

## ADDRESS BY THE PRESIDENT

### Dear Friends and Colleagues,

It is a great honor for me to present the results of MTS work for the first time. The previous 2020 has become a real proof test for the population of the whole world. The pandemic, the restrictions it brought to the lives of citizens and the temporary suspension in operation of entire segments of the national and global economies have become unprecedented challenges. The population and companies had to adapt to the new reality which caused the change in behavior patterns of almost all client segments of MTS. The world has become digital, finally and irrevocably.

For MTS, a mental digitalization of the society has become one of the key drivers that helped us successfully cope with the challenges of the previous year and achieve record high financial performance. Our core telecommunications business has shown strong growth in both mobile and fixed segments. 2020 operating results confirm the efficiency of the chosen development path within the framework of the general three-year MTS business strategy Customer Lifetime Value 2.0 focused on increasing the use of MTS ecosystem digital products by the customers and creating the best customer experience in the market. We went through the first year of CLV 2.0 strategy implementation at a good pace and achieved our intended results. All the above allowed us to demonstrate a decent level of profitability for our shareholders at the level of 26.51 rubles per ordinary share following the results of 2020.

Let me tell you more about the key areas of our work. First, we actively continued to strengthen our leadership in the telecom sector during the year. Provision of high-quality services in MTS networks remains the prime objective for the company, therefore MTS invested about 97 billion rubles in the development of communication network infrastructure in 2020.

We received the country's first license to provide 5G communication services, and are actively launching MTS 5G pilot zones in order to explore the possibilities of the new standard for the development of infrastructure projects based on artificial intelligence technologies, the Internet of Things, augmented and virtual reality. Nowadays, such digital-based solutions for automation, improved safety and efficiency in management of various types of production and urban environment are especially in demand among business clients. In the corporate digital solutions market, we have increased the number of devices in MTS networks for the Internet of Things by 30 percent and achieved a double-digit growth in the cloud business revenue.

In new business verticals, we saw an increase in the positive dynamics of KPIs. In the FinTech, MTS Bank's net interest income grew by 32 percent year-on-year. In the media vertical, the growth of new users of the OTT platform amounted to 1.5 million subscribers – this increase is more than the total number of users of the service at the beginning of last year. As part of the strategy for MTS ecosystem development in 2020, we launched the first "NETARIF" subscription with the opportunity for customers to form a unique package of communication and digital services of our ecosystem. Other definitive achievements of 2020 include an exclusive agreement with the world's most popular music streaming service Spotify and the launch of Russia's first cloud gaming marketplace uniting all platforms in the Russian market.

Understanding the social importance of the entire telecommunications and digital services industry, MTS shows its commitment to implementation of the 13 UN Sustainable Development Goals, the most complementary to the company's activities. The strategic objective of the company is to improve the quality of living of people and society, to increase safety through rendering a wide spectrum of services and to develop innovations in the area of health care, education, environment and urban infrastructure, as well as in other spheres. Sustainable development of MTS is provided by compliance with high ethical business standards and implementation of ESG principles in the policies and operational processes of MTS. A transparent corporate governance structure, combating bribery and corruption, a well-developed risk management and compliance system contribute to the promotion of cost-effective projects and the creation of responsible partnerships with the participation of MTS for the benefit of society, a wide range of stakeholders and the environment. I am especially proud to note that in 2020, MTS entered the TOP 5 of Russian leaders in to the comprehensive ESG-ranking prepared annually by the independent rating agency RAEX-Europe.

2020 became an important step in the company's internal transformation. Projects and programs initiated by MTS during the year were aimed at increasing both external competitiveness and internal efficiency of our business. For example, implementation of the iDA corporate program for using employee ideas to optimize business processes in 2020 allowed us to fully automate 294 processes with an effect of 1.6 billion rubles per year. The structure of the company has also been significantly updated, reflecting both ongoing changes in processes, taking into account new business objectives to develop ecosystem areas, and our efforts to attract the best professional staff on the market.

In conclusion, on behalf of the company's top management, I would like to thank the entire MTS team for the excellent results of work in 2020, dedication to their work, open-mindedness, courage and initiative in decision-making. It is the experience and professionalism of the colleagues that helped the company not only maintain its position in the market in the difficult conditions of the past year, but also show excellent financial and operational performance. We look into the future with confidence and together we will continue to make every effort to strengthen customer confidence in the MTS brand.



Sincerely yours,

**Vyacheslav Nikolaev**

MTS' President