

MTS Q3 2020 Results

CATCHING THE DIGITAL WAVE

November 17, 2020 | ir.mts.ru

MTS

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 & HIGHLIGHTS

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

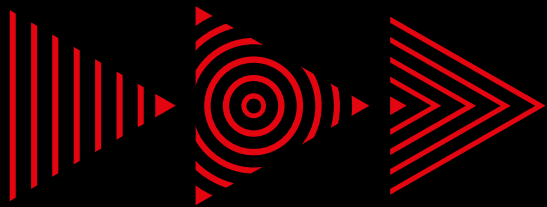


WRAP-UP & OUTLOOK

Alexey Kornya

President & CEO

OVERVIEW & HIGHLIGHTS

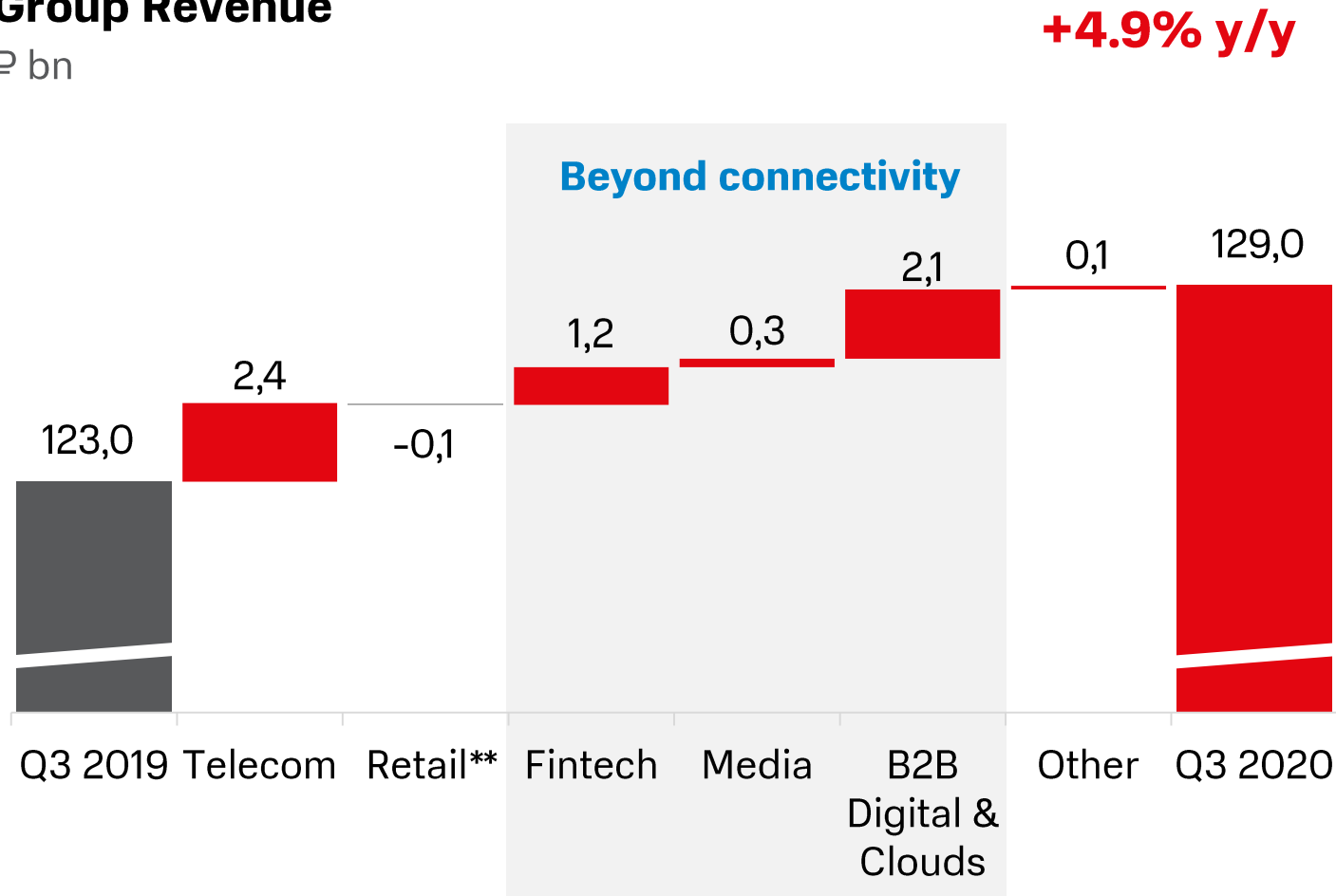


Alexey Kornya
President & CEO

Balanced growth driven by both telecom + new areas

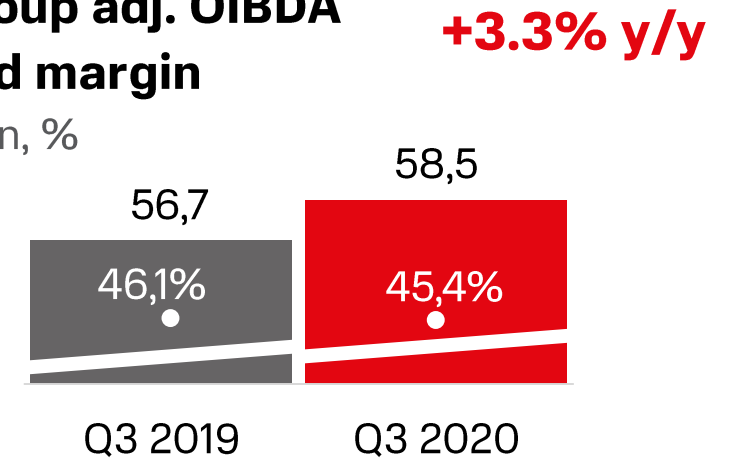
Group Revenue

₹ bn



Group adj. OIBDA* and margin

₹ bn, %



Commentary

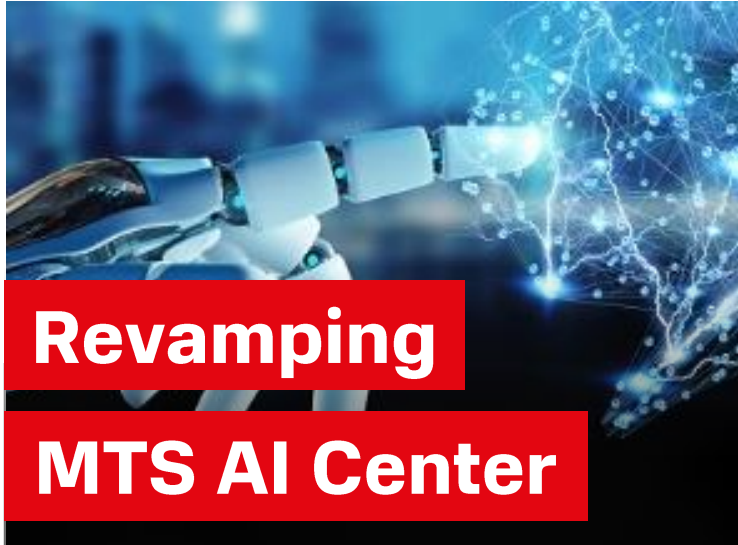
- Balanced top-line growth driven primarily by areas beyond connectivity, as well as core telecom services.
- Group adj. OIBDA saw solid performance, supported by top-line growth as well as opex savings, which more than compensated for a sizable negative impact due to reduced international roaming revenue during peak summer travel season amid the COVID-19 pandemic.



*Adjusted OIBDA has been adjusted for the reversal of impairment of non-current assets of RUB 21 m for Q3 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.

Strategic execution – recent highlights & milestones



Revamping MTS AI Center

- Reinforcing the Company's efforts in artificial intelligence with a new VP position for AI and an expanded MTS AI Center.
- Developing AI solutions for both internal and third-party applications, with international aspirations.



Expanding cloud infra

- New Tier III modular data center launched outside St. Petersburg, expanding the Company's footprint to 11 data centers in Russia.
- Signed agreement on deploying Canonical's Charmed OpenStack solution.



Positioning toward 5G

- Received Russia's first 5G license (mmWave).
- Opened a joint 5G zone featuring OpenRAN tech at Moscow's Skolkovo Institute of Science and Technology (Oct.).
- Launched a new 5G pilot zone in Tomsk in Siberia (Aug.).

ECOSYSTEM UPDATE



Slava Nikolaev

First VP for Customer Experience, Marketing,
& Ecosystem Development

Driving ecosystem penetration & engagement

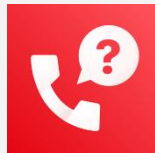


**Multiproduct
users**

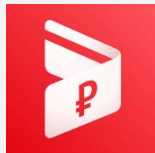
6 million

MTS customers

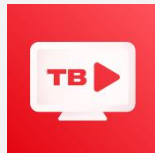
using at least 2 services
across 3 segments:



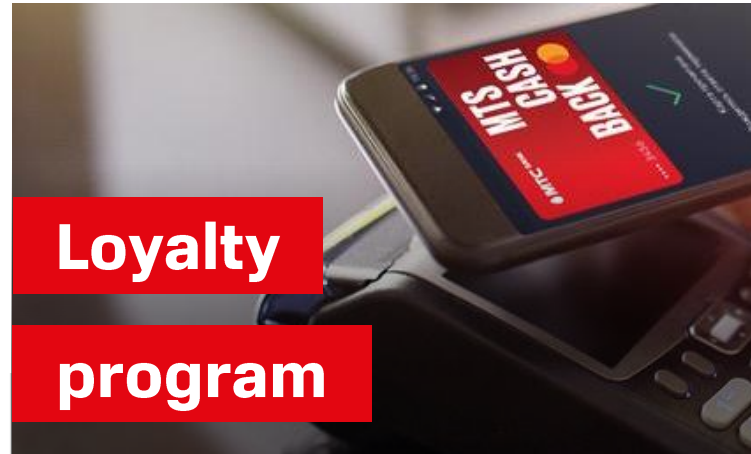
TELECOM



FINTECH



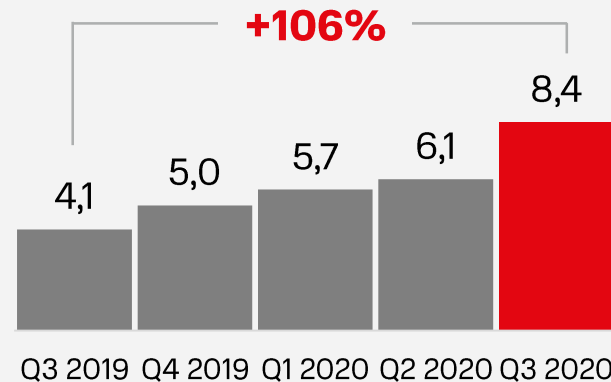
MEDIA



**Loyalty
program**

MTS Cashback users

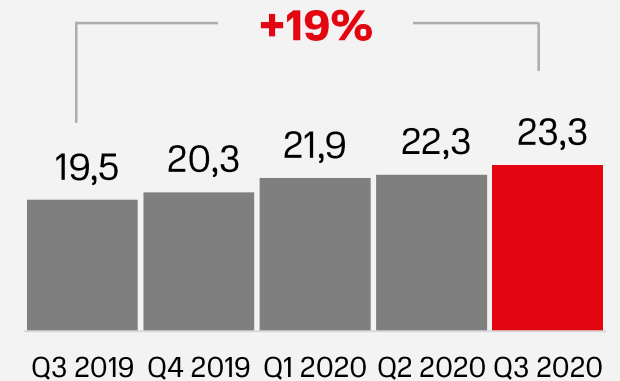
Registered, m



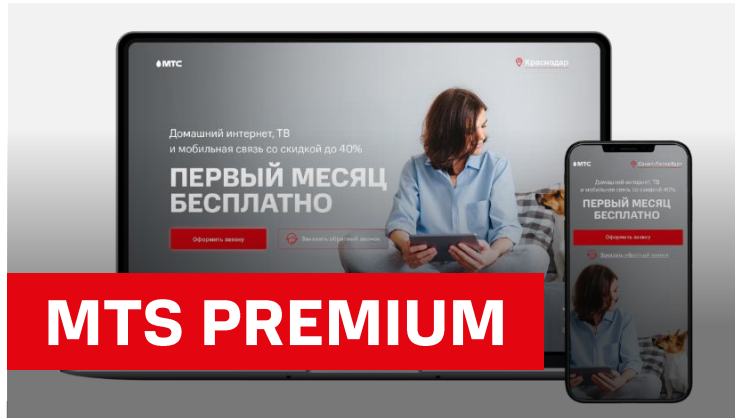
**Digital
customer care**

MyMTS app users

MAU, m



Attracting users to services beyond connectivity



MTS PREMIUM

>4 million

MTS premium users

Including both paid (₽199/month) and eligible subscribers (₽1,500+/month spending on MTS services).

CONNECTIVITY

- +5GB mobile data
- Free spam call blocking
- Attractive discounts

CONTENT

- MTS TV access

BANKING

- Exclusive rates

SHOPPING

- Special offers

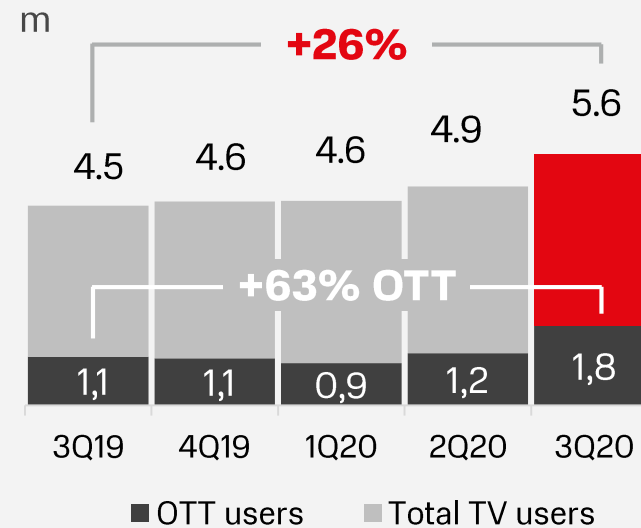
SUPPORT

- Dedicated hotline



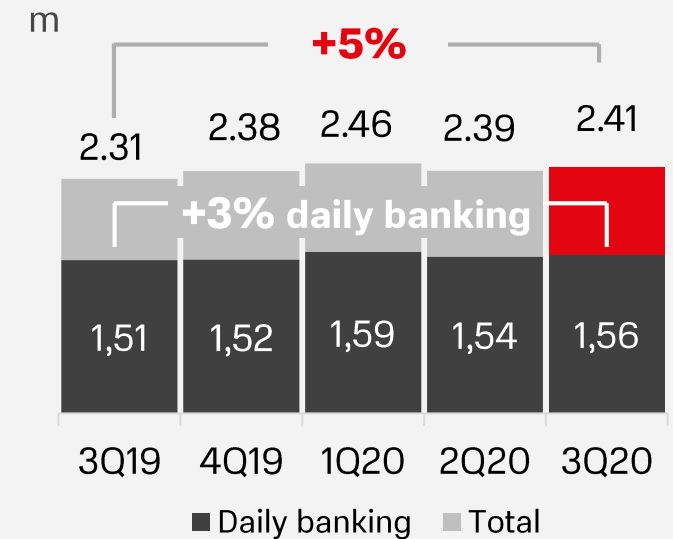
MTS TV

MTS Pay-TV users



MTS Bank

MTS Bank clients



Winning consumer mindshare as an ecosystem player

top-3

ecosystem brand
perception in Russia*



>50%

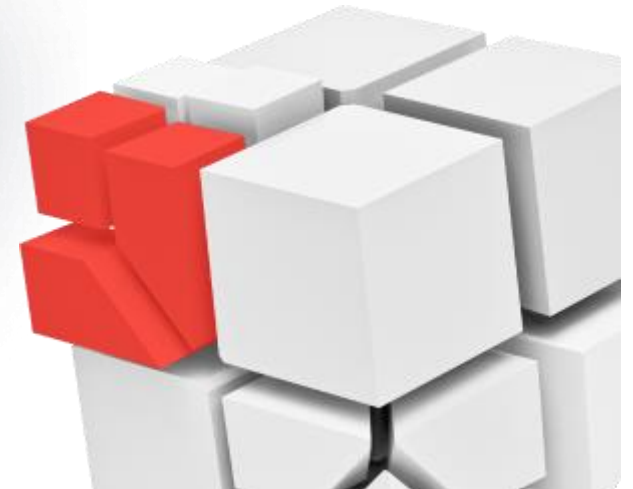
marketing spend
on bundle offers and
ecosystem
promotion



>10
apps

**w/unified login & payment
plug-in modules**

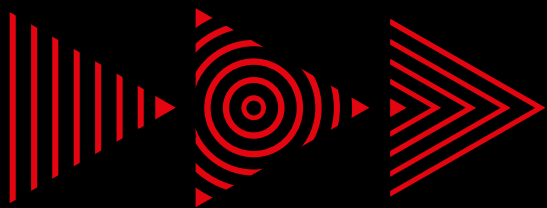
aiming to provide a more
seamless user interface and
easier in-app/via-app purchases



*Based on internal MTS consumer tracking of leading tech and financial services companies

**Users spending over ₺1,500/month on MTS subscription-based services are automatically enrolled in MTS Premium

TELECOM & B2B UPDATE



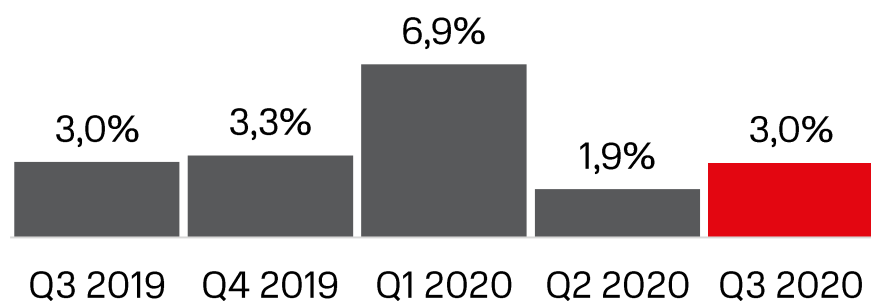
Inessa Galaktionova

First VP for Telecommunications

Solid MSR & subscriber gains despite headwinds

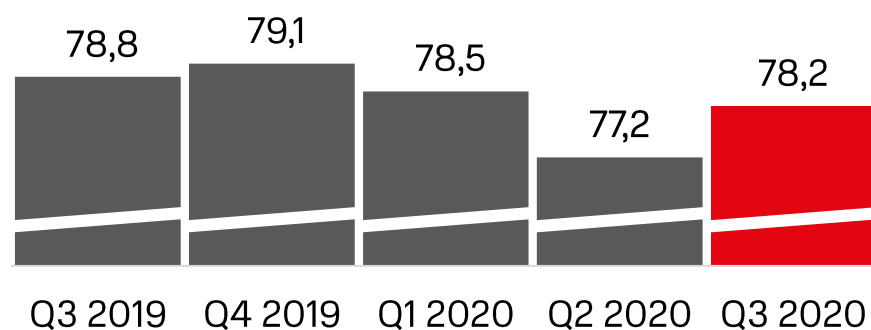
Mobile service revenue growth*

% change year-over-year



3M mobile subscribers*

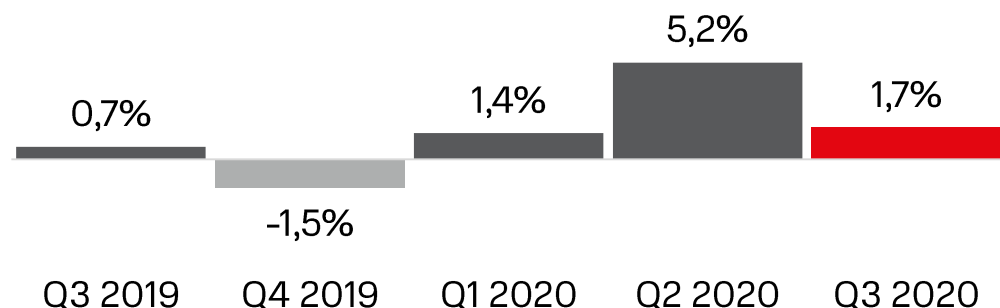
m



Fixed-line revenue growth*

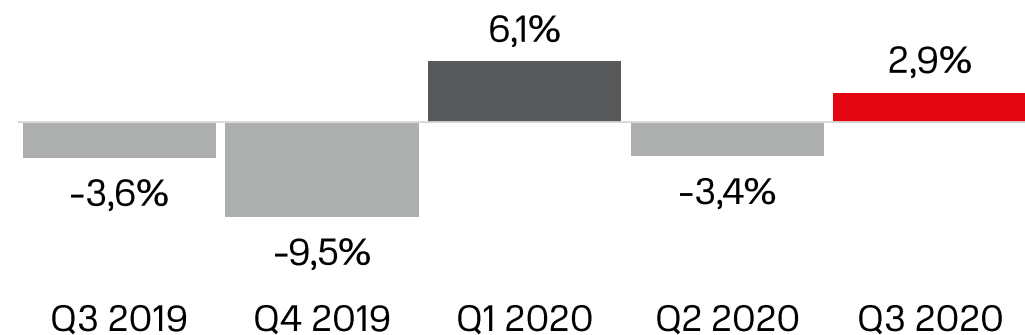
% change year-over-year

**+5.4% y/y
excl. telephony**



Sales growth of handsets & accessories*

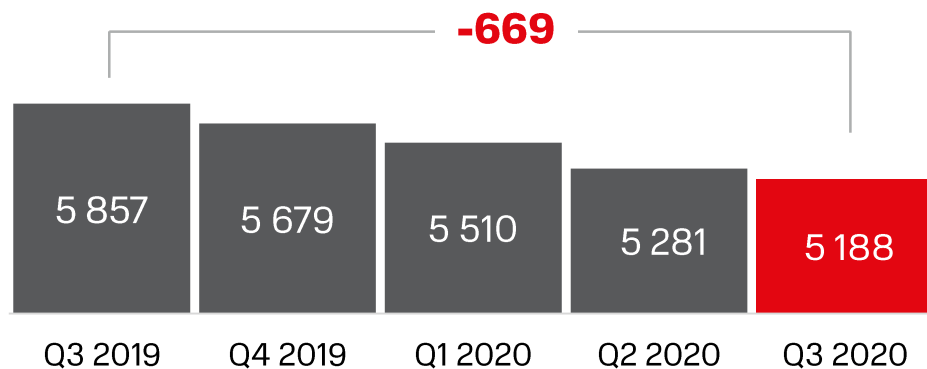
% change year-over-year



Expanding digital channels for sales & distribution

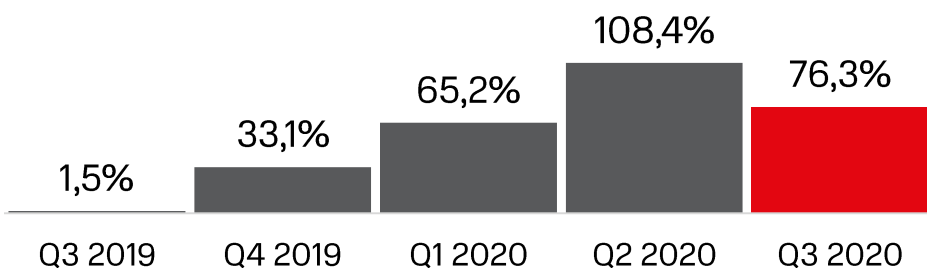
MTS store count*

of owned/franchised outlets



Online retail sales growth*

(% change year-over-year)



*Russia only



Capturing B2B/G growth as digitalization accelerates

+24%

B2B revenue

in cloud & digital solutions

+22%

B2G revenue

in digital segments and connectivity

+15%

IoT revenue

NB-IoT network covering 60+ regions

+80%

Cloud revenue

>1600 clients on MTS Cloud platforms

All figures for 3Q20, year-over-year



FINTECH UPDATE



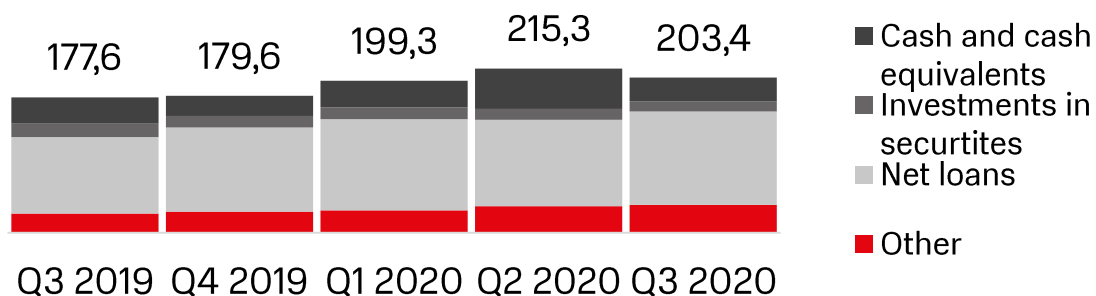
Ilya Filatov

VP for Financial Services
CEO, MTS Bank

Portfolio growth resumed amid market stabilization

MTS Bank assets

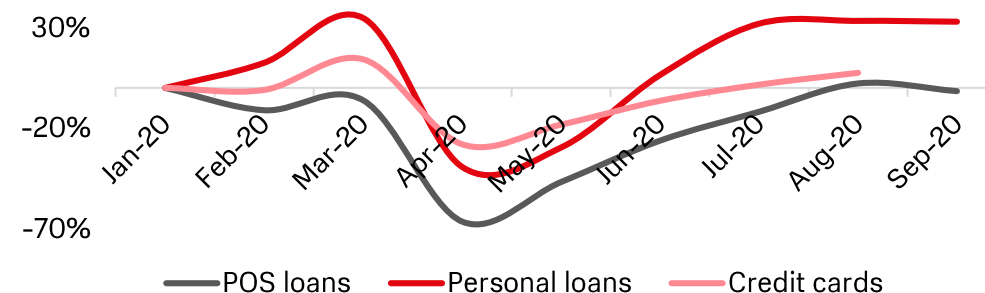
₹ bn



+14.6% y/y

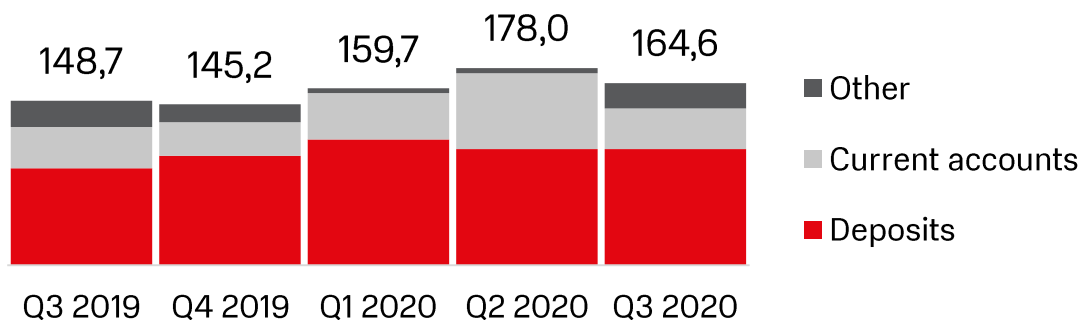
Total monthly loans issued by Russian banks*

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



MTS Bank funding

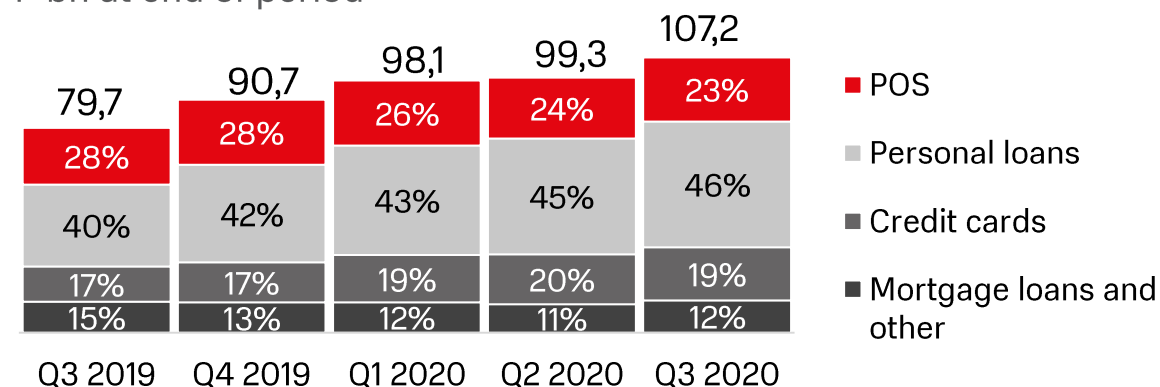
₹ bn at end of period



+10.7% y/y

MTS Bank retail loan breakdown

₹ bn at end of period



+34.4% y/y

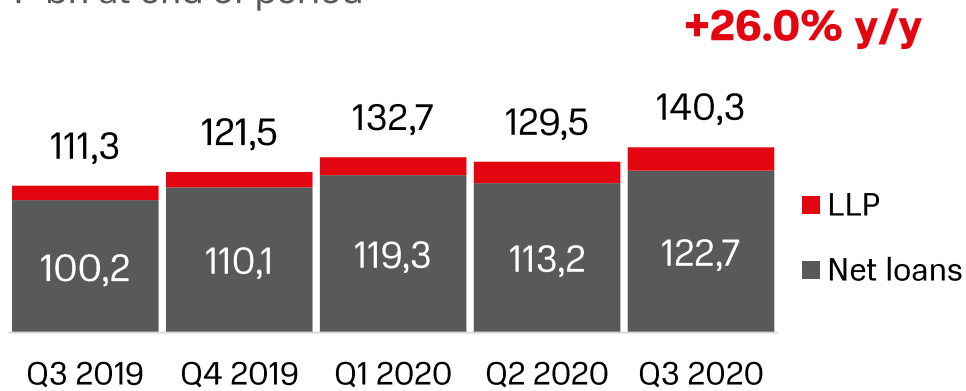


*Source: Frank RG and MTS Bank data

MTS Bank back to positive net profitability YTD

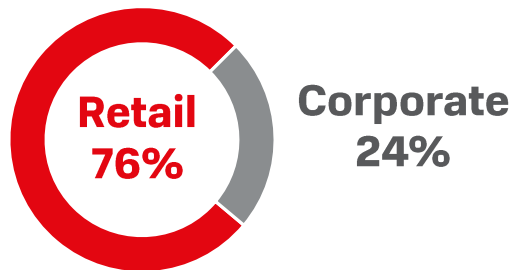
MTS Bank gross loans

₺ bn at end of period



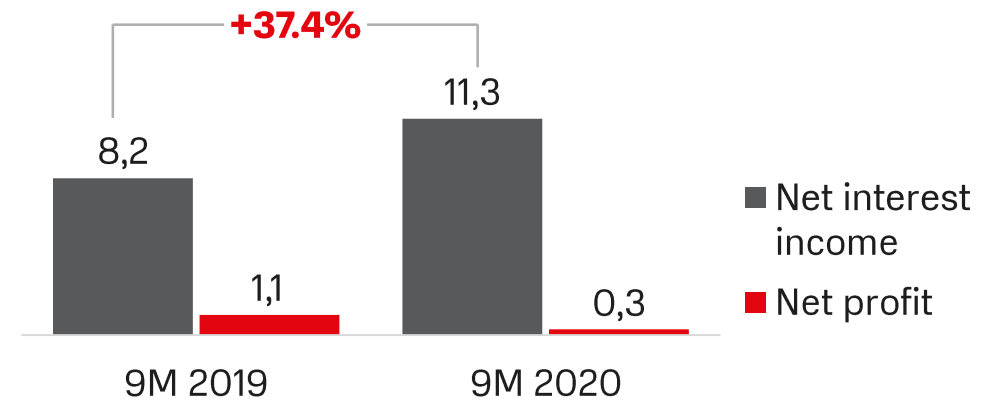
Segment breakdown

% of gross loans



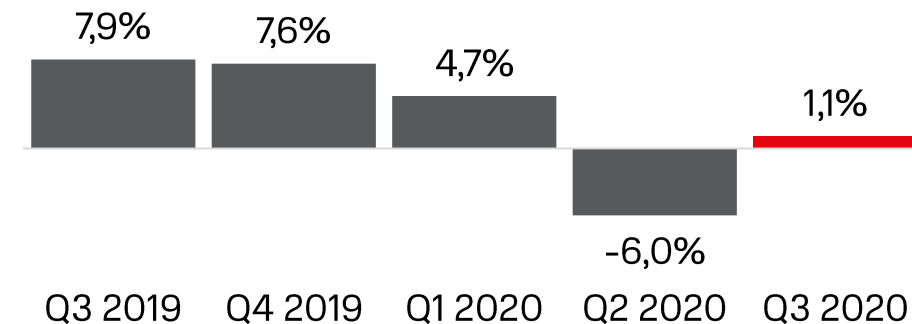
MTS Bank income

₺ bn



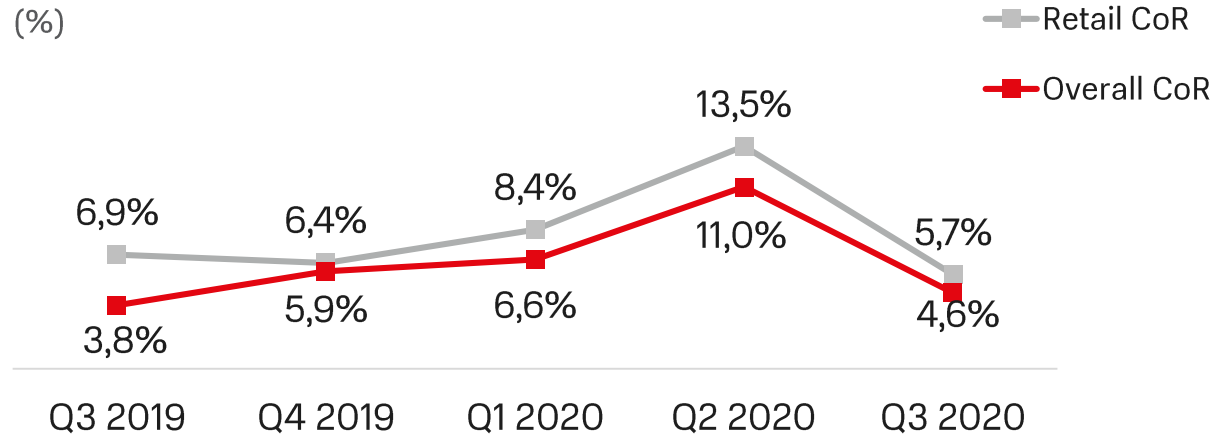
MTS Bank return on equity*

%



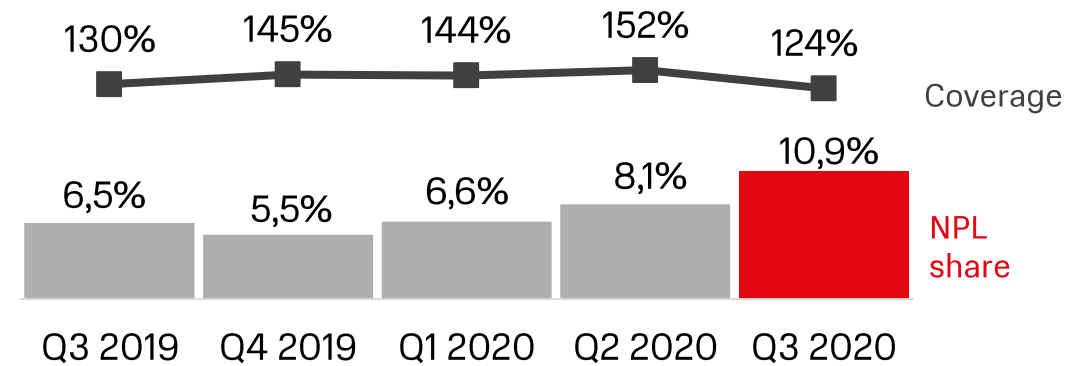
Maintaining a conservative approach to risk

Cost of Risk



Non-performing retail loans

(% of retail portfolio, % NPL coverage by reserves)



Capital adequacy ratios (Quarter-end, Basel III)

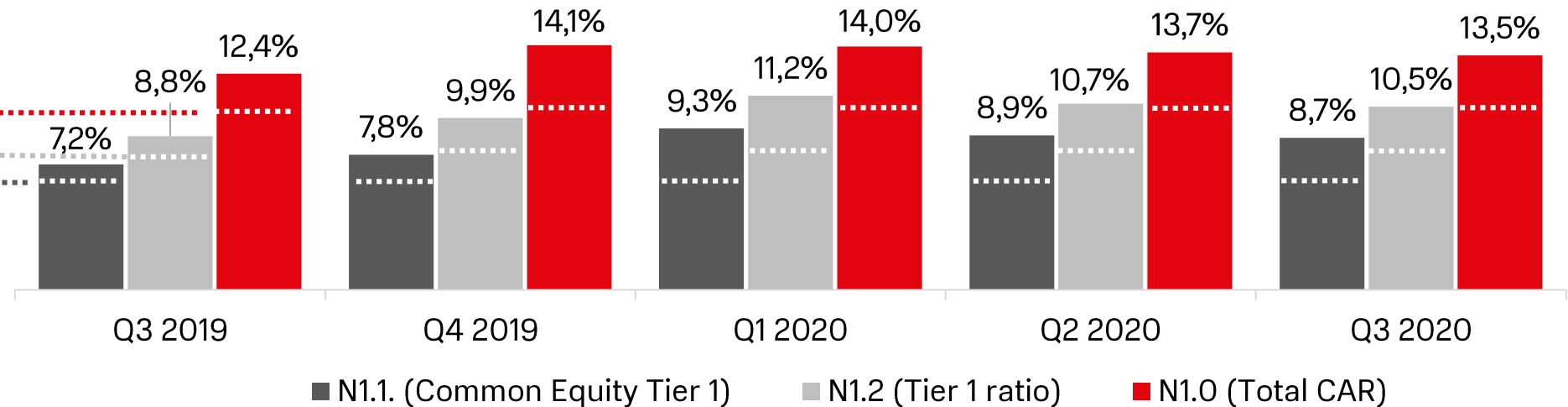
(%)

CBR minimums

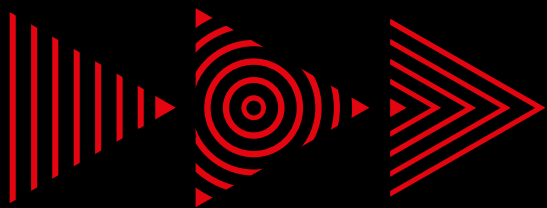
N1.0 – 10.5%

N1.2 – 8.5%

N1.1 – 7.0%



FINANCIAL UPDATE



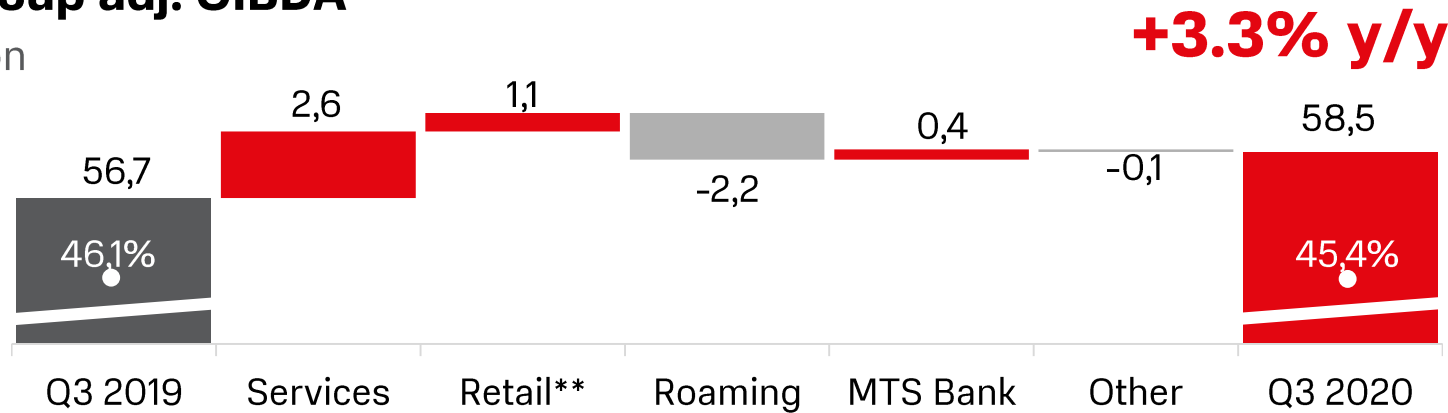
Andrey Kamensky

VP for Finance

Bottom line supported by performance & efficiency

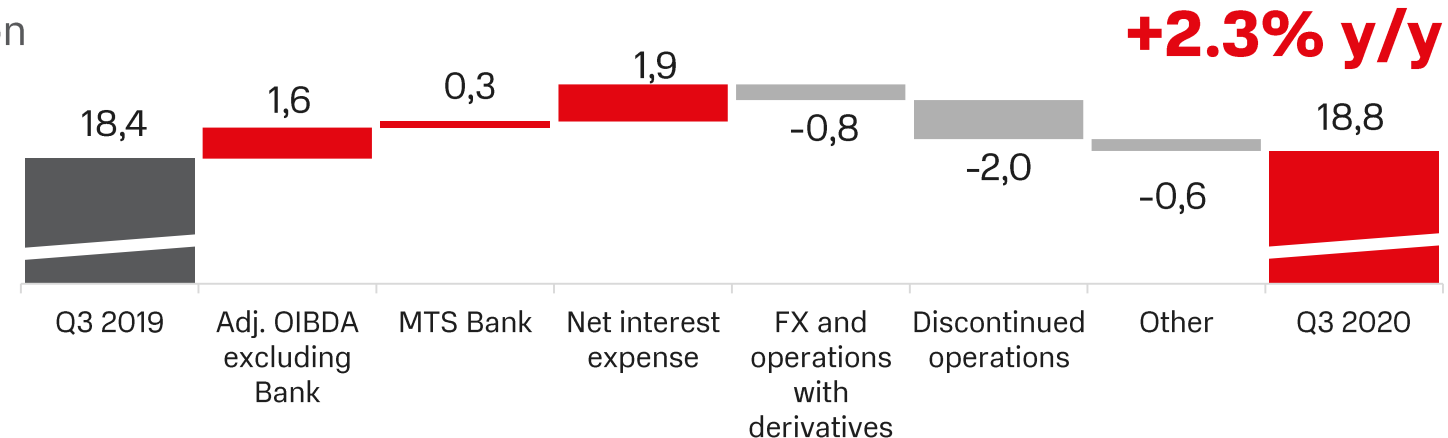
Group adj. OIBDA*

₹ bn



Group net profit factor analysis*

₹ bn



- Successfully delivered year-over-year growth in Group adj. OIBDA despite roaming headwinds larger than in Q2. Key drivers were increased service revenue (excl. roaming) as well as opex savings in retail.
- Net profit was supported by core business performance as well as relatively lower finance costs versus the year-ago quarter, which were partially offset by changes in discontinued operations.



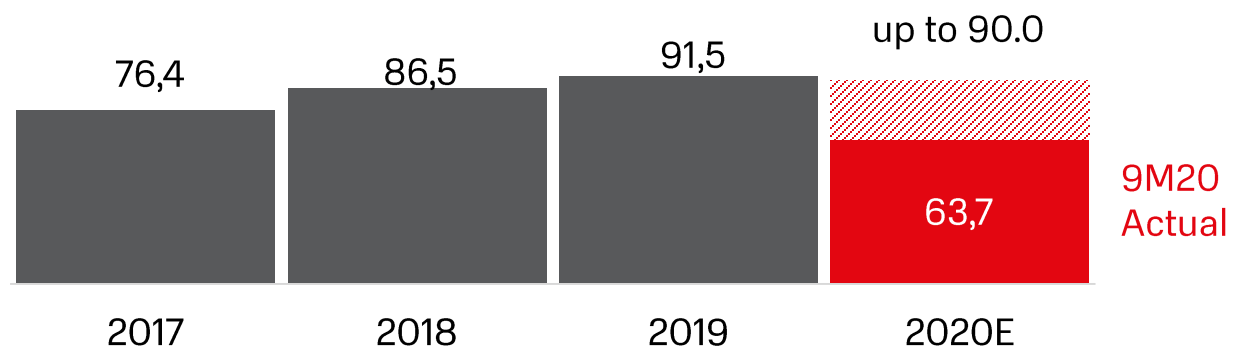
*Adjusted OIBDA has been adjusted for the reversal of impairment of non-current assets of RUB 21 m for Q3 2020. Totals may add up differently due to rounding.

**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.

Deliberate investment & robust core cash flow

Group Cash CAPEX

₽ bn

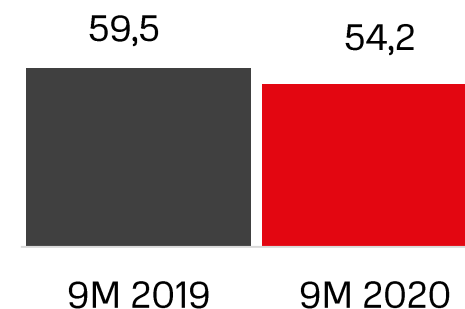


Free Cash Flow

ex-Bank*

₽ bn

-₽5.3 bn yoy



- In 9M 2020, Group free cash flow ex-Bank decreased RUB 5.3 bn versus the year-ago period.* Positive year-over-year impacts on FCF included stronger business performance in 2020 as well as relatively lower tax payments and financing costs, which were more than offset by negative impacts from a high base in 2019 due to discontinued operations (Ukraine).

	9M 2020		9M 2019	
	Cash Capex (RUB bn)	Cash Capex/Sales (%)	Cash Capex (RUB bn)	Cash Capex/Sales (%)
Russia**	62.6	17.3%	53.9	15.6%
Armenia***	1.1	19.0%	0.6	10.9%
Group****	63.7	17.4%	60.8	n/a

* Free cash flow excluding MTS Bank and SEC/DOJ payment in Q1 2019

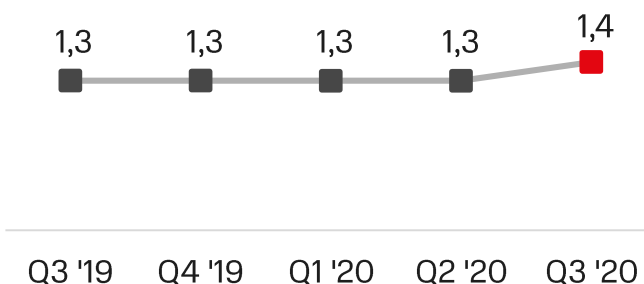
** Net of cash proceeds under sharing agreement

*** Excluding costs of RUB 0.3 bn related to the purchase of 4G licenses in Armenia in 9M 2019

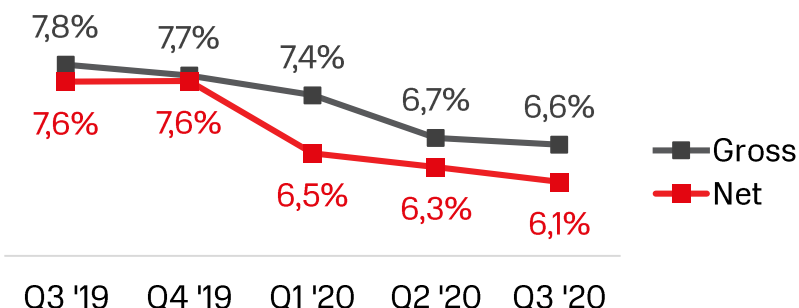
**** Excluding purchases of 4G license in Armenia in 2019 and net of cash proceeds under sharing agreement

Comfortable leverage and reduced cost of debt

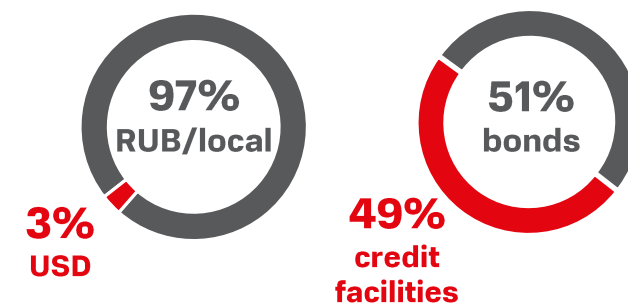
Net debt* / LTM OIBDA



Weighted average interest rates



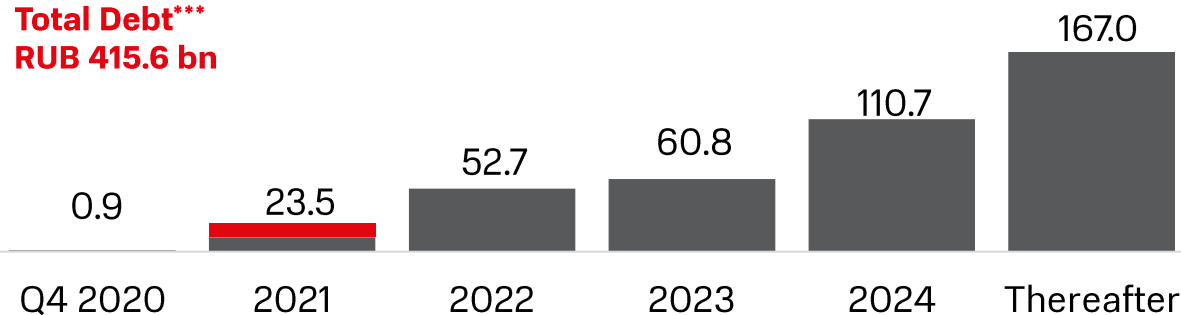
Gross debt* composition



Debt repayment schedule

₽ bn

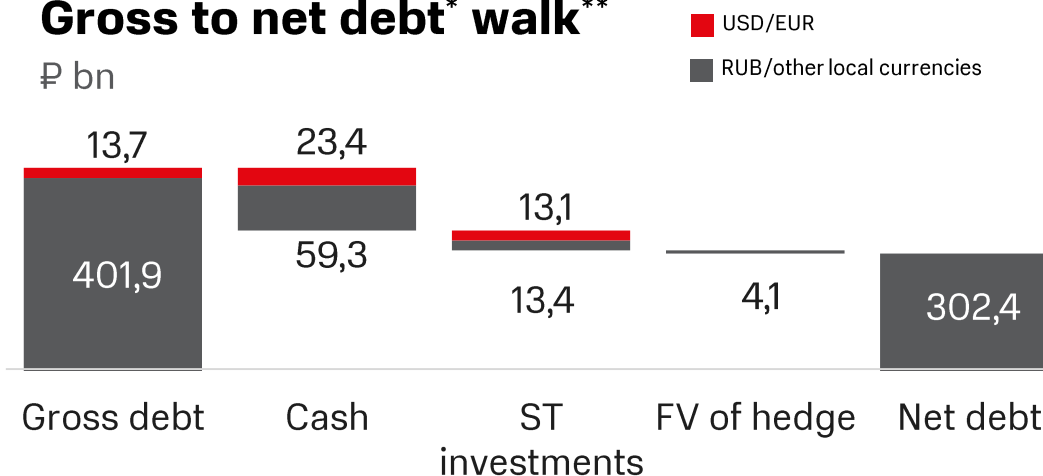
Total Debt***
RUB 415.6 bn



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

Gross to net debt* walk**

₽ bn



■ USD/EUR
■ RUB/other local currencies



*Excluding IFRS lease liabilities

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

***Net of unamortised debt issuance cost adjustment

WRAP-UP



Alexey Kornya

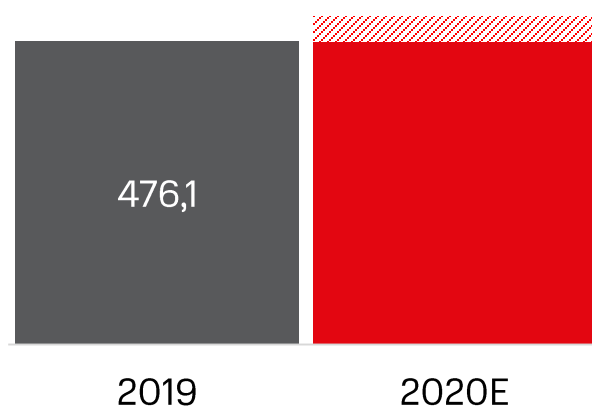
President & CEO

Revising FY 2020 guidance upward

Revenue

₱ bn

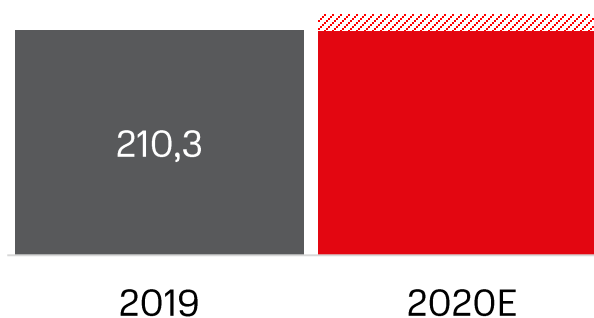
at least +3%



Group adj. OIBDA

₱ bn

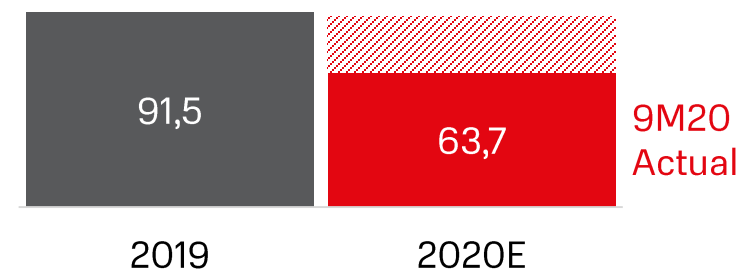
flat to +2%



Cash CAPEX*

₱ bn

₱ ~90 bn



* including the effect from realized contracts with derivative instruments

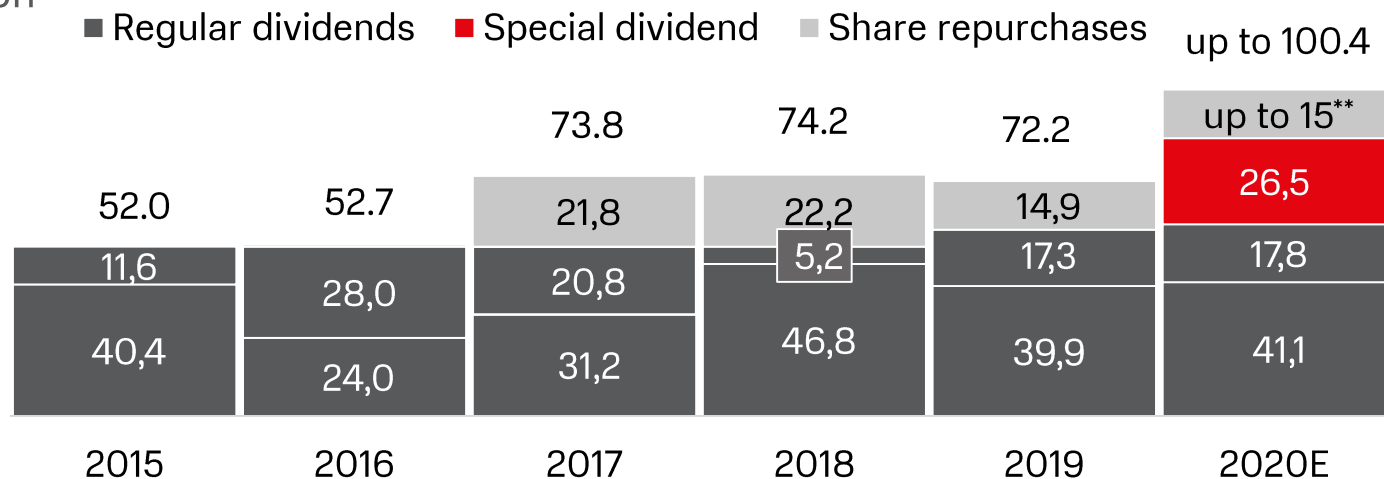


MTS's outlook is forward-looking and subject to a number of factors and risks, a more detailed review of which are provided in the press release accompanying this presentation and in the company's SEC filings.

Shareholder returns & investor engagement

Total dividends plus buybacks*

₹ bn



Per ordinary share

₹

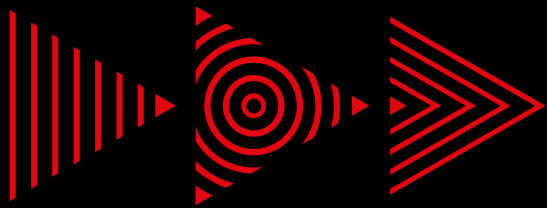


Investor recognition



- Named the best executive team among technology, media, and telecommunications (TMT) companies in the Emerging EMEA region as part of Institutional Investor's 2020 survey of the global investment community.
- Won 6 of 7 categories among TMT companies, including Best CEO, Best CFO, and Best IR Professional.

Q&A

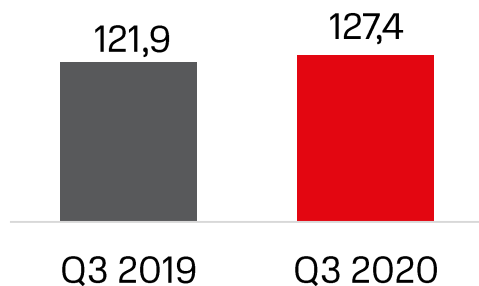


Country performance breakdown

Russia revenue

RUB bn

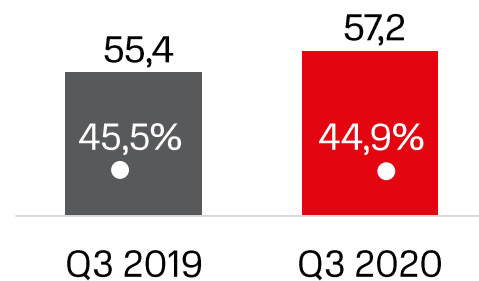
+4.4% y/y



Russia OIBDA & margin

RUB bn, %

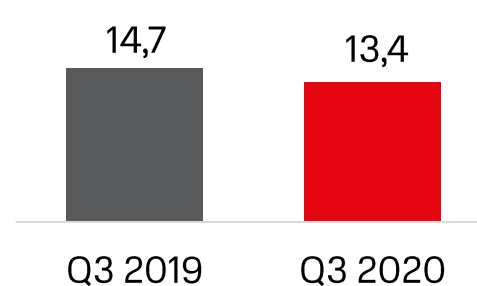
+3.1% y/y



Armenia revenue

AMD bn

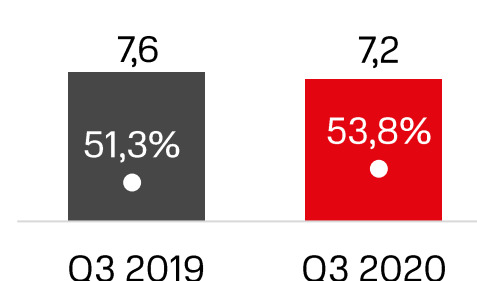
-9.1% y/y



Armenia OIBDA & margin

AMD bn, %

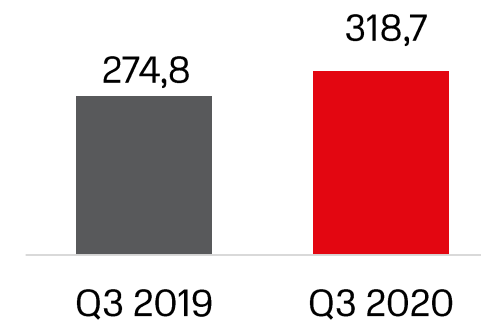
-4.6% y/y



Belarus revenue*

BYN m

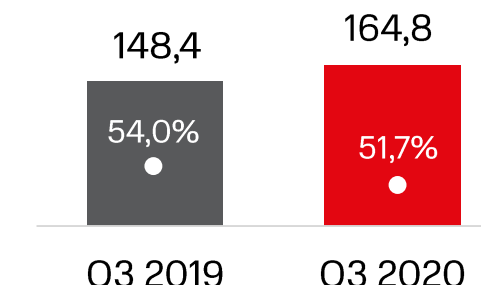
+16.0% y/y



Belarus OIBDA & margin*

BYN m, %

+11.0% y/y





MTS Investor Relations



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