

# Group Financial & Operating Results Q4 & FY 2018

March 19, 2019

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**MTS** 25 years



# 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 Q4 and FY 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.

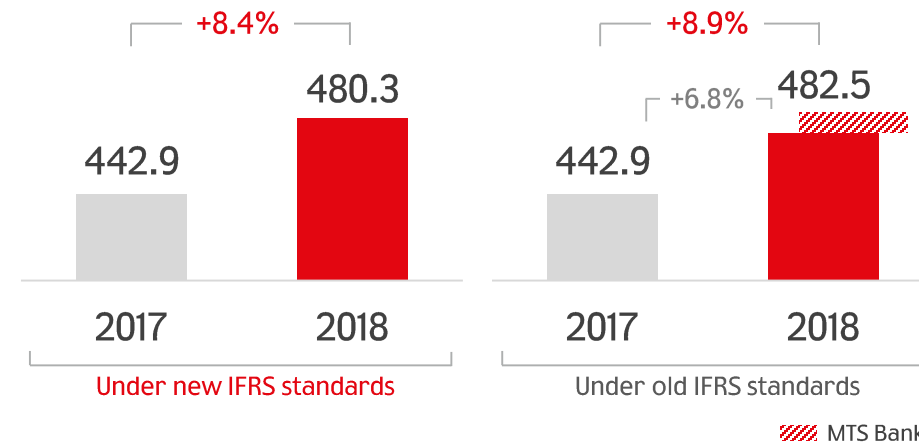
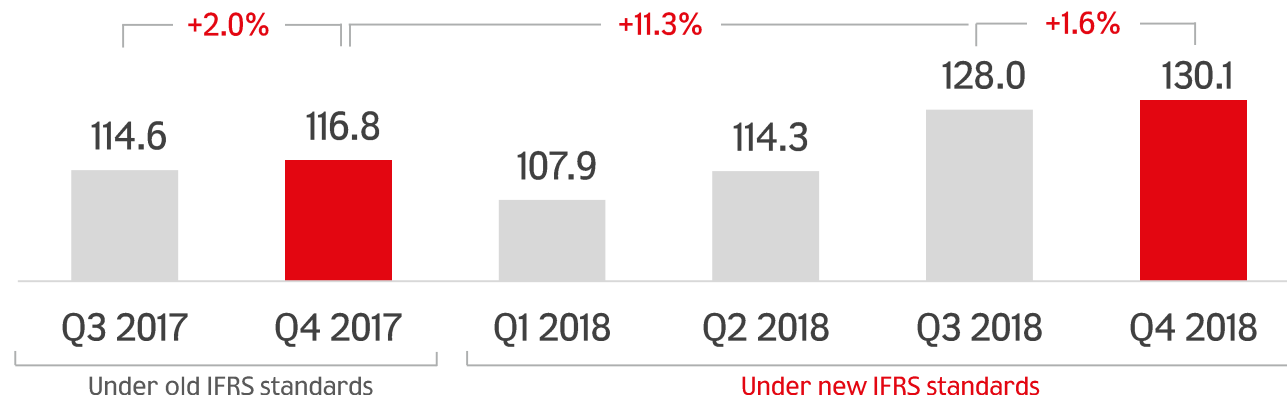
This standard provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. It replaced the existing standards IAS 18, Revenue, and IAS 11, Construction Contracts. The core principle of IFRS 15 is that an entity should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

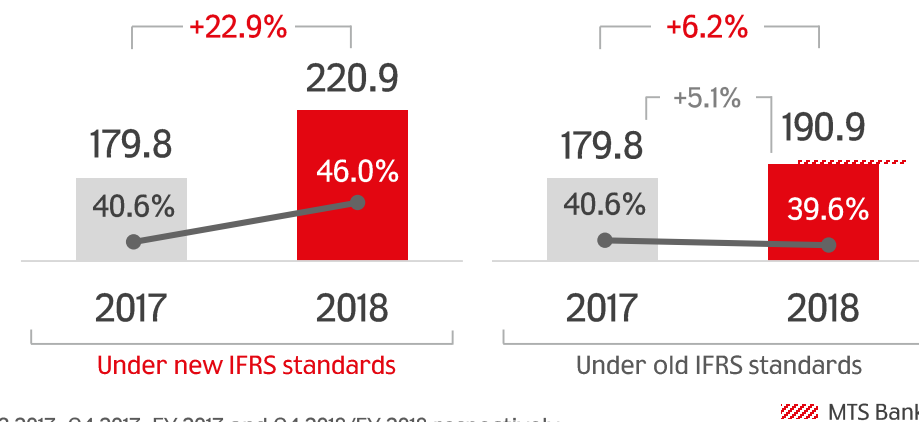
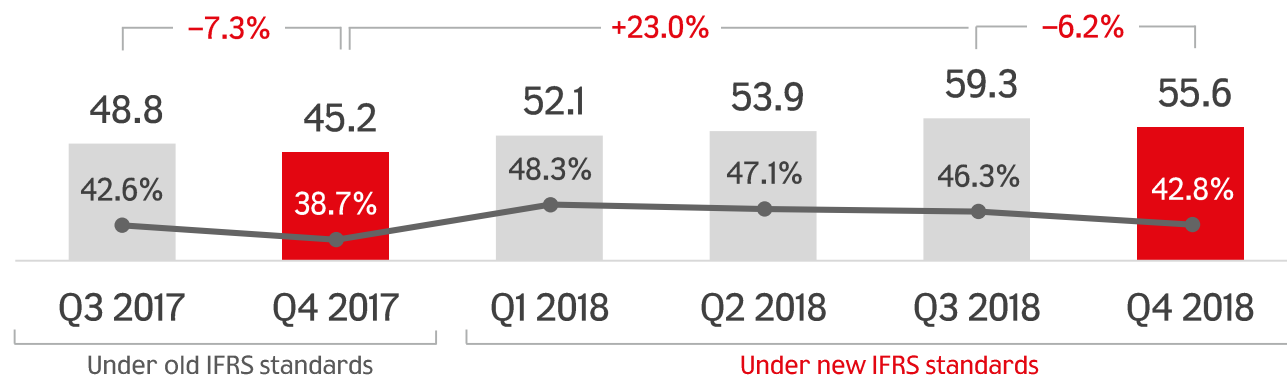
This standard principally requires lessees to recognize assets and liabilities for all leases and to present the rights and obligations associated with these leases in the statement of financial position. The standard also includes new provisions on the definition of a lease and its presentation, on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

# Group Performance

## TOTAL GROUP REVENUE (RUB bln)



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



\*Adjusted OIBDA doesn't include a loss from impairment of non-current assets of RUB 1.1 bln, RUB 2.6 bln, RUB 3.8 bln and RUB 0.1 bln for Q3 2017, Q4 2017, FY 2017 and Q4 2018/FY 2018 respectively



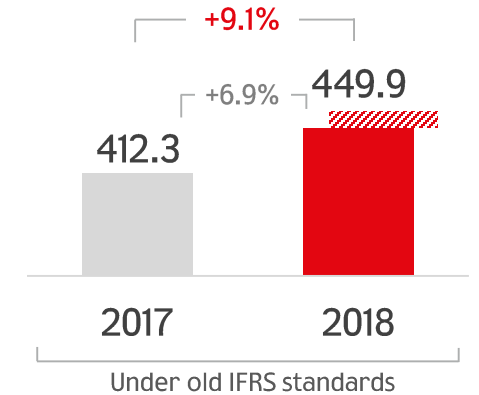
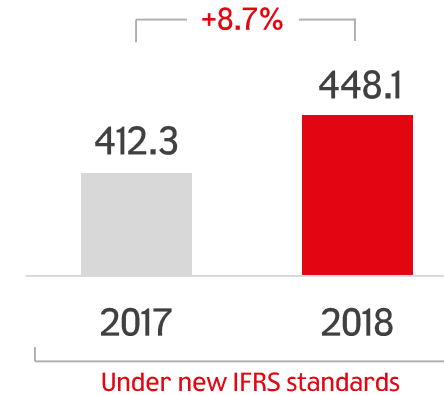
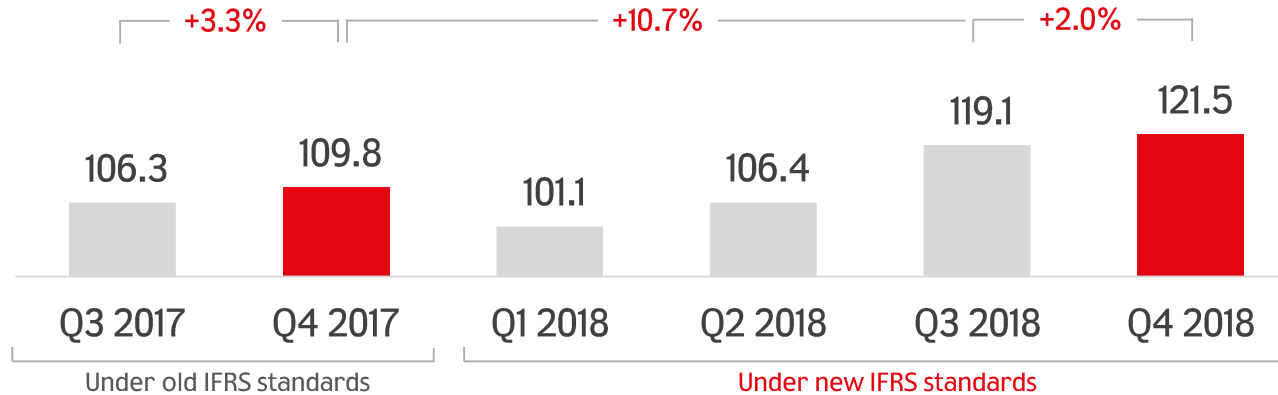
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# Russia Revenue and Adjusted OIBDA

## RUSSIA REVENUE

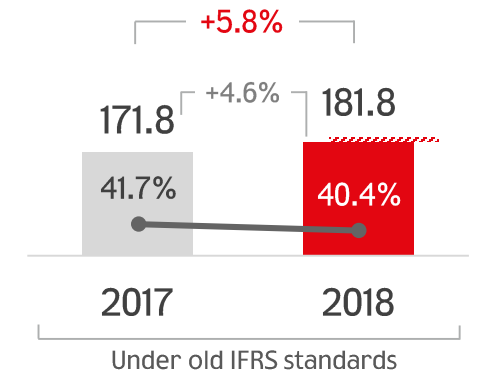
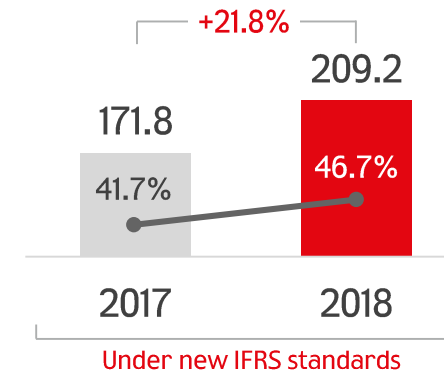
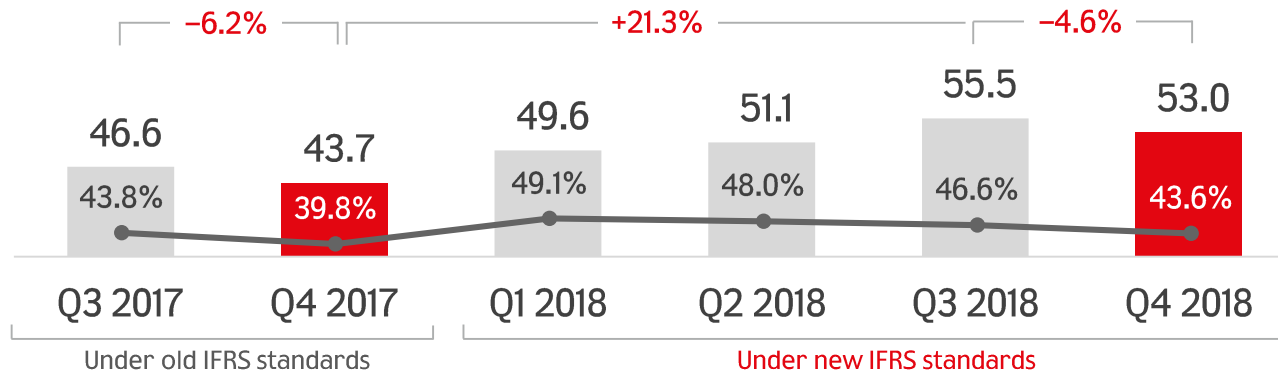
(RUB bln)



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## RUSSIA ADJUSTED\* OIBDA AND OIBDA MARGIN

(RUB bln)



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

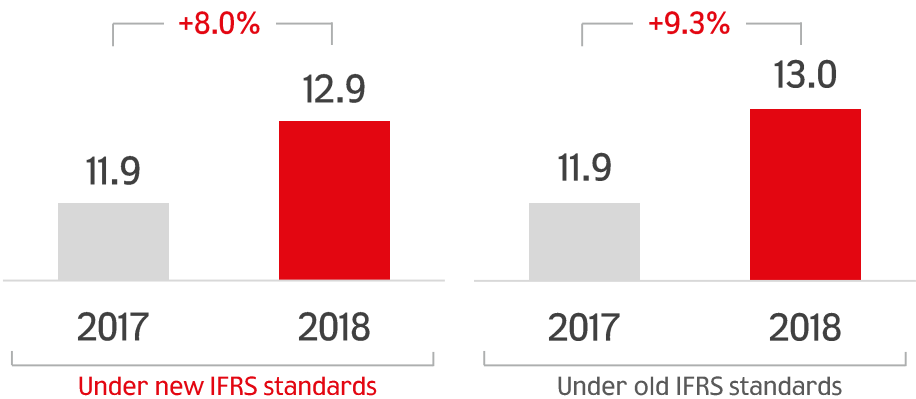
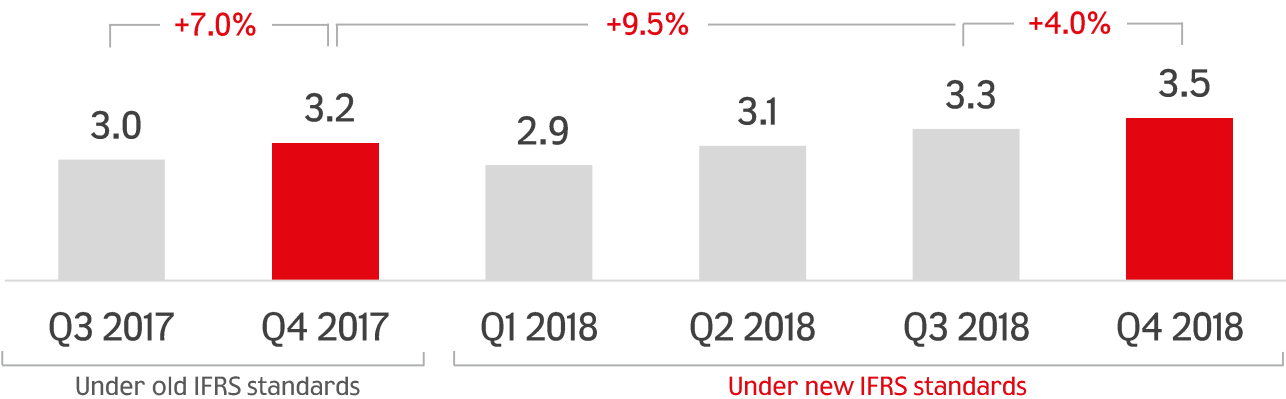


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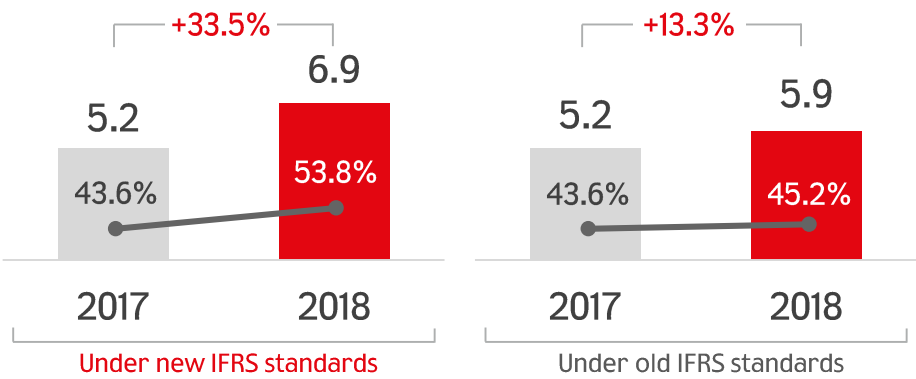
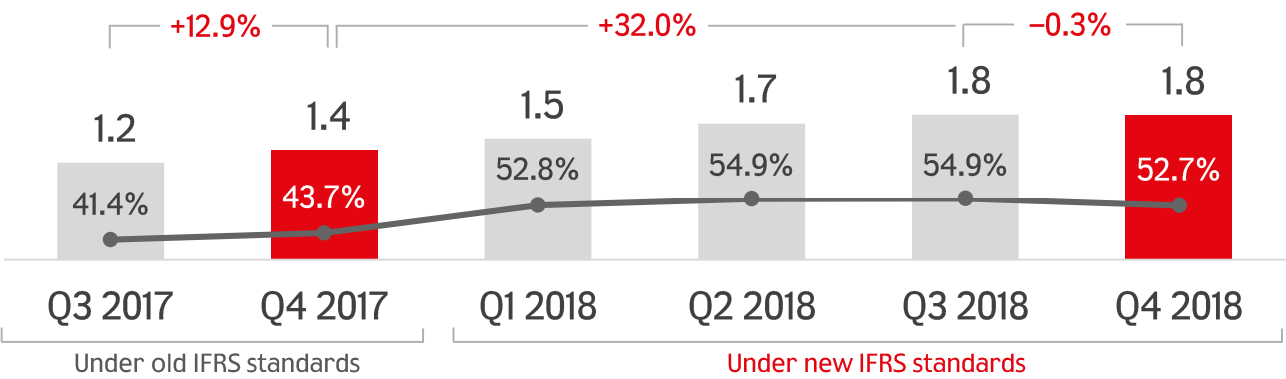
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# Ukraine Revenue and OIBDA

## UKRAINE REVENUE (UAH bln)

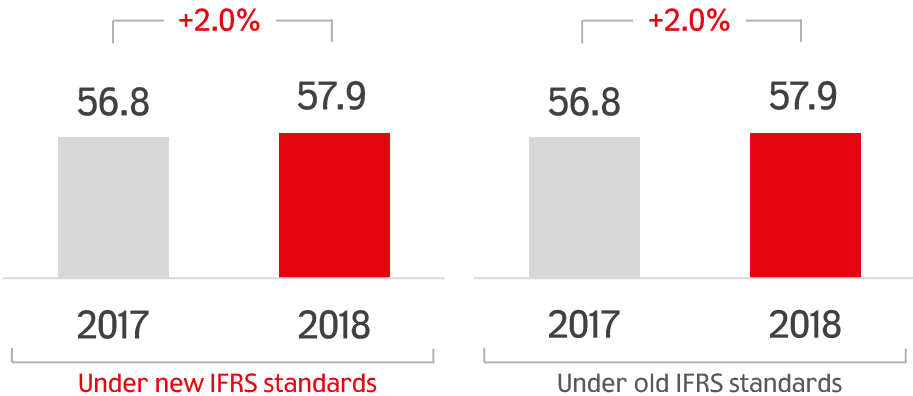
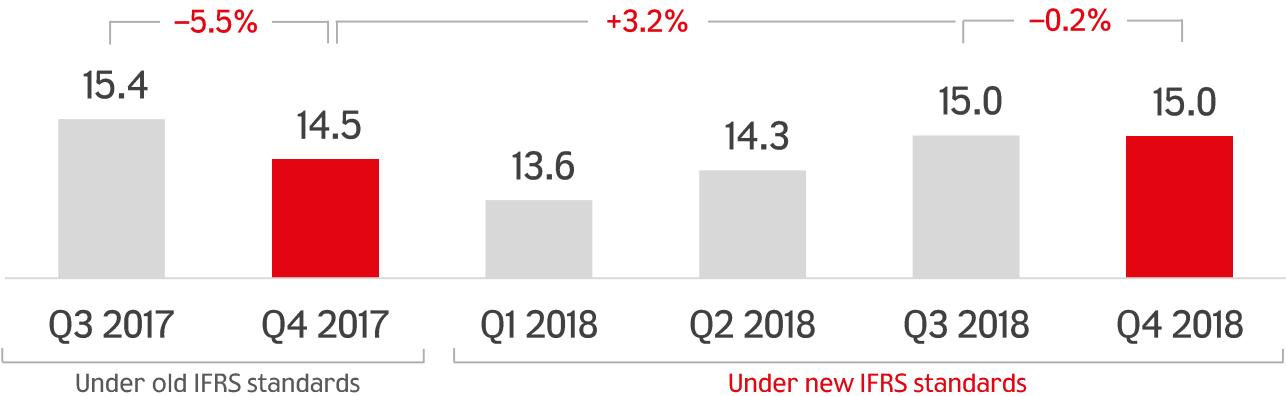


## UKRAINE OIBDA AND OIBDA MARGIN (UAH bln)

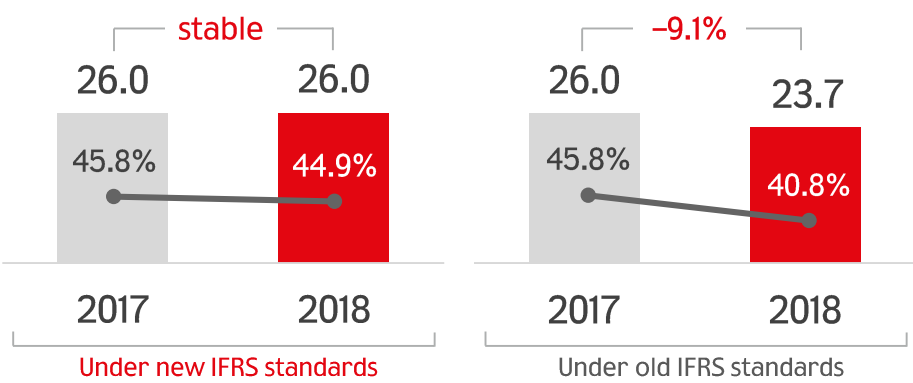
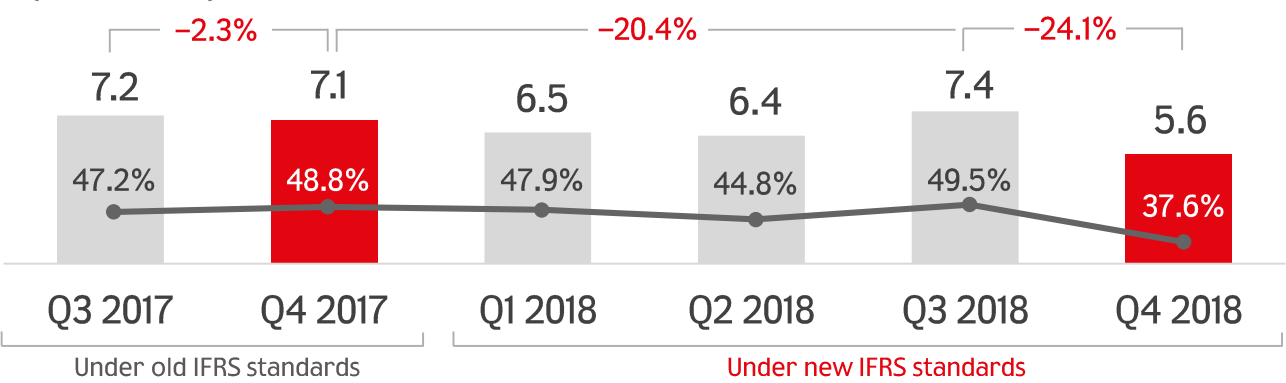


# Armenia Revenue and OIBDA

ARMENIA REVENUE  
(AMD bln)

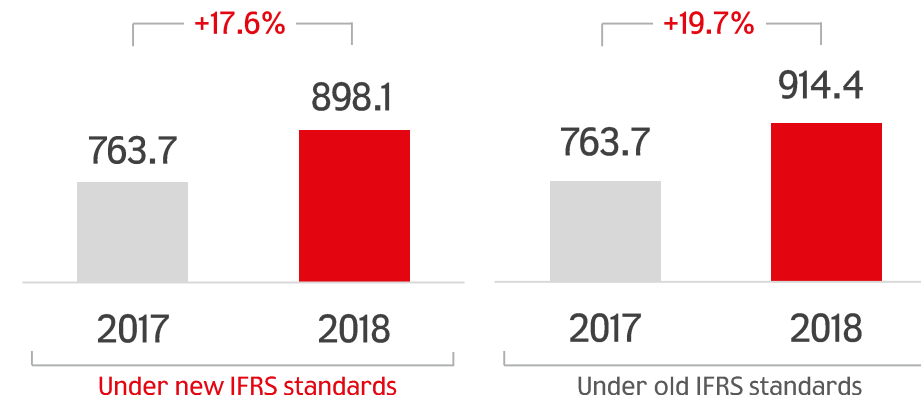
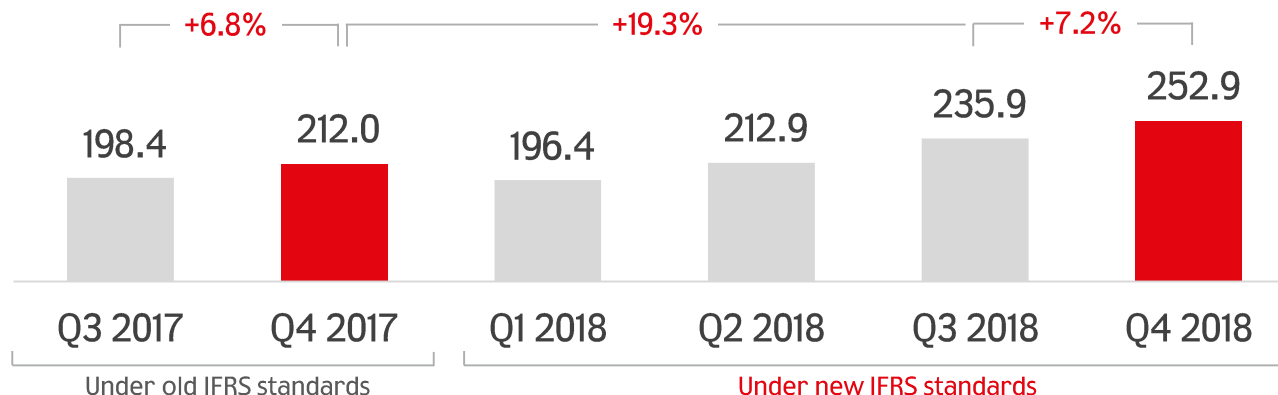


ARMENIA OIBDA AND OIBDA MARGIN  
(AMD bln)

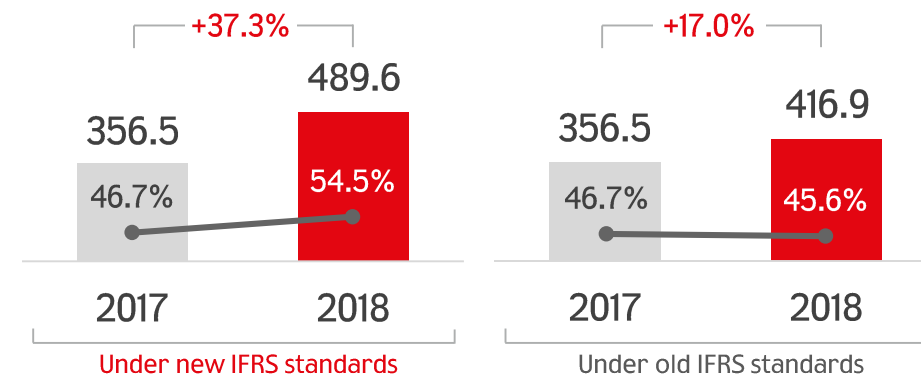
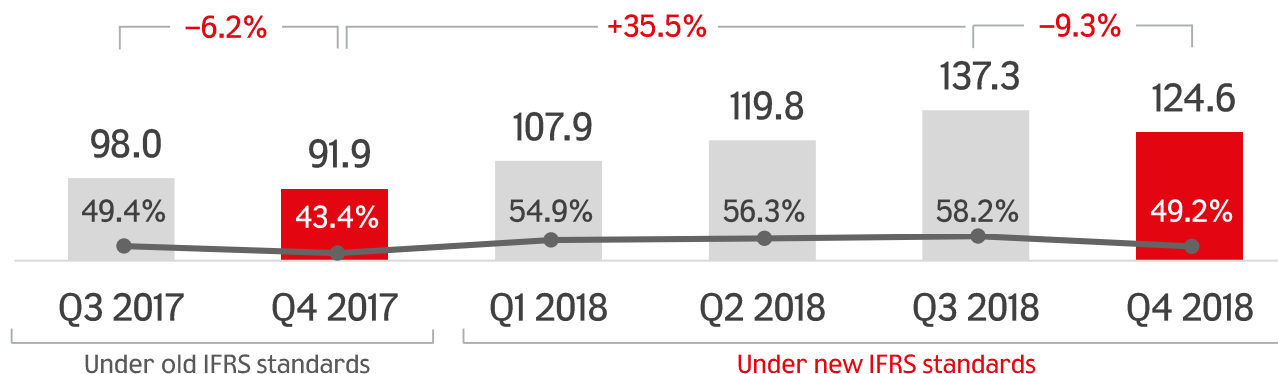


# Belarus Revenue and OIBDA

## BELARUS REVENUE (BYN mln)



## BELARUS OIBDA AND OIBDA MARGIN (BYN mln)



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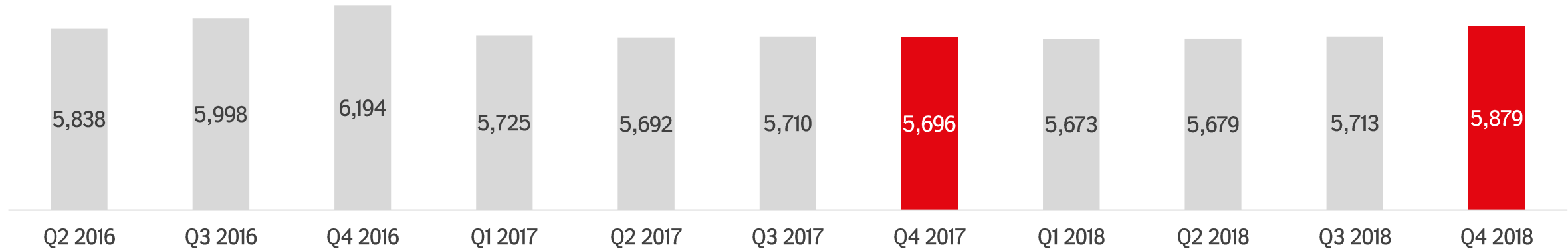
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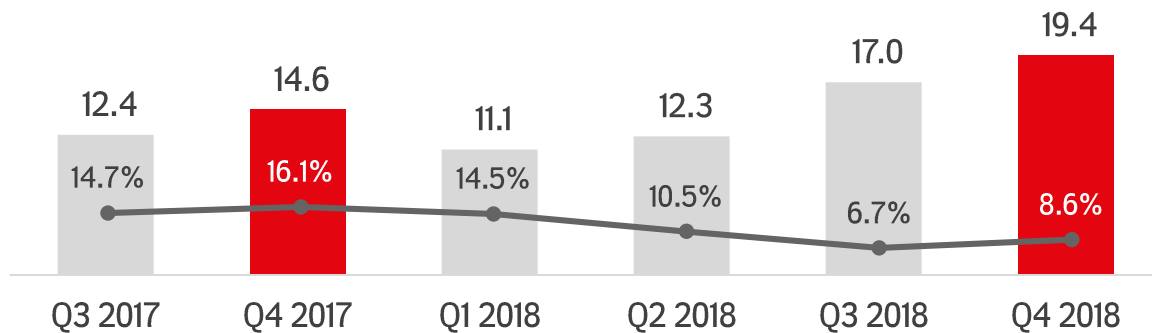
# MTS Retail and Service Development

## 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

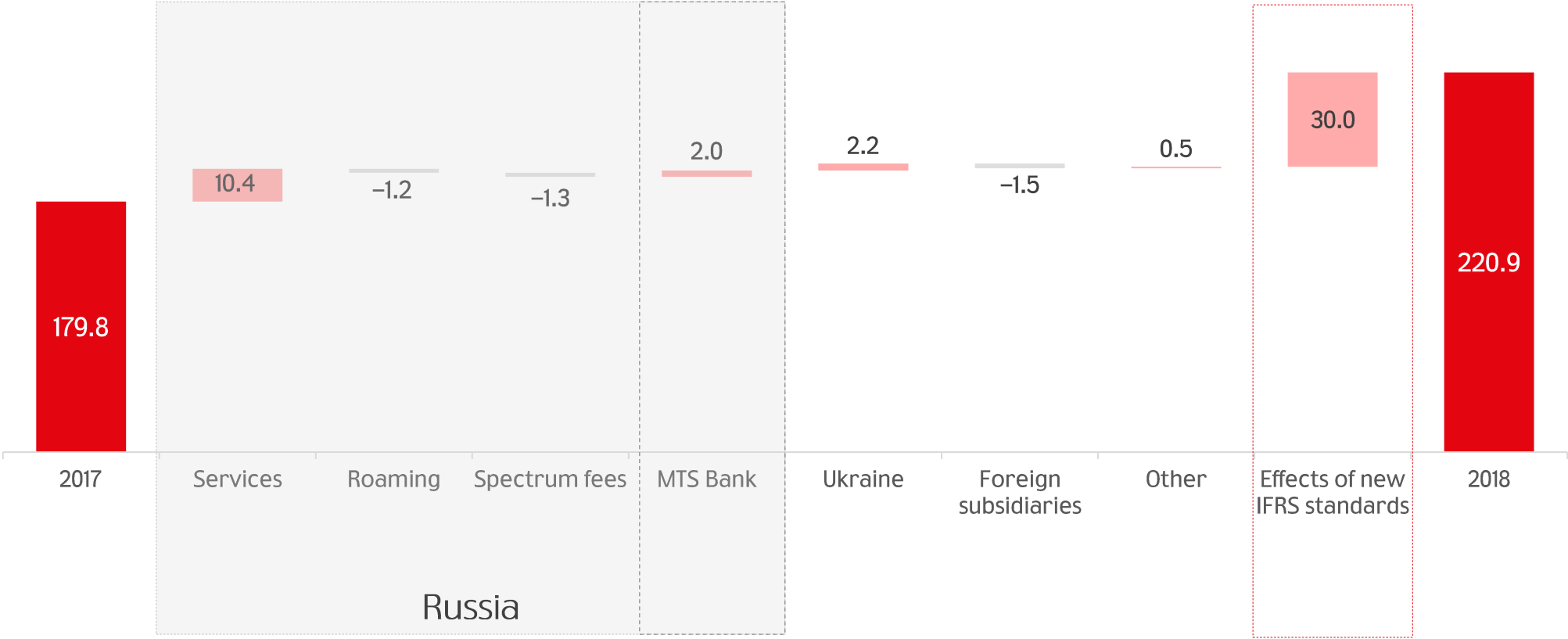


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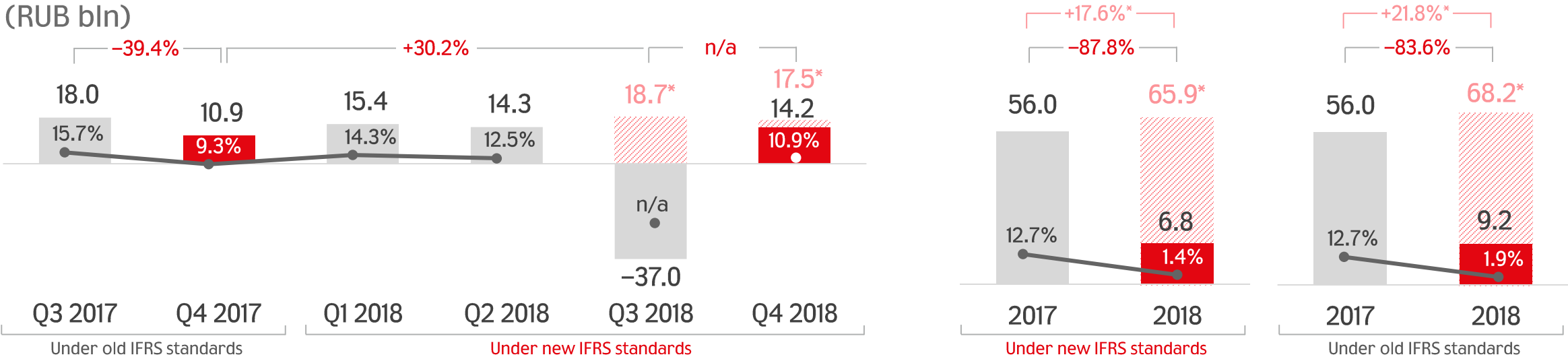
# Group Adjusted OIBDA Factor Analysis

TOTAL GROUP ADJUSTED OIBDA: FACTOR ANALYSIS  
(RUB bln)

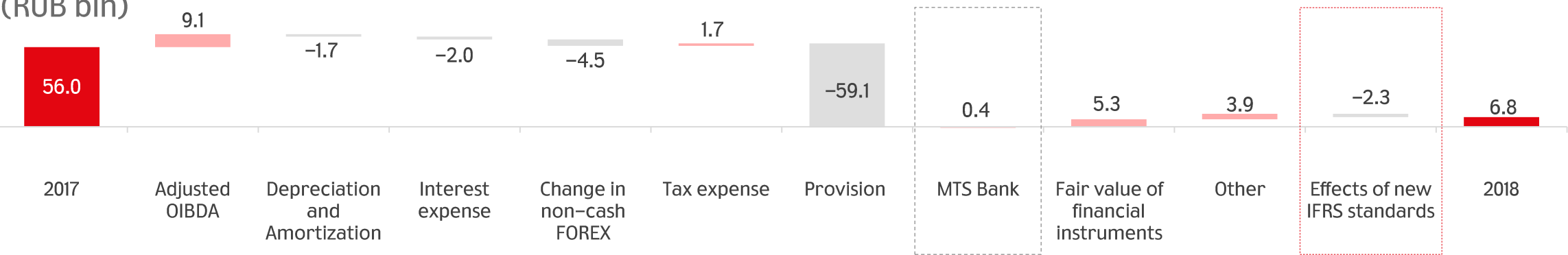


# Group Net Profit

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



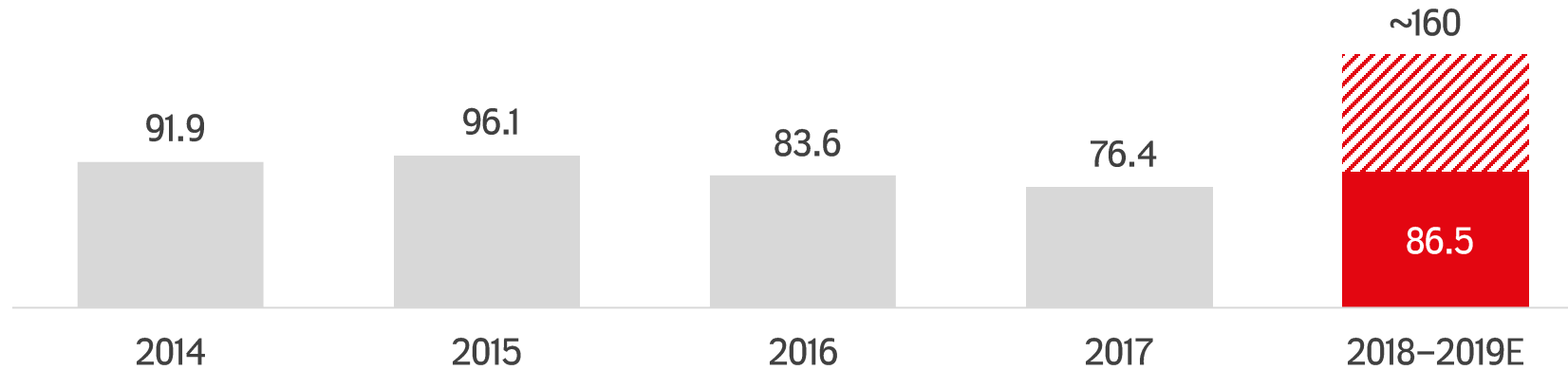
## GROUP NET PROFIT FACTOR ANALYSIS (RUB bln)



\*Excluding RUB 55.8 bln in Q3 2018, RUB 3.3 bln in Q4 2018 and RUB 59.1 bln for FY 2018 provision for liability with respect to SEC and DOJ investigation

# Group Cash CAPEX

CASH CAPEX  
(RUB bln)



	2017		2018	
	Cash CAPEX (RUB bln)	As % of revenue	Cash CAPEX (RUB bln)	As % of revenue
Russia	65.2	15.8%	75.1	16.8%
Ukraine *	10.3	39.4%	9.3	31.4%
Armenia	0.9	12.5%	2.0	26.4%
Turkmenistan	0.1	3.9%	–	–
Group *	76.4	17.3%	86.5	18.0%

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



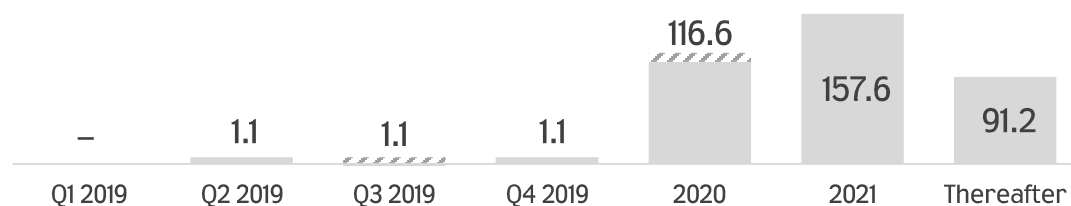
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# Group Debt at The End of Q4 2018\*

## DEBT REPAYMENT SCHEDULE (RUB bln)

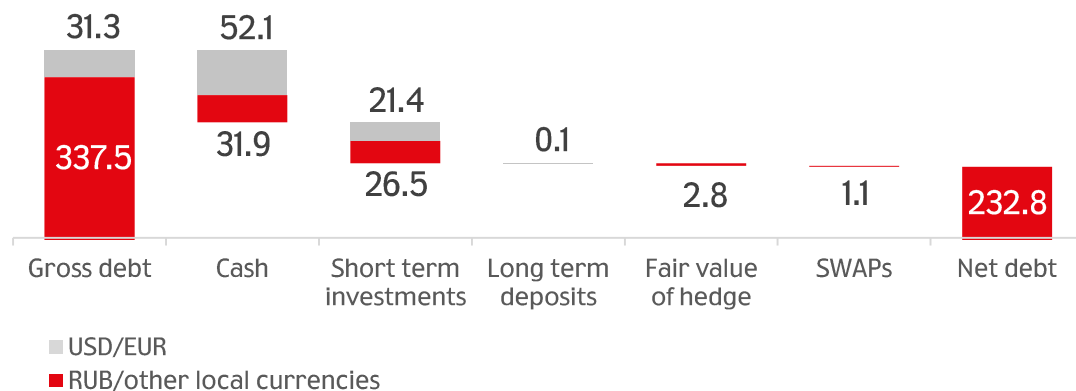
Total Group Debt\*\* = RUB 368.7 bln



/// Bonds BO-02, BO-01 ruble bonds contain put options that as of December 31, 2018, 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 December 31, 2018

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

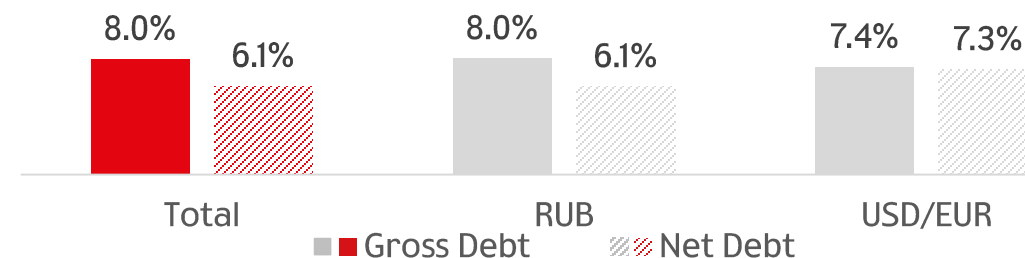
\*\*\*Totals may add up differently due to rounding



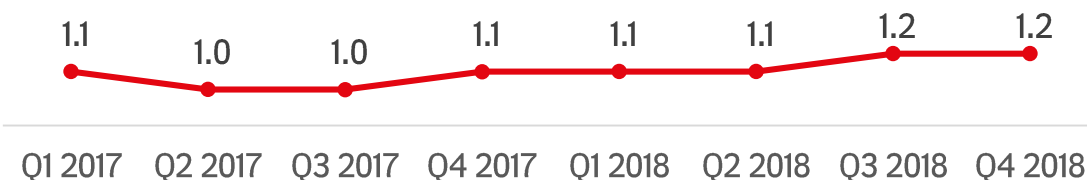
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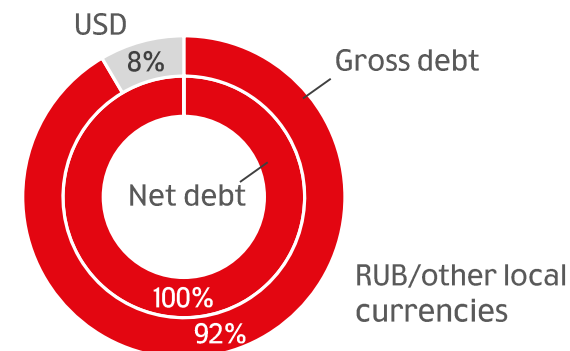
## WEIGHTED AVERAGE INTEREST RATES



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



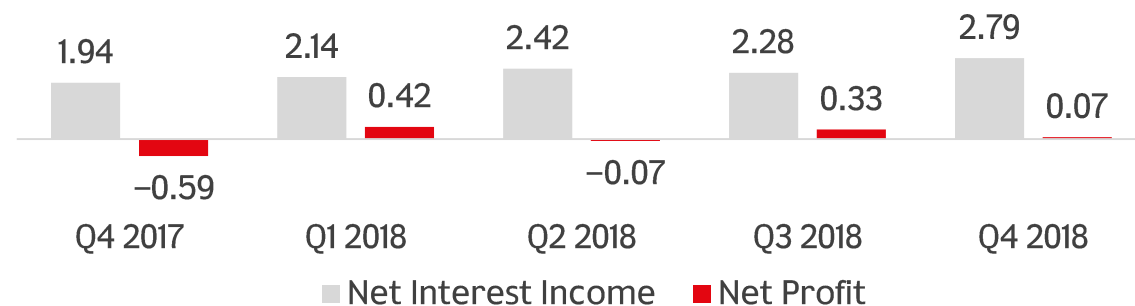
## GROSS/NET DEBT COMPOSITION BY CURRENCY\*\*\*\*\*



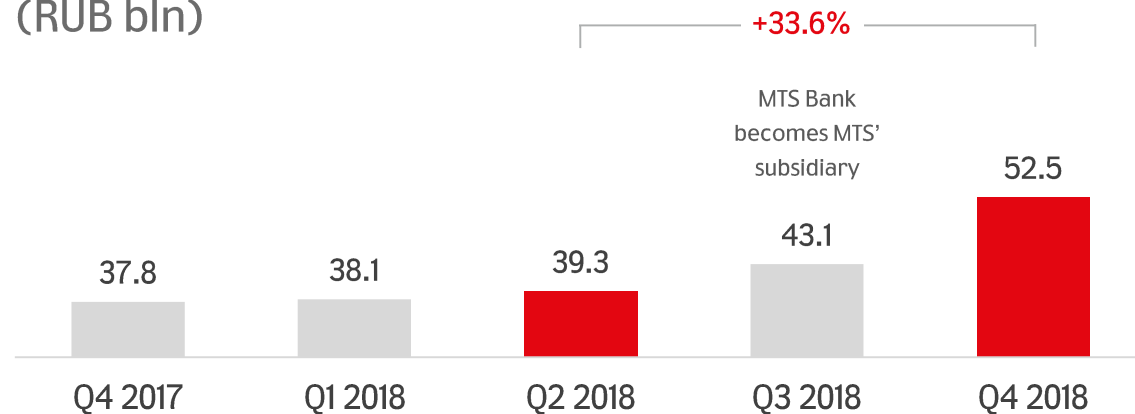
\*\*\*\*Excluding the impact of new standards – IFRS 9, 15 and 16

\*\*\*\*\*Including FOREX Hedging in the amount of USD 463.9 mln as of December 31, 2018

## NET INTEREST INCOME AND NET PROFIT / (LOSS)\* (RUB bln)



## RETAIL LOANS\* (RUB bln)



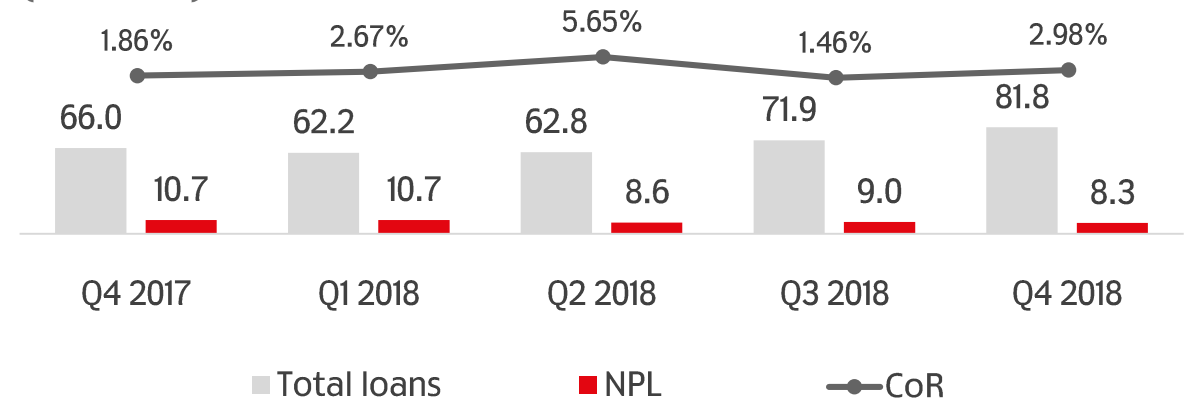
\*Source: Stand-alone MTS Bank financial statements (IFRS)



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## LOANS AND NPL\* (RUB bln)



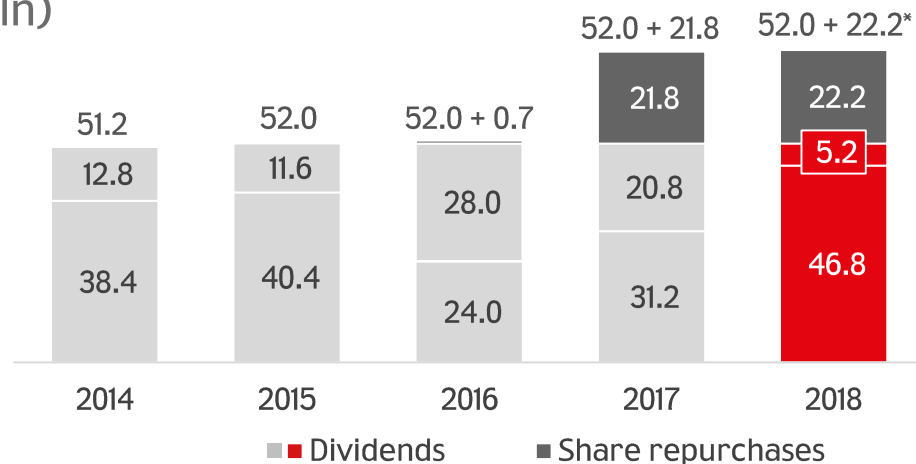
## KEY TRENDS

- By pro-actively utilizing MTS' proprietary Big Data capabilities, the bank was able to design and offer suitable and attractive financial services to MTS customers, contributing to a sharp increase in sales of personal loans in H2 2018
- In 2018, in order to radically expand its digital reach, the Bank has integrated its most popular consumer product offerings, including credit card and personal loan requests, into "My MTS" application, one of the most downloaded and widely used applications in Russia
- By implementing a unified assessment strategy, the Bank could provide a prospective client with a combined suite of products when a client applies for a loan. This allowed the Bank to increase approval rate and to boost customer satisfaction with bank's lending products without any compromise in the overall levels of credit risk.

# 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

## DIVIDENDS

- In 2018, MTS paid out RUB 52.0 bln or 26.0 RUB per share in dividends. In Q3, MTS paid out its first payment in the amount of RUB 46.8 bln or RUB 23.4 per ordinary share (46.8 per ADR) based on FY2017 results. In Q4, MTS paid out its second payment in the amount of 5.2 bln or RUB 2.6 per ordinary MTS share (RUB 5.2 per ADR) based on H1 2018 results.

## SHARE REPURCHASES

- 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 PJSFC over two years.

	# of shares, incl. ADS	% of share capital	Average price per share (RUB)**	Total amount spent (RUB)**
Shares acquired in Q4 2018 under the Repurchase Plan	29,729,484	1.49%	268.54	7,983,677,747
Total shares acquired since the launch of the Repurchase Plan***	77,596,743	3.88%	264.89	20,554,972,811

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

\*\*\* As of February 28, 2019

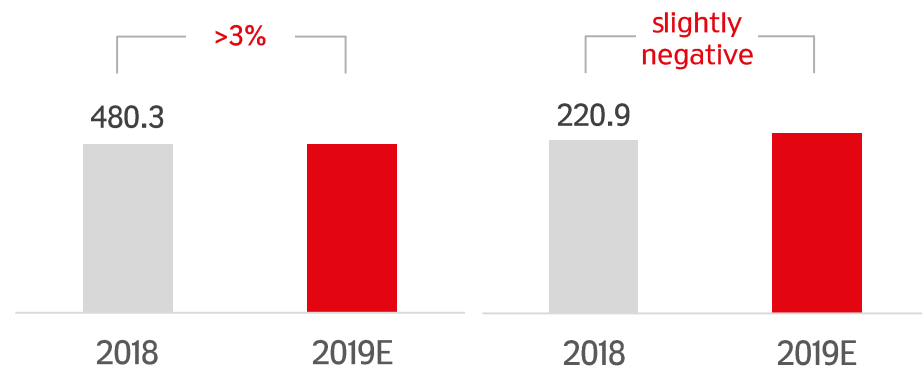


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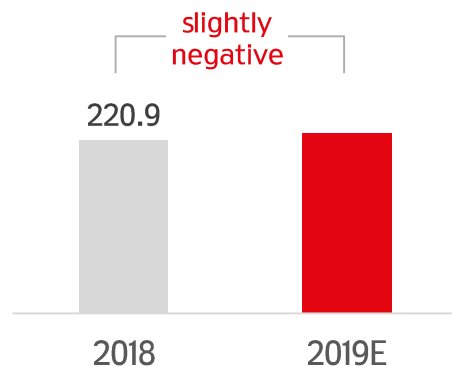
# Outlook for 2019

## GROUP REVENUE FORECAST (RUB bln)\*



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

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



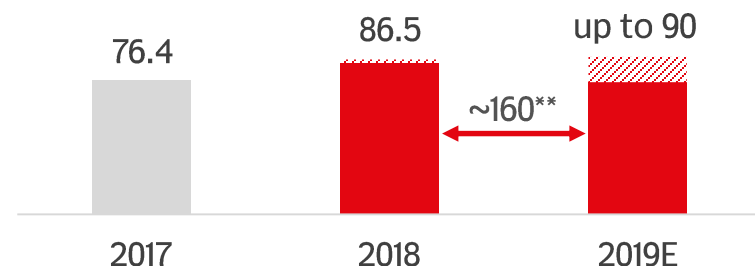
**GROUP REVENUE:** For 2019, MTS forecasts above 3% revenue growth, based on the following:

- ✦ Rising data consumption and weaker voice usage, due to growing data adoption;
- ✦ Competitive dynamics in distribution and reduced SIM-card sales in Russia;
- ✦ Changes in regulation, including cancellation of internal roaming and VAT increase 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 estimates its outlook on Group Adjusted OIBDA growth rate to be slightly negative with a target to keep the OIBDA flat in consideration of the following factors:

- ✦ High base effect of 2018;
- ✦ Changes in regulatory environment;
- ✦ Competitive factors and on-going uncertainty over potential optimization of retail distribution;
- ✦ 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 FORECAST (RUB bln)



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

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

**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:** MTS lowers its estimate of an additional investment required to comply with the Yarovaya law from RUB 60 bln to RUB 50 bln over five years starting from July, 2018.



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# Q & A



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# Thank you!



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# Contact Information

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