

ECOSYSTEM TRANSFORMATION OVERVIEW

- 12 MTS Group in 2022
- 28 MTS Brand
- 30 MTS Ecosystem Development
- 56 Looking into the Future
- 59 Our Strategy



MTS GROUP IN 2022

541.7

RUB bln

revenue of MTS Group

+2.6%

224.3

RUB bln

OIBDA of MTS Group

-2.0%

255.8

RUB bln

loans issued to individuals

+24.4%

13.5

mln

ecosystem clients

+52.7%

No 1

Leader in mobile
business customer
base in all countries of
operation



82.3
mln

million mobile business customer base in Russia and Armenia

+58%

growth in non-telecommunication revenues over the past two years

x2,3

increase in the number of registered Cashback users Q4 2022 vs Q4 2021

>100
RUB bln

Ecosystem revenue

+67%

No 1

Among mobile operators in terms of M2M/IoT connections

* According to the ONSIDE study "Competitive Analysis: IoT, III-IV quarters 2022"

MARKETS AND AREAS OF PRESENCE

Main facts

541.7
RUB bln

revenue of MTS Group

5000+

Retail stores

Leading

mobile operator in Russia



8+
mln Tb

volume of data transmitted on smartphones

13.5
mln

Ecosystem customers

13
indices

Entry into the Moscow Stock Exchange indices

since 2003
listed on MOEX

Key customer metrics

80 mln

mobile communication subscribers in Russia

37+ mln

Registered MTS CashBack users

26+ mln

of active My MTS App users each month

4000+

corporate clients / SME clients of MTS cloud business

11+ mln

users of paid TV

The leading provider of communication services

80+ %

of the Russian population covered LTE

300+ bln min

Total traffic of mobile business in 2022

+17%

growth in convergent base over the year

+21%

Growth of IoT connections in 2022

83 Regions

with NB-IoT coverage

DIGITAL FOCUS

Internet of things (IoT)

+55%
increase in the number of NB-IoT customers in 2022

+64%
revenue growth from the NB-IoT network in 2022

Cloud technologies

+30%
increase in the product portfolio

+15%
major customers in 2022

MTS Marketer

+73%
new customers in 2022

+62%
increase in the number of advertising campaigns

Big Data Team of the world level

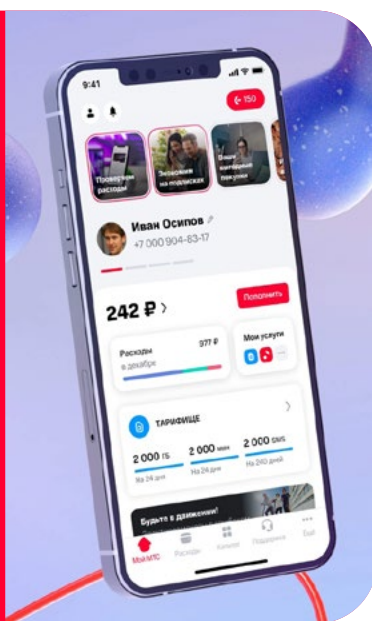
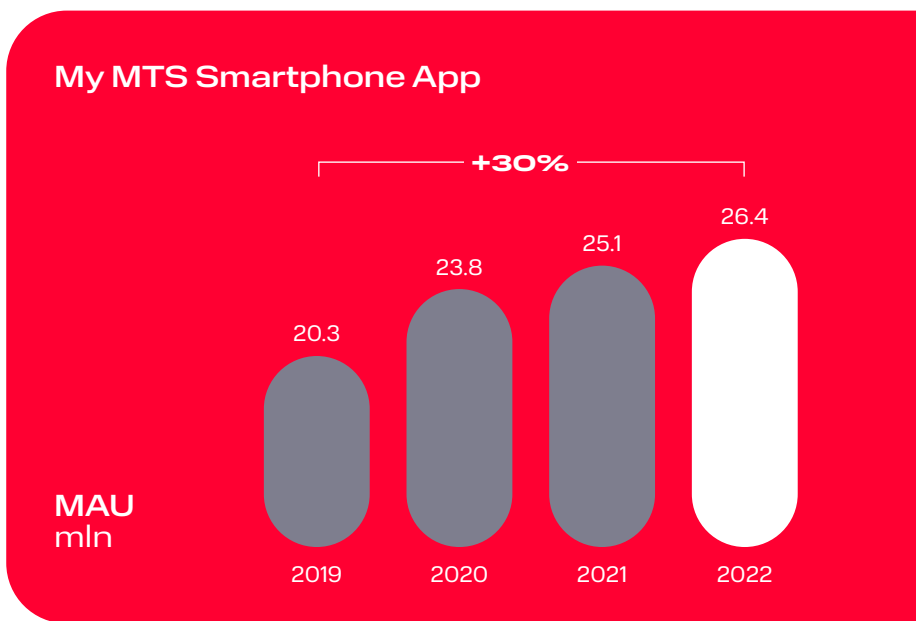
350+
data analysts and employees

20PB
of stored data

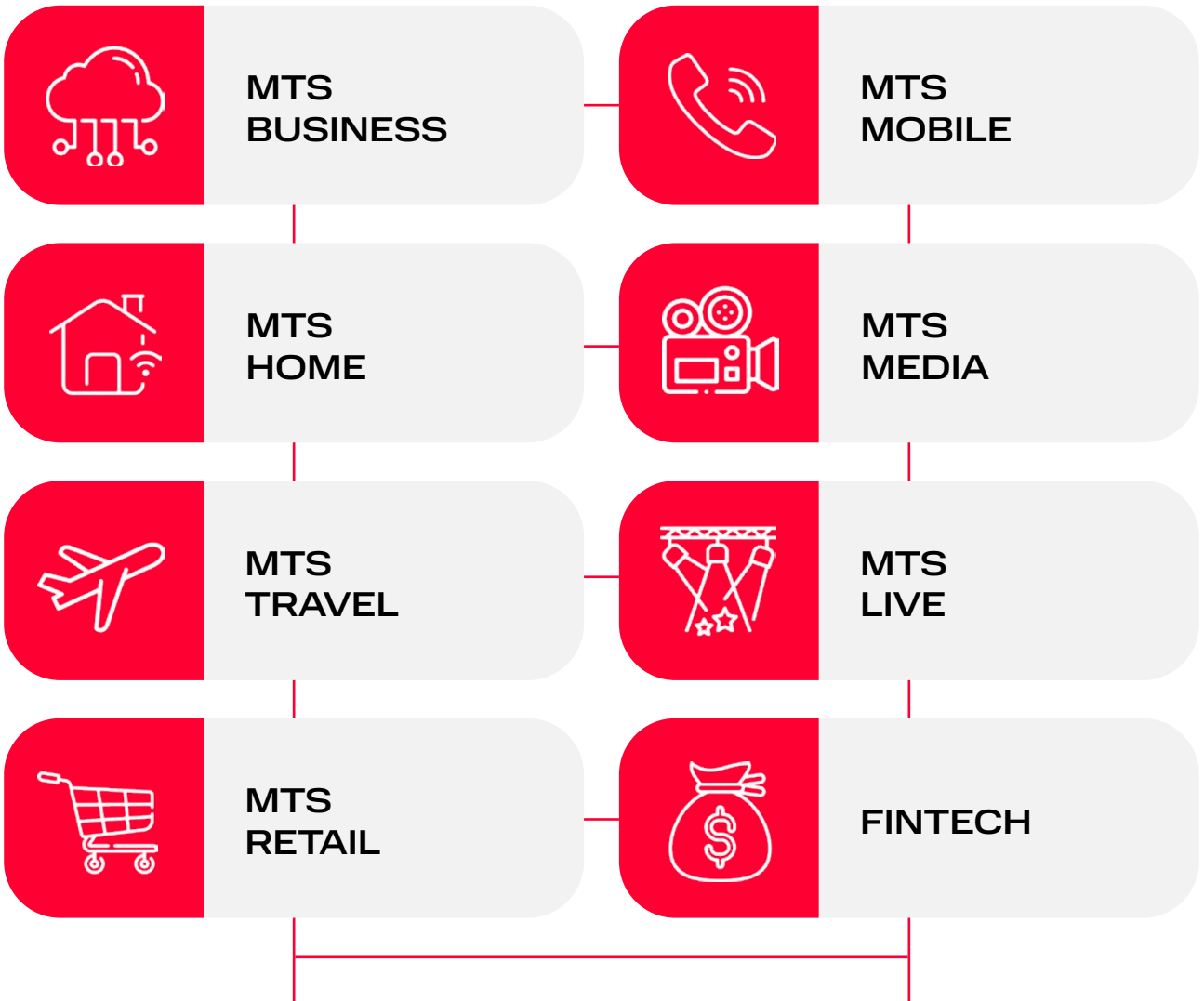
FinTech

80%
of sales through digital channels¹

¹ Consumer loans and credit cards



MTS DIGITAL ECOSYSTEM



 **MTC CASHBACK**

Loyalty program aimed at strengthening ties between ecosystem verticals

The program is integrated into all products and storefronts by default

 **MTC PREMIUM**

Unique subscription to all key ecosystem services



More information about Premium subscription at <https://premium.mts.ru/>

MTS ECOSYSTEM VERTICALS AND POSITION IN THE RUSSIAN MARKET

Key markets by verticals

Telecom

MTS is the largest mobile operator in Russia and a dynamically developing ecosystem.

- 80%+ of the population of the Russian Federation are in the LTE coverage area.
- Over 98% of the populated territory of Russia is covered by all networks.
- Coverage in 83 Russian regions supports NB-IoT.
- Growth in the IoT connections amount exceeded 21%.
- Share of mobile Internet users in the base is more than 68%.
- No. 2 on the fixed-line service market.
- Convergent base growth amounted to more than 17%.

FinTech

The MTS Fintech vertical includes banking, mobile commerce, investments, factoring and a credit broker.

Bank is focusing on retail lending and day-to-day banking with a customer base of 3.5 million people. The growth of the retail loan portfolio of the Bank in 2022 amounted to more than 24%. The share of sales of core products (consumer loans and credit cards) through digital channels exceeded 80% in the reporting period.

Media

Leading video streaming service KION and entertainment content provider

MTS Media produces and distributes original and licensed VOD and TV content via cable/ IPTV, satellite TV and OTT platform.

Priority areas for MTS Media development:

- developing the KION streaming platform — deep integration into the MTS ecosystem and strengthening the offer through high-quality own content and exclusive partner content;
- customer base growth in the OTT and IPTV segments at a faster pace than the market;
- maintaining market share in stable historical segments of cable and satellite TV;
- using Big Data toolkit to improve the customized interface convenience and the quality of TV content recommendations and, as a result, to improve the long-term relationship with the customer.

Retail

All-Russian consumer electronics retail chain (B&M + e-commerce) with a long-term strategy for sustainable rate of return. The largest telecom retailer in the Russian Federation (in sales of mobile phones). A strong brand built on trust and goodwill.

- 60 mln+ transactions per year
- 200 million+ people — annual store traffic

Vectors of the MTS retail chain strategic development:

- MTS ecosystem entry point;
- expansion of financial services (+online);
- 100% omnichannel approach;
- implementation of the best industry practices;
- expansion of the product range, complementary to the MTS ecosystem.

MTS Web Services (MWS)

The strategic focus of MWS is to become the leading private provider of digital infrastructure and cloud solutions in Russia.

- +30% increase in the product portfolio
- +15% major customers

Strategic MWS targets:

- using a unique combination of telecom network across the country with data center infrastructure to provide best-in-class innovative cloud and network B2B services;
- performance improvement and cost optimization in high-tech and IT infrastructure;
- gaining a leading position in the Cloud and Edge Cloud.

Entertainment

MTS Entertainment (MTS Live brand) is a unit within the MTS Group and a part of MTS ecosystem created to develop projects in the field of entertainment and manage Company's assets in this segment.

Areas of Activity

- holding your own offline and online events;
- control of ticket operators and a network of own concert venues;
- partnership with theatres;
- investments in own performances and musicals;
- in 2022, the total number of tickets sold amounted to 6.4 million.

MTS Live customers get access to all the MTS ecosystem benefits: from convenient authorization using MTS Login or easy MTS Pay payment in the mobile app to special MTS Premium subscription offers and the ability to accumulate or write off MTS Cashback program points for purchases in the MTS online store, communication services, KION, MTS Music, MTS Bank, etc.

MTS Marketer

MTS Marketer is a service for independent targeted messaging and Internet advertising launch. The service is based on MTS Big Data: depersonalized data about the operator's subscribers, which allow displaying advertising only to the audience that may be interested in it.

- +22% — revenue growth in Q4 2022 to Q4 2021.
- +73% — growth in the number of registered customers.
- +62% — growth in the volume of implemented advertising campaigns.
- +115% — increase in the number of launched advertising campaigns in Digital.

MTS Tourism

A new business line has appeared in the MTS ecosystem — MTS Travel company, which creates and develops services for travelers across Russia and the world: services for booking hotels, accommodation and tickets, tourist and sightseeing services, rental and leasing of transport, organization of sports leisure.

In 2022, MTS Travel booking service was launched with the following features:

- a choice of 14,000 hotels in Russia;
- booking hotels in Turkey;
- booking payment with a Russian bank card of any payment system;
- cashback up to 5% of the booking price.

In March 2023, the first version of the MTS Travel mobile application was launched.

MTS Travel's strategy for 2023 is centered around the development of a hotel booking showcase for independent travelers.

- Integration with MTS ecosystem products (members of MTS Cashback program can spend cashback for booking on gadgets, communications and other discounts in MTS services and with partners).
- Development of an own travel media (entry points to the hotel booking service and assistance to customers in choosing and organizing a trip). As part of travel media, online travel guides for several regions of Russia have already been launched, which MTS subscribers receive in a welcome SMS upon arrival in the region.

MTS Smart Home

Combining MTS Big Data technologies, experience in implementing projects in the field of video analytics systems and security solutions of "Smart Home" from Gulfstream opens up new opportunities in the development of a smart and comfortable home for MTS customers.

- +70% growth in the total number of new Gulfstream customers in 2022 compared to 2021
- +9% growth of active users of Gulfstream services in 2022 compared to 2021

Development areas:

- security (protection against intrusion and accidents, smart insurance, climate control, housing and communal services payment);
- video analytics;
- geolocation and assistance services (medical assistance, SOS button, geo-tracking of children and relatives);
- home services (interaction with management companies, delivery, household services, etc.).

MTS Belarus

In Belarus, the 2022 revenue volume reached BYN 1449.4 million (an increase of 6.8% by 2021) mainly due to the growth of income from communication services and income from the sale of phones and accessories. OIBDA grew by 9.2%, reaching BYN 757.6 million in 2022. The main growth driver of the indicator is income from communication services. The subscriber base remained largely unchanged at the level of 5.7 million users at year-end 2022.

The principal development vectors are as follows:

- maintaining positive growth rates of mobile business;
- preserving the subscriber base;
- building up leadership positions in retail;
- uninterrupted provision of high-quality communication services;
- development of the Cloud area.

MTS Armenia

In Armenia, 2022 revenue reached AMD 51.0 billion (an increase of 4.1% compared to 2021), which is mainly due to revenue growth from providing communication services. The OIBDA indicator for 2022 reached AMD 27.5 billion (an increase of 6.4% compared to 2021). The volume of the subscriber base at the end of 2022 increased slightly +1.6% and amounted to 2.3 million users.

MTS Armenia is undergoing a digital transformation from a telecommunications operator to a company offering comprehensive digital services, which corresponds to global trends in the development of the industry, as well as the growing needs and expectations of customers. The company offers a number of gaming, entertainment, educational applications, e-wallet, mobile TV, cloud services and solutions for effective business and financial management, etc.

Key Quantitative Indicators by MTS Business Segment

Ecosystem

- **Ecosystem revenue** amounted to more than RUB 117 billion.
- **Ecosystem customers** reached 13.5 million at the end of the year, which is 53% more than in 2021.
- Number of **1M active users of the My MTS app** reached 26.4 million users at year-end.
- Growth of users **with an MTS Premium subscription** was +71%.
- Increase in **readiness to recommend** the MTS Cashback program in Q4 2022 to Q4 2021 by 2.7 times.
- **Average number of ecosystem products** per customer increased from 1.43 in the Q4 2021 to 1.6 in Q4 2022.

Telecom

- **Revenue from providing communication services** in Russia grew by 4.6% reaching RUB 435.6 billion.
- The **customer base** of mobile business in Russia remained at the level of 80.0 million users as of year-end.
- **Sales of phones and accessories** decreased by 37% reaching RUB 43.6 billion at year-end.

FinTech

- **OIBDA** amounted to RUB 5 billion
- **Number of MTS Bank customers** amounted to 3.5 million at year-end.
- Number of **3M active MTS Bank mobile app users** amounted to 2 million at year-end.

Media

- **Revenue** of MTS Media amounted to RUB 15.9 billion, an increase of 15.6% as compared to 2021.
- The number of **KION users** reached 6.6 million as of year-end, the growth dynamics reached +63% as compared to 2021.
- The cumulative number of **Pay TV subscribers** reached 11.1 million at year-end.

2022 HIGHLIGHTS

Corporate News

In March, MTS announced the establishment of the ESG Center, which is responsible for the formation and effective implementation of the ESG strategy, coordinates the implementation of key ESG areas, facilitates the implementation of ESG aspects in the Company's business processes and promotes the sustainable development agenda in the MTS Group

In May, the Government Commission for the Control of Foreign Investments in the Russian Federation (the "Commission") upheld the MTS' request to maintain the American Depositary Receipts Program ("ADR"). The Commission allowed MTS to continue applying for the company's ADRs outside Russia until July 12, 2022 inclusive.

In June, MTS sent an application to JPMorgan Chase Bank, N.A., a depository bank under the current ADR program, to terminate the depository agreement from July 13, 2022.

In August, MTS received a notification from the New York Stock Exchange ("NYSE") that NYSE employees had begun the procedure of delisting the ADRs of MTS PJSC. In August, MTS received a notification from the New York Stock Exchange that the ADRs of MTS PJSC had been delisted on August 8, 2022. Under the terms of the Depository Agreement, the guaranteed period for converting MTS PJSC's ADRs into MTS PJSC ordinary shares ended on January 12, 2023 (inclusive).

In August, MTS filed a notification to CB J.P. Morgan Bank International (LLC) about the start of automatic conversion of ADRs into ordinary shares of MTS PJSC in accordance with the requirements of Russian law. CB "J.P. Morgan Bank International" (LLC) is a Russian depository wherewith a deposit account of the MTS depository program is opened. In the process of automatic conversion, the Russian depositories that accounted for the ADRs debited the accounts of the ADR holders and credited the ordinary shares of MTS PJSC to the accounts of the holders.

In June, the annual general meeting of shareholders (AGMS) was held in the form of absentee voting. Shareholders at the AGMS approved annual dividends based on the Company's financial results for 2021. Dividends amounted to 33.85 rubles per ordinary share, or a total of RUB 66.3 billion (66,334,910,976.95 rubles), including payments on quasi-treasury shares of MTS. Dividend payments for 2021 in the amount of RUB 48.2 billion ended on August 16, 2022. ADR holders will be entitled to receive dividends after the conversion of depository receipts into ordinary shares of MTS PJSC in accordance with applicable Russian law, taking into account legal and regulatory restrictions that exist and/or may appear in the future.

Mergers and Acquisitions

In April, the MTS corporate venture fund invested in the online food and beverage ordering service Bartello. The volume of investments amounted to RUB 72 million. Bartello allows ordering and paying for food and drinks online without calling a waiter. The companies plan to provide the opportunity to place online orders in the MTS Live application at concert venues, as well as at music festivals and open-air.

In April, MTS announced a deal to acquire Gulfstream Security Systems JSC (the Gulfstream brand), one of the leaders of the Russian security market, for the comprehensive development of the new MTS Smart Home business vertical. MTS acquired 58.38% of the shares, the transaction amount was RUB 2 billion. Gulfstream provides comprehensive solutions for protection against penetration, fire, water leakage, as well as elements of a Smart Home, being the developer of its own IT platform.

Gulfstream solutions can be installed in apartments, private homes, shops and offices.

In July, MTS announced the acquisition of 100% of the Bronevik Group (Bronevik Online LLC and Kompaniya Bronevik LLC) for the development of a new business line of MTS Travel (MTS Travel LLC) in the field of travel and tourism. The Bronevik Group was founded in 2008 and is one of the market leaders in online hotel booking, transfer and related services; it develops private and business tourism, providing hotel and accommodation booking services in Russia and abroad.

In July, MTS announced the closing of a deal to acquire a controlling stake in the Webinar Group (Webinar Meetings, Webinar.ru, We.Study, and COMDI brands), the largest Russian developer of solutions for video meetings, webinars and online events. Founded in 2008, the Webinar Group is a leader among Russian solutions in the video conferencing (VC) and corporate video services market. Webinar services are registered in the registry of domestic

software and have their own server infrastructure in Russia.

In August, the MTS corporate venture fund invested in the Belarusian startup LogicLike, an online educational platform for the development of logic and thinking in children. Interactive courses and LogicLike games for the comprehensive development of the child's intelligence have become available to new and current subscribers of the MTS NETARIF Junior subscription.

In October, MTS and MTS Auto LLC, a 100% subsidiary of MTS, announced investments in the Navitel Group, a Russian provider of navigation and mapping solutions. As a result of the transaction, MTS will be able to form its own geoplatform for the development of ecosystem services and transport solutions. Founded in 2006, the Navitel Group is a developer and distributor of navigation software, an independent provider of geoservices and monitoring services in Russia. The Navitel team is also developing navigation devices and video recorders.

Bonds and Loans

In April, MTS issued two series of exchange-traded bonds on the Moscow Exchange (MOEX) totaling RUB 20 billion: bonds of 001P-20 series for the amount of RUB 10 billion with a maturity of four years and a coupon rate of 11.75%; bonds of the 001P-19 series for the amount of RUB 10 billion with a maturity of three years and a coupon rate of 11.69%. MTS will use these funds for general corporate purposes and optimization of the debt portfolio.

In June, MTS issued exchange-traded bonds of the 001P-21 series with a nominal volume of RUB 10 billion with a circulation period of four years and a coupon rate of 9.65%. The funds raised will be used for general corporate purposes and debt refinancing.

In June, MTS issued exchange-traded bonds of the 001P-22 series with a nominal volume of RUB 20 billion with a circulation period of four years and a coupon rate of 8.30%.

In November, MTS announced a request for consent regarding Eurobonds maturing in 2023 for consideration and approval of changes in the payment procedure, which will give the right to make direct payments in rubles, and other proposed amendments to the Trust Management Agreement and the terms and conditions of the bonds.

The meeting in the format of a videoconference was held on December 13, 2022. In accordance with the terms of the extraordinary decision, the coupon payment on the bonds dated November 30, 2022 was paid by the Company until January 30, 2023.

In December, MTS issued exchange-traded bonds of the 001P-23 series with a nominal volume of RUB 15 billion with a circulation period of four years and a coupon rate of 8.40%.

Leadership in Telecommunications

In January, MTS announced the world's first uplink aggregation tests in a 5G pilot network built on the basis of virtualizing network functions on a vRAN radio access network. vRAN solutions will be widely used in 5G networks and in the open radio access architecture (Open RAN).

In May, MTS completed work on aggregation on the commercial infrastructure of the Moscow region of all five involved LTE frequency bands, which will allow subscribers to use mobile Internet at speeds up to 800 Mbit/s, and the Company — to use the frequency resource more efficiently and save up to 20% of costs when expanding the network.

Partnerships

In August, MTS announced the development of a new format of partnerships with regional telecom operators to create and promote joint convergent products. The project will allow MTS to enter the market with interesting package services, where local operators are already present, and together with them offer a more in-demand product with several digital services: fixed broadband, mobile communications, KION online cinema and/or IPTV.

In August, MTS and the BelkaCar car-sharing service announced the launch of a series of free audio guides for motorists on the MTS Music platform. The route of the first audio guide will take you from Moscow to the Yasnaya Polyana Estate Museum in the Tula Region.

In September, MTS Entertainment signed agreements on the transfer of management of the Music Media Dome multimedia space in Moscow and the M-1 Arena Concert and Sports Complex in St.

Petersburg. The concert venues will become part of the federal MTS Live network and will be named "MTS Live Hall" in Moscow and "MTS Live Arena" in St. Petersburg. As part of the signed agreements, all operational management of the venues is transferred to MTS Entertainment: organization of concerts and leasing of venues for events and shows, ticket sales, operation of bars and restaurants, sponsorship and advertising integrations.

In November, MTS announced the conclusion of a strategic partnership with Rubbles, a Russian provider of business optimization solutions based on Big Data. The Company will jointly develop products for different industries. Rubbles specializes in optimizing business and technological processes based on big data analysis and artificial intelligence. The Company helps automate demand analysis, pricing, process control, as well as personalize customer communications.

Cloud Solutions and Internet of Things

In March, MTS provided the Novolazarevskaya Antarctic Station with an NB-IoT (Internet of Things) standard network. The technologies will help carry out remote monitoring of the state of sea ice, increase the efficiency of scientific research of the Arctic and Antarctic Research Institute and the safety of the station's activities.

In April, MTS launched the remote monitoring of equipment, Monitoring Events (MONTE) service. This is the first system on the market for monitoring the status of subscriber devices on the Internet of Things (NB-IoT), which allows monitoring the operability of sensors and meters in hard-to-reach areas and avoids the need for regular visits for face-to-face inspections of equipment.

In June, MTS launched a cloud video surveillance service in the form of a flexible "out-of-the-box" solution that allows business customers to quickly establish round-the-clock video monitoring at any facility with a minimum of equipment and costs.

In June, MTS announced the completion of the deployment of the largest federal network of the NB-IoT standard for the Internet of Things in all regions of its presence. The Company plans to become a key provider of IoT services for energy, industrial, agricultural companies, as well as large federal smart city projects.

In June, MTS announced that the GreenBushDC data center, which is part of the MTS infrastructure network, has been certified by the independent international Uptime Institute for Tier III fault tolerance. This status confirms the highest degree of reliability of the constructed facility for the data and equipment of client companies placed in it.

In August, MTS opened a new Data Processing Center (DPC) in Novosibirsk — the first modular data center of MTS in the eastern part of Russia. MTS corporate clients in Siberia will be able to use new capacities for migration of IT systems to the cloud #CloudMTS, data processing and storage, backup, protection against DDoS attacks and other business tasks.

From August to October, MTS successfully implemented a system of continuous monitoring of the climate regime using its own IoT solution "Celsius" in one medical center and a number of cultural facilities in four regions of Russia. Celsius is a portable sensor that monitors temperature, humidity, pressure and indoor air quality.

In November, MTS announced the development of a Smart Click alarm button using Internet of Things technologies to communicate with emergency services, medical personnel, employees of social and retail facilities. The equipment instantly transmits a signal via the NB-IoT network to any platform, works

wirelessly and does not require the involvement of specialists for installation and maintenance.

In December, MTS announced the transition of the MTS IoT Hub Internet of Things platform to its own software, which will completely replace foreign solutions in the development of NB-IoT products. The main task of the MTS IoT HUB platform is to provide MTS internal B2B and B2C products with

tools for quickly connecting smart devices, receiving telemetry from them, managing these devices and additional analytics directly based on such data. Due to the complete rejection of offers from foreign vendors and the development of the platform based on its own developments, MTS can guarantee the uninterrupted and high-quality operation of its products with Internet of Things support.

Innovations and Products

In April, MTS announced the results of the selection of projects for the technological incubation program: 14 companies will be able to refine their solutions in the field of AR/VR, unmanned vehicles and machine vision, using 5G networks, edge computing technology with the resource and expert support of MTS.

In June, MTS launched MTS Remote Play, a service for remote use of computing capabilities of computers via wired and mobile networks based on edge computing technologies. As a result, users will be able to remotely launch "heavy" games with a high level of signal delay requirements on any gadgets, work with graphics editing programs, video and other services installed on personal productive PCs.

In September, MTS introduced the digital book service "Lines" with a full catalogue of popular classics, modern literature, exclusive publications and author's podcasts, as well as its own publishing house. The library's catalogue will include hundreds of thousands of books, audiobooks and magazines. Under the new brand, "Lines" will produce original content, as well as publish foreign bestsellers on exclusive rights.

In November, MTS announced the transition to the technology platform The Platform, which combines

all end-to-end IT solutions of the MTS ecosystem. The Platform's unified technology platform frees IT specialists from routine tasks: configuring system software and databases, monitoring, deployment, allowing them to focus on solving business problems. As a result, up to 30% of the resources of product teams are released by reducing the non-core load.

In November, MTS announced the launch of a beta version of the AppBazar app store for Android OS, in which Russian and foreign developers can host, promote and monetize their services, and users can download applications and pay for them using Russian bank cards or from a mobile phone account. To monetize programs, developers can use various tools, including service of internal in-app purchases, sale of premium versions, subscriptions, and participation in store advertising campaigns.

In December, MTS announced the launch of the decentralized gaming platform MTS Fog Play. It allows owners of high-performance PCs to earn money by renting out the power of their computers through a cloud service. Users who do not have gaming devices can rent a gaming PC and run "heavy" games on smartphones, tablets, set-top boxes and laptops via the Internet.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Innovations and Products

In January 2023, MTS announced the launch of the MTS Evolve cloud platform, which is designed for fast and flexible creation of communication services. The platform allows developing own applications for

communicating with customers, provides "seamless" integration into existing IT systems and effective management of omnichannel communications.

Mergers and Acquisitions

In February 2023, MTS announced the closing of the acquisition of 67% in the capital of the Buzzoola Group, one of the leading AdTech companies in Russia and the CIS. The purchase of Buzzoola will allow MTS to accelerate the development of its own AdTech area and increase its share in the advertising market. MTS will also be able to include the advertising exchange (AdEx) and the Buzzoola SSP platform in its AdTech circuit, which will complement the Company's own DSP and DMP solutions (developed under the MTS Marketer umbrella brand).

In March, MTS announced that its subsidiary MTS AI had acquired 49% in the Russian developer of high-tech solutions in the field of access control and ticket systems "Infomatics". Integration of Infomatics developments in the field of access control, including, for example, its own line of turnstiles and payment

terminals, with face recognition technologies and face payment systems (a subsidiary of MTS AI) will allow implementing complex projects for the transport industry, sports and cultural facilities, educational organizations.

In March, MTS announced a deal to acquire 100% of DY Technologies LLC, which is engaged in the construction of a plant for the industrial production of automotive electronics on the territory of the Technopolis Moscow special economic zone (Alabushevo site), with the aim of comprehensive development of the MTS Auto business vertical. The acquisition of the company will allow MTS Auto to use industry technologies and standards for manufacturers of cars and trucks who need to comply with the 719 resolution on localization of the automotive industry.

Private LTE

In January 2023, MTS deployed Russia's largest dedicated LTE technology network for the largest nickel and palladium producer. The network provides communication and telemetry services to more than 800 people and about 500 units of mining equipment at the same time. The use of LTE mobile communication technology has made it possible to significantly expand radio coverage, improve the quality of voice services, increase data transfer speed, ensure the security of communication channels, as well as organize the exchange of multimedia messages.

In April 2023, MTS announced that it would build a dedicated LTE technology network for the gold mining company, the only producer of ore tin in Russia. The deployment of the Private LTE network will allow automating production processes, implementing telemetry, remote control of equipment, transport and drilling and blasting operations, transmitting video information from stationary and mobile video cameras to the dispatcher console and further upgrading the IT infrastructure – creating systems for collecting, processing, storing and transmitting information, as well as providing secure access to centralized IT resources from mobile devices.

MTS RATINGS

Credit Ratings

- In January 2023, the **Russian National Rating Agency** confirmed the MTS credit rating of **AAA.ru** with stable outlook. Among the factors that influenced the confirmation of the rating, the agency notes the high stability of the presence markets, geographical diversification in the territory of the Russian Federation, moderate debt burden and significant operating profitability.
- In December 2022, the **Expert RA Rating Agency** confirmed MTS' credit rating at the **ruAAA** level with stable outlook. In its message, the agency emphasizes the high level of strategic planning of the MTS Group, the positive results of building a product ecosystem based on the telecom business, as well as low currency risks due to the formation of most of the revenue in Russia and a small share of foreign currency debt.

Sustainable Development Ratings

- In September 2022, **AK&M Rating Agency** confirmed MTS' assessment of ESG reporting at the **RESG 1** level, which corresponds to the highest level of information disclosure. The Agency noted the structuring of non-financial reporting, as well as a significant improvement in the quality and expansion of the volume of information provided on ESG initiatives and MTS Group's contribution to sustainable development.
- In November 2022, MTS confirmed the highest category of the "Leaders of Corporate Charity" rating A+ of the **Association of Grant-giving Organizations "Donors Forum"**.
- In December, MTS received the **platinum status** of the rating of the best employers in Russia according to **Forbes** magazine. The expert jury noted the achievements of MTS Group in the areas of "Employees and Society", "Environment" and "Corporate Governance". Forbes experts specifically noted MTS' long-term experience in implementing social projects.
- In December, **RAEX** awarded the highest rating to MTS annual and ESG reporting with the highest score of **"five stars"** awarded the highest rating to MTS annual and ESG reporting with the highest score of
- In December 2022, the **AK&M Rating Agency** assigned MTS the highest sustainable development rating at the **A++ level with stable outlook**. The ESG rating on the national scale was assigned to the Company for the first time. The Company's priorities in the field of sustainable development are based on a responsible attitude to the environment, high social responsibility, as well as an ethical corporate governance model.

MTS BRAND

BRAND FINANCE TELECOMS 150 2023

The MTS brand is the most valuable Russian telecommunications brand.

In the world ranking of brand values over the past year, the MTS Brand has improved its position, rising from 65th to 58th position.



Ranked №58
in brand value ranking

[Telecoms 150 2023](#) | [The Annual Brand Value Ranking](#) | [Brandirectory.w](#)



NEW BRAND POSITIONING

Our expertise in technology and leadership in telecom have created a solid foundation for us to develop further, explore new areas of activity, create digital services and innovations for people and businesses.

Based on its experience, in 2019 MTS set a course for the formation of a digital ecosystem and began to actively launch new products. Two years ago, the active transformation of the Company towards IT began, many internal processes have changed: the staff of IT specialists has grown, product teams have expanded, bureaucracy has been reduced, corporate values have changed.

And in 2023, the rebranding of the company became a logical continuation of big changes in business, brand philosophy and internal culture.

In terms of positioning, MTS has not made a revolutionary transition to a new brand. It is based on the fundamental values and character traits of the MTS brand, which is familiar and loved by many. The updated brand has retained its energy, emotionality, charisma, desire for change, but has become lighter, empathetic and more modern.

MTS philosophy is embodied in its new products and services that help people change the familiar and transform everyday life: discover new things, find creative solutions and get unexpected experiences.

The basis of the new MTS corporate identity is a dynamic and flexible logo. It literally accommodates all products and becomes the foundation for the visual system, and its left corner remains free for branding individual services. Now each MTS business is a separate sub-brand that builds its own dialogue with the user and has its own distinctive visual features.

MTS ECOSYSTEM DEVELOPMENT

TELECOM

Mobile Business

Mass Market

In 2022, we actively developed and marketed favorable data plans, in which each customer could choose a set of standard telecom services, as well as a wide range of ecosystem digital products, best suitable for them.

Expansion of the range of ecosystem services and deep study of our customers' preferences in integration with Big Data allow us to perform the transition from traditional price competition in telecom products to the creation of offers for consumer segments. This helps increase customer loyalty and emotional attachment to the brand, as well as improve customer experience.

In July 2022, a unique subscription was launched — MTS Access. Now the subscriber can pay a fee once a month and use the connection, not counting minutes and gigabytes, as well as receive smart protection from spam calls — "Defender" from MTS.

The launch of convergent services is a part of the MTS ecosystem development program. Convergent products are one of the key tools to retain subscribers and increase their loyalty. Combining the capabilities of fixed-line and mobile communications, the MTS designs and continues to develop convergent services. MTS intends to significantly increase the number of convergent subscribers. All MTS data plan is a bundle of services in three telecommunication areas: home internet + TV + mobile communications. The Company is the only operator in Russia, which, in addition to standard telephony, internet, cable or IPTV, also allows connection to satellite TV services. The development of convergent products is one of the main drivers of fixed-line communication sales growth, which allows MTS to maintain

the rates of subscriber base growth for fixed-line communication services outstripping the market.

In 2022, MTS launched a number of operator mechanics with leading vendors of subscriber equipment and partners of the non-telecom sector. Such unique offers became available to consumers as:

- when buying a set of "smartphone with an MTS SIM card", the consumer received a discount on communication in the form of bonus rubles;
- when buying a set of "smartphone with an MTS SIM card", the consumer received a second phone as a gift;
- when buying a smartphone from a certain vendor, the consumer received as a gift communication services and accessories for a set amount;
- partnership programs. When fulfilling the conditions of the promotion (for example, when buying a promotional product or when reaching a certain amount of the bill) and concluding a subscription agreement with MTS, the consumer received a unique promo code to activate a discount on communication services.

Retail Distribution

The MTS retail chain remains the main channel for attracting MTS subscribers. More than 40% of SIM card sales are carried out through MTS retail outlets. MTS own network demonstrates high rates in the number and quality of SIM card connections.

At MTS offices, subscribers receive a full range of services provided by the operator, including

services involving broadband access to the internet and television. Being points of contact with the MTS ecosystem, MTS outlets allow increasing cross-sales. Any new service released by the Company automatically becomes available for sale in the retail chain office. Furthermore, we offer the customers an extensive list of financial services, such as: consumer lending, money transfers, credit repayment, life insurance (voluntary medical insurance), product insurance and MTS Money cards.

Our own sales channel enables us to more effectively manage the number and quality of activations, as well as to maintain our level of service.

Network Development

MTS continues to develop and modernize the network to ensure a consistent level of coverage and high quality mobile Internet. In 2022, more than 12,000 4G BSs were commissioned, +11% of the network. The main increase occurred in large regions of Russia: Krasnodar Krai and Moscow are the leaders.

In order to maintain and expand the quality of the network, MTS is increasing the number of regions in which it is redistributing the frequency spectrum to LTE technology (more than 30 regions by the end of 2022).

Innovative Projects

MTS develops advanced digital solutions based on the current LTE network, including in hard-to-reach locations.

In Antarctica, in 2022, a significant expansion of the three sites built since 2019 was carried out.

MTS continues to develop the Private LTE (pLTE) area. The largest pLTE network in the Russian Federation in terms of the number of sites and users with an area of 98 km² has been implemented in Mezhdurechye. In 2022, 14 base stations were built and commissioned. Major projects have been implemented in the Lipetsk, Belgorod, Murmansk Regions and the Republic of Karelia. The total number of BSs launched in 2022 for pLTE network is more than 20.

Fixed-Line Business

B2C Fixed-Line Business

The share of broadband Internet access penetration in the telecom market in 2022 increased slightly to 62% (earlier in 2021–61%) on average in the Russian Federation. The subscriber base grew by only 0.3% (earlier in 2021–0.8%) — the growth rate slowed down in 2021 after a surge in connections in 2020 caused by "self-isolation". The fixed broadband market in the country is saturated, a small increase in penetration can be achieved at the expense of large cities (penetration of more than 70–80%), as well as coverage of the private sector in the suburbs of large cities.

In the current situation, the B2C segment turned out to be less susceptible to negative factors: by the end of 2022, there was an outstripping revenue growth (by 4.7%, while the subscriber base grew by only 0.3%). The outstripping revenue growth in the B2C segment is associated with an increase in prices for the service from federal and regional providers: in 2022, a number of operators, which had not changed prices for several years before, carried out tariff indexing.

The growth of the pay-TV market in Russia in 2022 almost stopped: the subscriber base remained at the level of 46.5 million, the penetration of the service was 82.6%. The withdrawal of many foreign TV channels from the Russian market and the blocking of foreign satellites had a negative impact. The market volume grew by only 0.7% and amounted to RUB 107.7 billion.

By the end of 2022, MTS continues to maintain leadership in the telecom market of the Russian Federation in terms of the growth rate of the base: the base is growing by 5.3% for broadband Internet subscribers and by 4.1% for pay-TV subscribers compared to 2021. Fixed-line business revenue also continues to grow steadily by 8.6% in 2022. In conditions of saturation of the market, MTS provides growth by two main factors: due to the increasing penetration of converged products into the database of broadband Internet subscribers (an increase of 4.8% in 2022), as well as by attracting new and migrating existing subscribers to higher-speed tariff plans. At the same time, MTS continues to develop the quality of services on its own network in a number of new cities, and in 2022 MTS expanded its presence in the market through partnerships with local providers.

Fixed-Line Network

In 2022, MTS continued to implement a large-scale program of modernization and construction of fixed-line networks:

- more than 500 thousand households were built;
- more than 900 thousand households were upgraded;
- the number of cities with a 1Gb network has increased to 133, taking into account Moscow and cities in the Moscow region.

Two FVNO projects are protected in the cities of Omsk and Khabarovsk (more than 480 thousand households):

- launched into commerce with mono broadband /mono convergent (without TV) in Omsk;
- launched into commerce with mono/DP/convergent services in Khabarovsk.

Convergent

The Company continues to develop a line of converged subscriptions. In 2022, segment offers All MTS Game were launched — an offer for gamers,

including mobile communications, home Internet at speeds up to 1 GB /s, as well as a subscription to gaming services, All MTS Gulfstream — including, in addition to basic telecom products, a subscription to a security system.

In 2022, MTS expanded footprint of the partnership scheme for providing convergent subscriptions, within which convergent services are offered in settlements where MTS does not have its own fixed-line network. Within this product, the subscriber gets the opportunity to take advantage of all the benefits of a convergent paying for all mobile and fixed-line services using a single personal account, while remaining a subscriber of his/her home communications service provider. At year-end 2022, this scheme was implemented in 10 regions of the Russian Federation. In addition, the sale of services under the FVNO scheme was launched in two regions of the Russian Federation, including with a federal partner, which makes it possible to quickly scale the project to other regions in the future.

In 2022, taking into account the volume of the upgraded fixed network capacity, the tariff line for all products including home Internet services was revised. In most regions, within the framework of all tariff plans and subscriptions, the minimum Internet access speed was increased to 200 Mbit/s, as well as the geography of tariffs with high-speed parameters of home Internet up to 1 GB/s was expanded.

B2B/G

B2B

In 2022, MTS continues to grow by double digits. Revenue growth by 2021 was 11.4%. The main contribution to revenue growth was made by A2P, Digital advertising, Cloud, Video surveillance. In 2022, MTS became the leader in the M2M market. Growth in the income of basic products should also be noted.

B2G

In the coming years, MTS aims to increase revenue growth in the B2G segment by strengthening participation in national programs and federal government projects, as well as the development of a line of digital products, the supply of B2B equipment and increasing the focus of regional teams in terms of selling Webinar Group products to government customers.

B2B Products

Mobile Business

In the face of unfavorable economic conditions, realizing the key role of communications for business, MTS has consistently increased the filling of Smart Business tariffs. For a subscription fee, the tariff includes unlimited calls to MTS RF, messengers, navigation, social networks, videos, minutes and Internet traffic packages. Unused traffic balances are saved and transferred to the next month. In order for employees not to be distracted from work tasks, the basic set of services includes intelligent protection from spam calls "Defender". For remote work, it is possible to distribute Internet traffic to other devices and 80 GB cloud data storage. For interaction with foreign partners — free incoming calls and a special price for Internet in other countries, as well as free calls abroad. Free service "In touch with minus" allows retaining access to messengers and navigation for five days with a negative balance.

In working with corporate clients, MTS has always had an emphasis on personal service and a flexible approach to each client. In 2022, some companies were forced to temporarily suspend their activities, and MTS provided support to customers and gave them the opportunity to block services free of charge for the required period. Also during the year, MTS offered customers the opportunity to double the packages of minutes and gigabytes without increasing the subscription fee as part of the "Double Benefit" campaign. In the period from September to December, it was possible to connect corporate mobile communications with a 30% discount for six months as part of the "Time of Profitable Solutions" campaign.

Focusing on market trends and customer convenience, MTS always develops relevant offers for different segments. The MTS Team tariff was launched for small and medium-sized businesses


in 2022. A team of up to six people can be connected to a common package of minutes, gigabytes, SMS to spend traffic more efficiently. The client can independently configure the tariff content and traffic limits for each employee in his Personal Account.

Fixed-Line Business

In 2022, MTS increased the number of active corporate subscribers of fixed Internet access by 3.8% to the results of 2021, the increase in annual revenue for Internet access services amounted to 9.4%. The largest increase in subscribers was provided in the regions (excluding Moscow and the Moscow region) and amounted to 8% year-on-year with revenue growth of 16%.


The figures do not include revenue and subscribers of the SSF project completed in 2021.

B2B/G solutions beyond traditional telecom

 **MTS Marketer**

Targeted advertising service using Big Data MTS

+73%
of new customers in 2022

 **Private LTE Networks**

15
major projects by the end of 2022

 **Webinar Group**

B2B customer base consists of more than

>10,000
organizations

 **UC services¹**

From a hosting PBX to an omnichannel communication platform and voice robots

No. 1 in Russia, market share ~ 30%².
The largest platform for Telecom API (after the acquisition of MTT)

 **Cloud solutions**

IaaS, PaaS, SaaS, DBaaS

+10
new products in 2022

¹ Unified Communications.

² Company data/market analysis

In 2022, MTS continued to develop its network in the regions in order to provide services to B2B customers, including 11 major infrastructure projects implemented in the regions: Omsk Region, Republic of Tatarstan, Republic of Mordovia, Ulyanovsk Region, Irkutsk Region, Nizhny Novgorod Region, Ivanovo Region, Republic of Karelia, increased fixed-line network capacity in the port of Ust-Luga (Leningrad Region), a FOCL was built to the airports of Novy Urengoy and Norilsk.

In the capital region, together with the Moscow Department of Education, a project has been implemented to organize the largest public Wi-Fi zone of the capital on the territory of VDNKH, which allows connecting up to a thousand users to each access point at the same time. The network covers the entire territory of the central alley of the exhibition and provides communication to more than 50 thousand users at the same time. MTS has provided public Wi-Fi access for students of the largest universities in Moscow, in 2022, more than 900 new access points were connected in two HSE dormitories as part of the project.

Intelligent Communication Networks

At the beginning of the year, the High Season — High Sales campaign was active: number 8-800 and 100 minutes for RUB 299 per month. This offer helped small businesses increase sales during a period of high business activity and seasonal demand for goods and services around the holidays and sales period.

Auto Attendant

Virtual multichannel telephony services based on "Auto Attendant" (federal and city numbers) and

"Free 8800 call" (8-800 format numbers) proved to be essential for remote work. The services allow deploy telephony at the company without wires and special equipment, since PBX functionality is organized on the side of MTS virtual platform.

In 2022, the technical resources of the virtual platform were significantly strengthened, which made it possible to improve the quality and stability of work and services.

Contribution of MTT JSC

In 2022, MTT developed the MTS Exolve platform for B2B and B2D segments. This strategic product is a CPaaS solution that will allow external IT products and applications to receive the full range of communications from emails and messaging to telecom and video communications seamlessly and from a "single window". The product market is growing at double-digit rates every year, it is expected that the platform will become a growth driver in the Russian segment and the CIS.

Based on the results of the successful use of Voicebox voice robots in e-commerce, delivery, EdTech, Fintech, MedTech, MTT became the winner of the "ComNews Awards. The best solutions for the digital economy" in the nomination "The best voice robot platform for business 2022".

For the first time, the service "Adaptive Synthesis" appeared on the market in Voicebox, which allows synthesizing speech indistinguishable from human speech in a few hours (previously it took 1–1.5 months). To increase the contact in Voicebox, the Carousel service has been launched, thanks to which the reachability to subscribers improves by 15–20%.

Business in the Markets of Operation

Armenia

MTS Armenia CJSC (MTS Armenia) is a 100% subsidiary of MTS PJSC and the largest of the three mobile operators working in the Armenian market.

Under the Viva-MTS trademark, the company provides mobile and fixed telephony services, as well as offers cloud and financial services (payments and transfers are carried out by the Mobidram CJSC subsidiary) for its subscribers.

MTS Armenia retains the leadership in the mobile communications market of Armenia by the number of subscribers and revenue.

MTS Armenia's own retail chain is the main channel for attracting subscribers with 79 sales and service offices, covering all regions and key cities of Armenia.

MTS Armenia completed 2022 with a market share of 58.45% by subscribers, the market share by revenue in 2022 was 57.25%. The market share of subscribers of bundled data plans reached 86% (+4 p.p. year-on-year) and the share of subscribers using data transfer in Q4 2022 amounts to 79%. The average volume of calls per one MTS Armenia subscriber in Q4 2022 amounted to 641 minutes per month and the use of data transfer amounted to 8.8 Gb per month (+31% year-on-year).

MTS Armenia continues to confidently lead the Loyalty Index (NPS) in the market.

In 2022, the market recovery continued, but the main event in the Armenian economy was an unplanned tourist flow from Russia, which led to an increase in new activations compared to 2021. In 2022, MTS in Armenia managed to stop the decline in roaming revenues. The low dollar exchange rate negatively affected the income from the interconnect. In order to minimize the risks from exchange rate fluctuations, at the end of September, the Central Bank of Armenia adopted a number of amendments, and a ban on the use of electronic wallets without attaching bank cards was also adopted, which made it more difficult to attract new fintech clients.

Integration of convergent solutions in cooperation with local partners is developing rapidly. MTS Arme-

nia's strategy is aimed at creating a new partnership ecosystem that helps develop new business models and identify new sources of income.

The share of revenue from non-traditional voice and data services compared to digital services has increased due to digital products such as mobile applications for financial management, entertainment, education and healthy lifestyle. One of the successful projects is cooperation with Yandex, which consists in providing the Yandex Plus package to those who activate the + Premium package. Yandex Plus offers a 10% discount on Yandex Go taxi and the use of the KinoPoisk and Yandex Music applications.

Compared to the previous year, in 2022, the consumption of cloud services increased by 50%, the consumption of B2B services — by 12%, and the consumption of mobile services within the B2B segment increased by 23%.

Cloud infrastructure #CloudMTS includes IT services, including colocation, virtual infrastructure and back-up solutions based on modern software and hardware technologies.

The Company provides fixed-line VoIP, fixed-line broadband Internet and data transmission services, as well as services for the provision of international communication channels.

MTS 2G communication covers 69.4% of the territory of Armenia, where 99.3% of the country's population lives. MTS 3G communication covers 71.3% of the territory of Armenia, where 99.8% of the country's population lives. The MTS 4G-LTE network is available on 69.4% of the territory of Armenia for 99.3% of the country's residents.

In 2022, MTS Armenia continued work on expanding the LTE network. At the end of 2022, the subsidiary's network consisted of more than 2,314 base stations with 4G/LTE support, 219 of which were launched in the past year.

In addition, MTS Armenia has deployed 13 base stations in hard-to-reach places and in mountainous areas, where energy is supplied through a photovoltaic solar system. In places where there is no centralized electricity supply, MTS Armenia mainly uses a hybrid method of providing electricity.

Belarus

Mobile TeleSystems JLLC (MTS Belarus) was established in 2002 by the Russian MTS PJSC (49%) and the Belarusian Beltelecom RUE. The company operates under the MTS brand and is the largest mobile communications operator in the Republic of Belarus. Its main competitors are BeST CJSC ('life' trademark) and A1 UE (Unitary Enterprise).

In Belarus, MTS provides mobile communication services of GSM 900/1800, UMTS 900/2100 and 4G standards (including 2600/800), home Internet and TV services, offers cloud services and products for business and financial services in partnership (MTS Money).

MTS Belarus is the leader in the mobile communications market of Belarus with the largest market share in terms of the number of subscribers and revenue.

MTS Belarus' own retail chain together with single-brand stores of the partners is the main channel to attract subscribers. The network of sales and service offices in December 2022 consisted of 91 own offices and 237 single-brand partner showrooms, allowing to connect subscribers and provide service operations in all regions and key cities of Belarus.

MTS 2G communication covers 98.0% of the territory of Belarus, where 99.9% of the country's population lives. MTS 3G communication covers 96.7% of the territory of Belarus, where 99.9% of the country's population lives. MTS 4G-LTE communication covers 59.8% of the territory of Belarus, where 95.7% of the country's population lives. In 2022, MTS Belarus continued to expand access and provide new 4G network opportunities to the residents of Belarus through developing coverage in the 800 MHz LTE band. The new band made it possible to provide high-speed communication to wider areas, including the suburbs, remote villages, highways in the Brest, Grodno, Vitebsk and Minsk Regions of the country.

MTS Belarus retained its leading position and a significant market lead over its competitors and ter-

minated 2022 with a market share by subscribers in Q4 of 47.2% (+0.1 p.p. year-on-year), in terms of mobile business revenue — 51.0% (0 p.p. year-on-year), revenue — 53.0% (+1.1 p.p. year-on-year). The share of subscribers of V&D data plans reached 64.5% (+0.9 p.p. year-on-year) and the share of subscribers using data transmission reached 70.3% (+1.6 p.p. year-on-year). The average volume of calls in terms of one subscriber of MTS Belarus in 2022 amounted to 557 minutes per month (–5.3% year-on-year), the use of data transmission in 2022 amounted to 18 gigabytes per month (+12.6% year-on-year).

The company is leading in terms of the net promoter score (NPS) in the telecommunications market of Belarus. According to internal marketing research of MTS, Belarus is the leader in satisfaction with the quality of mobile Internet and perception of reputation/image.

In 2022, MTS continued to expand access to 4G network services throughout Belarus together with the infrastructure operator beCloud. In particular, in 2022, the LTE network in Belarus increased by 506 new base stations: 290 in the 800 MHz band, 185 in the 1800 MHz band and 31 in the 2600 MHz band. At the same time, the total number of base stations operating in the LTE network amounted to 5129 pcs. by the end of 2022.

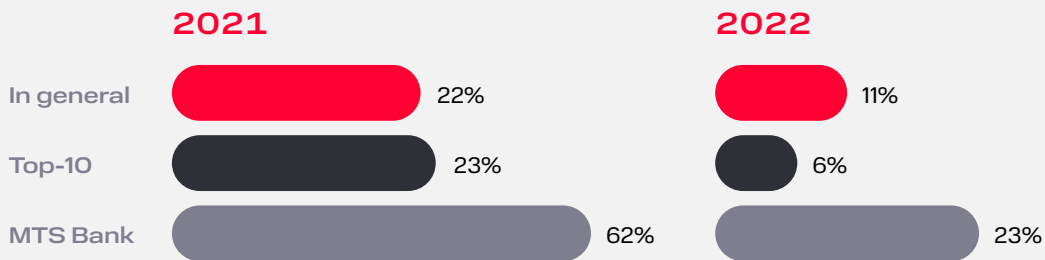
In 2022, MTS Belarus actively developed the cloud area, the revenue from which doubled compared to 2021. MTS Belarus provides a set of services in demand on the market: IaaS, SaaS, PaaS, PaaS and object storage. In 2023, the company intends to enter the market with information security products, which will significantly expand the market for Cloud services.

Also, MTS Belarus continued to expand its network coverage for the Internet of Things in Belarus last year. Minsk, regional centers and cities with a population exceeding 50,000 people are provided with NB-IoT communication. In the future, the systematic expansion of the NB-IoT network coverage area by MTS Belarus in district centers will go on.

FINTECH

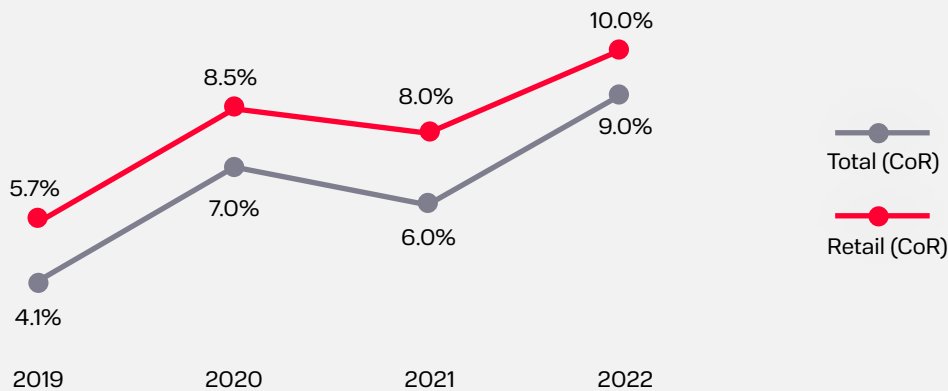
Fintech vertical includes Bank, mobile commerce, investments, factoring and a credit broker

Retail portfolio growth¹



¹ Based on unsecured lending data, Frank Research

With a moderate cost of risk (CoR)

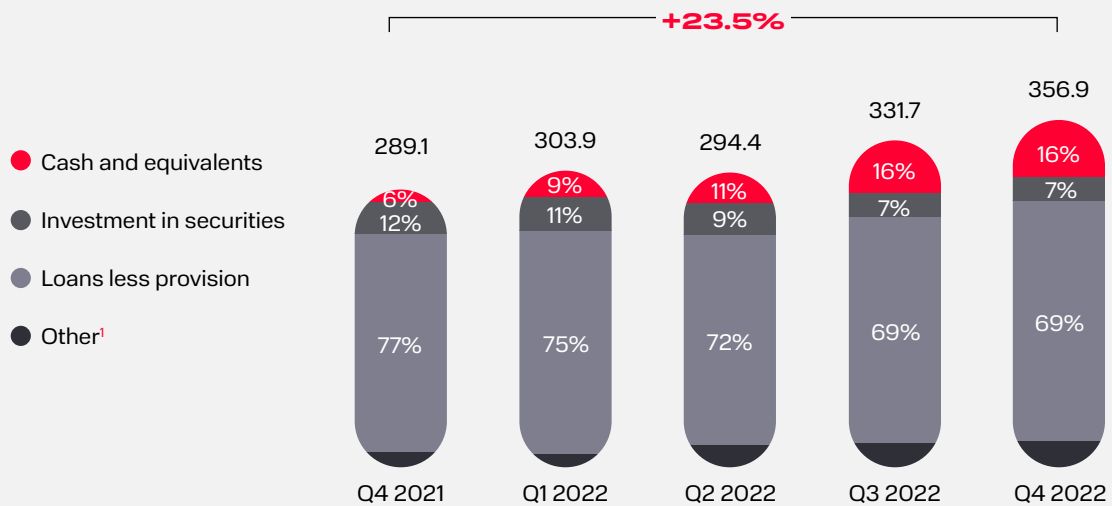


- The strategic focus is on the retail lending segment and everyday banking services.
- The number of active users of Bank's payment and digital services is almost 12 million, of which 3.5 million are Bank customers.
- The share of sales of basic products (consumer loans and credit cards) through digital channels already exceeds 80%.

Continued Portfolio Growth

Assets

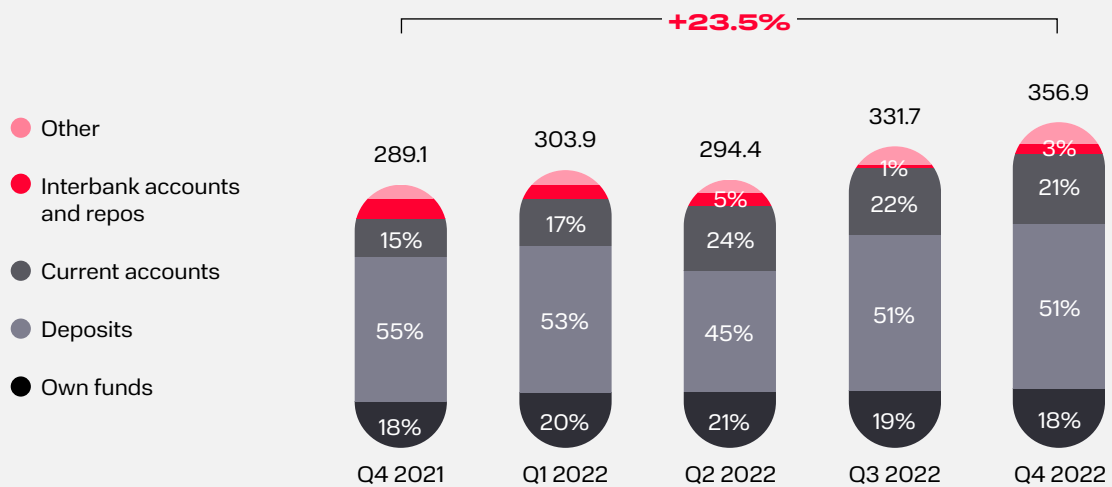
RUB billion at the end of the period



¹ Other assets include real estate, fixed assets, deferred tax, intangible assets and other assets

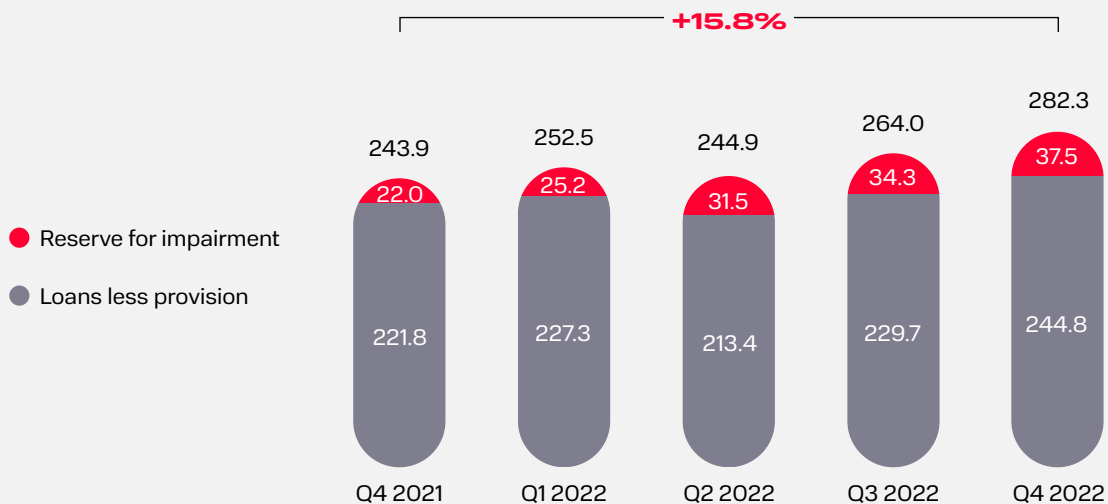
Liquidity sources

RUB billion at the end of the period



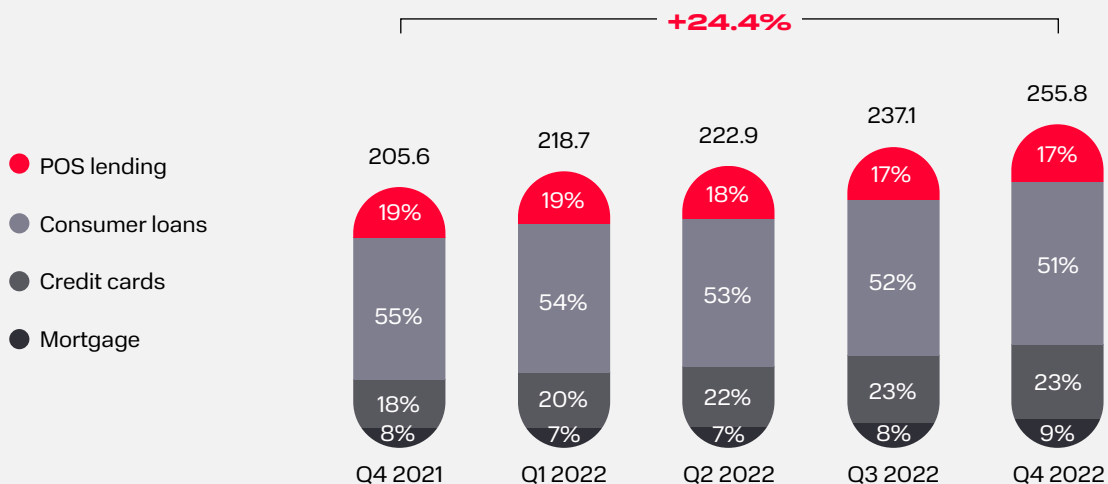
Total loan portfolio

RUB billion at the end of the period



Personal loans

RUB billion at the end of the period



RETAIL

№ 1

Telecom retail chain in Russian by phone sales

Focus

On service quality and market share

200 mln+

Annual store traffic

60 mln+

Transactions per year

Vectors of strategic development

- 1 Advanced financial services (+online) →
- 2 MTS ecosystem entry point →
- 3 100% Omni-channel approach →
- 4 Implementation of the best industry practices →
- 5 A broader product range, complementary to the MTS ecosystem →

MWS (MTS WEB SERVICES)

The strategic focus of MWS is to become the leading private provider of digital infrastructure and cloud solutions in Russia.

Strategic Goals

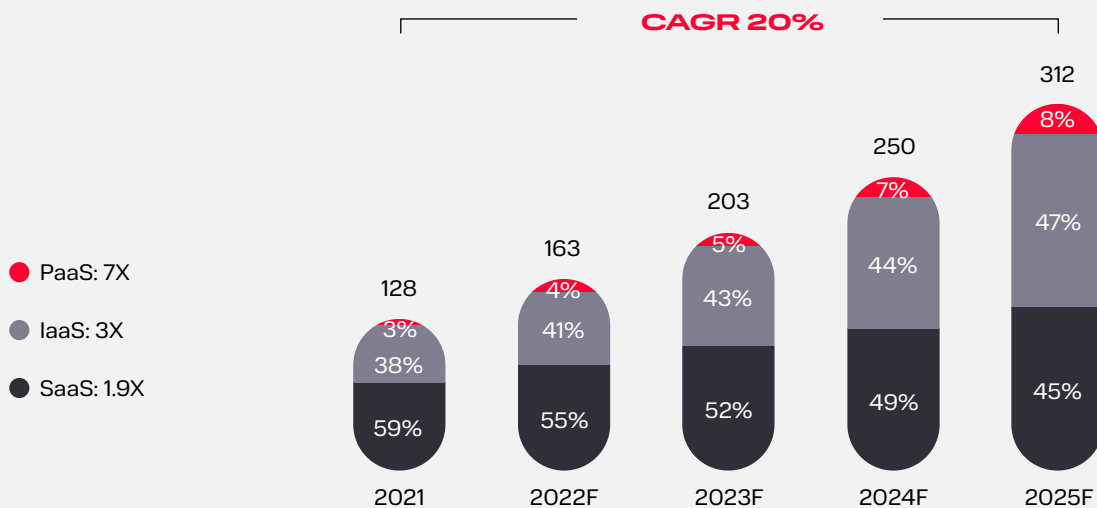
- Using a unique combination of telecom network across the country with data center infrastructure to provide best-in-class innovative cloud and network B2B services.
- Performance improvement and cost optimization in high-tech and IT infrastructure
- Gaining a leading position in the Cloud and Edge Cloud

Cloud solutions

- One of the leaders in the IaaS market
- Unique telecom infrastructure + Edge potential
- Ready-made convergent solutions for business (cloud and telecom)

Cloud Market in Russia*

RUB bln

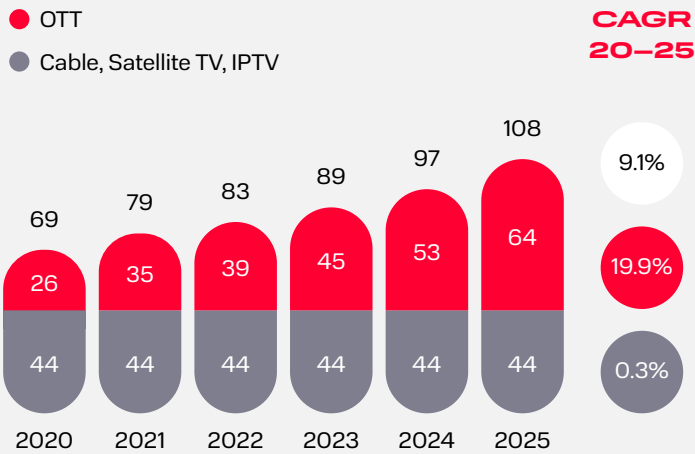


* Gartner, The infrastructure cloud provider market of the Russian Federation 2022, HSE ISSEK "Indicators of the Digital Economy 2022", TadAdviser, analysis by Arthur Consulting

MEDIA

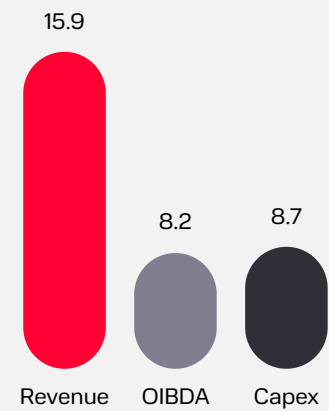
MTS Media produces and distributes original and licensed VOD and TV content via cable/IPTV, satellite TV and OTT platforms.

Forecast of the number of users of Pay TV in Russia¹ mln



¹ J'son Partners "Russian legal video market", March 2022 and MTS Media's estimates as of February 2023

Media 12M 2022 RUB billion



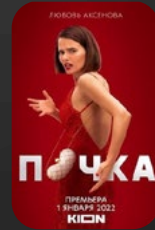
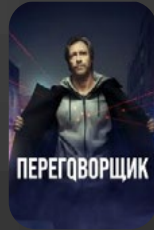
Balanced approach to investment in the content

MTS Media's Key Priorities:

- Developing the KION streaming platform — deep integration into the MTS ecosystem and strengthening the offer through original content and exclusive partnerships
- Growing customer base with a market-leading pace in the OTT and IPTV segments
- Maintaining market share in stable historical segments of Cable and Satellite TV
- Using Big Data to personalize the interface and TV recommendations, improvement of user retention rates and, as a result, long-term relationships with the client.

KION

Creation of a leading streaming platform



55

Original titles
(13 in Q4 2022)

100+

Original movies under elaboration and production

x8.1

MAU¹

x10.3

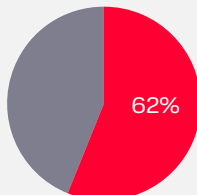
active KION customers with an OZON Premium subscription²

x2.5

TVTU driven by VOD¹

Partnership with the OZON online store – access to a new showcase to expand the customer base (from December 2021)

Share of spectators, watching KION Originals



KION Originals

Positive attitude of the audience

KION Originals

Average rating³

Mutual consent.....	★ 8.4
Pregnancy test 3.....	★ 8.2
Negotiator.....	★ 8.2
Union of Salvation Time of anger ..	★ 8.1
A kidney.....	★ 8.0
Life on call.....	★ 7.7

¹ from KION launch in April 2021

² Q3 2022 to Q4 2023

³ Calculated based on the ratings of the public review aggregator and the KION platform

QUALITY AND CUSTOMER EXPERIENCE AND SERVICE IMPROVEMENT

In 2022, MTS actively developed tools for the company's employees and self-service for customers. We continue this trend with an even greater emphasis on ecosystem, omnichannel and seamless customer experience:

- we created an ecosystem seamless service at all points of contact between the client and the Company;
- we launched a remote process of obtaining the missing information and documents from the client;
- we launched the development of the "MTS Unified Ecosystem Client Card". This employee's workplace will be a convenient and intuitive tool for customer service of the MTS ecosystem;
- we implemented speech and text analytics tools for customer service. The introduction of this tool allowed to increase the share of analyzed dialogues to 20% (previously it was less than 1%). Operator tNPS has grown by an average of 3 p.p. At the beginning of 2023, it is planned to expand the share of analyzed dialogues to 100%;
- we improved operator tools for safe remote work of employees. At the moment, about 50% of employees work completely remotely;
- we started transferring SMS traffic from the Company to the client to the Omnichannel service, developed in the Company and guaranteeing delivery of a message to the customer numbers of other operators. This made it possible to reduce the proportion of repeated requests to the contact center and MTS stores;
- we continued to actively develop our knowledge base — the Knowledge Management System (KMS). More than 20 thousand employees monthly use the KMS for quality customer service, taking advantage of parametric scenarios and updated search;
- we continued to develop customer service in MTS stores. We have launched a pilot for passport-free service in stores using biometric personal data of customers for authentication. At the beginning of 2023, we will conduct a pilot on speech analytics in MTS stores;

- Together with the MTS Artificial Intelligence Center, a voice bot was launched in 2022 in the pilot regions of mobile and fixed-line businesses. In 2023, we plan to replicate the voice bot for the entire client service. At the same time, the voice bot will be a real assistant to the Contact Center operator, passing the client's question to the operator;
- we carried out active development of Smarty Chatbot, which solves a number of issues and performs customer service without transferring to the chat operator;
- we implemented notification of clients about the status and deadlines for resolving previously registered applications/incidents/claims. Granting bonuses to customers affected by network failures has been automated.
- In 2023, together with the Artificial Intelligence Center, we plan to transfer the chatbot to the updated NLP platform, which will reduce the TimeToMarket of introducing new service scenarios and increase customer satisfaction of the ecosystem;
- we continued to actively develop the tool for technical equipment diagnostics of fixed-line customers of the Russian Federation (Inetcore). Inetcore has become a tool for conducting diagnostics not only by a Customer service center employee, but also directly by the Client. We have set up integration with key self-service services: IVR, voice and chat bots. Now the Russian Federation fixed-line customer has the opportunity to diagnose and solve technical issues independently, without a contact center operator, using self-service systems.

Thus, in 2022, we continued the trend to improve the quality of service in the MTS customer service, which in turn leads to the implementation of the company's strategy CLV 2.0.

In 2022, we revised the scheme of working with product teams and developed a process of interaction to create a CJM (Customer Journey Map). As a result of the innovations, new CJMs were developed together with product teams, while the CJM development period was halved

47 audits of customer journeys were conducted, thanks to which the use of most products became easier, interfaces became clearer, and customer satisfaction increased

We continued to improve the clarity of write-offs: expanded the coverage of informing about changes in tariff conditions, became more transparent to inform about events on write-offs.

We have improved the scheme of notifying the client on debt: optimized the number of SMS messages, changed the texts to more concise and understandable, and implemented PUSH-informing

An important area for improving the customer experience was the introduction of the Customer Journey function of experts in product teams. This made it possible to build high-quality customer paths in products, to compose and prioritize tasks taking into account customer pains.

To increase the expertise of the company's employees in the field of customer experience, a training course "How to improve customer experience with CJM" was launched. The course helps create products that fully meet the expectations of customers.

In 2022, we successfully launched and are using an updated automated testing system for tariff plans and services. Using the new system, we managed to more than triplicate the amount of processes tested at peak performance, and continue to increase the number of products tested. We successfully use and continue to develop a monitoring system that helps to identify failures in the operation of tariff plans and services for unhindered use by our customers. We also continued the development of the alpha and beta testing portal, thanks to which we receive high-quality feedback from users and, taking into account their opinion, ensure high quality products.

In 2022, the coverage of products by the digital satisfaction survey (tNPS) was increased by

89%, which made it possible to better understand the needs of the client and use this knowledge to improve the user experience. New technological metrics reflecting the availability of products, systems and software have been introduced, which has served as the development of an integrated approach to assessing the quality of products. The concept of product differentiation based on criticality classes has been developed. Due to this, it was possible to build a high-quality monitoring and observability system that ensures the stable operation of ecosystem products. In 2022, together with the product teams, we focused on customer feedback analytics, as a result of which we managed to increase the tNPS satisfaction rate: +10 p.p. KION, +6 p.p. MTS Business Personal Account — and reduce the level of claims by 23 and 19%, respectively.

The Closed Loop project develops, within which the customers are additionally contacted based on the results of satisfaction surveys to help resolve their issues. This project helps adjust the existing business processes to raise customer satisfaction with interacting with the company and its products.

We expanded the areas of the "Closed Loop" to users of My MTS and MTS Business. In 2023, we will continue scaling the project to customers of the ecosystem's digital products.

Artificial intelligence systems have begun to be introduced into the survey system in order to increase the comfort of customers when taking surveys. Customers will be able to communicate with a voice bot that understands speech and captures customer evaluation and feedback.

The unification and scaling of satisfaction surveys on new verticals of the ecosystem has begun: MTT, Zelenaya Tochka, IT-GRAD and CloudMTS. This will allow us to assess the current level of satisfaction and develop measures for its growth.

BIG DATA

As part of the work on strategic products, the Big Data Center has achieved noticeable results in the area of the development of the MTS Recommendation Platform: individual developments of recommendation algorithms were combined into universal libraries and modules, which positively affected the quality of recommendations received in MTS products.

During 2022, prototypes of three of the five modules of the Recommendation Platform were implemented and introduced in certain communication channels with a statistically significant increase in product metrics of the following products:

- KION (up to 12% growth of total viewing time);
- MTS Bank (CTR growth up to 18%);
- Ticketland (CTR growth from 9.5 to 32%);
- "Lines" (read books in recommendations – growth up to 45%).

The platform's recommendations are seen monthly by about 20% of the active MTS base (6–7 million people).

As part of the development of scoring, quality indicators were achieved at the level of market leaders, which was due to the generalization of previous developments and the creation of a prototype of the MTS Scoring Platform and the transfer of scoring processes to it. The connection time of a new client to the scoring service has been significantly reduced (from 24 to 3 hours), and the service availability indicators have been improved. With the use of the Scoring Platform, the provision of new anti-fraud scoring services in the market began to counter fraudulent schemes in online products (marketplaces, bulletin boards, financial and sharing services, etc.).

In 2022, due to the introduction of auto look alike and the segmentation platform for the MTS Market product, the functionality of building segments on MTS Big Data has been significantly expanded and improved. Dynamic retargeting based on recommendation systems has been launched to increase efficiency. Generative banners and SMS have been

piloted to increase conversion due to personalized images and text. We automated and improved the selection of the optimal CPC (cost per click) rate using the dynamic retraining method – Reinforcement Learning.

#FinTech

Targeted promotion using Big Data has been expanded for the Fintech area, including new products (investments, deposits). An mpv-tool for automating the assembly of segments was also implemented. Improved payment recommendations in the banking application due to the transition to the platform solution of the Recommendation Platform.

Risk scoring models migrated to an internal platform solution in 2022, reducing development time by three times.

#Telecom

Telecom has expanded the use of Big Data in its products and processes. We have increased the effectiveness of attracting users due to ML models based on big data. We have implemented connection quality control tools, reducing the number of fraud in sales. We provided users with tools based on Big Data technologies for automatic scoring and formation of construction programs. We also increased by 5 p.p. the accuracy of predicting the profitability of locations through the use of external data.

New external sources have been added for the Defender service to mark up spammers' search models. An NLP model has been implemented to increase coverage and speed up spam detection.

#GEO services

Operation of GEO services and tools has undergone a deep modernization, both in terms of speeding up the work of interfaces, and in terms of improving the accuracy and quality of GEO data processing, which will allow in 2023 to gain a greater competitive advantage in the GEO analytics market.

ARTIFICIAL INTELLIGENCE

MTS Artificial Intelligence Center Limited Liability Company (MTS AI LLC, MTS AI) is a subsidiary of MTS and the competence center of the MTS ecosystem in the field of artificial intelligence. Founded in 2017. MTS AI specialists develop solutions based on neural networks, computer vision, natural language processing and synthesis for MTS ecosystem companies, as well as for external customers.

MTS AI LLC combines its own expert opinion with the world's leading developments in the AI field so that the company's solutions are in demand not only in the Russian market, but also in the global one.

By the end of 2022, MTS AI has implemented more than 20 projects for the MTS ecosystem. They include: skipping titles and screensavers, automatically increasing the video resolution, as well as generating series covers for the KION online cinema. The company's specialists have developed AI functions for the MVP business decision support system Smart Rollout. Artificial intelligence based on 500 parameters determines areas with similar business behavior, tests hypotheses about the potential profitability of investments in the development of the network. For another project, MTS AI developers tested a neural network for marking an audio signal and recognizing audio events in an audio stream.

In July 2022, MTS AI presented the TenVision cloud video surveillance and analytics platform. On its basis, a video surveillance and analytics platform was created for the MTS Video Surveillance for Business product. In addition, MTS AI provided Gulfstream with a video surveillance system for working with the video stream and archive, as well as camera software.

On the basis of the Audiogram speech synthesis and recognition platform, an experiment was launched on voicing books using AI for the MTS Lines project. By the end of 2023, it is planned to

prepare 5,000 works in this format. At the moment, 1562 works have been voiced using Audiogram, and work is being done to prepare the first books for listening by the end users of the service.

In 2022, 36 startups of various stages from pre-seed to late B passed the MTS AI acceleration programs. Companies that have undergone acceleration have collectively raised \$9 million in investments, 70% of which have achieved significant changes in technology, product, and revenue.

In the period from January to April 2022, the first MTS AI acceleration program was held. Its graduates were 12 startups from 10 countries of the world. 60% of companies raised investments during the accelerator period.

In August-September 2022, MTS AI launched the WinChina program for individual preparation of startups to enter the Chinese market, and also selected early-stage startups with a strong technological component for subsequent pitching to the US-Chinese venture fund. MTS AI experts have received more than 200 applications from Deep-Tech companies from seven countries. In the fall of 2022, preparations began for the launch of an accelerator for the search and testing of Metaverse technologies, MTS became the customer of the project. MTS AI organized a seminar on the topic of metaverses with three speakers at the Head of Tencent Cloud technologies level for the management of the company. MTS AI analysts have also prepared an 88-page report on significant cases and applications of Metaverse technologies in seven countries around the world.

MTS AI combines its own expert opinion with the world's leading developments in the AI field so that the company's solutions are in demand not only in the Russian market, but also in the global one.

DEVELOPING NEW SERVICES/APPS, PARTNERSHIPS

Service/Applications

Fog Play

At the end of 2022, MTS launched a new solution in the beta version, free from the problems of classic Cloud Gaming, the Fog Play product, which allows owners of gaming PCs to rent them out to other players. The HELIOS technology developed by the company allows the user to play the most modern and popular games directly in the browser. After the launch of the product, more than 15 thousand players were registered in the beta version by the end of 2022.

AppBazar

In November 2022, MTS launched an application store for Russian and foreign developers in test mode. By the end of 2022, AppBazar hosted over 100 applications from more than 50 companies.

Thanks to this product, developers can monetize applications as before, through a one-time sale of applications, in-app purchases or subscriptions. AppBazar users can be confident in the security of applications. Each application and its updates undergo three stages of verification: for viruses (Kaspersky), for performance with different manufacturers and architectures of Android smartphones, and for the security of the contents of the application or game.

MTS Launcher

By the end of 2022, the total number of product installations for convenient user interaction with a smartphone and quick access to its main MTS Launcher functions in all promotion channels exceeded 1.1 million units. The growth of DAU and MAU year-on-year was x10 and x5, respectively.

Monthly retention of product users increased by 13.5% year-on-year. By the end of 2022, the number of installations of ecosystem applications by users via MTS Launcher exceeded 170 thousand.

Lines

After the relaunch of the MTS Library in the fall of 2022 as "Lines", the MAU indicator of the product increased 3.8 times compared to the data at the end of 2021. By the end of 2022, the product released original content in the amount of 52 titles of e-books and 142 units of audio content, of which it is possible to distinguish:

- 17 books for adults: top-fiction, non-fiction, love story, true crime);
- unique audio stories with top authors;
- Netflix film adaptations;
- we translated the book of the Nobel Laureate for the Russian audience.

The average user uses the app 2.5 hours a week. At the same time, the product is actively used not only by MTS subscribers, but also by subscribers of other operators (22%).

Defender

In 2022, the MTS Defender product was launched, which helps subscribers to deal with annoying calls. Blocked calls are transferred to the bot, and the subscriber receives a text transcript in the My MTS application. By the end of 2022, the number of users of the service has grown to 7.2 million people (an increase of 84% year-on-year). The number of spam calls blocked by the product to MTS subscribers has increased.

In 2022, a widget for the Defender product was built into the My MTS application, where subscribers can get detailed information on blocked calls. If the caller left a voice message, the service transcribes the message into text and shows the text to users. The user also has the opportunity to independently add blocked numbers to the whitelist.

During the year, we expanded the user base of the product by integrating MTS Defender into the mass tariff plans of MTS Access and the MTS Smart Business line.

MTS Music

The service has been growing dynamically and gaining a user base throughout 2022. Thus, the DAU of the product has grown to 250 thousand (+100% year-on-year), and the 1M MAU of the service has grown by 60% year-on-year. MTS Music has entered the top 3 Russian streaming services, as well as the top 5 audio services on the Russian market. The indicator of time spent per user increased by 52% year-on-year. The total listening time in the service by the end of 2022 amounted to 3 million hours per month (an increase of 308% year-on-year).

GOGYM

MTS continues to develop a sharing service that provides the opportunity to train in various fitness clubs, visit studios and spas without a subscription. By the end of 2022, more than 400 partners were connected to the service, and the total geography of the service increased to 30 cities in Russia. Over the past year, the total number of trainings through the service has increased 12 times. GMV of the service has grown more than 10 times year-on-year. The total amount of time that users of the service spent in training has reached almost four years.

MTS Cashback

The number of registered users in the MTS Cashback program has tripled by the end of 2022. The number of 1M active MTS Cashback users in 2022 increased 2.8 times compared to the previous period. The total number of points received by customers at the end of the year was twice as high as in 2021.

My MTS

"My MTS" continues to act as a universal showcase of the ecosystem, which provides the client with easy access to the entire range of ecosystem products and services through the introduction of a Catalogue of offers where one can get acquainted with all ecosystem services (Premium subscription, MTS Cashback, telecom, bank, online store, etc.).

In 2022, calls appeared in the My MTS application — now you can call the MTS call center via the Internet (which is especially convenient for roaming customers) and get an exhaustive consultation without additional identification (you do not need to look for a passport, as when consulting a support number).

During 2022, the functionality of the My MTS application expanded, other products were added to the application in the form of modules: Defender, Search, MTS Pass. The main page of the application has been improved — an entrance to Cashback has appeared, which has increased the usability of the service for customers, it has become easier to track their score, as well as to see options where to spend the points without exiting the application.

The subscriber's personal account on the site has now become an ecosystem.

The number of 1M active users of the My MTS reached 26.4 million users at year-end 2022 (growth by 1.3 million compared to 2021).

MTS Search

The usability of the application for customers has increased — MTS Search has become available in the subscriber's personal account and in the My MTS application. The user can see where the loved ones are on the map without leaving My MTS. These features are currently available for smartphones running Android OS.

Partnerships

By the end of 2022, MTS continues to actively work together with the largest international and Russian companies, increasing the breadth and quality of product integrations every year.

In 2022, joint projects were launched with such leading companies in their industry as X5 Group, Lukoil, BelkaCar, Cofix, etc.

The main work with partners in 2022 was based on four directions:

- creation of exclusive subscriptions for partners;
- inclusion of partner products in popular bundles of MTS;
- expansion of the MTS ecosystem program for partner products (MTS Cashback, MTS Pass);
- expansion of the ecosystem presence in partner services.

This, in 2022, RUB 3 billion of cashback in total was written off for purchases of MTS services and partners. RUB 50 billion was earned by product partners together with MTS over the past three years. Over the past year, more than 30 million MTS customers have used various partner services thanks to product integration. The total tNPS of MTS partners increased to 74% by the end of 2022.

Among the new partnerships for 2022, we can single out a partnership with Urent in terms of Premium subscription. Thus, by the end of 2022, MTS Premium users made 7% of all trips in the service for a month. The indicator could have been even higher if it had been possible to implement this partnership at the beginning of the 2022 season.

Good indicators are noted as a result of the integration of access to "Match! Premier" in MTS subscriptions and convergent offers, which positively affected the average number of hours of viewing per user, as well as the number of views inside KION.

Partner segmentation:

- 1** **BIG DIGITAL Global** Partnership for new product launches by international companies
- 2** **BIG DIGITAL Russia** Cross advertising, integration into loyalty programs
- 3** **NON DIGITAL Russia** Combining offline products of partners with MTS digital products
- 4** **With minority interest of MTS** Sharing experience and enriching MTS ecosystem with the partners' products

Success factors:**Mutually beneficial relations**

Willingness to cooperate to enrich the ecosystem and business development of partners

Openness

Accessibility of the ecosystem for building deep integration of partners

Efficiency

Decision-making on the launch/extension of partnership based on efficiency data

Partnership management

Personal approach to the partner, open dialogue regarding expected results, consistency of goals at all levels

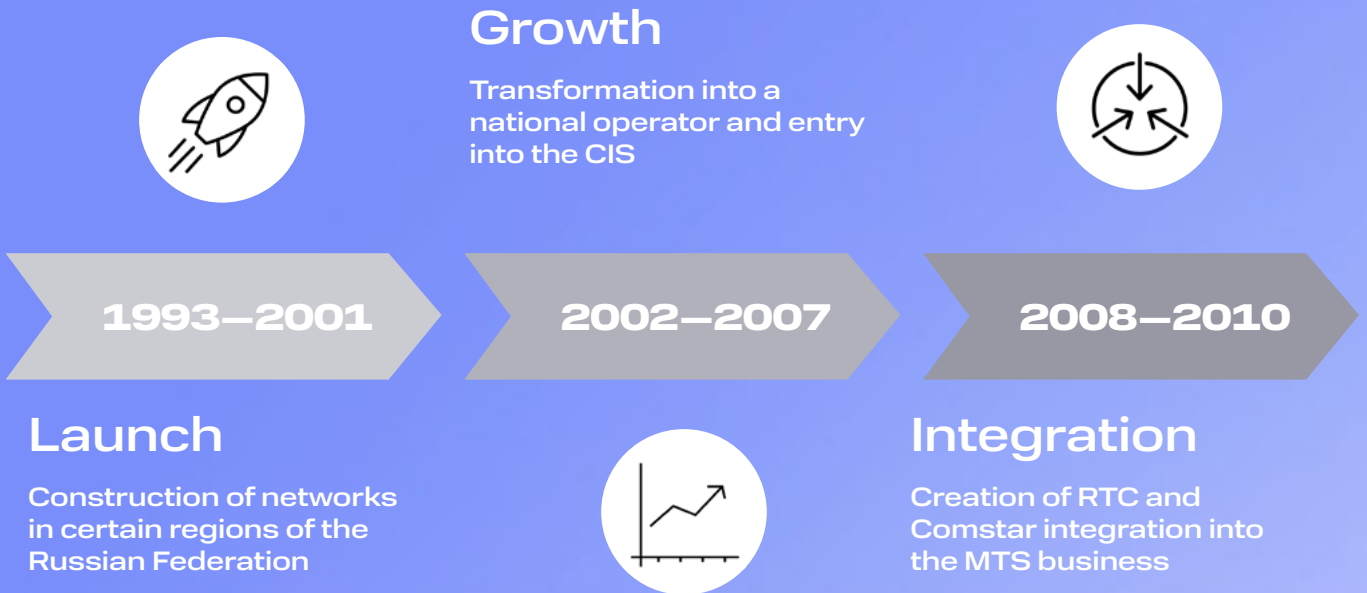
Evaluation and improvement

Regular analysis of partner projects and an iterative approach to the next steps of partnership

Long-term approach

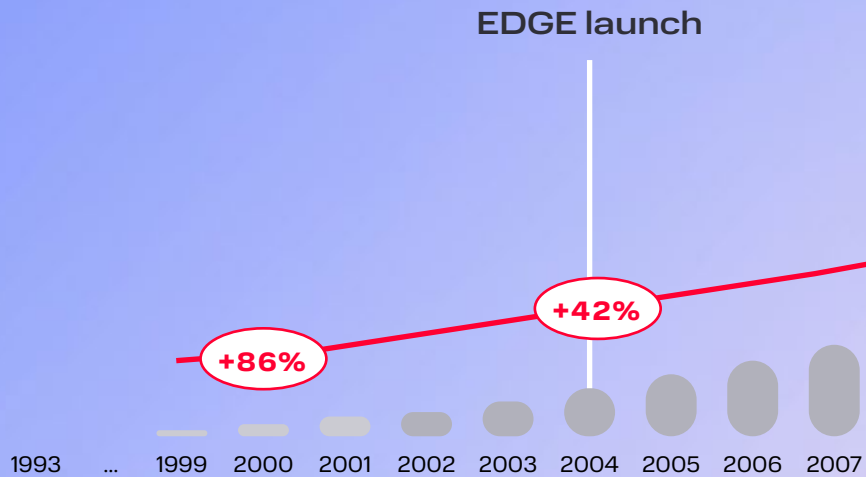
Building long-term partnerships and maximizing LTV

EVOLUTION OF MTS GROUP BUSINESS



Revenue growth rate of MTS Group

+NN%



Historic Challenges

Choice of standard

Growth and scaling

DP Development

Development of data products, V&D tariffs and LTE networks



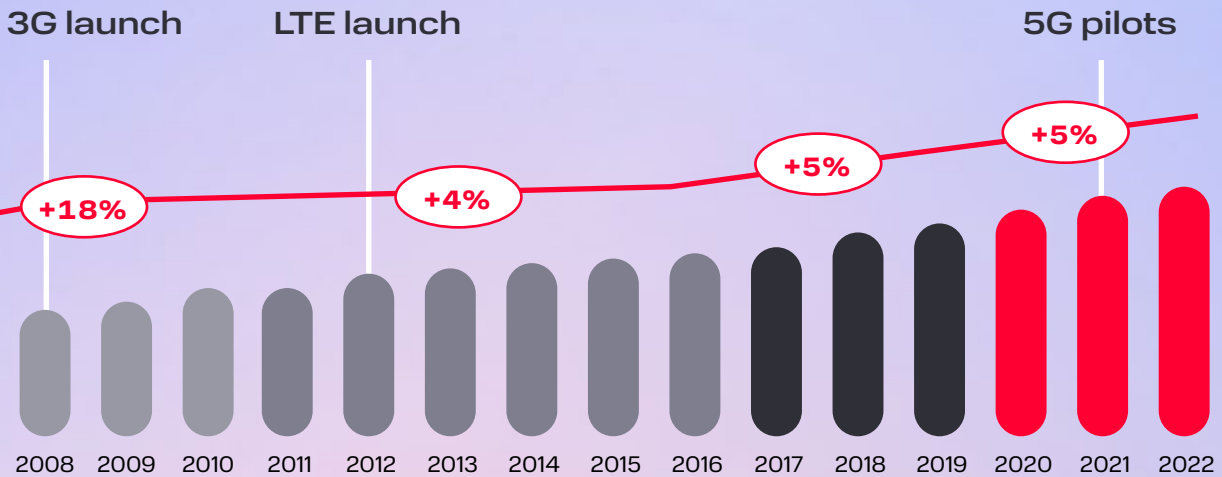
Ecosystem

Creation of an ecosystem based on the Group's businesses



Towards "Digital"

Purchase of the first digital businesses in new markets



Transition from voice to data

Fundamental change in the business model

MTS BUSINESS MODEL

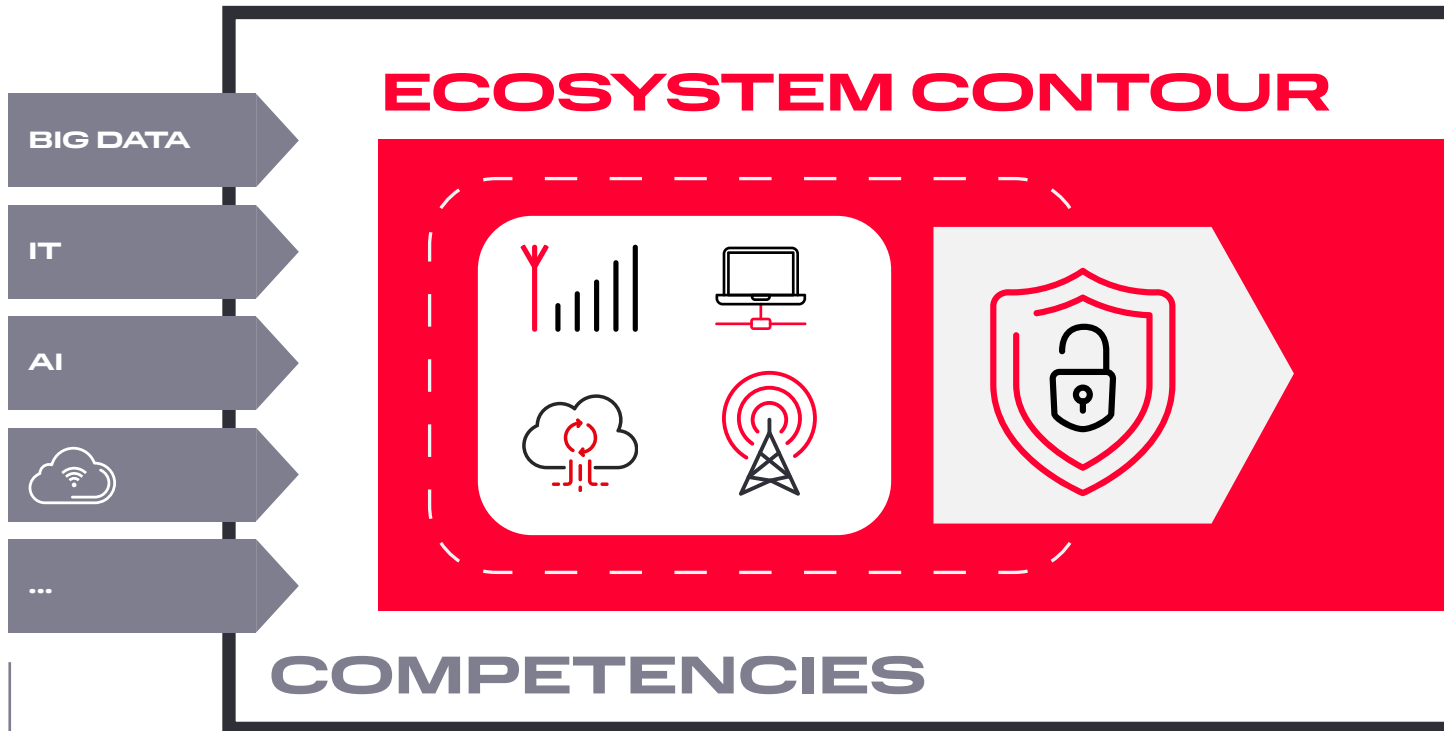
Protection of the underlying business and value growth through the development of an ecosystem and a single, but flexible management of all business areas



The Core of the ecosystem business: customers of basic telecom services and hyperconnected cloud and telecom infrastructure



Core protection is the basic task of the Ecosystem



Accumulation and development of competencies is a source of efficiency and competitiveness growth for all businesses of the Group



- reuse of competencies in other business areas increases their competitiveness
- The Group creates sufficient domestic demand to develop the "expensive" competencies



Value creation tools

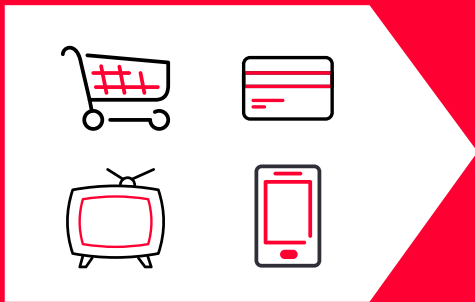


Multi-product customers: not only protection (reducing churn), but increasing returns from each client, pre-sale of services of its... .. and partners



- seamless customer experience
- customization
- subscription model flexibility
- unified loyalty program
- assistance in launching new services

Increasing economic returns from consumer business through its development based on the MTS ecosystem and Core protection



IPO
M&A



GROUP COUNTOUR



- quality and flexibility of management through the business area autonomy
- raising of external capital in business areas (strategic investors, IPO)
- M&A of required assets
- capital redistribution between business areas
- interaction management within the Group

Growth in the value of the Group through the spin-off of major business areas and growth in their value

LOOKING INTO THE FUTURE

Current trends in the development of ecosystems and the forecast of their development in Russia for 2023 and the midterm

The geopolitical realities of 2022, the phenomena associated with them and the actions of Russian and foreign regulators, contractors and representatives of the competitive environment had a significant impact on the landscape of Russian digital ecosystems.

- Withdrawal of or significant reduction of operations in Russia by foreign companies provoked, in particular, a reduction in demand for a number of digital services (advertising, communications, data processing services, etc.). However, the vacant niches are quickly filled by local players, and demand is gradually recovering. At the same time, the departure of foreign digital services reduces the overall level of competition in this market and opens a window of opportunity for Russian companies.
- A sharp reduction in access to foreign capital markets, in particular the suspension of trading in shares and other financial instruments of Russian companies on foreign platforms, required immediate and active actions to restructure debt obligations. Due to difficulties in raising capital, some companies began to limit investments in secondary areas and projects until they were suspended, focusing on key elements of the business.
- The intensification of local competition for investments has also affected smaller companies and projects for which the search for an investor has become a question of the possibility of further existence. This is especially true for digital startups, for which a negative financial result with rising costs is a natural development model.
- The situation was aggravated by sanctions pressure, including personal sanctions against business owners and management. This triggered a wave of change of ownership of a number of companies and individual areas, and also entailed significant changes in their leadership.

- The process of staff outflow or relocation, including outside Russia, had a negative impact on the implementation of some projects and required additional management efforts and funding for the organization of remote workplaces and office spaces.
- In an effort to mitigate country risks, a number of cross-border companies, including digital players, are planning to divide businesses and projects into Russian and foreign parts.
- It is important to note the strengthening of the role and participation of the state in a number of companies, as well as the emergence of new requests from the state and the launch of new projects designed to compensate for the outflow of foreign technologies and solutions, including in the field of technological infrastructure and digital services.

In connection with the above phenomena and factors in the short and mid term in the field of digital ecosystems, we expect the following key trends to come to life. At the first stage (and this was observed during 2022), companies reconfigure their business with a focus on the most sustainable areas in which they have high competencies.

Secondary and experimental areas are sold, transferred to foreign assets, put on pause or closed. Therefore, the primary stabilization of the state occurs. Further on, reliance on key business areas, some adjustments to the business model, as well as updates to product offerings are likely. We can expect a greater focus of product offers on customer requests and broadcasting to them the maximum benefit, including financial (which the consumer seeks during periods of uncertainty). Then, having a strong business core as a base that consistently generates revenue, companies are likely to seek to invest — to search for promising projects and areas for consolidation, acquisitions or partnerships.

We see the following combination of the main factors that will contribute to the further active investment position of digital ecosystems.

- The situation on the capital market is gradually normalizing, access to it for stable reliable borrowers is becoming easier.
- General economic uncertainty and sharply increased risks have led to a general deep drop in business valuations, that is, the price that an investor has to pay has significantly decreased.
- Many owners have become more inclined to sell businesses or partner with strong stable players.
- Ecosystems have not yet achieved their long-term strategic goals, they are still forming and developing, which means that it is advisable for them to continue strengthening the product portfolio in order to form a more attractive ecosystem offer.

Thereby, we believe that the sphere of digital ecosystems, which experienced a primary shock in 2022, like the entire economy, is already confidently showing signs of recovery and recovery and has high chances not only to maintain its key business areas, but also to make profitable investments and expand the product portfolio by acquiring new businesses or implementation of partner programs, making their offers more attractive and profitable for customers

Key vectors of development: technological and business trends

Regarding the substantive trends in various fields and business areas relevant to digital ecosystem companies in the world, we would like to note the following points.

In the telecom field:

- deployment of 5G networks by mobile operators around the world continues;
- at the same time, the main share of 5G subscribers is still concentrated in several countries — China, the USA, South Korea, and Japan. The same countries are characterized by their highest penetration into the common base — exceeding several times the global average. Thereby, despite the massive launch around the world, 5G networks have not yet entered mass use;
- relatively modest popularity of 5G in the world can be explained by the lack of new (regarding

LTE) significant scenarios for the use of such networks — both in B2C and B2B segments. Obviously, the search for cases and relevant experiments will continue — and probably not only by the operators themselves, but also by third-party companies, in cooperation with telecom or independently;

- a qualitative leap is observed in the field of satellite communications. In addition to the ongoing deployment of low-orbit groupings, 2022 was marked by a number of significant events related to providing the possibility of direct satellite-smartphone communication, based on both existing satellite systems and promising ones;
- a guarantee of this kind of availability of communication "everywhere" (albeit in the form of SMS/messengers) on a standard smartphone, as well as cheaper and more compact broadband terminals of low-orbit systems can potentially lead to the emergence of new services in completely different areas — for example, in fintech (access to a digital wallet / digital money), in control of unmanned vehicles (remote control, if necessary), etc.

In our opinion, the following trends are significant in the field of media.

- "Smart" TVs are a significant (and against the background of the pandemic, having greatly increased their share, even the main) channel of video content consumption, which intensifies the struggle of digital ecosystems for control over this channel (through the appropriate operating systems) — both at the global level (Samsung, Amazon, Google) and at the selected local markets, including Russia.
- On the other hand, in the video content sales segment, 2022 showed that independent online players — even powerful ones like Netflix — can hit the growth ceiling, which calls into question the sustainability of their business model. On the contrary, diversified companies, as well as digital ecosystems that have other products besides the online cinema, are likely to be more sustainable in the long run.

The prospects of cloud technologies are determined by the role they play and will continue to play in the emergence of new products and services.

- The expansion of artificial intelligence and machine learning applications and the growth in the quality of products based on such technologies require increasingly powerful (and specialized) computing resources, often available — even for large companies — only in the form of cloud solutions from external providers.

- Another area — "edge" computing based on a geographically distributed network of data centers — is an example (along with 5G) of a technology for which the search for practical tasks is still in its initial stage, but which already promises a great future.
- At the same time, cybersecurity issues are becoming increasingly critical, require increased attention from both cloud providers themselves and their customers — and create a growing long-term demand for products and services in this area.

In general, it is worth noting that the current development of many technologies (including AR, VR, digital money, NFT — saying nothing about those listed above) has already reached a certain maturity, but at the same time there are relatively few mass cases of their application. Therefore, we believe that "groping" and testing such cases, checking their business models in the midterm will be no less important process than technological development itself and the generation of innovations. At the same time, taking into account the geopolitical realities of the current moment, product development based on these trends in different parts of the world may go differently.

OUR STRATEGY

Since 2019, MTS has been following the Customer Lifetime Value 2.0 (CLV 2.0) strategy aimed at building a sustainable digital ecosystem business on the solid telecom leader foundation.

We strive to extend the customer's "lifetime" as much as possible (the time, during which the customer uses our services), creating and strengthening emotional affection for the brand, and increasing the degree of satisfaction and customer loyalty.

We also transit from the ideology of operating on a single telecommunications market to the ideology of a digital service environment with a comprehensive offer including products and services of different markets to meet the needs of the customers in various spheres of their lives.

We are confident that going beyond the boundaries of the telecom business to new markets, for example, the markets of financial services and media/entertainment, with the functional support of such digital areas as Big Data and AI, will allow us to transform into a multi-service digital company. We will build up a portfolio of digital products based on our own developments, as well as 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. We are planning to gradually expand capabilities of our programs, increase the number of partnerships and become the best possible choice in the market for companies looking to expand their customer base and gain additional value.

The Russian digital service market is unique to a certain degree, since local players in most segments who successfully compete with global giants occupy leading positions. This situation is down to a number of fundamental reasons, ranging from consumer preferences and language specifics to regulatory requirements and the structure of the borrowed capital market. This allows large Russian business groups, representatives of areas such as the banking sector, retail, high-tech sphere and telecommunications, to actively develop new business directions in the digital environment, relying on the ecosystem approach in their strategies. As a result of recent changes in the geopolitical situation, global digital players have significantly weakened their presence or left the Russian market altogether, turning it into a field of competition for local companies and business groups.

We are confident in the reliability of our position in the context of this kind of competition. Our strong brand and deep customer knowledge, supported by powerful analytical tools based on AI and Big Data, will allow us to provide users with a seamless, deeply customized and personalized customer experience in a wide range of digital services. Even now, we are witnessing a significant synergistic effect from the joint offer of telecommunication, banking and media products, which allows us using

"In 2022, the MTS team demonstrated the highest professionalism, combined with flexibility of thinking and the ability to instantly adapt to the most difficult environmental conditions. The strategy we have chosen has proved not only its effectiveness in periods favorable for development, but also the stability and flexibility necessary in times of economic turmoil. Our bet on the consistent and gradual evolution of ecosystem directions with increased attention to the telecommunications core turned out to be correct, taking into account the current external conditions, we have demonstrated good annual results."

President of MTS PJSC

marketing tools more efficiently and gaining more and more knowledge about our clients. At the same time, the customers using several types of services bring us more value, demonstrate a greater brand commitment, a higher level of loyalty, and a greater degree of satisfaction. Our key priorities for developing the ecosystem in the upcoming years are: increasing the ecosystem customer base, developing and improving high-quality digital products and expanding the pool of partner companies.

In 2022, as the company's operating structure was brought in line with the CLV 2.0 concept principles, the efforts of MTS' senior executives and corporate governance bodies were aimed at finding the optimal "format" for key business verticals and efficient allocation of financial flows among them to ensure their dynamic development and access to fair evaluation by the market.

A comprehensive analysis helped us come to the conclusion that some of our business areas have reached such a scale and maturity level that allow them to become a driver of growth in the MTS Group fundamental value. Therefore, we started to gradually allocate such areas into independent structures, separate companies that will freely operate on the market, raise external funding and may become in the future full-fledged entities and attractive assets for the investment community.

We are sure that such an approach will provide high motivation for teams of business areas, will allow to set up internal business processes in the best way and in accordance with the specifics of each of the areas, which, in turn, will ensure high dynamics in developing the products qualitatively corresponding to the level of market leaders. It will also simplify the process of raising external funding, allow new promising digital business lines to go beyond market valuation by telecom segment multiples and fully unlock the growth potential of their shareholder value. In this sense, we are striving to move away from the market seeing the MTS Group as a single inert entity to perceiving it as a "sum of parts", where each part is evaluated fairly in accordance with the results of its operation and the multipliers accepted by the market for each specific area.

In 2022, we adopted a new logic for structuring the Group's business on two levels: "Core" and "Growth Areas". The first element of the structure is the Core, which includes a number of areas: B2C and B2B telecom (our historical core competence), as well as ecosystem and technological infrastructure, digital ecosystem products and functionality that ensures the connectivity of ecosystem elements. The Core is an indivisible whole, over which we will maintain direct control in the long term. As the second structural element, we identify 10 product areas of various

scales and maturity levels operating in the markets adjacent and complementary to the Core, which we consider as points of growth and value creation. The youngest areas (for example, "Smart Home" and "Travel") have great growth potential, but at the current stage their scale is not yet material at the Group level. Larger areas (for example, "Fintech" and "Media") are already tangible and have independent value for investors.

In the next few years (depending on the situation in the financial markets), we aim to give independence to the FinTech area, which has been demonstrating high dynamics over the recent years approaching the sector leaders not only in size, but, even more importantly, in a set of products and the degree of business digitalization in general. Other business areas, such as media, cloud and infrastructure services, also have the potential to independently enter the open financial market and engage co-investors or strategic partnerships in the long term.

We would like to emphasize that the formation of independent companies does not mean our transformation into a holding of weakly connected businesses. We are still a Group and go on cultivating ecosystem links between individual areas. As the main binding forces we see:

- clear and detailed agreements on interaction between the Group's companies;
- general marketing and brand management (not necessarily a single one);
- sharing customer knowledge, Big Data and AI mechanics;
- following a single CLV logic, which remains decisive for all businesses, while maximizing CLV is their main strategic guideline.

In addition to ecosystem connections, in the Group, we pay special attention to the nurturing and strengthening of competencies related to generating digital products and the ecosystem in general, as well as the mutual exchange of such competencies between areas and structural divisions of the MTS Group corporate center.

We are closely monitoring the dynamics of internal conditions (including economic, legal and regulatory ones) developing in our target markets in Russia, as well as the impact on our business of external factors related to access to technological equipment, provision of financing and debt servicing, and fulfillment of obligations to external and internal counterparties. In this context, we consider our strategy relevant to the current moment. Nevertheless, we pay increased attention to risk mitigation,

MTS Group Strategy Evolution



CLV 2.0

CLIENT: focus on the customer, seamlessness of services, customization

LIFETIME: focus on the long-term profit, loyalty and NPS

VALUE: high quality of products, incl. those of partners

WE ARE TURNING INTO A GROUP

FOCUS AND FLEXIBILITY IN MANAGEMENT

specialization and efficient motivation of heads of business areas improving the management quality

CAPITAL RAISING

possibility of independent entry of businesses to the capital market

VALUE CONFIRMATION

possibility of increasing the value through the sum of the parts model



CLV 2.0

+ transforming into the Group

CLV 2.0: creating the value through seamless client experience, customizing, long-term client relationship and focus on the high quality of products

GROUP:

increasing the flexibility while maintaining the manageability

efficient capital raise

"disclosure" of the value

and on the other hand, we are ready to promptly use dynamically opening windows of opportunity. Such opportunities, in particular, include a significant weakening of the positions of foreign players in Russia, a general weakening of competition, and an expanding field for M&A activities.

It is worth noting that taking into account the current conditions, we see with even greater clarity the

fundamental role of partnerships in the formation and development of the product content of the ecosystem offer. We will strive to ensure the long-term sustainability of the most significant partnerships, for which we are ready to make the necessary investments in partner companies, participating in them as a minority shareholder.

Implementation of the Strategy in 2022

In 2022, MTS confidently demonstrated stable operation and efficiency of its core business in a rapidly changing external environment. In the current situation, we were focused primarily on the uninterrupted provision of high-quality services for our customers, as well as on ensuring the long-term continuity of our activities and maintaining positive dynamics due to key growth points.

It is important to emphasize that our consistently implemented strategy for the development of a customer-oriented ecosystem of digital services based on a strong telecom has once again confirmed its relevance. MTS ecosystem revenue by the end of 2022 increased by 67% and amounted to more than RUB 100 billion, and the number of ecosystem customers increased to 13.5 million people, which is 52.7% higher than the same indicator last year. Average number of ecosystem products per customer increased from 1.43 in the Q4 2021 to 1.6 in Q4 2022. The number of monthly active users of the My MTS application (MAU) increased by 5% and amounted to 26.4 million.

We continued to improve the main ecosystem tools that provide more value to our customers and encourage them to use new offers in addition to the existing products of the MTS ecosystem. The growth of users of a single ecosystem subscription for all key MTS Premium services amounted to 71%, and registered users of the loyalty program aimed at strengthening ties between verticals of the MTS Cashback ecosystem became 2.3 times more — 37 million.

Despite the high level of external uncertainty, we are recording a steady growth of our digital verticals. The number of users of the MTS Media OTT platform increased by 63.4% to 6.6 million as of the end of 2022. The total number of pay TV subscribers (satellite, cable, IPTV, OTT) increased by 32.6% to 11.1 million. The significant strengthening of our position in the media market confirms the successful experience of developing the KION streaming platform with the aim of deep integration into the MTS ecosystem and strengthening the offer through original

content and exclusive partnerships — 55 titles and 62% of viewers watching KION Originals.

Revenue from financial services in the Fintech area increased by 40.4%, reaching RUB 68 billion. The number of MTS Bank customers increased by 19.4% to 3.5 million, and the number of active users of payment and digital services is almost 12 million at the end of 2022. The share of sales of basic products (consumer loans and credit cards) through digital channels exceeded 80%.

We also note the success of new area and products in 2022. For example, "MTS Lines" — the growth of MAU after restarting by 3.8 times, the average time of using the service — 2.5 hours per week. MTS Entertainment — achieved a twofold increase in ticket sales. MTS Marketer — revenue growth by 22%, the number of registered customers — by 73%, and the number of launched advertising companies in Digital — by 115%.

In turn, we continuously invest in such areas as MTS Travel, Smart Home, cybersecurity.

In 2022, to strengthen the telecommunications core, we used a balanced approach to investing in the development of our networks, using artificial intelligence (AI) at the planning stage. This allowed not only to remain the largest player in the mobile market, but also to ensure a 17% growth in the convergent base. As a leading provider of digital infrastructure and cloud solutions in Russia, MTS has strengthened its leadership in B2B telecom. We have completed the deployment of the largest federal network of the NB-IoT standard for the Internet of Things in all regions of its presence. The company holds the largest market share of M2M/IoT connections and publicly announced Private LTE projects — 15 major contracts.

It is also necessary to note our successes as the strongest technology brand in Russia (according to Brand Finance Russia 50 2021) in the development and implementation of our own technology platforms — The Platform, which combines all end-to-

end IT solutions of the MTS ecosystem, the launch of the AppBazar app store for Android OS, in which Russian and foreign developers can host, promote and monetize their services, as well as the transition of MTS IoT Hub to its own software, completely replacing foreign solutions when creating NB-IoT products.

In 2022, we conducted a number of selective M&A transactions and investments to further scale new promising areas of our ecosystem:

- we invested 740 million rubles in the capital of "Urent" — the market leader in short-term rental of scooters in Russia in order to expand the range of services of the MTS ecosystem — MTS Premium, MTS Cashback;
- through the MTS corporate venture fund, 72 million rubles were invested in the Bartello online food and beverage ordering service for subsequent integration with MTS Live and MTS Bank applications;
- we acquired for RUB 2 billion 58.38% of shares of Gulfstream Security Systems JSC (the Gulfstream brand), one of the leaders of the Russian security market, for the comprehensive development of the new MTS Smart Home business vertical;
- we acquired 100% of the Bronevik Group — one of the leaders of the Russian online hotel booking market for the development of a new business line of MTS Travel in the field of travel and tourism;

- we acquired a controlling stake in the Webinar Group, the largest Russian developer of solutions for video meetings, webinars and online events;
- we acquired 50.85% of Navitel Group, a Russian provider of navigation and mapping solutions, for RUB 690 million. As a result of the transaction, MTS will be able to form its own geoplatform for the development of ecosystem services and transport solutions.

We use partnerships as an effective way of retention of MTS customers in the ecosystem, as well as attracting new ones. The key success factors for us remain mutually beneficial cooperation, availability of an ecosystem for building deep integration of partners, efficiency and consistency of goals at all levels, regular analysis of partner projects, and a long-term approach to maximizing LTV. Therefore, over the past four years, we have earned more than RUB 50 billion with our partners and more than 10 million customers have used the products of our partners through MTS channels. 74% of companies recommend MTS as a partner for business development with other companies.

Our ability to provide high-quality communication services in the context of our historical core business, as well as the comfortable presence of the client in the MTS ecosystem due to the expansion of the service portfolio is the basis for business sustainability in conditions of severe economic constraints.