

GRI 102-2, 102-6, 103-1

OUR MARKETS

Mobile TeleSystems Public Joint Stock Company (MTS PJSC)¹ is Russia and CIS' leading provider of mobile and fixed-line services, internet access, cable and satellite TV services, digital services and mobile applications, financial and e-commerce services, as well as converged IT solutions for system

integration, the Internet of Things, remote monitoring, data processing and cloud computing. By providing innovative services and solutions, MTS makes a significant contribution to economic growth and improved quality of life for tens of millions of people in its regions of operation.

MTS GROUP'S KEY MARKETS

Operating segment	Major operators within MTS Group	Target market
MTS Telecom	MTS, MGTS, Stream	<ul style="list-style-type: none"> > Mobile services > Fixed-line services > Broadband services > TV
MTS Retail	MTS retail chain (RTC JSC)	Retail sales of digital services and equipment (including the online store)
MTS Finance	MTS Bank	<ul style="list-style-type: none"> > Banking and financial services > Financial services and applications
MTS IT	MTS IT, ServiceHub	<ul style="list-style-type: none"> > Big Data > Artificial intelligence solutions > OTT applications > Fintech services for banking process automation
MTS B2B Cloud & Digital	MTS, NVision Group, IT-GRAD 1 Cloud, NIS	<ul style="list-style-type: none"> > Cloud services > Internet of Things > Industrial automation > Smart City > System integration > Data centers > Telemedicine > Online education
MTS Media	MTS Media, satellite TV (STV)	<ul style="list-style-type: none"> > Gaming > Online TV
MTS Entertainment		<ul style="list-style-type: none"> > Ticket aggregator (Ticketland and Ponominalu ticket services) > MTS Afisha > MTS Live Arena

¹ For more information about the history of MTS Group see our corporate website at <https://moskva.mts.ru/about/informaciya-o-mts/mts-v-rossii-i-v-mire/o-kompanii/informaciya-o-mts>.



MTS Telecom

MOBILE BUSINESS IN RUSSIA

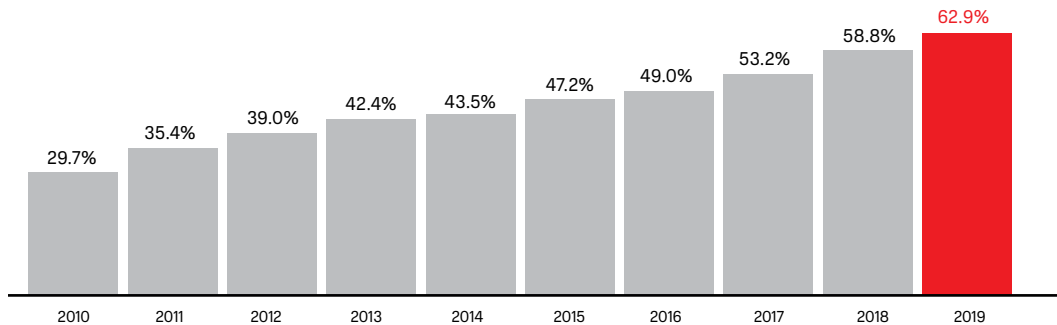
Despite a significant increase in mobile data usage both per subscriber and overall, MTS customers have maintained the same level of voice usage, allowing us to stabilize our ARPU. The proportion of subscribers on bundled tariffs exceeded 63% of the subscriber base. The total number of subscribers in Russia reached 79.1 million at the end of 2019 (86.9 million for the Group), an increase of 1.4% from 2018.

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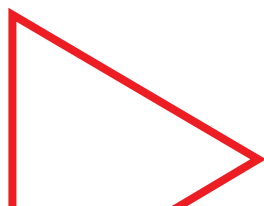
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\\ Mobile data penetration (proportion of monthly active users), %



MTS leverages global experience of developing digital services to tailor offerings that are relevant to various customer segments. In December 2019, MTS for the first time provided its customers with the option of making up their own tariff plan based on artificial intelligence (AI) algorithms. An AI engine analyzes a month's worth of data on a customer's service usage pattern and tailors a plan that takes into account the customer's specific needs and optimizes their mobile and data spend.

The introduction of tailored tariff plans (both personalized and geared to specific target groups) drives both customer loyalty and emotional involvement with the brand, as well as improves customer experience, which is in line with the Company's strategic priorities for 2020–2022.



MOBILE BUSINESS OUTSIDE RUSSIA

Armenia

MTS Armenia CJSC is an MTS subsidiary. The company offers GSM, UMTS and LTE communications services under the trade mark Viva-MTS and accounts for 58% of the market.

The main priority of MTS in the Armenian market in 2019 was to further expand its line of V&D tariffs tailored to the needs of younger customers in addition to the existing plans. Demand for tariff plans increased due to LTE network expansion (now covering up to 78% of the total Armenian population). The subscriber base increased by 3.7% to 2.2 million users as at the end of 2019.

Belarus

Our operator Mobile TeleSystems JLLC (an MTS subsidiary) provides mobile (GSM) coverage to 98% of the Belarusian population. Its communications services are available at all stations of the Minsk subway and along the main highways of Belarus. To increase wireless broadband speeds and expand the coverage of mobile cellular communications services within the Republic of Belarus, 135 new base stations were installed in December 2019, and 222 base stations of the unified LTE network were commissioned. The subscriber base increased by to 5.6 million at end-2019, including 3.7 million data users. In Belarus, MTS continues to demonstrate impressive double-digit growth in financial metrics, with revenue for the full year 2019 increasing by 17.7%.

FIXED-LINE SERVICES

MGTS (part of MTS Group) is Moscow's largest fixed-line operator. MGTS increased its share of the mass broadband market in Moscow to 42% at end-2019, with the share of paid TV market expanded to 45.5%. The number of GPON users has also continued to grow, with the total subscriber base across the mass and business markets expanding to 2.1 million. Growth in fixed-line services is mainly driven by higher numbers of private users (including due to new-build connections); however, with a 60% penetration rate at end-2019, the market is saturated not only in large cities but also in most medium-sized cities. This is largely due to the gradual exhaustion of opportunities for growth through old-build connections.

In a saturated fixed broadband market, the main strategy is to attract and retain customers through focusing on bundled offers, higher access speeds, and rollout of converged services. MTS continues to consistently pursue its strategy of improving the quality of its fixed-line products by upgrading networks, launching digital and interactive TV services and expanding the throughput capacity of backbone infrastructure to deliver a faster experience for its customers. Launches of converged services, which combine fixed and mobile connectivity, are part of the MTS ecosystem development program. As part of its new strategy, MTS intends to significantly increase the number of its converged customers. The All MTS tariff plan was developed to drive this strategy by offering a bundle of services across three telecoms segments:



Residential broadband



TV



Mobile

B2G

Within the Digital Economy of the Russian Federation national project, MTS is implementing projects to bring broadband connectivity to about 5,000 social infrastructure facilities in nine regions of Russia. These facilities include primary care centers and rural health posts, schools, vocational educational institutions, government and local authorities, fire departments, local police stations and National Guard units in the Amur, Kaliningrad, Kemerovo, Leningrad, Tambov, Tver and Yaroslavl Regions, as well as Moscow and Saint Petersburg. Fixed broadband connection provides social infrastructure facilities with access to the ecosystem of digital services MTS offers to its customers to match their needs and objectives.



MTS Retail

MTS retail chain¹ remains our key channel to attract customers, with MTS stores accounting for over 40% of total SIM card sales. The owned retail store network delivers superior performance by both the number and quality of new SIM card subscribers.

MTS remains the largest non-food retail chain in Russia, with MTS's retail network comprising 5,679 stores at end-2019. MTS offices offer customers a full range of services provided by the operator, including fixed broadband and TV services. As touch points for the Company's ecosystem, MTS retail stores drive increased cross sales.



MTS Finance

MTS Bank serves over 5 million users of financial services. The close integration of our financial business with MTS's Big Data capabilities is the Company's key advantage in the Russian

market. Further consolidation will facilitate the shared ecosystem expansion by several times, including a single financial marketplace for banking and non-banking products and services.

\\ Growth by consumer segment, %

Segment	Share
Retail loan portfolio	+67
Special consumer loans (POS lending)	+46
General-purpose consumer loans	+145
Bank cards (credit cards, including MTS Cashback)	+96
Mortgage lending	+25
Retail deposits	+44
Fee products and insurance products	+42
NFC services for contactless payments (Apple Pay, Google Pay, Samsung Pay and MirPay)	+120
Private Banking (premium service), deposit portfolio	+20
Securities portfolio margin	+32
Growth in the average daily transaction volume	+51

Top 50

in terms of repo transactions
(by transaction volumes on the Moscow Exchange)

39th

MTS Bank's ranking by corporate deposits (among Russian banks)

¹ Through its subsidiary Russian Telephone Company JSC (RTC JSC), MTS is developing a network of owned monobrand stores in Russia.

PRODUCTS FOR SMALL BUSINESSES

In 2019, MTS Bank significantly expanded its product line for small businesses, individual entrepreneurs and self-employed, attracting over 21 thousand new customers during the year, a 67% increase.

Compared to 2018, its performing asset portfolio increased by 52%, with net fee and commission income up by 34%, and operating income by 20%. The number of foreign currency accounts opened with the bank in 2019 tripled while merchant acquiring turnover grew 3.8 times and sales of cash register equipment 2.5 times.

The small business lending portfolio increased by 48% year-on-year to RUB 1.84 billion. To bolster lending, MTS Bank qualified as a lending institution

entitled to a subsidy from the federal budget to get its lost income reimbursed for loans extended in 2019–2024 to small and medium-sized enterprises (SMEs) at the rate of the preferential lending program for SMEs run by RSMB Corporation and the Ministry of Economic Development of the Russian Federation.

In the reporting period, the Bank's guarantee portfolio amounted to RUB 7.4 billion, a more than 16-fold growth driven among others by the issuance of express guarantees and the promotion of electronic letters of credit. In 2019, MTS Bank continued its active B2B integration with MTS, with customers now able to open a current bank account at an MTS store without visiting a branch.



MTS IT

The segment is focused on developing digital solutions and designing networks requested by corporate customers. As part of the business line, MTS develops proprietary innovative products for building automation, information security and finance management.

In 2019, MTS continued the development of its SME offering. Specifically, in early 2019, the Company launched an online cash register rental service targeting entrepreneurs who had to switch to online cash registers by July 1, 2019, when the new regulations came into force. Renting a cash register allows business people to minimize the respective one-off costs and get access to a stock accounting system and 24/7 technical support.

ServiceHub team, a part of MTS Group, successfully implements IT projects in education, public sector, manufacturing and telecommunications. Currently, the software company develops and implements fintech solutions for banks and other financial institutions. In 2019, ServiceHub launched Goodfin, a new financial services platform. The platform generates a stable flow of customer orders for financial institutions and serves as a powerful customer communication engine. According to ServiceHub, Goodfin audience now includes 56 thousand legal entities. Goodfin is expected to capture 60% to 75% of customer demand for guarantee and loan products in public procurement alone. Negotiations are also in progress to connect insurance and microfinance companies to the platform, with plans to offer a wide range of financial and related products, including from private investors, going forward.



MTS B2B Cloud & Digital

The segment's key growth drivers are cloud solutions, Big Data, smart communications network services, and machine-to-machine-based Internet of Things (M2M/IoT) solutions. Cloud services are the fastest-growing product line, delivering an almost fourfold increase in revenue facilitated by the development of #CloudMTS provider based on own data centers and driven by M&A, including the acquisition of cloud service provider IT-GRAD 1 Cloud LLC.

MTS Group has commenced the construction of Russia's first corporate wireless broadband LTE networks (Private LTE), which will soon become the technological base for the digitalization of large businesses. NVision Group JSC was the system integrator for the construction of Private LTE

networks in partnership with Ericsson, a global leader in information and communications technology. Private LTE networks serve as a digital infrastructure supporting the adoption of a wide range of IoT, Industrial IoT, and other Industry 4.0 innovative services in energy, chemical and other key industries where increased safety and reliability standards are critical.

The Company participates in the implementation of the Autonomous Non-Profit Organization (ANO) Digital Economy project aimed at building a resilient federal network for the Internet of Things, developing Smart Cities, modernizing production facilities, bridging the digital divide and establishing a regulatory framework to promote and implement end-to-end technologies.



MTS Media

To achieve its strategic goal of building a digital ecosystem, MTS Group is developing an entertainment and media product line. MTS Media manages MTS Group's businesses in all television broadcasting environments. The development

of MTS TV proprietary multimedia platform, filling it with unique content and products, promoting it to gain leadership in the media market, and designing the best user experience are a priority for MTS Media.



MTS Entertainment

The MTS ecosystem building strategy requires the development of MTS Group entertainment business. MTS Entertainment drives strategic business growth in the segment, coordinates asset interactions, and enables synergies and ecosystem effects. Current projects include Ticketland and Ponominalu ticket services, MTS Afisha portal and app, MTS Live Arena, and others.

