

Group Financial & Operating Results Q1 2019

May 23, 2019

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President, Chief Executive Officer

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Vice President, Finance, Investments and M&A

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Vice President, Marketing

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Safe harbor

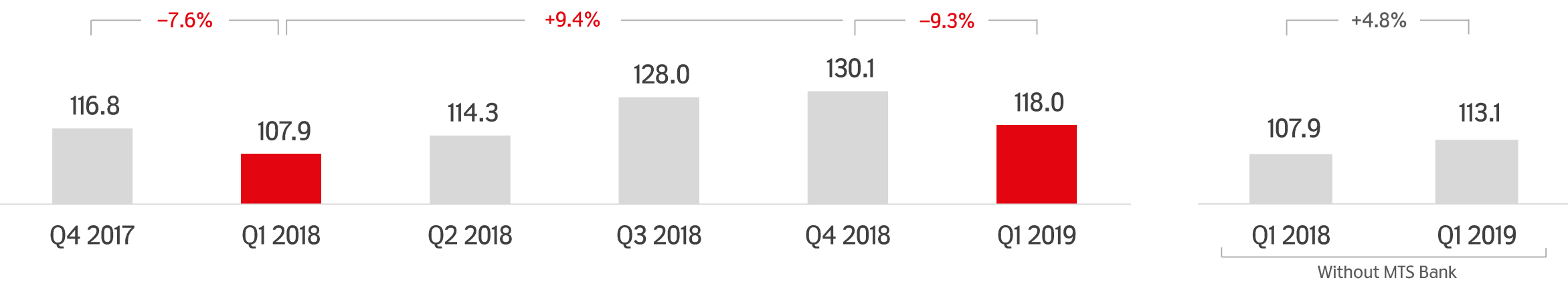
Some of the information in this presentation may contain projections or other forward-looking statements regarding future events or the future financial performance of MTS, as defined in the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify forward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



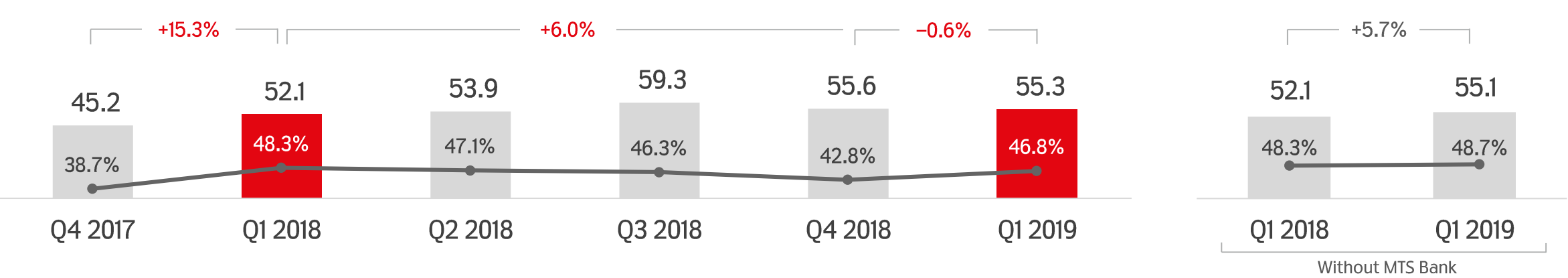
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Group Performance

TOTAL GROUP REVENUE (RUB bln)



TOTAL GROUP ADJUSTED OIBDA* AND ADJUSTED OIBDA MARGIN (RUB bln)



*Adjusted OIBDA doesn't include a loss from impairment of non-current assets of RUB 2.6 bln and RUB 0.1 bln for Q4 2017 and Q4 2018 respectively

Expanding Beyond Connectivity

>600 #CloudMTS clients, 10 data centers
7x increase of stored and processed data
within #CloudMTS in 2018
Latest acquisitions: Avantage, IT-Grad



Cloud

4x growth in X-selling of MTS Bank services
in 2018
Integration of MTS Bank's most popular
products into the MyMTS app



FinTech

+ 50% LTM revenue growth
Launched Industrial IoT pilot projects in 2019
in automation, analytics, machine vision
>40% y-o-y increase in # of deals in Q1 2019



System
Integration

+31% LTM revenue growth
Market share increase from 10% to ~13% in
2018
63% tNPS



Retail

A market leader in adds with ~70,000
new subscribers per quarter
200 TV channels
More than 4 million mobile TV users



TV



Big Data

Custom Big Data solution for MTS Retail
Workforce Management
Acceleration of credit issuance and scoring
>200 data scientists & engineers



AI

>70% of customer requests via the MTS website
are resolved purely by chat-bot
>75% accuracy of MTS's Legal Tech algorithm



eSports &
e-ticketing

WASD.TV streaming platform launched in March
2019
Achieved incremental revenue growth via
business synergies in ticket X-selling



NB-IoT

>50 regions in Russia with MTS NB-IoT coverage
Smart City agreements signed with
municipalities in 13 Russian regions



Smart
Education

Face-to-face online training
~50% average monthly growth in registered
users

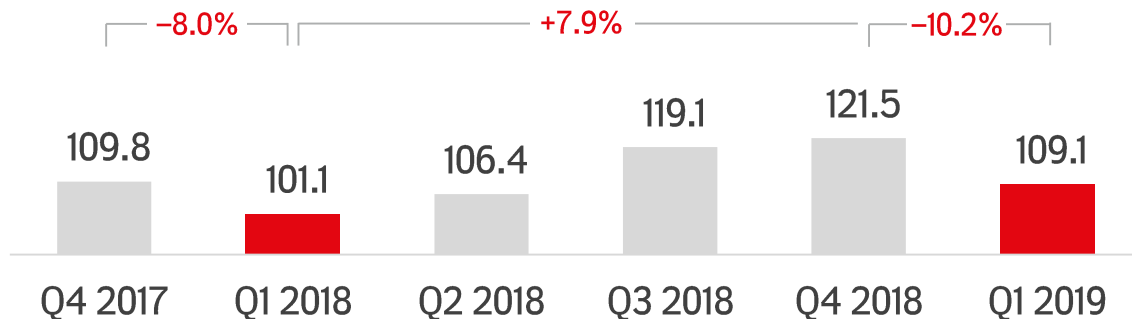


eHealth

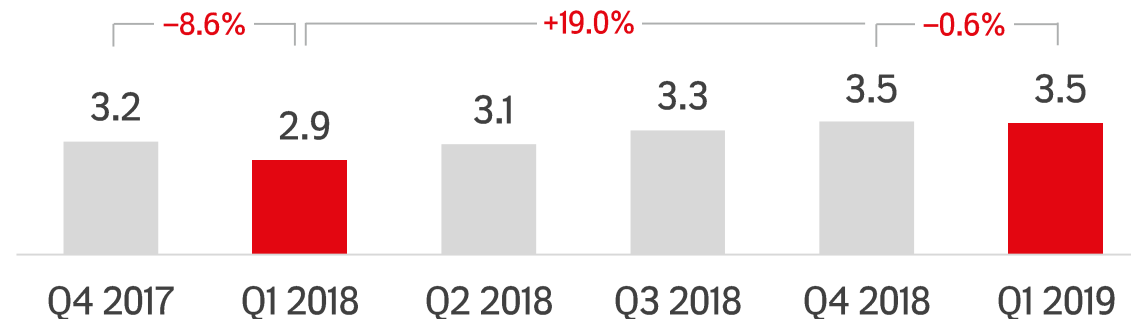
Telemedicine platform for remote doctor
consultation
10 types of medical specialists

Russia and Ukraine

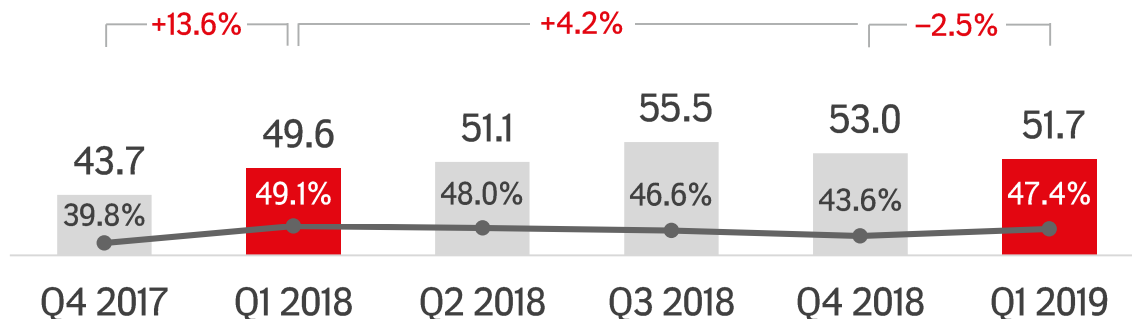
RUSSIA REVENUE (RUB bln)



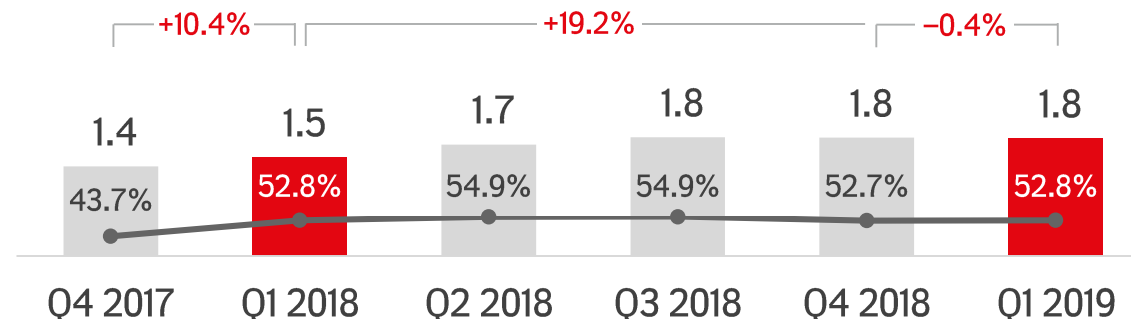
UKRAINE REVENUE (UAH bln)



RUSSIA ADJUSTED* OIBDA AND OIBDA MARGIN (RUB bln)



UKRAINE OIBDA AND OIBDA MARGIN (UAH bln)



*Adjusted OIBDA for Q4 2017 and Q4 2018 doesn't include a loss from impairment of non-current assets of RUB 0.6 bln and RUB 0.2 bln respectively

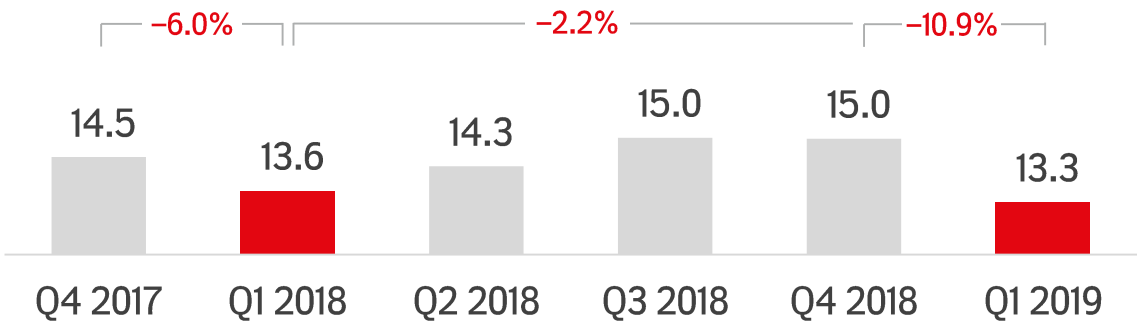


MTS

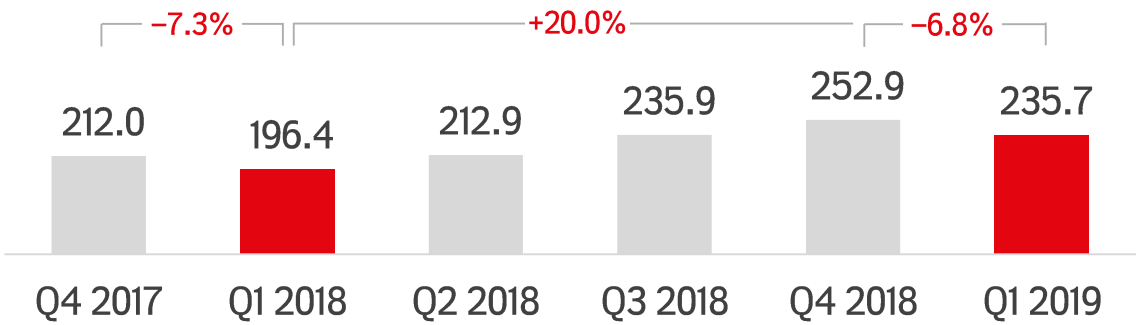
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Armenia and Belarus

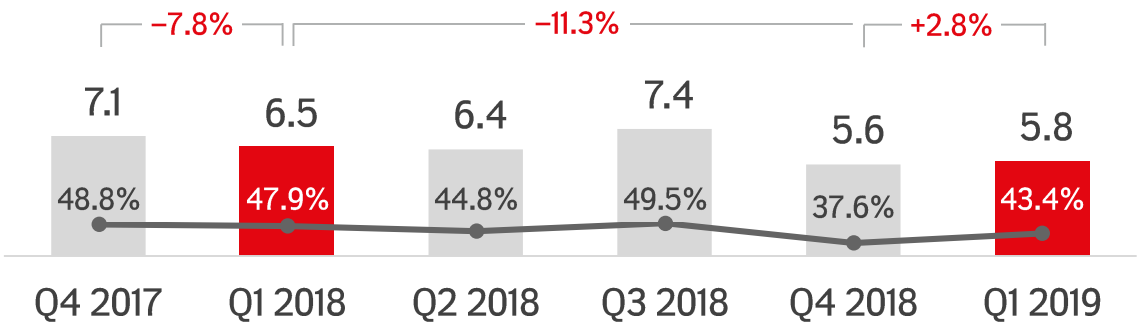
ARMENIA REVENUE
(AMD bln)



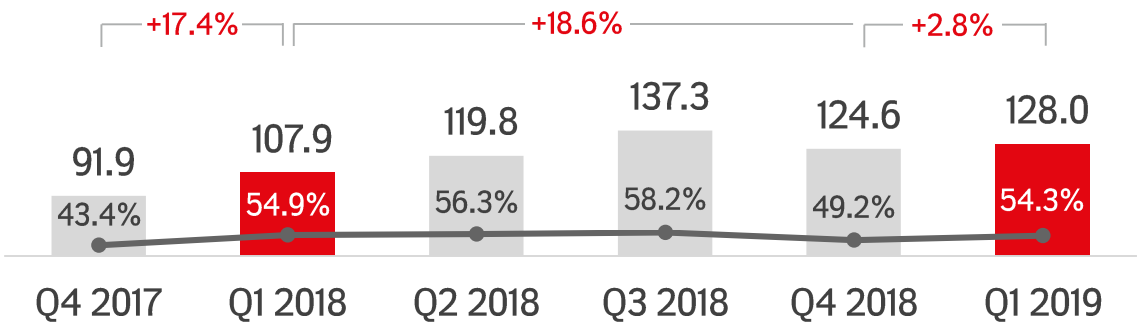
BELARUS REVENUE
(BYN mln)



ARMENIA OIBDA AND OIBDA MARGIN
(AMD bln)



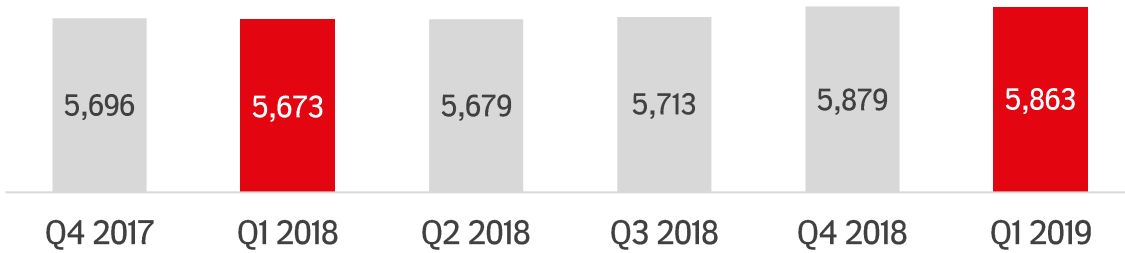
BELARUS OIBDA AND OIBDA MARGIN
(BYN mln)



MTS Retail and Service Development

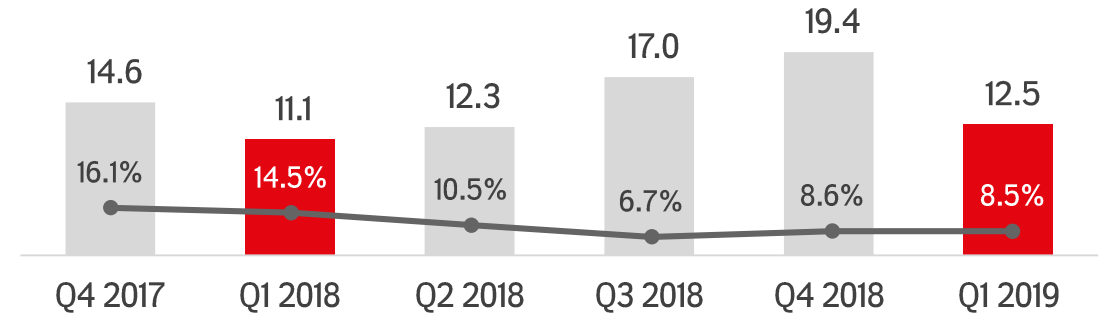
MTS RETAIL EXPANSION

(# of stores at the end of the period*)



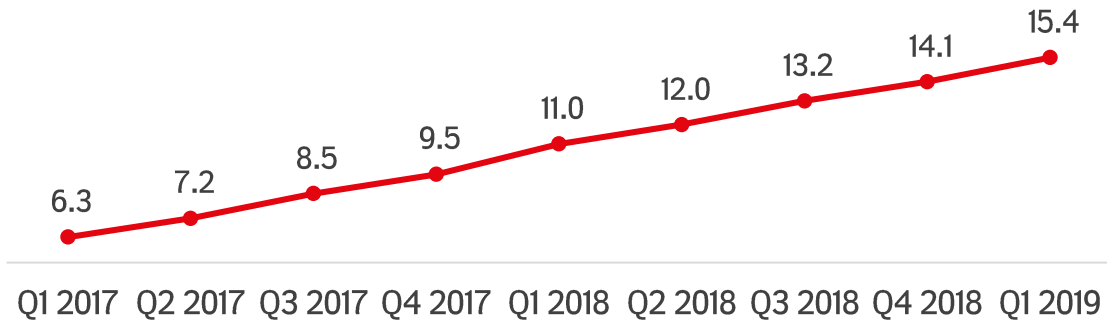
HANDSETS AND ACCESSORIES SALES AND GROSS MARGIN

(RUB bln)



1-MONTH ACTIVE USERS of MyMTS

(mln)



*Including franchises

MyMTS

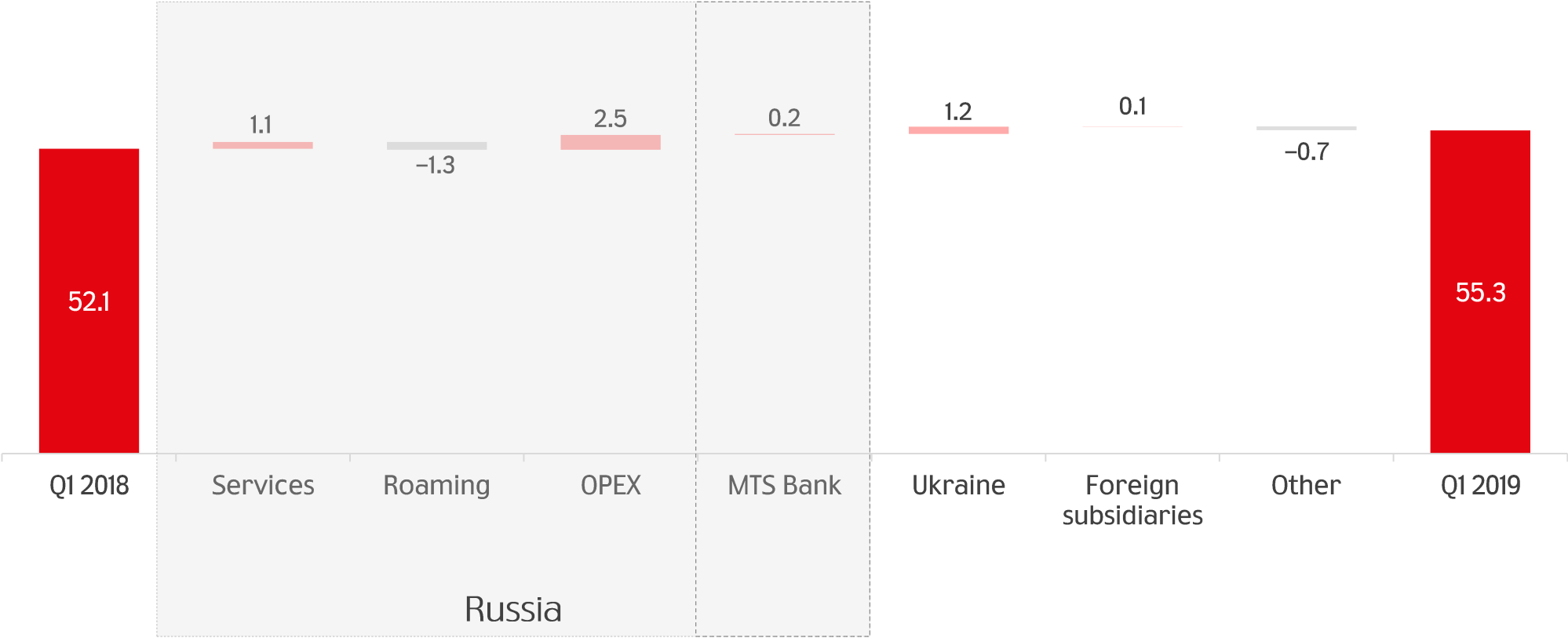
- ★ 4.6 App Store / 4.6 Google Play.
- >33.5 mln downloads by the end of 2018.
- Top 20 best free apps of 2018 in Russia on the Apple App Store.
- Fully integrated with Real Time Marketing and MTS Marketer systems, enabling personalized offers tailored to individual user profiles.
- Recent developments in 2019 include launching chat-based support in certain regions and integration with Samsung Pay and Google Pay.



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Group OIBDA Factor Analysis

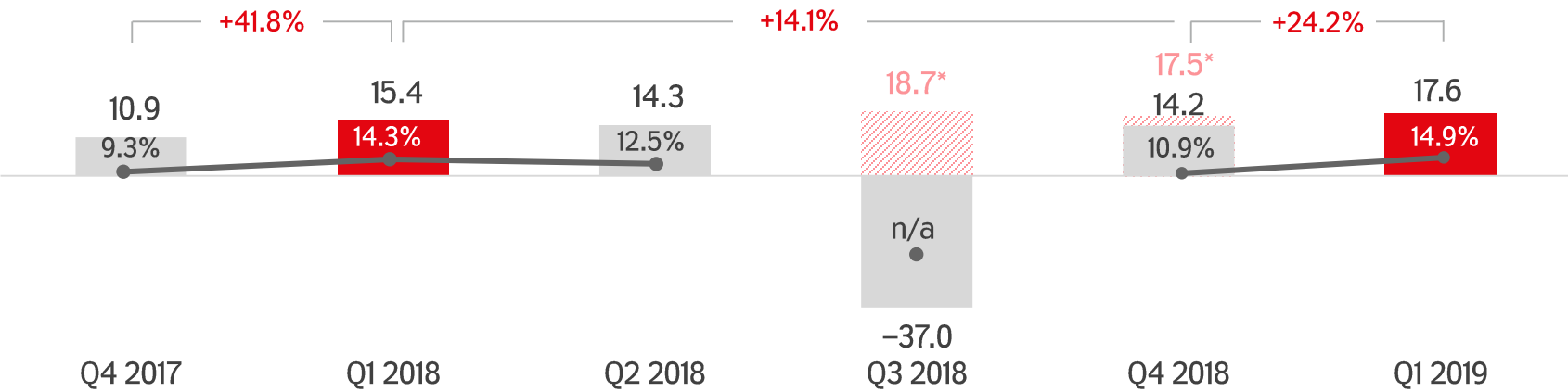
TOTAL GROUP OIBDA: FACTOR ANALYSIS*
(RUB bln)



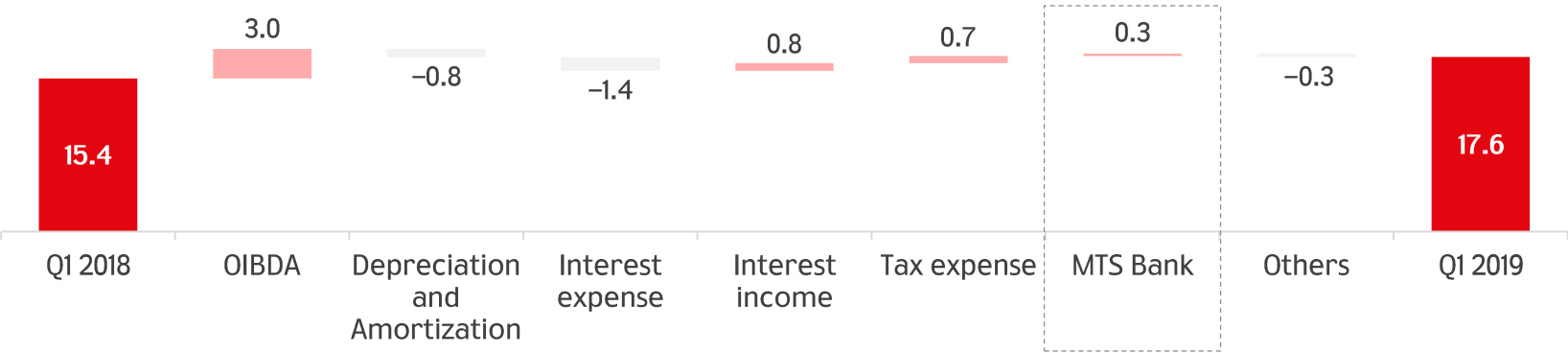
*Totals may add up differently due to rounding

Group Net Profit

GROUP NET PROFIT AND NET PROFIT MARGIN (RUB bln)



GROUP NET PROFIT FACTOR ANALYSIS** (RUB bln)



*Excluding RUB 55.8 bln in Q3 2018, RUB 3.3 bln in Q4 2018 provision for liability with respect to SEC and DOJ investigation

**Totals may add up differently due to rounding

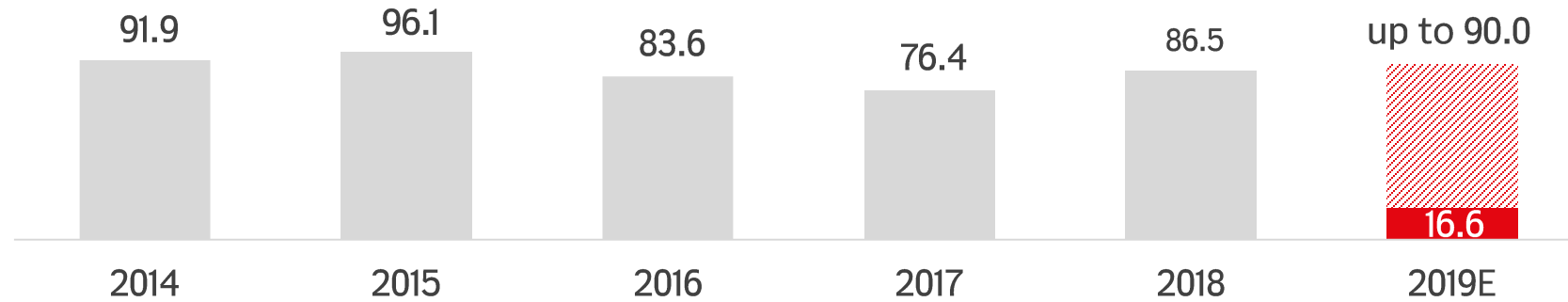


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Group Cash CAPEX

CASH CAPEX
(RUB bln)



	Q1 2018		Q1 2019	
	Cash CAPEX (RUB bln)	As % of revenue	Cash CAPEX (RUB bln)	As % of revenue
Russia	15.4	15.2%	14.5	13.3%
Ukraine *	1.2	20.2%	2.0	24.1%
Armenia	0.1	5.0%	0.1	5.7%
Group *	16.7	15.4%	16.6	14.1%

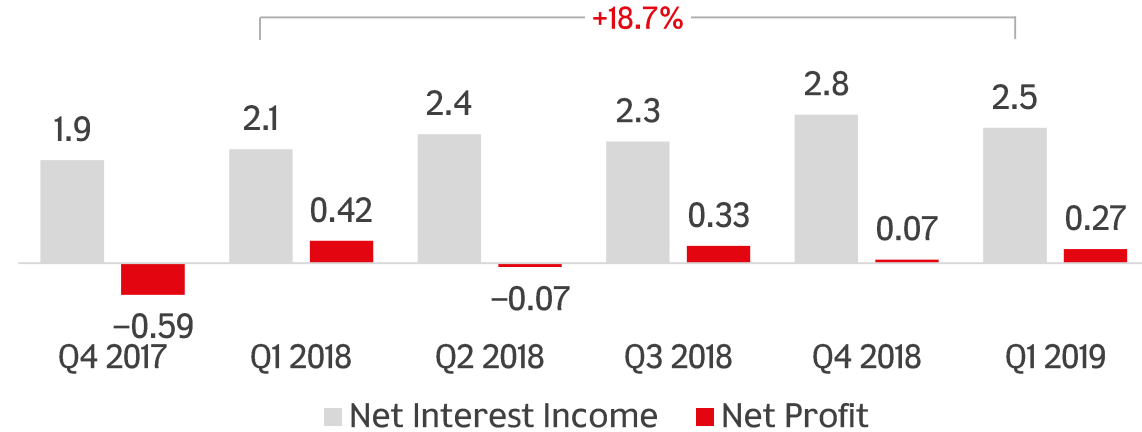
*Excluding costs of RUB 1.4 bln related to the purchase of 4G licenses in Ukraine in Q1 2018



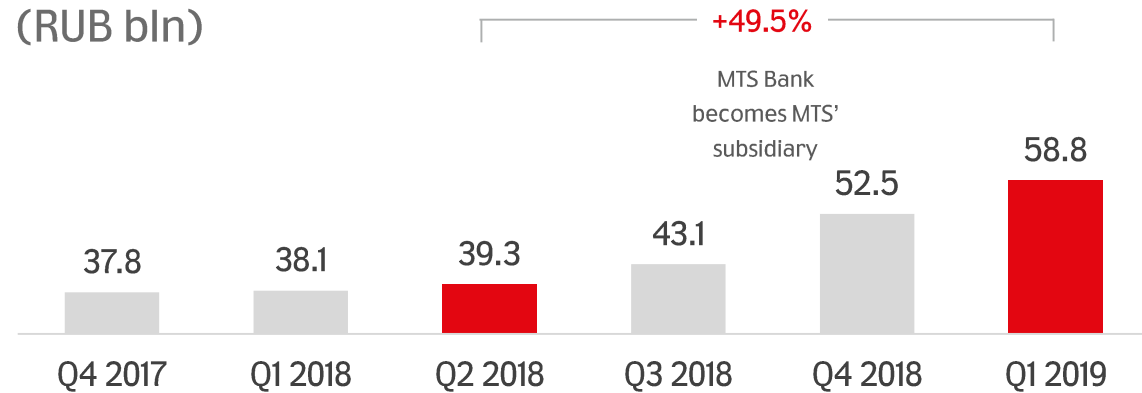
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NET INTEREST INCOME AND NET PROFIT / (LOSS) (RUB bln)

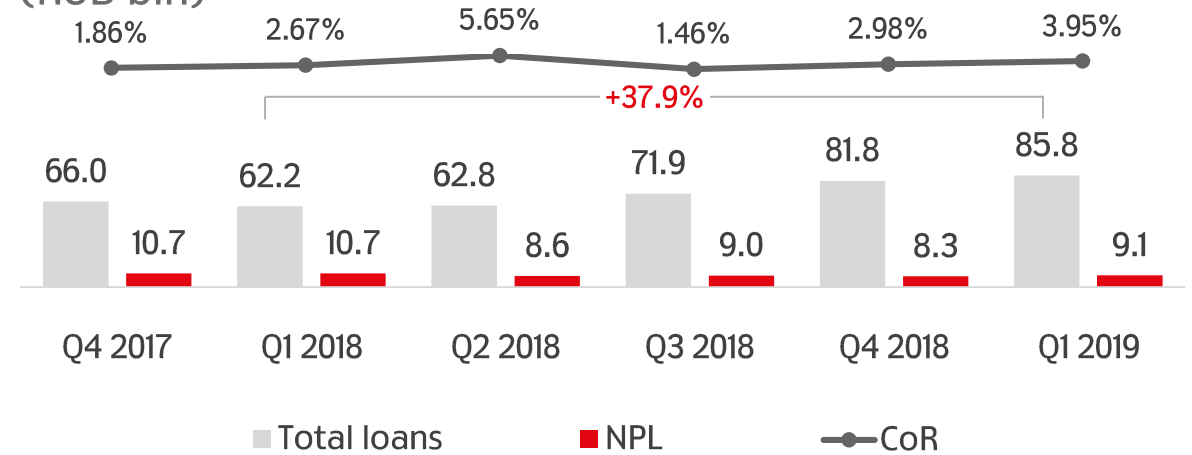


RETAIL LOANS (RUB bln)



*Source: Stand-alone unaudited MTS Bank financial statements (IFRS), MTS Group consolidated data

LOANS AND NPL (RUB bln)



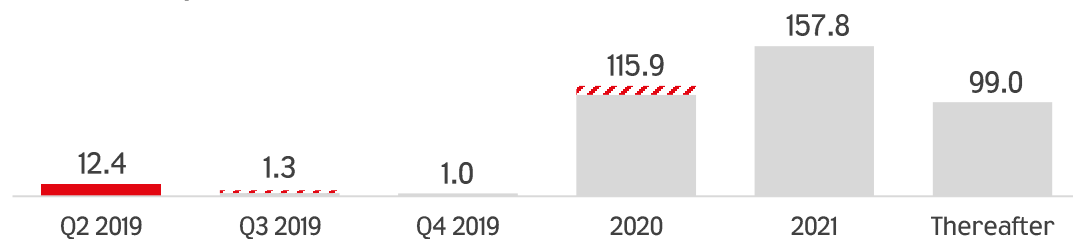
KEY TRENDS

- In 2018, the Group deployed big data analytics to launch individualized marketing campaigns across the broader pool of bank customers and MTS subscribers. As a result, cross-selling of products and services grew by over 4x YoY.
- MTS Bank continued to see rapid growth on the retail credit market by intelligently tailoring financial services to targeted MTS customers. Overall, the Bank extended RUB 20 bln of personal loans in Q1 2019, representing an increase of 2.3x versus the year-ago quarter.
- The Bank likewise saw a surge in customers attracted to its popular credit card products, with card issuance growing 3.4x YoY in Q1 2019.

Group Debt at The End of Q1 2019*

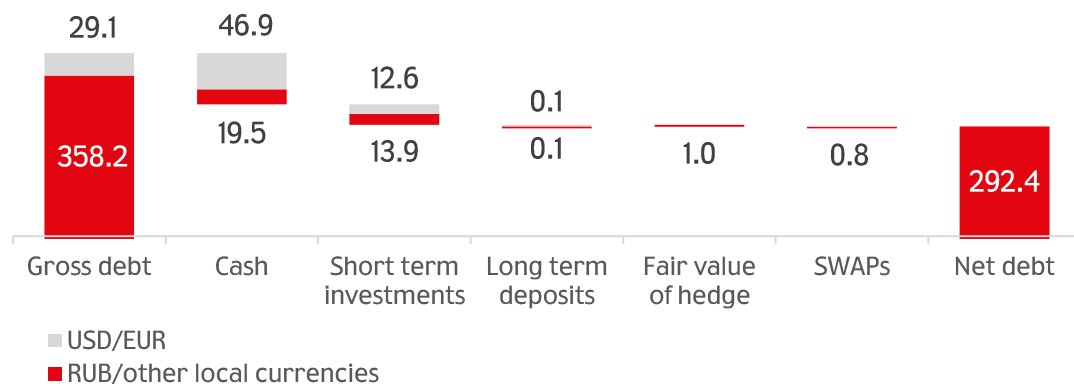
DEBT REPAYMENT SCHEDULE (RUB bln)

Total Group Debt** = RUB 387.4 bln



/// Bonds BO-02, BO-01 ruble bonds contain put options that as of March 31, 2019, MTS expected to be exercised in September 2019 and in March 2020 respectively

NET DEBT FACTOR ANALYSIS BY CURRENCY*** (RUB bln)



*Net of lease obligations as of March 31, 2019

**Net of unamortized debt issuance cost adjustment as of March 31, 2019

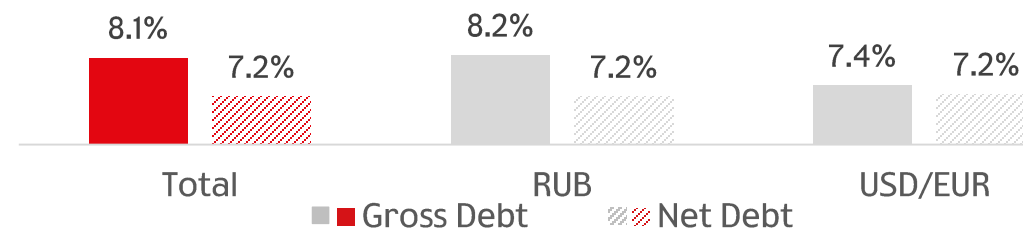
***Totals may add up differently due to rounding



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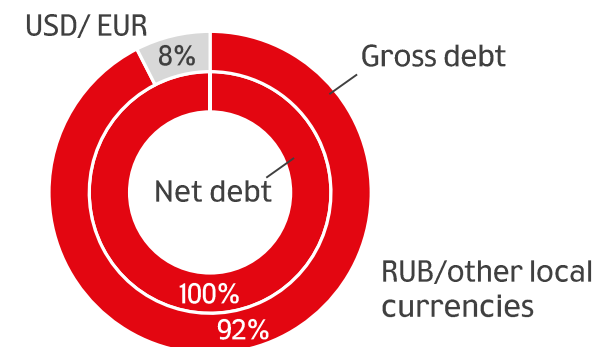
WEIGHTED AVERAGE INTEREST RATES



NET DEBT/LTM ADJUSTED OIBDA**** DYNAMICS



GROSS/NET DEBT COMPOSITION BY CURRENCY*****



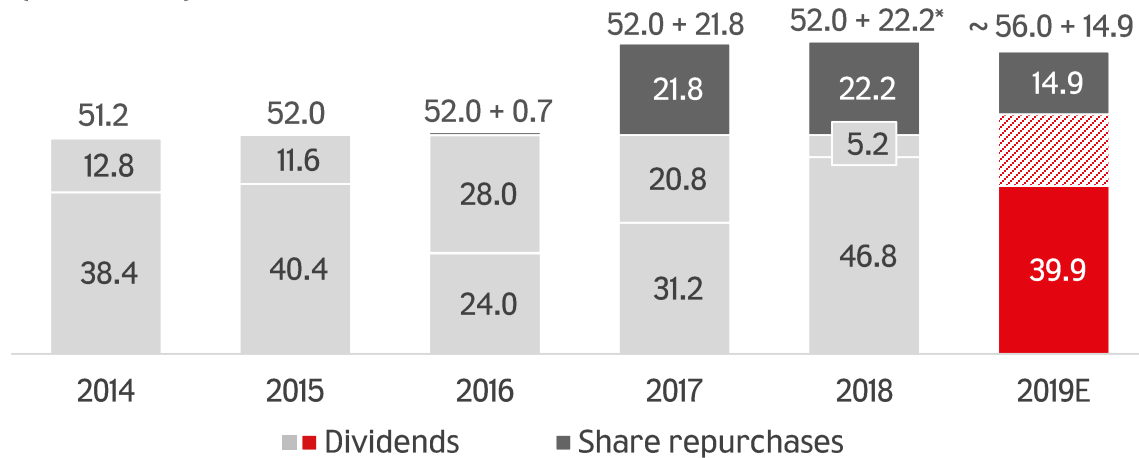
****Excluding the effects of new IFRS 9, 15, and 16 standards

*****Including FOREX Hedging in the amount of USD 463.9 mln as of March 31, 2019

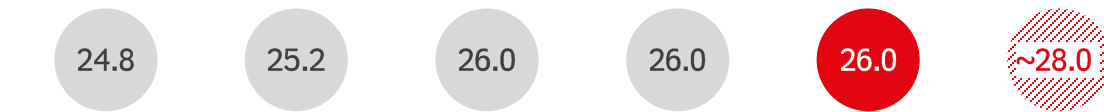
Shareholder Return: Dividends and Share Repurchases

DIVIDEND HISTORY

(RUB bln)



Dividend Per Share
(RUB)



Effective return per share through share
repurchases
(RUB)



*Including previous share repurchase program ended March, 2018



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DIVIDENDS

- In March 2019, the Board of Directors approved a new dividend policy. Under the policy, MTS will seek to pay at least RUB 28.0 per ordinary MTS share (RUB 56.0 per ADR) per calendar year. Payments will continue to be made on a semi-annual basis.
- In April 2019, the Board recommended that the AGM approves annual dividends of RUB 19.98 per ordinary MTS share (RUB 39.96 per ADR), or a total RUB 39.9 billion (RUB 39,927,310,941.78), based on the full-year 2018 financial results.

SHARE REPURCHASES

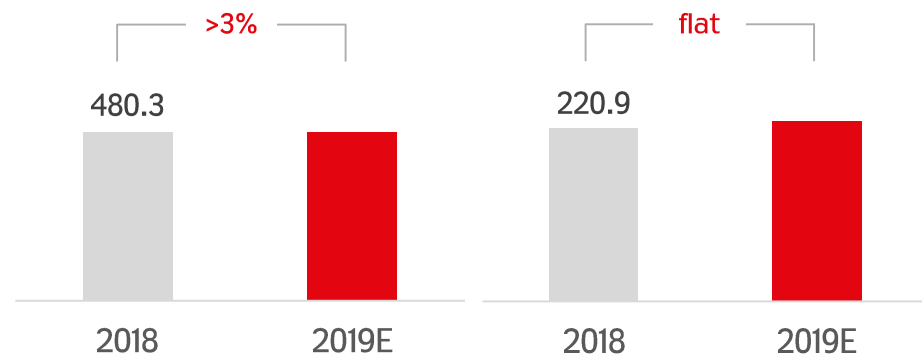
- In May, MTS completed the program launched on July 2, 2018 to repurchase shares of common stock and ADSs for an amount of up to RUB 30 bln. In total, during the Repurchase plan, Bastion acquired 113,487,402 shares of Common Stock (including shares of Common Stock represented by ADSs) representing 5.68% of share capital issued by MTS. This includes shares of Common Stock acquired from Sistema Finance.

	# of shares, incl. ADS	% of share capital	Average price per share (RUB)**	Total amount spent (RUB)**
Shares acquired in January–May under the Repurchase Plan	57,633,224	2.88%	258.73	14,911,659,214
Total shares acquired since the launch of the Repurchase Plan	113,487,402	5.68%	262.72	29,815,238,438

**The average price may differ from the settlement price, due to commissions, fees and other related expenses

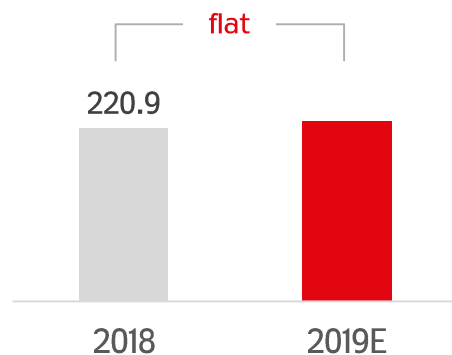
Outlook for 2019

GROUP REVENUE FORECAST (RUB bln)*

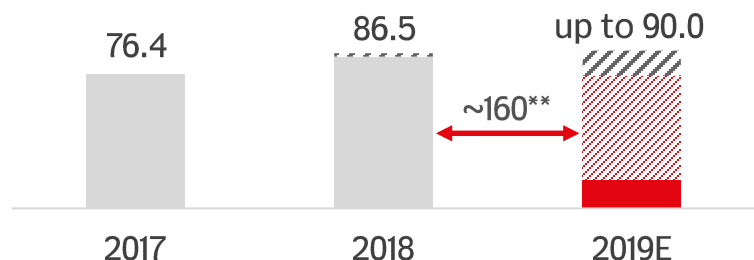


*Including adoption of new IFRS standards and the effect of MTS Bank consolidation

GROUP OIBDA FORECAST (RUB bln)*



GROUP CAPEX FORECAST (RUB bln)



/// Additional investment required to comply with the Yarovaya law

**Excluding additional investment required to comply with the Yarovaya law

GROUP REVENUE: For 2019, MTS forecasts above 3% revenue growth, based on the following:

- ✦ Rising data consumption and weaker voice usage;
- ✦ Competitive dynamics in distribution and reduced SIM-card sales in Russia;
- ✦ Regulatory changes, including the cancellation of internal roaming and VAT increase in Russia;
- ✦ High base effect of 2018;
- ✦ Continued growth in UAH-denominated revenues in Ukraine; and
- ✦ Service revenues in other foreign subsidiaries and volatility in relation to the Russian ruble.

GROUP OIBDA: MTS estimates its outlook on Group OIBDA growth rate to be flattish in consideration of the following factors:

- ✦ Changes in the regulatory environment;
- ✦ High base effect of 2018 and one-offs related to Q1 2019;
- ✦ Competitive factors;
- ✦ Increase in labor costs;
- ✦ Market sentiment and the prospective growth in usage of high-value products;
- ✦ Developments in foreign subsidiaries; and
- ✦ Macroeconomic developments and currency volatility throughout our markets of operation.

GROUP CAPEX: FY2018 – FY2019 CAPEX spending estimated to be RUB 160 bln, due to:

- ✦ Further incremental improvements and enhancements to LTE networks;
- ✦ Implementation of infrastructure and spectrum sharing projects within Russia;
- ✦ Roll-out of LTE services in Ukraine;
- ✦ Evolution of commercial 5G solutions and introduction into Russian market; and
- ✦ Continued investments in digital products and services.

Overall, for 2019 MTS expects its CAPEX spending to be up to RUB 90 bln (including investments required for Yarovaya Law).

Yarovaya law: Current adjusted MTS estimate of the additional investment necessary to comply with the Yarovaya law stands at RUB 50 bln.



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Q & A



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Thank you!



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