

OUR STRATEGY

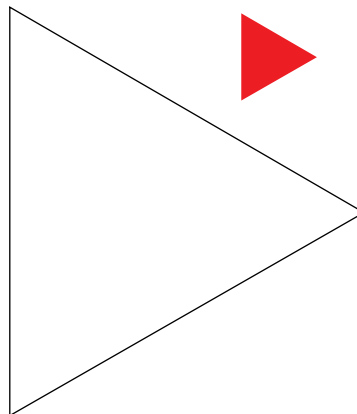


CLV 2.0 is not just a formal concept in the context of marketing positioning and customer relationship buildup. This is a business logic transformation expressed in a new look at the market, where the client becomes the center of the entire reference system. We perceive our market offer not as a sum of products but as a deeply segmented and personalized complex offer, which we build on the basis of an individual analysis of the client's profile. When working on products, we first evaluate them in terms of their usefulness to the consumer, the degree of customer satisfaction with them and the emotional response they generate. The performance result for us is not the amount of revenue by products but the amount of value that we receive from customers, scaled by the time they spend in our ecosystem. In this sense, the CLV 2.0 strategy has a fundamental transformative impact on our business processes and corporate culture.

Vyacheslav Nikolaev,
President

MTS Group's strategy is called Customer Lifetime Value 2.0 (CLV 2.0). This means that the Customer, to whom the Company provides a wide range of digital services, is at the center of the value proposition. MTS strives to extend the client's "Lifetime" as much as possible (Lifetime is the time, during which the client uses Company's services), creating and gradually strengthening emotional affection for the brand, and increasing the degree of satisfaction and customer loyalty. The company focuses on offering more Value to the client and at the same time maximizes the value received from it in the long term. "2.0" symbolizes a transition of MTS from the ideology of operating on a single telecommunications market (which we conventionally denote as "1.0") to the ideology of a digital service environment with a comprehensive offer including products and services of different markets to meet the needs of the customers in various spheres of their lives. Thus, a key strategic priority for MTS is to build a full-scale digital ecosystem business on a sustainable base of a telecommunications leader.

Going beyond the boundaries of the telecommunications business into new markets, such as markets of financial services and media entertainment, with the functional support of such digital areas as Big Data and AI, cloud solutions, Internet of Things, Industry 4.0, will allow MTS to transform into a multiservice digital company. We will build up a portfolio of digital products based on our own developments, as well as by involving independent developers and service providers as partners. These mutually beneficial partnerships will allow the Company to bring more value to the lives of our customers, offering them more innovative, diverse and convenient services. We are planning to gradually expand capabilities of our programs, increase the number of partnerships and become the best possible choice in the market for companies looking to expand their client base and gain additional value.



The Russian digital service market is unique to a certain degree, since local players in most segments who successfully compete with global giants occupy leading positions. This situation is down to a number of fundamental reasons, ranging from consumer preferences and language specifics to regulatory requirements and the structure of the borrowed capital market. This allows large Russian business groups, representatives of areas such as the banking sector, retail, high-tech sphere and telecommunications, to actively develop new business directions in the digital environment, relying on the ecosystem approach in their strategies. Russian market is now entering a new period of competition for the share in expenses and attention of the client.

We are confident in the strength of our position in the context of this kind of competition. MTS' strong brand and deep customer knowledge, supported by powerful analytical tools based on AI and Big Data, will allow the Company to provide users with a seamless, deeply customized and personalized customer experience in a wide range of digital services. Even now, we are witnessing a significant synergistic effect from the joint offer of telecommunication, banking and media products, which allows the Company to use marketing tools more efficiently and gain more and more knowledge about our clients. At the same time, clients using several types of services bring more value, demonstrate a greater brand commitment, a higher level of loyalty, and a greater degree of satisfaction. The share of such clients in the MTS database is growing at a fairly high rate.

The development of new areas outside of telecommunications over time will make an increasing contribution to the growth of Company's business and will have a positive impact on user loyalty. For MTS, the telecommunications segment is not only the main source of revenue and profits, but also the basis for further digital

expansion. The Company aims to keep this part of its business in great shape, and provide a high level of service quality and operational efficiency. MTS intends to invest in telecommunications infrastructure at the necessary level to meet the expectations of customers and ensure that its leading position in the Russian market remains unchanged.

In order to form a market offer that provides the user with a convenient, intuitive, seamless customer experience covering many areas of life, it is required to implement a number of specific ecosystem tools, such as a single ID, a payment system common to all services, and other mechanisms that provide for unification of all platforms and applications. In 2020, we focused on the creation of such instruments and achieved a significant success in this. The key elements for engaging customers in our ecosystem are:

- > flexible subscriptions with a specific budget the client can use to adjust the consumption of all types of services from MTS;
- > a premium subscription with a wide range of products and services offered at a significant discount throughout the entire package;
- > a unified cashback system where points received for consumption of products (including ones from partners) can be spent within the MTS ecosystem.

The key MTS goal for 2021 is to increase the number of ecosystem clients.

In 2020, the Company aligned its overall business configuration with its defined strategy, but it will take a longer time to fully transform its operating model to the CLV 2.0 concept. In subsequent years, MTS intends to drastically expand its portfolio of digital products and significantly increase the number of customers who are users of several services simultaneously. This will allow MTS to expand its customer base and increase its share in the customer's wallet, while at the same time increasing emotional brand affection and loyalty.