

MTS Faces \$585M of Lost Turkmen Profit

By [The Moscow Times](#)

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Mobile TeleSystems, Russia's largest mobile operator, faces \$585 million of lost profit from Turkmenistan operations in the next five years after the government ordered it to end subscriber contracts and dismantle 90 percent of its network, CEO Mikhail Shamolin said Wednesday.

MTS may have a \$160 million loss next year from halting Turkmen operations, Shamolin told reporters. The company is continuing talks with Turkmen regulators to overturn their decision and may seek damages, he said.

"MTS has met all the state and licensing requirements and we don't see any legitimate reasons for the suspension," Mobile TeleSystems said in materials distributed to reporters.

Turkmenistan's Communications Ministry, which suspended the company's licenses for a month starting Tuesday, refused to prolong its right to use frequencies and ordered the

company to start tearing down the network Jan. 1, Shamolin said.

"Under a worst-case scenario whereby MTS would have to cease operations in Turkmenistan, we estimate the value destruction at \$500 million to \$600 million, or around 3 percent of MTS's market cap," Yevgeny Golossnoi and Anna Lepetukhina, analysts at Troika Dialog, wrote in a note to investors.

Turkmenistan accounted for 1.9 percent of MTS's total revenue and 2.7 percent of operating income before depreciation and amortization in the first nine months, the company said Dec. 16.

MTS started proceedings with an International Chamber of Commerce arbitration court over what it said are a number of violations of an agreement by the Communications Ministry, the company said in an e-mailed statement Tuesday.

The ministry's press service wasn't available for comment when called after working hours.

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