

Mobile TeleSystems

MTS Q2 2021 Results

August 19, 2021

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 &
STRATEGY UPDATE**



Vyacheslav Nikolaev

President & CEO

**ECOSYSTEM
UPDATE**



Olga Ziborova

VP for Ecosystem Development & Marketing

**TELECOM &
B2B UPDATE**



Inessa Galaktionova

First VP for Telecommunications

**FINTECH
UPDATE**



Ilya Filatov

VP for Financial Services and CEO, MTS Bank

**FINANCIAL
UPDATE**



Andrey Kamensky

VP for Finance

**WRAP-UP
& OUTLOOK**



Vyacheslav Nikolaev

President & CEO

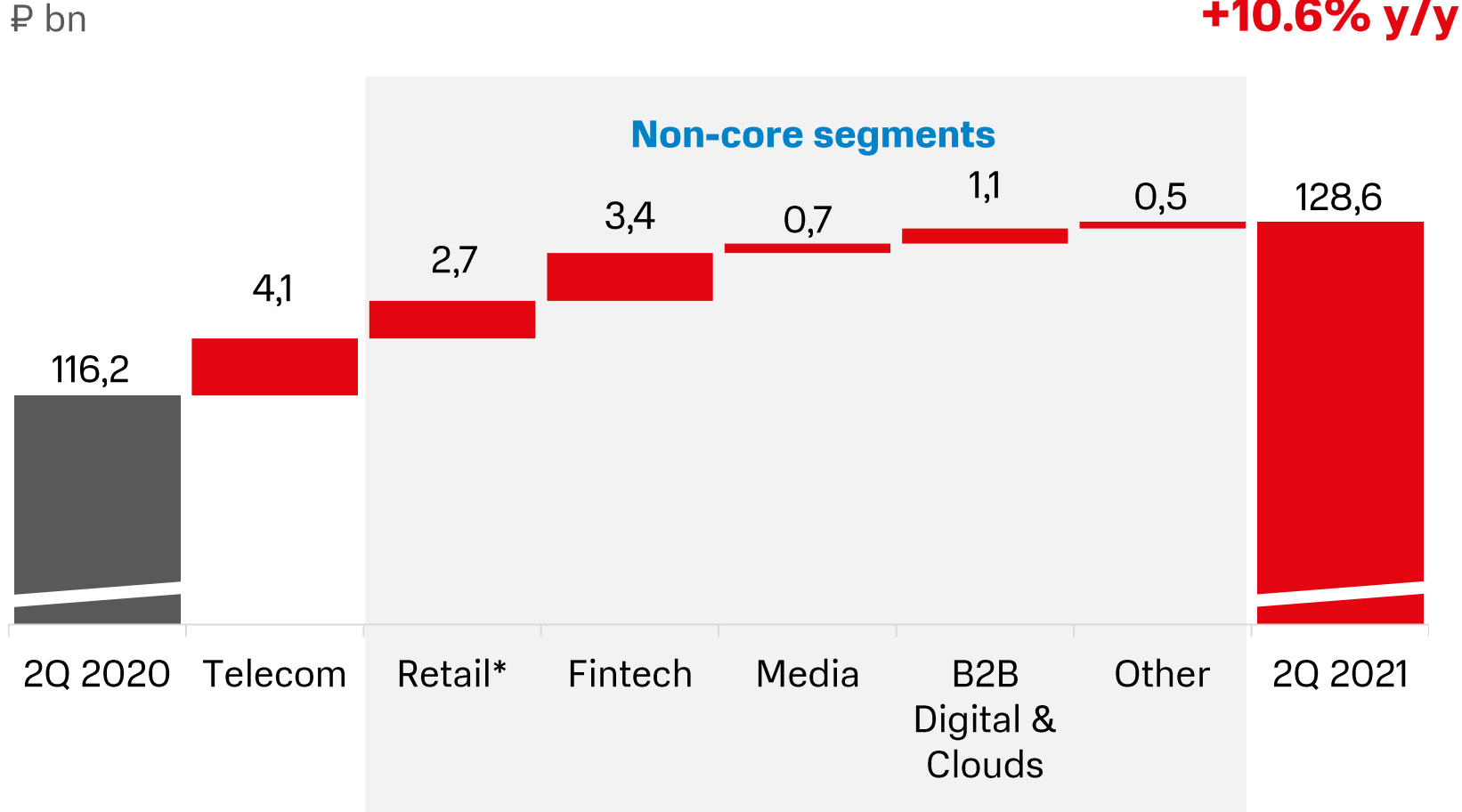
HEADLINE RESULTS



Vyacheslav Nikolaev
President & CEO

Top-line growth accelerated to double-digits

Group Revenue



Commentary

- Group revenue increased 10.6% year-over-year to reach RUB 128.6 bn on the back of solid growth in core connectivity and financial services, as well retail sales, media, and B2B digital and cloud solutions. The year-over-year dynamic in retail sales partly reflects store closures in Q2 2020 in line with public health guidelines related to the COVID-19 pandemic.
- Together, non-core segments contributed more than half of total Group year-over-year revenue growth.
- Revenue from international roaming remained well below pre-pandemic levels (-63% in 2Q21 versus 2Q19), with significant headroom for future restoration pending resumption of historic volumes of international tourist and business travel.

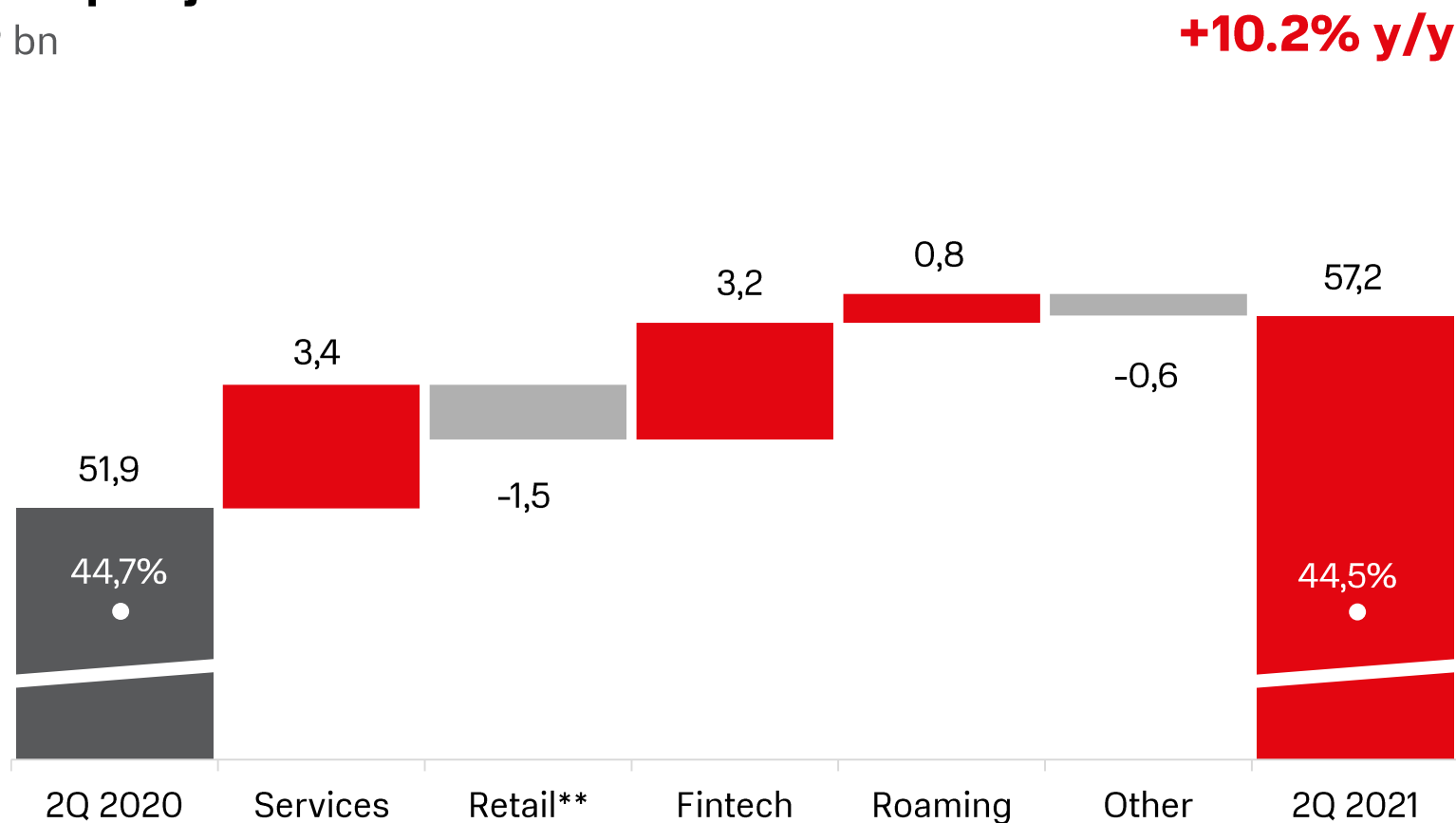


*MTS's wholly-owned subsidiary RTC, which handles retail operations including the purchase and sale of handsets and accessories and subscriber enrollment at MTS retail stores.

OIBDA likewise reached double-digit growth

Group Adj. OIBDA*

₹ bn



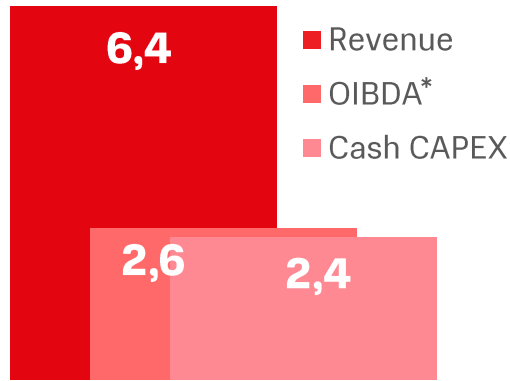
Commentary

- Group Adjusted OIBDA accelerated to double-digit growth, increasing 10.2% year-over-year to reach RUB 57.2 bn. OIBDA growth was supported by robust performance in core services and a significant positive impact from Fintech, as well as tailwinds from roaming reflecting a limited restoration in international travel as well as improved contractual terms with foreign operators.
- These factors more than offset negative impacts, including from MTS's retail operations, which partly reflected a shifting mix of sales of handsets toward lower-margin devices.

>20% top-line growth in non-core segments

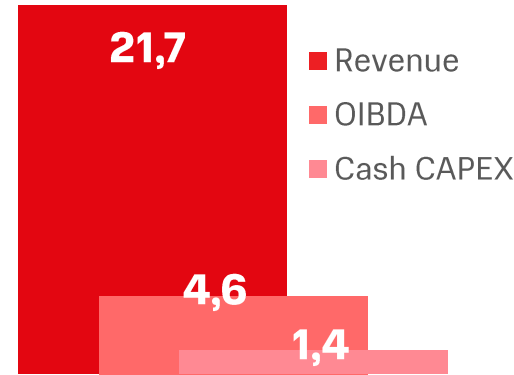
Media

H1 2021
₺ bn



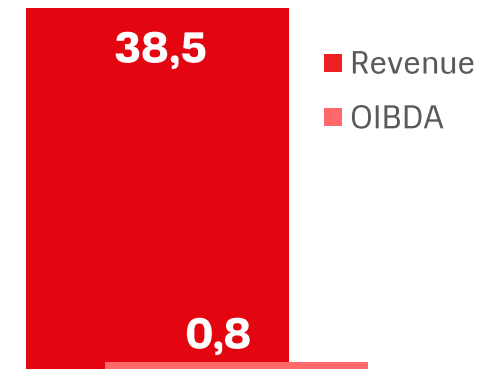
Fintech

H1 2021
₺ bn



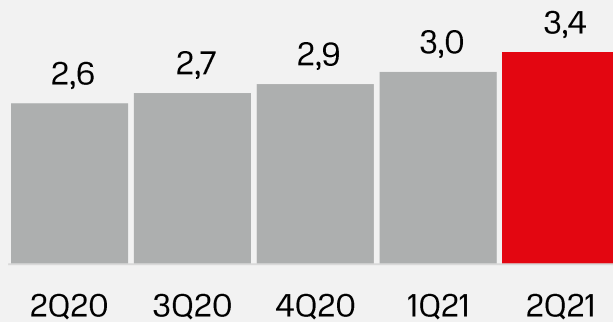
Retail**

H1 2021
₺ bn



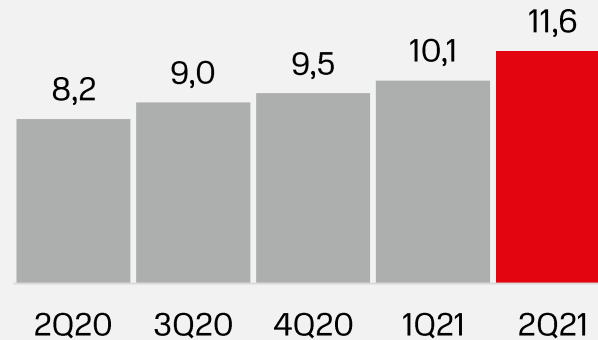
Revenue
₺ bn

+31% y/y



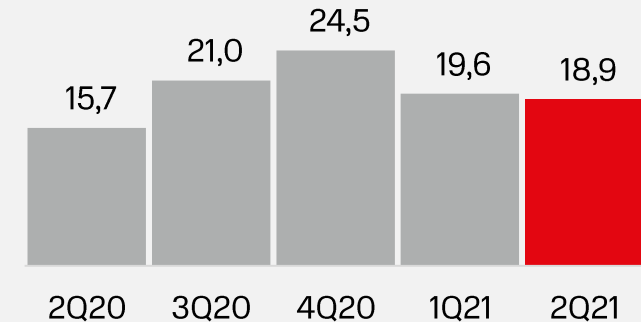
Revenue
₺ bn

+41% y/y



Revenue
₺ bn

+21% y/y



Financial figures calculated on a standalone basis (includes intragroup revenue) according to MTS internal management accounting.

*Media operating expenses do not include spending for data services conducted via MTS infrastructure.

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

DIGITAL ECOSYSTEM



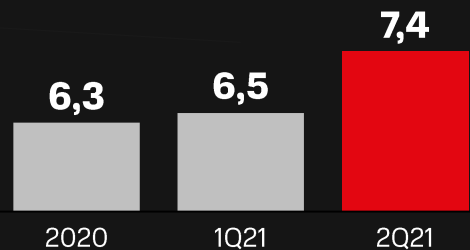
Olga Ziborova

VP for Ecosystem Development & Marketing

*Ecosystem clients — customers actively and deliberately using at least two different MTS products or services

MTS

ECOSYSTEM CLIENTS*, m



+18%

Ecosystem clients actively using MTS Cashback (2Q21 QoQ)

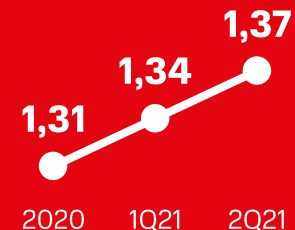
49m

MTS Cashback transactions in H1 2021

2x

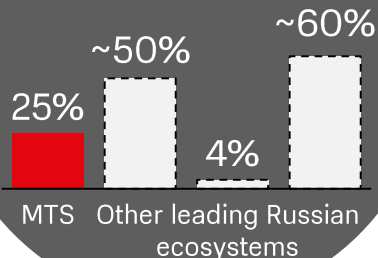
Increase in paid MTS Premium subscribers in 2Q21

AVG PRODUCTS PER CUSTOMER



+27% GROWTH IN NON-CORE REVENUE (2Q21 YoY)

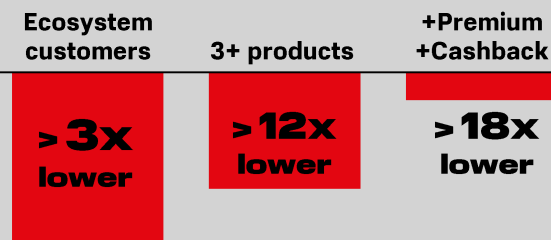
SHARE OF NON-CORE REVENUE**



Ecosystem engagement drives NPS uplift***



... as well as churn reduction



**Public 2Q21 data from MTS, Yandex, Sber, Mail
***as compared to non-ecosystem clients

+33%

Active MTS Bank app users (2Q21 YoY)

MTS Bank

10 of top-15

Most-watched MTS OTT shows are KION Originals

>2x

Acquisition of ecosystem customers (2Q21 QoQ)

>5x

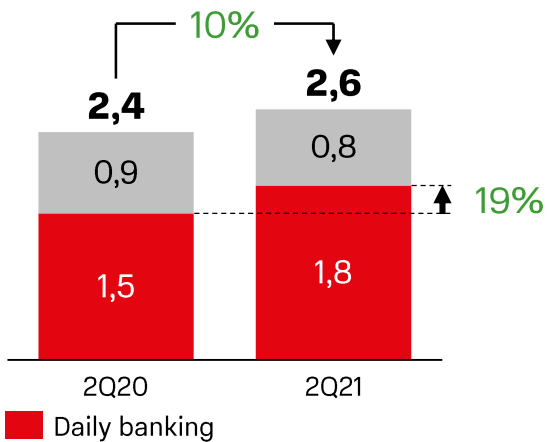
Revenue growth (2Q21 YoY)

Media

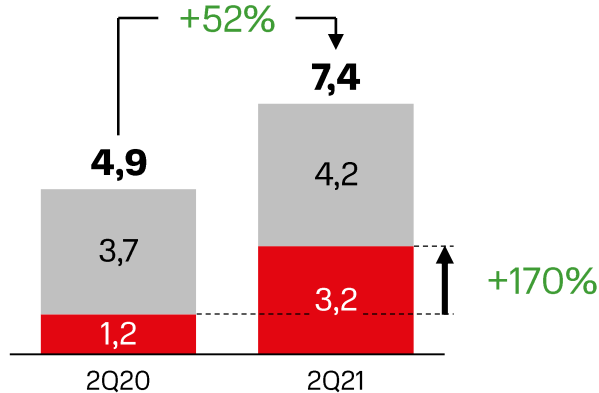
XaaS

MTS Marketer

MTS Bank clients, m



MTS Pay-TV active users, m



■ Linear TV (IPTV, satellite, ect.) ■ KION streaming platform (formerly MTS TV)

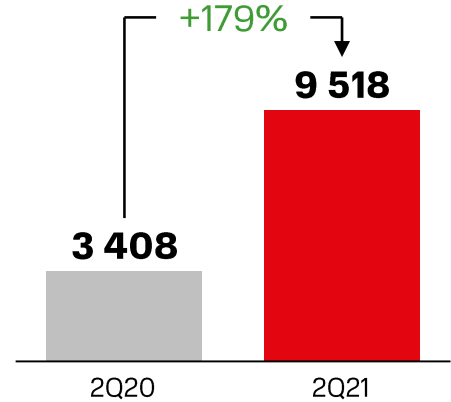
NEW PARTNERSHIPS

Pilot program launches

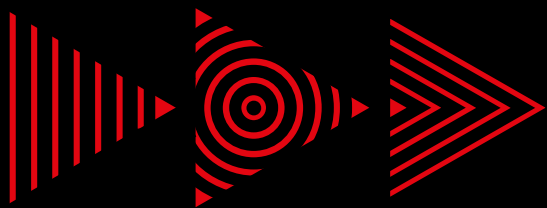
Daichi – cloud-enabled air conditioner subscription

LUKOIL – integrated auto fuel and digital service subscription

Managed advertising campaigns



TELECOM & B2B



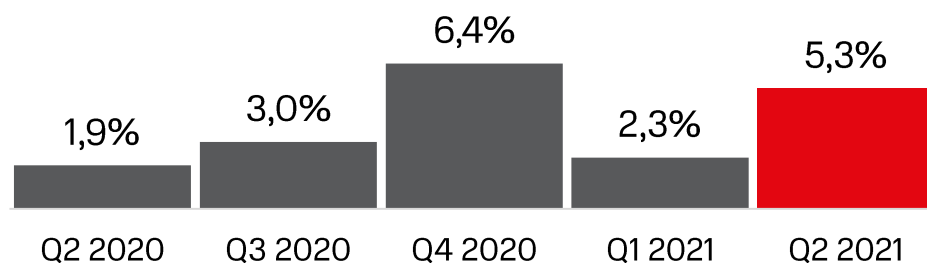
Inessa Galaktionova

First VP for Telecommunications

Solid core performance across mobile & fixed-line

Mobile service revenue growth*

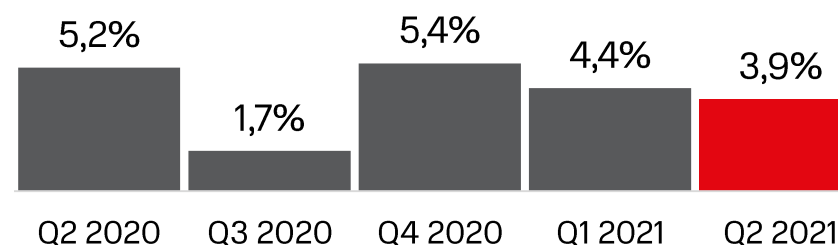
% change year-over-year



Fixed-line revenue growth**

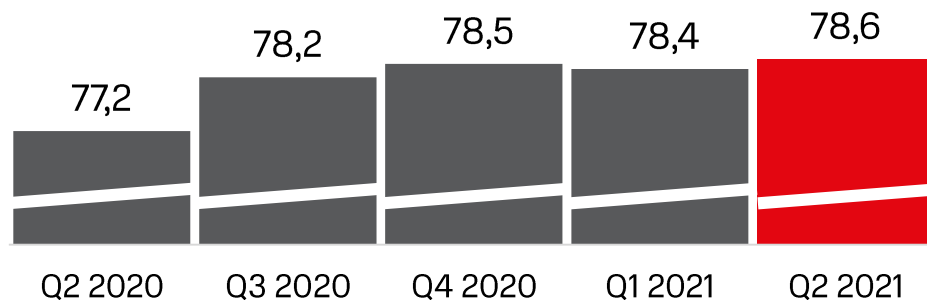
% change year-over-year

**+12% y/y B2C
excl. telephony****



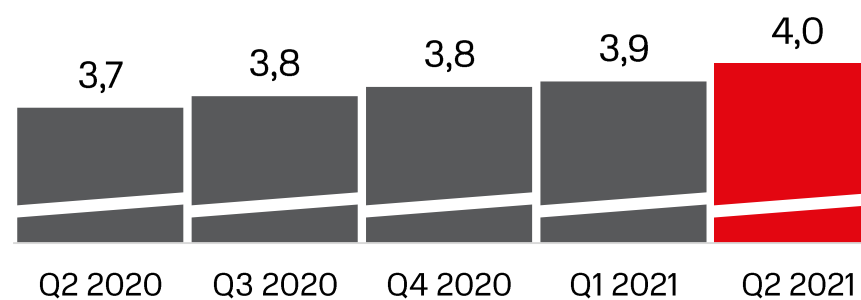
3M mobile subscribers*

m



Residential broadband subscribers*

m



*All figures Russia only

**Includes an inorganic impact from the consolidation of acquired businesses. Excluding that factor, fixed-line B2C revenue ex-telephony increased 8.4% y-o-y in 2Q21.

B2B/G – rapid growth & strategic CPaaS acquisition

+48%

Cloud & Digital Solutions revenue

2Q21 year-over-year

+28%

IoT subscribers

2Q21 year-over-year number of IoT devices under contract

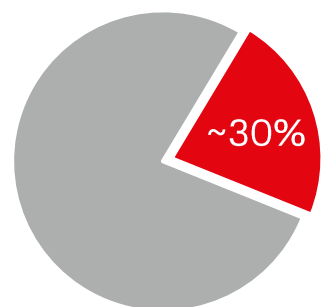
Multiregional Transit Telecom JSC (MTT)



- 100% acquisition in June 2021.
- Strategic portfolio addition to increase exposure to high-growth tech sectors, such as ecommerce, telemedicine, and ride-hailing/delivery.
- Established 25+ year track record as a provider of B2B/O telecom services.
- A leading regional player in Unified Communications (UC) services – from Hosted PBX to Callback, CallTracking, and Voice Chatbots.
- Operates Russia’s largest platform for Telecom APIs, which enables developers to easily integrate a modern communications stack into their apps.

MTS+MTT UC market share*

Virtual PBX, Telecom API, 8 800

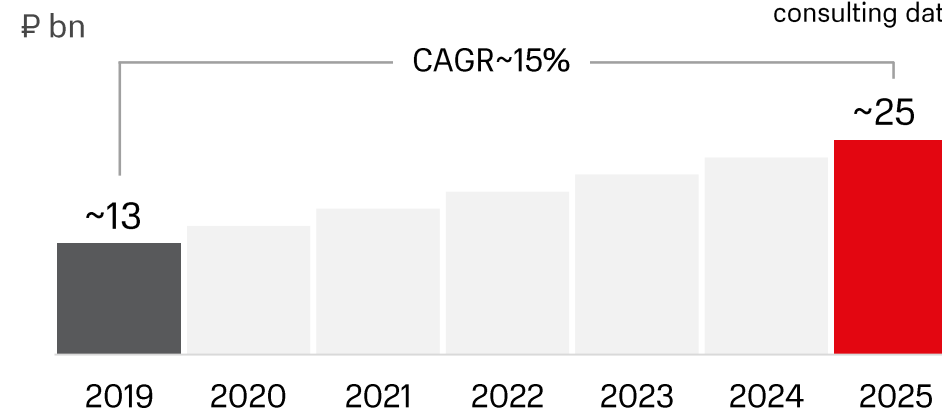


#1 position (MTS+MTT)

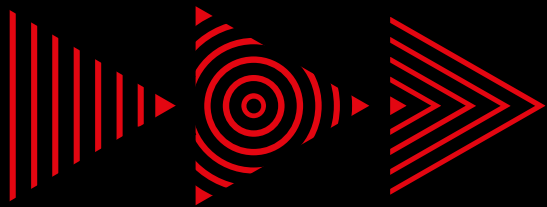
* Company data / market analysis

Russian Hosted PBX market outlook

Source: TMT consulting data



FINTECH



Ilya Filatov

VP for Financial Services
CEO, MTS Bank

Robust progress across financial & operational KPIs

3.4 bn

YTD net income

vs -0.9bn for 6m20

+50%

operating income* yoy

RUB 15.2 bn for 6m20

17.6%

return on equity yoy

+24pp from 6m20

+125 p.p.

retail sales*

in 2Q21 vs. 2Q20

53%

sales via digital channels*

+13% from end-2Q20

₹ 5 bn

first bond issue

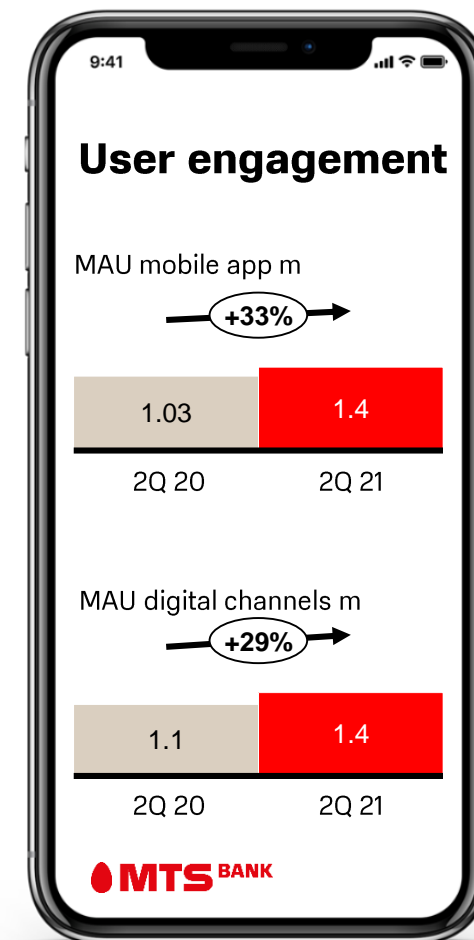
#1

POS loan portfolio growth**

in 1H 2021 among Russian banks

#6

Credit card portfolio**



Figures for 2Q21 unless otherwise noted



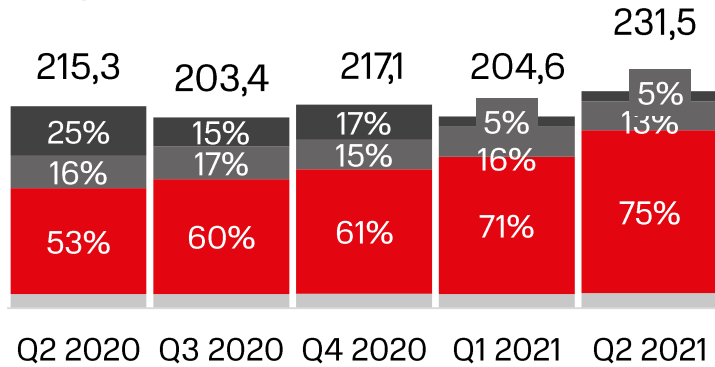
* Operating income before provisions; sales of personal loans and credit cards

** Source: Frank RG tracking of Russian banks, May 2021

Continued rapid portfolio growth in retail segment

Asset structure

₹ bn

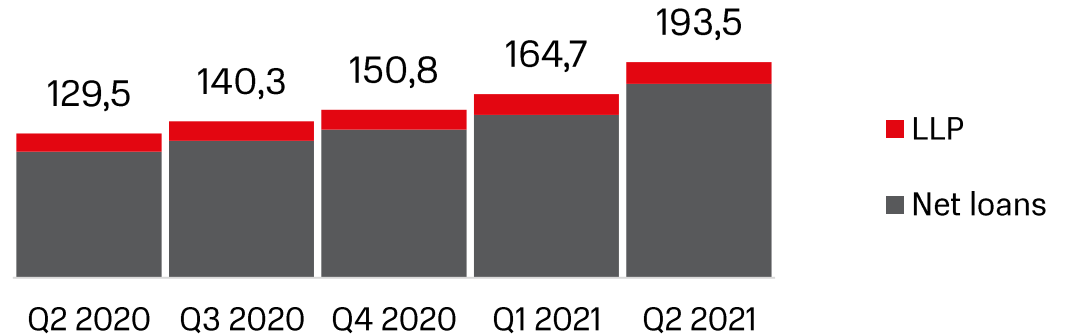


+7.5% y/y

- Cash and cash equivalents
- Investments in securitites
- Net loans
- Other*

Gross loans

₹ bn at end of period

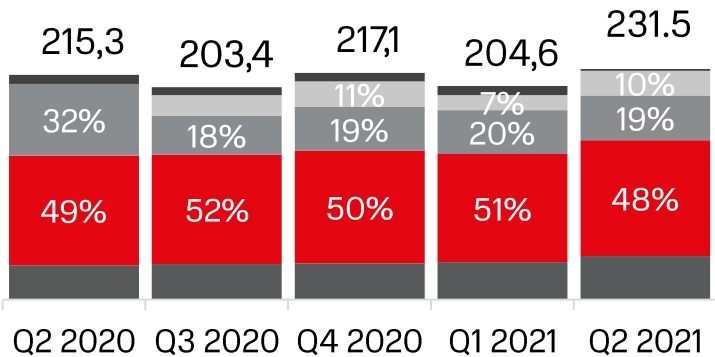


+49.4% y/y

- LLP
- Net loans

Sources of liquidity

₹ bn at end of period

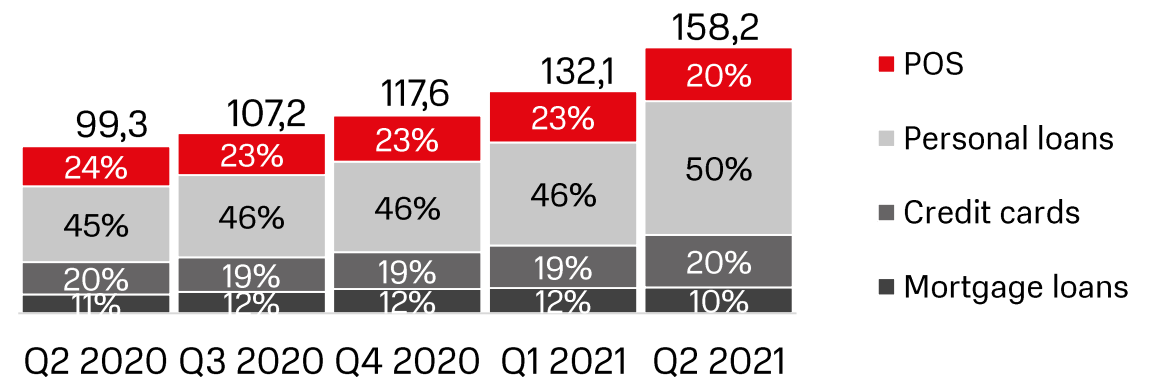


+7.5% y/y

- Other
- Interbank loans and REPO
- Current accounts
- Deposits

Retail loan breakdown

₹ bn at end of period



+59.3% y/y

- POS
- Personal loans
- Credit cards
- Mortgage loans



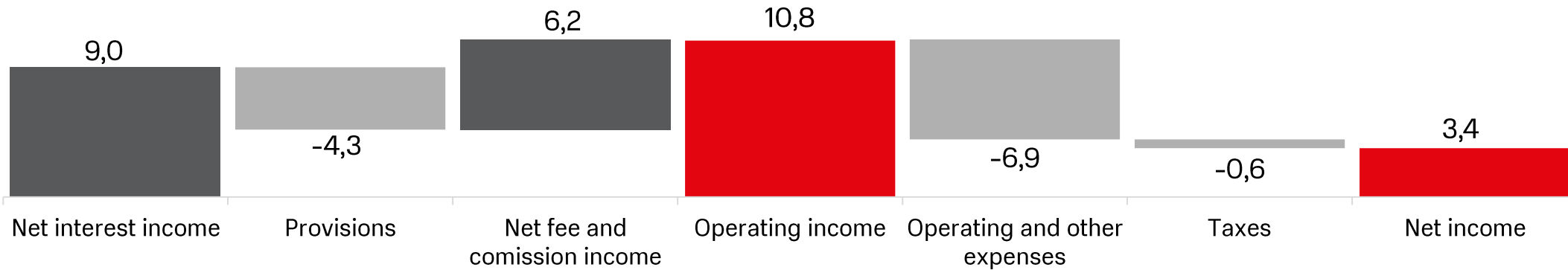
*Other assets include property, plant and equipment, deferred tax, intangible assets and other assets

**Source: Frank RG tracking of Russian banks

Sustained double-digit return on equity

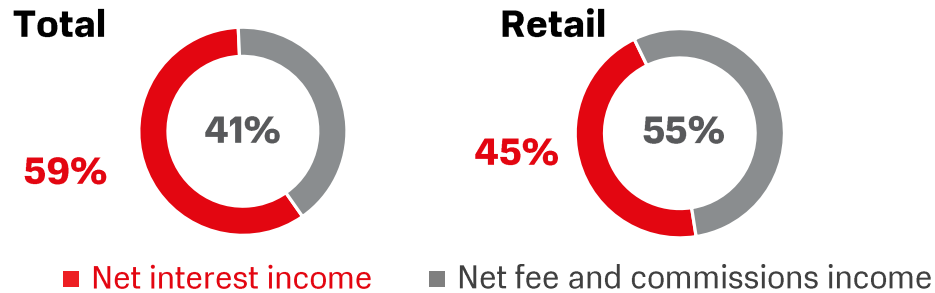
6M21 income*

€ bn



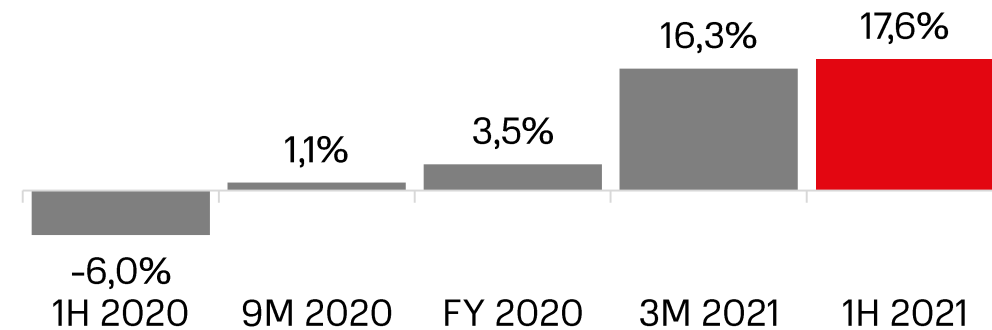
Income segment breakdown for 6m 2021

% of operating income before provisions



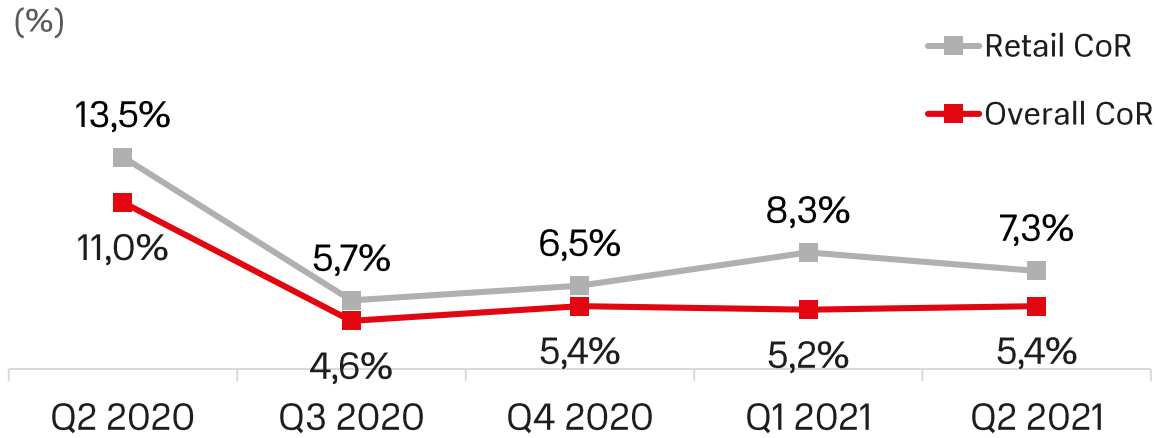
Return on equity**

%



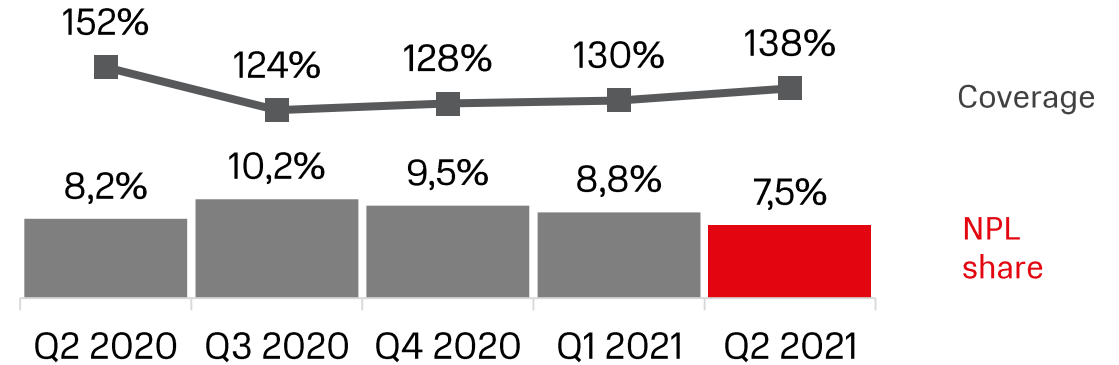
Total CoR & retail NPL share holding roughly steady

Cost of Risk



Non-performing retail loans

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



Capital adequacy ratios (Quarter-end, Basel III)

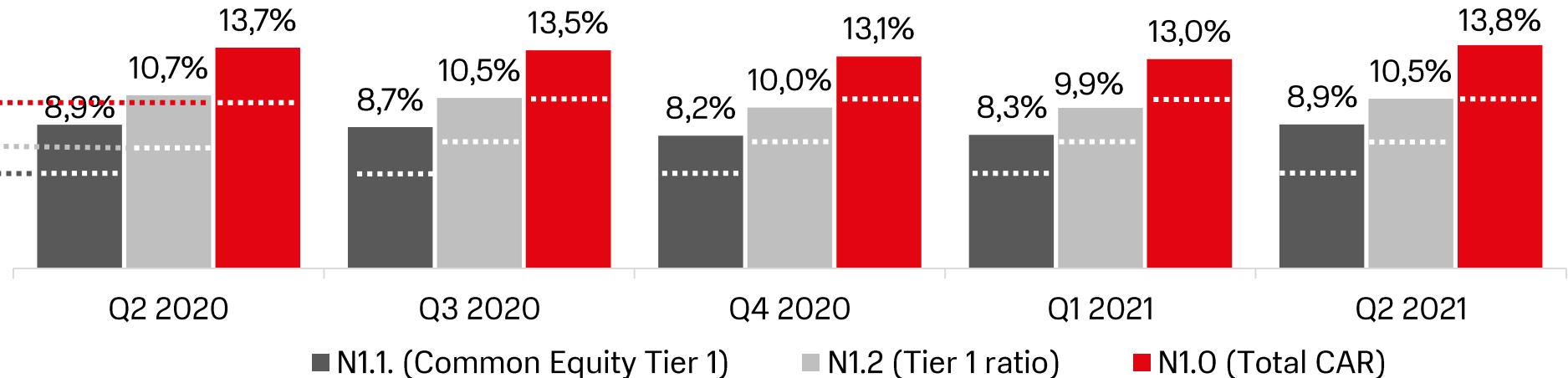
(%)

CBR minimums

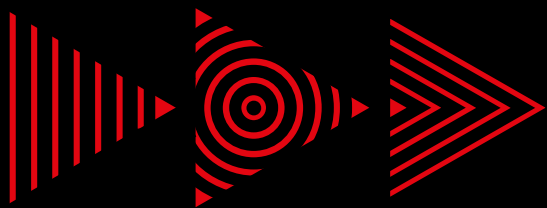
N1.0 – 10.5%

N1.2 – 8.5%

N1.1 – 7.0%



MEDIA & RETAIL



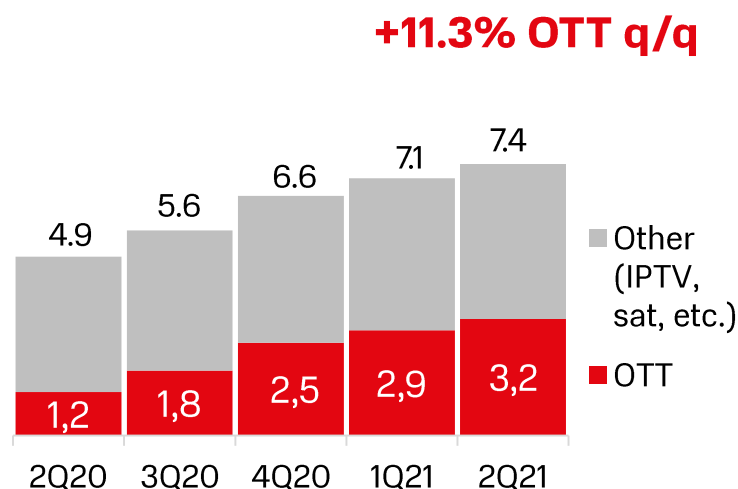
Vyacheslav Nikolaev

President & CEO

Media – increasing viewership driving top-line growth

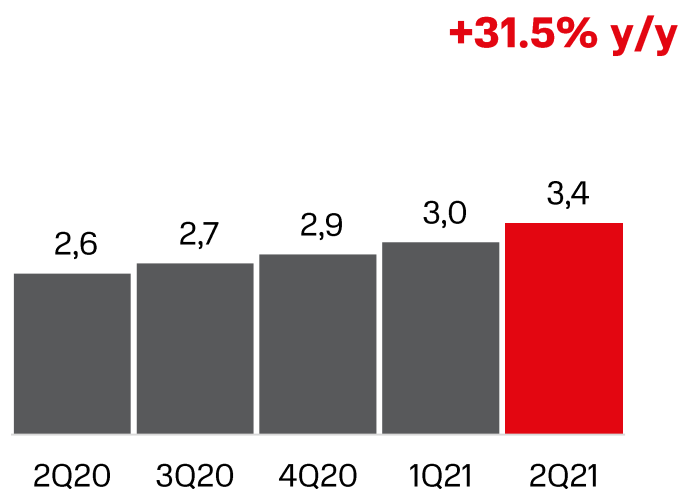
Media Viewership*

m



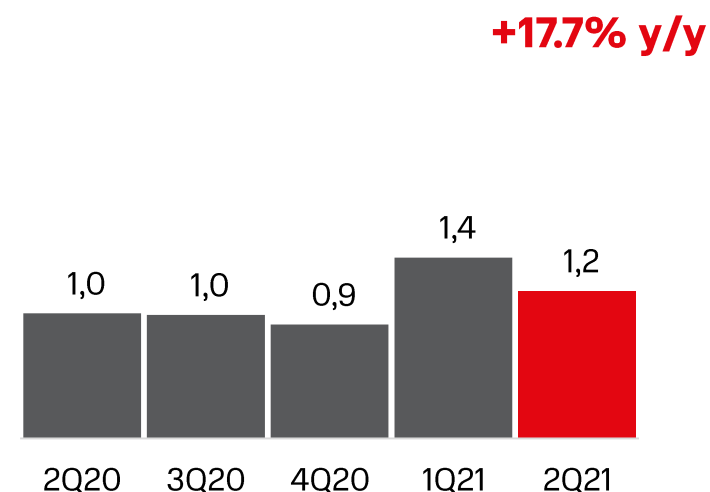
Media Revenue**

₺ bn



Media OIBDA***

₺ bn



*OTT media viewers calculated on a three-month active basis.

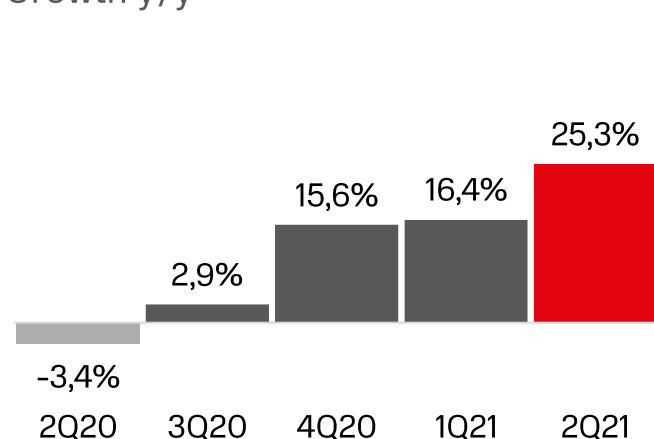
**Revenue calculated on a standalone basis (includes intragroup revenue) according to MTS internal management accounting.

***Media operating expenses do not include spending for data streaming services conducted via MTS digital infrastructure.

Retail* – revenue growing, some margin pressure

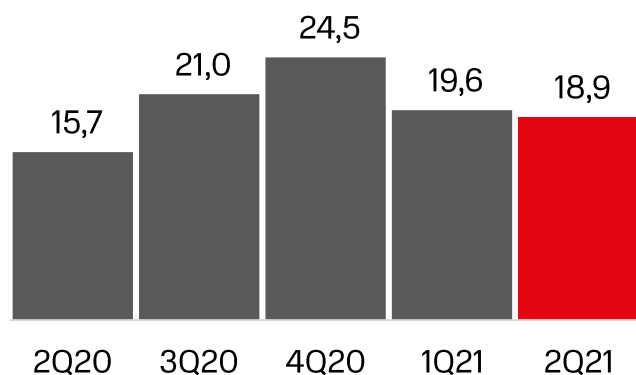
Sales of Handsets & Accessories** +25.3% y/y

Growth y/y



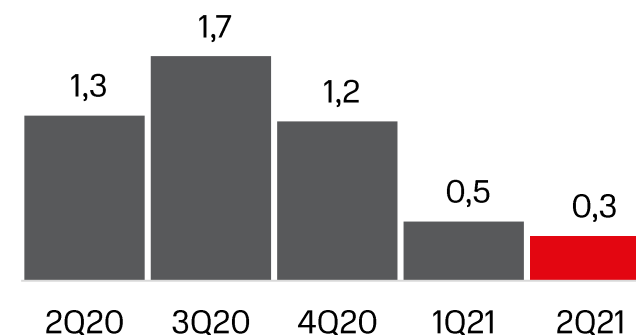
Retail Revenue*** +20.9% y/y

₹ bn



Retail OIBDA -72.8% y/y

₹ bn



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

**Russia only

***Revenue calculated on a standalone basis (includes intragroup revenue) according to MTS internal management accounting.

FINANCE UPDATE



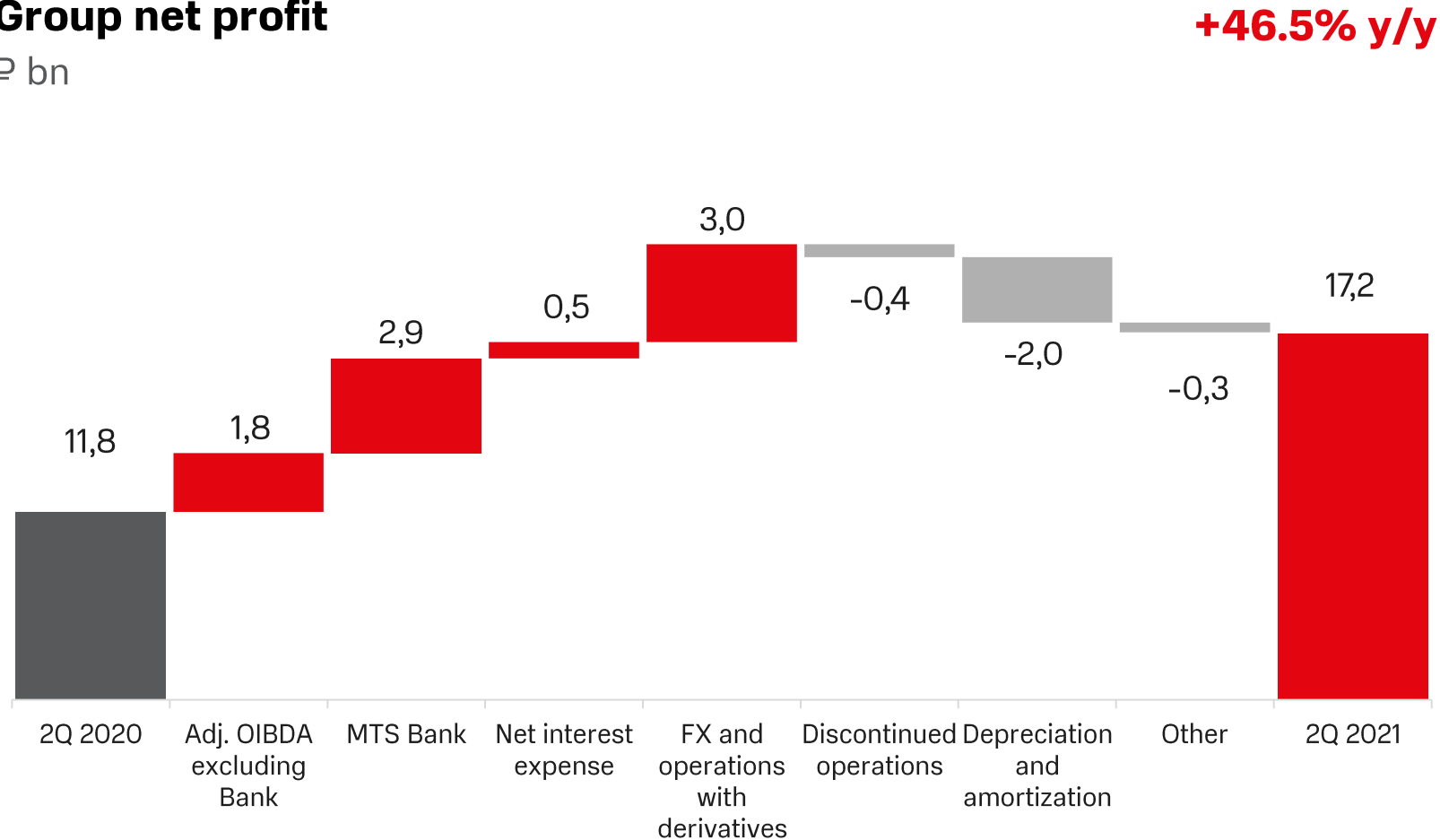
Andrey Kamensky

VP for Finance

Robust profitability supported by MTS Bank

Group net profit

₹ bn



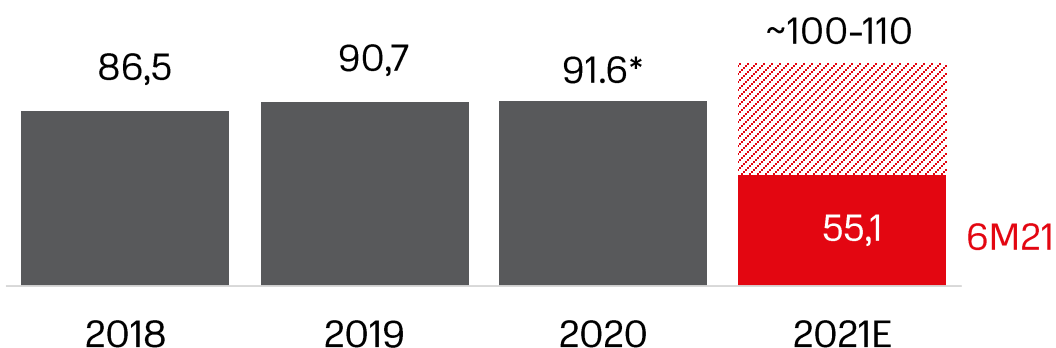
Commentary

- Group Net Profit in Q2 2021 increased 46.5% year-over-year to RUB 17.2 bn. Net income growth was supported by higher profitability at MTS Bank, core operating performance, as well as lower financing costs. In addition, there was a significant positive impact from FX and derivative operations, reflecting relative currency dynamics in Q2 2021 versus Q2 2020.

Deliberate investment in new growth areas

Group Cash CAPEX*

₹ bn

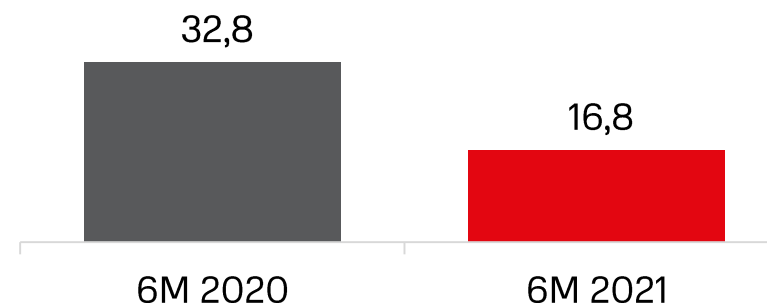


	6M 2021		6M 2020	
	Cash Capex (RUB bn)	Cash Capex/ Sales (%)	Cash Capex (RUB bn)	Cash Capex/ Sales (%)
Russia***	54.7	21.9	39.6	n/a
Armenia	0.5	13.5	0.7	19.6
Group***	55.1	21.8	40.3	n/a

Free Cash Flow ex-Bank**

₹ bn

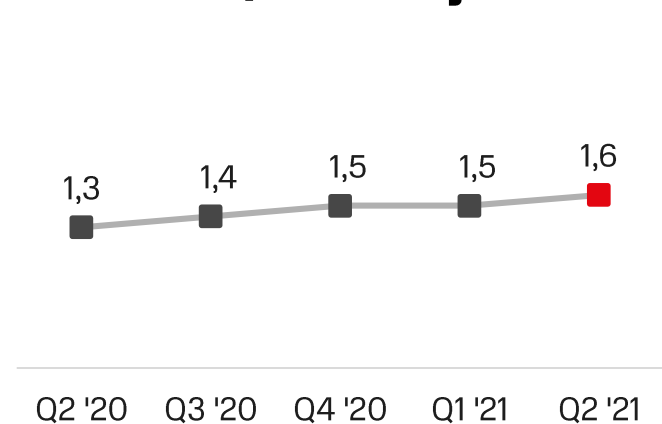
-₹ 16.0 bn y/y



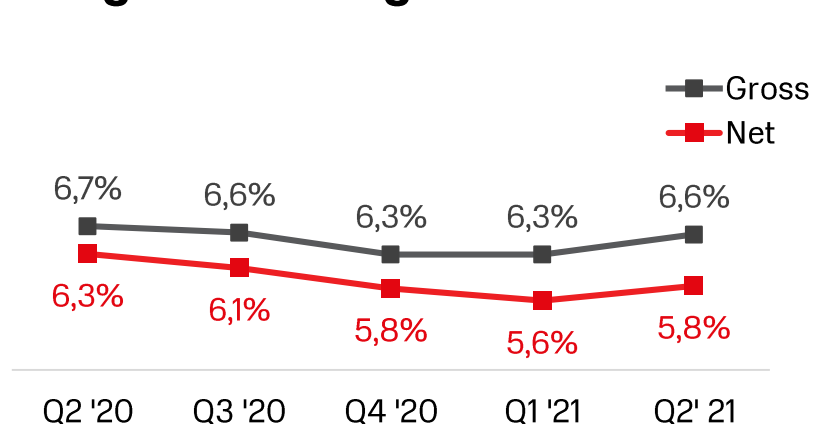
- In the first half of 2021 Group free cash flow ex-Bank decreased RUB 16.0 bn year-over-year, reflecting higher capital expenditures as well as M&A spending versus the year-ago period.

Maintaining a comfortable debt position

Net debt* / LTM adj.OIBDA



Weighted average interest rates



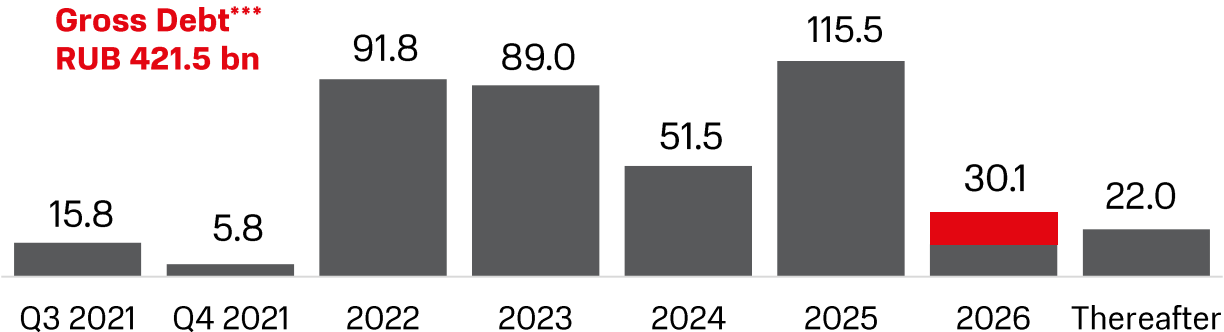
Gross debt* composition



Debt repayment schedule

₹ bn

Gross Debt***
RUB 421.5 bn



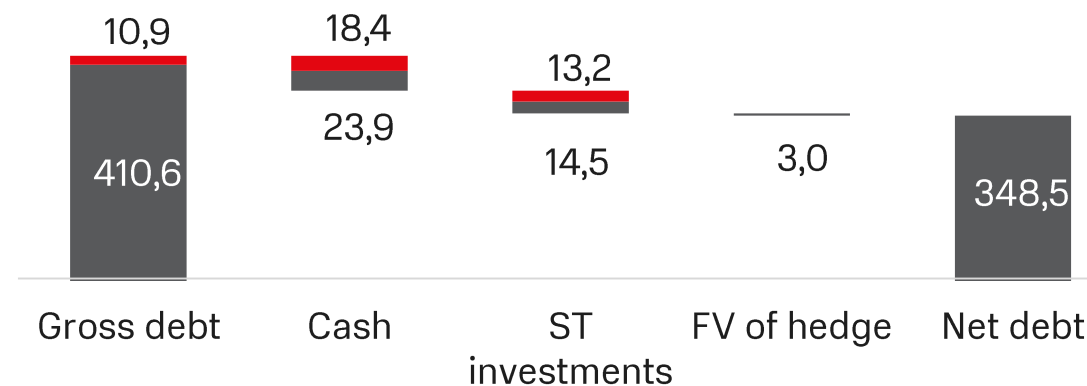
■ Bonds BO-02 ruble bonds contain put option that as of June 30, 2021, MTS expected to be exercised in February 2026

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 June 30, 2021, totals may add up differently due to rounding

***Net of unamortised debt issuance cost adjustment

WRAP-UP & OUTLOOK



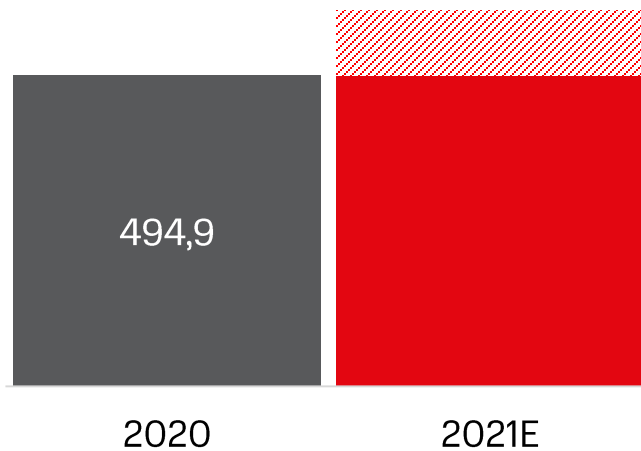
Vyacheslav Nikolaev
President & CEO

Upgrading outlook for 2021

Revenue

₱ bn

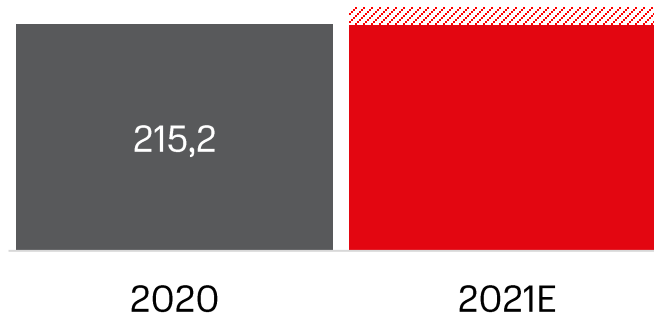
high single-digit %+



Group adj. OIBDA

₱ bn

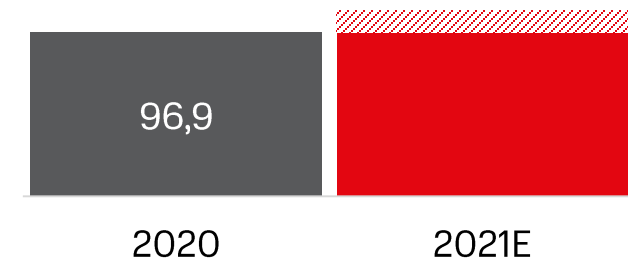
≥5%+



Cash CAPEX

₱ bn

₱ 100-110 bn

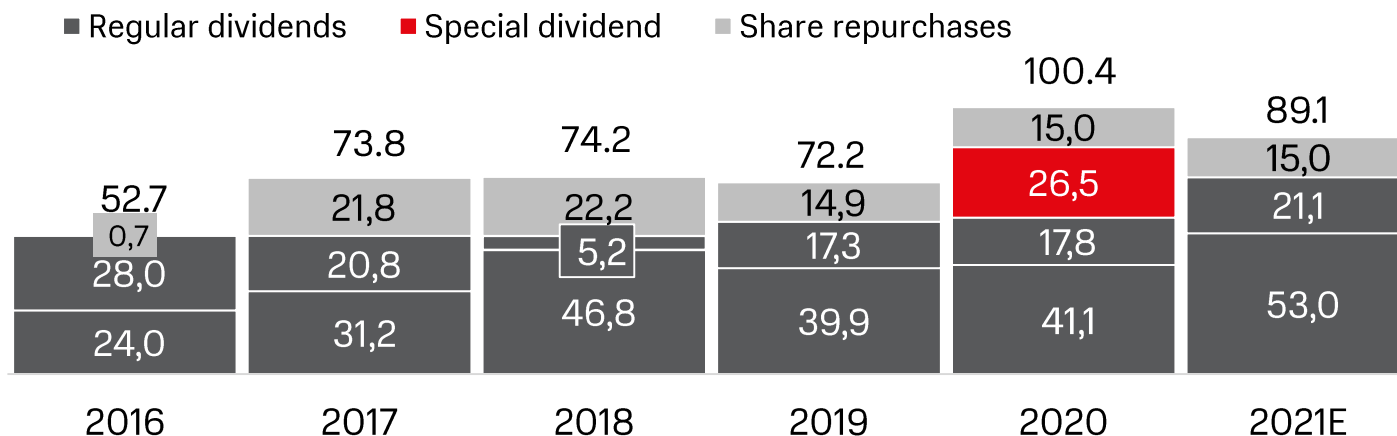


MTS's outlook is forward-looking and subject to a number of factors and risks, a more detailed review of which are provided in the press release accompanying this presentation and in the company's SEC filings.

Robust returns reflect confident performance & outlook

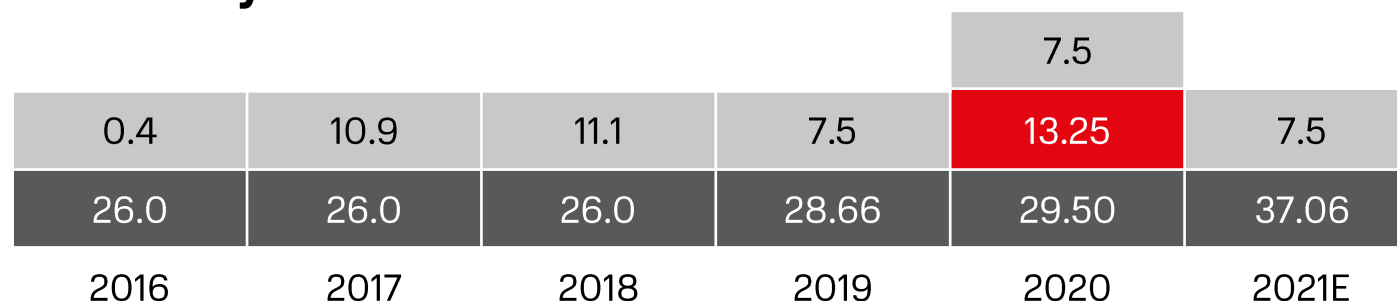
Total dividends plus buybacks*

₽ bn



Per ordinary share

₽



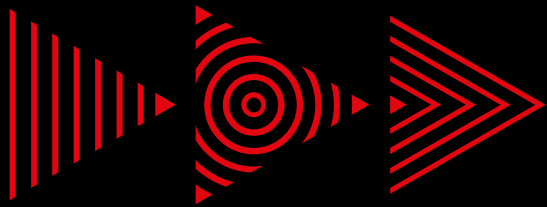
Commentary

- In June, the MTS AGM approved FY2020 annual dividends of RUB 26.51 per ordinary MTS share (RUB 53.02 per ADR), or in total RUB 52.97 bn with a record date of July 8, 2021. FY2020 dividend payments were completed by August 12, 2021.
- In July, MTS completed the RUB 15 bn share repurchase plan announced on March 31, 2021. In total, the Company's wholly-owned subsidiary Bastion LLC acquired 45,401,921 shares of Common Stock (including shares of Common Stock represented by ADSs) under the plan, representing 2.27% of share capital issued by MTS.
- In July, the MTS Board of Directors recommended an EGM on September 30 approve semi-annual dividends of RUB 10.55 per ordinary MTS share (RUB 21.10 per ADR) based on H1 2021 financial results with a recommended record date of October 12, 2021.



* Dividend payout includes dividends paid to quasi-treasury shares owned by MTS subsidiaries. Totals may add up differently due to rounding.

Q&A

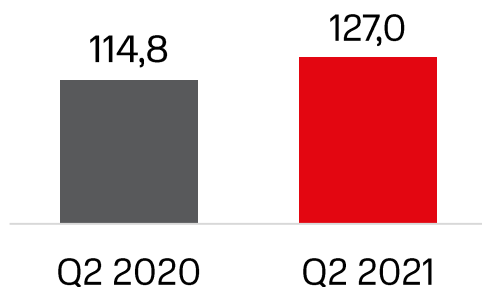


Country performance breakdown

Russia revenue

RUB bn

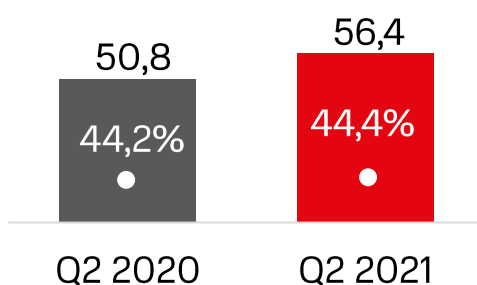
+10.7% y/y



Russia adj. OIBDA* & margin

RUB bn, %

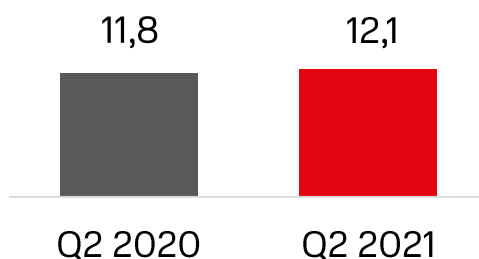
+11.0% y/y



Armenia revenue

AMD bn

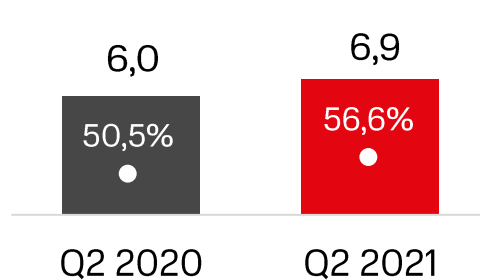
+2.8% y/y



Armenia OIBDA & margin

AMD bn, %

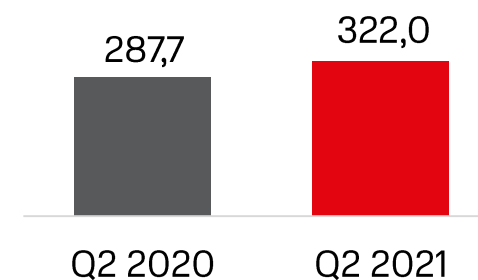
+15.2% y/y



Belarus revenue**

BYN m

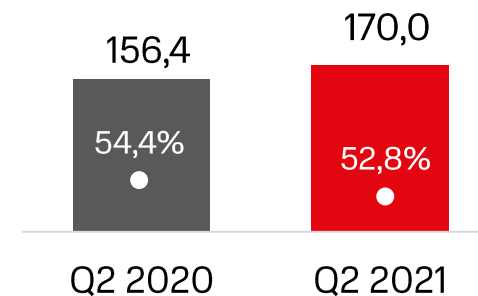
+11.9% y/y



Belarus OIBDA & margin**

BYN m, %

+8.7% y/y



* Adjusted OIBDA for 2Q 2020 doesn't include a loss from impairment of non-current assets of RUB 938 m

** MTS owns a 49% stake in Mobile TeleSystems LLC, a mobile operator in Belarus, which is not consolidated.



MTS Investor Relations



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