

Group Financial Results For The First Quarter 2018

May 23, 2018

Alexey Kornya

President, Chief Executive Officer

Andrey Kamensky

Vice President, Finance, Investments and M&A

Vyacheslav Nikolaev

Vice President, Marketing

Kirill Dmitriev

Vice President, Sales and Customer Service



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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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New Reporting Standards

From January 1st 2018, MTS has adopted new IFRS standards:

- IFRS 9, Financial Instruments;
- IFRS 15, Revenue from Contracts with Customers;
- IFRS 16, Leases.

For comparability purpose, MTS also presents Q1 2018 financial results excluding impact of new standards in all of the distribution materials. In this presentation we use the following terms:

- Under old IFRS standards – excluding impact of IFRS 9, 15 and 16;
- Under new IFRS standards – including impact of IFRS 9, 15 and 16.

IFRS 9, Financial Instruments.

IFRS 9 regulates the classification and measurement of financial assets and liabilities and requires certain additional disclosures. The primary changes relate to the assessment of hedging arrangements and provisioning for potential future credit losses on financial assets as well as recognition of modification gain or loss for all revisions of estimated payments or receipts, including changes in cash flows arising from a modification or exchange of a financial liability, that does not result in its derecognition.

IFRS 15, Revenue from Contracts with Customers.

This standard provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. It replaced the existing standards IAS 18, Revenue, and IAS 11, Construction Contracts. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under the standard, an entity recognizes revenue when (or as) a performance obligation is satisfied, i. e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios than exists in the current guidance. The main effect of the standard on the Group’s consolidated financial statements related to the deferral of certain incremental costs incurred in acquiring or fulfilling a contract with a customer. Such contract costs are amortized over the period of benefit.

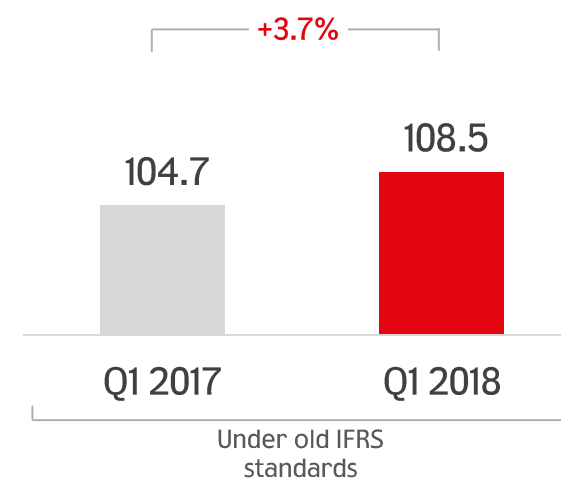
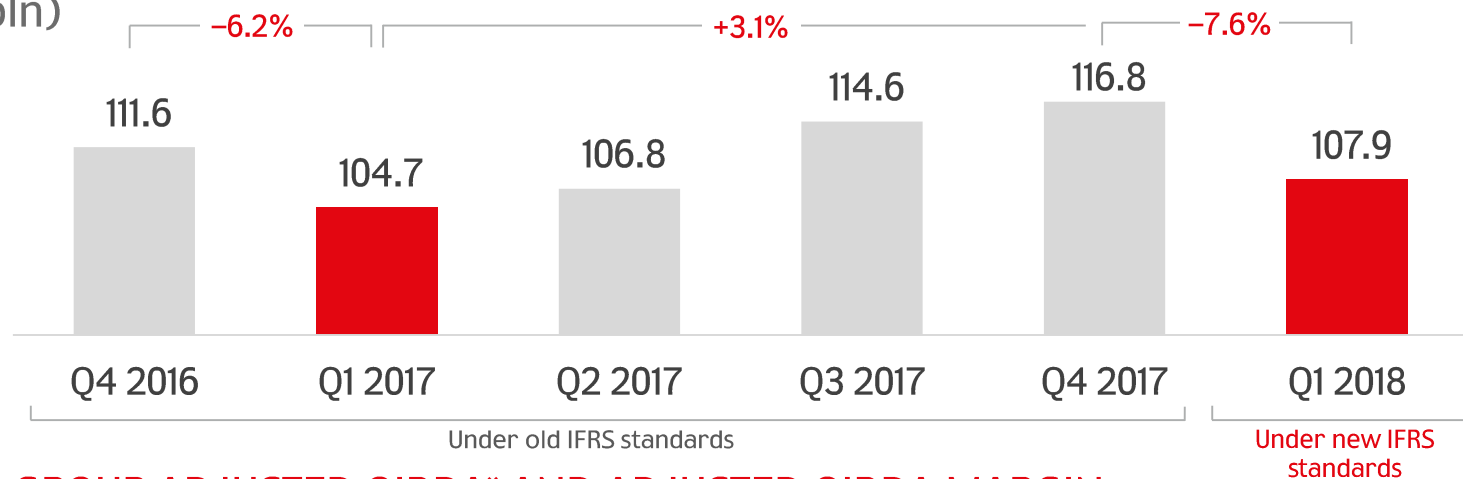
IFRS 16, Leases.

This standard principally requires lessees to recognize assets and liabilities for all leases and to present the rights and obligations associated with these leases in the statement of financial position. The standard also includes new provisions on the definition of a lease and its presentation, on disclosures in the notes, and on sale and leaseback transactions.

Group Revenue and Adjusted OIBDA

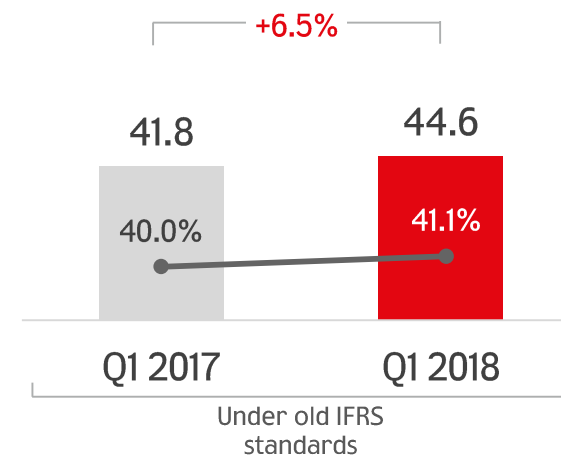
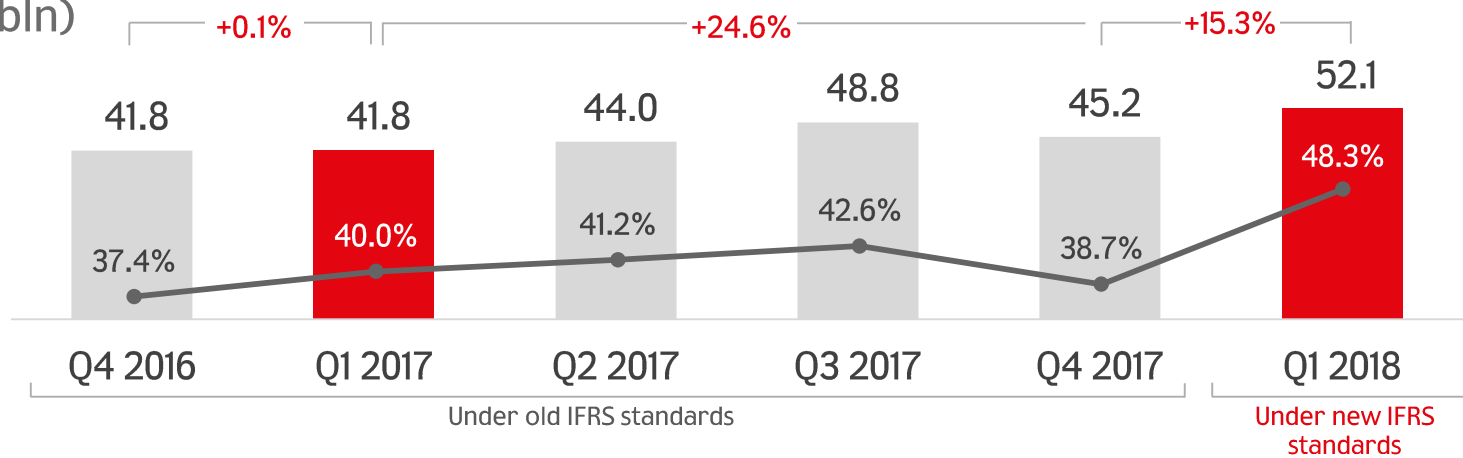
TOTAL GROUP REVENUE

(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 1.1 bln and RUB 2.6 bln for Q3 2017 and Q4 2017 respectively



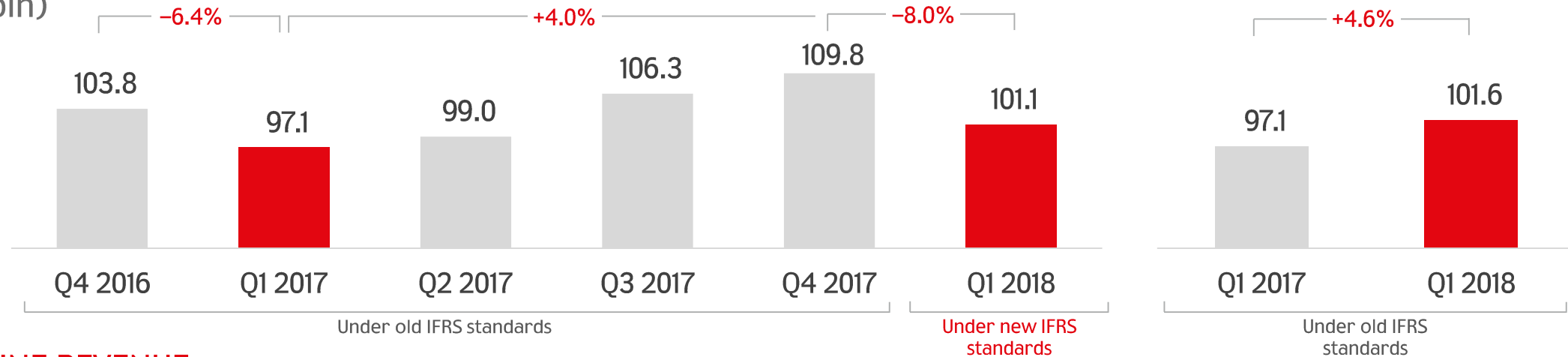
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Revenue: Russia and Ukraine

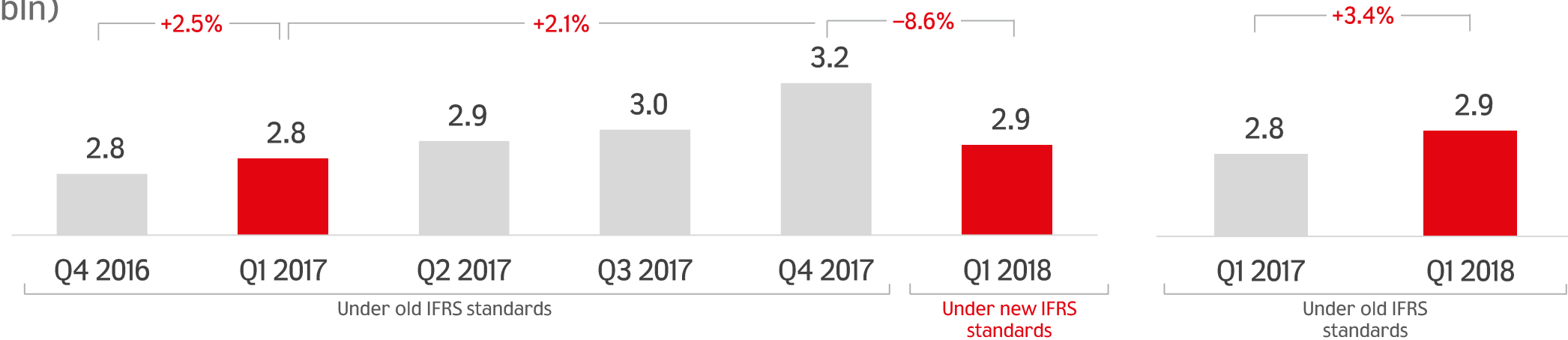
RUSSIA REVENUE

(RUB bln)



UKRAINE REVENUE

(UAH bln)



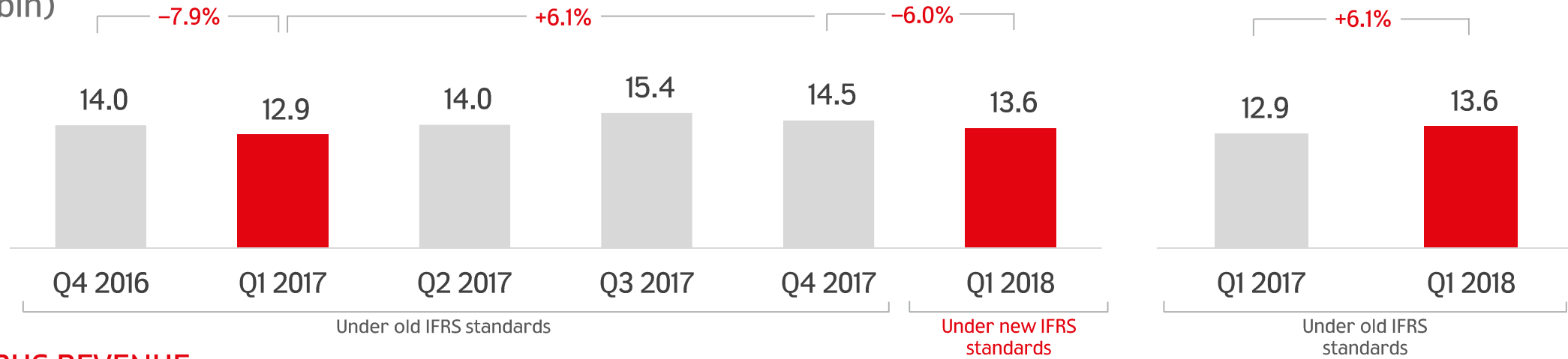
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Revenue: Armenia and Belarus

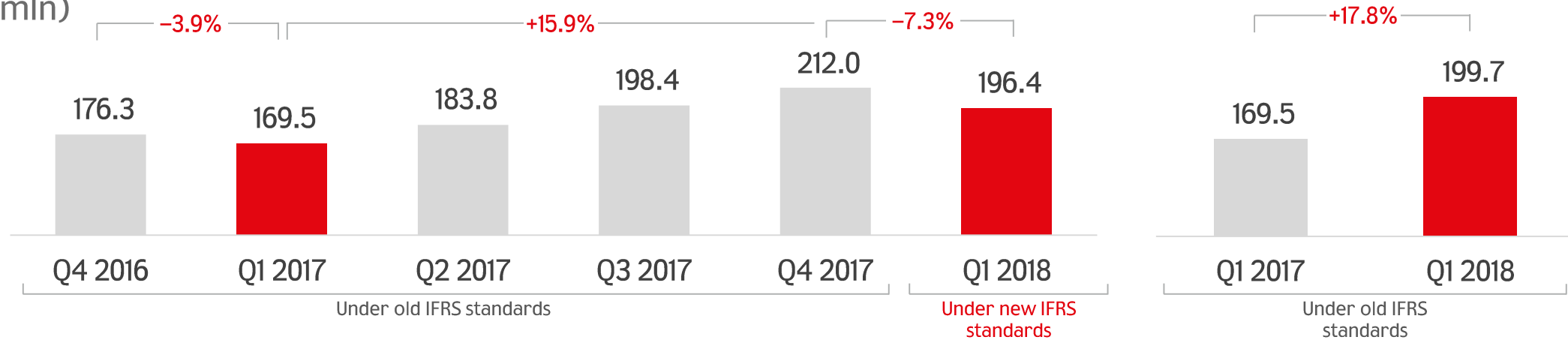
ARMENIA REVENUE

(AMD bln)



BELARUS REVENUE

(BYN mln)



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Group Adjusted OIBDA Factor Analysis

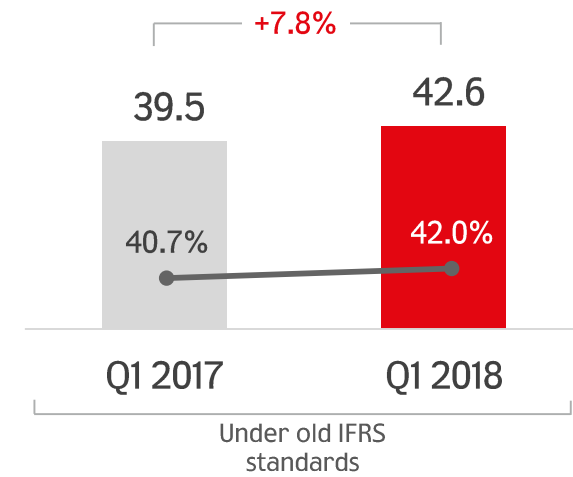
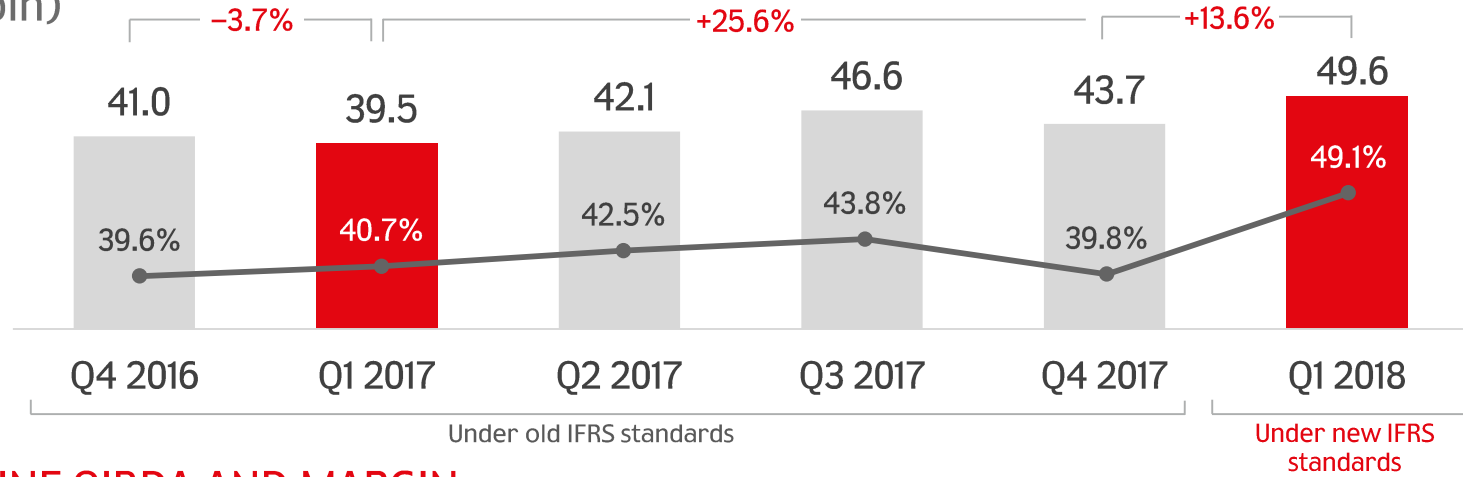
TOTAL GROUP ADJUSTED OIBDA: FACTOR ANALYSIS*
(RUB bln)



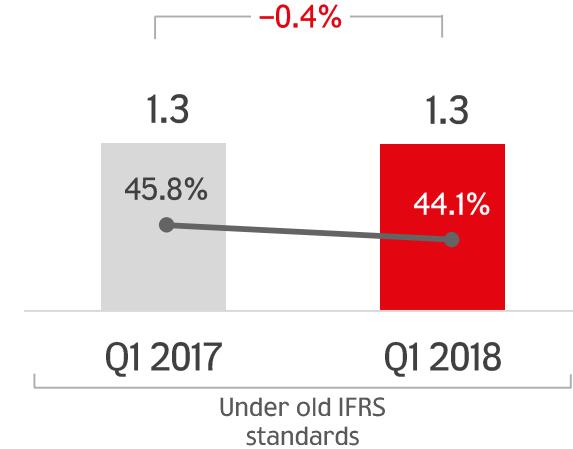
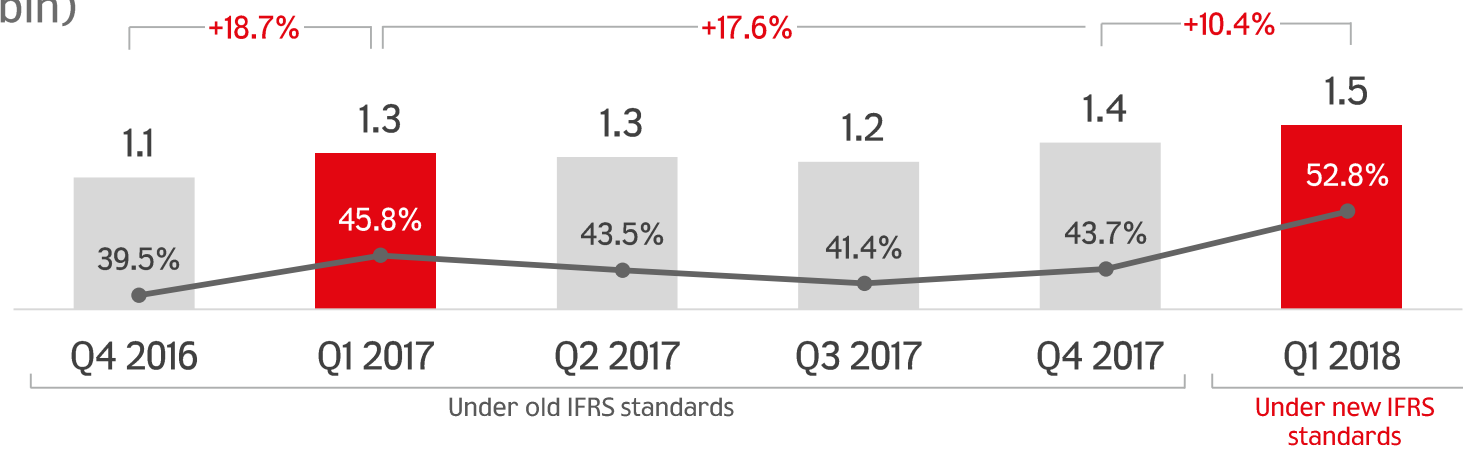
*Totals may add up differently due to rounding

OIBDA: Russia and Ukraine

RUSSIA ADJUSTED* OIBDA AND MARGIN (RUB bln)



UKRAINE OIBDA AND MARGIN (UAH bln)



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

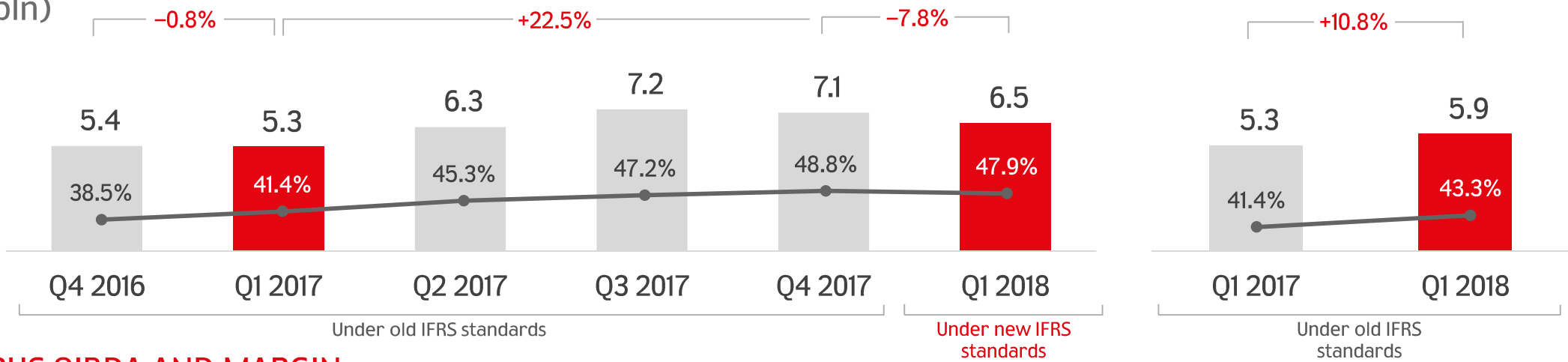


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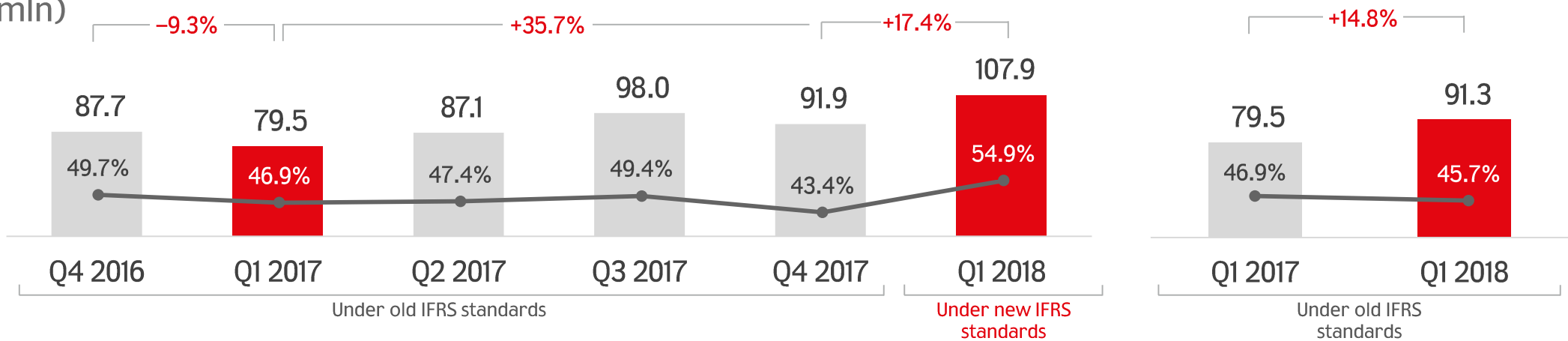
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OIBDA: Armenia and Belarus

ARMENIA OIBDA AND MARGIN
(AMD bln)

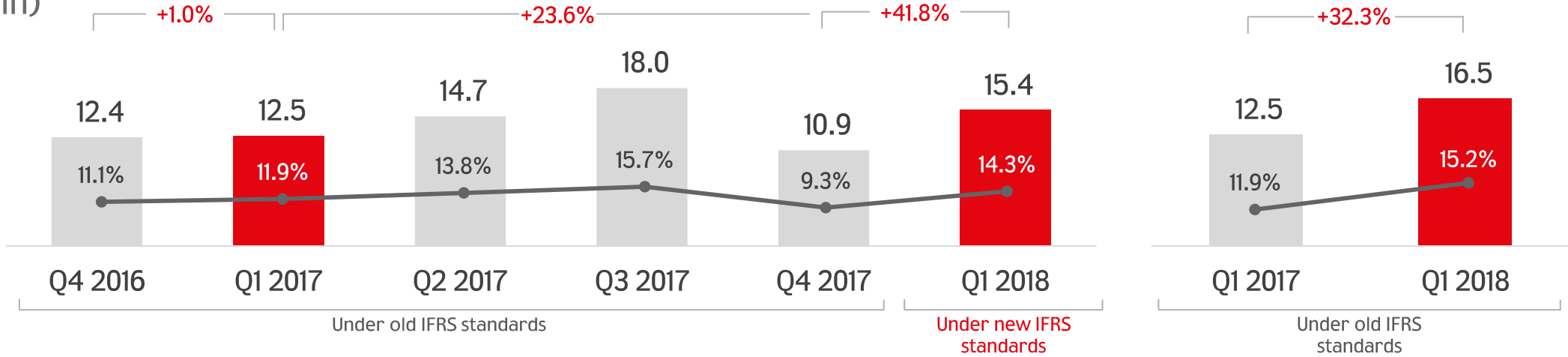


BELARUS OIBDA AND MARGIN
(BYN mln)

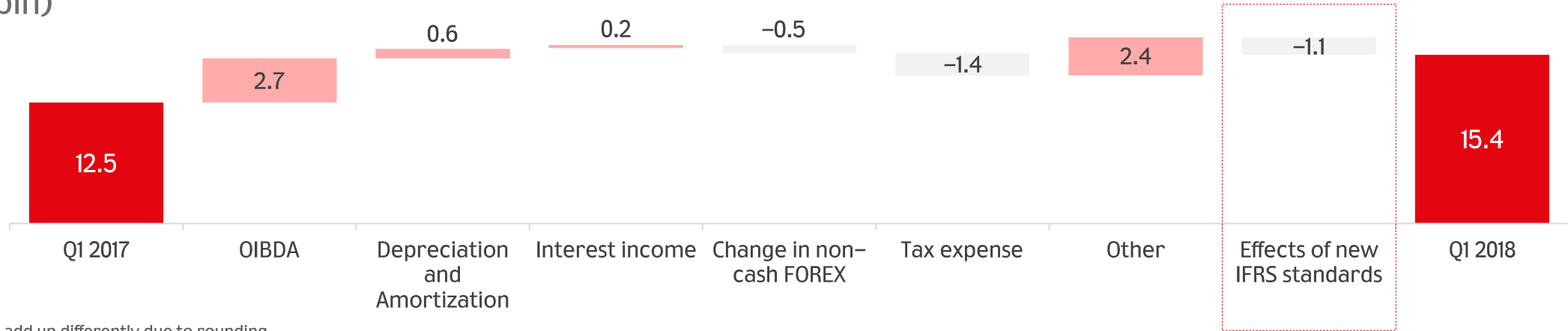


Group Net Profit

GROUP NET PROFIT AND NET PROFIT MARGIN (RUB bln)



GROUP NET PROFIT FACTOR ANALYSIS* (RUB bln)



*Totals may add up differently due to rounding

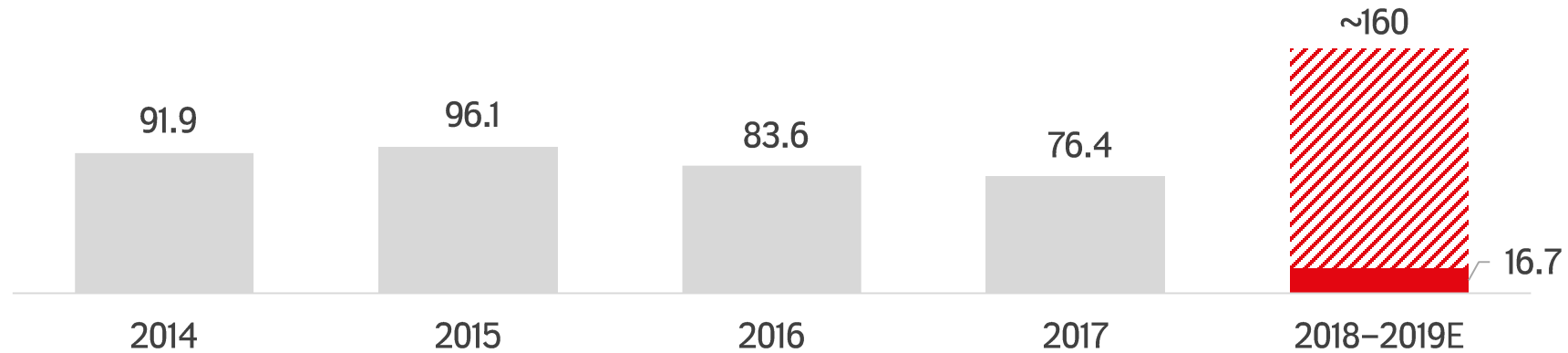


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Group Cash CAPEX

CASH CAPEX
(RUB bln)



	Q1 2017		Q1 2018	
	Cash CAPEX (RUB bln)	As % of revenue	Cash CAPEX (RUB bln)	As % of revenue
Russia	9.7	10.0%	15.4	15.2%
Ukraine*	1.3	20.9%	1.2	20.2%
Armenia	0.1	3.4%	0.1	5.0%
Turkmenistan	0.03	2.6%	–	–
Group *	11.1	10.6%	16.7	15.4%

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



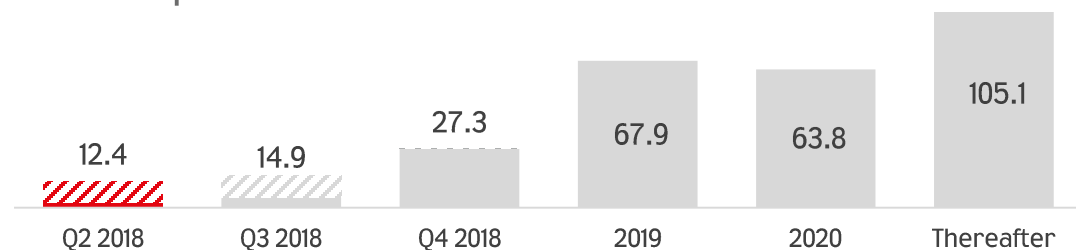
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Group Debt at The End of Q1 2018*

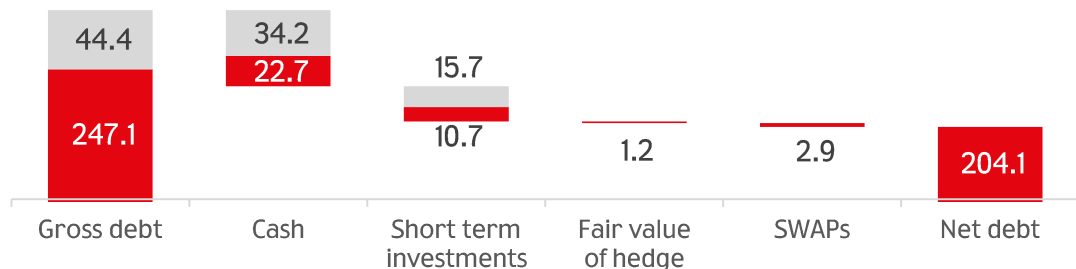
DEBT REPAYMENT SCHEDULE (RUB bln)

Total Group Debt** = RUB 291.5 bln



▨ Bonds BO-01, BO-02, Series '8 ruble bonds contain put options that as of March 31, 2018, MTS expected to be exercised in April, August and November 2018, respectively

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



■ USD/EUR ■ RUB/other local currencies

*Net of lease obligations as of March 31, 2018

**Net of unamortized debt issuance cost adjustment as of March 31, 2018

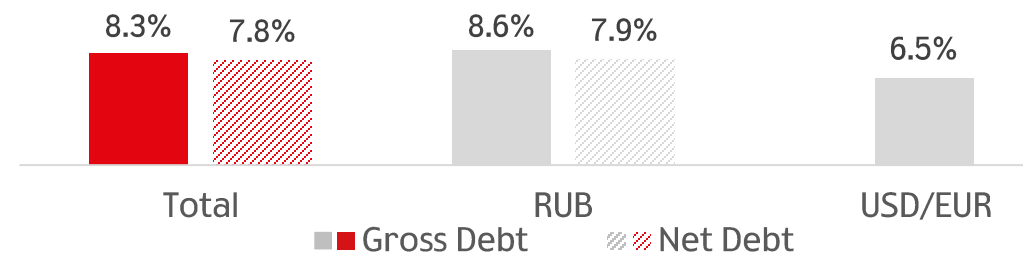
***Totals may add up differently due to rounding



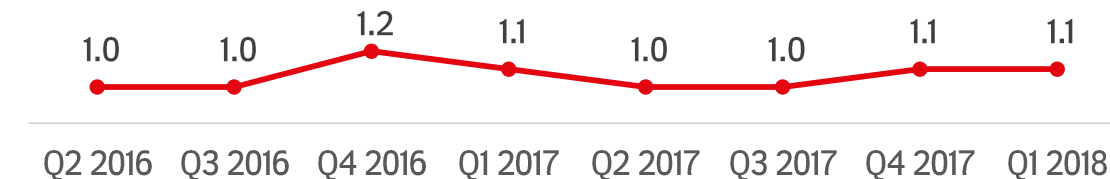
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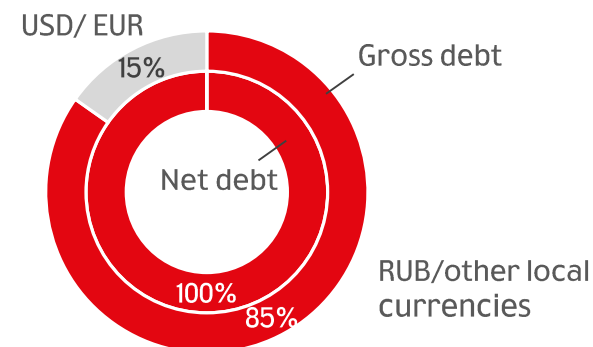
WEIGHTED AVERAGE INTEREST RATES



NET DEBT/LTM ADJUSTED OIBDA**** DYNAMICS



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



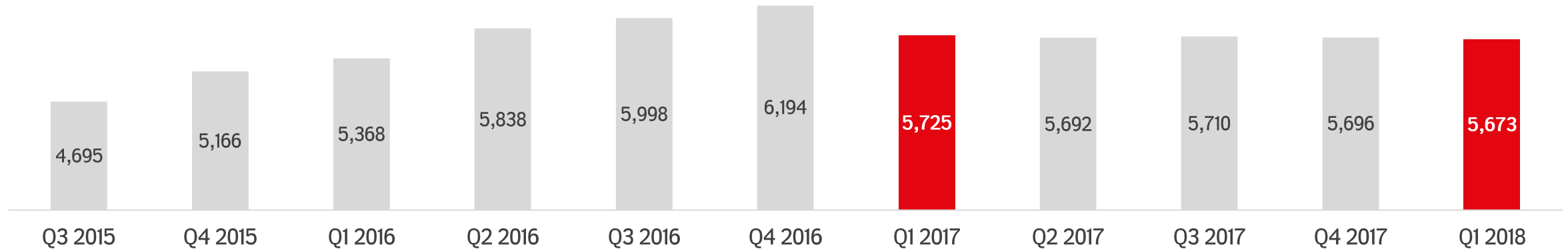
****Excluding the impact of new standards – IFRS 9, 15 and 16

*****Including FOREX Hedging in the amount of USD 258 mln as of March 31, 2018

MTS Retail and Service Development

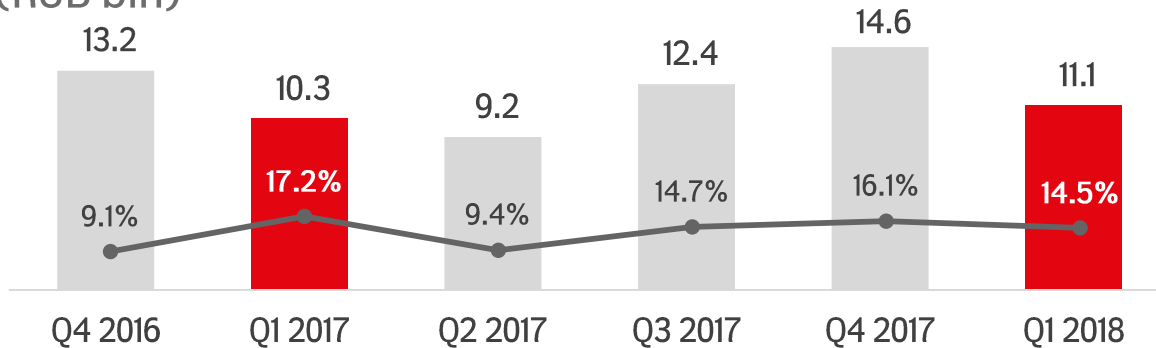
MTS RETAIL EXPANSION

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



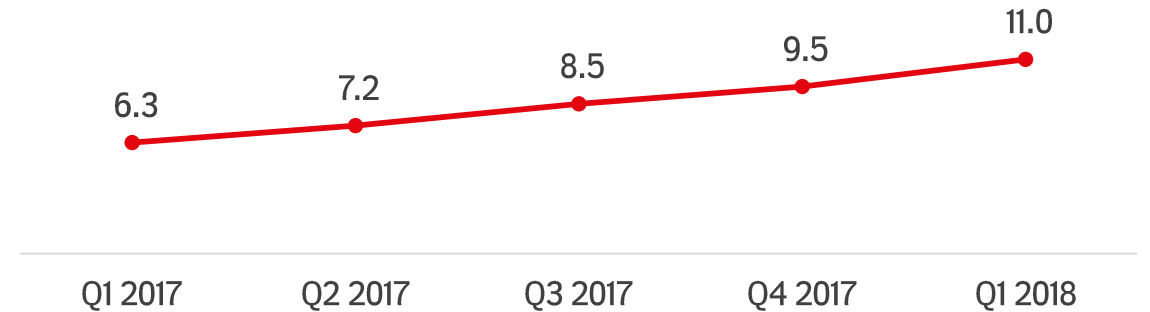
HANDSETS AND ACCESSORIES SALES AND GROSS MARGIN

(RUB bln)



1-MONTH ACTIVE USERS of MyMTS

(mln)



*Including franchises

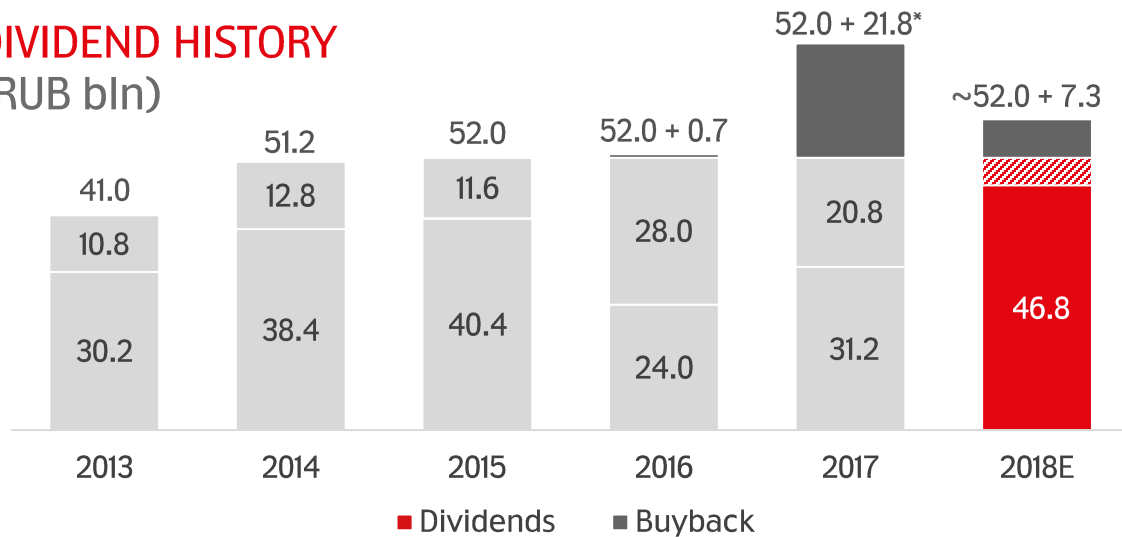


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Shareholder Return: Dividends and Share Repurchases

DIVIDEND HISTORY (RUB bln)

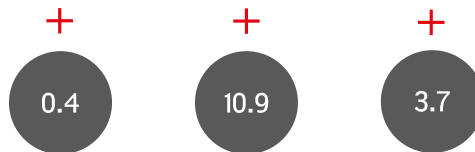


*Includes RUB 9.3 bln Tender Offer launched in January, 2017

Dividend Per Share (RUB)



Effective return per share through share repurchases (RUB)



- For the calendar year, MTS paid out RUB 52.0 bln or RUB 26.0 per share in accordance with its dividend policy.

SHARE REPURCHASES

	# of shares, incl. ADS	% of share capital	Average price per share (RUB)**	Total amount spent (RUB)**
Shares acquired in Q 1 2018 under the Repurchase Plan	25,397,204	1.27%	288.16	7,318,356,376
Total shares acquired since the launch of the Repurchase Plan	69,044,332	3.46%	287.30	19,836,539,891

**The actual average price and total amount spent may differ due to commissions, fees and other related expenses

The Board recommended that the AGM approves annual dividends of RUB 23.4 per ordinary MTS share (RUB 46.8 per ADR), or a total of RUB 46.76 billion (RUB 46,762,117,225.2), based on the full-year 2017 financial results.

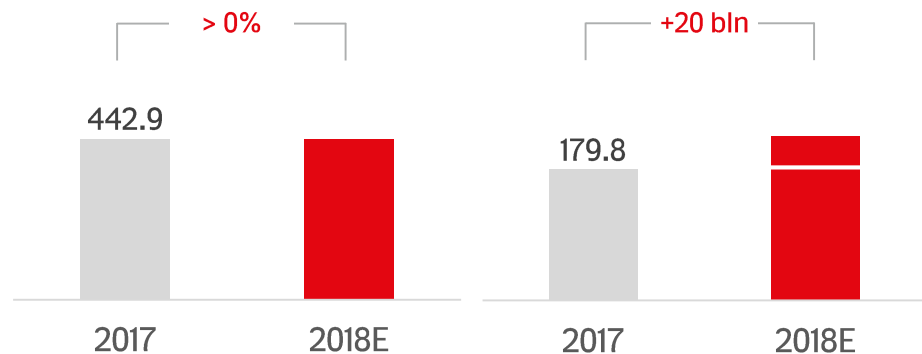


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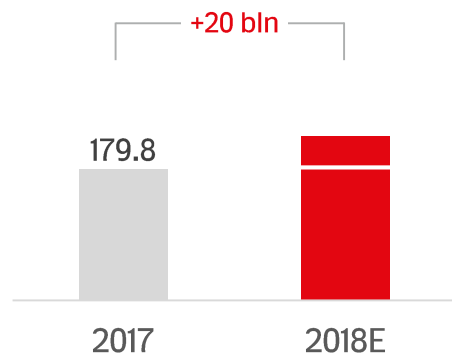
Outlook for 2018

GROUP REVENUE FORECAST (RUB bln)*

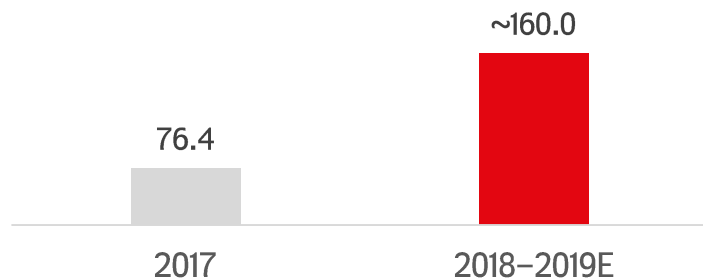


*Including adoption of new IFRS standards.

GROUP ADJUSTED OIBDA FORECAST (RUB bln)*



GROUP CAPEX FORECAST (RUB bln)



GROUP REVENUE: For 2018, MTS forecasts slightly positive revenue growth, based on the following:

- Rising data consumption and weaker voice usage, due to voice–data substitution and data adoption;
- Competitive dynamics in distribution and reduced SIM–card sales in Russia;
- Changes in handset sales due to the optimization of retail distribution channels;
- Continued growth in UAH–denominated revenues in Ukraine;
- Adoption of new IFRS standards; and
- Service revenues in other foreign subsidiaries and volatility in relation to the Russian ruble.

GROUP ADJUSTED OIBDA: MTS anticipates that the adoption of new IFRS standards will increase Adjusted OIBDA by an estimated at least RUB 20 bln in 2018. Excluding the impact of new IFRS standards, MTS anticipates a stable outlook for FY 2018 Group Adjusted OIBDA due to the following factors:

- Competitive factors and on–going uncertainty over potential optimization of retail distribution;
- Anticipated increases in labor costs;
- Potential impact of changes to internal roaming policies in Russia;
- Expected rise in spectrum costs in Russia;
- Market sentiment and the prospective growth in usage of high–value products like roaming;
- Developments in foreign subsidiaries, in particular the fate of operations in Turkmenistan; and
- Macroeconomic developments and currency volatility throughout our markets of operation.

GROUP CAPEX: FY2018 – FY 2019 CAPEX spending estimated to be RUB 160 bln, due to a number of factors:

- Partial investments to comply with anti–terror law in Russia;
- 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.



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Q & A



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Thank you!



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Contact Information

MTS INVESTOR RELATIONS

+7 495 223 20 25

ir@mts.ru

www.mtsgsm.com

Joshua B. Tulgan

Director, Corporate Finance & Investor Relations

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