



MTS Q2 2020 Results

ACCELERATING DIGITAL

August 19, 2020 | ir.mts.ru



Cautionary statement

Some of the information in this presentation may contain projections or other forward-looking statements regarding future events or the future financial performance of MTS, as defined in the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify forward looking statements by terms such as “expect,” “believe,” “anticipate,” “estimate,” “intend,” “will,” “could,” “may” or “might,” and the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not undertake or intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. We refer you to the documents MTS files from time to time with the U.S. Securities and Exchange Commission, specifically the Company’s most recent Form 20-F. These documents contain and identify important factors, including those contained in the section captioned “Risk Factors” that could cause the actual results to differ materially from those

contained in our projections or forward-looking statements, including, among others, the severity and duration of current economic and financial conditions, including volatility in interest and exchange rates, commodity and equity prices and the value of financial assets; the impact of Russian, U.S. and other foreign government programs to restore liquidity and stimulate national and global economies, our ability to maintain our current credit rating and the impact on our funding costs and competitive position if we do not do so, strategic actions, including acquisitions and dispositions and our success in integrating acquired businesses, potential fluctuations in quarterly results, our competitive environment, dependence on new service development and tariff structures, rapid technological and market change, acquisition strategy, risks associated with telecommunications infrastructure, governmental regulation of the telecommunications industries and other risks associated with operating in Russia and the CIS, volatility of stock price, financial risk management and future growth subject to risks.

Agenda

▶	OVERVIEW & STRATEGY	Alexey Kornya President & CEO
▶	ECOSYSTEM UPDATE	Slava Nikolaev First VP for Customer Experience, Marketing, & Ecosystem Development
▶	TELECOM & B2B UPDATE	Inessa Galaktionova First VP for Telecommunications
▶	FINTECH UPDATE	Ilya Filatov VP for Financial Services and CEO, MTS Bank
▶	FINANCE UPDATE	Andrey Kamensky VP for Finance
▶	WRAP-UP & OUTLOOK	Alexey Kornya President & CEO

OVERVIEW & STRATEGY



Alexey Kornya
President & CEO

Gaining clarity on COVID-19, recovery ongoing



- MTS retail network has resumed normal operations.
- Offices, stores equipped with PPE + sanitation protocols.
- Many office workers still remote, phased return in certain cases.



- Negative impact on international roaming revenue continues.
- Base line assumption — relatively low international travel in H2.
- Potential for some compensation from long-distance calling amid higher domestic travel.



- Rapid global leap forward in digital service adoption.
- Accelerated retail shift toward ecommerce.
- Continue to strengthen offerings in fintech, media, and other digital services.

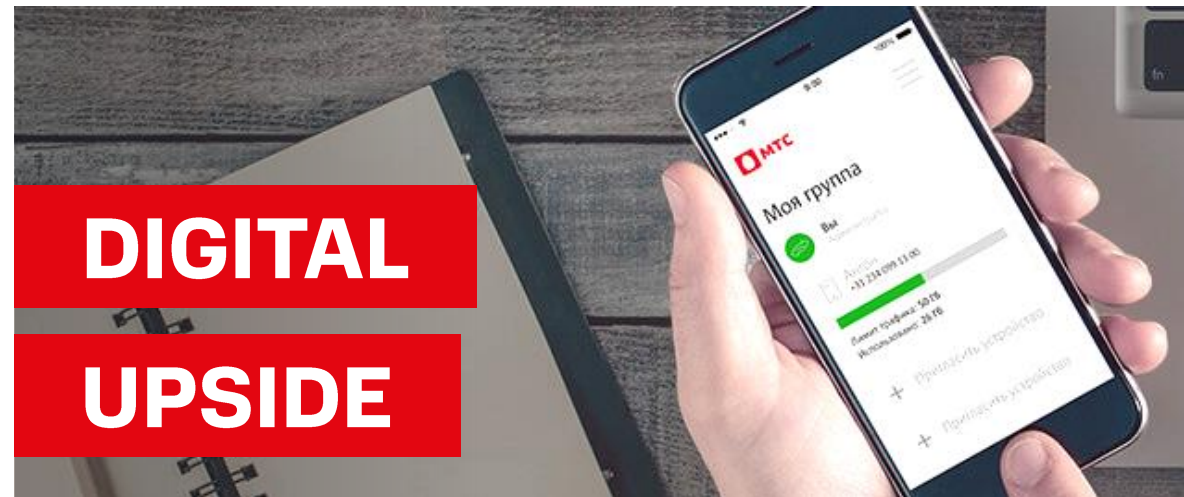
Recent trends reaffirm our strategy

LEADING NETWORK



- 1 Invest in capacity & coverage**
- 2 Strengthen customer relationships**
(Convergence, B2B/G)
- 3 Position for the future**
(IoT/5G)

DIGITAL UPSIDE

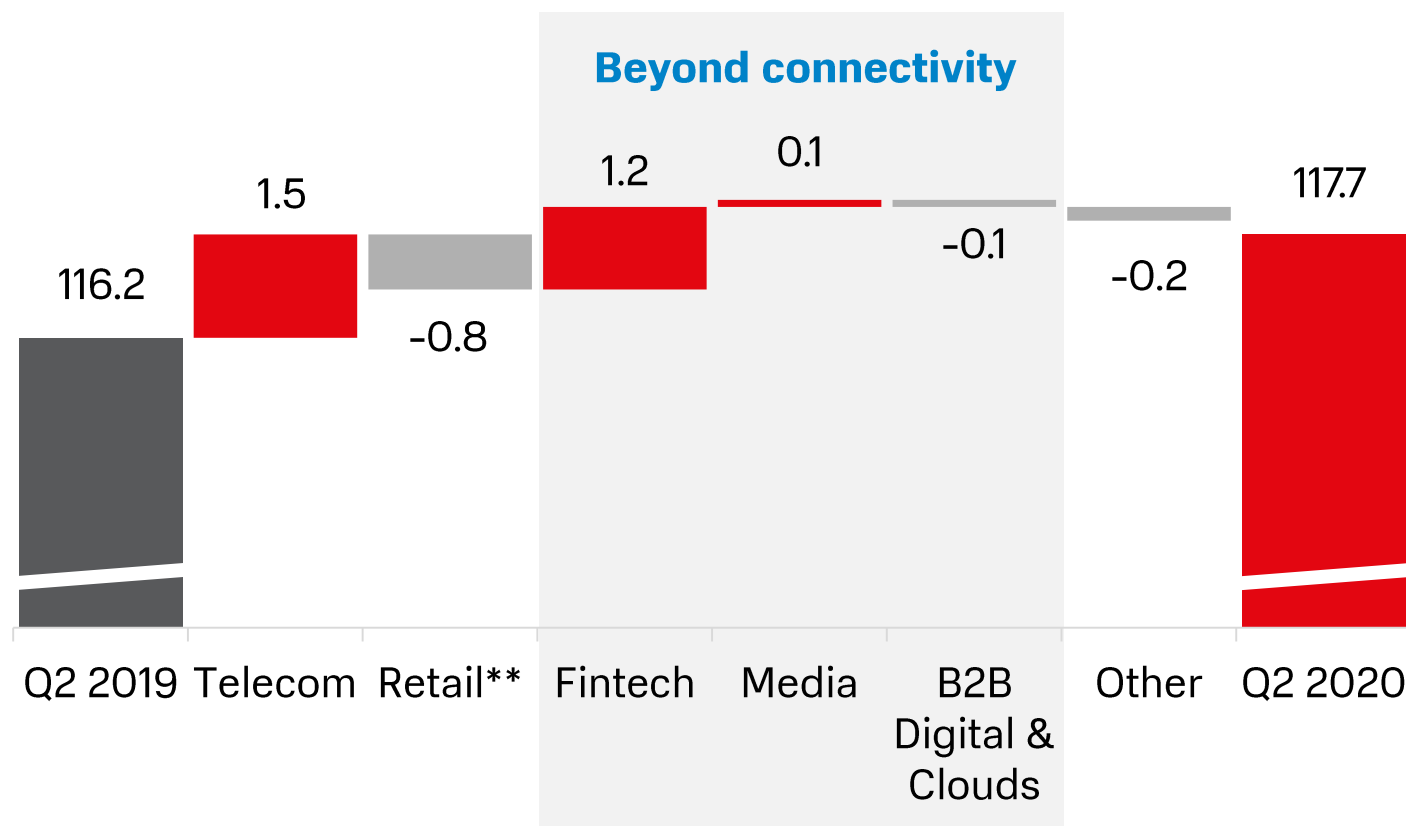


- 1 Expand into adjacent segments**
(Fintech, Media, Clouds & Digital Solutions)
- 2 Build/scale digital ecosystem**
- 3 Nurture & leverage brand trust**

Delivered growth despite volatility & headwinds

Group Revenue

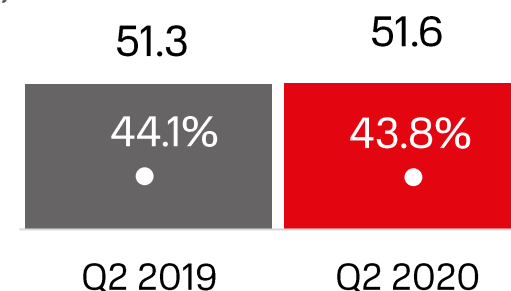
₽ bn



Group adj. OIBDA* & margin

₽ bn, %

+0.6% y/y



Commentary

- Solid top-line performance in core telecom services and Fintech, while retail sales slowed amid the COVID-19 pandemic.
- Group adj. OIBDA ticked upwards, supported by core performance and a positive one-off, while also seeing a net negative impact from COVID-19-related factors at MTS Bank and in roaming and retail.



*Adjusted OIBDA does not include a loss from impairment of non-current assets of RUB 0.9 bn for Q2 2020

**Retail - RTC, wholly-owned subsidiary of MTS, handling all functions relating to MTS retail operations, including the purchase and sale of handsets and accessories and subscriber enrollment at MTS retail outlets.

Moving forward on all fronts

5G

1st

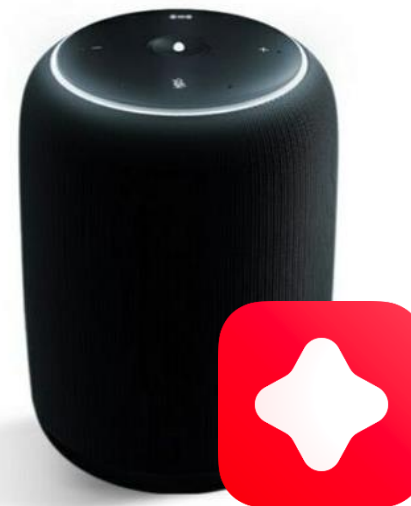
5G license in
Russia

Launching 5G-
ready device sales



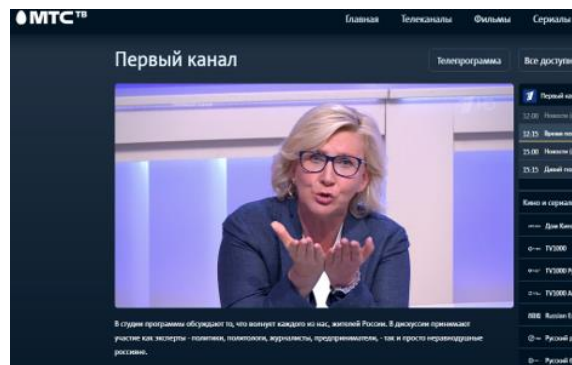
VA

Market launch
of in-house
Marvin virtual
assistant



~10GB

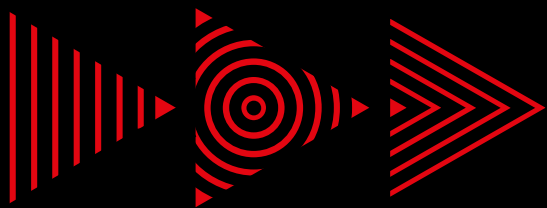
Average monthly
smartphone data
consumption
in Q2



1TV

Strategic partnership
with Channel One,
Russia's most-
watched TV network

ECOSYSTEM UPDATE

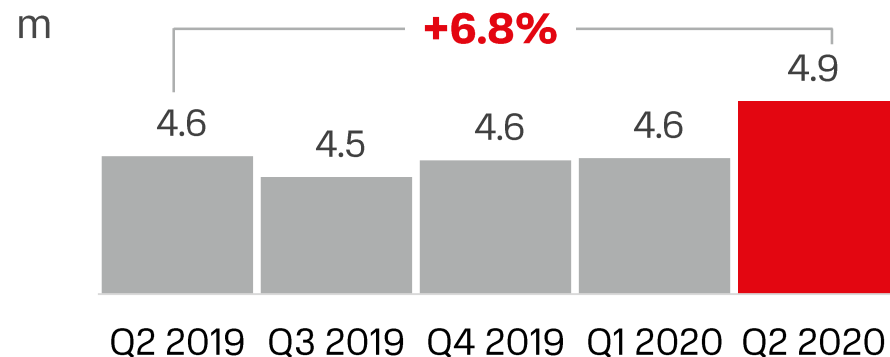


Slava Nikolaev

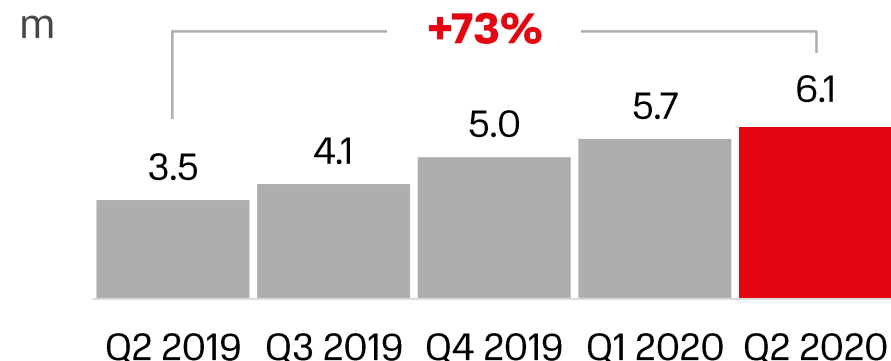
First VP for Customer Experience, Marketing,
& Ecosystem Development

Jump in TV viewership, steadily acquiring app users

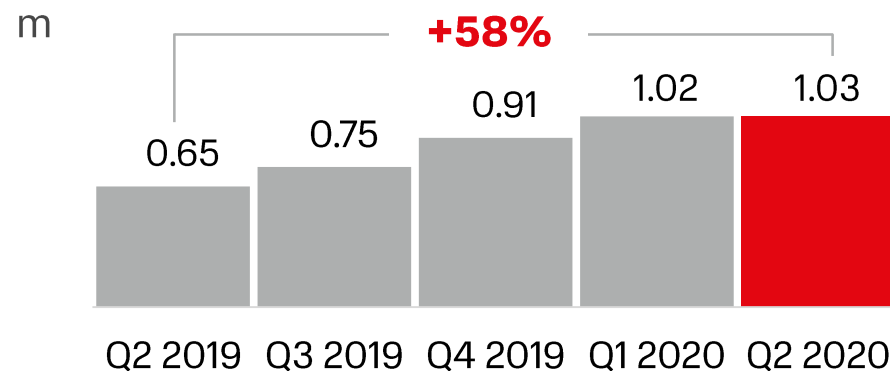
Pay-TV users



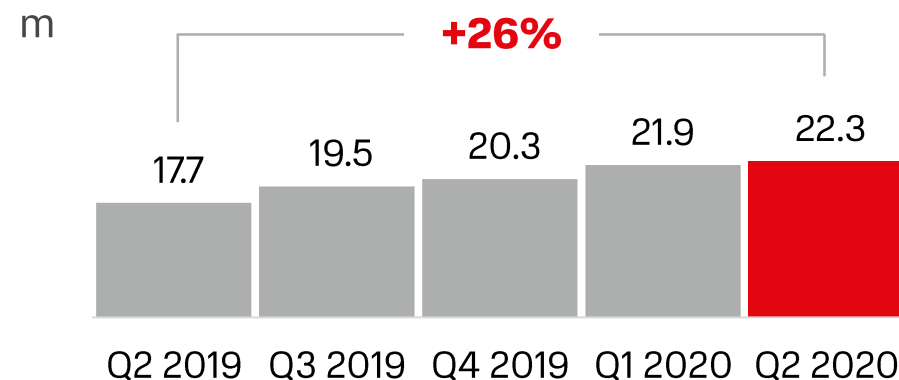
Registered MTS Cashback users



MTS Bank app active users



MyMTS monthly active users (MAU)



Creating a compelling ecosystem value proposition



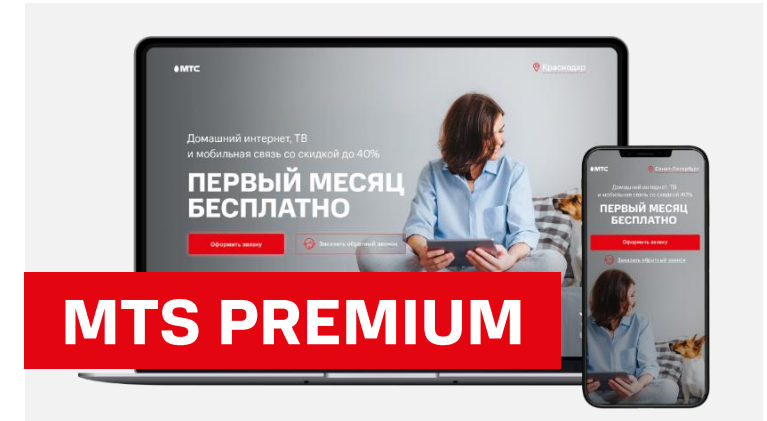
Spotify launch partnership in Russia

- World's most popular audio streaming subscription service.
- Exclusive offer of 6 months free for many MTS subscribers.
- Further demonstration of MTS as partner of choice for leading global players.



Expanding MTS video content & marketing

- Recent agreements significantly expand library of in-demand titles on MTS TV.
- Projects for exclusive content in progress, future platform magnet.
- Nationwide advertising campaign underway.



MTS Premium ecosystem subscription

- ₺199/month, free for high-revenue customers (₺1,500+/month).
- Combines exclusive offers & services from across MTS:

CONNECTIVITY

- +5GB mobile data
- Free spam call blocking
- Discounts on other services

CONTENT

- MTS TV subscription

BANKING

- Exclusive rates

SHOPPING

- Special offers

SUPPORT

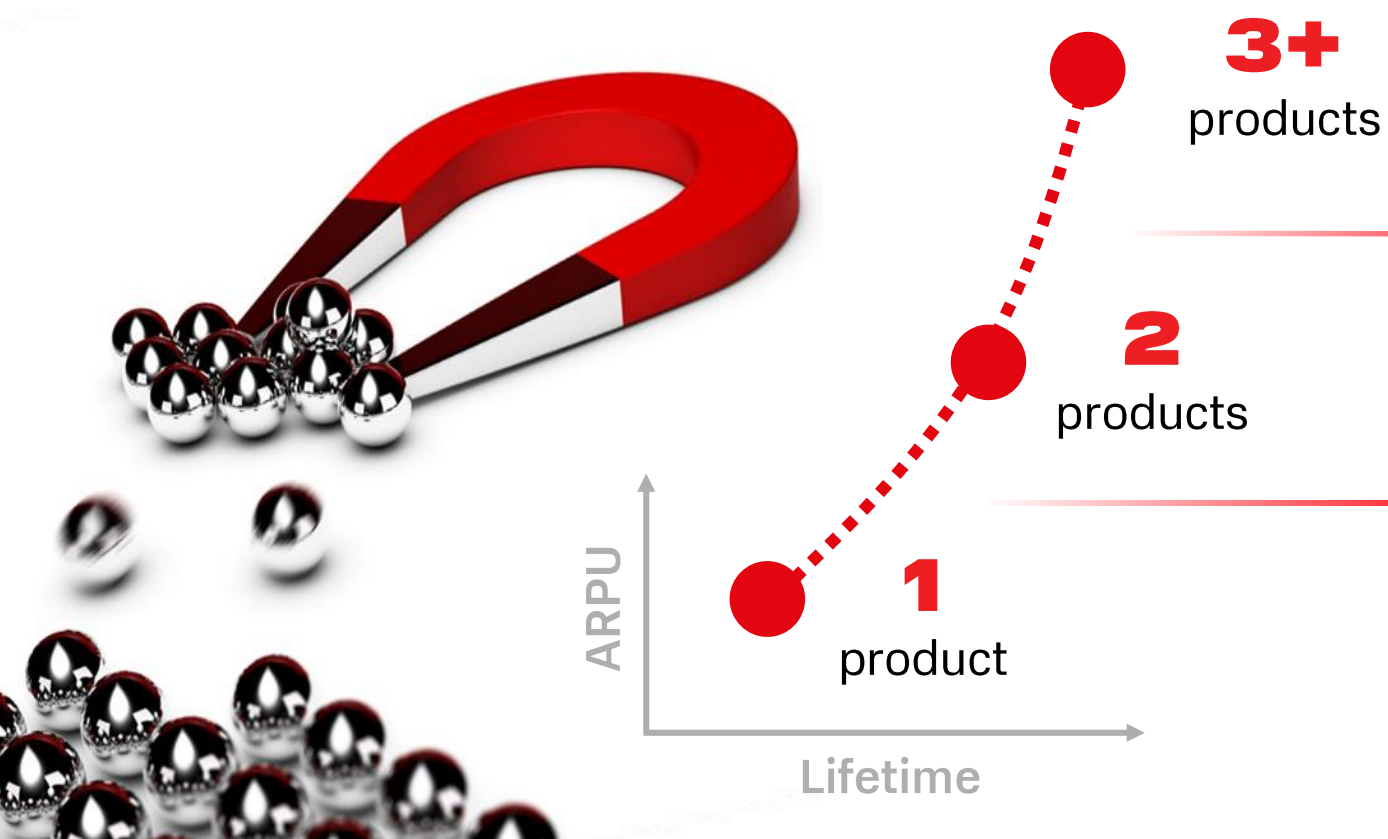
- Dedicated hotline

Building momentum toward ecosystem success

1 Attracting users with outstanding products

2 Growing the bundled & multi-service user base

3 Driving Customer Lifetime Value (CLV)



>2x **>3x**
ARPU uplift churn reduction

1.7x **>2x**
ARPU uplift churn reduction

Observed average revenue and churn dynamics of subscribers to multiple MTS services versus a single service only.

TELECOM & B2B UPDATE



Inessa Galaktionova

First VP for Telecommunications

Agile adaptation to better meet customer needs



- Nearly all MTS stores were operating normally by Q3.
- Driving growth in online SIM sales & self-registration.
- Launched new online channel partners (Ozon, Wildberries).
- Growing brick-and-mortar partnerships (e.g. Detsky Mir).



- Focus on personalized CRM leveraging Big Data analytics.
- Significant drop in churn in Q2.
- Supported customers impacted by COVID-19 in Q2 with zero-cost services:

VOICE

- Free calls to airlines and gov't hotlines
- Free inbound calls for zero balance accounts
- Free mental health hotline

DATA

- Free telemedicine consultations
- Free traffic to gov't sites
- Free traffic to educational sites

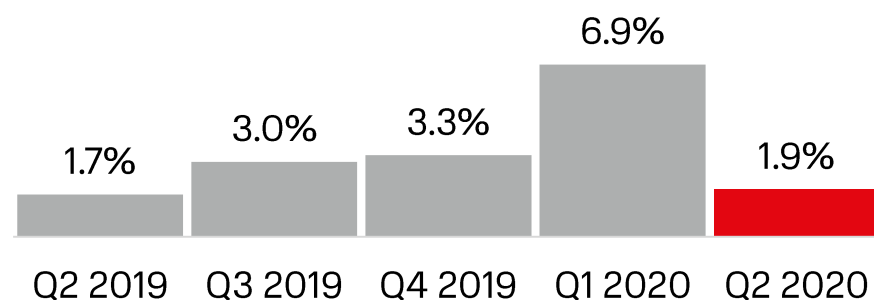


- Significant quarterly jump in our subscriber base, as well as lower churn.
- Continue to cement relationships through FMC.
- Rolled out IP TV based on unified technical backend in Moscow and 10+ large Russian cities.

Resilient core standing firm against headwinds

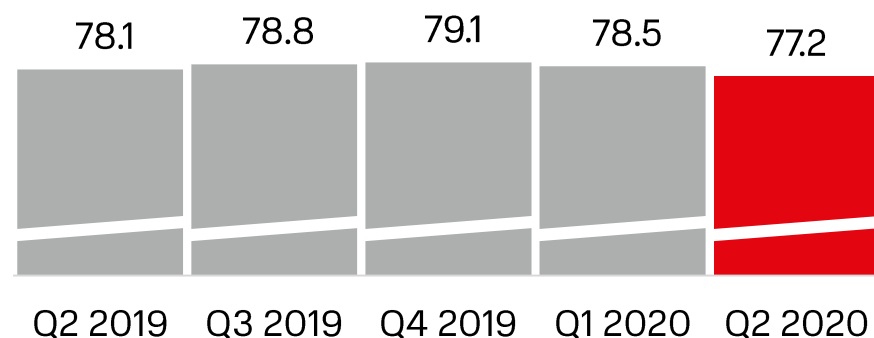
Mobile service revenue growth*

% change year-over-year



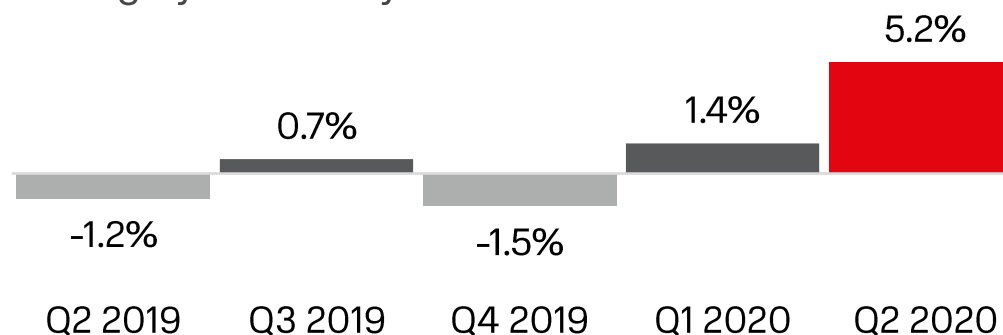
3M mobile subscribers*

m



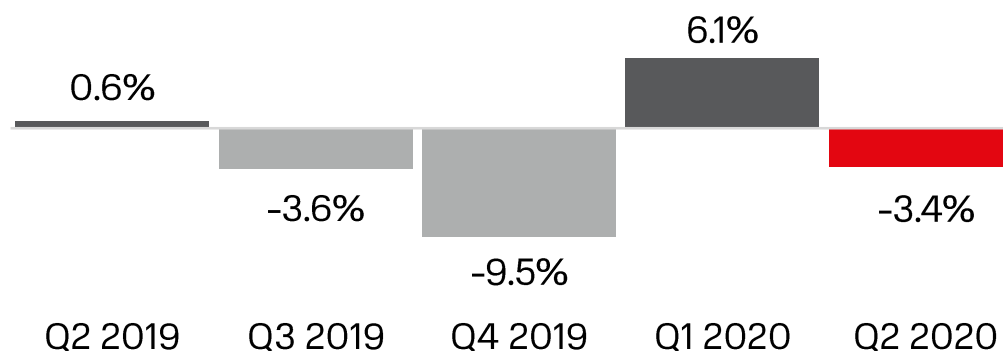
Fixed-line revenue growth*

% change year-over-year



Sales of handsets & accessories*

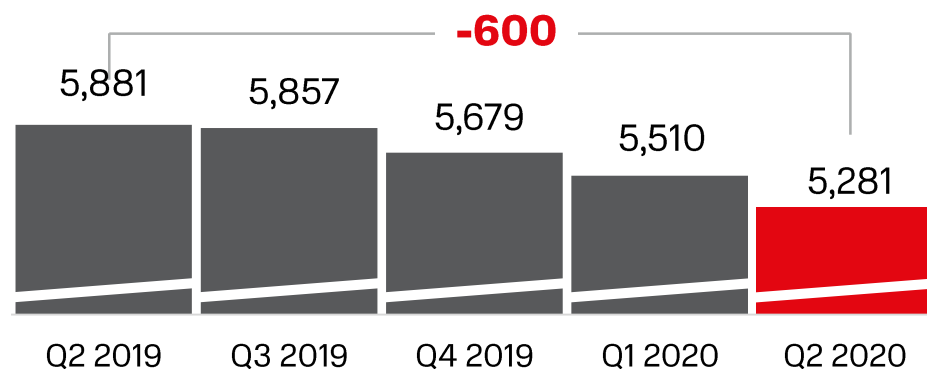
% change year-over-year



Forging ahead on retail optimization & transformation

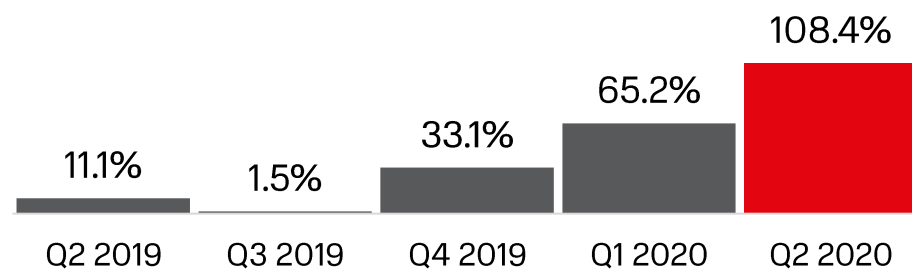
MTS store count*

of owned/franchised outlets



Online retail sales growth*

(% change year-over-year)



*Russia only



Capturing the increased B2B appetite for digitalization

>2x

MTS Cloud
revenue
growth y/y
Customers
+50% y/y



+₽1bn

New contracts
with large B2B/G
enterprise
clients



+30%

Internet of Things
revenue y/y
(smart connectivity &
vertical solutions)



+67%

MTS Marketer
revenue y/y
Customers +25%

FINTECH UPDATE



Ilya Filatov

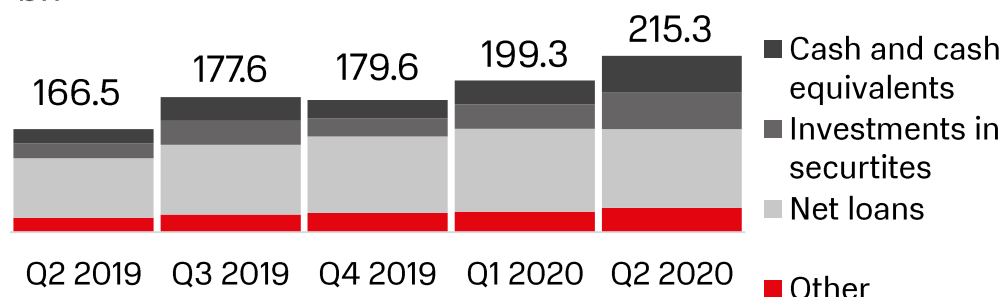
VP for Financial Services
CEO, MTS Bank

Loan issuance slowdown, environment stabilizing

MTS Bank assets

₽ bn

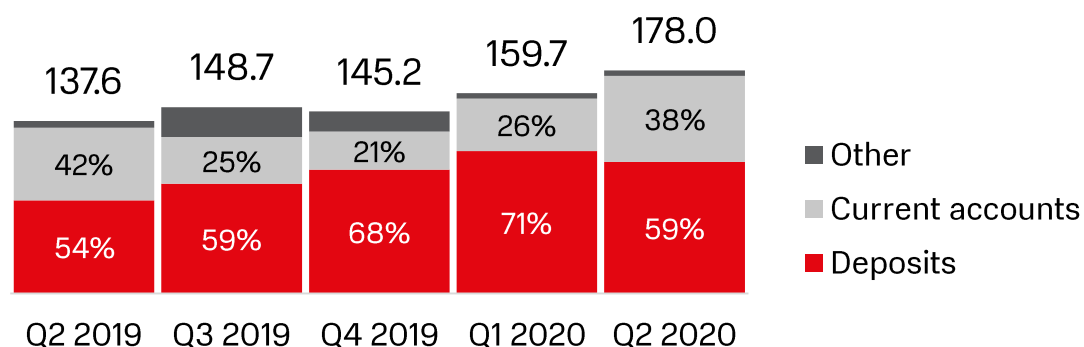
+29.4% y/y



MTS Bank funding

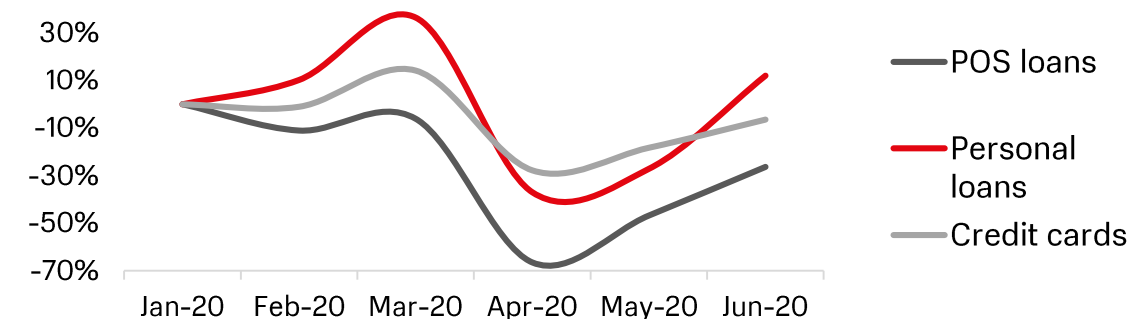
₽ bn at end of period

+28.3% y/y



Total monthly loans issued by Russian banks*

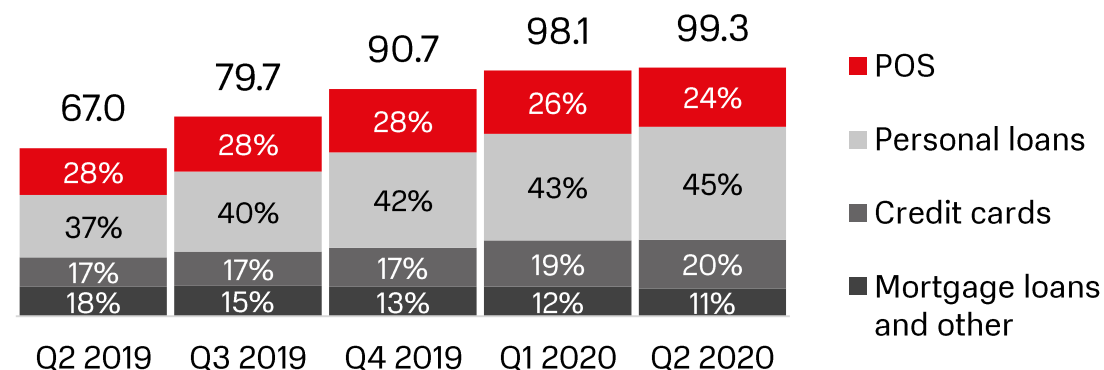
Market aggregate of licensed banks in Russia, Jan-20 baseline



Retail loan breakdown

₽ bn at end of period

+48.1% y/y

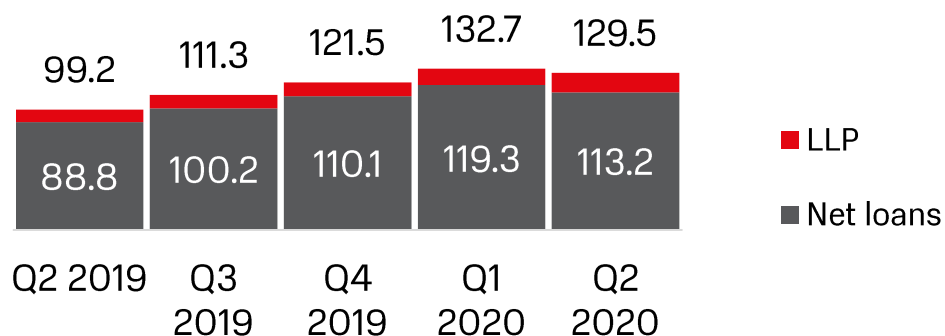


Navigating challenges, long-term ambitions intact

MTS Bank gross loans

₹ bn at end of period

+30.6% y/y



Segment breakdown

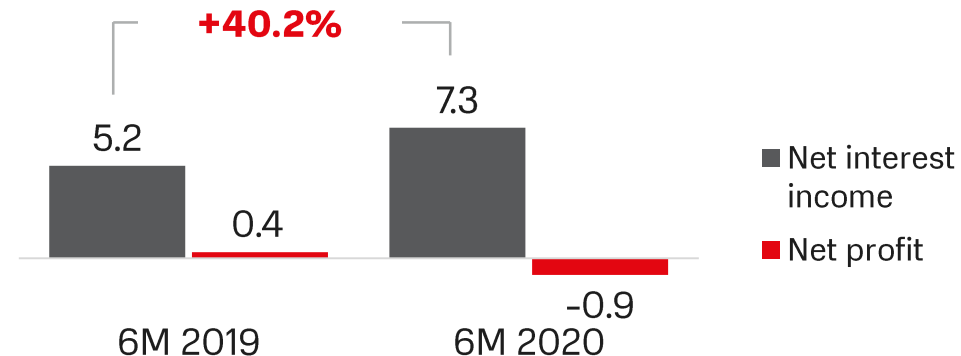
% of gross loans



MTS Bank income

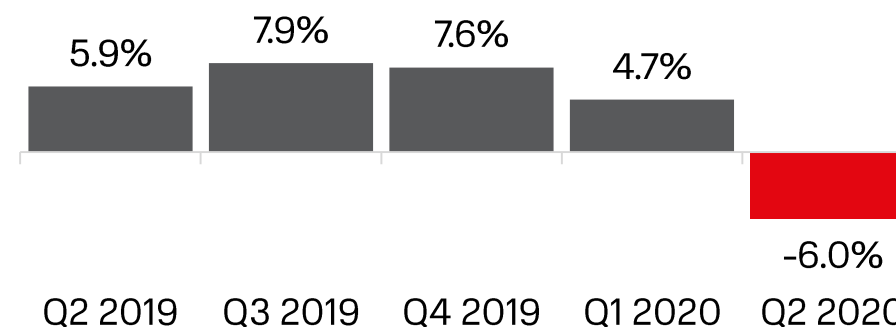
₹ bn

+40.2%



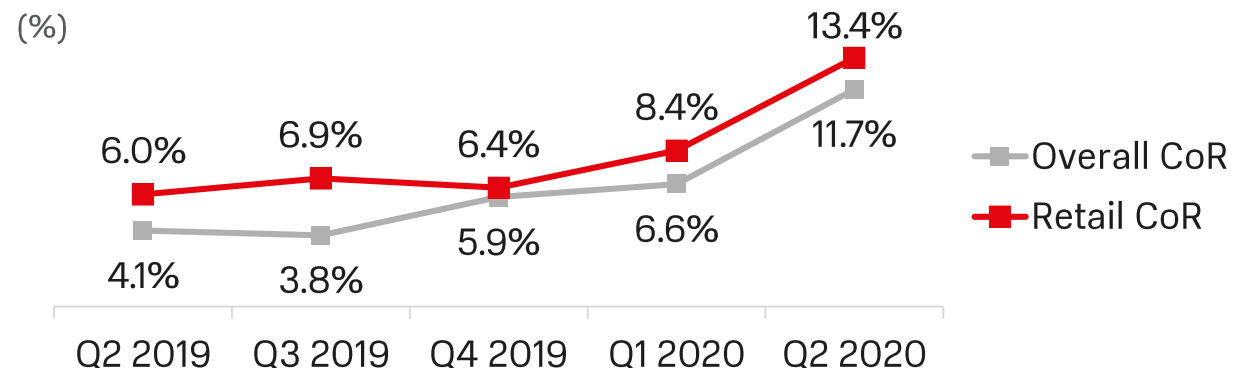
MTS Bank return on equity*

%

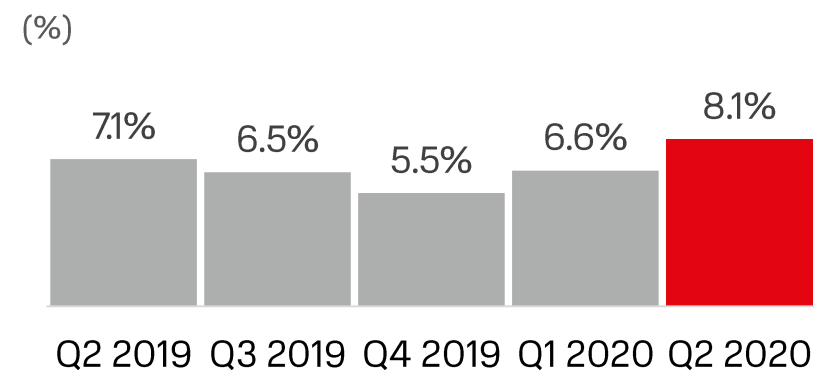


Managing risk with healthy safety margins

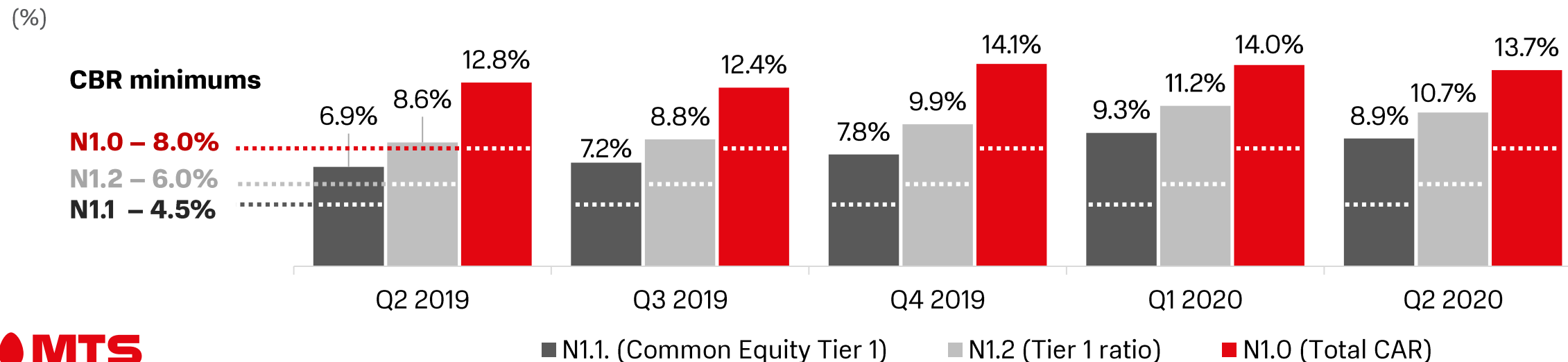
Cost of Risk



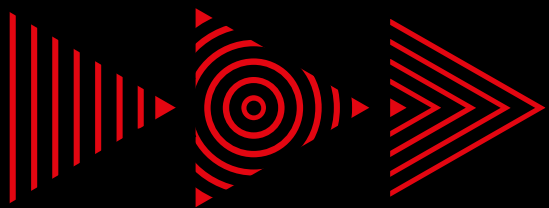
Non-performing retail loans



Capital adequacy ratios (Basel III)



FINANCIAL UPDATE

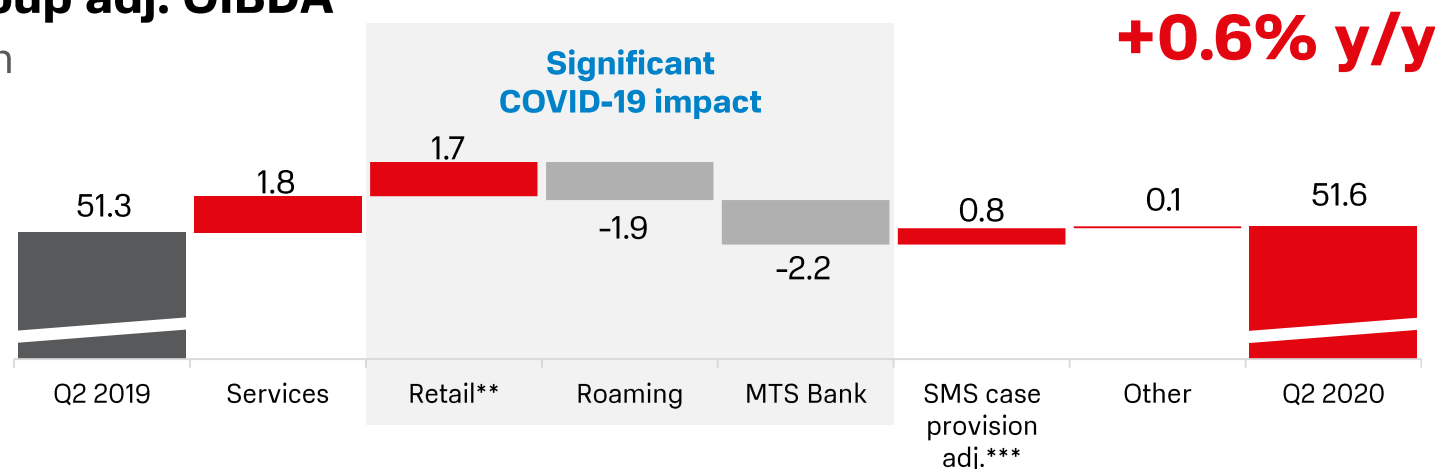


Andrey Kamensky
VP for Finance

Solid underlying performance, COVID-19/other impacts

Group adj. OIBDA*

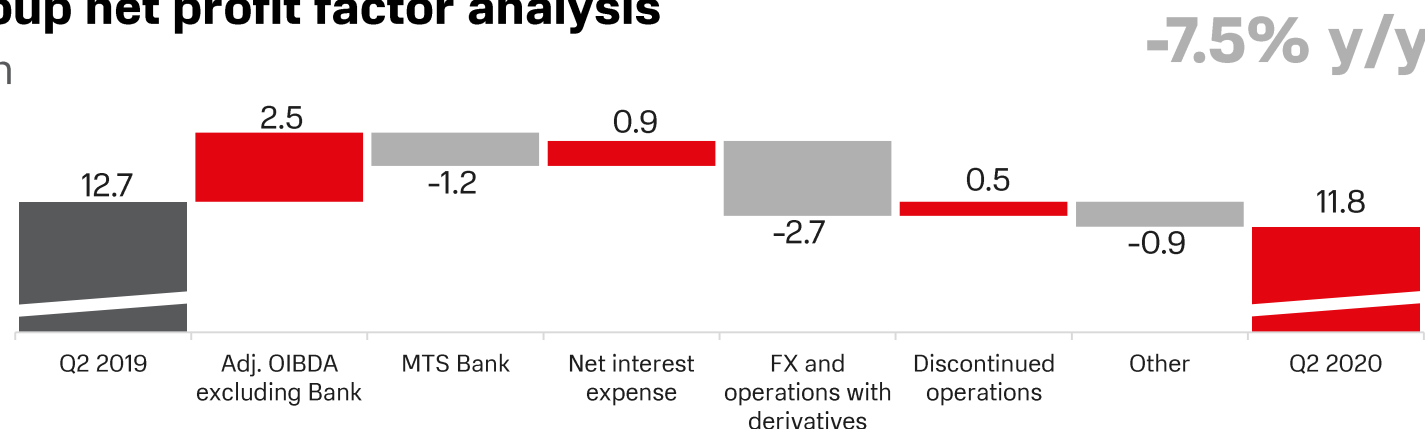
₽ bn



- Group adj. OIBDA was negatively impacted by COVID-19-related factors, including sharply lower international roaming and provisioning of loan impairments at MTS Bank.
- At the same time, Group adj. OIBDA was supported by core services as well as OPEX savings from lower retail costs, including due to temporary store closures amid the COVID-19 pandemic.
- Net profit was supported by solid core business performance and lower net interest expense, as well as disc'd operations.
- Negative impacts were seen from MTS Bank as well as FX effects / operations with derivatives and other factors.

Group net profit factor analysis*

₽ bn



*Adjusted OIBDA does not include a loss from impairment of non-current assets of RUB 0.9 bn for Q2 2020. Totals may add up differently due to rounding.

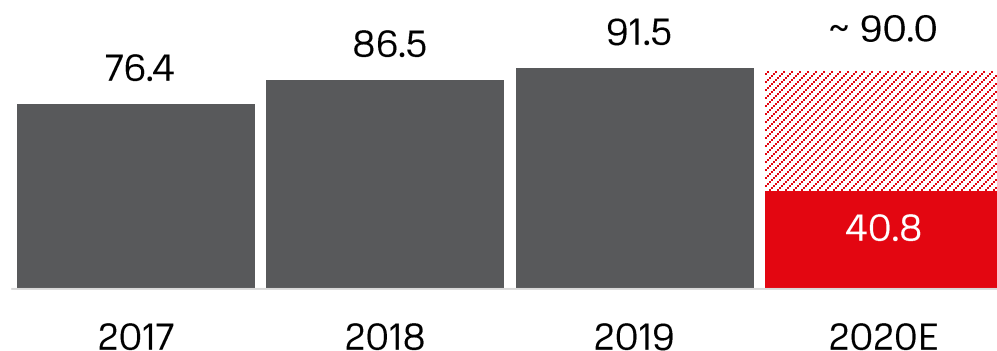
**Retail - RTC, wholly-owned subsidiary of MTS, handling all functions relating to MTS retail operations, including the purchase and sale of handsets and accessories and subscriber enrollment at MTS retail outlets.

*** Revaluation of provision related to FAS penalty for violation of antimonopoly laws in respect to establishing distinguished terms and conditions for bulk SMS pricing for banks.

Sustained investment & robust cash generation

Group Cash CAPEX

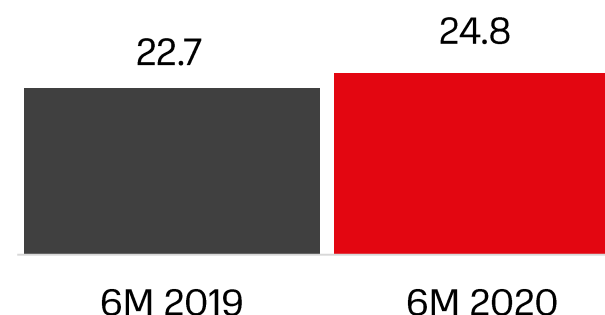
₽ bn



Free Cash Flow*

₽ bn

+₽2.1bn y/y

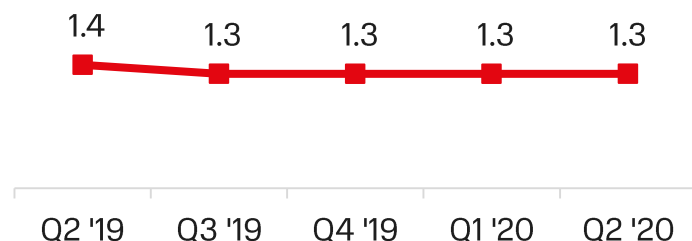


- In H1 2020, Group free cash flow increased RUB 2.1 bn year-over-year, reflecting a low base from relatively higher tax payments in H1 2019, which was partially offset by negative WC dynamics in comparison with H1 2019

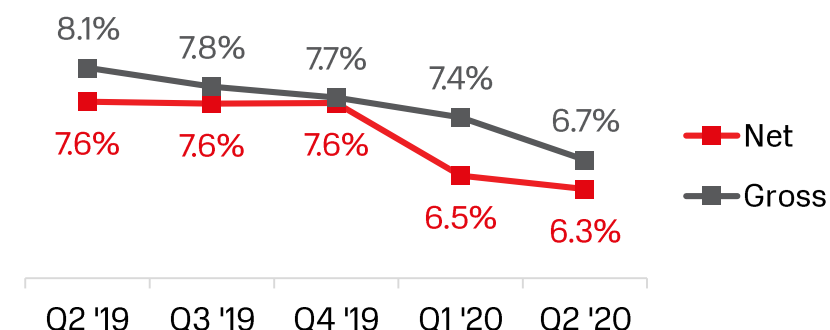
	6M 2020		6M 2019	
	Cash Capex (RUB bn)	Cash Capex/ Sales (%)	Cash Capex (RUB bn)	Cash Capex/ Sales (%)
Russia	40.1	17.1%	35.1	15.6%
Armenia**	0.7	19.6%	0.3	9.2%
Group**	40.8	17.2%	39.3	n/a

Stable leverage, decreasing cost of debt

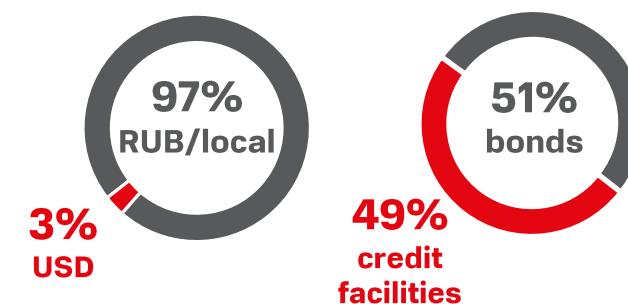
Net debt* / LTM OIBDA



Weighted average interest rates



Gross debt* composition

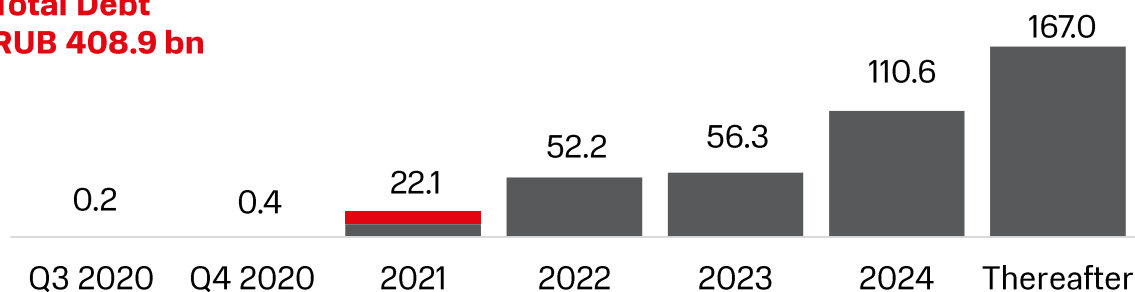


Debt repayment schedule

₽ bn

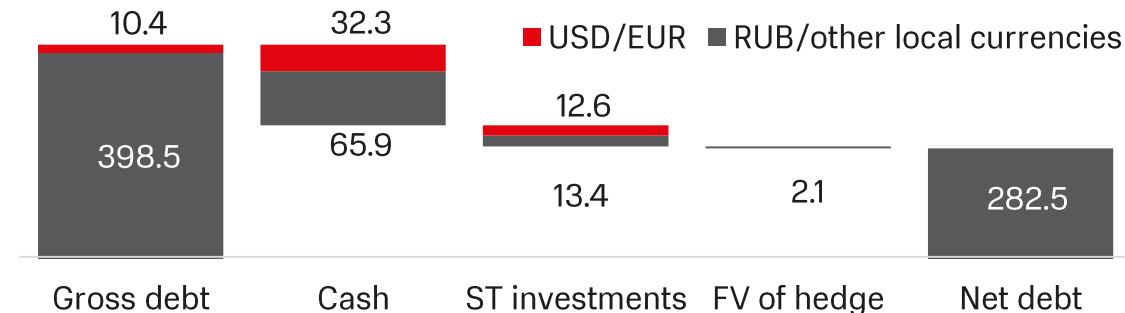
Total Debt***
RUB 408.9 bn

■ Bonds BO-02 ruble bonds contain put options that as of June 30, 2020, MTS expected to be exercised in March 2021



Gross to net debt* walk**

₽ bn

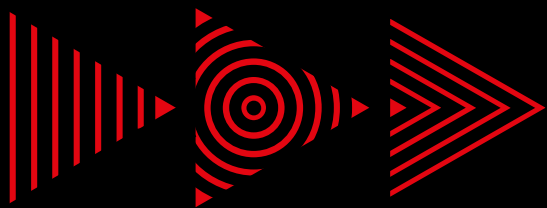


*Excluding IFRS lease liabilities

**Including FOREX hedging in the amount of USD 300.0m as of June 30, 2020, totals may add up differently due to rounding

***Net of unamortised debt issuance cost adjustment

WRAP-UP



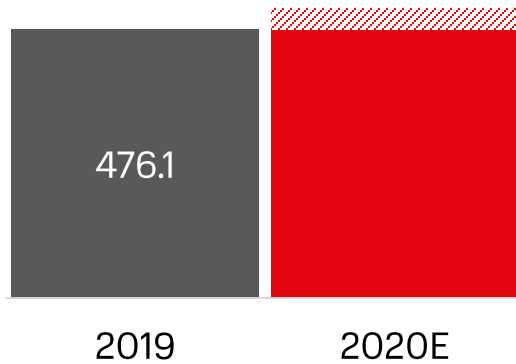
Alexey Kornya
President & CEO

Prudent full-year outlook from Q1, reaffirming guidance*

Revenue

¥ bn

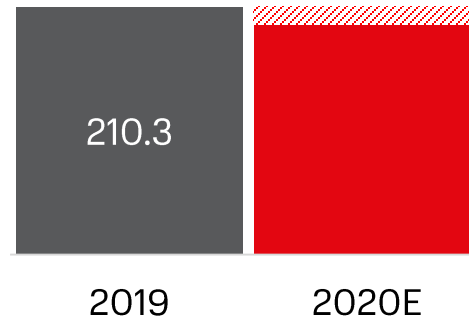
flat to +3%



Group adj.OIBDA

¥ bn

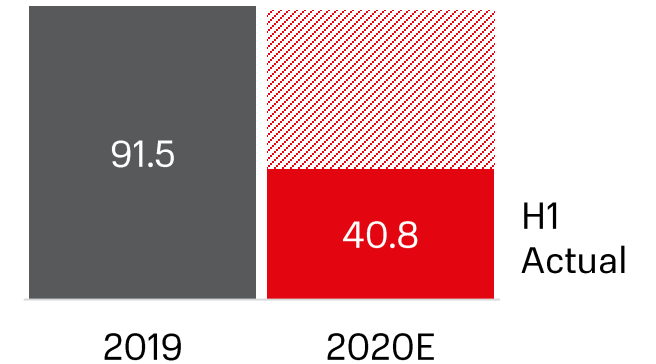
-2% to flat



Cash CAPEX

¥ bn

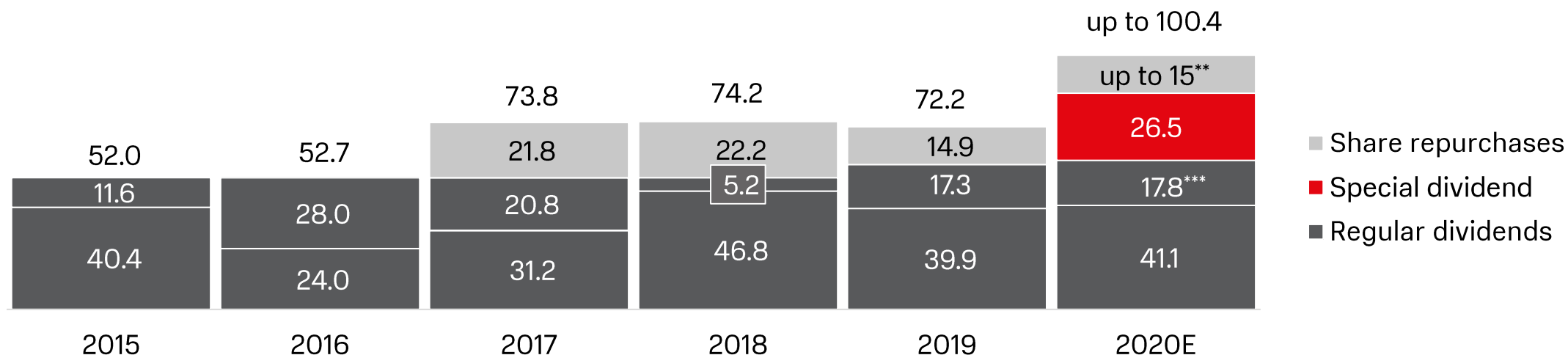
¥ ~90 bn



Record year for shareholder returns

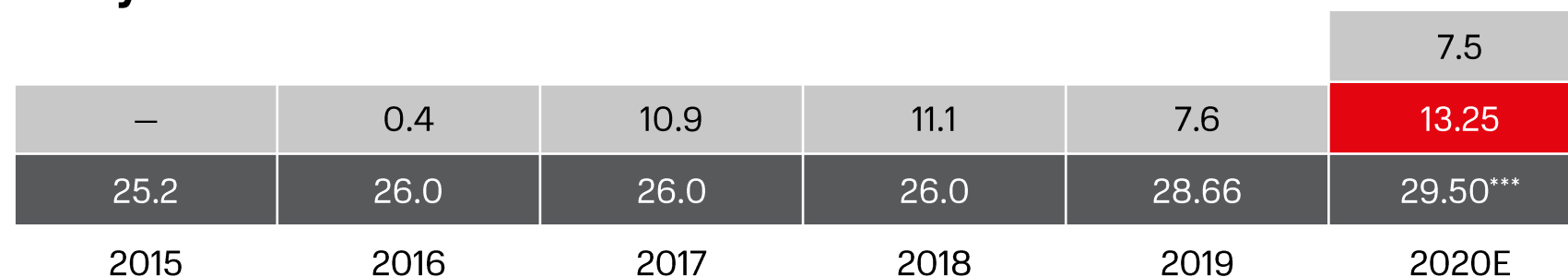
Total dividends plus buybacks*

₽ bn

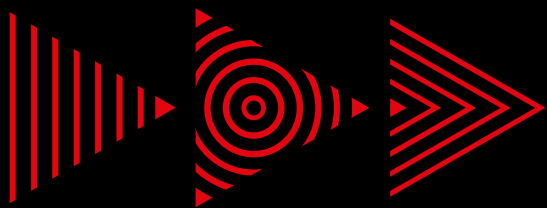


Per ordinary share

₽



Q&A

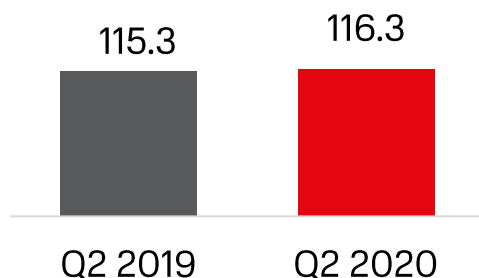


Country performance breakdown

Russia revenue

RUB bn

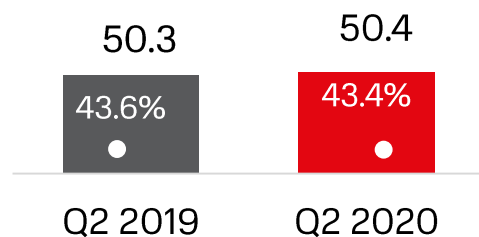
+0.8% y/y



Russia adj OIBDA & margin

RUB bn, %

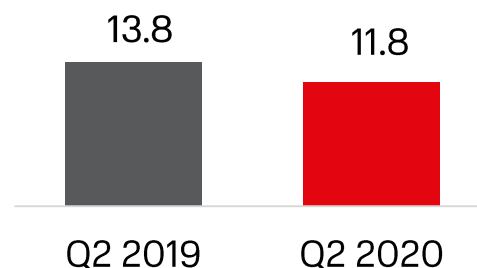
+0.3% y/y



Armenia revenue

AMD bn

-14.3% y/y



Armenia OIBDA & margin

AMD bn, %

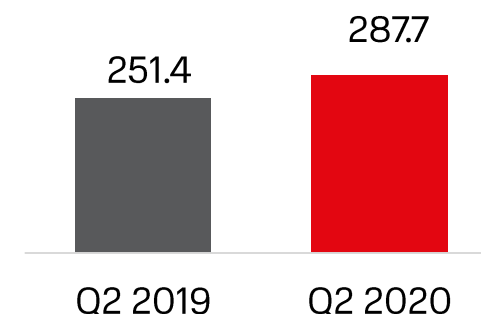
-12.1% y/y



Belarus revenue*

BYN m

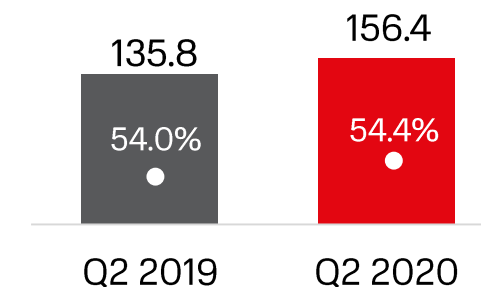
+14.5% y/y



Belarus OIBDA & margin*

BYN m, %

+15.2% y/y





MTS Investor Relations



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