These trademarks are registered in the National Center of Intellectual Property of the Republic of Belarus.

II. Financial indicators of economic activity of the Company

Year 2009

- Revenue from the sale¹ reached 1 185 083 million rubles.
- Average monthly revenue from the sale of services per a customer (ARPU²) reached 7,78 US dollars.
- Capital expenditures³ equaled 112 428 million rubles.
- Tax payments to the budget⁴ reached 254 652 million rubles.

Year 2010

- Revenue¹ reached 452,5 million US dollars.
- Indicator OIBDA¹ constituted 235,1 million US dollars.
- Margin OIBDA¹ constituted 51, 96%.
- Average monthly revenue from the sale of services per a customer (ARPU²) reached 7,52 US dollars.
- Capital expenditures³ equaled 109 083 million rubles.
- Tax payments to the budget⁴ reached 257 499 million rubles.

Year 2011

- Revenue¹ reached 380,7 million US dollars.
- Indicator OIBDA¹ constituted 189,7 million US dollars.
- Margin OIBDA¹ constituted 49,84 %.
- Average monthly revenue from the sale of services per a customer (ARPU²) reached 5,9 US dollars.
- Capital expenditures³ equaled 291 851 million rubles.
- Tax payments to the budget⁴ reached 316 182 million rubles.

Year 2012

- Revenue¹ reached 3 004 billion rubles.
- Indicator OIBDA¹ constituted 1 440 billion rubles.
- Margin OIBDA¹ – 47,94%.
- Capital expenditures⁵ – 265 569 million rubles.
- Tax payments to the budget⁶ – 570 803 million rubles.

Year 2013 (9 months)

¹ less VAT, sales tax and service tax

² with interconnect, with guest roaming

³ in accordance with the statistical form of the report 1- IS (annual)

⁴ including custom payments

⁵ in accordance with the statistical form of the report 4-IS (quarter)

⁶ including custom payment

- Revenue¹ reached 2 815,5 billion rubles.
- Indicator OIBDA¹ constituted 1 496,9 billion rubles.
- Margin OIBDA¹ – 53,17%.
- Capital expenditures⁷ – 209 019 million rubles.
- Tax payments to the budget⁸ – 650 628 million rubles.

III. Information on rendered services

Key Events for the year 2012- 9 months of 2013

- MTS celebrated its 11-th anniversary in the Republic of Belarus.
- First in Belarus Operator's **internet shop shop.mts.by** was opened, where as in Customer Care Centers, a wide range of equipment is presented (mobile telephones, modems, tablets, routers), including MTS branded equipment.
- MTC launched **fixed Internet access services under Ethernet technology** with the speed up to 1 Gbit/s.
- **Development of the Operator's Sales Network:** As of the end of the 3^d quarter of 2013 in Belarus more than 1584 retail facilities operate, including 82 – own communications stores of the company (3 own offices were opened in 2013).
- **Roaming:** the commercial roaming is open with 542 operators in 192 countries. GPRS-roaming - with 396 operators in 164 countries and territories.
- **Subscriber Base Growth:** At the end of the 3^d quarter of 2013 the subscriber base reached 5,33 million of subscribers, among them more than 1,2 million of subscribers use mobile 3G-Internet.

Key Events for the year 2011

- **3G Network Development:** MTS launched 3G networks in all 118 district centers of Belarus. At the end of the year 2011 services based on third generation communication technology were available to 91% of population of the country.
- **Significant expansion of equipment range under own brand name:** in the year 2011 in Operator's retail network six new branded devices occurred.
- **Launch in November 2011 of portal «Business solutions»** - a specialized services shop, where subscribers are offered applications and programs for business based on cloud computing.
- **Launch of technological platform DPI** (Deep Packet Inspection) enabled to perform analysis of Internet traffic and apply differentiated policies to its various types.
- **Conclusion of direct cooperation agreement between MTS and Samsung Electronics.** It stipulates priority appearance on Belarusian market of the whole range of Samsung terminal equipment (mobile telephones, smartphones, tablets, modems, etc.) in MTS retail network, as well as conduction by the partners of a common flexible price policy and realization of common promotion events.
- **Development of the Operator's Sales Network.** As of December 31, 2011 there were more than 1500 retail facilities, including 59 own communications stores of the company (15 offices were opened in the year 2011).

⁷ in accordance with the statistical form of the report 4- IS (quarter)

⁸ including custom payments

Key events for the year 2010

- **3G Network Development:** in September 2010 MTS third generation network with HSPA+ technology support was launched into commercial operation. As of the launch date the coverage area of MTS 3G/3G+ Network included Minsk and five regional centers. Over the next four months services based on the third generation network became available to residents of 32 other Belarusian cities, coverage area of MTS third generation network by the end of 2010 increased nearly twice, high-speed mobile Internet services from MTS became available for over 50% of the population of Belarus.
- **Wi-Fi Technology:** in 2010 MTS became the first among cellular operators to launch into commercial operation wireless Internet network based on Wi-Fi technology. Within a year the company installed over 500 access points to wireless broadband Internet throughout the country and introduced new more convenient billing tools.
- **Mobile Internet:** during 2010 Internet traffic within MTS networks of Belarus increased seven times.
- **Development of the Operator's Sales Network.** Throughout the year there was an intensive development of MTS Customer Care Center's network. During 2010 the network of MTS centers increased by over 20% and included 1500 retail facilities in 724 population centers of Belarus. MTS Customer Care Centers and sales facilities of commercial representatives started their operation in 176 more settlements.
- **Subscriber Base Growth:** in 2010 there was a substantial growth of MTS subscriber base on the corporate communication market — the number of client organizations increased by more than 1,5 times; subscribers' number within the corporate segment also increased by more than 1,5 times. By the end of 2010 the number of MTS customers comprised 86 enterprises from among the hundred largest taxpayers in the country.
- **Extension of the Network Technical Infrastructure.** Due to the active extension of the network technical infrastructure MTS communication became available to 111 more settlements of Belarus and covered the territory with population of more than 99,7% of the country's population. MTS pays special attention to the network development in rural areas of the country. MTS access area covers all settlements included into the State Program of Village Rebirth and Development for the years 2005 — 2010, — 1481 agricultural towns.
- **Roaming:** in 2010 the company provided its subscribers roaming services in the networks of 419 operators in 172 countries, GPRS-roaming services — in 306 networks of 136 countries.
- **Value-Added Services:** the range of the value-added services provided by the operator was added by such innovative services as Unlimited mobile Internet, Live balance, Outgoing Toning, Corporate toning.

Key Events for the year 2009

- **3G Network Development:** JLCC MTS was allocated a radio frequency spectrum for the construction and operation of the new generation network. **In the year 2009** the planned work was carried out to upgrade the network towards HSPA +.
- **Wi-Fi Technology:** In 2009, MTS was the first cellular operator in Belarus to launch a test network of wireless access using Wi-Fi technology.
- **Development of the Operator's Sales Network:** During the year, work continued to bring the service to the location of the user as close as possible, to make the service more comfortable and timely through intensive extension of sales and service network. On the basis of the results of this year, this network included 1442 shops, customer care centers and sales facilities of commercial representatives in 548 settlements of Belarus.
- **Subscriber Base Growth:** In 2009, the company's subscriber base surpassed the mark of 4,560 mln. users. This year was characterized by a significant growth in sales in the segment of corporate clients: the number of organizations served in this segment increased by more than 1,5 times, the number of subscribers increased by more than 2,5 times. By the end of

2009, 78 enterprises from among the hundred largest taxpayers of the country were the customers of MTS.

- **Extension of the Network Technical Infrastructure.** The services of MTS became available to residents of nearly 740 settlements in Belarus and covered the territory which population of more than 99,44%. During the past year, MTS put into operation 240 new base stations. As a result of the large amount of work carried out, the capacity and throughput increased and the radio coverage of the country hit record highs - it was extended for the year by 3,72% to reach 97,17% of the territory of Belarus. The access area of MTS covered more than a thousand of agricultural towns; over the year 2009, 251 new agricultural towns were provided with the service.
- **Roaming:** Abroad, the company offered roaming in 370 guest networks in 164 countries and territories. Subscribers could also use GPRS-roaming services in 246 guest networks of 120 countries and territories.
- **Value-Added Services.** The growing range of value-added services was replenished by such innovative services as Family under the care, Share with balance, At my expense, Autopayment, Music agent, iPay. Various bank payment systems, MTS USSD-portal *111#, and wap-portal: wap.mts.by were dynamically developed.

IV. Running (implemented) investment projects

Since 2002 the Company has been implemented the investment project for construction and development of cellular mobile telecommunications network in the Republic of Belarus. Since the beginning of the project the coverage of 98,4% of the territory of the Republic of Belarus was provided, 4682 2G base stations and 1832 Node B were built.

In the year 2012 a pilot project was launched on construction of own fixed broadband access network based on FTTB technology.

Fixed broadband access from MTS ensures high speed (up to 1 Gbits/s) and reliability of connection, therefore subscribers can receive multimedia content of high quality, play online games, share high volume files. Inhabitants of Chizhovka and Serebryanka districts of Minsk were the first who can use services based on fixed Internet access from MTS.

By the end of 3 quarter 2013 the network covered 102 homes or 15 756 apartments. By the end of 2013 year it is expected to have a full-scale deployment of the fixed network in Minsk and regional centers.

Information of investment assimilation in the frames of implementation of this investment project is given below. Data is provided in accordance with the methodology of statistical reports 4-IS, 1-IS «Report on commissioning of the facilities, fixed assets and use of permanent investments».

Investment project	2010 fact, mln. rubles	2011 fact, mln. rubles	2012 fact, mln. rubles	2013 (9 months) fact, mln. rubles
The development of cellular mobile telecommunication of GSM/UMTS standards, construction of fixed broadband access network	109 083	291 851	265 569	247 063

V. The structure of works (services) implementation

Structure (%)	2010	2011	2012	2013 (9 months)
Domestic market	97,3	94,9	92,9	93,7
External market	2,7	5,1	7,1	6,3
Total	100	100	100	100

VI. Information about plots of land plots in use, lease, ownership

Location of the land plot	Square ha	Right (permanent/temporary use, lease, ownership)	Act of land plot ownership (No., date)
Nezavisimosty av. 95, Minsk	0,0007	Permanent use	Permission of Minsk City Executive Committee № 703 of 05.04.2007, Contract of lease of the land plot of 30.03.2010.
Nezavisimosty av. 95, Minsk	0,1377	Lease of the land plot	Certificate №500/1012-535 of 12.03.2009
Stroiteley av. 8/2, Vitebsk	0,1895	Lease of the land plot	Certificate №200/1041-288 of 31.07.2009
Lenina str. 73a, Orsha	0,0095	Permanent use	Certificate №240/654-972 of 10.10.2007

As of 30.09.2013 JLLC «Mobile TeleSystems» owns under the right of lease 545 land plots and under the right of permanent use – 891 land plots for location of telecommunications towers and antenna support and other communications installations.

VII. Information about permanent structures (buildings, constructions)

Name (purpose), address	Year built	Number of floors	Square Sq. m.	Square in lease, Sq. m., term of lease agreement	General condition
Building, Nezavisimosty av. 95, Minsk	1962	4	3673,4	2 sq.m. – 01.01.13-31.08.17 7,3 sq.m. – 01.01.13-31.08.17 394 sq.m. – 11.06.12-31.08.17 0,5 sq.m. – 27.05.13 -31.08.17 0,5 sq.m. – 13.06.13-31.08.17	Reconstruction is required

Uninhabited premises, Nezavisimosty av. 95, k- s 11, Minsk	1989	12	18,3	-	Satisfactory
Building, Stroiteley av. 8/2, Vitebsk	2009	3	1569,1	1 sq.m. 28.02.2011-27.02.2016 14,2 sq.m. 20.08.2010-19.08.2015 0,5 sq.m. 25.09.2013-14.08.2015	Current repair is required
Uninhabited premises (part of property in arch of a residential building), Lenina str. 73a, Orsha	2007	9	71,6	1 sq.m. 28.02.2011-27.02.2016	Satisfactory
Official flat, Chorny per. 4, fl. 43, Minsk	1968	5	83,1	83,1 sq.m. 28.06.2013-30.06.2014	Satisfactory
Official flat, Chekhova str. 3, fl.63, Minsk	2003	9	136,1	-	Satisfactory

JLLC Mobile TeleSystems owns 578 telecommunications towers.