

# Group Financial & Operating Results Q3 2018

November 20, 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



# 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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# New Reporting Standards

From January 1<sup>st</sup> 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 Q3 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.

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## 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.

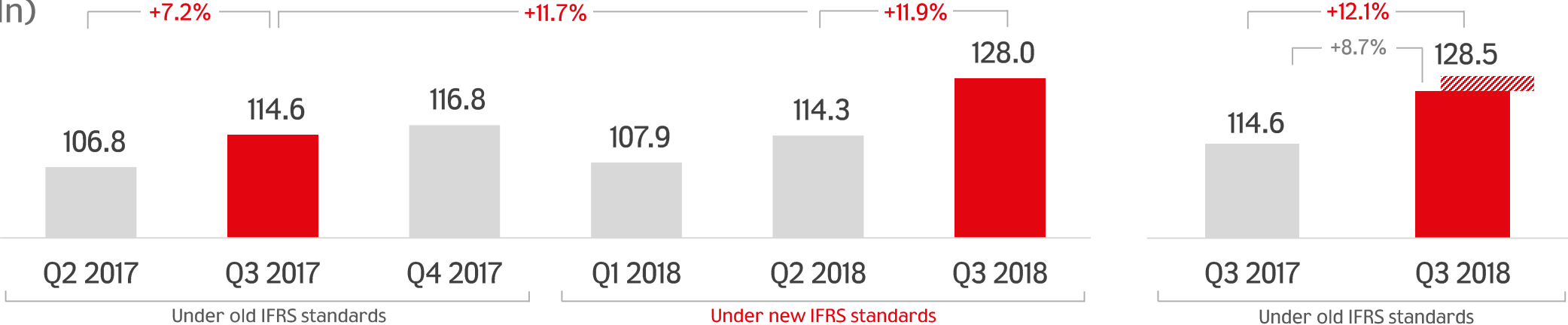
This standard provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. It replaced the existing standards IAS 18, Revenue, and IAS 11, Construction Contracts. The core principle of IFRS 15 is that an entity should 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.

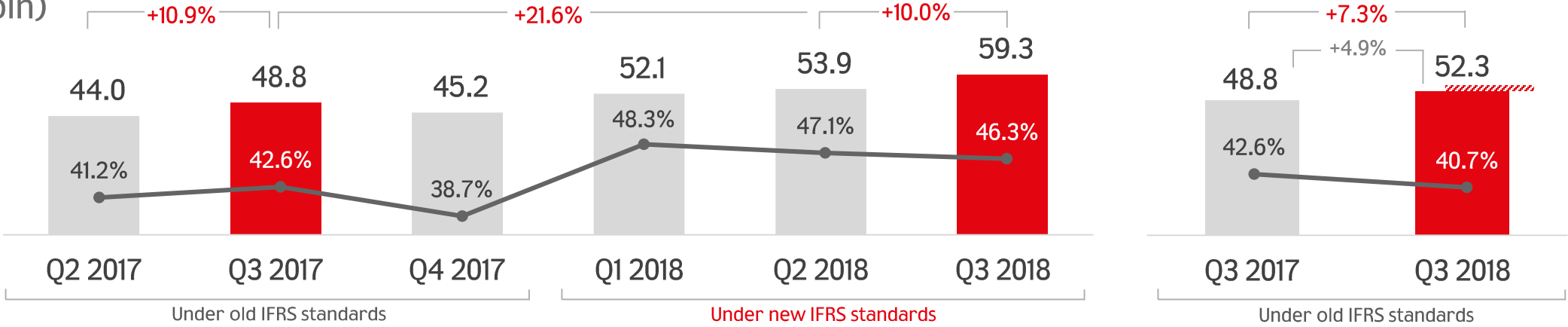
This standard principally requires lessees to recognize assets and liabilities for all leases and to present the rights and obligations associated with these leases in the statement of financial position. The standard also includes new provisions on the definition of a lease and its presentation, on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

# Group Performance

TOTAL GROUP REVENUE  
(RUB bln)



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



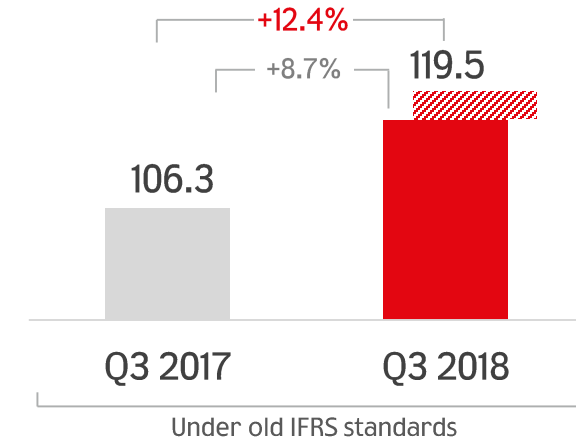
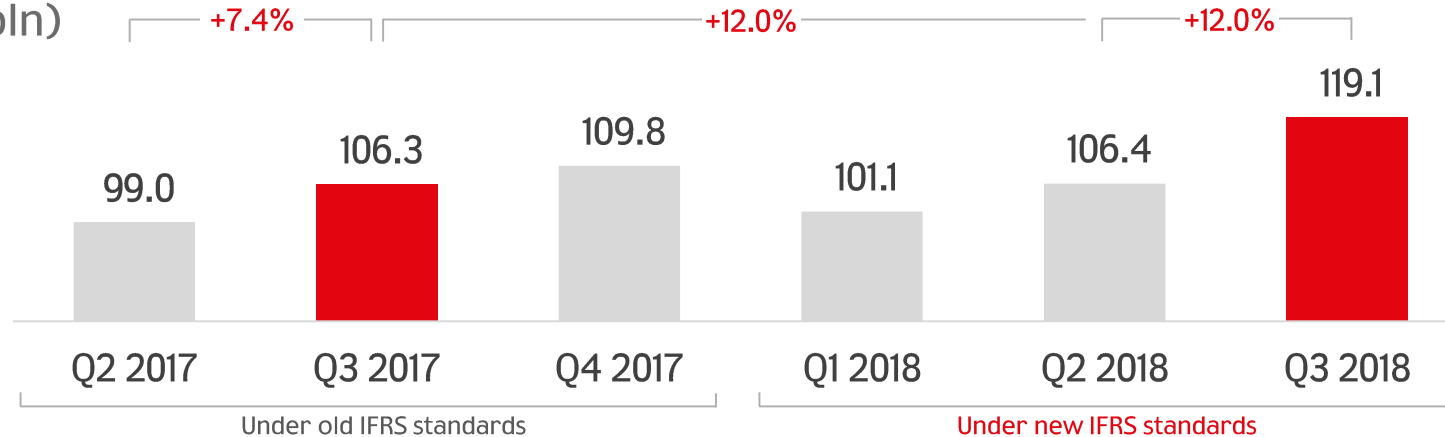
\*Adjusted OIBDA doesn't include a loss from impairment of non-current assets of RUB 1.1 bln and RUB 2.6 bln for Q3 2017 and Q4 2017 respectively

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# Russia Revenue and Adjusted OIBDA

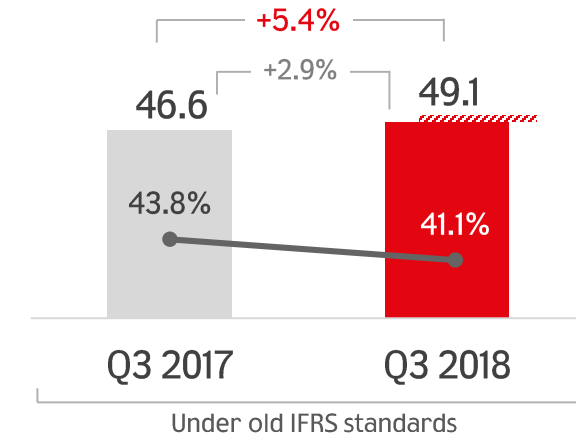
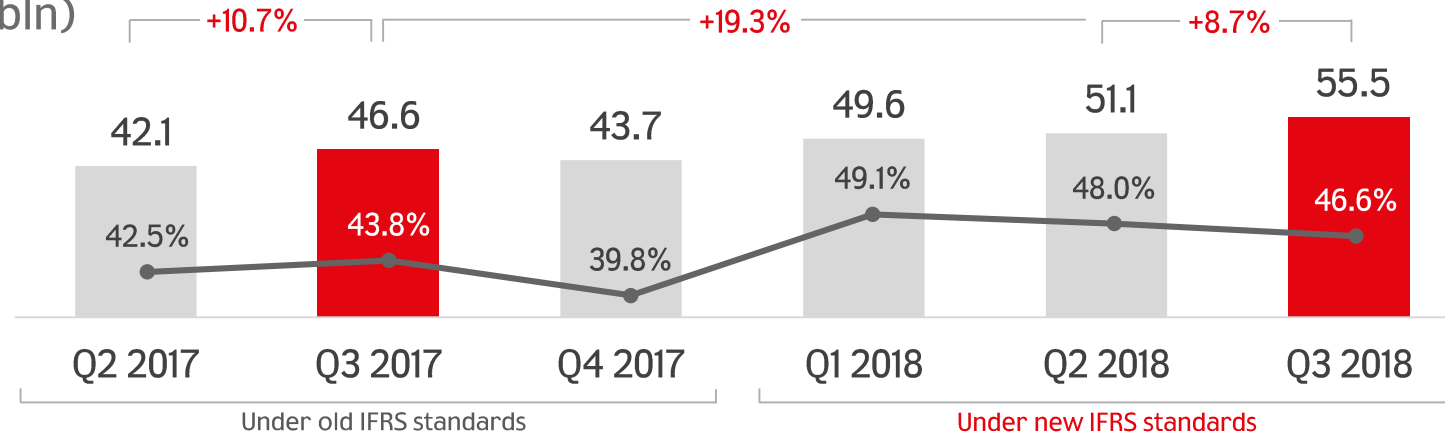
## RUSSIA REVENUE

(RUB bln)



## RUSSIA ADJUSTED\* OIBDA AND MARGIN

(RUB 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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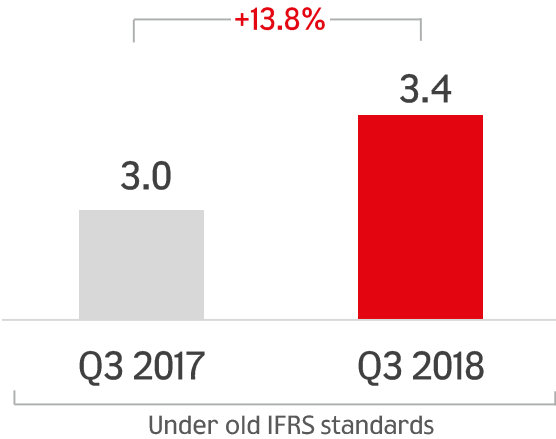
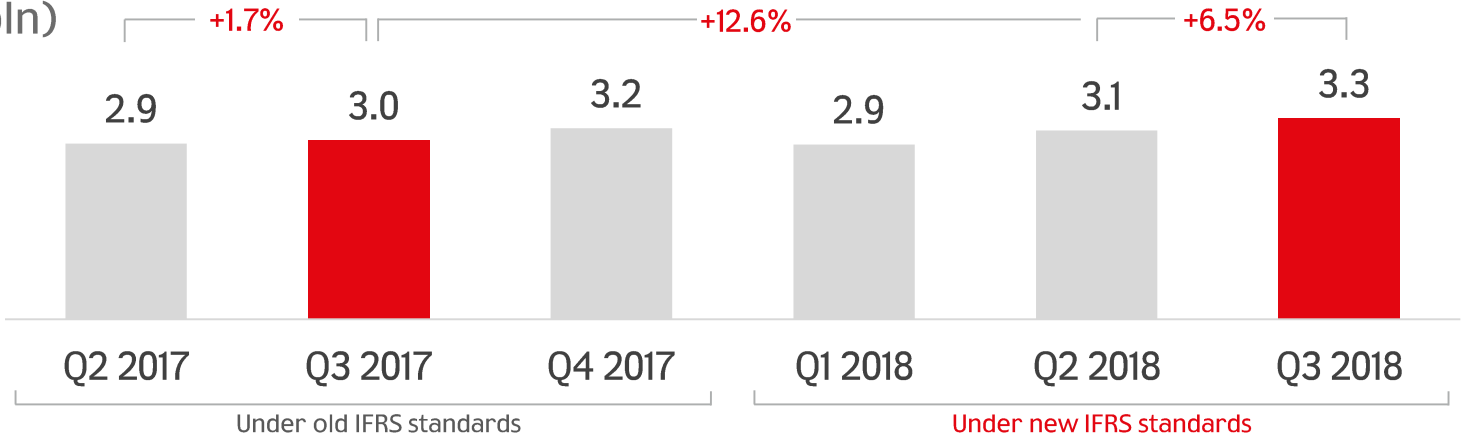
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# Ukraine Revenue and OIBDA

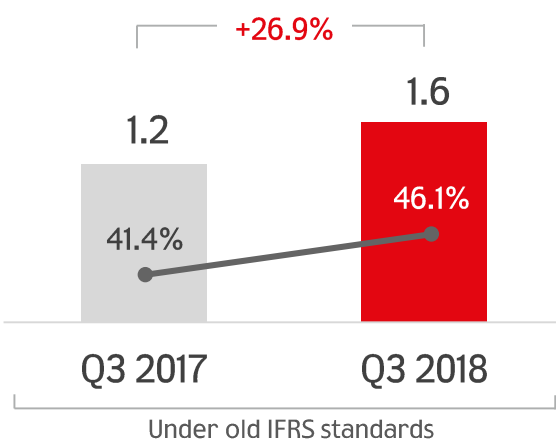
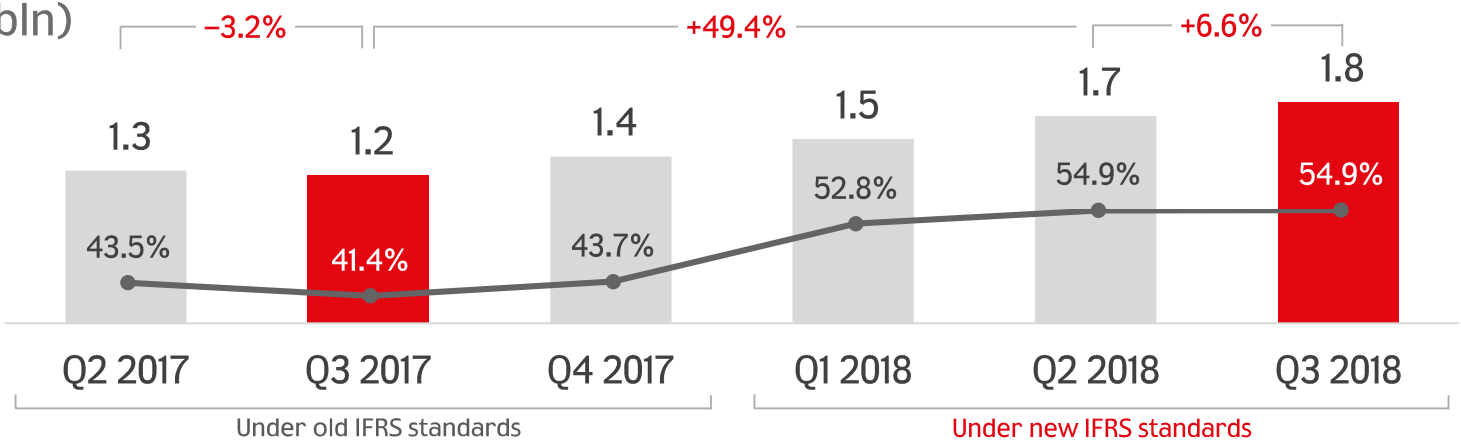
## UKRAINE REVENUE

(UAH bln)



## UKRAINE OIBDA AND MARGIN

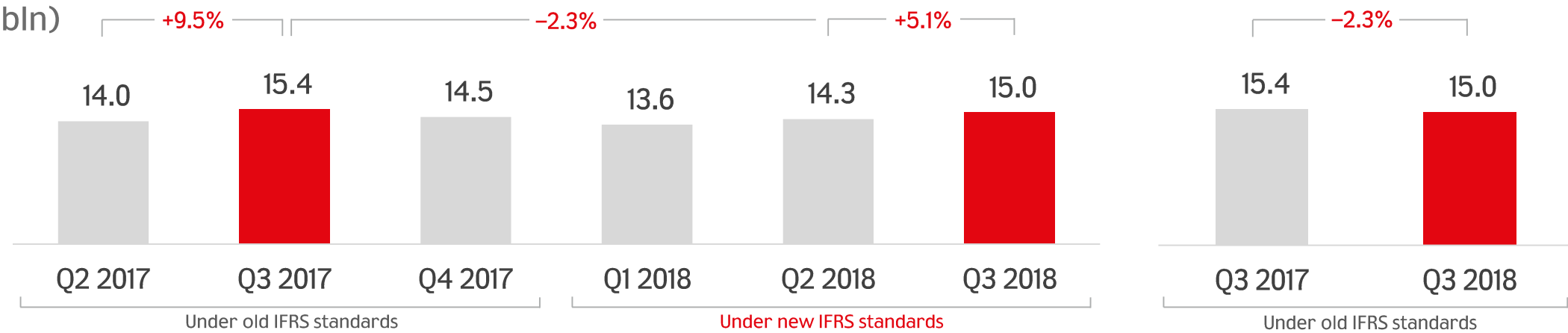
(UAH bln)



# Armenia Revenue and OIBDA

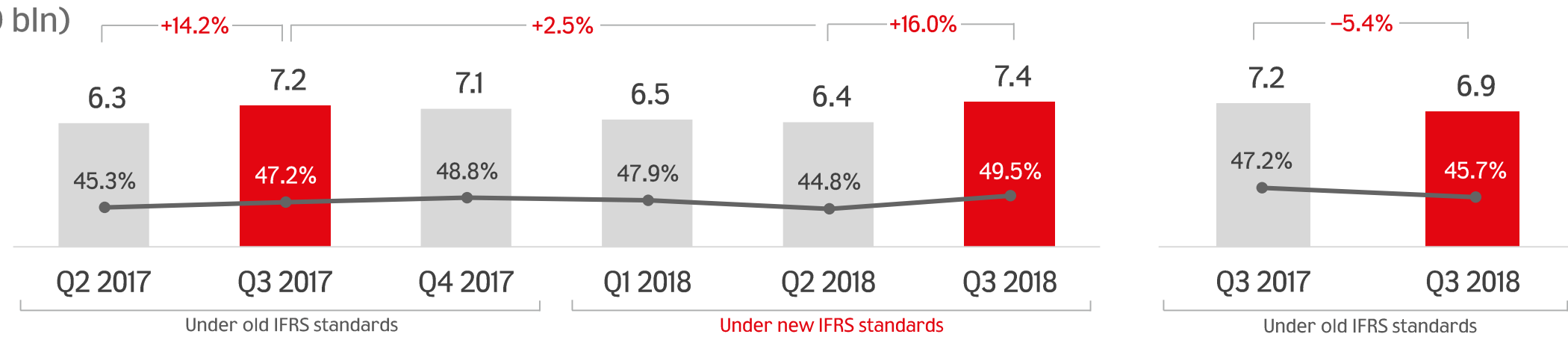
## ARMENIA REVENUE

(AMD bln)



## ARMENIA OIBDA AND MARGIN

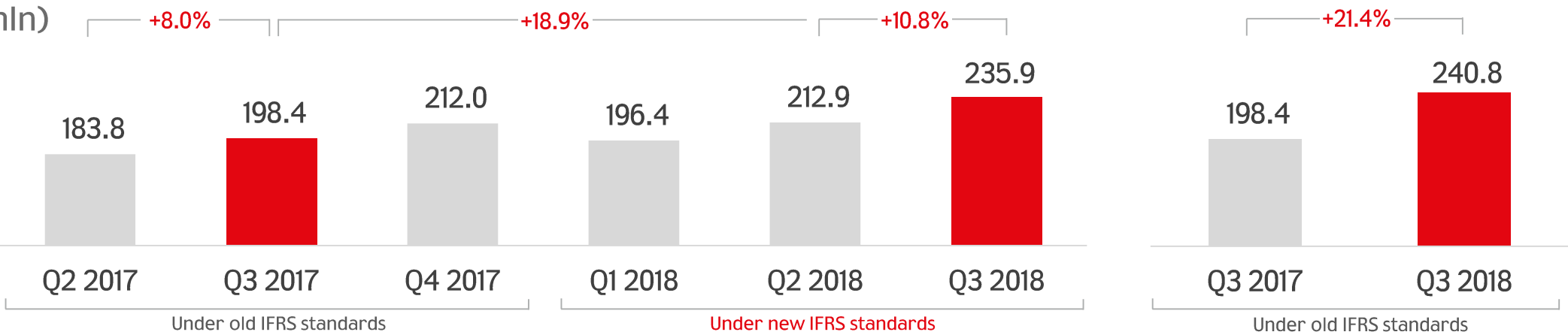
(AMD bln)



# Belarus Revenue and OIBDA

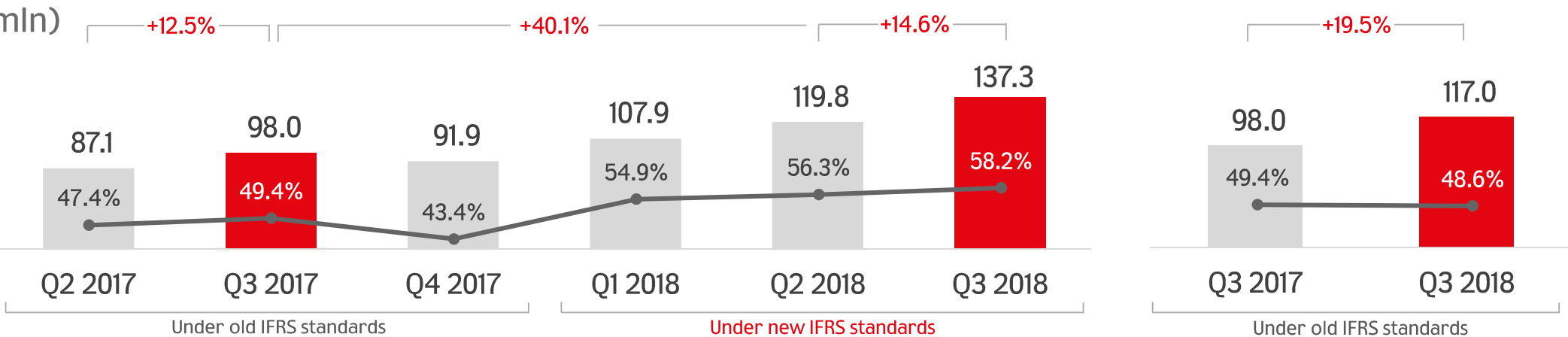
## BELARUS REVENUE

(BYN mln)



## BELARUS OIBDA AND MARGIN

(BYN mln)

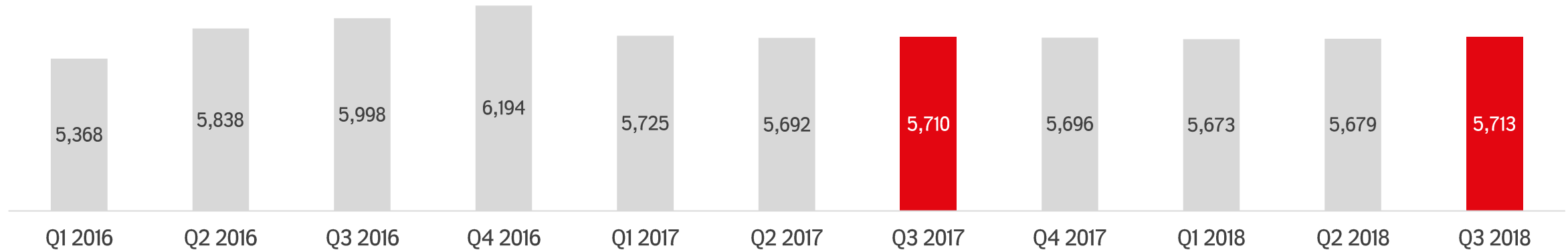




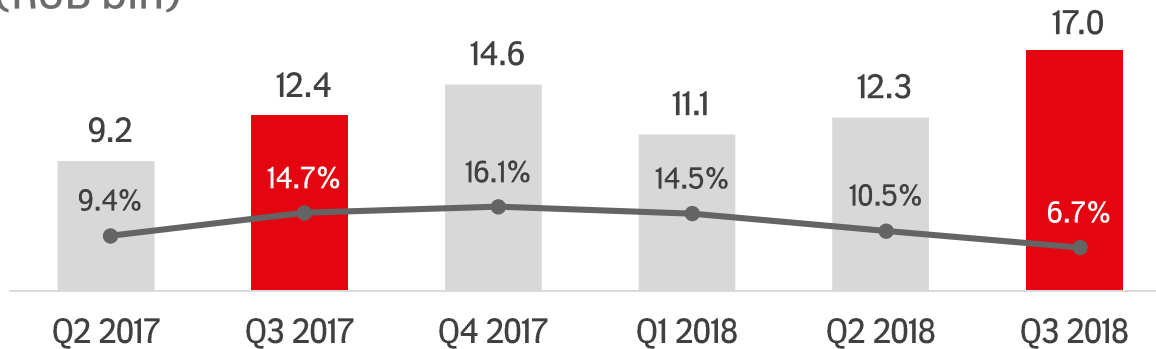
# MTS Retail and Service Development

## MTS RETAIL EXPANSION

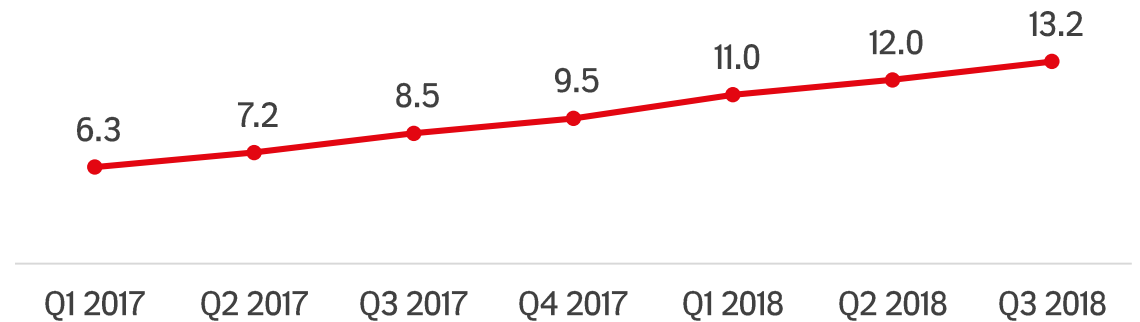
(# of stores at the end of the period\*)



## HANDSETS AND ACCESSORIES SALES AND GROSS MARGIN (RUB bln)



## 1-MONTH ACTIVE USERS of MyMTS (mln)



\*Including franchises



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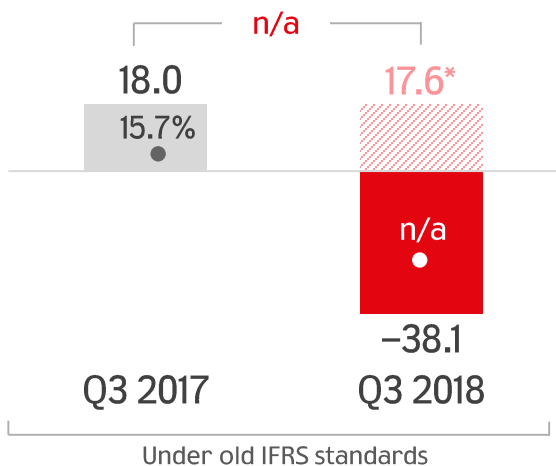
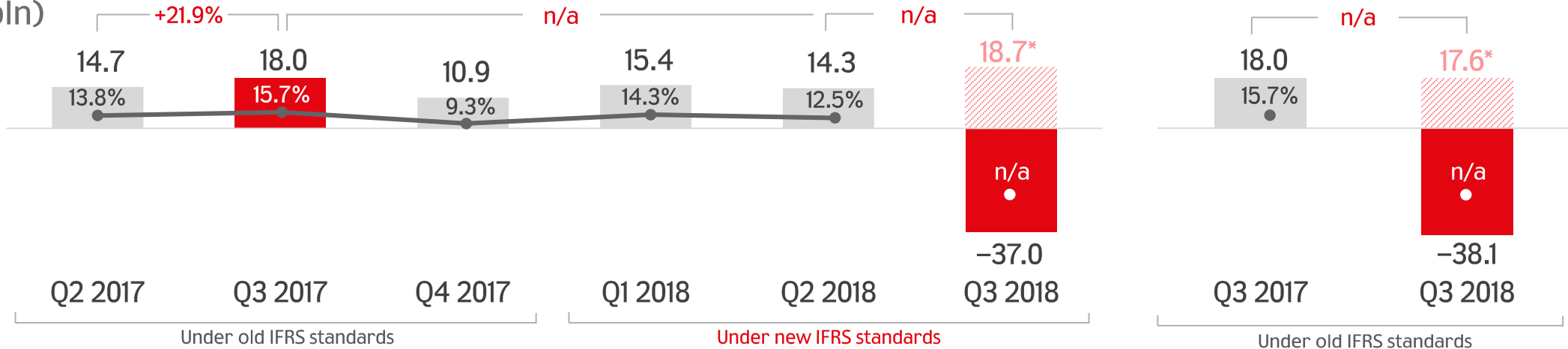
# Group Adjusted OIBDA Factor Analysis

TOTAL GROUP ADJUSTED OIBDA: FACTOR ANALYSIS  
(RUB bln)

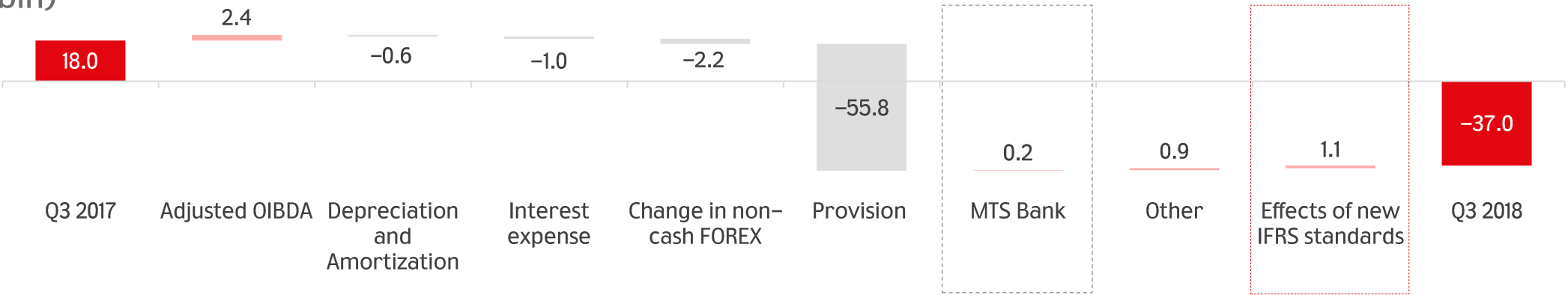


# Group Net Profit

## GROUP NET PROFIT AND NET PROFIT MARGIN (RUB bln)



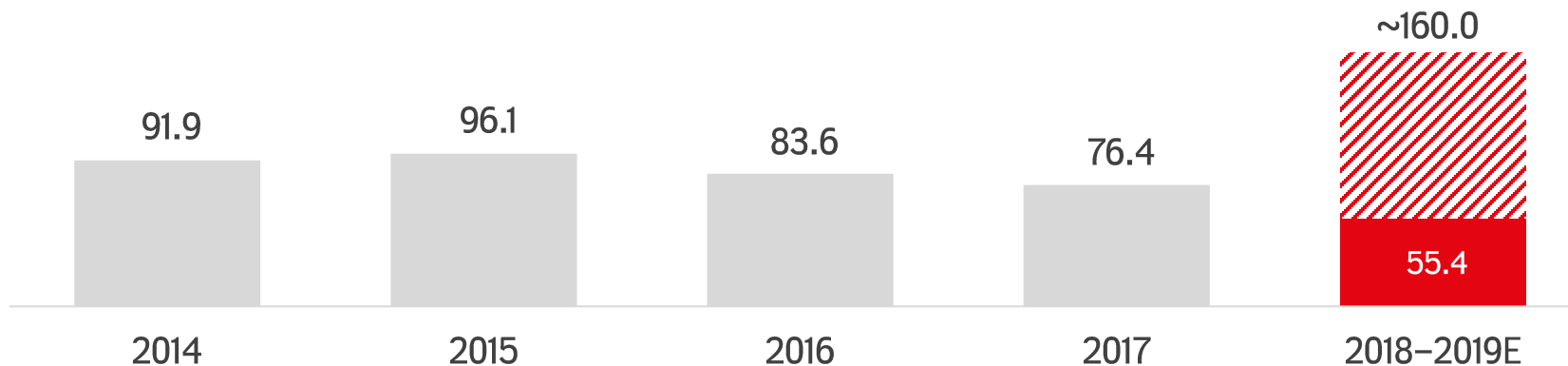
## GROUP NET PROFIT FACTOR ANALYSIS (RUB bln)



\*Excluding RUB 55.8 bln provision for liability with respect to SEC and DOJ investigation

# Group Cash CAPEX

CASH CAPEX  
(RUB bln)



	9M 2017		9M 2018	
	Cash CAPEX (RUB bln)	As % of revenue	Cash CAPEX (RUB bln)	As % of revenue
Russia	42.0	13.9%	49.3	15.1%
Ukraine *	6.2	32.2%	5.7	26.5%
Armenia	0.4	8.0%	0.4	8.0%
Turkmenistan	0.1	3.3%	–	–
Group *	48.7	14.9%	55.4	15.8%

\*Excluding costs of RUB 5.5 bln related to the purchase of 4G licenses in Ukraine in 9M 2018



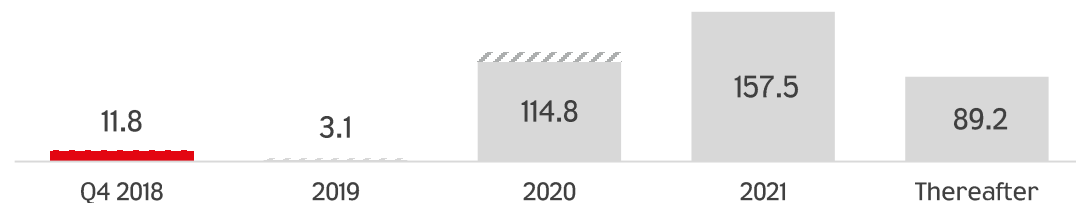
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# Group Debt at The End of Q3 2018\*

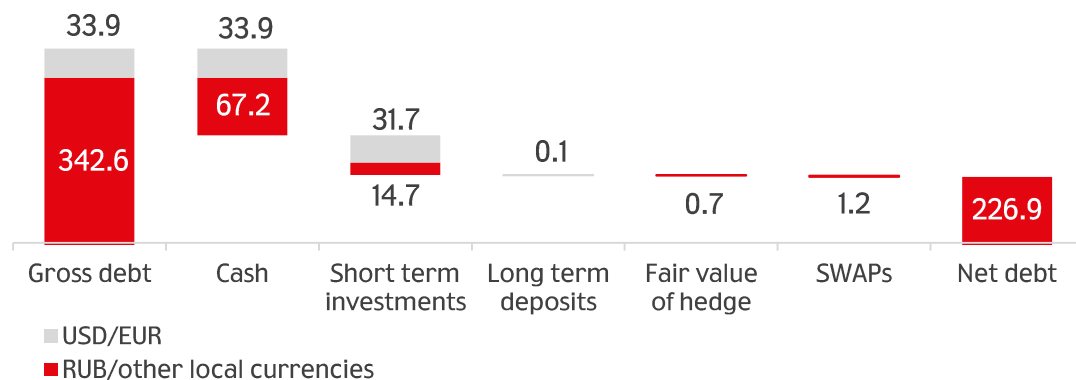
## DEBT REPAYMENT SCHEDULE (RUB bln)

Total Group Debt\*\* = RUB 376.5 bln



Series '8, Bonds BO-02, BO-01 ruble bonds contain put options that as of September 30, 2018, MTS expected to be exercised in November 2018, September 2019 and in March 2020 respectively

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



\*Net of lease obligations as of September 30, 2018

\*\*Net of unamortized debt issuance cost adjustment as of September 30, 2018

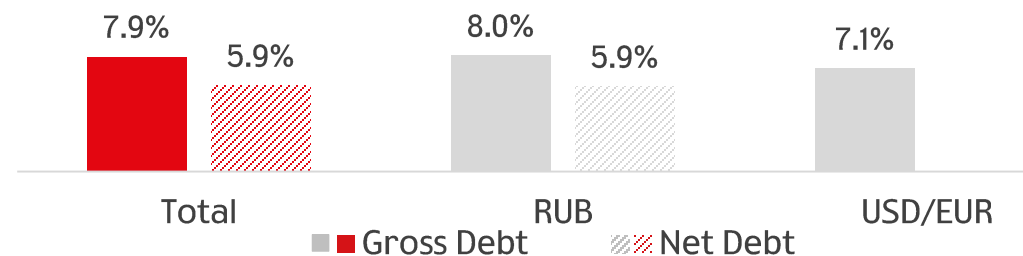
\*\*\*Totals may add up differently due to rounding



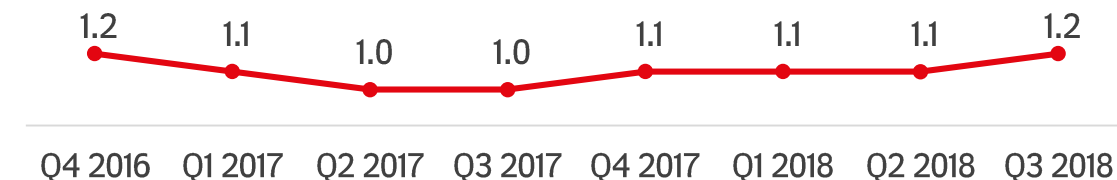
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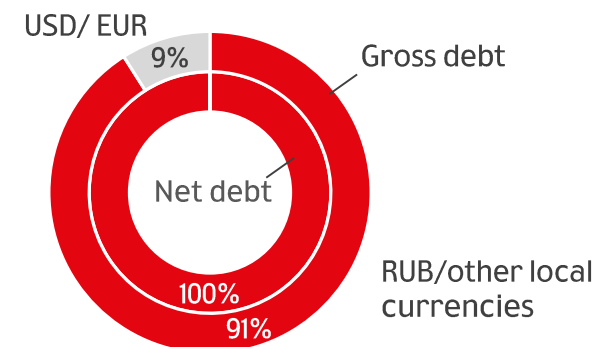
## WEIGHTED AVERAGE INTEREST RATES



## NET DEBT/LTM ADJUSTED OIBDA\*\*\*\* DYNAMICS



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



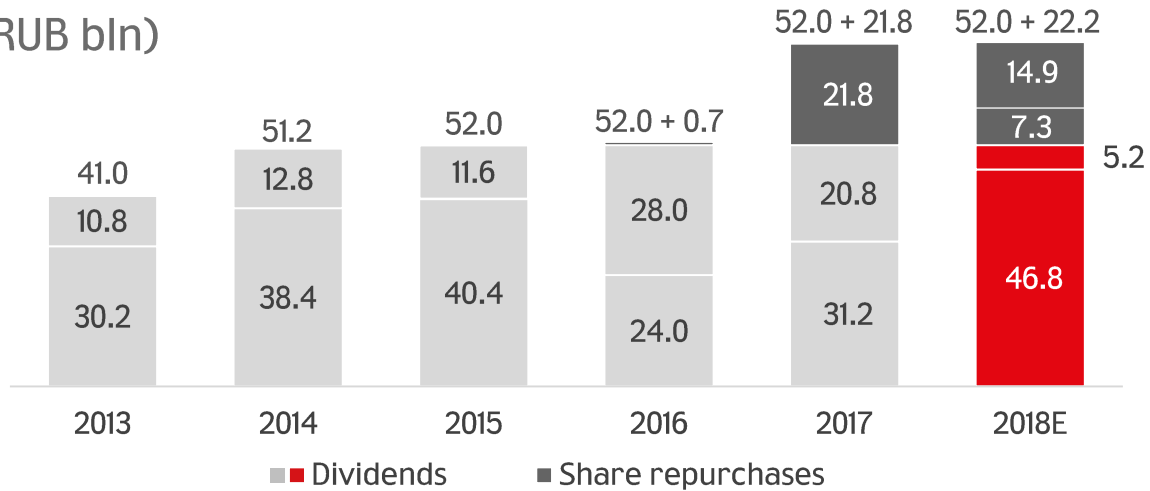
\*\*\*\*Excluding the impact of new standards – IFRS 9, 15 and 16

\*\*\*\*\*Including FOREX Hedging in the amount of USD 412.8 mln as of September 30, 2018

# Shareholder Return: Dividends and Share Repurchases

## DIVIDEND HISTORY

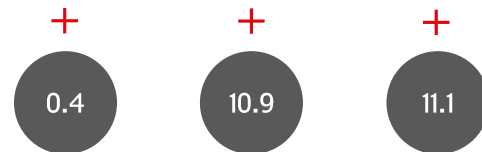
(RUB bln)



Dividend Per Share  
(RUB)



Effective return per share through share  
repurchases  
(RUB)



## DIVIDENDS

- In September, the Extraordinary General Meeting of Shareholders approved semi-annual dividends of RUB 2.6 per ordinary MTS share (RUB 5.2 per ADS), or a total of RUB 5.2 billion (RUB 5,195,790,802.80), based on H1 2018 financial results.
- In total, in the calendar year of 2018, MTS intends to paid RUB 26.0 per ordinary share (RUB 52.0 per ADS), in line with the last couple of years.

## SHARE REPURCHASES

- From 2016 to March 2018, MTS executed the share repurchase program approved by the Board of Directors in April 2016 through two tender offers and the open market repurchase plan. In total, MTS spent RUB 30 bln, including funds used for purchasing the Company's shares from its majority shareholder Sistema PJSC.
- On July 2, 2018, MTS launched a new program to repurchase its shares and ADSs for an amount of up to RUB 30 bln, which included funds used for purchasing the Company's shares from Sistema PJSC over two years.

	# of shares, incl. ADS	% of share capital	Average price per share (RUB)*	Total amount spent (RUB)*
Shares acquired in Q3 2018 under the Repurchase Plan	26,124,694	1.31%	264.85	6,919,227,119
Total shares acquired since the launch of the Repurchase Plan	55,854,178	2.79%	266.82	14,902,904,866

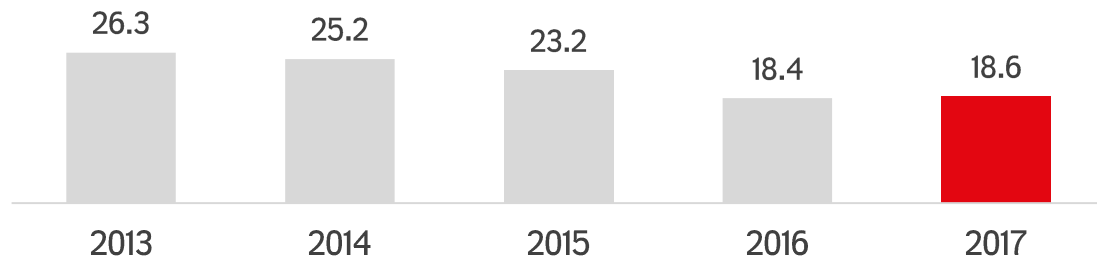
\*The average price may differ from the settlement price, due to commissions, fees and other related expenses



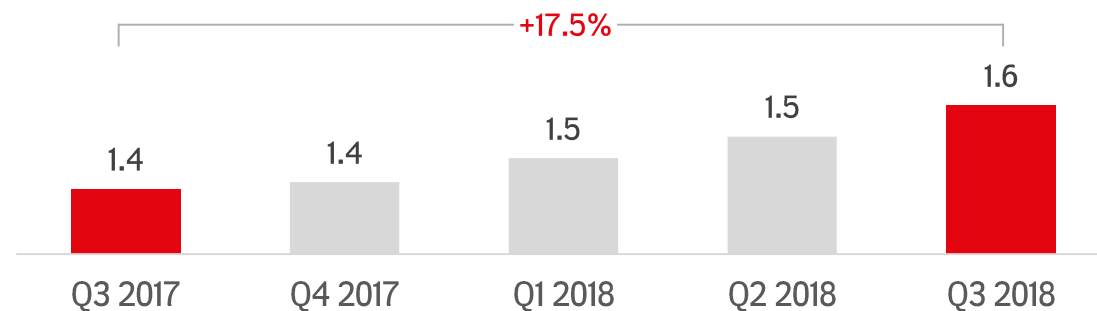
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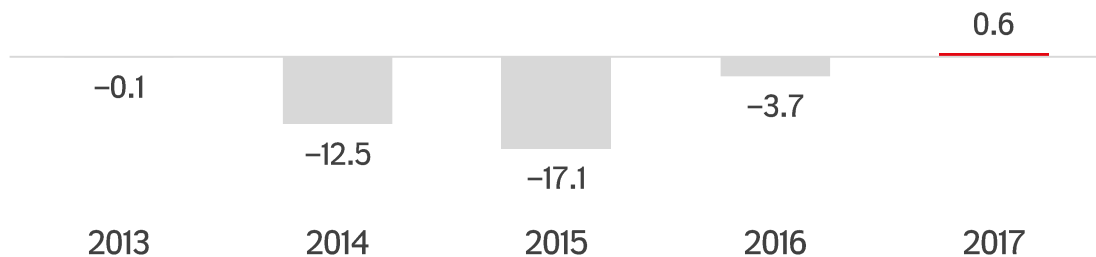
## REVENUE\* (bln RUB)



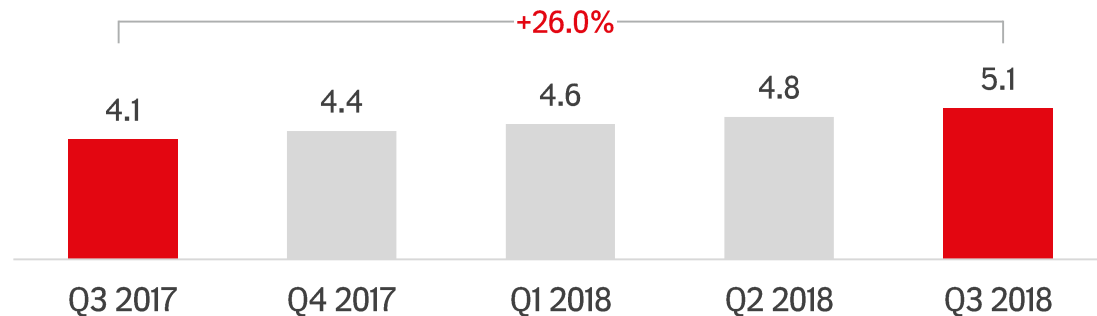
## ACTIVE RETAIL CUSTOMERS (excl. digital channels) (mln customers)



## NET PROFIT / (LOSS)\* (RUB bln)



## MTS MONEY CARDS ISSUANCE (mln cards)



\*Source: Stand-alone unaudited MTS Bank financial statements (IFRS)

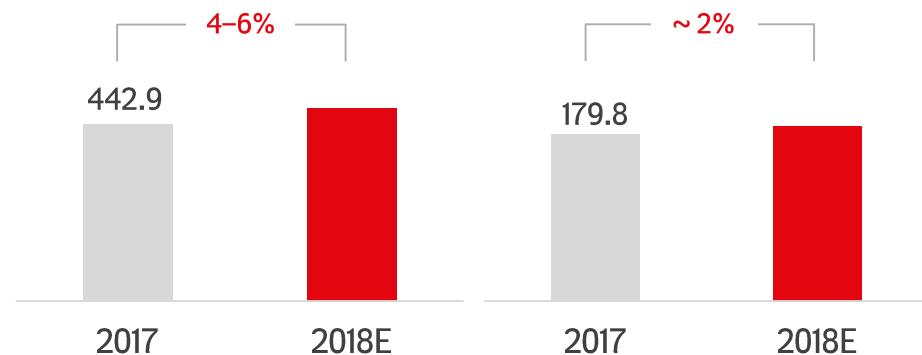


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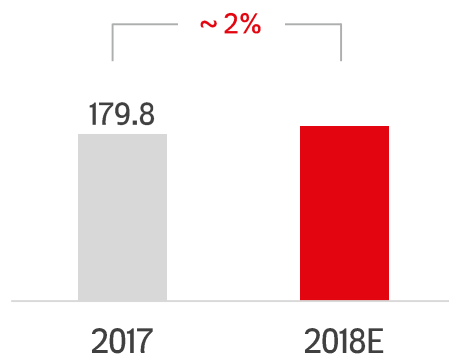
# Amended Outlook for 2018

## GROUP REVENUE FORECAST (RUB bln)\*

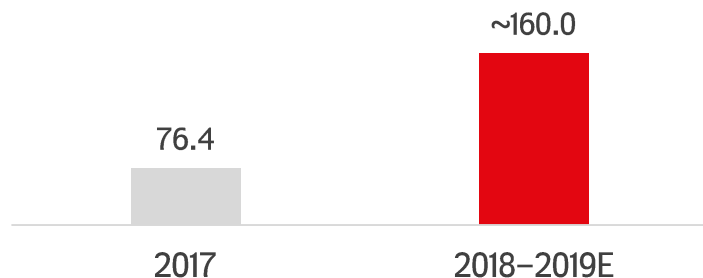


\*Excluding adoption of new IFRS standards and the effect of MTS Bank consolidation

## GROUP ADJUSTED OIBDA FORECAST (RUB bln)\*



## GROUP CAPEX FORECAST (RUB bln)



**GROUP REVENUE:** For 2018, MTS forecasts 4–6% 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;
- Internal roaming cancellation in Russia;
- Increased sales of handsets in Russia;
- Continued growth in UAH–denominated revenues in Ukraine; 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 25 bln in 2018. Excluding the impact of new IFRS standards, MTS anticipates ~ 2% increase for FY 2018 Group Adjusted OIBDA due to the following factors:

- Competitive factors and on–going uncertainty over potential optimization of retail distribution;
- Increase in labor costs;
- Increase in spectrum costs in Russia;
- Market sentiment and the prospective growth in usage of high–value products like roaming;
- Developments in foreign subsidiaries; 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](mailto:ir@mts.ru)

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