

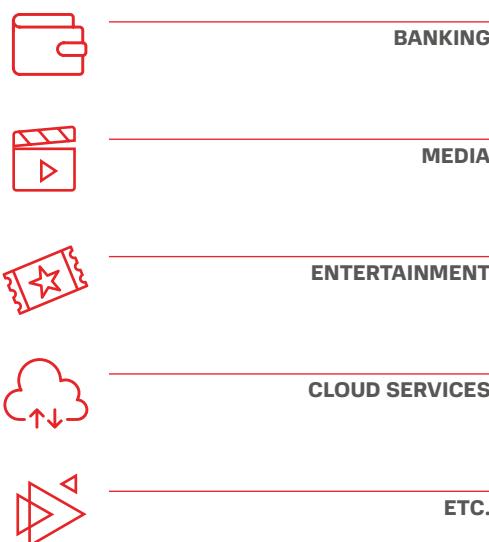
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# OUR STRATEGY

## BUSINESS DEVELOPMENT STRATEGY

Over the past few years, MTS's business was driven by its 3D (Data. Digital. Dividends) strategy aimed at consistently shifting the emphasis of our business model from voice to data and subsequently to digital services while continuously increasing operational efficiency. We focused on building within the Company a landscape that would serve as a foundation for digital services as well as a tool for business process optimization. As a result, we maintained a confident lead in our core telecommunications market while offering a consistently high level of dividend payments.

We also built important capabilities in core digital areas such as Big Data and AI, and entered a number of related business areas, such as



According to the annual brand valuation of the world's largest companies by Brand Finance<sup>1</sup>, a leading consultancy in the area, MTS became the leader among Russian telecom and IT companies with 69th place globally by brand value in 2019 (56th place in 2020). MTS was also a leader by brand strength with tenth place in 2019 and second place in 2020. Brand strength is determined using a balanced scorecard of metrics (Brand Strength Index (BSI)) evaluating marketing investment, stakeholder equity and business performance.



<sup>1</sup> Brand Finance's brand value ratings have been certified by the Marketing Accountability Standards Board (MASB) through the Marketing Metrics Audit Protocol (MMAP), a formal process to verify the relationship between marketing measurement and financial performance: <https://branddirectory.com/rankings>

## CUSTOMER LIFETIME VALUE

¶ In October 2019, MTS PJSC's Board of Directors confirmed the current Company listing structure and approved the updated Company development strategy for 2020–2022, CLV 2.0 (Customer Lifetime Value 2.0), which envisages the creation of a large-scale ecosystem of new digital products based on accumulated expertise and leadership achievements in the telecommunications business.

The strategy title is interpreted as follows. Our value proposition is built around the **Customer**, to whom we offer a wide range of digital services. We strive to maximize the customer's **Lifetime** (the period during which they use our services) by evoking and gradually strengthening an emotional connection with the brand, including by operating our business in an environmentally and socially responsible way, and by driving customer satisfaction and loyalty. We focus on offering greater **Value** to the customer while maximizing the value we get from them in the longer term. The "2.0" symbolizes our transition from the philosophy of operating in just one market, telecommunications (indicated as "1.0") to the philosophy of a digital service provider operating in diverse markets and offering a variety of products to meet the needs of customers in various areas of their lives in order to maximize the overall value (both for customers and for the Company) generated by our entire service portfolio.

We are confident that with functional support in digital service lines such as Big Data and AI, our expansion beyond the telecommunications business into new markets, for example, financial services and entertainment, will allow us to transform into a multi-service digital company. We will build our digital product portfolio both based on our own development projects and by involving independent developers and service providers as partners. These mutually beneficial partnerships will allow us to bring more value to the lives of our customers, offering them more innovative, diverse and convenient services. In the near future, we plan to increase the number of partnerships, significantly expand the opportunities offered by our partnership programs and become a partner of choice for market players, enabling value maximization for all participants of the process.

