



- AUDIT
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2K JOINT STOCK COMPANY

..... LABOR VINCIT OMNIA

Our ref. No. 0296 dated March 30, 2018

**Director of the Tax Administration
and Treasury Department
MTS PJSC
D.A. Kornev**

Dear Dmitriy Aleksandrovich,

Pursuant to the Contract No. 02/1802281 dated March 12, 2018, 2K JSC has assessed the market value of 1 (one) registered ordinary share of MTS PJSC as of December 31, 2017.

For determination of the market value of the property in question, the assessors have used:

- within a comparative approach: method of retrospective transactions with the property in question;
- within an income-based approach: method of cash flow discounting.

In the business assessment, the application of the cost-based approach is limited, this approach is generally applied when profit and/or cash flow may not be reliably determined, but there is reliable information on assets and liabilities of the company conducting this business.

When selecting approaches, the assessors of 2K JSC proceeded from the following:

- MTS PJSC is a leading telecommunications operator in Russia and CIS countries, which has the largest telecommunications network (with the presence in 85 regions of Russia, as well as in Armenia, Belarus and Ukraine, the company's subscriber base exceeds 106.5 million subscribers). The company's property portfolio is a complex operating business the value of which is determined by its value in use.
- MTS PJSC is one of the blue chips companies in the Russian stock market. Shares of MTS PJSC are actively traded on the stock market of the Moscow Stock Exchange and the New York Stock Exchange.
- The assessors were provided with information on the retrospective and forecast activities of MTS Group developed by specialists of MTS PJSC on the basis of the Group Development Concept until 2022.

Therefore, the market value of MTS Group would be most objectively reflected through approaches based on retrospective and forecast indicators of the company's operations, as well as through market quotations of the shares of MTS PJSC in trading platforms.

The cost-based approach relying on financial statements of MTS PJSC does not take into account such assets as subscriber base, reputation of the company nor its position in the industry, therefore, the cost-based approach is inappropriate to reflect the performance of the company in full. In view of the foregoing, the cost-based approach has not been used to assess the market value of the assessed property.

The value obtained within the income-based approach relied on the analysis of retrospective data on the company's activities as well as the business plan and budgets of MTS Group. The method of discounted cash flows is a technique of financial modeling based on explicit assumptions which allow to consider profit and costs of a business in a perspective. Such assumptions pertain to quantity, quality, variability over time, duration of the inflow and outflow of cash to be discounted to a present value. The method of discounted cash flows subject to appropriate and acceptable initial data most adequately reflects the company's market value, since it takes into account all specific features of the company's financial and economic activities.



The analysis of discounted cash flows is based on historical indicators and forecasts on appearance of market conditions affecting offer, demand, profit, costs and potential risks. Forecasts determine the level of profitability of a business through analysis of the profit/cost model.

Analysis of the telecommunications industry shows the comparability of the forecast data underlying the business plan of MTS PJSC with the general market trends. This circumstance serves a proof of the realistic nature of the proposed forecast on development of MTS Group. In view of the above, a weighting factor of 50% is assigned to the income-based approach in this report.

For determination of the value of the assessed property through the comparative approach, the assessors used the method of retrospective transactions. The advantage of the comparative approach is that the assessors may be guided by the actual prices of retrospective transactions related to shares of MTS PJSC. A weighting factor of 50% is assigned to the comparative approach.

Indicator description	Income-based approach	Comparative approach
Market value of the assessed property, RUR	205.8	261.2
Weight assigned to the approach result	50%	50%
Market value of 1 (one) registered ordinary share of MTS PJSC, approx., RUR	234	

As a result of calculations made, the assessors concluded that the market value of 1 (one) registered ordinary share of MTS PJSC as of December 31, 2017 is approximately:

234 RUR
(Two hundred thirty four rubles)

The assessment has been conducted and the Report has been prepared in a form conforming to the requirements of the Federal Law "On Assessment Business in the Russian Federation" No. 135-FZ dated July 29, 1998 and the Federal Assessment Standards (FAS No. 1, 2, 3, 8 approved by Orders of the Ministry of Economic Development of the Russian Federation dated May 20, 2015 No. 297, 298, 299, 326, respectively).

This letter shall be considered only within the context of the full text of the Assessment Report.

Sincerely,

General Director

(signature)

T.A. Kasiyanova

30.03.2018

Seal:

2K JOINT STOCK COMPANY
MOSCOW