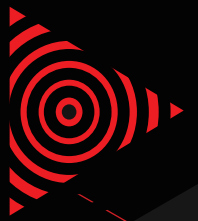
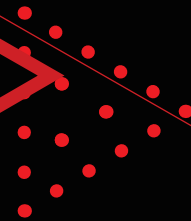
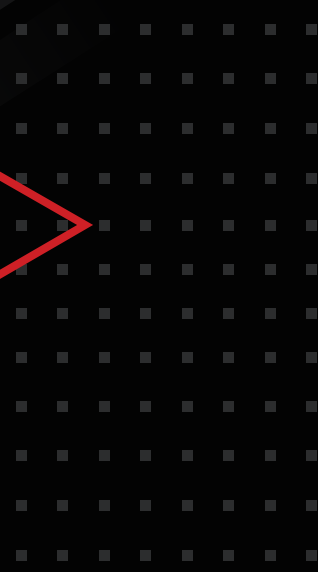


ANNUAL REPORT '19

IMTS



DISCLAIMER

This Annual Report has been prepared by Mobile TeleSystems PJSC (the “Company”) solely for information purposes and may contain statements based on predicted data or forecasts. Such statements or forecasts relate to matters other than historical facts or statements, and reflect the Company’s intentions, beliefs or current expectations concerning, inter alia, performance results, financial condition, liquidity, efficiency, prospects, growth rates, and strategies of the Company and the industry in which it operates. The nature of the statements based on predicted data and forecasts implies risk and uncertainty, as they relate to events and depend on circumstances that may, or may not arise in the future. The Company cautions that statements based on predicted data and forecasts do not guarantee future performance and that actual performance results, the financial condition and liquidity of the Company, as well as changes in the industry in which the Company operates may differ significantly from those stated or assumed in the statements based on predicted data or forecasts contained in this report. Factors which may lead to material differences between the actual results and the assumptions contained in statements based on predicted data or forecasts, include general economic conditions prevailing in the markets in which the Company operates, competitive environment and risks associated with operating in such markets, market change in the industry and related industries, as well as other risks affecting the Company and its activities. Moreover, even if the Company’s performance results, financial condition and liquidity and the changes taking place in the industry in which the Company operates match those set forth in the statements based on predicted data or forecasts presented herein, those results or changes may not be illustrative of the results or changes in future periods. The Company does not undertake any obligation to review or confirm expectations or estimates, or update any statements based on predicted data or forecasts to reflect the events or circumstances occurring or arising after the date of this report.

WHERE TO FIND THE ANNUAL REPORT



The Annual Report is available online (interactive version) and in PDF format.



In addition, MTS publishes Sustainability Reports on an annual basis.



**Pre-approved
by the resolution
of MTS PJSC Board
of Directors
May 21, 2020, Minutes
No.297**

**Approved by Annual
General Shareholders’
Meeting of MTS PJSC
June 24, 2020,
Minutes №49**

WELCOME TO THE 2019 MTS PJSC ANNUAL REPORT!

\\ We would like to bring to your attention the annual report of MTS PJSC following the results of 2019. This is the 19th report — we have been preparing them for you starting from 2001.

PURPOSE OF THE 2019 ANNUAL REPORT

The Report provides consolidated information on the main results of the Company’s business in accordance with its strategic goals and objectives for the short, medium and long term. The annual reporting tool gives MTS the opportunity to maintain a high level of openness and transparency by informing investors and shareholders, as well as customers, about the advanced solutions and services that the Company implements in management processes and product lines, and how sustainable development is integrated into the business strategy of the Company and activities of key divisions.

The “Sustainable Development” section (“Our Approach to Sustainable Development and Social Responsibility” subsection) describes the contribution of MTS to the achievement of the UN Sustainable Development Goals (UN SDGs). In addition, in the text of the report, MTS activities that are significant in terms of achieving the UN SDGs are marked with specific Goals.

MTS today is a digital company that develops innovations in education, healthcare, financial services, entertainment, and many other spheres. Our solutions using big data, artificial intelligence, virtual and augmented reality are aimed at improving the quality of life of our subscribers, customers, and employees.

MTS is an innovative and continuously developing Company, which makes life more convenient, vibrant and bright.

We want to tell you about this.

ANNUAL REPORT PREPARATION STANDARDS

The report has been prepared in accordance with the requirements of the legislation of the Russian Federation and regulators’ requirements applicable to MTS, and also in accordance with Russian and international standards and practices in the field of public annual reporting.

ANNUAL REPORT STRUCTURE

The report is comprised of four main sections:

1. About the Company,
2. Management Report,
3. Corporate Governance, and
4. Sustainable Development.

STRATEGICALLY ORIENTED REPORT

The report is focused on the strategic vision of the Company’s management and the results and key aspects of MTS’ business in accordance with the strategy. Special attention is paid to the completeness and quality of forecast/expert information on macroeconomics and regional telecommunications markets.

INFORMATION ABOUT MTS¹

Mobile TeleSystems Public Joint Stock Company (MTS PJSC) is a leading company in Russia and the CIS providing mobile and fixed-line telephone services, internet access, cable and satellite TV broadcasting, digital and mobile applications, financial services and e-commerce services, as well as convergent IT solutions in the field of system integration, the Internet of Things, monitoring, data processing and cloud computing. By providing innovative services and solutions, MTS makes a significant contribution to economic growth and to improving the quality of life of tens of millions of people in its countries of operation.



Detailed information available at:

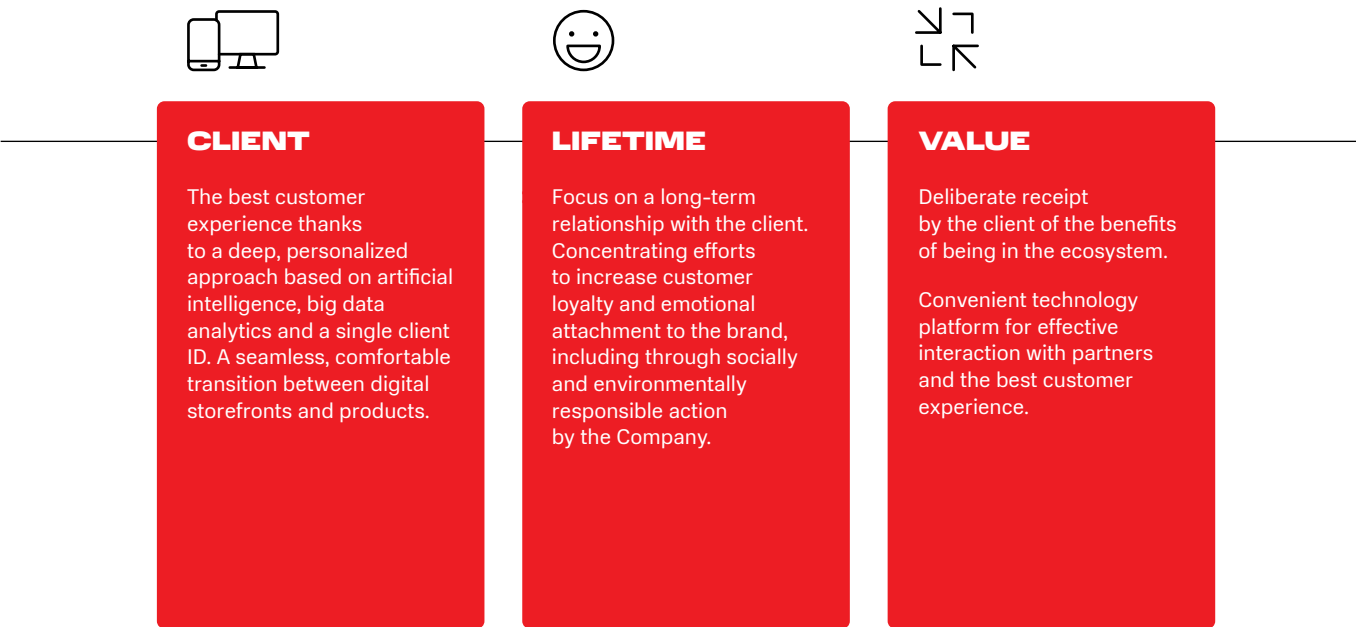


¹ In this Annual Report, the terms “MTS PJSC,” “MTS,” and the “Company” should be understood as Mobile TeleSystems Public Joint Stock Company, the term the “MTS Group” should be understood as a group of companies consisting of MTS PJSC and its subsidiaries. The figures contained in this Annual Report are as of December 31, 2019, unless other periods or dates are expressly indicated

MISSION AND STRATEGY OF THE COMPANY

\\ MTS PJSC introduced a new company development strategy for 2020–2022, **Customer Lifetime Value 2.0**. The new strategy details the existing strategic goals of MTS and is focused on creating a product ecosystem based on the main telecommunications business with a seamless transition between services.

STRATEGY CLV 2.0



For more information about the CLV 2.0 strategy, see the “New Strategy” section, [p. 41](#)

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01\

ABOUT THE COMPANY

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MTS GROUP TODAY

\\ Moving to the ecosystem of digital businesses



TELECOM

- Mobile communications market **leader**
- Continuous improvement of **coverage and network** quality
- Active **5G** testing

>80 million
mobile-communications subscribers



CLOUD AND DIGITAL SOLUTIONS

- Focus on gaining a share in the fast-growing **cloud market**
- The largest network of the Internet of Things of the **NB-IoT** standard in Russia
- Development of industrial **automation** solutions

>700 62
corporate customers of #CloudMTS regions covered by NB-IoT network



FINTECH

- Fast **portfolio** growth and controlled risk level
- Using **cross-selling** opportunities
- Using **Big Data**

~2.1 million active users of the bank
top 5 Russian banks in terms of loan portfolio growth



MEDIA

- **Strong positions in distribution:** cable and IP TV, satellite signal and mobile TV
- **Diversified** Content Strategy

~4 million TV users
top 3 by TV subscribers in Russia (IPTV, satellite and cable TV)



NEW BUSINESS DIRECTIONS

- In its digital-oriented work, MTS actively uses Big Data analytics, AI-based solutions, and marketing tools and implements a single ID, end-to-end loyalty programs, and CRM



OPERATIONAL INDICATORS

\\ Penetration of smartphones in MTS network

74.5%

\\ Revenue from system integration

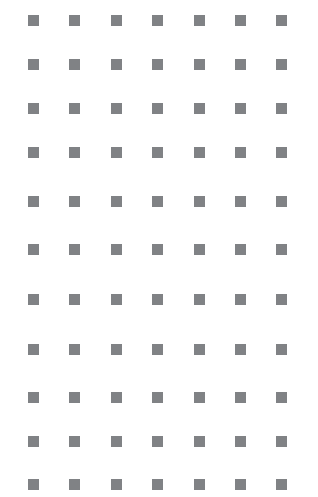
10.3 billion rubles
+39.2% vs 2018

\\ Revenues from new business directions (e-sports, ticket services, etc.)

1.5 billion rubles
+20.5% vs 2018

\\ Dividend payments in 2019 to the sum of

28.66 rubles per share
+yield of 7.6 rubles per share as a part of redemption program



FINANCIAL INDICATORS

\\ Consolidated revenue

476.1 billion rubles
5.5% vs 2018

\\ OIBDA

210.3 billion rubles
2.8% vs 2018

\\ OIBDA profitability

44.2%

\\ **TOTAL NET PROFIT**

54.2 billion rub.
+7.9x vs 2018

MTS BRAND

According to the annual assessment of the brands of the largest companies in the world, conducted by the leading consulting company in the field of brand finance strategy and brand valuation, Brand Finance¹, in the Brand Finance - in 2019, MTS was the leader among Russian telecom and IT companies and is the ninth most valuable brand in Russia

TOP 10 most valuable brands

	2019	2018	2017
Sberbank	1	1	1
Gazprom	2	2	2
Lukoil	3	3	3
Rosneft	4	4	4
Russian Railways	5	5	7
Magnit	6	6	5
VTB	7	7	8
Tatneft	8	9	10
MTS	9	8	9
	RUB 121.502 million	RUB 114.532 million	RUB 93.110 million
Novatek	10	13	11

Brand Finance also annually determines the relative strength of brands using a balanced scorecard (Brand Strength Index (BSI)) which measures marketing investments, net worth, and business performance. In 2019, according to this indicator, MTS was fourth among Russian companies and first in the telecom sector.

MTS is also one of the ten strongest Russian brands and in 2019 once again came fourth in the brand strength ratings. A brand's strength is assessed using a balanced system of indicators (the Brand Strength Index (BSI)), which takes into consideration the businesses marketing investments, capital and efficiency.

In the Brand finance 2020 rankings of telecom companies, MTS is in 56th place by brand value and 2nd place by brand strength, beating other Russian telecom brands.

¹ <https://brandirectory.com/rankings> Brand Finance's brand value ratings have been approved by the Marketing Accountability Standards Board (MASB) as part of the Marketing Metrics Audit Protocol (MMAP), a formal process to verify the relationship between marketing assessment and financial performance.



2019 HIGHLIGHTS¹

M&A AND INVESTMENTS

- › **In November 2019**, MTS announced the signing of a binding agreement to sell its telecommunications business in Ukraine.
- › **In 2019**, MTS increased its stake in MTS Bank to 99.7% through a transaction to purchase 4.5% of the bank's shares for 1.4 billion rubles. As a result, Sistema PJSFC has completely withdrawn from the list of shareholders of MTS Bank. The consolidation of MTS Bank is in line with MTS' strategy aimed at enhancing the synergy of telecommunications and banking products and developing the propagation of financial services in the client base, which has nearly 80 million subscribers.
- › **In January 2020**, MTS announced an investment in SWiP, a developer of a platform for face biometric payments and loyalty programs in retail. The share of MTS in the capital of SWIPGLOBAL LTD (Cyprus), which owns 100% of Smart Wallet LLC (trademark SWiP), was 15%.
- › **In January 2020**, MTS announced an investment of 187.7 million rubles in the purchase of a 7.5% stake in Just AI (JUST AI LIMITED), a Russian market leader in the development of conversational artificial intelligence technologies.

MANAGEMENT

- › **In the fourth quarter of 2019**, a number of appointments were made to the top management of the company: Tatyana Chernysheva was approved for the position of Vice President for Human Resources,

Dmitry Khalin – for the position of Vice President for Cloud and Digital Solutions, and Victor Belov – for the position of MTS Vice President of Technology.

STRATEGY

- › **In October 2019**, the MTS Board of Directors confirmed the current listing structure of the Company and approved the updated Company development strategy for 2020–2022 CLV 2.0 (Customer Lifetime Value 2.0), which involves the creation

of a large-scale ecosystem of new digital products based on accumulated expertise and leadership achievements in the telecommunications business.

SUSTAINABLE DEVELOPMENT

- › **In October 2019**, MTS became the leader in the AK&M rating for social performance of the largest Russian companies by a wide margin from all other players.
- › **In December 2019**, MTS entered the top 5 of the All-Russian ranking “Leaders of Corporate Philanthropy – 2019” according to Vedomosti newspaper, the Forum of Donors and PwC. MTS is recognized as the company with the best approach to sustainable development management, according to PwC, in Russia.
- › **In December 2019**, MTS entered the top 15 of the ranking of sustainable development of Russian companies according to the Expert Media Holding among the 100 largest Russian companies, MTS became the leader among IT and telecom companies.
- › **In January 2020**, MTS entered the top 10 Russian companies on the disclosure of information on climate change, CDP (Carbon Disclosure Project).
- › **In February 2020**, MTS became the leader in two indices of the Russian Union of Industrialists and Entrepreneurs (RUIE) in the field of sustainable development. RUIE indices are included in the international database of indices and ratings in the field of sustainable development as Russian ESG indices; on their basis, the Moscow Exchange (MOEX) calculates the stock indices of the same name. MTS will be included in both MOEX Sustainability Stock Indices in 2020.

INTERNET OF THINGS AND DIGITAL PRODUCTS

- › **In December 2019**, MTS began selling a “virtual lawyer” based on artificial intelligence – a system for automatically working with documents and managing the life cycle of contracts. The implementation of this solution makes it possible to automate the processes of procurement, document creation, making claims and electronic document management.
- › **In December 2019**, MTS launched a digital platform for managing multi-family houses which includes software for management companies and mobile applications for the house tenants and specialists who support the apartments.
- › **In December 2019**, MTS launched SCEF technology on its NB-IoT network, which allows any device to interact with the Internet of Things network through a single interface.
- › **In December**, MTS selected 19 startups out of 450 applications for a corporate accelerator under the control of MTS StartUp Hub. Of these, eight startups were in the field of “Customer Service,” two projects were in the categories of “#CloudMTS” and “E-commerce,” and seven were in the category of “Ticket Services.” Project teams will launch pilot projects in partnership with MTS.
- › **In February 2020**, MTS and BETAR, the leading Russian manufacturer of water meters, began production on the first certified water meters in Russia with a built-in NB-IoT module. These devices are part of an integrated system for digitally monitoring housing and communal services from MTS.
- › **In February 2020**, MTS launched an online market with IT products for microbusiness and self-employed citizens, where customers can connect useful IT services for business without installing special software and third-party applications.

¹ Detailed information on key events in 2019 at: <https://moskva.mts.ru/about/obshchestvennosti-i-smi/soobshheniya-kompanii/finansovaya-otchetnost/>.

MEDIA AND ENTERTAINMENT

- › **In February 2020**, MTS became a co-producer of the world's first blockbuster to be released in the traditional wide format for movie theaters and TV and in a vertical format for viewing on smartphones. The film will be distributed exclusively on the MTS TV platform.
- › **In February 2020**, MTS entered the entertainment show production market and announced investments in the world's best-selling musical "Chess", which is scheduled to premiere in October 2020.

PARTNERSHIPS

- › **In November 2019**, MTS, among the six leading participants in the AI market, became one of the founders of the AI-Russia Alliance, the first Russian association to unite the efforts of key market participants in the development of artificial intelligence technologies.
- › **In December 2019**, MTS, Element and the Skolkovo Institute of Science and Technology (SkolTech) announced cooperation on the development and production of equipment in Russia for 5G networks based on the international Open RAN access standards.
- › **In December 2019**, MTS joined the Telecom Infra Project (TIP) global project. The company plans to participate in the development of technologies for open hardware radio access network (Open-RAN) platforms, transport and core networks using an open architecture and common standards, general purpose processing platforms (GPPP) based on software-defined networks (SDN) and network function virtualization (NFV).
- › **In December 2019**, VimpelCom, MegaFon and Rostelecom signed an agreement of intent with a view to organizing joint work on the development and optimal use of the fifth generation mobile networks (5G / IMT-2020) in Russia.
- › **In February 2019**, MTS and Samara State Medical University signed an agreement on cooperation in the field of digital health and plan to open an artificial intelligence laboratory at the Institute for Innovative Development of Samara State Medical University.
- › **In March 2020**, MTS and SkolTech opened an artificial intelligence laboratory for research in the field of natural language processing.

LEADERSHIP IN TELECOMMUNICATIONS

- › **In October 2019**, MTS opened in Moscow, in the Technograd pavilion at VDNKh, the 5G Center – a platform for the development and testing of digital solutions and devices operating in the fifth generation network. At the first stage, nine startups were selected to work at the 5G Center.
- › **In December 2019**, MTS hosted the world's first long-distance bilateral holographic teleconference on a 5G network between Moscow and Kronstadt in fifth generation pilot networks using a hologram – a laser-projected 3D image.
- › **In January 2020**, MTS and Ericsson deployed Russia's first industrial 5G zone in a private LTE network at the KamAZ plant in Naberezhnye Chelny, the largest producer of heavy trucks in Russia.
- › **In January 2020**, MTS became the first Russian operator to establish a cellular communication base station in Antarctica. The network is deployed in the territory of the Russian Antarctic station "Progress."

BONDS AND LOANS

- › **In 2019**, MTS issued several series of ruble exchange-traded bonds on the Moscow Exchange as a part of steps to optimize its debt portfolio in the face of lower interest rates.

Date of Issue	Amount (RUB)	Year of issue	Coupon rate
January 2019	10 billion	5 years	8.7%
April 2019	5 billion	3.5 years	8.4%
April 2019	7.5 billion	5.5 years	8.6%
June 2019	15 billion	6 years	8%
July 2019	10 billion	7 years	7.9%
October 2019	15 billion	4 years	6.85%
December 2019	10 billion	3 years	6.45%

- › **In December 2019**, MTS fully repaid a loan of 40 billion rubles from Sberbank, as well as a loan of 25 billion rubles from VTB Bank.
- › **In December 2019**, the Expert RA rating agency raised MTS' credit rating from ruAA to ruAA+ with a stable outlook.

REMUNERATION OF SHAREHOLDERS

- › **In February 2020**, MTS completed the payment of special dividends approved by the extraordinary General Meeting of shareholders on December 30, 2019, based on the Company's financial results for nine months in 2019 and the transaction for the sale of VF Ukraine PrJSC. Payments of special dividends amounted to 13.25 rubles per ordinary share (26.50 rubles per ADR). The total amount of payments amounted to 26.48 billion rubles.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



Dear shareholders,

Today, we are summing up the final results of the work of our Company during 2019. This year was very important for us, full of events and achievements, and I would like to talk about some of them specifically.

First, this year the management of the company and the Board of Directors adopted a new MTS strategy, which we called Customer Lifetime Value 2.0 (CLV 2.0). The main reason for this decision was the Company's achievement of the main goals set out in the framework of the previously existing 3D strategy: Data. Digital. Dividends. We needed to reformat our business logic at the top level of management, to create new challenges for middle management and line personnel, and fresh motivation to solve new problems that arise in the process of the company's evolutionary development. A detailed description of the new strategy is presented in the "Our Strategy" section. For my part, I would only note that the center of our managerial thinking is the client, their daily life, and their needs. Our main task is to provide the client with such a set of services (primarily digital), so that they choose us from the whole market variety and stay with us for as long as possible.

The second key event of the past year is the formation of a new organizational structure, which is significantly different from the previous one. The basis of the new structure is business directions: product verticals and auxiliary functional horizontals. Thus, we are transforming ourselves into a product-oriented organization, in which we give each product area far greater freedom in the distribution of efforts and resource management, while at the same time we personalize the responsibility of each area for business results. At the moment, the structure is basically formed; in the near future, it will be polished and fine-tuned, but it is already an operating working mechanism. In my opinion, it is precisely such an organizational structure that

is best suited for implementing the strategy which we have chosen and the further evolution of MTS as an ecosystem of digital services. You can find further detailed information on this topic in the "Our Company" section.

The third important event for the Company was the approval in June 2019 of the updated composition of the Board of Directors. I am grateful for the trust shown by the shareholders in approving my candidacy as Chairman. I am pleased to welcome all the re-elected members of the Board in the updated composition; I am confident that their experience will help ensure continuity in the field of corporate governance, while the inclusion of Valentin Yumashev and Antoniou Antonios Theodosiou in the Board will contribute to the emergence of fresh opinions and ideas. I also want to express my gratitude for their excellent work to the independent directors Stanley Miller and Wolfgang Schüssel, and in particular Ron Sommer, who headed the Board for 10 years and, thanks to his experience, knowledge and energy, has made an invaluable contribution to the success of the Company.

The logical result of the coordinated work of the management and all employees of the Company was the fulfillment by MTS of all key obligations and forecasts regarding financial results, which will be discussed in detail in the "Business Overview" and "Financial Review" sections.

In my address, I cannot ignore the challenges that we have already faced at the beginning of 2020. The difficult epidemiological situation, as well as the sharp drop in stock indices and the general economic recession largely triggered thereby, had an extremely adverse impact on a large number of countries and dealt a crushing blow to a number of industries. Right now, we are keenly aware of how close the interconnections are in the international economic system, and how fragile it can be when facing new threats. We see how one occasional unpredictable factor causes a chain of events and phenomena that bring enormous damage to this system. For Russia, in addition to the global effect, the situation is aggravated by the current low level of energy prices and the high volatility of the national currency. We have been used to saying the words "the world is changing rapidly" year after year. But this year, we finally understand how rapidly this can happen in reality.

I am convinced, however, that the current conditions are no excuse for inaction. It is at critical moments that we must be as active and efficient as possible, making every possible effort to overcome the crisis.



"We can and should become an irreplaceable daily assistant to society and the business environment, and a reliable partner for the state, contributing to the smooth running of its functions every day."

In the current conditions, it is difficult to overestimate the importance of the areas in which our company operates: telecommunications and digital services. Now, at a rapid pace, in a matter of days, the conditions and means of interaction between people are changing; and this is manifested in absolutely everything: in daily interpersonal communication, in work processes transferred en masse to a remote mode, in the distribution of information flows in the media environment, and in issues of cooperation between business and the state. Therefore, the need in society for the results of our work is especially great today, and right now we must make every possible effort to implement new products and technological solutions. At the same time, it is precisely in crisis conditions that we most clearly see our own shortcomings and weaknesses, and this also has value.

Today, we have a chance to prove ourselves not only in the role of a successful company that confidently generates shareholder value. We can and should become an irreplaceable daily assistant to society and the business environment, and a reliable partner for the state, contributing to the smooth running of its functions every day. I believe that a combination of initiative, self-discipline, pragmatism and responsibility will allow us to take this chance. I hope that all MTS employees, our business partners and investors grasp the importance of the current moment and share this point of view.

F. V. Evtushenkov,
Chairman of the Board of Directors of MTS

02\

MANAGEMENT REPORT

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MESSAGE FROM THE PRESIDENT

Dear friends,

The world is changing rapidly. We now live in cities, where infrastructure, objects and people are beginning with one another to interact through mobile networks. We prefer online shopping we study, work and get medical care online; we store our information in the cloud; we attend events in VR, use online banking and virtual credit cards. We have already grown accustomed receiving any media content on a convenient device at any time.

This has become a new reality for millions of people around the world, and in this reality, the social role of telecommunications has increased more than ever. Ensuring equal access for all citizens to technologies, online and mobile services, as well as introducing services to digitalize key sectors of the economy, remain key priorities for both the state and market participants. In 2019, we at MTS continued our active socially oriented work, including under state contracts to connect publicly significant facilities to a broadband internet in several regions of the country, as well as launching digital products related to key social areas: education, medicine, culture, the environment, and security. At the same time, in order to contribute to the solution of global social problems in the long term and to effectively use the new opportunities for growth, in 2019 we launched a global restructuring of the Company's business.

Having fully implemented by last year the goals of MTS' 3D strategy: Data. Digital. Dividends, MTS remains at the forefront of the industry's development, moving forward in line with our new CLV 2.0 business strategy focused on creating a digital ecosystem based on a strong core telecommunications business and investment in promising growing areas. We have modernized the management structure, updated the organizational structure of the Company, building it on four main business areas: telecommunications, fintech, media, and cloud and digital business solutions. Key positions were taken by talented young leaders with successful experience in key industries for the Company. We have reduced the number of target markets, which will allow us to focus on a key market, where we continue to actively develop telecommunications and IT infrastructure and optimize our retail chain.

The very first results of the transformations have already been positively evaluated by our customers and partners. MTS crossed the finish line of 2019 with good dynamics of key indicators: revenue for 2019 increased by 5.5% compared with the figures for 2018 up to 476.1 billion rubles. We attribute this growth not only to the excellent results of the Group's core business – telecommunications, but also to the ever-increasing contribution from related areas, including financial and cloud services, system integration, big data services, and artificial intelligence.

At the same time, MTS remains one of the most stable blue chips in the country's stock market. This year, we fulfilled our obligations under the new three-year dividend policy by paying dividends in the calendar year 2019 at the level of 28.66 rubles per ordinary share of MTS.

As this report was being made up, we witnessed a completely new phenomenon – a global pandemic of the previously unknown coronavirus. It is obvious that this will become a catalyst for significant changes in each and every market and dramatically change the structure of the world's leading economies, accelerating the digitalization of all areas of our daily lives, while opening new “windows of opportunity” for the telecom, IT and media industries.

We at MTS do believe in the high adaptability of our business model, the company's ability to maintain operational stability and effectively respond to the challenges of the time, and above all to civilizational changes, to changes in people's lifestyles and consumer demand. And in the new reality, we have everything needed to succeed and meet the expectations of shareholders: a leading position, a strong brand, and a highly professional team. This gives me confidence that the most striking and interesting projects for MTS are yet to come!

Best regards,

Aleksey Kornya,
President of MTS



“MTS remains one of the most stable blue chips in the country's stock market. This year, we fulfilled our obligations under the new three-year dividend policy by paying dividends in the calendar year 2019 at the level of 28.66 rubles per ordinary share of MTS.”



MTS BUSINESS MODEL: SOURCE OF YOUR DIVIDENDS

\\ GROWING MONEY FLOW OF MTS GROUP

\\ SOURCE OF STABLE PAYMENTS TO SHAREHOLDERS

GROWTH AS EASY AS ONE, TWO, THREE...

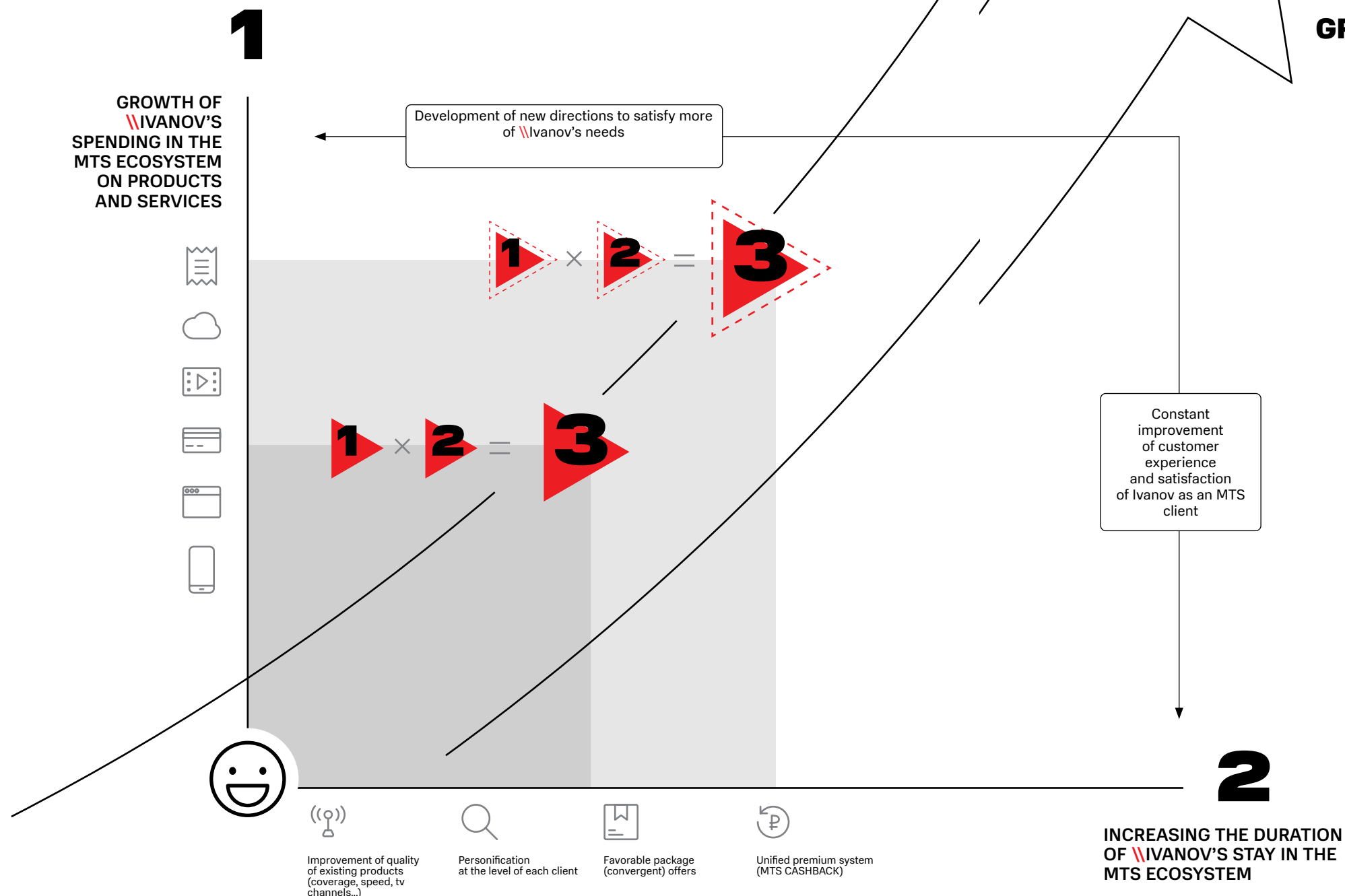
\\ We reinvest cash flow received from the existing (first of all, telecommunications) business...

1 ...IN DEVELOPING **NEW SERVICES**, WHICH WE CAN OFFER OUR EXISTING CLIENT...

2 ...AS WELL AS IN **THE IMPLEMENTATION OF INTEGRATED PROGRAMS** DESIGNED TO IMPROVE THE QUALITY OF HIS INTERACTION WITH US AND INTEREST IN US...

3 ...WHICH IN COMBINATION GIVES A **MULTIPLICATIVE EFFECT**, GREATLY INCREASING THE RESPONSE FROM AN AVERAGE CLIENT

Since we are increasing both the monthly profits received from him and his "life time" with us, whereby we can earn more (simultaneously increasing the loyalty of our client) while reinvesting a part of the additional profit in the further development of the customer base



OUR MARKETS

MTS GROUP KEY MARKETS

MTS TELECOM

- > Mobile communications market leader
- > Top 3 Russian BBA operators, the market leader in Moscow
- > Top 5 Russian pay-TV operators

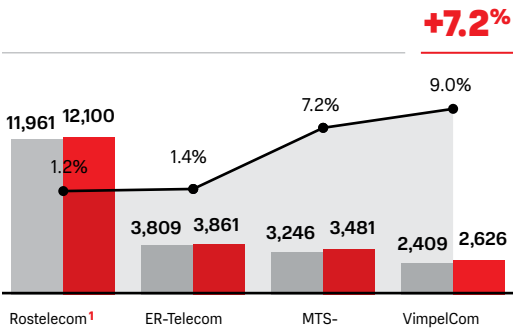
At the end of 2019, the number of MTS mobile subscribers in Russia increased

79.1
million subscribers
by 1.4% and amounted

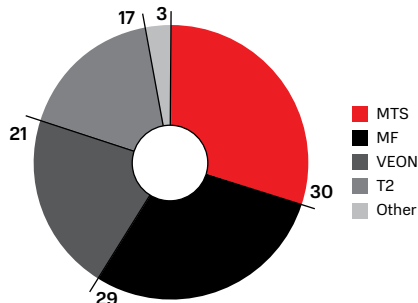
In 2019	Belarus	Armenia	Russia
Population, million people	9.5	3.0	146.7
Subscribers, million	5.6	2.2	79.1
Penetration, %	127	128	178
Market share, %	47	58	30

Russia, subscribers		2018	2019	Change, 2019/2018	Share of subscribers, %
MTS	million	78.0	79.1	1.4	30%
MegaFon	million	75.2	75.2	0.0	29%
VimpelCom	million	55.3	54.6	-0.6	21%
T2 RTC Holding	million	42.3	44.6	2.3	17%
Others ("Motive," "Tattelecom," MVNO-operators)	million	5.0	7.2	2.3	3%
Total		255.7	260.7	5.0	100%

\\ Largest Russian BBA operators, 2019

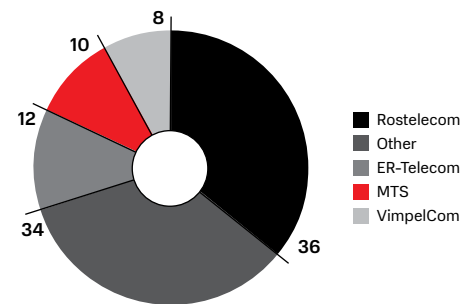


\\ Top 3 Russian BBA operators, the market leader in Moscow

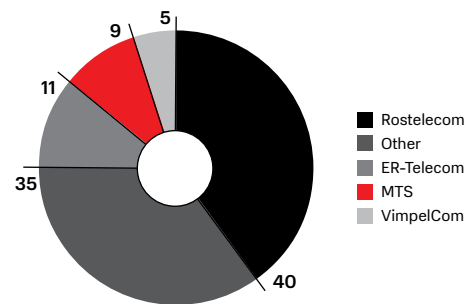


THE STRUCTURE OF THE RUSSIAN BBA MARKET, 2019

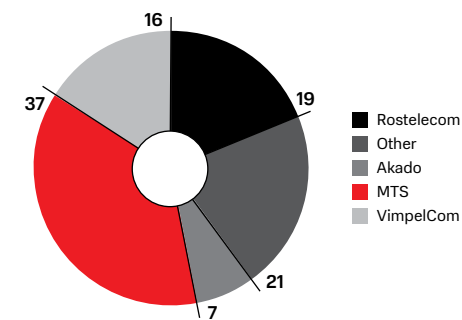
\\ BBA market structure by subscribers %



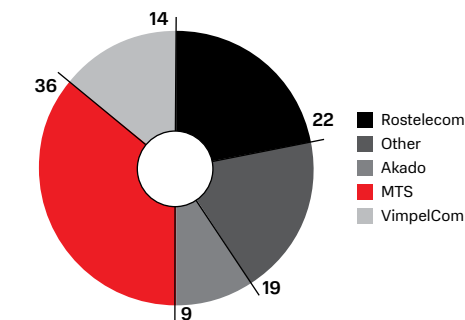
\\ BBA market structure by revenue, %



\\ BBA market structure by subscribers, %

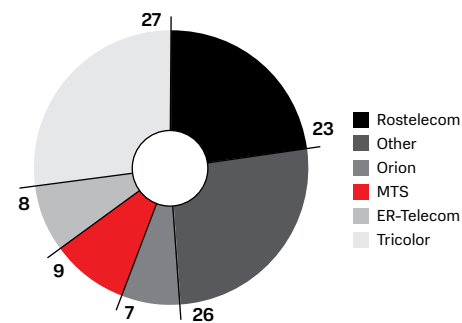


\\ BBA market structure by revenue, %

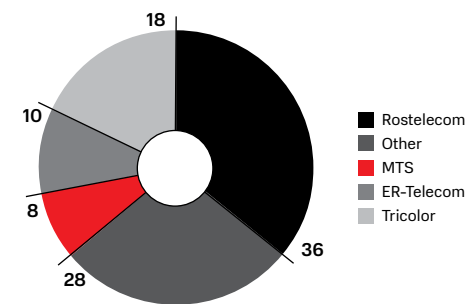


MARKET STRUCTURE BY OPERATORS, 2019

\\ By subscribers, %

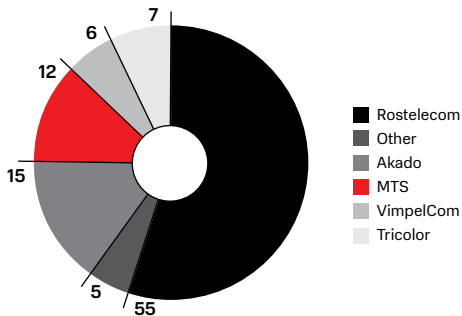


\\ By income, %



Source: TMT Consulting

\\ The structure of the Moscow pay-TV subscriber base by operators



Source: companies' data, assessments by TMT Consulting

¹ fixed BBA subscribers in the Russian Federation (excluding GNC-Alfa)

MTS RETAIL



- > Largest retail
- > Online store



MTS is the largest non-food retail chain in Russia.

At the end of 2019, the number of MTS outlets amounted to

5,700

2019 rating of the Top 100 largest Russian stores in terms of online sales by the end of 2019.



shop.mts.ru

24/100

place
electronics and appliances

MTS FINANCE



- > Banking and financial services, MTS Bank
- > Financial services and applications

MTS BANK

KEY INDICATORS

Position	in Russia	in the region
Net assets	41 ⁽⁺⁴⁾	32 ⁽⁺³⁾
Net profit	47 ⁽⁺¹⁹⁾	35 ⁽⁺¹²⁾
Capital (on Form 123)	34 ⁽⁺⁸⁾	28 ⁽⁺⁷⁾
Loan portfolio	39 ⁽⁺⁶⁾	31 ⁽⁺⁶⁾
Overdue debt in the loan portfolio	33 ⁽⁻²⁾	25 ⁽⁻¹⁾
Deposits by individuals	29 ⁽⁺⁸⁾	22 ⁽⁺⁷⁾
Investment in securities	40 ⁽⁻²⁾	51 ⁽⁻²⁾

As of December 2019, MTS Bank among Russian banks, according to Franck Research and Banki.ru, takes:

37
place

in terms of capital value

41
place

in terms of assets

5
place

place in terms of granting POS loans

29
place

in terms of household deposits

5
place

in terms of POS lending portfolio value

13
place

in terms of credit card portfolio value

1

1 <https://www.top100.datainsight.ru/>
2 https://www.banki.ru/banks/ratings/?LANG=en&BANK_ID=6055

MTS IT



- > System integrator
- > Cloud & digital solutions provider
- > DPC (Data Processing Center)
- > Big Data
- > Artificial Intelligence
- > OTT applications

Rating CNews Analytics (<https://www.cnews.ru/analytics/rating>)

\\ NVision Group (by revenue)

Largest Russian IT
companies 2018

19
place

Largest IT providers
for banks
2018

13
place

Largest Russian companies
in the field of information
security 2019

30
place

Largest providers of IT
for carrier operators
2019

3
place

\\ MTS Cloud Business: #CloudMTS, IT-GRAD, 1cloud

The volume of data stored and processed
in the MTS clouds increased by

3,5
times

MTS is a member of the

AI-Russia Alliance
implemented AI-based projects: robots being
customer service specialists, Norma virtual
lawyer.

Largest IaaS providers in Russia 2019

2
place

MTS is a member of the

**Big Data
Association
of Russia**
(BAD).

MTS MEDIA



Development of the strategic direction of the Group's media assets and entertainment products
of the Company's digital ecosystem. Control over MTS Group's business in the field of television broadcasting
in all environments

9%

market share by pay-TV
subscribers

8%

market share
by pay-TV income

12%

market share by pay-TV
subscribers in Moscow

~4

mln
users of paid video content
(OTT, IPTV, Satellite)

development of own

MTS TV
multimedia platform

MTS ENTERTAINMENT



Group business management in the field of entertainment and development of related services, strategic
development of assets in this segment

Ticketland and Ponominal ticket
services

~25%
of the market

MTS Afisha
portal and app
<https://afisha.mts.ru/>

**MTS Live
Arena**
and other projects



OVERVIEW
OF THE ECONOMIC
SITUATION AND MARKET
DEVELOPMENT

RUSSIA: ECONOMIC TRENDS

The volume of the Russian telecommunications market in 2019, according to TMT Consulting, increased by 2.1% compared to the previous year and amounted to 1.73 trillion rubles. The decrease in growth rate was primarily due to the slowdown in the mobile communications market. Forming 57% of all telecommunications revenues, it is this market that determines the dynamics of the industry. Other negative factors were the slowdown in the fast-growing pay-TV market and the steadily high rate of decline in revenues in the fixed-line telephone and inter-operator services markets.

The traditional business of telecommunications companies is gradually becoming a thing of the past, setting new challenges for operators and opening up opportunities for growth. The main trend of the industry is transformation as a necessity and a need for a digital economy.

Our future is directly related to such concepts as the Internet of Things, cloud services, Big Data, mobile finance, artificial intelligence, OTT services, etc. Successful steps taken today in industries related to the telecommunications business or in new areas of business will help maintain the Company's leadership in the new digital world.

The prospects for the Russian telecommunications market for the next 10 years (according to GSMA Intelligence research¹) are as follows.

- › In 2021, 4G will become the leading mobile technology.
- › The share of 5G connections will be approximately one fifth of all connections in 2025.
- › The use of mobile services on a regular basis will increase: for access to entertainment content (especially video), e-commerce (most often using contactless payment technology) and other digital services in areas such as health and education.
- › The number of unique mobile communication subscribers will not change significantly due to high penetration rate.

- › A steady level of revenue is expected until operators begin to more effectively monetize the significant growth in data traffic and generate revenue from new channels.

COMPETITIVE SITUATION

Today, there are four federal operators in the Russian mobile communications market:

- › MTS PJSC,
- › MegaFon PJSC,
- › VimpelCom PJSC (VEON Ltd), and
- › T2 RTC Holding LLC (a combined operator of Rostelecom PJSC and Tele2).

Several regional telecommunications companies and virtual network operators (MVNO) occupy around 4.5% of the market.

>170%

level of cellular communications services penetration in Russia as of the end of 2019, which corresponds to the developed telecommunications markets of the world.

OTHER MARKETS

CIS countries as of the end of 2019: >125% — penetration of mobile telecom services.

- › Republic of Armenia (MTS Armenia CJSC) — 2.2 million subscribers; main competitor — Veon Armenia CJSC (trademark Beeline).
- › Republic of Belarus (Mobile TeleSystems JLLC is not consolidated into the financial statements of MTS Group) — 5.6 million subscribers; main competitors — Velcom and BeSt CJSC (brand life:)).

LOOKING INTO
THE FUTURE

GLOBAL TRENDS IN THE
TELECOMMUNICATIONS
SECTOR

In the long run, the global spread of the internet will grow to 90%, while growth will occur at the expense of developing countries. It is estimated that in five years 80% of the world's population will use smartphones, while the share of simple push-button phones will decrease.

The emergence of new technology platforms is expected. While previously the most famous platforms were Android and iOS, now we are observing the emergence and development of completely new systems from Amazon, Sony, Samsung, Oculus, HTC and others in the field of rapidly developing areas: virtual/augmented reality, smart home/smart speakers, and wearable devices and sensors.

Telecommunication companies will continue, as before, to promote the development of fundamentally new digital types of businesses and business models. The deployment of fifth-generation 5G networks could be the starting point of a new wave of innovation growth both in the communications industry and in other industries that will want to use this technology for their own purposes. The new 5G technology will complicate network management systems, while creating new ways to manage both the licensed spectrum and the spectrum outside the license, for example, in case of a point-based deployment of 5G networks at enterprises.

We predict that the trend of sharing infrastructure as a means of combating the high costs of building and upgrading access networks and the overall low growth rate of the telecommunications market will continue. We believe that telecom operators will be even more careful when optimizing and selecting their capital expenditures.

In the next three to five years, wearable electronics and sensors may become standard tools and procedures in the health care system, when doctors will prescribe wearable electronics and sensors to patients to make a diagnosis more precise and monitor the progress of treatment or simply to prevent diseases.

Double-digit annual growth rate of the telecommunications market is expected in the corporate segment. This is due to the growing business need for digitalization, fast and reliable communications, and storage and consolidation of customer data.

¹ GSMA Intelligence Mobile Economy Russia and the CIS 2019, GSMA Intelligence Consumer Survey 2018.



DEVELOPMENT FORECAST FOR THE RUSSIAN MARKET IN 2020 AND MEDIUM-TERM PROSPECTS

MACROECONOMICS

Despite the negative effects of the global COVID-19 pandemic, we expect Russia's GDP growth in the coming years to be stably positive, but not to exceed 2%. Besides the global pandemic, analysts' forecasts note the following key factors which will limit the growth of the economy, for example, a decline in foreign investment and poor diversification of national exports.



TELECOM (BASIC BUSINESS)

Mobile Communications

Despite the growing competition, we predict that the traditional market for mobile communications and data transmission in the Russian Federation will sustain the trend of near-zero revenue growth over the next two to three years. Despite the relative decrease in the purchasing power of the population due to COVID-19, we do not expect a reduction in consumption of mobile services.

Fixed BBA Market

Over the next few years, the fixed BBA market will continue to grow at a rate of less than 10%, with a tendency to slow down due to market saturation in major and medium cities of the Russian Federation. In the coming years, a slight increase in the number of users will continue due to new housing development. In terms of competition, major federal operators offering a full range of services (BBA, TV, and mobile communications) will have an advantage. It is anticipated that such convergent offers will continue to be in demand and help reduce the subscriber churn. In the future, the market will continue to consolidate around major players, and new transactions are expected for the purchase of small and medium-sized companies. The main focus of players on the fixed access market in the coming years will be in the field of increasing user loyalty. Because of the global COVID-19 pandemic and increased demand for remote working and training, we expect increased interest in BBA providers who can ensure fast transmission of data and a reliable connection.

B2B/B2G Segments

The Russian B2B services market will grow steadily by more than 20% per year due to the fact that many companies are entering a new cycle of automating internal business processes and replacing old software solutions with cloud products. This process could accelerate even more because of COVID-19 and the sharp rise in demand for cloud infrastructure, remote work support systems and infrastructure control. Double-digit growth rates are expected in the segments of cloud services, the Internet of Things and system integration, where MTS has significant competitive advantages and the necessary technological base.



MEDIA/TV

We predict that the video content consumption pattern will continue to change. Linear TV will often be watched using OTT applications (viewing on any device without additional equipment at any time). This will be due to the fact that such a viewing format is cheaper than IPTV or satellite TV, while the choice of content is much wider. The trend to increase overall viewing time will persist. In terms of technology, we expect the appearance of new video formats. The trend will continue whereby series overtake films in terms of total viewing time. The trend to create content intended for OTT services only is growing We expect that digitalization and personalization of products and services will lead to a change in the style of consumption of TV, radio, books, etc. In the next three to five years, personalization tools, algorithms for selecting content and recommendations will continue to develop. Voice assistants will enter the market as a new method of user interaction with entertainment services in Smart TV, STB, smartphones, smart speakers, and in the car. We predict a noticeable outflow of visitors from movie theaters and a significant increase in home consumption of media content in the context of COVID-19 in the next 1.5-2 years.

By segments of the TV market, we expect the following dynamics.

- › OTT will be the driver of TV market growth due to the convenience of the service and the interest of various groups.
- › IPTV will grow due to the migration of the modern viewer from non-interactive TV.
- › Broadcast TV will continue to lose audience.

- › The satellite TV segment will be relatively stable over the medium term.
- › Cable TV will be reduced due to the fact that it no longer meets the needs of the viewer for interactivity and variety of services of modern TV.

In general, a moderately positive average annual growth rate of the TV market is expected for the next three to five years, while we expect that the number of users of paid TV services will increase one and a half to two times.



FINANCIAL SERVICES

In the coming years, the share of major players will continue to grow. Small players, following the loss of customers, will gradually lose assets, resources, and profits. In the long run, the Russian market has not yet reached the stage of saturation, the Russian population has not exhausted its credit potential.

The volume of the e-commerce market (and online lending and payments together therewith) will continue to grow at double-digit average annual rates. Residents of Russia have "tasted" cashless payments, and today their share is 68%, while their growth rate remains high. Mobile banking from a supposedly optional "innovation" has turned into a full-fledged and mandatory channel for interacting with customers, and its role will only grow in the coming years.



TECHNOLOGICAL INNOVATION

IoT

In the next five years, in the IoT consumption structure, software will be the fastest growing category with a focus on applications and analytics software. The basic trends will be the dominance of end-to-end vertical solutions and the growth of IoT services virtualization. Powerful growth drivers will be the development of LPWAN technologies (NB-IoT and 5G Massive IoT) and the active support of IoT from the state – first of all, the state program "Digital Economy" and federal and regional state projects related to digitalization. Massive IoT connections based on low-power networks (LPWA) will become a foundation for the construction of future intelligent managed 5G services. The prevailing market segment will be B2B, including B2B2C models.

AI

In the field of artificial intelligence, Russia will follow the global dynamic. The ultra-high growth rate of the machine learning and artificial intelligence (ML/AI) market in Russia is forecast from 2 billion rubles in 2018 to 160 billion in 2024. The volume of the Russian chat bot market in the near future will grow at a three-digit pace. We expect that in the next two to three years, the penetration of smart devices in households will increase to reach 5–8%. The largest increase in the share of smart devices is expected in the segment of small and large household appliances.



NEW BUSINESS DIRECTIONS



EHEALTH MTS

\\ MTS 120/80

In 2019, MTS, in collaboration with the National Medical Research Center for Cardiology of the Ministry of Health of the Russian Federation, developed and launched in December of the same year the MTS 120/80 heart care application.

The solution allows you to enter your systolic and diastolic pressure into the system, simply by photographing the screen of the tonometer. Thanks to a specially trained neural network, the MTS 120/80 recognizes measurements on the digital tonometer display and helps the user quickly fill out a form for monitoring pressure indicators. Then, if necessary, the user can send details of the blood pressure records to the attending physician. The report is generated in a way which is convenient for the doctor.

Based on the data entered by the user on their daily pressure records, MTS 120/80 creates a graph that presents the data in a visual form. If monitoring detects a deviation in the values from modern blood pressure norms, the application will bring this to the user's attention.

MTS 120/80 allows you to calculate the "age" of your heart, simplify the monitoring of medication intake by setting up reminders for the intake, and remotely consult with a cardiologist using the SmartMed telemedicine service.

\\ SMARTMED

<https://medsi.ru/lands/smartmed.php>

In 2019, the SmartMed service – a joint telemedicine project by MTS and a network of MEDSI clinics – continued to actively develop. The service combines the possibilities of online consultations with practicing doctors, making an appointment with an internal appointment, calling a doctor to your home, and safely storing a patient's medical history.

The results of 2019 are as follows.

- > From January to December, the number of online consultations has grown more than 20 times. Stable monthly growth testifies to the interest of users in telemedicine services. 33% of the total number of consultations were repeated calls, which suggests that users see the convenience and benefit of the service.
- > Compared to 2018, the number of application downloads increased by 80%. The total number of installations exceeded 500 thousand.
- > In April 2019, a web version was launched on smartmed.pro. The service has become available to users who prefer smartphones to PCs.
- > The number of niche specialties in the service has increased. In SmartMed, consultations of endocrinologists, neurologists, gynecologists, urologists, allergologists and immunologists, surgeons, cardiologists, senologists and oncologists, ENTs, traumatologists, pulmonologists, etc. have become available. Focused specialists are particularly in demand in regions where it is not always possible to get an appointment with such a doctor.
- > By December 2019, the number of active users per month increased by 6.6 times compared to January of the same year.



- > Thanks to subscriptions to unlimited online consultations, using SmartMed has become not only convenient, but also very profitable. The cost of a subscription for three months is only 1,190 rubles, and 2,500 rubles for a year, while a consultation without a subscription costs 550 rubles.
- > The opportunity to make an appointment in person at MEDSI clinics has become available to residents of St. Petersburg. St. Petersburg doctors have also begun to offer consultations online, and thus service users from the northern capital gained the opportunity to continue treatment in the clinic after an online consultation or to be observed online by the same doctor after an in-person appointment.
- > At the beginning of 2019, only every 22nd patient of MEDSI clinics in Moscow and St. Petersburg was registered through the SmartMed application for an in-person appointment. But at the end of the year, every fifth patient used the service to book an appointment.
- > The introduction of the remote (telemedicine) rehabilitation functionality allowed patients from the regions observed by doctors from Moscow or St. Petersburg to undergo rehabilitation procedures from home and significantly reduced the costs that these patients previously incurred when they had to stay in the capitals for the rehabilitation period.
- > More than once in 2019, telemedicine doctors helped to take the necessary measures in time and save the health and life of patients who came to them through SmartMed. For example, a therapist helped a user to provide independent first aid in a case of heavy bleeding through video communication. In another case, a pediatrician insisted on an emergency call for an ambulance and as a result prevented a life-threatening situation for a one-and-a-half-year-old child.

MTS STARTUP HUB CENTER

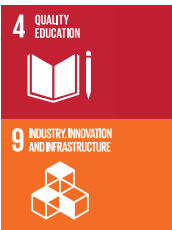
In 2019, the MTS StartUp Hub launched several new business directions, turning into a multi-functional MTS tool for working with young technology companies. In addition to the corporate accelerator, which was launched in 2018, the structure of the MTS StartUp Hub Center now includes: the MTS venture fund, international scouting, and the 5G Center.

In 2019, the corporate accelerator conducted two recruiting campaigns, in which more than 2,300 applications from technological projects were considered. Over the two years of the accelerator, 58 projects have been accelerated, 46 of them launched pilot projects with MTS and the solutions of 15 startups were implemented in MTS business units. The business clients were 12 units of the MTS Group.

In the first half of 2019, the MTS StartUp Hub launched its international offices in three locations: Germany, Israel, and Southeast Asia. International scouts are looking for technology projects for the accelerator, 5G MTS Center, and venture capital fund. In 2019, agreements were signed with the Indian Enterprise Development Institute, Singapore Enterprise and Invest India, which help MTS look for innovation in foreign markets. In the Asia region, Sistema Asia also became a partner of MTS StartUp Hub.

In October 2019, the 5G MTS Center – a platform for the development and testing of digital solutions and devices operating on the 5G network – was launched in Technograd, VDNKh. The 5G Center combines next-generation network utilization scenarios with case study development equipment. About 100 technology companies applied for residency at the Center, of which nine startups, including 2 foreign ones, were selected by the MTS StartUp Hub expert team. 5G Center participants receive expert and technological support from MTS and project partners. The creators of the best 5G solutions can receive development grants.

Based on the Containerum startup from the MTS accelerator, a cloud service was developed in August 2019 for #CloudMTS clients that can double the launch of IT solutions. The new service allowed our cloud customers to reduce costs associated





with the development and introduction of new IT solutions to the market by at least 40%. The service made it possible to use the cloud space more economically: it will now be possible to host two to three times more applications on one virtual server.

SMART UNIVERSITY

The Smart University educational platform is designed for online classes and focuses on the market of additional school education and private tutoring, which are estimated in Russia alone at 130 billion and 111 billion rubles, respectively.

Lessons at Smart University are led by teachers remotely using a video call through an iOS and Android application or a service website. Communicating with the teacher, the student performs tasks in the framework of a specially created interactive textbook.

At the introductory lesson, a Smart University teacher determines the current level of the user’s knowledge, and then the training program is built for each student individually using special adaptive algorithms that can improve the quality of training by up to 1.5 times. The program also allows you to take intermediate tests during the entire course and monitor the progress of studies using the built-in statistics system. Progress tracking is also available for schoolchildren’s parents.

The first area of Smart University was preparation for the Unified State Exam in English. In 2019, the team expanded its product line, which allowed the number of registered users to increase by 3.9 times compared to 2018. Today, Smart University offers the following products:

- > general English courses for adults (including a corporate segment);
- > courses in mathematics, Russian and English for students in grades 5–11;
- > preparation for the Basic State Exam and Unified State Exam in mathematics, Russian and English for high school students.

In 2019, additions were made to the ecosystem of training formats with such formats as webinars for mass preparation for exams, English speaking clubs in mini-groups of up to 8 people, and self study in the form of homework, tests and simulators. A variety of learning formats helps maximize student achievement with different educational needs and habits.

In 2019, the effectiveness of teaching methods at Smart University was confirmed by an independent study of the Kazan Federal University (KFU), which showed an increase in student achievement up to 60%.

In addition to KFU, the Peoples’ Friendship University of Russia (RUDN) and the Skolkovo Academy became partners of Smart University in 2019.

GAMBIT ESPORTS & WASD.TV

LAUNCH OF THE WASD.TV STREAMING PLATFORM

The interactive media platform WASD.TV is a streaming service, on the basis of which MTS develops various solutions in the field of gaming, professional e-sports, and multimedia content. In March 2019, the platform was transferred to open beta testing. The service is available on PC and on devices with Android OS and iOS. The key eSports partner of the platform is the MTS-owned organization Gambit Esports. As a part of the partnership, club players participate in the creation of their own platform content and broadcast live on WASD.TV.

In 2019, the service began to regularly hold competitions for leading broadcasts – the League of Streamers. The third season of competition between streamers is recognized as the most expansive league of the year. More than 7 thousand people took part in it, and the number of broadcasts exceeded 25 thousand.

SYNERGY OF WASD.TV WITH GAMBIT ESPORTS

Over 2 thousand people participated in the e-sports competition for the popular games Dota 2 and League of Legends in the online format from Gambit Esports and WASD.TV. This unique format at the junction of the technological capabilities of the platform and the teaching experience of Gambit trainers has allowed young talents from all over our country to prove themselves.

Gambit Esports players themselves regularly streamed on WASD.TV, became participants in the advertising campaign of the service, and also

participated in testing the platform and discussing product aspects.

GAMBIT ESPORTS

Players of the MTS-owned e-sports organization Gambit Esports were selected for the World Championships in New York, both singles and doubles. Our sportspeople showed the best result among all sportspeople from the CIS, earning a total of 200 thousand dollars in prize money.

The Gambit Youngsters youth team won their first offline tournament – MSI Gaming Arena 2019 in New York, where they earned 30 thousand dollars in prize money. In the wake of this success, our team, consisting of sportspeople with an average age of 18, entered the top 30 best teams in the world according to the portal hltv.org, becoming the first CS:GO youth team to reach this target.

In 2019, the Dota2 Gambit Esports team took part in two Major tournaments: in Moscow (Epicenter) and Chinese Chengdu (MDL Chengdu Major). In the 2018/2019 season, e-sportspeople showed strong results and were one step away from entering The International 2019, the world’s largest e-sports tournament with a prize pool of 34 million dollars.

In 2019, Gambit Esports got a team for Apex Legends, a new EA Sports game that quickly gained popularity. Gambit Esports players immediately showed serious results, taking 11th place among 80 participating teams at the first international offline tournament held in Krakow, Poland.



4 QUALITY
EDUCATION

NEW STRATEGY



Today, all players in the telecommunications industry are changing product strategies, going beyond traditional communication services to new markets, and the reason for this is a change in the consumer paradigm. Telecommunications operators have provided universal high-speed internet access, opening up unprecedented opportunities for creating new services, products and entire businesses, such as multifunctional messengers, mobile versions of social networks, online stores and many others. We strive to move in the same direction and have set ourselves the goal of creating a comprehensive system of products and services under a single brand that best meets the daily needs of each person. And to make sure that people do not want to leave our “ecosystem”, because it will not only be complete in terms of its set of services, but also convenient to use and for making calculations.

Aleksey Kornya,
President of MTS

Over the past few years, the MTS business has been built on the basis of its 3D strategy: Data. Digital. Dividends. This strategy, in its different variations, was aimed at a consistent shift in the emphasis of our business model from voice to data, and subsequently to digital services, while constantly increasing operational efficiency. We focused on building a digital landscape in the Company, which became the basis for digital services, as well as a tool for optimizing business processes. As a result, we have maintained a confident lead in the telecommunication market, which is fundamental for us, while ensuring a stable and constantly high level of dividend payments. We have also managed to form significant competencies in basic digital areas, such as Big Data and AI, and enter a number of related business areas: banking, media, entertainment, cloud services, etc.



In 2019, we developed and adopted a new strategy called Customer Lifetime Value 2.0 (CLV 2.0), aimed at building a full-fledged digital business on a sustainable telecommunications base.

The title means the following: At the center of our value proposition is the Customer, to whom we offer a wide range of digital services. We strive to extend the client’s “Lifetime” as much as possible (Lifetime is the time, during which the client uses our services), creating and gradually strengthening emotional affection for the brand, and increasing the degree of satisfaction and customer loyalty. We focus on offering greater Value to the client and at the same time, we maximize the value that we will receive from the client in the long run. “2.0” symbolizes our transition from the ideology of operating in one market – telecommunications – (which we call “1.0”) to the idea of a digital service provider operating in diverse markets and offering a variety of products to meet the needs of customers in various areas of their lives in order to maximize

value (both for customers and for the Company) from the entire portfolio of services in the aggregate.

We are confident that going beyond the boundaries of the telecommunications business to new markets, for example, financial services and 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. In the near future, we plan to increase the number of partnerships, significantly expand the capabilities of our affiliate programs and become the best possible choice on the market for our potential partners, helping ensure that all participants in the process receive the greatest value.

The Russian digital service market is highly unique 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 many business directions in the digital environment, relying on the ecosystem approach in their strategies. In our opinion, the Russian market is now entering a new period of competition for the share in expenses and attention of the client.

We are convinced of our own strong position for operating in this kind of competition. Our strong brand and deep customer knowledge, supported by powerful analytical tools based on Big Data and AI, 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 marketing tools more efficiently and allows us to gain more and more knowledge about our clients. At the same time, clients 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. The share

of these clients in our database is still relatively small, but demonstrates high growth rates.

In our opinion, the development of new areas outside of telecommunications over time will make an increasing contribution to the growth of our business and will have a positive impact on user loyalty across the entire spectrum of services. For us, the telecommunications segment is not only the main source of revenue and profits, but also the basis for further digital expansion. We aim to keep this part of our business in great shape, and provide a high level of service quality and operational efficiency. We intend to invest in telecommunications infrastructure at the necessary level to meet the expectations of our customers and ensure that our leading position in the Russian market remains unchanged.

Bringing the operating model to full compliance with the CLV 2.0 concept will take some time. In 2020, we plan to synchronize all the basic components necessary for functioning within the framework of the updated business model. In subsequent years, we intend to radically expand our portfolio of digital products and significantly increase the number of customers who are users of several of these services simultaneously. This will allow us to expand our customer base and increase our share in the customer’s wallet, while at the same time increasing emotional brand affection and loyalty. We are confident that we will be able to successfully compete with other major Russian digital players and become one of the leaders of a future digital Russian economy.

OUR STRATEGIC PRIORITIES

MTS ECOSYSTEM

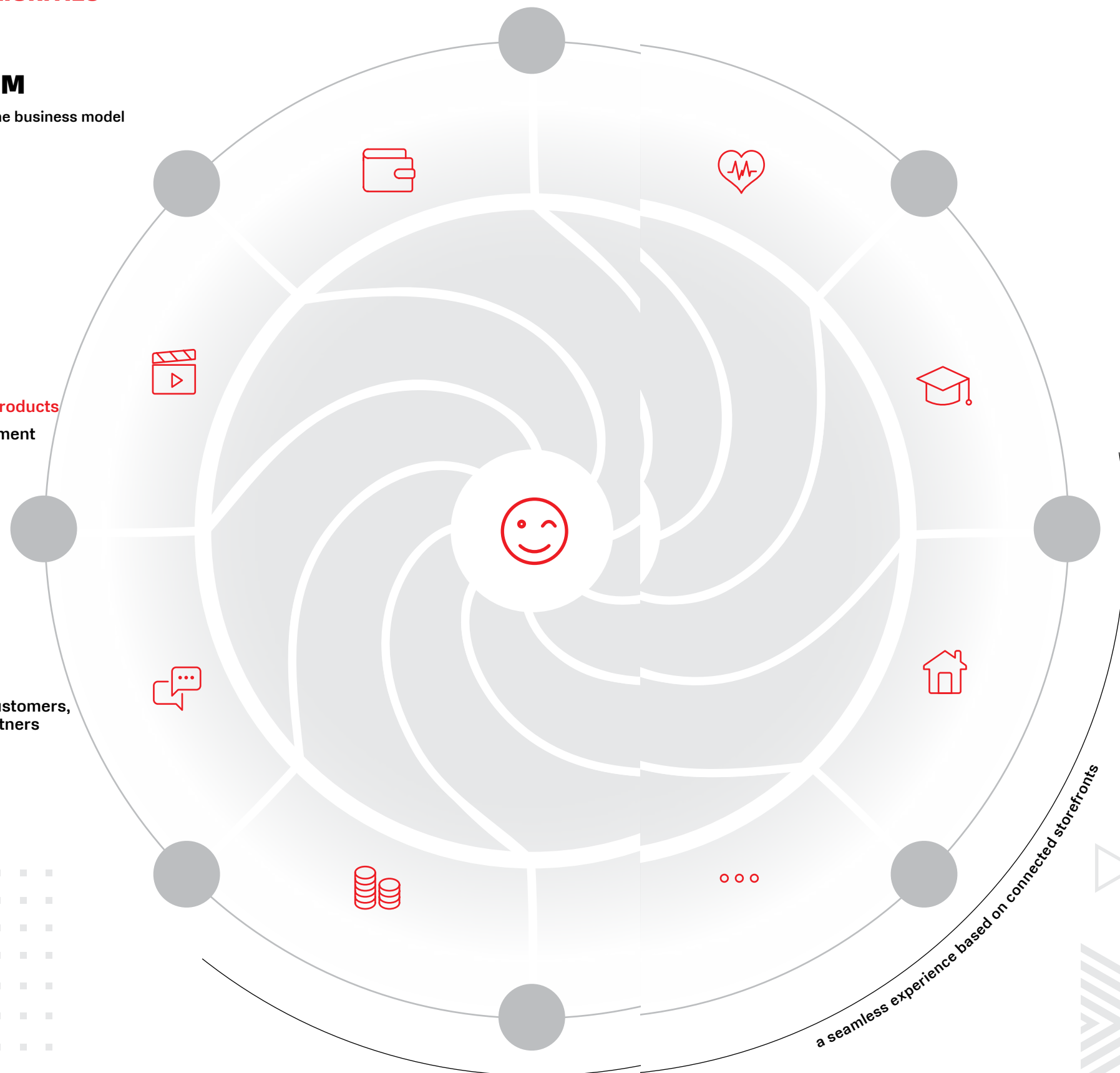
\\ Radical transformation of the business model



Unified umbrella
brand MTS

A set of related products
mutual reinforcement
and a seamless
experience

Partner offers
convenient for customers,
beneficial for partners



STRATEGY CLV 2.0

CLIENT

- a user of connected digital storefronts, seamlessly receiving services from MTS and partners,
- customer-centric approach: we look through the eyes of the client, and not through the prism of individual products and services, and
- best customer experience with a deep, personalized approach (AI/Big Data).

LIFETIME

- focus on a long-term customer relationship,
- we maximize the total long-term profit from the client, and not the current revenue for individual products,
- focus on maintaining loyalty and emotional attachment, including through socially and environmentally responsible actions by the Company, and
- focus on NPS and Love brand.

VALUE

- high class products (including from partners),
- a convenient technology platform for effective interaction with partners and the best customer experience, and
- creation of new value outside telecom (including monetization through advertising and lead generation).

IMPLEMENTATION OF THE STRATEGY IN 2019

\\ In 2019, MTS Group again fulfilled the announced forecast levels of key performance indicators.

\\ Company’s Key Performance Indicators¹

2019				2018		2017		2016
Indicator (MTS Group)	Target	Actual	Target	Actual without effect of new IFRS standards	Target	Actual	Target	Actual
Revenue change, %	+6–7	> 7*	+4–6	+8.9	0 / +2	+1.7	+2–3	+2.1
OIBDA change, %	+4–5	> 4*	~2	+6.2	+5	+6.2	–4	–4.4

* Revenues and adjusted EBITDA include the estimated impact for the 12 months of 2019 of the Group’s operating activities in Ukraine based on the financial results for 11 months of 2019 and MTS internal forecast for December 2019.

In 2019, we successfully completed all the tasks of the 3D strategy: Data. Digital. Dividends: we strengthened our leading position in the Russian telecommunications market; implemented large-scale infrastructure projects; expanded many product areas: fintech, artificial intelligence, the Internet of Things, cloud technologies, continued to successfully use big data analytics; actively developed digital TV; became a prominent player in the entertainment and e-sports market; began to digitalize customer service and maintained a traditionally high level of return on invested capital to shareholders.

In addition to the growth of key business indicators, in 2019 we successfully implemented a number of projects aimed at developing the Company in the long term, including reducing the number of target markets and focusing on the key market; we introduced a matrix organizational structure built around four main business areas: telecommunications, fintech, media, cloud and digital business solutions. Key positions were occupied by talented young leaders who will strengthen their functions thanks to a flexible management system. We approved a new business strategy until 2022, aimed at creating a digital ecosystem based on the main telecommunications business, and continued to invest in promising growing areas. We also continued to actively develop our telecommunications and IT infrastructure and optimize our retail network.



DATA

Data remains a key strategic direction to ensure our leadership and long-term competitiveness in our core business. We continued to invest heavily in the development of our telecommunications infrastructure with a focus on improving coverage and communication quality. At the end of 2019, the country’s population coverage with LTE MTS networks reached 74%. In general for the year, we built a total of more than 22.8 thousand base stations of all standards. The penetration of smartphones in the MTS network reached 74.5%, and the penetration of mobile internet users increased to 62.9%, the volume of traffic was more than 9 GB on average per user per month.

Telecommunication Business and Network Development

In February, MTS launched a large-scale program for the construction of LTE2100 mobile communication networks at the frequencies of the previous generation – 3G – in small and remote settlements in Russia. The Company was the first Russian telecom operator to start refarming (transferring) the 2100 MHz band, originally intended for UMTS (3G) networks, for faster and more capacious 4G (LTE) communication networks.



MTS provided full mobile network coverage for the Moscow Metro. At all 226 stations, the MTS network is available in all existing standards: 2G, 3G, and 4G. VoLTE technology is also available to subscribers, which allows voice services to be provided on a 4G network.

In February, MTS and Ericsson signed an agreement on a work plan for 2019–2022, which involves the development and deployment of the first fragments of 5G networks in 2019 within pilot zones and commercial clusters, the evolution of existing LTE networks into high-speed LTE Advanced Pro networks, and further development and the introduction of commercial solutions and products based on fifth-generation communication technologies.

In June, MTS and Huawei entered into an agreement on the development of 5G technologies and pilot launches of fifth-generation communication networks in Russia. Under the agreement, the companies developed an action plan for 2019–2020, which involves the introduction of 5G and IoT technologies and solutions on the existing MTS infrastructure, the development of the operator’s commercial LTE network to 5G-ready level, and the launch of 5G test zones and pilot networks for various usage scenarios, including at infrastructure facilities. In August, with the support of the St. Petersburg Administration, the first fifth-generation large-scale pilot user communication network in Russia was launched in Kronstadt, covering the populated part of the city with 5G signal.

MTS and Russian Railways (Russian Railways) OJSC have concluded an agreement on the implementation of a project worth more than 2 billion rubles to improve the quality of mobile communications along 9 federal railway lines, as well as at 49 railway stations in Russia. To ensure continuous voice and mobile internet coverage, there are plans to build about 400 additional LTE base stations along the main transit routes.

MTS won the auctions of the Ministry of Digital Development, Telecommunications and Mass Media of the Russian Federation to connect about 5 thousand socially significant facilities in 9 regions of Russia to fixed internet. The sum of the contracts signed in the framework of the national project “Digital Economy of the Russian Federation” amounted to 3.93 billion rubles.

In September, MTS, along with Nokia and Qualcomm Technologies, Inc., successfully conducted the first user tests in Russia for the pre-commercial Samsung Galaxy S10 5G smartphone, as a result of which a data transfer rate of up to 2.1 Gb/s was achieved in the 5G pilot network.

MTS, together with Huawei and the system integrator NVision Group (part of the MTS Group), with the support of the Moscow Department of Information Technology, tested smart city technologies in the 5G pilot zone at VDNKh. MTS has demonstrated three scenarios for using the fifth generation network to improve road safety. In the territory of the innovative and educational complex Technograd at VDNKh, a platform was also opened for the development and testing of digital solutions and devices operating in the 5G network. The 5G Center combines next-generation network utilization scenarios with case study development equipment.

In December, MTS, the Element Group, which unites leading Russian microelectronics enterprises, and Skoltech signed a tripartite agreement on cooperation in the development and production of equipment for 5G networks in Russia based on the international open radio access standards of the Open RAN project.

At the end of 2019, MTS, VimpelCom, MegaFon and Rostelecom signed an agreement of intent with a view to organizing joint work on the development and optimal use of the fifth generation mobile networks (5G/IMT-2020) in Russia. The parties are considering options for joining forces to create a 5G radio subsystem in priority frequency ranges, where there is an acute spectrum deficit, including the possibility of creating a joint venture (JV) with equal equity interests for each operator. JV activities will be aimed at clearing the frequency resource, which is sufficient for participants to build their own 5G networks.

¹ Detailed analysis of operating indicators is provided in the “Financial Overview” section.



DIGITAL

Convergent and Digital Products

MTS continued to successfully develop the strategic area for the creation of convergent products, which allowed us not only to provide our subscribers with the most relevant services with maximum convenience and minimum costs, but also to increase the performance indicators of our company as an ecosystem.

At the end of Q4 2019, the number of convergent product users (fixed services + mobile services + satellite TV) reached more than 1.144 million, the number of MTS Music subscribers in partnership with Apple Music exceeded 1 million. At the same time, the outflow of these multi-product subscribers decreased by more than 3 times, and the average bill has more than doubled. The share of subscribers using non-telecom products of MTS amounted to more than 20%.

We note particularly the growing popularity of the My MTS self-service application as a digital ecosystem and convergent products center, which facilitates the management of the whole range of our services – from traditional telecommunications to financial and entertainment services, an online store and loyalty programs. As of the end of 2019, the number of My MTS users per month reached 20.3 million people.

The application supports all customer accounts: mobile and fixed-line, cable and satellite TV; it is fully integrated with MTS Bank MTS Cashback credit cards. The artificial intelligence-based chat bot in the application successfully resolves customers’ issues. All this allowed us to become the best mobile operator application in Russia with high ratings: 4.6 on the App Store and 4.6 on Google Play (according to Similarweb data for October 2019).

In January 2019, MTS PJSC and MTS Satellite TV launched a convergent product – All MTS Satellite – within which a subscriber can simultaneously connect satellite TV and a mobile internet router

and use these services under one contract with a discount of over 30% from their total cost, as well as a discount on equipment of up to 40%. Since May, the service has become available in all regions where MTS Satellite TV is present. During the product’s operation period, it accounts for more than a quarter of the total satellite TV connections. In the first half of 2019, the subscriber base of MTS Satellite Television increased one and a half times compared to the same period last year – up to 752 thousand subscribers.

In June, MTS and the internet company Yandex announced a joint launch of the on-board car computer MTS | Yandex Auto. Russian car enthusiasts gained the opportunity to upgrade their car and connect it to the internet while maintaining the car manufacturer’s warranty. This can be done using a joint solution from Yandex and MTS – MTS | Yandex Auto. It is a car multimedia system which has useful services for cars with a single interface and voice control: a navigator, Alice voice assistant, Yandex.Music and applications for listening to music, radio and watching TV and movies from MTS.

Banking Services and Fintech

To successfully achieve cross-synergies between telecom and banking products, to accelerate the launch of projects and to implement a financial services strategy aimed at building a unified digital ecosystem of innovative services for customers, MTS continued the integration of MTS Bank.

Every fourth loan was issued by the Bank in 2019 thanks to Big Data MTS. Sales of cash loans tripled, the portfolio of retail loans almost doubled compared to 2018; in turn, the risks of loan defaults decreased significantly – by a third compared to when MTS Bank used only its own data.

In cooperation with MTS Bank, MTS Group accelerated the development of financial services – one of the key activities of the Company. In October 2019, the number of users of the MTS Cashback program reached 5 million due to the further expansion of the convergent product portfolio. At the end of 2019, the retail loan portfolio grew by 72.8% and amounted to 90.7 billion rubles. The total number of issued cards (credit and debit) increased by 72% year on year to 1.14 million cards by integrating banking products into MTS applications and creating individual offers for MTS customers.

For the third year in a row, the Bank doubles its sales in the retail segment and demonstrates high operating performance.

Cloud Technologies

In January, MTS acquired for 2.491 billion rubles (including net debt) a 100% stake in IT-Grad 1 Cloud LLC, which combines the cloud assets of IT-Grad Group of Companies, one of the largest cloud providers in the Russian IaaS market. The deal expanded MTS’s competencies in the cloud business and increased the business performance of #CloudMTS provider.

In February, MTS launched a cloud service for corporate customers storing large amounts of data. #CloudMTS object storage is deployed in MTS own data centers connected by the operator’s communication channels.

In July, MTS announced the launch of one of the fastest and most affordable cloud services in Russia for high-speed data processing based on a supercomputer, capable of more than making calculations more than 100 times faster and cutting associated costs.

We created a new cloud area based on the Containerum team, a startup from our own accelerator. A cloud service has been developed for clients of the #CloudMTS provider that can speed up the launch, deployment and administration of IT solutions and increase the competitiveness of Russian business.

MTS began to provide services for the creation of private and hybrid clouds on the basis of the Avantage data center, one of the largest in the country. Corporate customers will be able to implement large-scale IT projects using the provider’s cloud solutions and reliable data center infrastructure that meets the Tier III Constructed Facility fault tolerance level.

The #CloudMTS provider launched a cloud service for the privacy of data processed by medical institutions and related to customers’ state of health. The solution makes it possible to fulfill the requirements of the Russian legislation and to optimize the companies’ costs for IT infrastructure for personal data processing and storage.

#CloudMTS has launched a cloud-based backup service which uses Acronis technology, a cyber security developer. Corporate clients can ensure the continuity of their business and optimize the cost of data storage up to 30% per month.

We have introduced a new antivirus service for the Russian market for the protection of IT resources and corporate data located in a public cloud. The solution was developed in a technological partnership with Kaspersky Lab and integrated into the virtual infrastructure of the MTS cloud.

Internet of Things

We have developed a new platform for implementing industry-specific IoT solutions and managing IoT devices: it combines all solutions, connected via various communication protocols, based on the Internet of Things into one management system. The platform is in the industrial class and facilitates the simultaneous connection of millions of smart devices, sensors and robots.

In a number of regions of the Russian Federation, including Samara Region, Reutov of the Moscow Region, as well as and in Yakutsk, we have launched comprehensive projects to digitalize the management of collection and removal of household waste, eco-monitoring, and remote monitoring of the state of housing and communal services infrastructure.





In August, MTS and the international car manufacturer Geely signed an agreement under which, in cars delivered to Russia, directly on the factory conveyor, began to install the operator's SIM-chips.

MTS, the Ministry of Digital Development, Telecommunications and Mass Media, the Ministry of Development of the Far East and the Arctic, and the Far Eastern Federal University (FEFU) have signed an agreement on the development of the Far Eastern IT cluster on Russky Island. The first project was the creation of elements of a “digital” twin of Vladivostok based on MTS Big Data and IoT technologies. Based on the system, it is possible to model and analyze various scenarios of urban processes: track population migration, predict the adequacy of transport interchanges and urban infrastructure facilities, assess the tourism potential of the territory, and ensure the public safety of the region.

In November, MTS launched a comprehensive IoT-product designed to increase the safety level of employees in the production, mining and construction industries. The solution combines a set of sensors built into workwear and installed at the enterprise, as well as a system of analytics of employee activity and alerts about the likelihood of a dangerous situation.

MTS launched the SCEF node on the NB-IoT network – ensuring the interaction of any devices with the Internet of Things via a single interface. The service is integrated into the M2M Manager platform, which allows application and product developers to manage devices connected through various standards: 2G, 3G, 4G, and NB-IoT. At the end of 2019, over 4 thousand corporate customers were using the MTS internet platform.

In December, MTS launched a comprehensive solution for the digital management of multi-family houses that includes software for management companies and mobile applications for the building's tenants and specialists who service the apartments. The solution increases the collection rate for housing and communal services, gives management

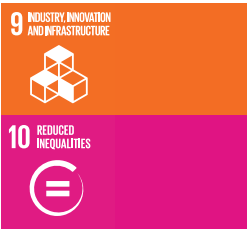
companies an additional channel for promoting their own services, and helps to keep accurate records of residents and owners, optimize the wage fund, and increase satisfaction with the quality of service.

Artificial Intelligence

In April, MTS opened a research center in Skolkovo to develop solutions based on speech technologies: virtual assistants, chat bots, and voice assistants. MTS intends to create the largest voice database in the Russian language, collecting and marking up more than 15 thousand hours of Russian speech using Skolkovo personnel and technical resources. MTS plans not only to use the collected data to develop its own voice interfaces, but also to provide access to the database to other companies, primarily Skolkovo residents.

In June, MTS announced the launch of sales of customer service specialist robots – automated dialogue systems that interact with clients without human involvement. The system, based on artificial intelligence technologies, is able to process typical requests, for example, talking about products and services, answering popular questions, and performing routine operations.

In November, MTS, Sberbank, Gazprom Neft, Yandex, Mail.ru Group, and the Russian Direct Investment Fund (RDIF) announced the conclusion of a cooperation agreement that involves the creation of the AI-Russia Alliance. The parties intend to join efforts for the creation of technological components that stimulate the development of AI solutions; to contribute to the formation and development of a dynamic market for AI technologies, as well as products and services created on their basis; to unite efforts aimed at accelerating technological development and achieving the leadership positions by the alliance members in global technology markets in the field of artificial intelligence; to coordinate the activities of the business community and scientific organizations in the implementation of the National Artificial Intelligence Strategy; to develop a community of specialists and organizations involved in the creation and implementation of technologies in the field of artificial intelligence.



At the end of 2019, we announced the start of sales of a “virtual lawyer” – a system for automatically working with documents and managing the life cycle of contracts. The solution is based on artificial intelligence technologies such as natural language processing and computer vision. The system is able to take up to 90% of the routine operations of lawyers and can manage the work schedule of employees, forming a set of priority tasks and offering optimal solutions. The implementation of this solution makes it possible to automate the processes of procurement, document creation, making claims and electronic document management.

Pilot Businesses and Innovation Areas

BIn September, MTS and A.N.D. Corporation JSC, one of the largest players in the commercial real estate and development market of the Moscow region (SAFMAR Group), signed a cooperation agreement, under which MTS will equip the multi-purpose concert and entertainment complex being built by A.N.D. Corporation with modern digital technologies and become the title partner. The capacity of the six-story MTS Live Arena complex is 11,500 people. At least 130 events a year will be held in it, more than 700 thousand people will be able to attend them.

MTS will build a high-speed mobile data network at the site, including the 5G standard, equip the arena with projection screens with ultra-high resolution, provide viewers with a convenient purchase of electronic tickets, integrate intelligent identification and access control systems, a security system, install equipment for VR broadcasts, a unique digital system navigation inside the building, and a smart parking lot.

MTS launched the MTS Poster service, which provides access to information on entertainment events in more than 10 categories – from theater performances and musical performances to quests and excursions with the possibility of purchasing tickets and registering for them.

For e-sportspople and gamers, we launched the WASD.TV interactive media platform and the Gambit League selection mechanism to select amateur players to professional e-sports teams. In the Russian internet segment, this is a unique solution that will compete with global streaming platforms by targeting a Russian-speaking

audience and localizing the technological base, which gives advantages in quality and speed of work. WASD.TV is one of MTS' own developments, not just a streaming service, but a platform, on the basis of which we will develop various solutions in the field of gaming, professional e-sports, and multimedia content.

In October, MTS and MEDSI Group, one of the leading private federal networks of medical clinics in Russia, connected doctors from St. Petersburg to telemedicine consultations through the SmartMed service. Users of the service from St. Petersburg were provided with an opportunity to continue medical treatment at a clinic after online consultation or to remain under care online after offline attendance

MTS announced the launch of Russian language courses on the Smart University educational platform to prepare for the Basic State Exam (BSE) and the Unified State Exam (USE). Preparation for USE and BSE on the MTS online platform is fully available for basic subjects, i.e. Russian, Mathematics and English.

In April, MTS launched its own corporate venture fund to develop and support promising technology startups. The fund's strategy involves investing in early stage startups through the acquisition of a minority stake. Among the key parameters when choosing projects are prospects for rapid growth and synergy with the new business areas of MTS. The geography of the fund's investments includes startups from Russia and the CIS countries.

In May, MTS launched a program to create a partnership network in the main innovation centers of the world to attract and transfer startups. The first partner networks will be opened in three key innovation hubs: Israel, Germany, and Singapore. In each of the regions, MTS will be represented by a team of technology scouts who will search for startups for MTS business and interact with local incubators and development institutions.



In June, MTS signed a memorandum of cooperation with the national investment agency of India, Invest India. The agreement involves the search and implementation of technological projects from India in the MTS business. The main areas for selection were e-commerce, telemedicine, fintech, and IoT solutions.

In July, MTS selected 10 technology startups to conclude pilot contracts as a part of the MTS StartUp Hub corporate accelerator. Among the finalists, four HR projects, four projects from the Esports sphere and two more projects represent FinTech solutions. Recruiting for the corporate accelerator at the end of 2019 consisted of 19 startups, selected among more than 450 applications. Of these, eight startups were selected for the “Customer Service” direction, two projects each were of interest to the #CloudMTS and “MTS Online Store” divisions, and seven others were technological solutions services.

Partnerships

In February, MTS and the Government of the Leningrad Region announced a strategic partnership in the framework of implementing programs to develop the Region’s innovative infrastructure based on the Internet of Things, Big Data and cloud services technologies.

In June, MTS signed cooperation agreements on the development of digital projects in the Moscow, Tatarstan, Kaluga, Ryazan and Samara Regions for a total of 24 billion rubles. The priority areas of cooperation were the launch of MTS comprehensive offers in the areas of telemedicine and educational platforms, solutions in the field of fintech, cybersecurity, big data, cloud services and electronic commerce, the Internet of Things, including those based on the NB-IoT network and the MTS integration platform.

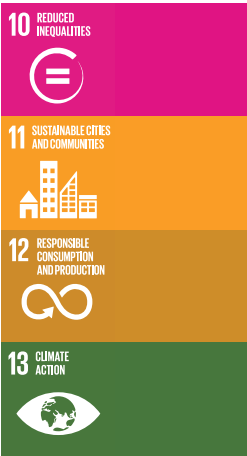
In August, MTS and the M.Video-Eldorado Group, Russia’s largest retailer of household appliances and electronics, announced the launch of a partnership in retail sales and the opening

of a new format for digital gadget stores under the MTS and M.Video brands for the Russian market. The new retail format combines all the latest products in digital electronics, from smartphones to gaming devices, and the entire set of services necessary for their work, including TV and banking.

In autumn, MTS entered into a number of agreements with the authorities of the Kamchatka and Khabarovsk Territories, the Republics of Buryatia, Kalmykia and Yakutia, as well as the Sakhalin, Amur, Lipetsk, Smolensk and Kirov Regions on strategic partnership for the implementation of projects aimed at digitalizing the economy, urban economy and social sphere of the Regions: implementation of Smart City systems based on ICT technologies, climate monitoring, use of Big Data MTS analytics to create elements of “digital copies” of cities and develop tourism potential, development of a 4G high-speed data network and the innovative NB-IoT (Narrow Band IoT) network for IoT products and devices, and increasing the availability of digital services and financial services for the Region’s population, including the introduction of the Active Citizen platform.

MTS and the communications group Dentsu Aegis Network Russia, a leading advertising holding company in Russia, have announced a strategic partnership in the field of media research, media planning and product development for the advertising market. Under the agreement, the companies will develop tools for evaluating advertising performance, media products for digital and television advertising, and will also create a research panel based on the audience data available to the parties.

In September, MTS joined the GSMA global initiative to develop an industry-specific roadmap of activities to minimize the impact of the telecommunications industry on climate change in accordance with the Paris Agreement aimed at curbing global warming.



DIVIDENDS

In March, the MTS Board of Directors approved a new dividend policy for the period from 2019 to 2021, according to which the Company intends to pay shareholders at least 28 rubles per ordinary share (56 rubles per ADR) every six months during each calendar year.

In June, according to the results of voting at the annual General Meeting of shareholders, annual dividends of 19.98 rubles per MTS ordinary share (39.96 rubles per ADR), or 39.9 billion rubles, were approved on the basis of the financial results for 2018.

In September, an extraordinary meeting of shareholders approved interim dividends of 8.68 rubles per MTS ordinary share (17.36 rubles per ADR), or 17.3 billion rubles, based on the financial results for the first half of 2019.

In November 2019, MTS completed the payment of regular dividends according to the results of financial results for the first half of 2019 in the amount of 8.68 rubles per ordinary share of MTS (17.36 rubles per ADR). The total amount of dividends paid for the calendar year 2019 amounted to 28.66 rubles per MTS ordinary share (57.32 rubles per ADR), or 57.3 billion rubles, which exceeds the obligations assumed by the Company in accordance with the new dividend policy for 2019–2021, which stipulates a minimum annual payment of 28 rubles per ordinary share (56 rubles per ADR).

In December, at an extraordinary General Meeting of MTS shareholders, special dividends were approved in the amount of 13.25 rubles per ordinary share of MTS (26.50 rubles per one ADR) for a total amount of 26.5 billion rubles. The decision to pay special dividends was made based on the financial results of MTS for the nine months of 2019 and the sale of VF Ukraine PrJSC.



STRATEGY IN THE FIELD OF MERGERS AND ACQUISITIONS

The company monitors the opportunities of inorganic growth both in the markets of its operation and beyond. MTS PJSC has sufficient experience in the integration of acquired companies that allows their incorporation into the business structure efficiently and ensures the achievement of a positive economic effect as quickly as possible.

BUSINESS OVERVIEW



In addition to the growth of key business indicators, in 2019 we successfully implemented a number of projects aimed at developing the Company in the long term, including reducing the number of target markets and focusing on the key market; we introduced a matrix organizational structure built around four main business areas: telecommunications, fintech, media, cloud and digital business solutions. Key positions were occupied by talented young leaders who will strengthen their functions thanks to a flexible management system. We approved a new business strategy until 2022, aimed at creating a digital ecosystem based on the main telecommunications business, and we continue to invest in promising growing areas.

Aleksey Kornya,
President of MTS

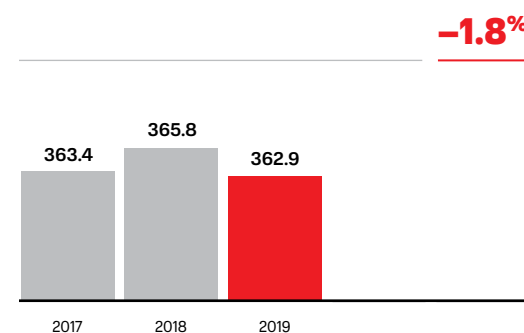
TELECOMMUNICATION BUSINESS

MOBILE BUSINESS

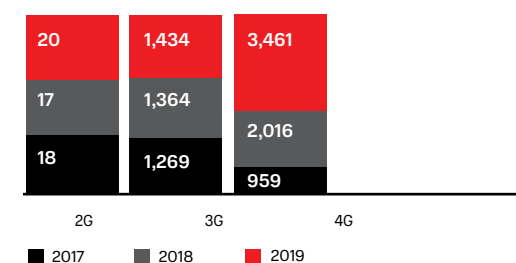
Russia

From launch up to the present, the line of SMART billing plans is the main product sold by MTS. The Voice & Data package is oriented toward the fast-growing segment of smartphone users and meets the needs of current market subscribers. For a given subscriber fee, a data plan includes packages of minutes, SMS and internet traffic. With a significant increase in mobile-traffic consumption, both in absolute terms and per subscriber, our subscribers retained the same level of voice-service consumption, which made it possible for us to stabilize the ARPU level. The share of subscribers served under package tariffs exceeded 63% of the subscriber base.

\\ Voice traffic, million minutes



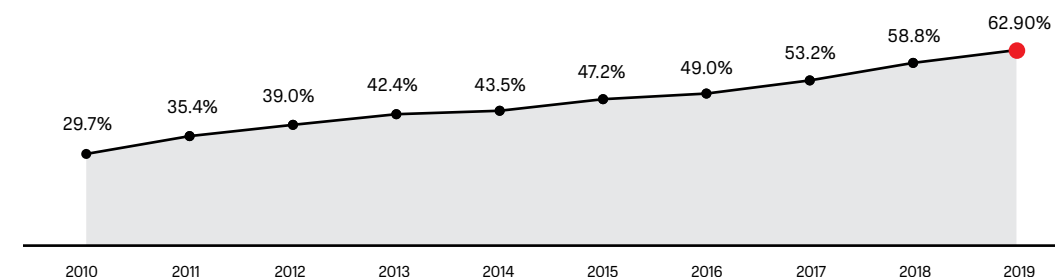
\\ Mobile traffic, PB



Consolidated revenue

476.1
billion rubles
+5.5% compared to 2018

\\ Penetration of mobile internet users in % of monthly active users, 2010-2019



Focusing on global practices in the development of digital services, MTS develops current offers for different segments. In December 2019, MTS for the first time offered its customers the opportunity to formulate their billing plan based on artificial intelligence algorithms. Within a month, artificial intelligence analyzes the client's communication style and forms a personal tariff that will take into account the needs and optimize the cost of mobile communications and the internet.

For young and active MTS subscribers, an X billing plan has been developed, focused on unlimited internet, on popular social networks, games, and video and online music services. On other resources, traffic is consumed from the internet package included in the tariff.

Travelling subscribers are offered the Favorite Number service to the Zabugorishche option, thanks to which customers will be able to make unlimited calls from abroad to one number of any Russian operator. Users who have activated the Zabugorishche option will be able to make and receive calls from the selected number without restrictions.

The introduction of both personal and target-oriented billing plans helps increase customer loyalty and emotional affection for the brand, as well as improve customer experience, which is reflected in the strategic priorities of the Company for 2020–2022.



Fixed-Line Communication

Growth rates of the Russian internet broadband-access (BBA) market continue to fall — in 2019, subscriber growth was 1.4% (in 2018 – 1.8%, in 2017 – 4.1%). The service is developed mainly due to the growth in the number of private users (including through the connection of a new housing stock), but, considering the penetration of 60% at the end of 2019, the market is saturated not only in the large but also in the majority of medium-sized cities. This is largely due to the gradual exhaustion of growth opportunities due to the old housing fund. According to the results of 2019, ARPU as of the end of 2019 amounted to RUB 355, which is 2.8% higher than the actual of 2018. The increase in the indicator is due to the increase in tariffs at the beginning of the year, as well as the rejection of “slow” tariffs by subscribers and their migration to faster and, accordingly, more expensive billing plans within the framework of updated tariff lines of telecom operators.

As of year-end 2019, penetration in cities with a population of more than 50 thousand people exceeded 70%. With that, the competitive situation in these cities is generally quite tough – services are offered by at least three operators, both federal and local. The operators have already exhausted the opportunities for organic growth. Nevertheless, according to the results of 2019, MTS showed an increase in subscriber base by 5.7%, and an increase in revenues by 4.3%¹.

In the context of market saturation, the main strategy in the fixed broadband market is attraction and retention of subscribers through promotion of bundled offers, access speed, introduction of convergent services. In 2019 the leading providers continued the work to develop convergent fixed-line and mobile services. As of the end of 2019, mobile communication services (including in the MVNO format) are presented in the offers of all broadband access operators in Russia, with the exception of Er-Telecom, which completely abandoned its convergent business in 2019. MTS continued to actively develop this area of convergent products in all regions where the fixed business is present in 2019.

Fixed-Line Communication Services

MTS continues to systematically follow the strategy of improving the quality of our fixed-line products by upgrading the networks, launching digital and interactive TV services, expanding the capacities of the main channels for the growth of speed rates for the subscribers.

MTS was the first of terrestrial pay-TV operators to launch the UltraHD channel in its cable network DVB-C and on the satellite platform. Broadcasting in UltraHD format is considered by MTS as one of the pay-TV market growth drivers for the short-term. Supersharpest UltraHD broadcasting was always the prerogative of the satellite TV market. Launch of UltraHD in the cable segment, directly in MTS, will give momentum to development of the new generation TV market in Russia, stimulates demand and opens new opportunities and markets for owners of high quality content. We provide more than 180 TV channels of digital quality, including more than 40 HD channels and 4 TV channels in ultrahigh definition 4K standard.

DTV penetration in 2019 remains at 90%. The basic package includes about 140 channels, including more than 20 HD channels and 1 UltraHD channel. It is the largest basic package of the regional markets, which is also included in all package offers with broadband access and telephony. As a part of the implementation of the investment program for the development and modernization of fixed networks, MTS plans to develop high-speed internet in the target regions with the provision of access speeds of up to 500 Mbit/s in 2020–2023.

In 2019, MTS continued the development of a new TV platform which extends the capabilities of conventional TV through interactive components.

Convergent

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 and mobile communications, the Company designs and develops convergent services. As a part of the new strategy, MTS intends to significantly increase the number of convergent subscribers. All MTS billing plan is a package 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 seen as one of the main drivers of fixed-line sales growth. Currently, the share of users of the All MTS billing plan is 26% of the total MTS subscriber base.

Developing the direction of convergent products, the Company introduced two new solutions to the market in 2019: Satellite TV and 4G router

and Mobile connection as a gift for Satellite TV. As a part of the convergent product Satellite TV and 4G router, a user will be able to purchase a mobile router with the possibility of organizing a Wi-Fi network, satellite equipment at a discount and access to 192 satellite TV channels. Mobile communication as a gift to Satellite TV combines access to 201 channels of satellite TV and all the advantages of the Tarifishche billing plan with unlimited internet access.

As of the end of 2019, the geography of convergent services covers 51 region of Russia.

All existing services of mobile and fixed-line communications are available for additional connection in the All MTS package:

- › thematic/premium TV packages,
- › high-speed home internet,
- › rewind and record function in interactive TV,
- › protection for children against unwanted content in the interactive package,
- › MTS mobile communications discounts, and
- › payment of all services from a single account – mobile telephone number.

RETAIL DISTRIBUTION

SALES CHANNELS

The MTS retail chain remains the primary channel for attracting MTS subscribers, more than 40% of all SIM-cards are sold at MTS outlets. MTS own network demonstrates the highest rates in the number and quality of SIM-card connections.

MTS remains the largest non-food retail chain in Russia. At the end of 2019, the number of MTS outlets amounted to 5,700.

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 ecosystem of the Company, 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 to retail chain 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.

Together with the M.Video – Eldorado Group, retail electronics stores were opened in 2019. The first pilot project in the framework of the partnership was the MTS + M.Video co-branded store of digital electronics and communications, located in Moscow. The synergistic effect of the interaction for both buyers and customers and for the companies themselves will be achieved through the expertise of M.Video in the field of retail management and through the digital services of the MTS ecosystem. Opening a new store format for the Russian market will help attract a new audience and increase ARPU.

Earlier this year, another retail format was also introduced – special MTS racks were installed in large M.Video stores in Moscow and Kirov, as well as in Detsky Mir stores in 18 cities of Russia. According to the results of the six-month “pilot,” more than 12 thousand SIM-cards were sold at the racks.

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.

The main priorities of MTS sales channel management in 2019 were as follows:

- › development of sales of convergent products, including mobile communication and data services, broadband internet access, as well as Satellite TV MTS,
- › leadership in service quality among single-brand retail,
- › retail network optimization and increased operational efficiency, and
- › maintaining high client flow at MTS outlets.

¹ Revenue gross 2019.



B2B/B2G

B2B

The MTS B2B segment in 2019 showed steady growth by 2%. The main drivers of segment growth remain cloud solutions, Big Data, ISS services, M2M/IoT services, Digital advertising and VPN. They accounted for more than 12% of total B2B segment revenues. Cloud solutions continue to be the most actively developing area. In many respects, this was facilitated by the development of the #CloudMTS cloud provider based on its own data centers, as well as activity in the M&A market – the purchase of the provider IT Grad 1 Cloud LL provider. The launches of a whole range of cloud services, such as an antivirus for the public cloud, a new service for the Russian market together with Kaspersky Lab, has also aided the development of MTS’ cloud business.

In October 2019, the #CloudMTS cloud provider launched services for creating private and hybrid clouds based on the Avantage data center. Hybrid cloud spheres involve the simultaneous use of both private and public clouds. As a part of private cloud projects, companies are provided with dedicated IT equipment that runs an individual cloud for each client. Using private clouds, banks, for example, will be able to reduce IT costs and fulfill their characteristic requirements associated with bank secrecy and personal data. By creating hybrid schemes, retail companies, for example, will be able to process all incoming orders at the peak of sales, distributing the increasing load.

Among the new IoT products, a comprehensive solution has been in demand to increase the level of employee safety in the production, mining and construction sectors. The product allows the user to create a “digital copy” of an employee in real time and observe their movements and the nature of their activity. This helps to simultaneously increase safety and control labor efficiency.

In addition, a new platform was launched to implement vertical industry-specific IoT solutions and manage IoT devices. It belongs to the industrial class and allows millions of smart devices, sensors and robots to simultaneously connect. Platform users will be able to simultaneously monitor indicators of water and light consumption, operation of production lines, air conditioning and ventilation systems, and manage the office building, parking lot, and video surveillance. The platform supports

10 thousand models of various devices using any available connection method, including 2G, 3G, 4G, WI-FI, Ethernet, as well as the energy-intensive Internet of Things network NB-IoT.

One of the largest system integrators in Russia, NVision Group JSC, a member of the MTS Group, has begun construction of the first Russian corporate wireless broadband LTE networks (private LTE), which will later become the technological base for digitalization of large businesses. The partner in this agreement is Ericsson, the world leader in ICT. Private LTE networks are a universal digital base for the introduction of a wide range of services at socially significant and industrial facilities with increased safety and reliability requirements: in urban public transport and utilities, in energy, chemical and other key industries.

Continuing to diversify the activities of the Company, MTS announced that it was the first Russian telecom operator to enter the market of electronic trading platforms. At the moment, the MTS Bidding service is represented by lots with real estate, IT and technological equipment, metal, cars, household appliances, furniture, and other categories of goods. One of the main advantages of the service is the ability to sell unused or to-be-disposed goods that are listed on the balance of large IT, telecommunication, financial and industrial companies.

In 2019, MTS continued to develop services for small and medium-sized businesses. So, at the beginning of the year, the Company began to provide online ticket offices for rent. This decision is aimed at entrepreneurs who were obliged to switch to online cash desks before July 1, 2019. Renting a cash register will allow entrepreneurs to minimize one-time costs for cash registers, gain access to a goods accounting system and round-the-clock technical support.

B2G

MTS is faced with the task of significantly increasing its share at the B2G market in the coming years. The main sources of growth for the Company in this market are:

- › participation in projects for socially significant facilities,
- › communication coverage of motorways, and
- › development of a single cloud platform for information systems and resources of federal authorities and state funds.

Within the framework of the national project “Digital Economy of the Russian Federation,” MTS received an order to connect about 5 thousand socially significant facilities in nine regions of Russia to a fixed BBA and signed contracts worth 3.9 billion rubles with VAT. The list of facilities includes feldsher and feldsher-midwife stations, schools, professional educational institutions, state authorities and local self-government, fire departments, local police stations and units of the Russian Guard in the Amur, Kaliningrad, Kemerovo, Leningrad, Tambov, Tver, Yaroslavl Regions, Moscow and St. Petersburg. Connecting socially significant facilities to fixed internet gives them access to the ecosystem of MTS digital services that the Company is ready to offer customers depending on their needs and tasks.

During the St. Petersburg International Economic Forum (SPIEF), an agreement was reached with Russian Railways to improve the quality of mobile communications along 9 federal railway lines, as well as at 49 railway stations in Russia. The agreement involves the construction of about 400 additional LTE standard base stations along the Moscow – St. Petersburg, Moscow – Kaluga, Moscow – Tula, Moscow – Lipetsk, Moscow – Nizhny Novgorod, Moscow – Yaroslavl, Moscow – Sochi, St. Petersburg – Buslovskaya, and Novosibirsk – Barnaul railway lines with a total length of about 4.5 thousand km.

QUALITY
AND IMPROVEMENT
OF CUSTOMER EXPERIENCE

In 2019, MTS adopted the Company’s development strategy for 2020–2022 as a global ecosystem. At the heart of successful ecosystem building is the best customer experience in every area/ product/service. To achieve this goal, MTS changed its approach to assessing results and formed a unified system based on a study of customer experience and opinions, cross-cutting for all areas of business. At each point of interaction, clients can leave feedback, report a problem and be sure that they will be answered. MTS takes as its basis the opinion of customers and, introducing customer assessment as the main internal indicator of performance, improves products and processes. At the end of 2019, the main results of improving customer experience were:

- › reduced load on the call center by 23%,
- › service in retail stores — tNPS (customer reference rate) + 6pp,
- › customer service through a call center – tNPS +5 pp, and
- › chat customer service — tNPS +15 pp.

The company strives to make customer communication with the company seamless, simple and unobtrusive, to earn trust and become a real “lifestyle” partner. The main focus is on long-term interaction with the client by increasing loyalty and providing favorable conditions when using the product package. For this purpose, internal systems are optimized, processes are automated, and convenient single service templates are created, thanks to which customers can simply and clearly solve their problem in any channel or product where it arose. The key condition for attracting new customers and maintaining strong and trusting relationships with existing ones has been the introduction of personalized communication systems in online channels. Along with the introduction of new technologies into digital channels, MTS transforms customer experience in traditional channels, which still remain in demand by the clients. Building an ecosystem involves bringing additional value to the client from the use of several services of the Company; this requires integration and operation of the entire system as a whole. Using a single customer ID will increase customer engagement and collect their data in order to use it for further product promotion.



In addition to building service and interaction processes, the Company seeks to provide customers with reliable high-tech products. The speed of development and the ability to satisfy the most demanding customer requirements depend on the quality and scale of technological transformation. In 2019, MTS restructured its approach to assessing the quality of products: instead of monitoring the performance of IT platforms, we built an end-to-end performance management system for client products at each stage of the life cycle, starting from the very early stages of development. The modulation of proven core customer use scenarios for each product allowed us to create an “ecosystemic” seamlessness, reduce the time-to-market and increase end-user satisfaction.

A common practice for ecosystem building by technology companies is to use a smart speaker with a voice assistant as the core of the ecosystem. By using this, companies “penetrate” the client’s space: mobile devices, cars, houses, which further contributes to the development of IoT, smart home solutions, etc. MTS is not behind its competitors in this area, and at the end of 2019, the Company began to develop a smart speaker with a voice assistant – Marvin. The speaker will be able to report the news, play music or audiobooks, manage a smart home, and answer different questions. At the end of 2019, the device was in beta testing.

Despite global digitalization, voice communication and mobile internet remain the main MTS services. Building a quality network and increasing LTE coverage remains a key area of our business. In 2019, the implementation of planned volumes of construction reached 100%. In 2019, the 4G network was finally completed in all tunnels and stations of the Moscow Metro. More than 2 million subscribers use the MTS network in the metro daily. Since the beginning of 2019, the total data traffic has grown five times, and LTE network traffic — 8 times.

In addition to the record pace of expansion of existing networks caused by the need to ensure the quality of new services, MTS continues to develop new technologies. 5G test pilot zones have already been launched in the two capitals, and in the future the project will be scaled to other regions of Russia. The signing of an agreement with Huawei, which involves the introduction of 5G and IoT technologies and solutions on the existing MTS infrastructure, has become a good help for the development of 5G pilot projects.

- › With the assistance of the Moscow Government, an active 5G pilot zone was launched in August at VDNKh in the vicinity of the Smart City pavilion of the Moscow Department of Information Technology. This zone will be designed for testing Smart City solutions, including those aimed at improving security, developing a transportation system and designing products for the city based on augmented and virtual reality.
- › With the assistance of the St. Petersburg Administration, the first fifth-generation large-scale pilot user communication network in Russia was launched in Kronstadt, which made it possible to cover the populated part of the city with a 5G signal. When connected to a 5G network, a commercial smartphone showed a peak speed of 1.2 Gb/s.
- › At the end of 2019, between the pilot sites of the 5G network deployment — Moscow and Kronstadt — a two-way holographic teleconference bridge was held on the 5G network. During the conference and exhibition of high technologies – Russian internet Week – RIW 2019, the forum’s participants at the World Trade Center in Moscow and their interlocutors on the stage of the Baltic Fleet Drama Theater in Kronstadt watched holographic 3D images of each other, discussing the prospects for the development of digital technologies and 5G networks.

BUSINESS IN OUR MARKETS OF OPERATION

ARMENIA

Since September 2007, the leading mobile operator in the Armenian market – MTS Armenia CJSC (formerly K-Telecom CJSC) – has been a subsidiary of MTS.

Under the brand name Viva-MTS, the Company offers communication services in the GSM, UMTS and LTE standard. Viva-MTS subscribers are granted access to innovative rates and services, as well as convenient service formats meeting international standards applicable in MTS Group.

In 2019, the Company obtained a license to use the 800 MHz frequency band, the most optimal for the implementation of 4G+/LTE Advanced technology in the regions. In general, in 2019, 4G/LTE technology became available to 78% of the population of Armenia. At the end of 2019, 84% of base stations support 4G/4G+ technology.

Viva-MTS maintains its leadership, far ahead of its competitors. By the end of 2019, the market share remains at 58%.

The main priority of MTS in the Armenian market in 2019 was the further expansion of the line of V&D tariffs targeted at the youth segment, in addition to the existing ones. The demand for billing plans has increased due to the expansion of the LTE network.

2019 business results:

- › maintained high market share in terms of subscribers and incomes,
- › increased number of mobile internet consumers by 4 pp compared to last year,
- › growth of V&D tariff users amounted to +7 pp compared to last year, and
- › the share of the new youth line – XYZ – in the database was 21%.

UKRAINE

In the fourth quarter of 2019, MTS, through its 100% subsidiary Allegretto Holding S.a.r.l. (Luxembourg) entered into an agreement to sell a 100% stake in Preludium BV (Netherlands), the sole shareholder of VF Ukraine PJSC.

The deal was driven by MTS’ updated strategy, which involves focusing on the Russian market, which generates more than 90% of the Group’s revenue, and developing a set of modern digital services based on the basic telecom business.

MOBILE APPS FOR MTS
CUSTOMERS¹

My MTS mobile application is the main entry point into the MTS Ecosystem, mainly for telecom clients, to cover their needs with the Group's portfolio.

The most important changes made to the My MTS application in 2019 are as follows.

1. Chat and chat bot have been launched.
2. The opportunity to apply for a virtual Cashback card in My MTS (full-format with a credit limit and simplified without a credit limit) has been provided.
3. A strategic initiative was implemented to recommend a personal tariff based on Big Data on expenses and traffic consumption of a particular subscriber.
4. A part of the most demanded functionality of the loyalty program has been singled out.
5. The "Promotions" section has been launched to display unique offers of the Company.
6. Access to the application has been opened to fixed-line subscribers.
7. Payment for Apple Music services using Apple Pay in push notifications has been implemented.
8. A promotion with promotional codes, QR codes and gifts from MTS and partners (Dodo Pizza, Biglion and BlackStar Burgers) are supported.
9. Access to the application has been opened to users of smart devices (IOT).

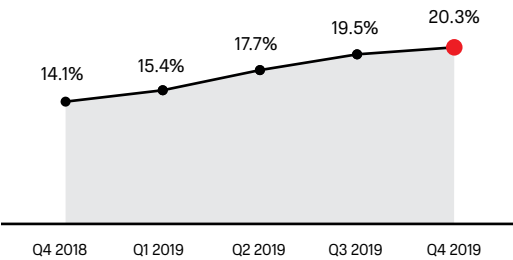
In 2019, the My MTS mobile application totaled nearly 20.3 million active users. A team of dozens of people is constantly working on the program. The key task of the development team is to make the application a single entry point for resolving all user issues across the entire portfolio of the Ecosystem, providing the best customer experience on the market.



MY MTS

MTS Product Ecosystem Center

\\ The growth of one-month users of the My MTS application (million people)



- > Allows users to manage a range of products from MTS, from traditional telecom services to financial and entertainment services, an online store and loyalty programs.
- > The application supports all customer accounts: mobile and fixed-line, cable and satellite TV; it is fully integrated with MTS Bank MTS Cashback credit cards.
- > An integrated artificial intelligence chat bot app resolves customers' issues with an accuracy of over 80 percent.



High ratings
on the App Store

4.6/5



MTS MUSIC

The MTS Music app provides access to the MTS music portal and the ability to listen to any music on your device, and is optimized to run on Android and IOS.

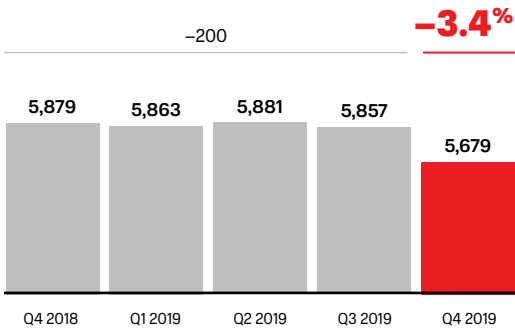
Main Achievements in 2019

- > Significant growth in the active user base.
- > Launching the application on the MTS | Yandex. Avto platform (head multimedia device for cars).
- > Home page redesign.
- > Integration into MTS Cashback.
- > Best price among music offers: TV campaign "60 rubles per month" for everyone, not only for MTS customers.

Key Objectives for 2020

- > Increasing the MTS Music user base.
- > Development of new functionality aimed at increasing customer return to the product.
- > Integration of MTS Music into the MTS ecosystem, support for the player in the storefronts of MTS products: MTS Marvin (smart speaker), MTS Goodok (RBT), MTS Afisha (concerts, ticket sales).

\\ Retail chain reduction (number of outlets)



- > Reduction of the retail chain by 200 outlets by the end of 2019.
- > Prioritization of sales during 2020 and promotion of MTS' own digital services: TV platforms, fintech products, ticket services, digital B2B services, streaming platform, entertainment and educational applications.



High ratings
on Google Play

4.6/5

¹ Key mobile apps as of the end of 2019.



MTS TV

MTS TV is 150+ TV channels, including TV channels in HD and 4K quality, thousands of films, cartoons and series. One account – 5 devices and the opportunity to watch online on a smartphone, tablet, Smart TV, Android TV, and PC through the site <https://mtstv.mts.ru>.

Main Achievements in 2019

- › Launch on the new Huawei platform.
- › Exclusive launch of MTS TV in the Google certified OTT set-top box on the Android TV platform.
- › Integration of online cinemas IVI, Megogo, Amediateka and Start and the creation of a single package offer with TV channels, own VOD subscriptions “Entertaining” and “For Children” and online cinemas, unique on the market, with the launch of federal promotion in November – December 2019.
- › Running the application on the MTS | Yandex.Auto platform.
- › Integration and launch in the MTS.Cashback program.
- › Integration and launch in the Prize Machine.

Key Objectives for 2020

- › Growth in the active user base.
- › Generation of a unique content offer.
- › Launch of a multiscreen with other TV environments.
- › Development and promotion of convergent packages with other MTS products.



MTS CONNECT

MTS Connect is an application for calls over the internet like through a mobile network. Currently, the product’s functionality allows you to make calls to any numbers, including fixed-line, short, as well as to numbers of other telecom operators, while additional payment for calls through the MTS Connect application is not charged. The cost of calls to MTS is 0 rubles/min.; in case of a package tariff, the subscriber’s minutes are not spent. Calls to other destinations are paid according to the terms of the billing plan.

This functionality helps users solve several key tasks:

- › making and receiving calls from places with poor mobile network coverage or complete absence thereof,
- › saving on calls when roaming, and
- › reduced costs for calls within the network.
- › Fourfold increase in MAU product up to 140 thousand users.
- › Launch of MTS Connect in 45 regions of the Russian Federation.

Main Achievements in 2019

- › Fourfold increase in MAU product.
- › Launch of MTS Connect in 45 regions of the Russian Federation.

Key Objectives for 2020

- › Further growth in the active user base.
- › Expansion of functionality by introducing the latest services.
- › Monetization of the product through additional services.
- › Redesign.

FINANCIAL SERVICES

2019 was a turning point in the development of financial services under the MTS brand. The consolidation of MTS Bank in 2019 and the consolidation of management of all financial services of the Group in one vertical with submission to a single decision center allow MTS to implement a more ambitious development strategy in the field of finance.

MTS is making a big bet on the development of financial services, which should have the most favorable effect on customer satisfaction throughout the MTS ecosystem, reduce their outflow and increase the frequency of use of MTS digital applications by filling them with financial services.

The growth in demand for MTS financial services was facilitated by a number of high-quality achievements, chief of which were: a significant addition of financial functionality in the My MTS flagship application, replacement of partner payment and transfer services with our own, direct connection to payment and transfer systems of the largest banks, launch of microloans at PCEC, etc.

Today, about 7 million MTS subscribers regularly (“at least once in three months”) use the opportunity to make payments and transfers from their subscriber account.

In 2019, MTS Bank becomes the core of the development of all types of financial services in the MTS ecosystem.

According to the results of 2019, sales of POS loans of MTS Bank amounted to 39.2 billion rubles, which is 46% higher than the results of 2018. This allowed the bank to gain a foothold among the top five largest Russian POS-lenders. At the end of the year, the bank’s POS loan portfolio amounted to 25.4 billion rubles, which is 54.7% more than in 2018.

Credit card issuances almost doubled in 2019, partly due to the launch of the federal advertising campaign of the MTS CASHBACK line of bank cards, and reached 31.2 billion rubles (+92% year-on-year). MTS Bank’s credit card portfolio grew by 5.4 billion rubles (59.7% year-on-year).

By the end of 2019, the largest volume was reached by the non-targeted loans portfolio (NCPC) amounting to 38 billion rubles (+160% year-on-year). These dynamics was facilitated by growing sales, which reached 36.2 billion rubles in 2019 (+139% year-on-year), which was facilitated by the successful launch and scaling of the refinancing service.

In general, in 2019, MTS Bank gave out 106.6 billion rubles, which allowed to increase the grand portfolio of retail loans by 72.8%, reaching the level of 91 billion rubles.

The optimization of a number of processes resulted in an increase in the number of card products issued by the Bank. The scaling up of MTS Bank’s presence in MTS digital applications, the development of its own digital customer acquisition, the preparation of individual offers to MTS subscribers made it possible to issue 1.14 million credit and debit cards in 2019, which was almost twice the result shown a year earlier (+72% year-on-year). An important priority for 2020 is the development of success achieved in this area in order to increase the satisfaction of cardholders with the quality of service of MTS Bank.

Improving the quality of products and services, customized offers to MTS subscriber base, as well as a jump in sales efficiency contributed to an increase in the number of banking service users in MTS and MTS Bank applications from 3.2 million people at the beginning of 2019 to 5 million people at the end of the year.

Payment of Municipal and Federal Services Through the Payment Infrastructure of the Bank
In 2019, MTS Bank scaled up its successfully proven payment service for residents of Moscow who used the Bank’s and MTS infrastructure to make payments for various municipal services – by the end of the year, almost 120 thousand people regularly used this service. Since the middle of the year, the Bank has been implementing the “Regional Payment Service,” which provides the best customer experience to residents of the regions when paying for municipal and federal services. Currently, a number of pilots of this platform are being held in the regions of Russia.



SINGLE FINANCIAL STOREFRONT

After the consolidation of the Bank, it became possible to implement a large-scale project of a 100% “merger” of the MTS Money financial application and the funds of RBS (remote banking services) of MTS Bank. A joint development team for the Unified Financial Storefront has

been created on the basis of the Bank, which is at the same time a full-format RBS of the Bank, accessible to users of the MTS Money electronic wallet. The unified financial storefront is designed to promote the formation within the MTS ecosystem of a seamless and maximally convenient way to use full-fledged banking by MTS subscribers loyal to the MTS Money electronic wallet.

CLOUD AND DIGITAL
BUSINESS SOLUTIONS

MAIN OUTCOMES FOR 2019

In 2019, MTS actively expanded its competencies in creating modern services and products for B2B and B2G clients. Cloud, IoT and system integration were combined into a single business vertical “Cloud and digital solutions.”

The product portfolio of digital solutions for B2B and B2G clients is built on both proprietary products and partner solutions. This made it possible to introduce the MTS brand as a universal partner in the market of digital products and services.

The new strategy for the development of cloud and digital business solutions was approved by the Board of Directors; the strategy is aimed at creating a product portfolio of replicated digital solutions and services. The strategy takes into account modern trends in the development of cloud technologies and Internet of Things solutions, as a result of which customers receive modern and popular services that ensure the economic effect of digitalizing a business. This approach allows us to build profitable and long-term relationships with customers.

Clients of financial services

11.24
mln people

Key Facts About the Vertical 2019

MTS Cloud Ecosystem

- > The product line has been expanded: services have been launched to protect customer data, a cloud service for high-speed computing has appeared, etc.
- > The development of digital services allowed MTS to quickly increase its presence in the country's cloud market.

IoT

- > The territory of the NB-IoT network services has been expanded to 62 regions. Currently, the NB-IoT network is the second network by coverage area after the 2G network.
- > New IoT products in the areas of digital real estate and utilities, transportation, etc. Products have been also created and launched which act as a basis for the construction of “Smart Cities” in Russia.

IAC

- > The Industrial Automation Center (IAC), specializing in industrial solutions, has been established.

System integration

- > An information communication platform (ICP) was created to ensure the interaction of plant and machine personnel at the enterprise.

Private LTE

- > Private LTE service was introduced. 4 pilots were launched. The service is in demand by large industrial enterprises from the mining, oil and gas, engineering and other industries that seek to solve complex technological problems.

NIS JSC

- > NIS JSC together with Bauman Moscow State Technical University won the competition of the Ministry of Education and Science for the development of technology in the area of “Safe City” in terms of ensuring life safety.

DEVELOPMENT OF CLOUD AND DIGITAL
SOLUTIONS FOR BUSINESS

MTS Cloud Ecosystem

Cloud services are the foundation for any digital business. The transition to cloud technologies is a significant trend, part of the digital transformation of the economy.

- > The MTS cloud ecosystem is formed by the providers #CloudMTS, IT-GRAD, 1cloud, and its own data centers, including one of the country's largest data centers, Avantage. The cloud area includes infrastructure solutions in the format of private, public and hybrid clouds, a range of consulting and professional services, data center services, and telecom services. MTS cloud business is based on its own infrastructure: more than 10 data centers and a developed network of communication channels.
- > MTS quickly increased its presence in the Russian cloud market. In 2019, the cloud services ecosystem ensured a 4-fold increase in revenue from cloud services. The clients of the MTS cloud ecosystem are more than 1.5 thousand representatives of large business: both Russian and international companies. The provider is trusted by such companies as ABBYY, Belka Car, S7, OTIS, Tutu.ru, Gazprombank.
- > MTS is actively developing services for developers: container computing and DevOps services, which provide businesses and programmers with faster development, deployment and administration of IT solutions in the cloud. There are plans to launch services for working with big data and artificial intelligence.

Clouds Are the Basis for Increasing Efficiency
and Introducing Innovations by Russian Business

- > The #CloudMTS provider organized a cloud infrastructure for the agricultural assets of Dymov Group, one of the largest meat producers in Russia. The project allowed them to increase the efficiency of interaction between geographically distributed units through the consolidation of IT resources and centralized access to them.
- > The development of Gazprombank Autoleasing is based on cloud services that enable rapid launches of new services and customer service through remote channels. With the help of cloud technologies, MTS has opened more than twenty branches across the country. The project won the “Innovation Time 2019” award.
- > VR Technologies, an innovative design bureau, a subsidiary of Russian Helicopters holding, uses the cloud technologies of the IT-GRAD provider in a project to develop a light multi-purpose helicopter VRT500, which belongs to the world's largest single-engine rotorcraft category. The use of cloud services ensured high system availability and accelerated development.
- > In 2019, a project was launched to implement a digital management platform based on SAP solutions for Segezha Group, one of the largest Russian vertically integrated forestry holdings. The digital platform will be hosted in a private cloud, which was created in the MTS data center – Avantage. The provider enabled the launch of the digital platform in the cloud, and will ensure the operation and maintenance of the project infrastructure at the level of both the cloud and IT equipment.
- > The new digital areas of MTS are developing mainly on the basis of their own cloud. SmartMed telemedicine service uses a certified cloud segment to store electronic patient records. Cloud resources are a part of Smart University, a distance education platform. The media platform for gamers – WASD.TV – also uses # CloudMTS resources, which ensures high availability, operability and scalability of the service.



New Cloud Services for Business

In 2019, MTS expanded its line of cloud services for corporate clients. Among more than twenty services, the following were launched.

- › Superfast computing from the cloud. The provider has launched one of the fastest and most affordable cloud services in Russia for high-speed data processing based on a supercomputer, capable of accelerating calculations and cutting associated costs by more than 100 times.
- › A unique service for the Russian market in anti-virus protection of IT resources located in a public cloud. The solution was developed in a technological partnership with Kaspersky Lab and integrated into the virtual infrastructure of the MTS cloud.
- › Cloud container services of our own design. MTS has become one of the few in the Russian market that has launched a service for managing container applications in the cloud – Containerum Managed Kubernetes. The service halves the time and cost of launching IT solutions, increasing the competitiveness of Russian business.
- › A cloud service on privacy of data processed by medical institutions and related to customers' state of health. The solution will make it possible to fulfill the requirements of the Russian legislation and to optimize the companies' costs for IT infrastructure for personal data processing and storage.
- › Private and hybrid cloud services based on the Advantage data center. Corporate customers will be able to implement large-scale IT projects using the provider's cloud solutions and reliable data center infrastructure certified by the Tier III Constructed Facility.

IOT AREA

- › In 2019, the portfolio of integrated IoT solutions for various industries was expanded: Smart City, real estate, housing and utilities/power, transport, agriculture, and industry.
- › MTS holds a leading position by the number of SIM cards for Internet of Things devices with a market share of over 40%.
- › MTS won the nomination of the best “IoT-operator” at the first professional award – IoT Awards 2019. The jury noted the launch of the network of the new standard – Narrow Band IoT (NB-IoT).
- › A 5G development agreement has been signed with Ericsson and Huawei, with the Moscow Government; 5G pilot zones have been deployed in Moscow and Kronstadt.
- › The average growth rate of IoT revenue in all areas was 20% compared to 2018.

Network and IoT Platforms

- › MTS has expanded the coverage of the NB-IoT Internet of Things network to 62 regions.
- › IoT.Platform has been launched for various business sectors that allows managing a digital enterprise or Smart City elements, even if they use different protocols to connect to the internet, including 2G, 3G, 4G, WI-FI, or NB-IoT.
- › MTS successfully conducted the first in Russia testing of international roaming in the NB-IoT network.
- › MTS was the first in Russia to launch the SCEF node on the NB-IoT network to ensure the interaction of any devices with the Internet of Things via a single interface. The service is integrated into the M2M Manager platform. Integration of the service was implemented by NVision Group JSC.
- › The M2M Manager platform has been updated, the “technology messaging” service has been enabled for controlling subscriber equipment by sending commands.

Smart City

- › In the IoT department, a Smart City center has been created to implement regional programs for the digitalization of cities.
- › MTS became a member of the National Competence Center “Smart City”, created with the support of the Ministry of Construction of Russia.
- › In 2019, digitalization agreements were signed with 28 regions, and more than 10 pilot projects were launched.
- › MTS will take part in the creation of the digital twin elements of the city of Vladivostok. With the District Administration of the city of Yakutsk, the implementation of pilot projects in the field of digitalization of housing and municipal services is now starting.

- › In the Republic of Tatarstan, the first in Russia smart multi-functional support Smart City Pole was installed, equipped with a system for displaying information, eco-monitoring, and a “smart parking” system.
- › Piloting of the Active Citizen platform began in a number of regions of the Russian Federation, including a city with a population of over one million.
- › In Samara and Nizhny Novgorod, pilot projects have been launched to monitor municipal solid waste using sensors to monitor the level of filling the garbage collection containers and video analytics.
- › MTS launched the “Digital Model” of the Region product for generating reports on geo-analytics based on anonymized data. More than 15 projects were implemented. The product is highly sought after by leading Russian regions.

Smart Real Estate

- › MTS launched the VDome platform for managing apartment buildings (registering tenants and owners, submitting applications, transmitting meter readings to the MC, paying apartment bills online, and voting). Pilot and commercial implementations were introduced in several regions of Russia (Samara, Rostov-on-Don, Yakutsk, and Petropavlovsk-Kamchatsky).
- › MTS concluded an agreement with NPP KP Kvant on a strategic partnership in the field of the Internet of Things for equipping plant meters with NB-IoT SIM cards. The geography of sales of Kvant plant meters with NB-IoT SIM-cards will cover six more cities of the country: Moscow, St. Petersburg, Krasnodar, Rostov-on-Don, Ryazan, and Stavropol. There are plans to enter the international market.

Transport

- › MTS installs SIM chips in cars on the assembly line. Projects were implemented with Geely, Hyundai, Toyota, Renault, Nissan, and other leading automakers. Telematics solutions are also used by insurance, car sharing and security search companies.
- › MTS and Yandex launched MTS | Yandex.Auto on-board computer with services that have a single interface and voice control. Services: navigator, Alice voice assistant, Yandex.Music and applications for listening to music, radio and watching TV and movies from MTS.

Other

- › The TVBit Digital Infopanel platform has been launched for commercial use to broadcast content displayed on information panels in real time. Implemented in the flagship office of RTC/M. Video, as well as in a pilot project for one of the residential complexes in Moscow.

INDUSTRIAL AUTOMATION CENTER

- › The Industrial Automation Center (IAC) was formed; its products are designed to help industrial enterprises cope with the tasks of developing digital production, and introduce modern innovative business solutions Industry 4.0.

System integration¹

New products

- › In 2019, NVision Group JSC and Kirovsky Zavod Group of Companies, as a part of a strategic partnership, created an information and communication platform to ensure the interaction of plant personnel and plant machines. The system was put into trial operation at the sites of the United Drilling Equipment Plant named after V. V. Vorovsky and the Kirov-Energomash plant (a part of the Kirovsky Zavod Group); it allows users to collect information on the current state of equipment operation from sensors installed on the machines.
- › In 2019, NVision Group JSC also created an information system for working hours accounting, SWHA, using biometric identification technologies based on the image of a person's face.
- › In 2019, the NVision Group JSC specialists were entrusted with the provision of monitoring and maintenance services for diesel generator sets and electrical installations at 21 facilities of VimpelCom PJSC in Moscow and the Moscow Region to solve the communication problem between operating organizations.

Growth of Revenue from System Integration

- › The growth in gross revenue in relative terms was 26%, which is more than IDC forecast for the entire IT market in 2019 (26% against the projected average growth of 4.8%).
- › Revenues from service projects increased by 61% due to the extension of key service projects and projects in new areas: Cloud VPN, NB-IoT

¹ NVision Group JSC, a subsidiary of MTS PJSC



Application Gateway (SCEF – OCSG), Radio Network Optimization System (SON), support and operation of data center engineering systems.

Growth in Number of Contracts

- › Compared to 2018, the growth in the number of contracts amounted to 21%.

Private LTE

- › In 2019, Private LTE was developed for large industrial customers, providing a corporate wireless technology network that integrates elements of the enterprise ecosystem into a closed loop. Private LTE is the technological infrastructure for the implementation of industrial IoT solutions in the enterprise and automation of production.
- › 4 pilots of Private LTE were successfully completed (Siburholding PJSC, Kamaz PJSC, etc.).

NIS

- › NIS JSC in partnership with Bauman MSTU will develop smart tools for the evaluation and management of anthropogenic and natural risks in the territory of the constituent entity of the Russian Federation using the Internet of Things, big data and artificial intelligence technologies in the field of “Safe City.”

BIG DATA

The Big Data project has been actively developing in the Company since 2015.

During this time, the project team grew from 20 to more than 300 people, and the accumulated net economic effect amounted to more than 6 billion rubles. The key goal of the Big Data team at MTS is to ensure a more efficient development of the Company’s main product verticals through the use of big data technologies. Priority areas are telecom, fintech, media business, and digital business solutions. A dedicated team has been formed for each of the areas within the Big Data division. In addition, MTS successfully develops and plans to strengthen the area of external monetization of big data both within the framework of existing products, such as MTS Marketologist, bank scoring, geo-analytics, and by introducing new products to the market that are based on data and expertise accumulated in the Big Data team.

Telecom for Big Data remains the main area, in which high-tech products are created and the potential for optimizing processes through ML technologies and big data is being unlocked. In 2019, we put many useful solutions for this area into commercial operation, for example, the SpamBlackList and WhoCalls product series – customer protection against unwanted calls, recommendation systems for MTS Cashback and MTS Library, and many others. We continue to actively optimize retail processes in terms of sales of subscriber devices and after-sales services through recommendation systems, assortment and pricing optimization systems, as well as through the WorkForceManagement system. In 2019, a B2B customer lifecycle management system was developed and is currently being scaled (targeted attraction, development of customer profitability through the sale of additional services, and monitoring the tendency to outflow).



As a part of the fintech business, the Big Data team has implemented a number of successful projects for MTS Bank. Currently, Big Data technologies are actively used in many business processes of the Bank, from risk assessment and antifraud models to smart promotion of banking products and personalization of offers for Bank customers. The active introduction of Big Data technologies for MTS Bank has allowed to significantly increase both sales of banking products and the lifetime value of existing customers by engaging in a more active use of bank products and reducing outflows, as well as reducing the number of defaults on issued bank loans.

In addition to creating products for specific business verticals, Big Data focused on developing utility services that help increase the speed of product development and scale unique Big Data competencies across all the Company’s project teams. One of such services, Golden Record, was scaled up at MTS Bank in 2019 and combined the functions of searching, recording and clearing data on clients of the MTS business ecosystem.

MTS ARTIFICIAL INTELLIGENCE CENTER

The MTS Artificial Intelligence Center, a subsidiary of the largest mobile operator – MTS, began its work in 2017 and is engaged in the development of unique innovative products; it supplements the Company’s existing services with new functions based on artificial intelligence systems, and implements R&D projects in the field of AI and ML.

MTS AI Center both automates and implements business solutions within the Company, and offers them for external customers.

Now the work of the Center is carried out in several areas: jurisprudence, customer service, medicine, education and research projects, and work with data. The Center’s specialists use technologies such as natural language processing, automatic speech recognition, machine learning and computer vision; the Center’s product package currently includes an internal and external chat bot – an automated dialogue system, as well as Norma – a “virtual lawyer.” In the first half of 2020, it is planned to launch into commercial operation a smart speaker with a virtual assistant and a smart home system. The Marvin Voice Assistant service is currently in the testing phase.

As a part of the implementation of the National Artificial Intelligence Strategy, a project is underway to develop an innovative AI platform based on the MTS data collection and separation research center in Skolkovo, which helps increase the level of openness of the industry and encourages its participants to have an active dialogue.

The MTS AI Center is actively working in the field of education and scientific projects, collaborating with leading technical universities of the country and taking part in relevant scientific and business conferences.

In 2019, MTS became a member of the Alliance for the Development of Artificial Intelligence in Russia; the Company is taking part in the development of a national strategy for the development of artificial intelligence in the country.





PRODUCTS AND PROJECTS
OF THE MTS ARTIFICIAL INTELLIGENCE
CENTER

1. Chat bot

Chat bot is a customer service specialist robot — an automated dialogue system that allows interaction with a client without involving people.

Chat bot solves customer requests, provides a high level of automation, demonstrates high quality: 8 out of 10 client requests are resolved without involving people.

The solution, which is offered for business customers, adapts to the pool of tasks required by a specific company.

Key results for 2019

- 1. Chat bot began to work both on the website and in the My MTS application.
- 2. The efficiency of the bot exceeded 80%.
- 3. Chat bot is scaled to the whole of Russia.
- 4. Bot sales started for external customers.
- 5. A bot advertising campaign was conducted on federal channels.

2. LegalTech

LegalTech is a division of the MTS Artificial Intelligence Center, which develops innovative products in the field of law. The development of the LegalTech team is Norma — a “virtual lawyer,” sales of which started in December 2019.

NORMA Contract management is a “virtual lawyer,” a system of automatic work with documents and life cycle management of contracts. The solution is based on artificial intelligence technologies such as natural language processing and computer vision.

Norma capabilities

- 1. Automatically detects and analyses the content of any legal documents, extracts the key information from them and systematize the documents based on such data.
- 2. Forms a set of priority tasks and offers the best options for solving them for the employee, managing their work schedule.
- 3. Monitoring and control of the performance of current contracts.
- 4. The platform may independently cooperate with contractors.

The project was tested inside MTS and put into commercial operation. Norma correctly recognizes more than 90% of document texts.

3. Smart Speaker with Marvin Voice Assistant
and Smart Home

The MTS Smart Speaker is a home multimedia device with a voice assistant — Marvin, which runs voice commands and is designed to solve a large number of everyday tasks. Marvin is developed on the basis of artificial intelligence technologies and can already do a lot on his own: it reads the news, plays music and audio books, controls the smart home, answers various questions, and much more.

2019 results

- > Smart speaker software has been developed.
- > A platform for the product of a virtual assistant has been created.
- > Virtual assistant application has been created.
- > On December 26, 2019, the internal beta test of the MTS Marvin product (smart speaker with virtual assistant) was launched for MTS Group employees.

4. MedicalTech

MedicalTech is a division of the Artificial Intelligence Center, which is engaged in the development and application of AI technologies in the field of medicine. A smart medical assistant is developed and partially implemented — a service that offers the users to list their symptoms in a dialogue mode, after which the application correlates them with the diagnosis base, makes an assumption about a possible diagnosis, and gives a recommendation for a visit to the doctor or an online consultation in SmartMed.

5. Data Collection and Separation Center

In April, MTS opened a Data Collection and Separation Center in Skolkovo.

As a part of the implementation of the National Artificial Intelligence Strategy, a project is underway to develop an innovative AI platform based on the MTS research institute in Skolkovo, which helps increase the level of openness of the industry and encourages its participants to have an active dialogue.

MTS intends to create the largest voice database in Russian, collecting and marking up more than 15 thousand hours of Russian speech using Skolkovo personnel and technical resources.

Key activities of the Center:

- > Platform development in the Data as a service concept.
- > Collection of datasets.
- > Development of a unified methodology for data collection and separation for various areas of artificial intelligence training.

2019 results

- > The first symposium was held, the draft methodology was assembled, and the main areas were outlined that required detailed study at round tables.
- > An internal MTS Voice project for collecting voice data in Moscow was launched, followed by the participation of regional divisions of the Company.

6. Artificial Intelligence Alliance

On November 9, 2019, the Alliance for the Development of Artificial Intelligence was created. The founders of the Alliance, together with MTS, were Sberbank, Yandex, Mail.ru Group, the Russian Direct Investment Fund (RDIF), and Gazprom Neft.

The main goal of the association is to accelerate the technological development of organizations participating in the Alliance through the joint development of their competencies in the field of AI technologies, as well as to expand the possibilities for the practical application of these technologies in the activities of companies with a growing economic effect.

Within the framework of the Alliance, MTS will be responsible for the “Data” area. The result of work in this area will be the created register of dataset marketplaces, datasets based on state data, and promotion of a unified methodology among market participants.

7. Work with Science and Universities

- > A document was signed on the creation of the MTS Laboratory of Artificial Intelligence based at ITMO University.
- > A joint research project was conducted with ITMO University to analyze speech recognition systems, noise generation and analysis.
- > An agreement was signed on cooperation with Samara State Medical University and the creation of the Machine Learning Technologies in Medicine laboratory.
- > Skolkovo¹.
- A research center has been established to create open datasets.
- The first symposium in Russia on the methodology for collecting a dataset was held

PARTNERSHIPS

NTI 2019 Olympics in Big Data and Machine Learning²

MTS was a partner of Big Data and Machine Learning area within the framework of the All-Russian Engineering NTI Olympics among students in grades 7–11. The winners received prizes from MTS and the opportunity to get a summer internship. Our colleagues prepared the task for the qualifying stage and the final of the competition. In 2019, this profile became the most popular among the participants — about 20 thousand applications were submitted.

UMNIK-MTS Contest³

The UMNIK program of the Innovation Support Fund is aimed at supporting commercially oriented scientific and technical projects of young researchers. The program’s participants are young scientists, undergraduate or graduate students aged 18 to 30. The best projects receive financial support in the amount of 500 thousand rubles for two years. Projects must comply with the cross-cutting digital technologies of the national Digital Economy program.

In 2019, MTS was a partner of the UMNIK-MTS contest; there was a separate track on artificial intelligence. Our colleagues participated in the selection of decisions and were in the jury of the final (consultation and examination).

¹ <https://www.kommersant.ru/doc/4250444>.
² <https://nti-contest.ru/mts-supports-bdml/>, https://www.cnews.ru/news/line/2019-03-29_shkolniki_razrabotali_sistemu_iskusstvennogo.
³ <http://fasie.ru/press/fund/umnik-mts-fin/>, <http://fasie.ru/press/fund/umnik-mts/>.

FINANCIAL OVERVIEW¹



I am pleased to note that in Q4 we maintained the momentum of the first nine months of the year and crossed the finish line of 2019 with good dynamics of key indicators. The total quarterly revenue of the Group, taking into account the deconsolidation of the results of the former MTS subsidiary in Ukraine, increased by 4.1% compared to the same period last year and reached 127.1 billion rubles. We attribute the increase in revenue to the increase in the number of connections in Russia and the consumption of fintech products and services of MTS Bank. The adjusted OIBDA in Q4 increased by 1% compared to the same period last year to 51.6 billion rubles.

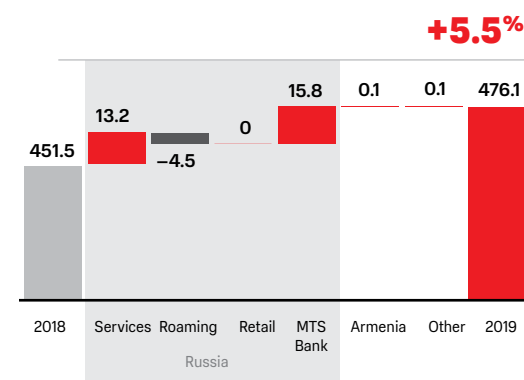
We set clear strategic goals for the future: to strengthen leadership in the field of communication services, while opening up new opportunities for business growth through digital products. We have everything to succeed in one of the most productive local markets and meet the expectations of shareholders: a leadership position, a strong brand, and a highly professional team.

Aleksey Kornya,
President of MTS

GROUP FINANCIAL RESULTS

Data for 2018 and 2019 are given taking into account the deconsolidation of the results of the former MTS subsidiary in Ukraine.

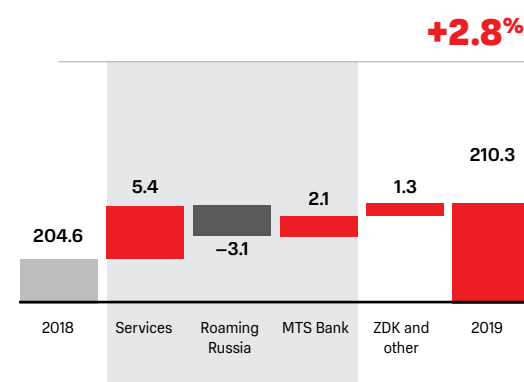
\\ Revenue of the Group² (billion rubles)



Positive results of MTS Group in 2019 due to:

- > Growth in subscriber base and mobile revenue in Russia.
- > Growth in consumption of fintech products, MTS Bank services, as well as other digital services: Cloud, IoT and system integration.

\\ Adjusted OIBDA of the Group² (billion rubles)



¹ There may be discrepancies in the amount due to rounding of individual digits.

² Information on the consolidated financial and operating results of MTS Group for Q4 2019 and 2019 is available on the company's website: <https://moskva.mts.ru/about/obshchestvennosti-i-smi/soobshheniya-kompanii/finansovaya-otchetnost/>



Revenues for the full year of 2019 increased by 5.5% compared with the figures for 2018 to 476.1 billion rubles, taking into account the deconsolidation of the results of the former MTS subsidiary in Ukraine. The result is due to both steady growth in the basic telecommunications market and the contribution from related areas, including financial services, system integration, and software sales. The level of growing indicators is partially adjusted by a slight decrease in revenue from sales of phones and accessories. The contribution from MTS Bank's indicators for the whole year cannot be compared, since the Bank's consolidation occurred in the second half of 2018; however, in the second half of 2019, the Bank's revenue increased by 40.8% compared to the same period last year, and this reflects the Company's strategy for the growth of financial services penetration into the subscriber base.

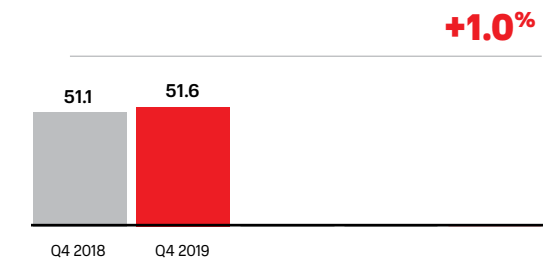
Andrey Kamensky,
MTS Management Board Member, Vice President for Finance



The adjusted OIBDA of the Group in Q4 increased by 1% compared to the same period in 2018 to 51.6 billion rubles. The adjusted OIBDA for the full year of 2019 increased by 2.8% to 210.3 billion rubles: the growth in revenue from the mobile business offset the negative impact of the cancellation of intranet roaming. Adjusted OIBDA margin was 44.2% for fiscal year 2019.

Andrey Kamensky,
MTS Management Board Member, Vice President for Finance

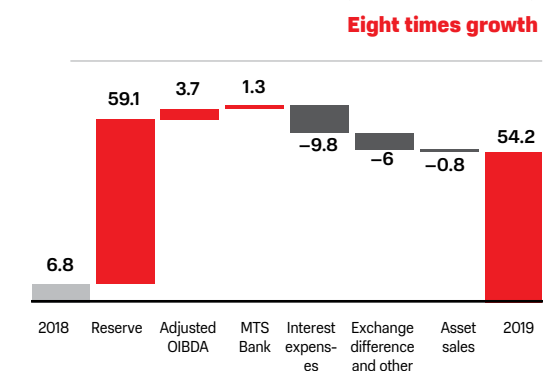
\\ Quarterly adjusted OIBDA (billion rubles, %)



The growth of the adjusted OIBDA of the Group is due to:

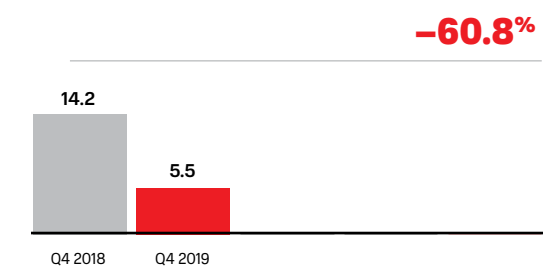
- > Strong results in Russia.
- > Positive dynamics of this indicator in the target markets against the background of increased use of data transfer, financial services, and other digital services: Cloud, IoT and system integration.

\\ Net income of the Group¹ (billion rubles, %)



The dynamic of net profit in the fourth quarter of 2019 was affected, on the one hand, by high operating indicators, and, on the other hand, by higher interest expenses, the result of regular operations with derivatives, and non-monetary losses from the sale of assets.

\\ Quarterly net profit² (billion rubles, %)

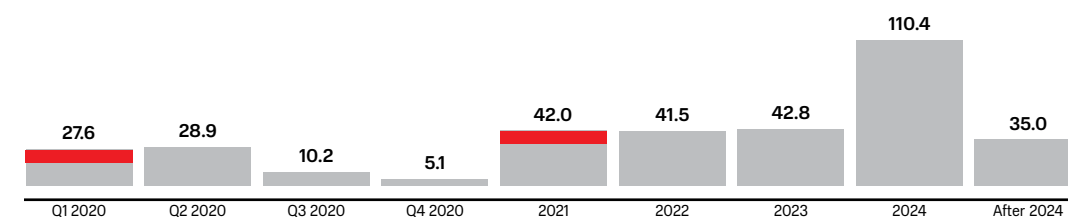


¹ The amount may vary due to rounding of individual digits.
² Including the cessation of operations in Ukraine.

GROUP DEBTS

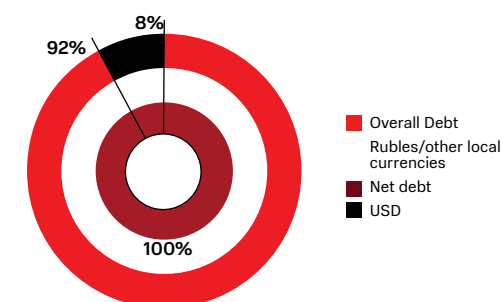
AT THE END OF THE FOURTH QUARTER OF 2019¹

Debt payment schedule (billion rubles)



■ Ruble bonds BO-02 and BO-01 contain put options that as of December 31, 2019 may be exercised in March 2020 and March 2021, respectively

Debt structure by currencies³

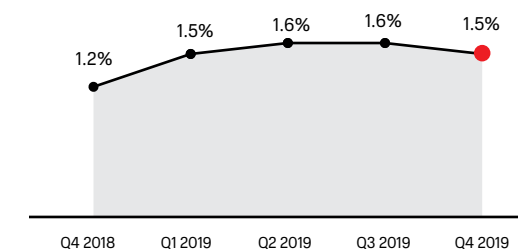


- > The ratio of net debt to LTM of adjusted OIBDA decreased to 1.5x. This is a comfortable level that allows us to maintain financial stability and the company's ability to maintain both the level of investment and high profitability for shareholders.
- > In the fourth quarter of 2019, MTS reduced the weighted average interest rates of debt to 7.7 from 7.8 percent in the third quarter of 2019 due to the optimization of the debt portfolio.

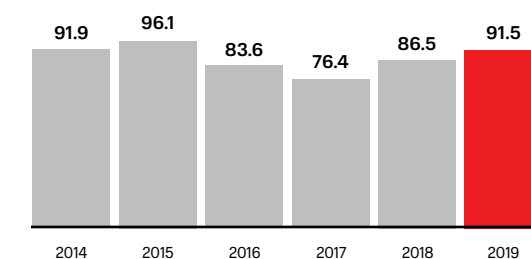
In the fourth quarter of 2019, MTS Group:

- > Built 5.1 thousand stations in 78 regions of Russia, including 3.7 thousand 4G stations.
- > LTE network coverage in Russia is 74 percent.

Net debt to LTM of adjusted OIBDA⁴ (billion rubles)



Capital expenditures of the group (billion rubles)



MTS Group's capital expenditures for 2019 reached 91.5 billion rubles; in Russia, the ratio of capital expenditures to revenue amounted to 17.3%. The Company continued to invest heavily in the development of our telecommunications infrastructure with a focus on improving coverage and communication quality for consumers.

Andrey Kamensky,

MTS Management Board Member, Vice President for Finance

	2019		2018	
	Capital expenditures (billion rubles)	As % of income	Capital expenditures (billion rubles)	As % of income
Russia	81.8	17.3%	75.1	16.8%
Ukraine ⁵	8.2	22.3%	9.3	31.4%
Armenia ⁶	1.5	19.7%	2.0	26.4%
Group	91.5	N/A	86.5	N/A

¹ Figures are indicated without leasing obligations as of December 31, 2019.
² Without expenses for fundraising as of December 31, 2019.
³ With account of currency hedging for 300 million US dollars as of December 31, 2019.
⁴ Without effect of transition to new IFRS reporting standards 15 and 16
⁵ Without costs in amount of 5.5 billion rubles related to 4G license purchase in Ukraine in 2018
⁶ Without costs in amount of 0.3 billion rubles related to 4G license purchases in Armenia in 2019



Net profit for the full year of 2019 increased eight times compared to 2018 up to 54.2 billion rubles. Data for 2018 reflects MTS reserve accrual of 850 million US dollars under a settlement agreement with the Securities and Exchange Commission (SEC) and the U.S. Department of Justice (DOJ). The positive dynamics of net profit was negatively affected by the growth of debt servicing expenses, the result of regular operations with derivatives, and non-monetary losses from the sale of assets.

Andrey Kamensky,

MTS Management Board Member, Vice President for Finance

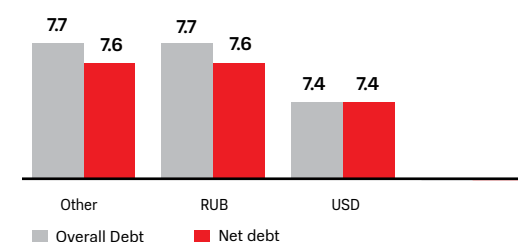
Total debt of the Group²

343.6
billion rubles

Net debt of the Group²

280.5
billion rubles.

Weighted average interest rates, %



SUBSCRIBER BASE IN COUNTRIES OF GROUP OPERATION

Mobile subscribers (million)

	Q4 2019	Q4 2018	Change, %
Russia	79.1	78.0	1.4%
Armenia	2.2	2.1	3.7%
Belarus ¹	5.6	5.5	2.9%

- > Growth in connection rate in Russia.
- > Growth of subscriber base in Belarus and Armenia against the background of mobile data transfer services development.



Increase in the number of subscribers by improving the quality of sales and reducing outflow

Revenue in Russia in Q4 2019 increased by 3.9% compared to the same period last year to 126.2 billion rubles. The growth is largely due to the high performance of MTS Bank, as well as the growth of revenue from mobile services.

In Q4 2019, the adjusted OIBDA increased by 0.5% compared to the same period last year, reaching 53.3 billion rubles, reflecting the dynamics of revenue. In Q4 2019, the adjusted OIBDA margin in Russia amounted to 42.2%.

Andrey Kamensky,
Management Board Member,
Vice President for Finance

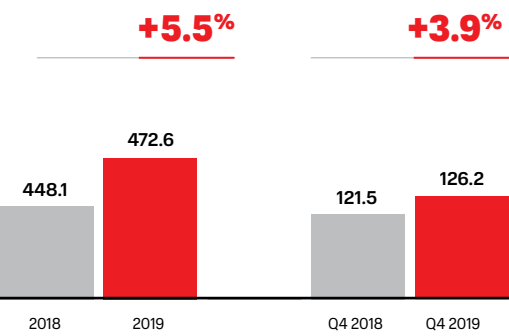
¹ MTS owns a 49% stake in MTS JLLC in Belarus, which is not consolidated.

KEY MARKETS

RUSSIA

Financial and operating results

Revenue (billion rubles)



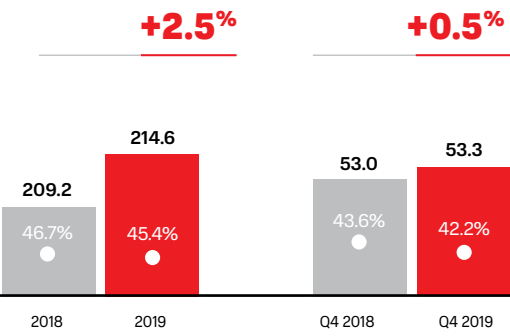
Revenue growth in Russia due to:

- > Increased consumption of mobile internet services.
- > MTS Bank's contribution to total revenue.
- > Sales growth of cloud services, products based on the Internet of Things technology and system integration.

Growth of adjusted OIBDA in Russia following the growth rate of revenue.

Against the backdrop of improving market conditions, revenue from MTS mobile business

Adjusted OIBDA and adjusted OIBDA margin (billion rubles, %)



in Russia in Q4 grew by 3.3% compared to the same period last year to 81.8 billion rubles. The growth in revenue from mobile services also reflects a weakening regulatory pressure compared to the previous year.

The subscriber base increased by 1.4% year-on-year to 79.1 million subscribers at the end of Q4 2019.

Revenue from fixed businesses in Russia slightly decreased compared to the same period last year – by 1.5% to 15 billion rubles.

Revenue from fixed business (billion RUB)

	Q4 2019	Q4 2018	Change, %
Total	15.0	15.3	-1.5
B2C	7.7	7.7	0.7
B2B + B2G + B2O	7.3	7.6	-3.8

According to MTS' own assessment, at the end of Q4 2019, the share of the Company in the mass market of broadband access B2C in Moscow increased up to 42%, and the share of the pay-TV market grew to 45.5%. The number of users of GPON networks continued to grow: the number of subscribers in the mass and business markets reached 2.1 million.

MTS Bank's contribution to the Group's total revenue in Q4 2019 reached 9 billion rubles, showing an increase of 43.5% year on year. The growth was due to an increase in the volume of retail loans issued, including with the use of Big Data analytics for scoring and risk assessment.

Revenue from MTS system integration services for 2019 increased by 39.2% compared to the same period last year to 10.3 billion rubles.

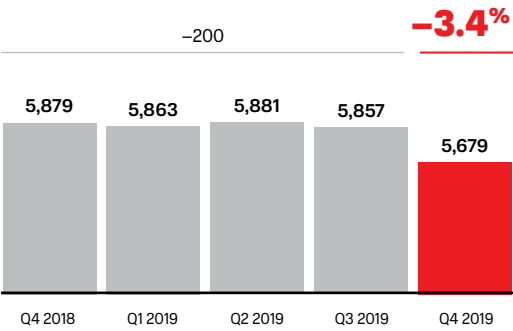
Revenues from other lines of business, including e-sports and ticket services, also showed significant growth: by 20.5% year-on-year to 1.5 billion rubles.

Revenues from the sale of goods in Q4 remained stable at the level of the previous year and reached 21.7 billion rubles, showing an increase of 0.2%. The increase in revenue from big software orders offsets the decline in sales of phones and accessories.

Retail chain revenue remained stable, slightly decreasing by 1.6% to 58.9 billion rubles as a result of MTS' efforts to optimize the retail network in the second half of 2019.

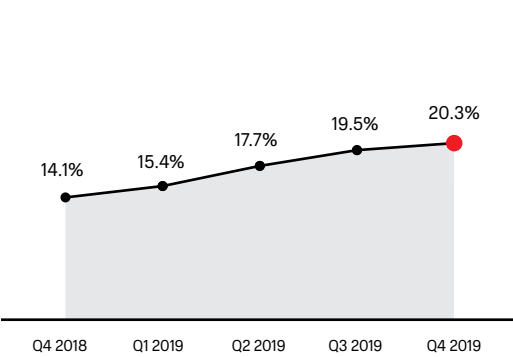
By the end of 2019, the penetration of smartphones in the MTS network reached 74.5%, and the penetration of the mobile internet through the base increased to 62.9%.

\\ **MTS retain chain** (number of sales offices (in thousands) as of the end of the reporting period, including franchising outlets)



In accordance with a strategy aimed at optimizing the retail presence of MTS, the Company closed 202 outlets in the second half of 2019. At the end of 2019, the MTS retail chain included 5,679 stores. Revenue from online sales grew by 33.1% year-on-year and amounted to 2.7 billion rubles in Q4 2019.

\\ **Number of active users of My MTS app** (million, 1-month base)



MTS continued to develop the My MTS self-service application, which is the center of the user ecosystem of digital services. By the end of 2019, the number of users per month reached 20.3 million people.

ARMENIA

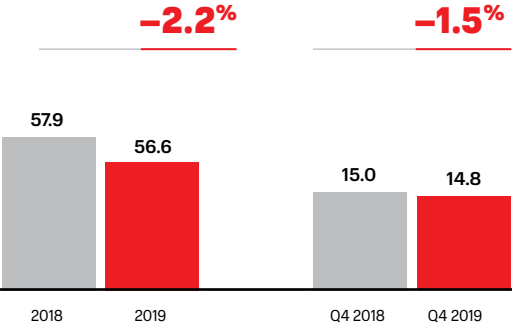


In Armenia, in Q4 2019, revenue decreased by 1.5% year-on-year to 14.8 billion drams. The revenue was negatively impacted by lower tariffs for interconnects and a continuing decline in voice service revenues. At the same time, OIBDA showed positive dynamics, increasing by 20.4% compared to the same period last year to 6.8 billion drams. Profitability increased by 8.4 pp to 46%.

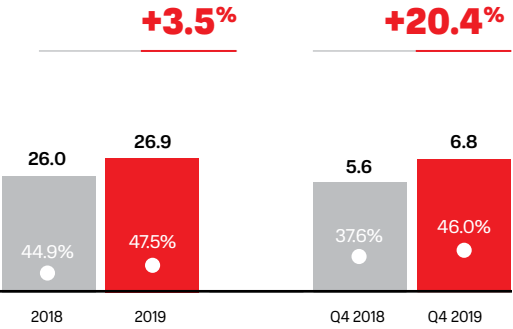
Revenues for the full year of 2019 decreased by 2.2% to 56.6 billion drams compared to 2018. OIBDA for the year increased by 3.5% to 26.9 billion drams. OIBDA margin increased by 2.6 pp and reached 47.5%.

Andrey Kamensky,
Management Board Member, Vice
President for Finance

\\ **Revenue in Armenia** (billion dram)



\\ **OIBDA and margin in Armenia** (billion dram, %)



Revenue for the full year 2019

56.6
billion dram

BELARUS

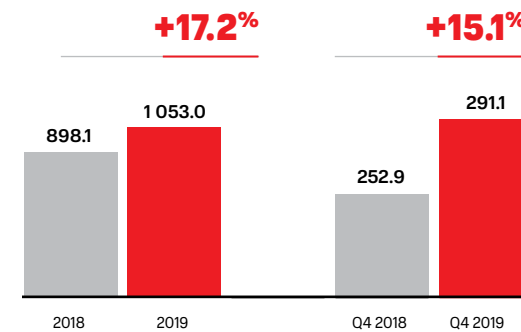


In Belarus, MTS continues to show impressive double-digit growth in financial performance. Revenues in Q4 2019 increased by 15.1% year-on-year and reached 291.1 million Belarusian rubles. OIBDA also showed a significant increase of 18.1% compared to the previous quarter to 1471 million Belarusian rubles. OIBDA margin was 50.5%.

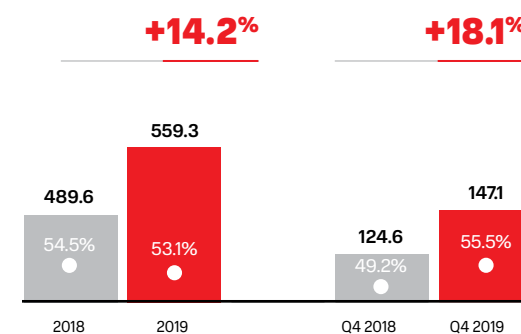
For the full year 2019, revenue grew by 17.2% to 1,053 billion Belarusian rubles amid increased consumption of data services and growth in retail sales. OIBDA for the year significantly increased by 14.2% to 559.3 million Belarusian rubles, profitability amounted to 53.1%.

Andrey Kamensky,
MTS Management Board Member,
Vice President for Finance

\\ Revenue in Belarus¹ (million Belarusian rubles)



\\ OIBDA and margin in Belarus (million Belarusian rubles, %)



Revenue for the full year 2019

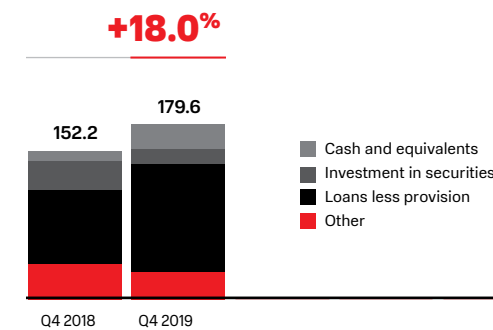
1,053
billion Belarusian
rubles

¹ MTS owns a 49% stake in MTS JLLC in Belarus, which is not consolidated.

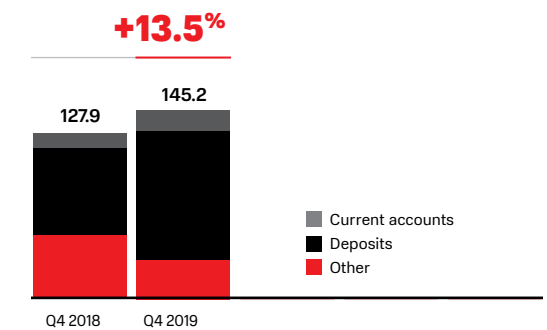
MTS BANK

FINANCIAL AND OPERATING RESULTS²

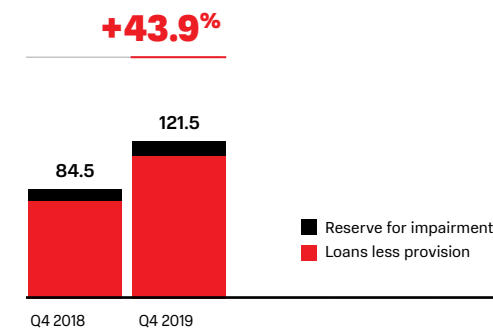
\\ Assets (billion rubles)



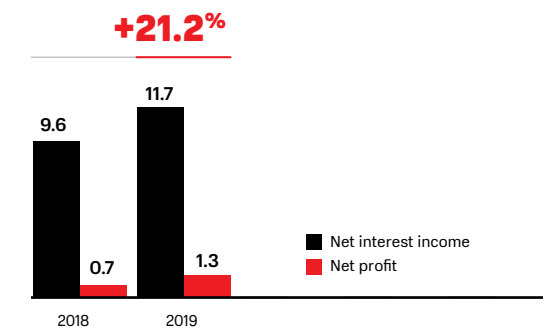
\\ Financing (billion rubles)



\\ Total lending (billion rubles)



\\ Net interest income and net profit (billion rubles)



In 2019, the volume of retail loans issued by MTS Bank increased by

73%

The total number of issued cards (credit and debit) increased in 2019 by

1.14
million cards

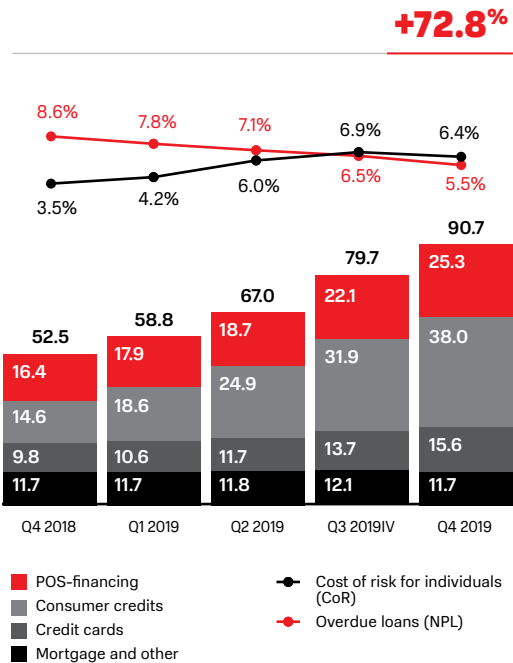
72% year-on-year to

integrating banking products into MTS applications and creating individual offers for MTS customers

² Consolidated data of MTS Group

RETAIL LOAN PORTFOLIO

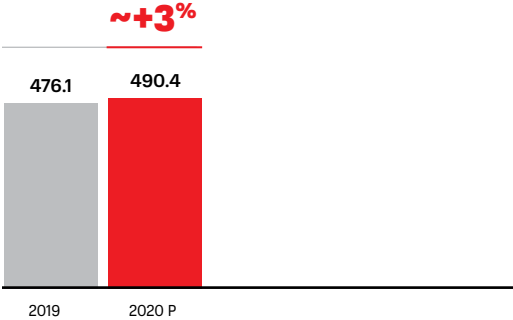
Personal loans (billion rubles)



- > In 2019, the volume of retail loans issued by MTS Bank increased by 73 percent.
- > The total number of issued cards (credit and debit) increased in 2019 by 72% year-on-year to 1.14 million cards by integrating banking products into MTS applications and creating individual offers for MTS customers.

2020 FORECAST

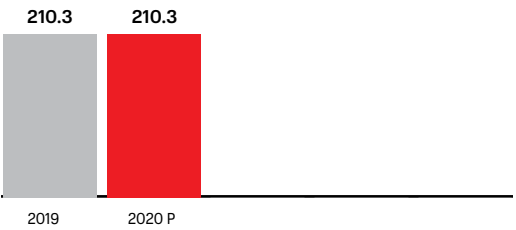
Revenue of the Group (billion rubles)



- MTS forecasts three percent growth in the Group's revenue in 2020, taking into account the following factors:
- > stable competitive situation in Russia;
 - > positive dynamics of the cost of services;
 - > increased data-traffic volume with decreased level of voice-service use and improved penetration of services based on mobile internet;
 - > possible changes in the consumption of roaming services;
 - > macroeconomic and regulatory changes.

OIBDA of the Group (billion rubles)

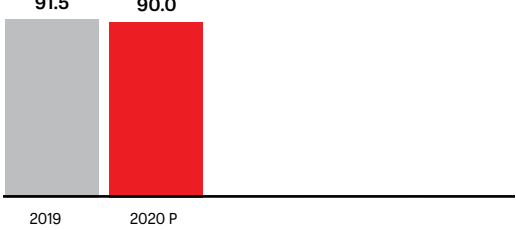
Stable



- MTS predicts OIBDA for 2020 at the level of 2019, allowing for the possibility of slight growth, due to the following factors:
- > consumer behavior and increased consumption of highly profitable products;
 - > decrease in sales of SIM cards and outflow;
 - > optimization of the Group's retail network and associated costs;
 - > a one-time positive effect in Q4 2019;
 - > increasing staff costs in new areas of business;
 - > possible changes in the consumption of roaming services;
 - > macroeconomic and regulatory changes.

Capital Expenditures of the Group (billion rubles)





Stable





- The forecast of the level of capital expenditures takes into account the following projects for investment:
- > continued development of LTE networks;
 - > continued investments in the development of digital products;
 - > implementation of commercial 5G solutions in the Russian market;
 - > macroeconomic changes and currency volatility;
 - > implementation of projects on infrastructure and frequency-spectrum sharing with other operators in Russia.

Yarovaya Law: The current estimate of the additional investment required to comply with the Yarovaya Law is 50 billion rubles

ESSENTIAL AFFILIATES OF MTS PJSC¹

<p>Russian Telephone Company Joint Stock Company</p> <p>Location: 5, Building 2, Vorontsovskaya St., 109147 Moscow, Russia</p> <p>The share of MTS PJSC in the authorized capital of the affiliate%: 100</p> <p>Primary business: sales of MTS PJSC services</p> <p>Sole executive body: Galushko, Evgeny Pavlovich (authority terminated on 04.13.2020); Belyakov, Sergey Sergeevich (took office on 04.14.2020)</p>	  <p>Official website:</p>
<p>Moscow City Telephone Network Public Joint Stock Company</p> <p>Location: 25, Building 1, Bolshaya Ordynka St., 119017 Moscow, Russia</p> <p>The share of MTS PJSC in the authorized capital of the affiliate, %: 99.159</p> <p>The share of the affiliate in the authorized capital of MTS PJSC, %: 0,38</p> <p>Primary business: provision of fixed-line communication services in the territory of Moscow</p> <p>Sole executive body: Medvedev, Vladislav Aleksandrovich</p>	  <p>Official website</p>
<p>MTS Bank Public Joint-Stock Company</p> <p>Location: 18, Building 1, Pr-t Andropova, 115432 Moscow, Russia</p> <p>The share of MTS PJSC in the authorized capital of the affiliate (indirect participation through subsidiary Mobile TeleSystems B.V. and MGTS PJSC), %: 99,74</p> <p>Primary business: banking operations</p> <p>Sole executive body: Ilya V. Filatov</p>	  <p>Official website</p>

<p>DATA ON CHANGED DEGREE OF CONTROL OVER A CONTROLLED LEGAL ENTITY OF SUBSTANTIAL VALUE FOR THE COMPANY</p> <p>MTS Bank Public Joint-Stock Company</p> <p>As of December 31, 2017, MTS Group owned 26.61% shares in MTS Bank PJSC.</p> <p>In July 2018, MTS PJSC purchased from Sistema PJSC 28.63% shares in MTS Bank PJSC, having increased the share up to 55.24%.</p> <p>In February 2019, MTS Group increased the share of ownership of MTS Bank PJSC up to 94.72% by acquisition of 39.48% shares of MTS Bank PJSC from Sistema PJSC.</p> <p>No changes occurred in other affiliates for the reporting period.</p>	<p>INFORMATION ON SIGNIFICANT TRANSACTIONS OF AFFILIATES</p> <p>In the reporting period, RTC ISC and MTS Bank PJSC did not make such transactions.</p> <p>Information on transactions is specified in Annex No. 2 to the Annual Report of MTS PJSC.</p>   <p>Information is available on the MTS PJSC corporate website at:</p>
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MTS ISSUER CREDIT RATINGS¹

Credit agencies Fitch and Standard&Poor's and RA Expert assigned the following ratings to the Company's debentures.

<p>Standard&Poor's</p> <p>BB+</p> <p>Stable</p>	<p>Fitch</p> <p>BB+</p> <p>Stable</p>	<p>RA Expert</p> <p>ruAA+</p> <p>Stable</p>
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¹ As of December 31, 2019.

RISK MANAGEMENT




RISK MANAGEMENT SYSTEM

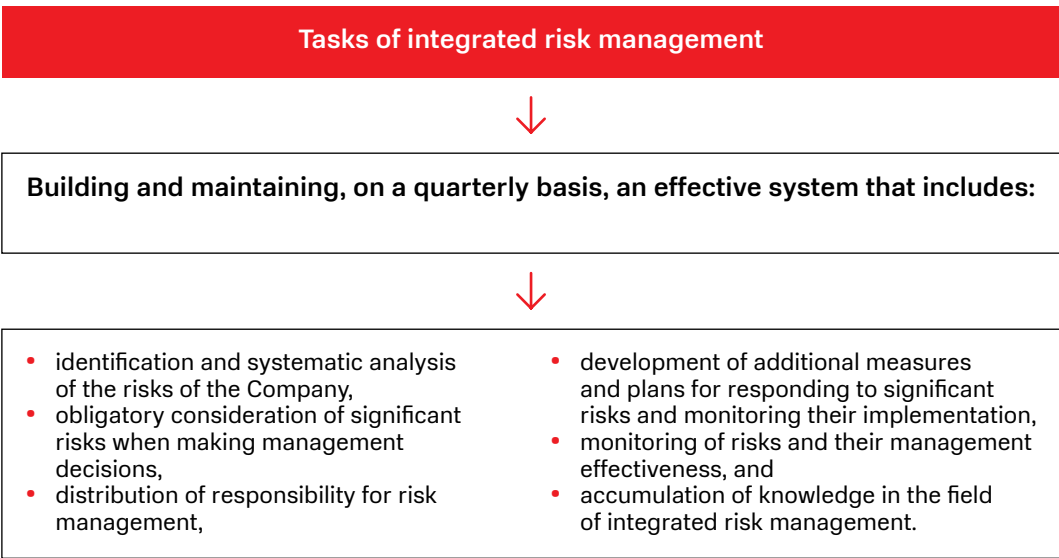
Risk management is carried out in MTS Group within the accepted conceptual risk management frameworks. The integrated risk management process is functioning efficiently in accordance with the needs of the Group and international standards. Risk management policy aims to minimize unexpected losses from risks and to maximize capitalization, taking into account the relation between risk and return on investments acceptable to the shareholders and the management of MTS Group.

The Integrated Risk Management Policy is approved in MTS Group. Integrated risk management is aimed at ensuring reasonable guarantee of achievement of strategic objectives of the Company and maintenance of risk level of MTS Group within limits acceptable for the Company management.

THE MAIN PRINCIPLES OF THE RISK MANAGEMENT PROCESS ARE AS FOLLOWS:

MTS

	Integration principle	> envisions a systemic approach to management of all types of risks inherent in MTS business, in all organizational structure and geography of MTS Group presence. Cross-functional collaboration and coordination of business units is maintained to manage risks outside the framework of their specialization, as well as accounting of mutual effect of risks from various units. A single company management notification channel is provided for the whole risk spectrum to guarantee the completeness, quality and comparability of the information provided for each level of decision-making;
	Continuity principle	> consists of the implementation of a complex of ordered risk management procedures on a regular basis;
	Justification principle	> envisions an analysis of the ratio between costs for risk assessment reduction and potential damage from their realization.



The Risk Management Department of the Corporate Center (RMD CC) assesses the most significant risks on the basis of long-term financial model and regularly conducts simulations for obtaining key financial indicators considering the risk and probability distributions of these indicators. RMD CC applies econometric techniques for the analysis of individual risks.

A report on the status of the MTS Group risks is reviewed quarterly by the Risk Committee, which discusses the key company risks and makes collective decision on the elaboration of measures for their mitigation. The Chairman of the Risk Committee is the MTS President. The committee includes Management Board members, Vice Presidents, and other managers. The competences and responsibilities of the committee include consideration and approval of the following: objectives for development of the process of integrated MTS risk management; risk-management methodology; MTS risk portfolio and priority of actions to manage risks with account of the feasibility of their costs and restriction of resources; MTS risk-portfolio management strategy, etc.

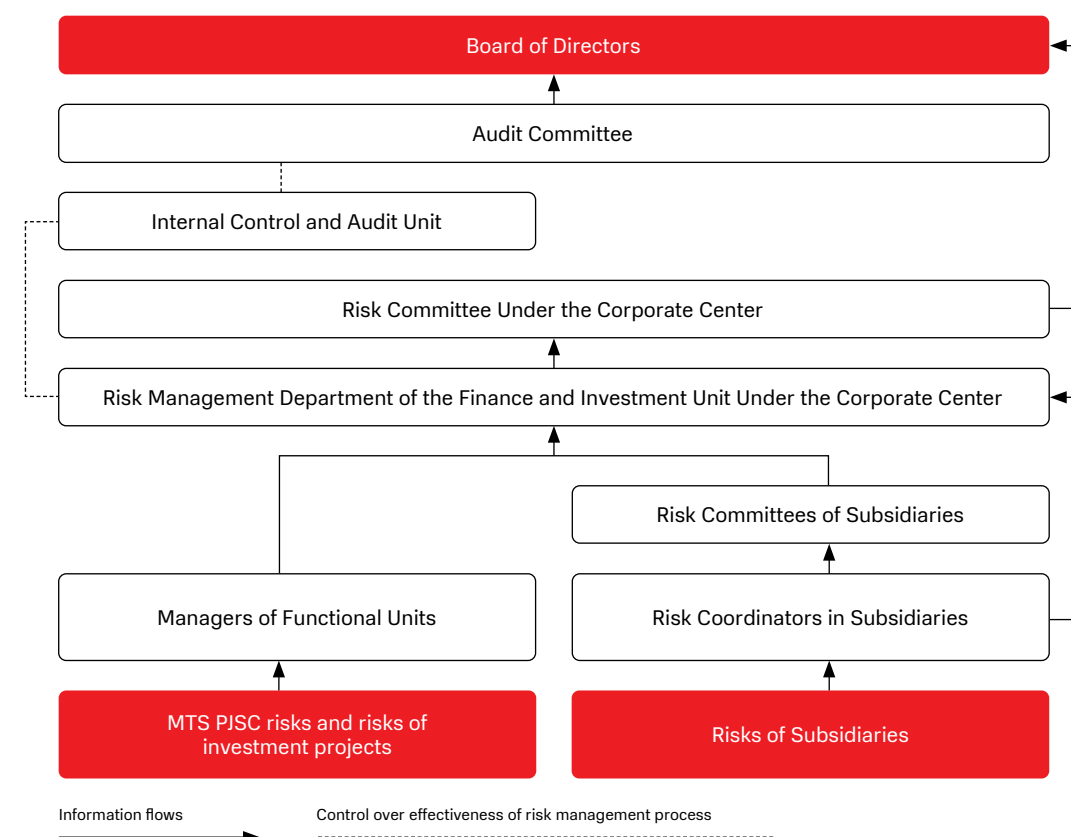
Notification of the MTS Group management is carried out taking into account the whole risk spectrum to ensure the completeness, quality and comparability of the information provided for each level of decision-making.

Based on the results of evaluating the effectiveness of MTS Group's internal control systems in 2019, the risk management process was deemed effective, and areas for further development were identified.

ORGANIZATIONAL RISK-MANAGEMENT SUPPORT

Risk management activity is distributed among the functional units of the Company.

- › RMD CC is responsible for developing a risk assessment methodology, regular collection of information and reporting the results of this assessment to the Risk Committee and the company executives. The Department also carries out operational control of the process and provides cross-functional interaction between units within the integrated risk management in the Company. Cross-functional interaction with the risk owners at subsidiaries is provided by the risk coordinators at such subsidiaries.
- › The risk owners are the heads of functional units, whose achievement of goals is affected by the risks. The owners are responsible for the analysis, evaluation, implementation of risk management measures and reporting on the activity within the process of integrated risk management.
- › The Risk Committee makes collective decisions in the field of integrated risk management.
- › The efficiency of the risk management process is estimated by the Unit for Internal Control and Audit, this information is also presented to the Audit Committee.
- › The Audit Committee monitors the risk management efficiency, as well as the assessment of procedures used by MTS Group to identify the principal risks and evaluation of appropriate control procedures (including the procedures for loss control and risk insurance) in order to determine their adequacy and efficiency.
- › The Board of Directors operates directly or through its committees within its competences and resolves the issues of assessing the political, financial and other risks affecting the Company's operation. MTS' Board of Directors delegates monitoring of risk management efficiency to the MTS Audit Committee, and also reviews the Audit Committee's reports.



INTEGRATION OF RISK MANAGEMENT INTO DECISION- MAKING PROCESSES

Risk management is an integral part of all processes of the Company: policy development, strategic, business-, budget and investment planning, change management, and procurement procedures.



Strategic planning

- › Identification of risks related to various conditions of environment.
- › Analysis and accounting of key risks within the framework of the selected macro scenario.
- › Definition of substantial risks influencing strategic objectives, but not resulting in their revision, and development of actions to manage such risks



Business planning and budgeting

- › Analysis and accounting of risks related to failure to achieve the main financial KPIs.



Investment planning

- › Analysis and accounting of project risks related to failure to achieve NPV and other parameters of projects.



Procurement procedures

- › Analysis and accounting of risks in choice of suppliers.

The risk management process passed all stages of implementation, automation and integration into the company's business processes (into strategic and investment planning, as well as into the cross-functional projects and the preparation of external reporting), which now makes it possible

to identify and consider the risks when making key decisions for the guaranteed achievement of goals and strengthening of business leadership.

2019 KEY ACTIVITIES

- › Risk Committees of the MTS, VF Ukraine, MGTS, and RTC CCs were held based on the results of quarterly risk monitoring in each quarter of 2019. Risk reports for the first half of 2019 and for 2019 were also submitted for consideration by the Audit Committee and the Board of Directors.
- › The 20-F risk section for the New York Stock Exchange has been updated, in which the risk descriptions, including those associated with the influence of the coronavirus, regulatory changes, the development of 5G networks, etc., have been updated.
- › RMD assessed the main risks in the framework of the MTS Group's strategic session, including assessing the impact of risks on the MTS Group's financial figures over a five-year period. The results were reviewed by the MTS PJSC Board of Directors.
- › Since 2019, MTS has had a risk management system in the field of intellectual property, which is a part of the integrated risk management process of MTS Group. RMD participated in the development of a methodology for assessing these risks based on simulation and statistical methods. Further participation of RMD in the process is enshrined in local regulatory documents; in particular, the existing risks in the field of intellectual property are regularly reassessed and new risks are assessed in order to make risk-oriented decisions. An intellectual property risk assessment is included in the risk report for consideration at meetings of the Risk Committee. RMD assessed the risks of investment projects related to the modernization and construction of the network, the designing of new and development of existing products. Information on risks was taken into account when deciding on the allocation of financing at the Investment and Competition Committee.

PLANS FOR 2020

In 2020, there are plans to update section 20-F for the New York Stock Exchange and regularly hold Risk Committee meetings. It is also planned to further integrate into the decision-making processes, including to provide analytical conclusions for individual projects within functional units.

The most significant risk factors that may potentially influence MTS PJSC business results are provided below. Details on these and other risks see in the section “Item 3 – Key Information – D. Risk Factors” of the Annual Report according to the form 20-F¹, and in quarterly reports of MTS PJSC²

RISK FACTORS

STRATEGIC RISKS

Risks	Mitigation Measures	Impact on Objectives
Depreciation of our services and loss of competitiveness, difficulties in developing additional sources of income Continuous improvement of technology, development of new products and services, increased competition associated with the emergence of new players in the market, and increased use of IP-telephony and other services provided via the internet, may adversely affect the ability to maintain subscriber base, lead to a reduction in market share and operating margin.	To ensure the highest level of quality of our basic communication services, we are systematically increasing the capacity and bandwidth throughput of the network, which is extremely important in the context of the observed continuous increase in the volume of data traffic consumption. We are comprehensively approaching the issue of network development, making the necessary investments in 3G and 4G infrastructure, ensuring the possibility of further network evolution in the direction of the fifth generation, including deployment and operation of 5G test zones, and carrying out pilot projects in the NB-IoT area. From the point of view of marketing activity, an effective method for leveling the adverse impact of VOIP-solutions are integrated V&D tariffs that combine voice and data services. Our key tool to maintain direct contact with the end user and increase the average level of income from the subscriber in the near future will be a gradually developing portfolio of high-level digital services aimed at meeting various customer needs. Both our own developments and high-quality partner products will participate in the formation of such a digital environment.	Retention of basic mobile revenue; compensation for traditional telecom revenues decrease caused by active development of digital products portfolio; leadership in the mobile internet and data services segment.
Loss of control over activities and assets in the countries of operation The risk of termination, suspension of operation or claims by regulators may adversely affect business, financial state and results of operations	We are monitoring the political situation in the markets of operation of the Group of Companies, and we strive to respond quickly to changing conditions in the markets	Achievement of sustainable business development
Risks of acquisitions, investments and mergers with other companies New acquisitions make it possible to diversify the business of MTS PJSC be additional risks associated with the obligations of the acquired companies, as well as risks of failure to achieve the initial financial and operational goals, problems with the integration of acquired assets, risks associated with a lack of experience in new markets, including political, economic, social, legal and regulatory risks, competition risks, etc.	We see opportunities for growth through our participation in promising new businesses in the digital economy, which enables us to significantly expand the range of services we provide and to enter new markets. When closing transactions in the field of M&A, we conduct a thorough audit of companies, where we plan to participate as a shareholder. Assessment of the feasibility of investments occurs with the involvement of independent consulting companies and takes into account the strategic position, financial results and features of the operating activities of such companies. Further implementation of MTS rights as a shareholder in them corresponds to the best practices of corporate governance. Integration of the acquired business into the management structure of MTS (if such decision is made) is carried out by a special unit with a wealth of experience of this kind.	Expansion of the Company's business and faster entrance into new markets; product line expansion; achieving operational synergies between different business areas; mutual exchange of best practices in management and operations.

¹ <http://ir.mts.ru/investors/financial-center/annual-reports-and-form-20-f/default.aspx>
² <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/raskritie-informacii/ezhekvartalniye-otcheti>



Risks	Mitigation Measures	Impact on Objectives
Inability to successfully develop the network In connection with the development, construction and maintenance of the communications network, we need to make purchases of equipment and software, which is associated with significant capital investments. In addition, limitation of the frequency spectrum available for the development may prevent gaining all the expected benefits from network construction and weaken expansion effect. Network deployment may be connected with difficulties to obtain sites for base stations on commercially viable terms, to collect permits and certificates for telecommunications equipment and/or import and export permits for certain network equipment, which may delay procurement and interfere with network development plans. Starting from 2017, the issue of frequency resource allocation for the deployment of next-generation (5G) networks has been actively discussed in the telecommunications environment of Russia (including the relevant state authorities). The regulator's final decisions on spectrum distribution paths for 5G networks will significantly affect the development of the entire mobile communications market and may lead to a number of risks, including (but not limited to) increasing the time required for putting 5G networks into operation, increasing the level of capital and operating costs, the inability to exploit all the technological advantages of 5G due to the separation of 5G infrastructure and networks of earlier generations, the exploitation of market advantages by individual players due to the non-equal distribution of frequency resource or receiving other technological advantages associated with its distribution.	While further investing into the development of infrastructure, we see the opportunity for gradual reduction of our capital expenditures with maintained quality of the services provided. MTS with a number of partners conducts joint procurement procedures, as well as carries out joint construction and operation of network infrastructure elements. In addition to the economic benefits, within the framework of cooperation, technical and functional requirements, approaches and methods are unified. We are in constant contact and work closely with representatives of regulating bodies, industry associations, network hardware producers and other participants of the telecom market. This cooperation on our part is aimed at protecting the company's interests, encouraging an atmosphere of healthy market competition, dynamic and timely adoption of new technological solutions and, as a result, building an advanced and diverse customer experience. We firmly believe that all the actions of the regulator, including making decisions on a mechanism for rolling out 5G networks, should aim to support the long-term sustainability of the industry and should take into account the interests of all parties, including service consumers and operators.	Increasing network capacity and data rates to meet growing demand; effective network planning and investment optimization; protecting the company's interests in issues of the distribution of a frequency resource.
Inability to realize the benefits of investing in radio communications systems Key risks: impossibility to build 4G and NB-IoT networks in accordance with the planned terms or in accordance with the terms stipulated by the license conditions, difficulties in ensuring quality and required level of service. and demand for 4G services (including NB-IoT) in the markets of operation of MTS PJSC and its subsidiaries will be lower than expected.	We have significant experience in dealing with hardware and software vendors, as well as with regulatory authorities. This enables us to reach agreements under the most comfortable conditions for us, including in terms of delivery times and construction. We take all necessary measures to comply with licensing conditions and other regulatory requirements, as well as carry out timely renewal of licenses and permits. We conduct regular monitoring of communication quality parameters and promptly react in case of identifying the need for additional capacity and bandwidth throughput in local areas of the network, which enables us to maintain a consistently high level of service quality. With the help of marketing tools, we stimulate usage of data transfer services, thus increasing the degree of network resource utilization	Ensuring the best compliance with IoT technology requirements and infrastructure readiness for 5G implementation; efficient capital expenditures planning; increased operational efficiency by optimizing the operating costs associated with network operation.

EXTERNAL ENVIRONMENT RISKS

Risks	Mitigation Measures	Impact on Objectives
Economic and Social Instability Economic and social instability, just like possible future downturns or a slowdown of economic growth in the countries where we operate may lead to a decrease in demand for the provided services, and have a negative impact on the financial condition of our corporate customers and partners, including financial institutions, which could lead to a decrease in our revenues and performance indicators and adversely affect the security of our assets. For example, an outbreak of a previously unknown strain of coronavirus (COVID-19) negatively affected the global economy, disrupted supply chains, created significant volatility in the financial markets and destabilized them. The coronavirus pandemic, among other things, could lead to a fall in demand for MTS PJSC products and services, including international roaming services, to higher prices from suppliers, as well as their refusal to finance purchases, to a reduction in production or untimely supplies of equipment, subscriber devices and to delayed provision of services. Considering the great uncertainty associated the current epidemiological situation, including measures to counteract the spread of the virus, we are unable to accurately and completely evaluate its potential impact on the business of MTS PJSC, however, we admit that the current situation could negatively affect the business, financial position and performance of MTS PJSC.	We are monitoring the macroeconomic situation in the markets of operation of the Group, promptly and effectively respond to changes in the general economic background with the help of, first and foremost, tariff tools. We are constantly expanding the range of our services and stimulating consumption, increasing the level of satisfaction of our customers in the corporate and mass segments. We pay great attention to ensuring optimal conditions for raising outside financing for us, controlling the level, cost and structure of debentures, which makes it possible, in particular, to neutralize the negative effects of currency exchange rates variations under conditions of high volatility of foreign exchange markets.	Achievement of sustainable business development.
Regulatory Risks Our business in the countries where we operate is regulated by governments; in particular, through licensing and laws. Legislation in the field of communication services is constantly changing. For example, the Ministry of Communications of the Russian Federation is currently considering the possibility of changing the concept and regulation of inter-operator interaction. In addition, an issue on changes in the existing approaches and rules in the field of regulating prices for the services of interconnection and traffic transit is being considered. On 11.01.2019, the Federal Law dated 05.01.2019 No. 90-FZ "On Amending the Federal Law "On Communications" and the Federal Law "On Information, Information Technologies and the Protection of Information" (Law on Sovereign Internet) entered into force; its purpose is to ensure sustainable, safe and holistic functioning of the internet in the Russian Federation. In the framework of the implementation of this law, operators will be required, among other things, to install new equipment on the network, which can affect its stability and the quality of the communication services provided. The provisions of the Sovereign Internet Law are general in nature, and although most of the significant by-laws have already been adopted by the Russian authorities, practical implementation may require the adoption of additional by-laws to clarify the provisions of the law. Furthermore, the operators incur additional expenses required to maintain and operate this equipment. According to the Order of the Ministry of Communications of the Russian Federation No. 148 of March 31, 2020, an experiment to provide citizens with free access to socially significant information resources on the internet will be conducted from April 1 to July 1, 2020. The list of the socially significant information resources and sites includes, among other things, social networks, websites of news and information agencies, online stores, websites of banks and delivery services. At the moment, it is not clear what consequences the implementation of this order will have, including possible expenses for operators; there is no understanding when and in what form free access to the socially significant information resources will be realized in the future, however this initiative could potentially have negative consequences for our business, financial standing and the results of our activities. It is still unclear how these initiatives will be implemented, and at the moment it is difficult to estimate how such changes will affect the Company's operations. These and other potential regulatory changes in the future may entail decrease in revenues/additional costs for the operator, which may adversely affect our financial standing and performance.	We conduct regular monitoring of the legislation in order to meet the requirements set. As market representatives, we participate together with the regulatory authorities in working groups on the optimization of the regulatory framework in the communication industry. Regulatory risks are given special attention within the framework of strategic planning.	Achievement of good operating indicators; ensuring compliance with regulatory requirements.



OPERATIONAL RISKS

Risks	Mitigation Measures	Impact on Objectives
Financial Risks A considerable part of our expenses, costs and financial obligations, including capital expenses and loans (credits and Eurobonds) is denominated in USD and/or EUR, while a large portion of income is denominated in the local currency of the countries where we operate. The situation in our markets, including stability of the banking system, inflation, changes in the exchange rates of local currencies against USD and/or EUR, and the possibility for free conversion of currencies and making currency payments impacts our operating performance and business results. For example, at the beginning of 2020, the ruble depreciated from 61.91 rubles for 1 US dollar as of January 1, 2020, to 80.88 rubles for 1 US dollar as of March 24, 2020, as a result of the COVID-19 outbreak and a drop in oil prices. The rate of the Company's development and its financial standing, among other factors depend on debt financing. Crises on financial markets, external limitations and sanction may restrict the ability of the Company to raise debt financing.	A number of portfolio structuring measures have been taken in order to reduce dependence on exchange rate fluctuations, including implementation of currency risk hedging program.	Maintaining investment attractiveness by ensuring investment and operational efficiency growth.
The contracts related to certain issues of our bonds and the bonds of our controlling shareholder, and also some loan agreements include restrictive provisions that limit our opportunities to raise loans and engage in various activities. Failure to comply with these contractual provisions could have resulted in default and, as a result, in a request to immediately repay the debt, which could have negative effects on our business.	We are monitoring the implementation of the provisions of contracts and agreements for granting loans in order to comply with the financial covenants contained in the loan documentation.	Maintaining investment attractiveness by maintaining an optimal level of debt
Risks of technological failures The ability to continuously provide communications services is one of the basic conditions of licenses and subscription contracts. An occurrence of process failures on our network and information resources due to a system malfunction, accident, or a violation of the network's security can adversely affect the ability to provide services to subscribers or affect other business processes, which can lead to significant negative consequences for the business, performance results and reputation of MTS PJSC.	In order to ensure stability of the network and continuity of communication services rendering, the network management system is centralized, and the telecommunication network operation system provides for regular maintenance and use of the backup telecommunications equipment. In order to protect and be able to restore data from information resources for critical facilities, the processes of development and operation of infrastructure include the use of backup equipment, including that with a geographical distribution, and procedures for data recovery testing. Processes and systems for ensuring quality of information systems, as well as change monitoring and control are used in order to protect integrated information systems under the conditions of continuous changes. Information security in network management is provided by a complex system of technical and organizational information security measures.	Achievement of good operating indicators; achievement of sustainable business development.

COMPLIANCE WITH REQUIREMENTS

Risks	Mitigation Measures	Impact on Objectives
Compliance risks MTS securities are traded on the U.S. stock market, and we are subject not only to Russian, but also to American anti-corruption legislation (US Foreign Corrupt Practices Act), and potentially to the anti-corruption law of the UK (UK Bribery Act). If an inconsistency of our actions or actions of third parties acting on behalf of or in our interests with these requirements is revealed, this may result in criminal and/or civil law sanctions against us. In March 2014, MTS PJSC received a request for information from the US Securities and Exchange Commission and the US Department of Justice regarding the investigation of the former subsidiary in Uzbekistan. In February 2019, MTS Group reached a settlement with the US Department of Justice (DOJ) and the US Securities and Exchange Commission (SEC) in relation to the previously disclosed investigation of the Group's former subsidiary in Uzbekistan. The Group agreed with the restraining order (the "Order") issued by the U.S. Securities and Exchanges Commission. The district court of the Southern District of New York approved the agreement (the "Agreement") on the deferment of prosecution concluded by the Group and the agreement on admission of guilt concluded by the Group's subsidiary company in Uzbekistan. According to the terms of the agreements with the US Department of Justice, we agreed to pay the United States a fine of \$ 850 million (59.1 billion rubles as of December 31, 2018). The Group has accrued a provision for payment of the fine in the amount of USD 850 million (55.8 billion rubles as of the date of accrual) reflecting it as a loss caused by ceased operations in the consolidated profit and loss statement for the year ending on December 31, 2018. In accordance with the terms of the Agreement and the Order, the Group agreed to introduction of independent supervision (monitoring) over compliance with their requirements. According to the terms of the Agreement and the Order, monitoring will be conducted for three years from the date of its establishment and the monitoring period may be reduced or extended depending on certain circumstances. The final decision in this regard shall be made by the US Department of Justice and the US Securities and Exchange Commission.	Starting from 2012, when a separate compliance division was established at MTS, the Company has been systematically developing a system for anti-corruption compliance in accordance with the best international practices. The Company has special rules and procedures in place for the prevention of corrupt practices, both on the part of employees and with respect to contractors. The main documents governing anti-corruption requirements within MTS are the Code of Business Conduct and Ethics, Policy "Compliance with anti-corruption legislation." Besides, procedures for assuring compliance with anti-corruption legislation are fixed in the regulations of the company's business-processes.	Support of fair and ethical business conduct and abuse prevention
Tax risks The system of taxation in the countries where we operate is undergoing constant changes; legislation in this area may be interpreted ambiguously. For example, poorly drafted Russian transfer pricing rules may increase the risk of price adjustment by tax authorities and lead to additional tax burden within transfer pricing control. This may complicate tax planning and related business processes, and may also have adverse material impact on our business, financial standing and operating results.	We meet the requirements of the tax legislation in the countries where the Group operates. We respond to any changes promptly and follow the current trends in law-making, as well as the tax laws of Russia and foreign jurisdictions, which allows us to make timely integrated decisions in the field of tax planning and customs regulation. We regularly use the experience of qualified consultants.	Achievement of sustainable business development; compliance with requirements.

SYSTEM FOR MANAGING THE KEY RISKS ASSOCIATED WITH THE SOCIAL ASPECTS OF BUSINESS

The ability of MTS PJSC to maintain its position in the competition and implement its business strategy largely depends on the work of its employees. Care for employees is one of the main priorities of the Company, determining the success of its activities in the contemporary market. We are constantly improving social and labor relations in the following areas: occupational safety and health of employees, social support, opportunities for career and personal growth.

For effective communication with personnel, a number of opportunities are provided to enable any employee of the Company to contact the management, as well as express their views on the prospects and plans of MTS development, to submit proposals for optimizing certain business processes and services, and introducing new services. To assess the internal climate of the Company, we regularly conduct sociological studies that enable us to verify the strategy and tactics of HR-work with the actual expectations of our employees.


The safety of employees and ensuring compliance with their rights at the workplace are the main components of the corporate social responsibility of the Company

- Labor protection activities carried out by MTS PJSC are aimed at:
- › ensuring the priority of preserving life and health in the workplace;
 - › improving the OSH management system;
 - › training managers and specialists in a timely manner on labor protection;
 - › organizing preventive and periodic medical examinations of employees; promptly providing employees with special clothing and other personal protective equipment; and
 - › organizing production control and assessment of the special conditions of employment.

RISKS RELATED TO VIOLATIONS IN THE FIELD OF HEALTH AND SAFETY

Description of Risks	Mitigation Measures
Possible risks of violations in the field of health and safety associated with training of employees, medical examination, provision of personal protective equipment, compliance with sanitary and epidemiological requirements, special assessment of working conditions, etc.	MTS PJSC operates an OHSAS 18001:2007 certified Occupational Health and Safety Management System (OHSMS). OHSMS includes the following: organizational structure; planning; distribution of responsibility; procedures; processes and resources for developing, implementing goals, analyzing the effectiveness of health and safety policies and measures. The main objectives of OHSMS include monitoring compliance with laws and other regulatory legal acts on health and safety. Health and safety specialists are regularly trained. MTS adopted a number of local regulatory documents governing the main issues in the field of health and safety. The documents contain all the basic requirements and instructions in the field of health and safety, including the procedure for conducting internal control over status of working conditions.

The Company strictly adheres to the requirements of labor legislation and tries to take into account the interests of personnel as much as possible. The H&S management system at MTS PJSC has been recognized at the regional and district levels. In 2017, some MTS branches became prize winners of various H&S review competitions.



The Company strictly adheres to the requirements of labor legislation and tries to take into account the interests of its employees as much as possible!

RISKS ASSOCIATED WITH HUMAN RIGHTS VIOLATIONS

Description of Risks	Mitigation Measures
Possible risks of human rights violations related to compliance with labor laws, non-discriminatory and ethical conduct, public statements, insurance deductions, etc.	The company regularly conducts self-assessment of the sustainable development management system for compliance with ISO 26000:2010 "Guidelines for Corporate Social Responsibility" with an external consultant involvement. One of the assessment areas is human rights and labor practices. Recommendations are developed based on the self-assessment results to improve business processes in the field of sustainable development. MTS adopted local regulatory documents governing the main issues of observance of human rights in the workplace. The documents consolidate key principles of respect for human rights and conduct of Company's employees.

¹ Information about messages to the hotline are presented in the "Unified Compliance System of MTS PJSC"

SYSTEM OF MANAGING THE KEY RISKS ASSOCIATED WITH THE ENVIRONMENTAL ASPECTS OF BUSINESS

For the purposes of compliance with the requirements of nature-conservation legislation and ensuring environmental safety at MTS facilities, the Company developed the Policy of Environmental Safety and Protection, the fundamental principles of which were:

- > compliance with the requirements of the nature-conservation legislation of the Russian Federation;
- > compliance with the requirements of national and international standards in the field of environmental protection;
- > improved level of environmental awareness and education among all company employees;

- > implementation of environmental socially significant projects;
- > openness and availability of environmental information; and
- > reduced level of negative impact at environment and aspiration for sustainability.

The principle of respect for nature forms the basis of social responsibility of the MTS business: The company strives to have a minimal impact on the environment and reduce it as much as possible.

RISKS RELATED TO VIOLATIONS IN THE FIELD OF ECOLOGY

Description of Risks	Mitigation Measures
Failure to meet the requirements of environmental reporting provision. Doing business without state registration of a facility with a negative environmental impact. Failure to meet the requirements in the field of environmental control and monitoring. Doing business without permits issued in accordance with the established procedure for emissions of pollutants into the atmosphere, waste handling	For the purposes of compliance with the requirements of nature-conservation legislation and ensuring environmental safety at MTS facilities, the Company developed the Policy of Environmental Safety and Protection. The environmental policy has fixed/provided for a set of processes that ensure compliance with environmental legislation. Namely: the need for issuing permits and updating data, objectives for planning, financing and logistical support for implementation of environmental programs and environmental protection (EP) measures, the need to undergo training in the field of environmental protection, conducting industrial environmental monitoring (a set of preventive actions aimed at eliminating the possibility of an emergency and damage to the environment). At the level of CC and the regions, changes in the requirements of environmental legislation are monitored. MTS regularly bears the costs associated with waste management and atmospheric air protection, as well as with the reduction of risks associated with government regulation in the field of environmental protection and maintaining the image of the company's environmental sustainability



The work on environmental protection is aimed at the implementation of measures of an organizational, technological and sanitary-hygienic nature with the aim to prevent and reduce the harmful effects of economic activities on the nature and health of people.

COMPLIANCE AND ETHICAL BEHAVIOR CULTURE

MTS PJSC CODE OF BUSINESS CONDUCT AND ETHICS

The Code of Business Conduct and Ethics of MTS PJSC¹ (hereinafter referred to as Code) includes key principles, a minimum set of standards and requirements accepted at the Company with the purpose of maintaining fair and ethical business of MTS PJSC and preventing abuse. The Company complies with legislation and generally accepted standards of business ethics and does not accept any other ways of doing business which are contrary to these rules.

The Code defines the rules and standards that should be followed by employees in their daily work. In cases requiring the application of higher standards than those adopted in commercial practice or a regulation having greater legal force under the current legislation, MTS PJSC will use said higher standards.

Sections of the Code consolidate the Company's responsibility under the laws and in relations with employees, customers, and society. The Code also prescribes the procedure for interaction with partners and vendors, provisions on the role of managers, protection of intellectual property, appeals and reports of violations of the Code.

The Code contains information about all compliance programs of the MTS PJSC Unified Compliance System.

Board of Directors members, managers and employees of the Company are personally responsible for compliance with the Code.

All employees read the Code when getting employed at the Company and undergo a regular training. In 2019, an electronic course on the Code was updated and the course training was organized for all employees.



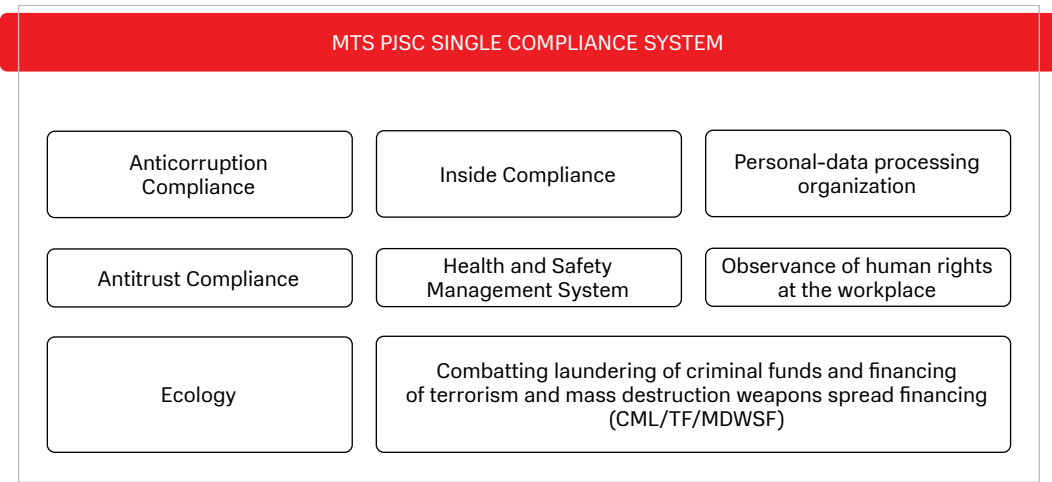
Code of business conduct and ethics



¹ <https://spb.mts.ru/about/komplaens-i-delovaya-etika>

MTS PJSC SINGLE COMPLIANCE SYSTEM

Since 2016, the Company has been actively developing the Unified Compliance System on the basis of the norms of applicable laws, recommendations of regulatory authorities, the specific nature of the industry and best practices in this sphere.



These compliance areas are supervised by the relevant functional units, each of which implements its compliance program and risk minimization system. Coordination of implementation and operation of the Unified Compliance System is entrusted to the Department of Business Ethics and Compliance of MTS PJSC.

The systematic and progressive development of the unified compliance system continued. The risks of compliance programs are taken into account in the general risk management system of the Company. This makes it possible for the management and management bodies of the Company to gain a structured understanding of the existing compliance risks and to take these factors into account when making management decisions, which has positively affected the Company’s overall performance. In 2019, a scheduled work was carried out to reassess risks with a subsequent adaptation of compliance programs.

In 2019, much attention was paid to informing employees about the Unified Compliance System and compliance programs training. The Our MTS app for employee smartphones provided information about the UCS, compliance programs, the people in charge, and compliance program training. An interactive training course for the employees “Map of the Unified Compliance System (Compliance Castle)” was launched on a corporate training platform. There is a video about the Unified Compliance System uploaded at the corporate portal: “What UCS is and how it works. What does compliance mean to you?” featuring the participation of the President of MTS PJSC and senior executives of the Company – the curators of compliance programs.

Number of messages received on the “unified hotline” of mts group

	2019
Line of the Internal Control and Audit Unit	167
Quality Hotline	213
Line of the Procurement Management Unit	366
HR Hotline	97
Line of the Corporate Security and Regime Unit	43
RTK JSC	502
MGTS PJSC	55
NVision Group JSC	50
of NIS JSC	1
MTS Armenia CJSC	44
Mobile TeleSystems JLLC	22
VF Ukraine PrJSC	61

SECOND SUPERVISORY AUDIT OF CONFORMITY OF THE COMPANY’S UNIFIED COMPLIANCE SYSTEM WITH THE STANDARDS ISO 37001:2016 AND ISO 19600:2014

In 2018 the Company received the certificate of the Unified Compliance System’s compliance with international standards ISO 19600:2014 “Compliance Management Systems” and ISO 37001:2016 “Anti-Corruption Compliance Management Systems.”

In order to confirm the certificate of compliance of the Unified Compliance System with international standards during the second Supervisory Audit held from January 17 to January 24, 2020, an international team of auditors who are recognized world experts in the field of compliance conducted more than 50 interviews with employees of the Company, including an interview with the President of MTS PJSC and top management, managers and employees in the Corporate Center and regions of the Company; studied more than 80 internal documents and other evidence of ongoing development and effectiveness of operation of the Unified Compliance System and compliance programs included therein; and reviewed implementation of the recommendations for improving the Unified Compliance System obtained during the first Supervisory Audit of 2018.

Based on the results of the audit, the team of auditors noted the continued stable development of the Unified Compliance System in 2019. Compliance programs are positively perceived by business units, which has led to a deeper implementation of compliance programs in the Company’s business processes. The recommendations received as a result of the first


Supervisory Audit in 2018 were successfully implemented by the Company for the most part, some actions are to be completed in 2020.

COMPLIANCE COMMITTEE

In 2016, the Company established the Compliance Committee under the President of MTS PJSC, which included the President, the managers in his direct subordination; the Director of the Business Ethics and Department of Compliance and Business Ethics, who is the Chairman of the Committee.

The Committee was established to make decisions on the issues of formation and implementation of compliance programs making the Unified Compliance System; the main tasks of the Committee are implementation of a policy in the field of compliance risk management and making proposals on the development priorities of MTS Group in this area.

- In 2019, five Committee meetings were held where the following issues were considered, inter alia:
- setting compliance key performance indicators (KPIs) for employees who are functionally responsible for compliance programs, fulfill instructions of the Committee and are included in the working group under the Committee;
 - allocation of necessary resources for compliance programs; and
 - approval of an action plan to increase employee awareness of compliance program training and to strengthen the positioning of compliance programs as the Unified Compliance System.

 Slogan in 2019: “Compliance is good, right and ethical”

DAY OF ETHICS AND COMPLIANCE

For the fifth year in a row, on October 23, 2019, the Company celebrated a corporate Day of Ethics and Compliance. Holding compliance training, master classes and competitions has become a positive tradition at MTS PJSC and at our subsidiaries both in Russia and abroad. All employees received a letter on a culture of fair practice from the Director for Business Ethics and Compliance.

The program of online meetings with employees included educational courses in the areas of the compliance system; a representative of the Ministry for Labor and Social Protection of the Russian Federation addressed to the employees.

Apart from general events implemented within the framework of development of the unified compliance system, each risk area (compliance program) also performed independent development.

ANTI-CORRUPTION (ANTI-CORRUPTION COMPLIANCE AND BUSINESS ETHICS)

MTS PJSC, as a public company, is aware of the need to develop a favorable business environment in the markets of its presence, and makes efforts to promote the best compliance practices, and always adheres to high standards of business ethics, transparency and the rule of law.

The anti-corruption compliance program in MTS PJSC establishes measures to control regulatory risks, to protect the Company from any manifestations of corruption (both within the Company and attempts to involve the Company in corrupt activity from the outside), to improve the corporate culture, introduce and develop in the Company the best corporate management practices, as well as standards of responsible and ethical behavior.

The company has formed its approach to building up the anti-corruption compliance program based on recommendations from regulatory authorities, relevant international organizations, and best practices in the development of corporate anti-corruption compliance programs in accordance with the principles set forth in the Company’s Annual Report for 2017 (p. 82–83).¹

In 2019, the Company implemented many projects and initiatives within the framework of development of the anti-corruption compliance program and strengthening of compliance culture:

- › The regional presence of the compliance function has been significantly strengthened: new positions of compliance managers were introduced in Kazan, St. Petersburg, Moscow, Krasnodar, and Yekaterinburg.
- › External consultants implemented projects for the independent assessment of corruption risks at seven subsidiaries. A similar project was launched at a subsidiary of NVision Group JSC with a deadline in 2020.
- › Employees were trained in anti-corruption compliance:
 - full-time training in anti-corruption compliance was attended by more than 22 thousand employees of MTS Group Companies (including top management);
 - over 52 thousand employees of MTS PJSC and subsidiaries completed the updated electronic course “Compliance – observation of anti-corruption legislation”;
 - over 77.5 thousand employees of MTS PJSC and subsidiaries completed the updated electronic course “Code of Business Conduct and Ethics”;
 - a project has been implemented for full-time functional education of unit managers at the Corporate Center. Employees of 43 MTS PJSC branches were also trained;
 - 62 representatives of third parties completed full-time training on the principles and requirements of the Company in the field of anti-corruption compliance; and
 - 897 employees of commercial representatives of the Company completed e-training “MTS Requirements on Legislative Compliance by Partners. Anti-corruption, CML/TF/MDWSF” for representatives of dealers on an external training platform.
- › In addition to events with participation of top management that demonstrate involvement and support of top management in the field of compliance initiatives (“tone from the top”), the Company keeps actively developing the “tone in the middle” – demonstration of a personal example of good conduct by middle management. The regional development directors and the directors of the branches spoke to the employees on the subject of compliance in person and reminded them of the importance of compliance training and conducted activities in the regions.

- › Internal communications actively covered compliance topics; in particular, the Company’s employees received updates on quarterly monitoring of the regulatory environment during the year, news were published about confirmation of the Company receiving a certificate of compliance with international standards ISO 19600:2014 and ISO 37001:2016; there were publications of announcements of training webinars, replies to questions, changes to the anti-corruption local regulatory acts of the Company. An “open dialogue” was held with the director for business ethics and compliance in the form of a webinar for employees on the importance of conforming with compliance and business ethics standards and a culture of compliance. A video message from the President of MTS PJSC to the employees on the Code of Business Conduct and Ethics, as well as his appeal dedicated to the International Anti-Corruption Day was published on the corporate portal. Throughout the year, articles and posts on the topic of compliance were published in the corporate magazine and in the Compliance Blog created at the corporate portal.
- › The compliance representative program, designed to increase the involvement of business representatives in the operation of the anti-corruption compliance program, was further developed. As of the end of 2019, the program involved 19 volunteer employees from various business functions, who provided counseling and training for employees and actively participated in the projects of the Business Ethics and Department of Compliance and Business Ethics.
- › Throughout the year, work was also in progress to improve internal compliance controls: 18 new controls were introduced, 21 controls were amended. In total, around 170 compliance controls were introduced to 80 local regulatory legal acts of the Company as of the end of 2019.

In order to distribute the best compliance practices and exchange experience during 2019, representatives of the Department for Business Ethics and Compliance took part in 19 external compliance events in Russia and abroad, including the fifth annual conference “Preventing Intra-Corporate Fraud and Assessing the Trustworthiness of Contractors,” the fourth International Forum “Effective Compliance: International Practice and Standards,” the annual C5 international conference on anti-corruption – the key event of the year for anti-corruption professionals.

Information about violations of anti-corruption compliance and conflicts of interest can be sent to the Unified Hotline. All requests received at the Unified Hotline are checked in accordance with the local regulatory act that determines the procedure for addressing such requests.²

HANDLING CONFLICTS OF INTEREST

For the purposes of establishing a uniform and efficient system for the management of actual and potential conflicts of interest, as well as defining employee-conduct requirements whose observance makes it possible to minimize the risks of decision-making under the influence of personal interests and connections, there is a “Conflict-of-Interest Management” Policy effective in the Company, with an Annex “Disclosure of Information About Conflicts of Interest” and a clause on family relatives in government structures. Compliance with this policy is an obligation of any employee of the Company, irrespective of their official position. Employees holding management positions are obliged to show the example of law-abiding and ethical conduct and actively support execution of the Policy “Conflict of Interests Management.”

When being hired, all employees familiarize themselves with this Policy, fill in and sign the form “Disclosure of Information About the Conflict of Interests.” When a conflict of interests arises, each situation must be reviewed and settled.

At the end of 2019, the Company conducted an annual certification of compliance with the Code of Business Conduct and Ethics and Anti-Corruption Policy, which was attended by 509 managers of MTS PJSC.

Throughout 2019, information on 303 situations was audited and expert opinion was given in order to identify the presence of a conflict of interest. At the same time, 232 conflicts of interest were settled: 199 potential and 33 actual. In 14 cases of requests, declared conflicts of interest were found and settled earlier in 2017 and 2018.

¹ MTS PJSC Annual Report for 2017: https://moskva.mts.ru/upload/contents/10677/Annual_Report_2017_rus.pdf.

² Information about requests received at the hotline is given in the Risk Management section.

SYSTEM OF ANTIMONOPOLY RISK PREVENTION (ANTIMONOPOLY COMPLIANCE)

Since 2015, the antimonopoly compliance of MTS PJSC has been successfully functioning and developing in the light of changes in antitrust laws and trends in the development of law enforcement practice. The Company is also continuously monitoring the antitrust laws, analyzes antitrust practices and risk-prevention experience at other companies, improving its control procedures and adapting training and informational materials for its personnel.

In 2019, the Company’s management was actively involved in the business processes and development of the antitrust risk prevention system. All mandatory procedures were implemented, which were necessary for the effective functioning of the program: the annual risk reassessment was completed, which found no substantial changes in the Company’s antitrust risk map, employee consulting was performed on a regular basis, the antitrust compliance manager participated in business processes that are significantly exposed to antitrust risks: pricing, execution of agreements, cooperation with communication operators and many more.

Employee training is an important element of the compliance system. In 2019, the training of employees on antitrust requirements continued, including introduction of remote training, which made it possible to expand training geography and involve more employees compared to previous periods. The Company regularly communicates information about antitrust requirements to employees, using various formats of such communication to achieve maximum effect. The ultimate goal of this work is not only to provide employees with theoretical and practical knowledge in the field of antitrust regulation, but also to develop “zero tolerance” to violations of antitrust laws within the Company. The MTS PJSC also operates the “Unified Hotline,” where employees and other persons may report a violation of antitrust compliance.

The antitrust risk prevention system is constantly optimizing in order to comply with the development of the MTS PJSC business strategy and with the changes in the regulatory environment. In 2020, there are plans to pay

special attention to digital markets – due to both development of new Company’s business directions and modernization of the legal landscape (the expected adoption of acts governing digital markets).

INSIDE COMPLIANCE

MTS PJSC, being a company striving to maintain a high level of corporate governance, whose securities are being traded in Russia and the US, pays great attention to maintaining an effective system of insider compliance.

The person responsible for exercising control over compliance with the requirements of legislation on the use of insider information has been appointed in the Company: the Director of the Corporate Law Department.

The Company operates the system of measures, processes and procedures aimed at preventing breaches of legislation on the usage of insider information built with due account of best Russian and international practices.

In compliance with the requirements of the Russian legislation, the Company adopted the Policy “Compliance with Insider Information Legislation” and, in compliance with applicable US requirements, the Regulation “On Principles and Procedures Relating to the Prevention of Transactions Using MTS Insider Information.” These regulatory acts establish the procedure for usage of insider information, access procedures, regulate the procedure for maintaining the insider list, list of insider information, impose certain prohibitions and liability for insider transactions as well as define the procedure for submission of information upon requests from the Bank of Russia and the Moscow Stock Exchange.

MTS PJSC PRINCIPLES WITH RESPECT TO TRANSACTIONS INVOLVING THE USE OF INSIDER INFORMATION



1. None of the officers, directors, or employees of the Company possessing insider information relating to securities shall have the right to buy or sell these securities, directly or through relatives or other persons, irrespective of whether the issuer of such securities of the Company or any other public company.



2. No officer, director, or employee of the Company shall sell or purchase securities of the Company during the period commencing on the first day of the financial quarter of the Company and ending two business days after the publication of data on the Company’s revenue for the previous fiscal quarter (hereinafter the “Closed period”), except for exercising options not related to the sale of securities of the Company.



3. Transactions involving securities of the Company may be made not earlier than on the third business day after public disclosure of financial results for the fiscal quarter or year, subject to other restrictions contained in the Regulation “On Principles and Procedures Concerning the Prevention of Insider Trading of MTS.”



4. Under no circumstances shall insider information be transferred by officials, directors, and employees of the Company, directly or through other persons, to third parties outside the Company or even to persons within the Company, except for those who need to know such information.



5. If a person has doubts as to whether it they are allowed to make a transaction or not, it is better to refrain from the transaction.



In accordance with best practices, the Company set limits for all employees regarding the performance of operations involving MTS PJSC securities in so-called “closed” periods. Another “closed” period starts on the first day of every financial quarter and ends two business days after the publication of MTS PJSC financial results for the preceding financial quarter.

In order to ensure compliance with the requirements for “closed” periods, the system provides for quarterly reporting (twice per quarter) of employees and members of management bodies on their beginning and end. In addition, special calendar has been created in a special information system for members of the management bodies, which contains up-to-date information on the current “closed” or “open” period.

Since 2014, a full-time regular training program for all of the Company’s insider employees has been operating in the Company, covering their duties, the requirements and prohibitions of applicable legislation on the use of insider information, as well as the procedures for insider-information protection in place at MTS PJSC. In addition, when being hired, each employee reads Company’s regulatory documents aimed at preventing violations of insider laws.

The Company is aware of the severity of the sanctions which may be applied to any employee in case of a violation of insider legislation. Therefore, in order to prevent such negative consequences, in 2017, an interactive course was developed and launched for all company employees, dedicated to insider-law fundamentals.

Risks related to the violation of insider legislation are recorded in a specialized automated system and are reevaluated on a quarterly basis.

Russian regulation in the field of preventing insider trading has its own specifics. For example, the Company keeps a list of its insiders in this regard. It includes individuals and legal entities.

In order to maintain an effective inside compliance program, the Company audits program’s controls: annually – via employees involved in ensuring the functioning of the inside compliance program (verifying fulfillment of individual requirements of the inside compliance program); as necessary (taking into account the risk-based approach) – via the internal audit division headed by a person accountable to the Board of Directors.

In 2018 project was completed for audit of internal business processes and building of a formalized risk map in the field of inside compliance, and the main areas for the development and optimization of control procedures were identified. In 2019, we started to implement a number of measures to develop our insider compliance system, including bringing the system in line with the changed legislation.

PERSONAL-DATA PROCESSING ORGANIZATION

In 2019, the Company made every effort to improve approaches to the personal data processing in light of the ongoing transformation of business processes. In order to optimize work with foreign counterparties, a standard document has been approved that allows for the exchange of information with counterparties in the legal field.

In the acquired and newly organized subsidiaries, work is underway to build processes for organizing the personal data processing and implementation of regulatory documents.

Furthermore, the main elements of the compliance program kept developing in 2019. In particular, the Compliance Program participated in holding the 2019 Day of Ethics and Compliance at the CC and in the regions: some questions on the process of personal-data processing were prepared for the quiz, a memo for employees was published on the “Latest Personal-Data Issues.” Within the process of rising awareness of Company employees in the field of personal data processing, 3576 MTS PJSC employees completed the remote training course “Personal Data Processing in MTS PJSC” in accordance with requirements of the Federal Law No. 152.

Risks associated with violation of the legislation on personal data are taken into account in the Company’s risk management system and are reassessed quarterly.

COMBATTING THE LEGALIZATION (LAUNDERING) OF CRIMINAL PROCEEDS, THE FINANCING OF TERRORISM AND/OR FINANCING OF THE SPREAD OF WEAPONS OF MASS DESTRUCTION (CML/TF/MDWSF)

The CML/TF/MDWSF program has been developed in accordance with applicable legislation, which is monitored on a regular basis.

As part of the compliance program’s activities implementation, the Department of Regional Security conducts a daily audit of the subscriber base to check whether some of the subscribers are included in the list of terrorists/extremists. When the Company’s subscribers conduct high risk operations, a check is carried out using the base of invalid passports and a list of terrorists/extremists.

The Company also carries out daily monitoring of the termination of communication-service contracts with repayment of the balance, as well as monitoring other suspicious subscriber transactions in accordance with Order No. 103 of the Federal Service for Financial Monitoring dated 05.08.2009 “On the Approval of Recommendations for Development Criteria for the Definition and Identifying Signs of Unusual Transactions.”

On an ongoing basis, events are held to inform regional leaders on the implementation of CML/TF/MDWSF legislation requirements.

- In 2019, the Company:
- > approved the new version of its Policy “Rules of Internal Control for the Purposes of Counteraction of the Legitimization (Laundering) of Proceeds of Crime and the Financing of Terrorism”;
 - > approved the list of positions of Company’s employees who must be trained in the field of CML/TF/MDWSF, via the order of MTS PJSC President. External training for 19 senior managers was organized;
 - > an effective section “Countering Money Laundering” was published on the Company’s internal website; and
 - > the process of checking candidates and current employees in the List of Terrorists/Extremists has been automated.



HEALTH AND SAFETY MANAGEMENT SYSTEM¹

Personnel safety is the main component of corporate social responsibility of the Company.

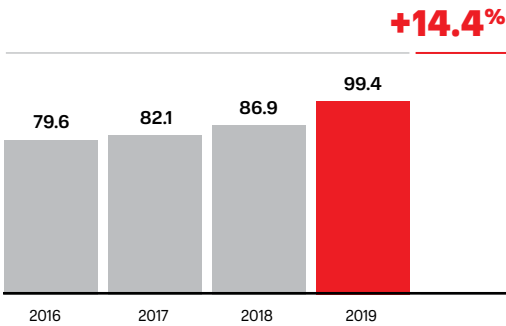
When building “Health and Safety Management System” compliance program, the Company is guided by the applicable Russian and international legislation, as well as by local regulatory documents on labor protection.

The Company operates a two-tier system of H&S management, focused on creating a safe working environment, prevention of occupational injuries and personnel training of safe work rules.

As part of the compliance program, the following activities were carried out in 2019:

- › special assessment of working conditions and production control;
- › procedures for identification, assessment and management of professional risks;
- › medical examinations;
- › training of employees and experts in the field of health-and-safety;
- › provision of the employees with the special clothing, safety shoes and other personal protective equipment;
- › various activities and communications in order to increase employee awareness of health and safety;
- › control procedures of various levels; and
- › interaction with regulatory authorities.

\\ Total Amount of Health-and-Safety Expenses in 2019, RUB mln



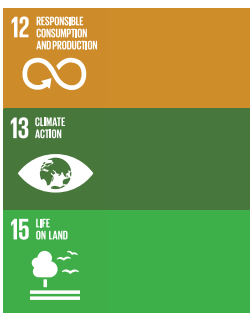
ENVIRONMENT²

In its activities, MTS PJSC strives not only to have a minimal impact on the environment, but also to reduce this impact to the best of its ability. In achieving this objective, the Company is guided by environmental legislation and principles of responsible business conduct, and strives to improve the environmental culture of employees and partners and to implement services based on advanced technologies.

Within the framework of the “Environment” compliance program development in 2019, The Administrative Unit is defined as the functional unit in charge of ensuring environmental safety and protection at the facilities under the jurisdiction of the Technical Unit, provided that the Technical Unit submits the required information.

As of the end of 2019:

- › compulsory periodic training for persons responsible for ecological safety and directors of branches was conducted;
- › all branches completed in a timely manner the required reporting to the executive authorities: to the Federal Service for Supervision of Natural Resources and the Federal State Statistics Service;
- › 27 facilities with negative environmental impacts were registered at 9 branches;
- › a new system was introduced for the accumulation of paper waste in offices due to enactment of new waste handling requirements;
- › inventory of administrative facilities was implemented with the purpose to inspect availability of environmental documents at all facilities as specified in the existing legislation of the Russian Federation; and
- › experts in the field of environmental protection and safety analyzed all categories of products/ works/services of the Company as specified in the “Procurement” Policy to determine their impact on environmental protection and safety.



HUMAN RIGHTS AT THE WORKPLACE

MTS PJSC fully shares the universally recognized world-wide approach to the observance of human rights, and seeks to guarantee and protect human rights through the continuous improvement of the feedback system.

In 2019, the Company continued to develop the compliance program “Human Rights at the Workplace” in accordance with the recommendations received as part of the self-assessment of the Company’s activities for compliance with ISO 26000:2010 “Guidelines on Social Responsibility” and the results of the assessment of compliance risks at the business process level. The audit was conducted by an external consultant. In addition to the generated risk maps, recommendations were given to the program to improve the control environment. The results of the risk assessment are taken into account in the Company’s overall risk management system and are reviewed on a regular basis.

As of the end of 2019:

- › an updated mandatory vendor’s questionnaire was introduced, containing questions about the observance of human rights;
- › work continued in the area “inclusion and formation of a comfortable environment when interacting with people with disabilities,” namely:
 - an audit of several offices of the Company and showrooms of RTK JSC was carried out, including adjacent territories, for their accessibility for people with various forms of disabilities and other population groups with limited mobility (Moscow);
 - webinar “Understanding disabilities and proper communication with disabled people” was broadcast and recorded;

- educational activities for people with disabilities, including hearing disabilities, were implemented: Theater for All “Beyond Silence,” festival of volunteer puppet theaters “Puppet FEST.”

- › the “Human Rights at the Workplace” section was created at the internal corporate portal;
- › as part of the 2019 Ethics and Compliance Day, a quiz was held on the topic of respect for human rights among employees;
- › within the framework of the Human Rights Day, a webinar “Who is right, who is to blame? Know your rights!” was held for employees;
- › activities for training on sustainable development were held:

- open conference of MTS PJSC “Responsible business. Be better every day” with the participation of employees and top managers of the company, involved external experts in the field of sustainable development and vendors. A Sustainable Development Report of the MTS Group for 2018 was presented within the framework of the conference, and
- practical conference of MTS PJSC “Sustainable development. Be better every day!” – An annual training event for MTS Group employees responsible for implementing social projects. Case studies and examples of creating corporate responsibility programs were reviewed, the topic of respect for human rights was mentioned.



¹ Detailed information on the program is provided in the section “Our Employees.”
² Detailed information on this area is disclosed in MTS PJSC Sustainability Report: <https://moskva.mts.ru/about/socialnaya-otvetstvennost/novosti-i-otcheti/otchet-ustoychivogo-razvitiya>.

03\

CORPORATE GOVERNANCE

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REPORT BY THE BOARD OF DIRECTORS

RESULTS OF THE YEAR IN THE CONTEXT OF IMPLEMENTING THE COMPANY'S STRATEGY

The Board of Directors of MTS PJSC is responsible for a wide range of issues of strategic importance for ensuring a sustainable development of the company, as well as issues related to the protection of rights and interests of the investors, interaction with the management and compliance with corporate governance standards.

Throughout 2019, MTS Board of Directors met 16 times in the form of in-person meetings and absentee voting to make decisions on key issues. Furthermore, a large number of issues that do not require a direct approval by the Board were considered in the framework of 6 specialized committees.

One of the most important managerial decisions of the past year was the adoption of a new strategy developed by MTS management called “Customer Lifetime Value 2.0” (CLV 2.0). In accordance with this concept, we concentrate on the client, on their life, values and daily needs. We build up an ecosystem of digital products around him, aimed at satisfying as many of these needs as possible, we strive to increase the frequency of use of our services by the client, increase user loyalty and the time a user spends in our ecosystem. As a result, over the course of long-term interaction between the company and the client, we get the opportunity to transfer more value to the client and in turn receive more value from the client¹.

Despite a significant semantic difference from the previous strategy “3D: Data. Digital. Dividends.”, the principle of continuity is observed in the concept “CLV 2.0.” We build our digital future on a solid foundation of the highest-level telecommunication infrastructure, combined with competencies, processes and products developed in the course of evolution of Digital-field business areas.

The key to successful implementation of the strategy is the optimal organizational structure of the company, built up taking into account current goals, objectives, external and internal conditions. We paid special attention to the construction of such a structure as part of the digital transformation process that was the most intensive during 2018 and 2019.

It is important to remember that in 2018 our company moved from a functional to a product-oriented management structure in the digital areas of business. At the same time, the responsibility for most tasks related to the development, positioning and further modernization of digital products was assigned to specialized product teams united in turn into larger structures, which we call business directions. This process continued in 2019; we extended the product logic to all areas of direct contact with the user and generate customer experience. Product business directions formed in this way are called verticals and functional divisions serving them are called horizontal. As a result, we received a structure close to the matrix, which we believe allows us to combine the functional competencies and the competencies of forming an advanced customer experience in the best possible way.

To date, the organizational structure as a whole has been formed and all key appointments have been made by decisions of the Board. This does not mean, however, that the company is transitioning to a kind of static state. We carefully monitor the results of work of divisions and are ready to respond promptly in case of a need for further transformations. In any case, management efforts in the near future will be aimed at finer tuning of the internal architecture of the business directions, and work will continue to develop a corporate culture aimed at innovation.

Another important area of business of the Board in 2019 was the area of M&A transactions. The most important thing here was the project for acquisition and integration of MTS Bank PJSC

that has strategic importance for us to strengthen our position in the promising field of financial services. A special committee under the Board that was formed to implement this project conducted a comprehensive analysis of the terms of the transaction and made sure that the interests of all parties (including shareholders of both companies) were respected in the repurchase of MTS Bank shares and in the course of management structures merging.

Another important transaction was the sale of a number of assets in Ukraine. In our opinion, this step will allow MTS to concentrate more on intensive growth in the digital sphere, to reduce the level of risks and to expand the possibilities for the core business funding.

The Board also approved participation as a shareholder in a number of companies operating in various promising digital directions, which is consistent with our general strategy for shifting the business focus towards high-tech areas.

For a long time, MTS PJSC has been continuously demonstrating absolute reliability in terms of observing the rights and interests of shareholders and ensuring the approved scope of dividend payments. In 2019, the Board of Directors adopted the Dividend Policy Regulation in new revision, which confirms the objectives we adopted earlier.² It should be noted that the desire to translate the cash flow generated by the company into a shareholder value is our fundamental objective and an integral part of the management culture.

¹ Detailed information on the strategy is provided in the “New Strategy” section.

² Detailed information on the company's dividend policy is given in the section “Interaction with Shareholders and Investors

The following can be noted among other issues considered by the MTS Board of Directors in 2019 and the respective decisions made:

- › In addition to the basic corporate strategy, the Board reviewed and made decisions regarding the strategies of individual business areas. Also, promoting the MTS right to form its position as a shareholder, the Board reviewed reports on performance results and strategies of subsidiaries.
- › In order to ensure the continuity of cash flow, the proper level of company funding and to maintain the optimal structure of debt and the level of debt burden, decisions were made regarding the attraction of borrowed funds.
- › The MTS budget and capital expenditures program have been reviewed and approved.
- › In a number of the most significant and sensitive business areas, the reports on results of activities therein were reviewed in order to monitor the effectiveness of company’s work.
- › A program of motivation and long-term material incentives for employees was considered and adopted in order to ensure a high level of labor productivity and quality of company management. A comprehensive and qualified assessment of the effectiveness of company management was also given.
- › Following the best corporate governance practices, the Board considered a number of issues related to functioning of the internal audit, control and compliance system, as well

as the risk management system. A special compliance committee has been formed under the Board.

- › Within the framework of ensuring the rights and interests of shareholders, all necessary procedures for convening meetings of shareholders have been carried out; the necessary materials have been prepared to provide information about the results of the company's activities; and voting has been provided on all issues requiring shareholders' approval.

It should be noted that in June 2019 there was a change in composition of the Board of Directors of MTS PJSC. Independent directors Stanley Miller and Wolfgang Schüssel, as well as Ron Sommer who served as Chairman for 10 years and whose contribution to the company's success in this eventful and challenging period can hardly be overestimated, left the Board. Antoniou Antonios Theodosiou and Valentin Borisovich Yumashev entered the updated composition of the Board in the status of independent directors; Feliks Vladimirovich Yevtushenkov was elected as the Chairman. Such limited rotation is working; it corresponds to the best corporate practices, contributes to the emergence of new ideas and views in the Board while maintaining the necessary succession in corporate governance.

Compliance with the Bank of Russia Corporate Governance Code¹

		Share of implemented principles and recommendations of the section of the Bank of Russia Corporate Governance Code
№	Code Section	
I.	The rights of shareholders and the equality of conditions for shareholders when exercising their rights	Over 95%
II.	Board of Directors of the Company	Over 90%
III.	Corporate Secretary	100%
IV.	Remuneration system for members of the board of directors, executive bodies and other key executives of the company	Over 90%
V.	Risk Management and Internal Control System	100%
VI.	Disclosure of information about the company, information policy of the company	Over 80%
VII.	Essential corporate actions	Over 85%

DEVELOPMENT OF THE CORPORATE GOVERNANCE SYSTEM AND PLANS FOR 2020

In previous years, one of the priority tasks within the framework of the Company’s corporate governance development was implementation of recommendations of the Corporate Governance Code approved by the Board of Directors of the Bank of Russia on March 21, 2014². We put a lot of effort into implementing its recommendations. It is important to remember that we fully complied with more than 80% of all principles and recommendations of the Code by the end of 2017, according to our estimates. The results of our work were evaluated by the Bank of Russia and the expert community.

For example, in 2019 our company entered the calculation base of the corporate governance index RUCGI, becoming one of the TOP 10 companies in the index.

Summing up the results of 2019, I'd like to note that we launched an external assessment procedure for the MTS Board of Directors and introduced new work practices for the Board of Directors due to implementing the strategy of ecosystem building.

Today we consider it important to maintain the achieved level of development of the corporate governance system and devote more time to its fine-tuning.³

F. V. Yevtushenkov,
Chairman of the Board of Directors, MTS PJSC

¹ A detailed report on MTS compliance with the recommendations of the Bank of Russia Corporate Governance Code is given in the Appendix to this report, "Report on Compliance with the Corporate Governance Code."
² Then follows the Corporate Governance Code, the Code.
³ More detailed information on the development of the MTS corporate governance system is given in the section "Improvement the Corporate Governance System."

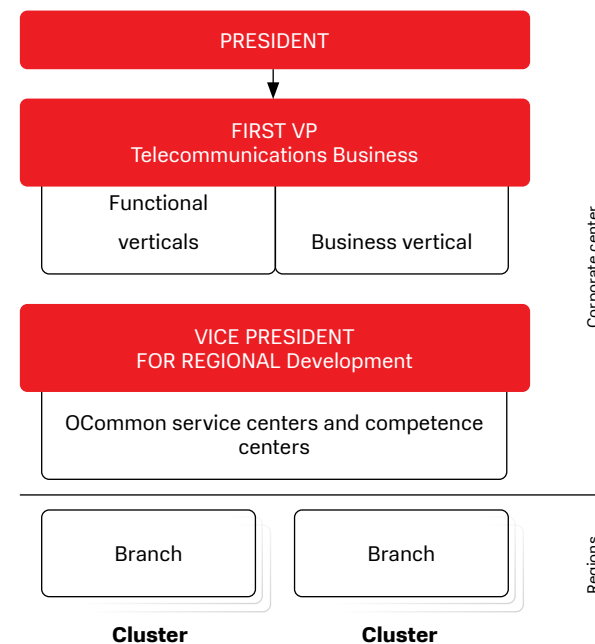
MTS GROUP GOVERNANCE SYSTEM

\\ The Group management model is formed for the purpose of building up an ecosystem strategy.

Corporate Center:

- determines common strategy of the Group, uniform standards, regulations and management procedures,
- looks for new points of growth through the development of new businesses by the creation and commercial manufacture of innovative products,
- develops strategy and implements the investment policy,
- manages the brand,
- defines operational and functional norms, regulations and key indicators for all Business Units,
- controls fulfilment of the business plan by all units of the company,
- carries out large-scale purchases of media resources, equipment, and IT products in the interests of the entire Group, and
- assists in distribution of best practices within the Group.

MTS PJSC is successfully implementing the goals on strengthening of its leadership and maintenance of high business efficiency due to an effective management of the Group.



Vice President for Regional Development carries out a strategic management of Cluster Branches

Branches exercise a day-to-day management of activities in the Region.

Coordination Commissions by the main areas of activities are operating for the discussion of strategic and operational issues at the expert level.

Moscow region and MGTS

Formation of a single structure of commerce and marketing management in Moscow and the Moscow Region

A tariff and a product line were formed, a single sales scheme for all market segments was agreed upon, and sales of communication services on behalf of MTS were launched.

MAIN BUSINESS AREAS OF THE GROUP

Telecommunications

Key competences, core business. Our accumulated intellectual, organizational and management potential is used as the basis for identifying points of growth on adjacent markets, using the synergistic effect of interaction with the parent company.

Retail (MTS Retail Chain)

is a key channel of customer involvement and service. Our subscribers can always receive in MTS offices a full range of services provided by the operator, including of services of the broadband access to the internet and television. Home retail chain of MTS, having combined the capabilities of telecommunication and banking technologies, is a key integration tool of the operator and MTS bank. Using this channel to sell financial services and promote the consumption of data-transfer services, including by selling our own range of branded subscriber devices, encourages an increase in operational efficiency.

VERTICALS ALONG SEPARATE BUSINESS AREAS OF THE GROUP ARE FORMED TO BUILD UP COMPETENCIES AND TO RESEARCH THE POSSIBILITY TO ACHIEVE SIGNIFICANT SYNERGIES

Cloud and digital solutions for the business market

A new vertical combines Cloud, IoT, and System Integration areas

Development of the strategic business area M2M/IoT Providing cloud services for large business in all regions of operation in Russia. Cloud platform, own, branched network of trunk and city communication channels and purchase of cloud provider IT Grad and Advantage DC.

Provision of complex services in the field of IT, communication and system integration

Bank and Financial Services (MTS Bank)

An increased share in MTS Bank authorized capital allowed us to become an integrated provider of telecom and financial services, use the synergy of the two areas to increase the loyalty and monetization of customers, become the first provider of financial services for the largest subscriber base in Russia in order to increase the loyalty and service life of subscribers and boost ARPU. A unified vertical to manage Group's financial services was created.

MTS Media

Development and operation of a TV platform, production and purchase of content, all types of TV (Satellite, OTT, cable, analog TV, and IPTV)

Customer Experience and Marketing Unit

Integrated CRM and CLV management, MTS Cashback loyalty system

Telecommunication Business Unit

Sales and Service Channels

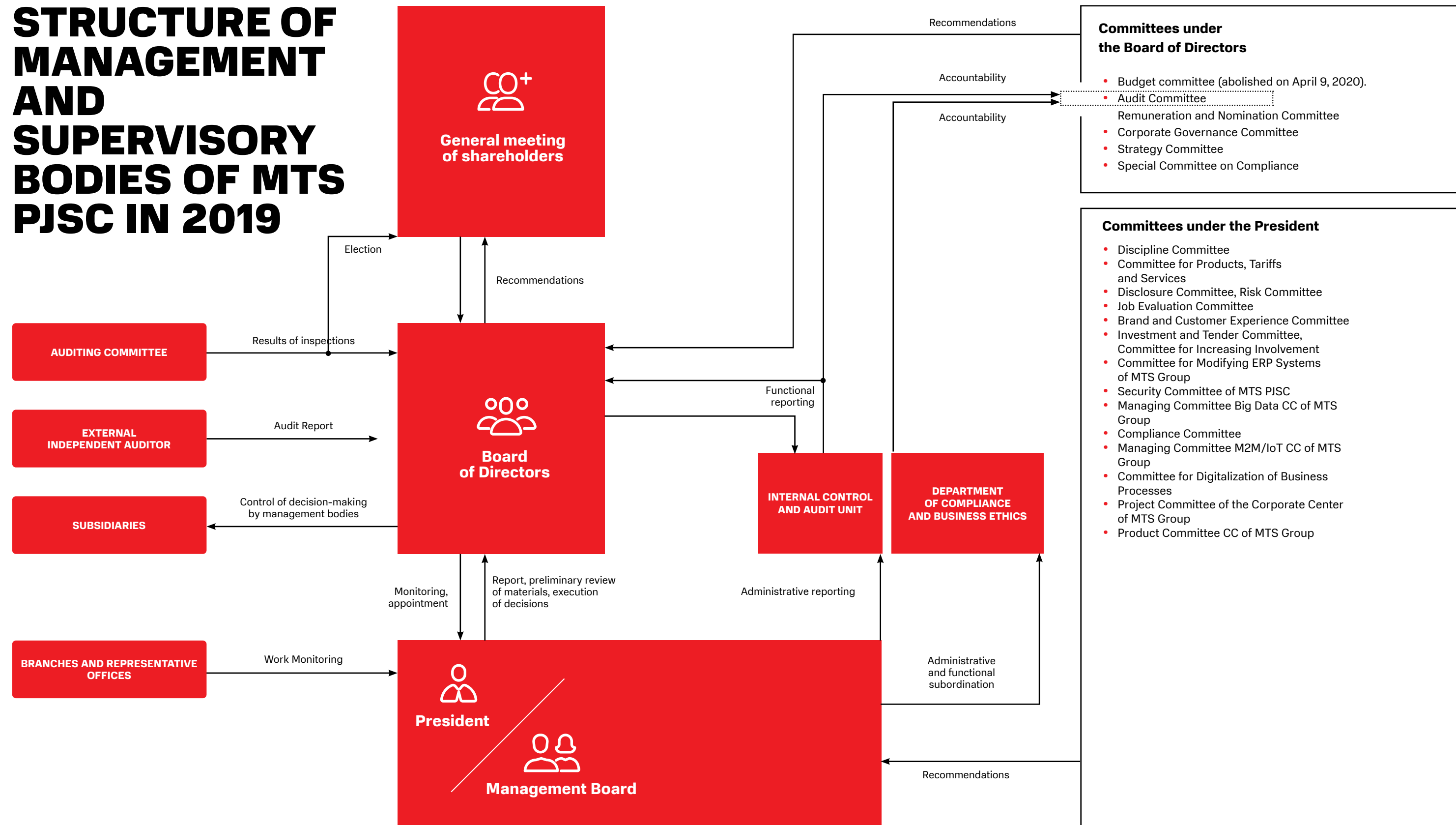
KEY FUNCTIONAL SUBSYSTEMS

Design and development of billing platform (MTS-IT)

Ensuring a unified structure engaged in development of the billing system and some other key IT systems, for all business verticals, simplification and acceleration of software-product testing processes and the optimization of internal IT expenses. Single ID.

BigData и AI

STRUCTURE OF MANAGEMENT AND SUPERVISORY BODIES OF MTS PJSC IN 2019



Management bodies

General Meeting of shareholders	<p>Higher Governance Body of MTS PJSC</p> <p>Procedure for the General Meeting of Shareholders is aimed at assurance of adherence to the rights of shareholders, and meets all the requirements of the Russian Federation legislation. Procedure for the preparation, convocation, holding and summarizing of results of the General Shareholders' meeting is defined by the Chart and Regulation on the General Meeting of MTS PJSC Shareholders.</p> <p>https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenty-pao-mts/polozhenie-obobshhem-sobranii-akcionerov-paomts/</p>
Board of Directors	<p>The Board of Directors carries out general management of MTS PJSC activities. It is a key element of the corporate governance system of the Company, representing the interests of shareholders through an effective management organization. Establishment procedure, status, composition, functions, purposes and goals, powers of the Board of Directors, its operating procedure and interaction with other management bodies of the company are determined by the Charter and Regulation on the Board of Directors of MTS PJSC</p> <p>https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenty-pao-mts/polozhenie-osovete-direktorov-paomts/</p>
Management Board	<p>Collective executive body of MTS PJSC</p> <p>It organizes the effective day-to-day management of current activities of the Company, including the implementation of decisions taken by the Board of directors within its current competences. The number and identities of Management Board members is approved by the Board of Directors upon a proposal by the President. The Management Board Chairman is the President of the Company. The Management Board follows the Charter and the Regulation on Management Board of MTS PJSC in its activities</p> <p>https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenty-pao-mts/polozhenie-opravlenii-paomts/</p>
President	<p>The sole executive body of MTS PJSC who exercises a day-to-day management of the company's current activities. The activities of the President should ensure the profitability and competitiveness of the Company, its financial and economic stability, enforcement of rights of the shareholders and social guarantees of Company's employees. The President governs the Company's activities in accordance with the Charter and the Regulation on President of MTS PJSC</p> <p>https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenty-pao-mts/polozhenie-o-prezidente-pao-mts/</p>

Internal Control System

Audit Committee under the Board of Directors	<p>The Audit Committee is a collegial advisory body of the Board of Directors that reviews issues related to the monitoring of risk-management and internal-control system's performance, compliance and corporate governance system, reliability of the financial statements of MTS Group, the independence and objectivity of internal and external audit functions performance, consideration of nominees and assessment of the performance of external auditors, and also provides recommendations to the Board of Directors for it to make decisions on such issues</p>
Audit Committee under the Board of Directors Auditing Committee	<p>The Auditing Committee is a permanent elective body of the Company, exercising periodic control over the financial and economic activities of the Company, and the activities of its management bodies and officers. Its activities are regulated by the Charter and the Regulation on Auditing Committee of MTS PJSC</p> <p>https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenty-pao-mts/polozhenie-orevizionnoy-komissii-paomts/</p>
Internal Control and Audit Unit	<p>The Internal Control and Audit Unit is an independent structural subdivision of MTS PJSC and consists of the Internal Audit Department, Control Department, Methodology and Coordination Department.</p> <p>https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/kontrol-i-audit/</p> <p>The Head of the Internal Control and Audit Unit is the Director for Internal Control and Audit who is functionally subordinated to the Board of Directors of MTS PJSC, and administratively subordinated directly to the President of MTS PJSC.</p> <p>https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenty-pao-mts/politika-vnutrenniy-kontrol-i-audit/</p> <p>The objectives, tasks, obligations, principles of functioning and powers of the Internal Control and Audit Unit are set in the "Internal Control and Audit" Policy. The Internal Control and Audit Unit carries out its activities while complying with the mandatory guidance of the international Institute of Internal Auditors, which includes the Main Principles of Professional Practice of Internal Audit, Code of Ethics, International Professional Standards of Internal Audit and Internal Audit Definition.</p>
Department of Internal Control Systems	<p>The Internal Control Systems Department is a business unit, which is included in the Finance Unit of MTS PJSC Corporate Center and is comprised of the Department for Developing ICS in Key Business, theDepartment for Developing ICS in Integrated Business, the Department for Developing ICS in Financial Technologies and Commerce, Groups for ICS Certification and General Methodology. The Department of Internal Control Systems is headed by the department director, who is directly subordinated to the Management Board Member, Vice-President for Finance, Investments, Mergers and Acquisitions of MTS PJSC and is accountable to the Audit Committee under the Board of Directors of MTS PJSC.</p>
Department of Compliance and Business Ethics	<p>The Department of Compliance and Business Ethics is an independent business unit consisting of the Department for Risk Assessment and Operational Support, the Group for Transaction Compliance and Integration of Compliance in subsidiaries, a Center for Interaction with Regulators, a Functional Group for Statutory Regulation, a Functional Group for Internal Investigations, and a Functional Group for Compliance in Communications and Training. The Vice President for Business Ethics and Compliance is directly subordinate to the President of MTS PJSC and is accountable to the Audit Committee of the Board of Directors and the Board of Directors of MTS PJSC. The activities of the department are regulated by the Regulations on the Department of Compliance and Business Ethics</p>
Auditor	<p>Independent assessment of reliability of accounting (financial) statements of the Company. In order to audit and approve the annual financial statements of the Company, the General Meeting of Shareholders annually approves the Auditor</p>

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the supreme management body of the Company, exercising its activities in accordance with provisions of the Company’s Charter, Regulation on the General Meeting of Shareholders of MTS PJSC,¹ and the requirements of the legislation of the Russian Federation.

In making decisions at the General Meeting of Shareholders, the Company’s shareholders take part in governance over the Company and may significantly influence its business. In particular, powers of the General Meeting of Shareholders on their meetings encompass the approval of annual report and financial statements, distribution of profit, including payment of dividends, election of key management and control bodies of the Company, approval of significant deals and a number of other important matters.

Procedure for the General Meeting of Shareholders is aimed at assurance of adherence to the rights of shareholders, and meets all the requirements of the Russian Federation legislation.

NOTIFYING SHAREHOLDERS ON THE HOLDING OF THE GENERAL MEETING OF SHAREHOLDERS

Shareholders shall be notified on holding of the General Meeting of Shareholders through publication of this information at the official website of the Company (www.mts.ru) at least in 30 (thirty) calendar days before its date.

The message on conductance of the General Meeting of Shareholders may be additionally sent to the persons entitled to participate in the General Meeting of Shareholders and registered in the Company’s shareholders register, by registered mail to the address specified in the register of the Company’s shareholders, or delivered personally to such persons against signature simultaneously with sending or handing over the voting ballots.

With regard to recommendation of the Corporate Governance Code, aimed at creation for the shareholders of best possible conditions for participation in the General Meeting; model proxy form shall be published at the official website of the Company.

Within the framework of preparation to the General Meeting of MTS Shareholders, the shareholders get the opportunity to ask members of executive bodies and Board of Directors on issues of the agenda of the General Meeting of Shareholders, and to voice their opinion on issues of the Meeting’s agenda by sending e-mails to the address: shareholder@mts.ru.

The Company tries to present materials for the General Meeting in a comprehensible form. That is why we create a special section (micro-site) dedicated to the Annual General Meeting of Shareholders where we publish required documents (presentations, document comparisons, comments to them, details on candidates) and provide an access to the online broadcasting of the Annual Meeting.

HOLDING THE GENERAL MEETING OF SHAREHOLDERS

Shareholders may implement their voting right by most simple and convenient for them ways without any encumbrance. Voting at the General Meetings of Shareholders is carried out through a direct participation in the meeting or filling and sending to the Company (and to its registrar) of ballots for voting on the agenda issues.

Organization and holding of the General Meetings of Shareholders shall be arranged in a way allowing for easy access of all the shareholders. General Meetings held in the form of joint attendance shall be organized only in the city the Company is located (in Moscow) at addresses convenient for coming and personal participation of the shareholders and their representatives.

Over the past years, the Company has been giving its shareholders the opportunity to follow the meeting in real time on the MTS website. Video record of the meeting is available after the end of the meeting on the MTS website in the “General Meetings of Shareholders” section. Besides, activities allowing to demonstrate innovative technologies of MTC and to receive consultation on various projects of the Company were arranged during the registration of shareholders.

ELECTRONIC SERVICES FOR SHAREHOLDERS

In 2019, the successful experience in using e-voting through the internet when holding meetings of shareholders was continued. For the first time MTS shareholders voted electronically at the extraordinary general meeting of shareholders on September 30, 2016. For four years of using e-voting, the number of shareholders voting through the internet increased almost 7 times. At the annual General Meeting of Shareholders on June 27, 2019, 26% of those participating in the meeting voted electronically.

For remote participation in the annual and extraordinary General Meetings of Shareholders on June 27, September 30 and December 30, 2019, MTS shareholders used convenient online

services developed by the MTS registrar, NRK — R.O.S.T. JSC: Personal Account of MTS shareholder and Shareholder.online mobile app. With their help they received notifications about start of voting, studied the materials and other useful information, voted online. There is also special functionality to report to the Presidium of the meeting in the personal account and mobile app.

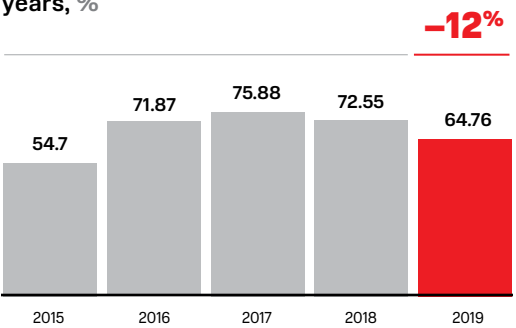
During the annual General Meeting of MTS shareholders on June 27, 2019, the shareholders through the MTS shareholder’s personal account not only watched progress of voting in online mode, but also observed the meeting broadcasting in real time mode from the screens of their gadgets.

GENERAL MEETINGS OF SHAREHOLDERS IN 2019

\\ Three General Meetings of Shareholders were conducted in 2019.

Annual General Meeting of MTS PJSC shareholders on June 27, 2019 in the form of joint attendance (Minutes No. 45 dated June 27, 2019)	The Annual General Meeting of Shareholders approved the Annual Report for 2018 and annual accounting statements for 2018. A decision on profit distribution was made and dividends were announced following the results of reporting year 2018. New compositions of the Company’s Board of Directors and Auditing Committee were elected. Company’s auditor was appointed. The Regulation on the General Meeting of MTS PJSC was approved in new revision. The Regulation on the General Meeting of Shareholders of MTS PJSC has been brought into compliance with the updated rules of the Bank of Russia on the procedure for preparing and holding general meetings of shareholders
Extraordinary General Meeting of MTS PJSC shareholders September 30, 2019 in the form of absentee voting (Minutes No. 46 dated October 1, 2019)	At the extraordinary General Meeting of Shareholders, a decision was made on the distribution of profits (payment of dividends) of MTS PJSC based on the results of the first half of 2019
Extraordinary General Meeting of MTS PJSC shareholders December 30, 2019 in the form of absentee voting (Minutes No. 47 dated December 31, 2019)	At the extraordinary General Meeting of Shareholders, a decision was made on the distribution of profits (payment of dividends) of MTS PJSC based on the results of 9 months of 2019

\\ Quorum of MTS PJSC Annual General Meeting of Shareholders over the past 5 years, %



Registrar
The decision of the Board of Directors of MTS PJSC dated December 19, 2019, approved the Reestr Joint Stock Company as the registrar of MTS PJSC (location: 129090, 20, Building 1, Bolshoy Balkansky Lane, Moscow, Russian Federation; the license to keep register of securities owners No. 045-13960-000001).

On April 10, 2020, the Reestr JSC registrar began to keep the register of shareholders of MTS PJSC.

¹ <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenti-pao-mts/polozenie-obobshhem-sobranii-akcionerov-paomts/>

BOARD OF DIRECTORS

A high-quality corporate governance system and an efficiently operating Board of Directors are the most important prerequisites for long-term sustainable development in a modern company.

In companies aimed at long-term successful development, the role of the Board of Directors increases dramatically since the Board of Directors have to act reasonably and in good faith for the benefit of the company and its shareholders.

The Board of Directors is a strategic management body, whose main objective is the implementation of general (directing) management of the company's activities, as well as the execution of supervisory and overseeing functions. First of all, its competences include the most important issues of the Company's management, such as strategy definition, investment and budget planning, developing management motivation and assessment system, as well as supervision of the company's assets, reliability and effectiveness of risk management systems, internal control, internal audit and corporate governance system.

The Board of Directors of MTS PJSC exercises general governance over the Company's activities in accordance with the provisions of the Company's Charter, Regulation on the Board of Directors of MTS PJSC,¹ and the requirements of the legislation of the Russian Federation.

The main purposes of the Board of Directors are:

- › development and analysis of general corporate strategy, control over its implementation;
- › providing for the control over executive bodies and chief executives of the Company, and assessment of their activities;
- › increasing the capitalization of the Company, expanding its market positions, achieving and preserving the Company's competitiveness;
- › maintenance of a stable financial standing, increasing revenues and profitability; and
- › protection of rights and lawful interests of the Company's shareholders.

COMPOSITION OF THE BOARD OF DIRECTORS

The composition and structure of the Board of Directors affects its performance, and thus performance of the entire Company; this being said, the important aspect is the balance of the composition in terms of qualifications of its members, their experience, knowledge and business qualities. A member of the Board of Directors should, first of all:

- › be able to communicate effectively with people
- › participate efficiently in a discussion,
- › understand the difficult situation based on the information prepared by management, relying on his experience and ability to quickly analyze information, checking responses to the questions asked.

The quantitative composition of the Company's Board of Directors is permanent. The Board of Directors was elected at the annual General Meeting of MTS PJSC Shareholders on June 27, 2019, and for the duration of 2019 it consisted of 9 members. Such number of members of the Board of Directors makes it possible to form the composition, which is balanced from the point of view of professional qualification, experience and business skills of the members of the Board of Directors, to provide high efficiency of work and fully meets the needs of the Company and interests of the shareholders. Issues related to the needs of the Board of Directors in the field of professional qualification, experience and business skills of the members of the Board of Directors, and also to the quantitative composition, were considered within the framework of the procedure for assessment of the Board of Directors' work (in more detail – section "Assessment of the Performance of the Board of Directors").

A high-quality corporate governance system and an efficiently operating Board of Directors are the most important prerequisites for long-term sustainable development in a modern company..

Independent directors should be included in the composition of the Board of Directors for effective implementation of its functions and making informed, grounded decisions, ensuring control over management in the interests of the company's owners. Independent directors allow to ensure a reasonable balance of interests of all the parties concerned: the Company itself, its shareholders and other concerned parties. For the independent directors to be able to influence the decisions taken by the Board of Directors, their number must be equal to at least one third of the total composition of the Board of Directors. In this regard, the number of independent directors in our Board of Directors is over one third.

In June 2015, the number of independent directors in the Board of Directors was increased to four. The increase of the independent directors' number allows the independent standpoint within the Board of Directors to exercise greater influence on the business decisions taken, on the Company's corporate policy and strategy.

Criteria of independence of the Board of Directors' members are defined in the Regulation on the Board of Directors of MTS PJSC¹ and correspond to state-of-the-art international practices of corporate governance.

NYSE listing also adds additional obligations for us related to the composition of the Board of Directors: the Company is required to have at least one member of the Board of Directors (in the Audit Committee) with expertise in accounting or relevant financial management experience (financial expert). The Audit Committee of the Board of Directors is headed by Thomas Holtrop, who has experience and knowledge in the preparation, analysis, assessment, and audit of financial statements.

According to recommendations of the Code, the key committees (Audit, Remuneration and Nomination) are formed exclusively from independent directors. Other committees include at least two independent directors.

For key projects, the Board of Directors establishes Special Committees, which also include independent directors. For example, a committee like this, consisting only of independent directors, was established in 2018 for the project envisioning MTS PJSC's share increase in the authorized capital of MTS Bank PJSC.

An important factor for the company is the professional experience and reputation of its independent directors. As a rule, it is the care for reputation and professionalism of a person that help him take very seriously the work in the Board of Directors, observe the principles of absence of conflicts of interests, carefully study the materials and make informed decisions when voting at meetings of the Board of Directors.

From the moment the Board of Directors included independent members their role and contribution to representation of interests of our Company got stronger.

Independent Directors participate in strategic sessions for discussing the Company's strategy update with participation of the Board of Directors members, representatives of the majority shareholder and managers of the Company. Following the strategic sessions results, the matter of update of the Company's strategy and development plan shall be presented to the Board of Directors for consideration.

Independent Directors are actively involved in preliminary discussions of many related-party transactions which are important for the Company. The Company has also implemented a practice of preliminary review of a series of related-party transactions, including transactions with companies in AFK Group (a majority shareholder), at meetings of the Audit Committee under the Board of Directors consisting only of Independent Directors. As common practice shows, this noticeably facilitates the work of independent Board of Directors members as to approval of and agreeing upon transactions.

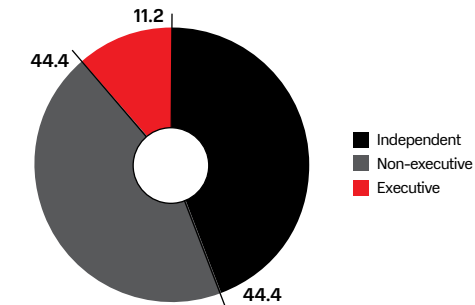
Our Independent Directors are professional managers, whose experience and knowledge make a significant contribution to the development of the Company's corporate governance system. Mastering of the best practices, great managerial experience, understanding of business needs and HR management specifics, proactive approach, strategic thinking, openness in discussions: all this makes an invaluable contribution not only to the results of the activity of the Board of Directors, but also to those of the Company in general.

¹ <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenti-pao-mts/polozhenie-osovete-direktorov-paomts/>.

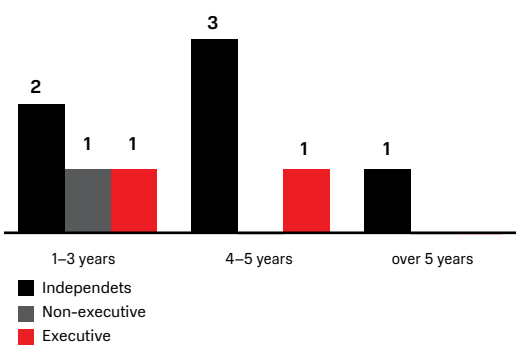
Boards of Directors' Compositions Effective in 2019

From June 28, 2018, to June 27, 2019	From June 27, 2019, to December 31, 2019
Ron Sommer – Chairman of the Board of Directors	Feliks Vladimirovich Yevtushenkov Chairman of the Board of Directors
Artyom Ivanovich Zasursky – Non-executive Director	
Aleksey Borisovich Katkov – Non-executive Director	
Aleksey Valerievich Kornya – Executive Director	
Stanley Miller – Independent Director	Antonios Theodosiou Antoniou Independent Director
Vsevolod Valerievich Rozanov – Non-executive Director	
Regina Dagmar Benedicta von Flemming – Independent Director	
Thomas Holtrop – Independent Director	
Wolfgang Schussel – Independent Director	Valentin Borisovich Yumashev Independent Director

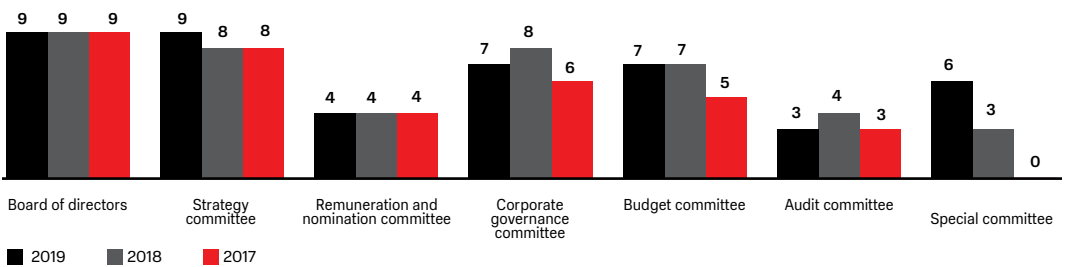
Composition of the Board of Directors as of December 31, 2019, %



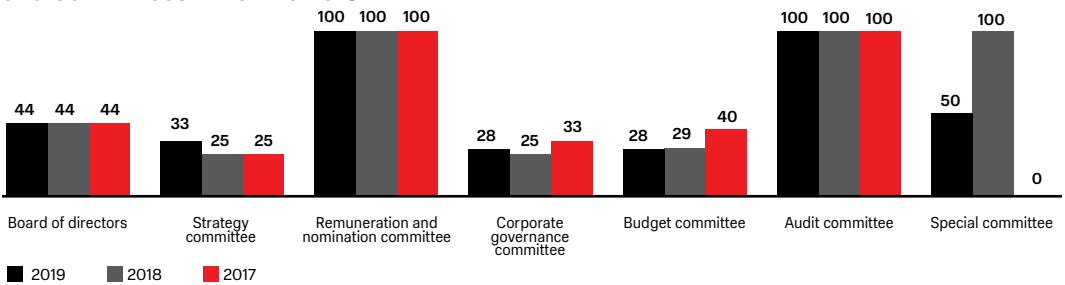
Duration of work in the Board of Directors



Numerical composition of the Board of Directors and Committees in 2017 to 2019



Share of Independent Directors in the Composition of the Board of Directors and Committees in 2017 to 2019



11%
Share of Female Directors
in the Composition of the Board of Directors
in 2017 to 2019

Information on Members of the Board of Directors as of December 31, 2019



Antonios Theodosiou Antoniou

Independent Director
Member of the Remuneration and Nomination Committee under the Board of Directors
Member of the Audit Committee under the Board of Directors
Member of the Corporate Governance Committee under the Board of Directors
Member of the Strategy Committee under the Board of Directors
Member of the Special Committee under the Board of Directors for Compliance

He was born in 1958, in London.

In 1979 he graduated from the University of Bristol (UK), as a Bachelor of Science.

Professional experience:

- > 1979–1993: Employee at the PwC UK Compliance Team.
- > 1993–2008: Partner at PwC Russia.
- > 2007–2010: Senior Advisor, Chairman of the PwC Partner Admission Committee.
- > 2010–2011: Independent Non-executive Director, Chairman of the Audit Committee of TransCreditBank OJSC.
- > 2011–2013: Independent Non-executive Director, Chairman of the Audit Committee of International Petroleum Limited.
- > 2016 till present: Non-executive Director of Polyus Gold International Limited.

Member of the Institute of Chartered Accountants in England and Wales (ICAW), member of the Institute of Internal Auditors.

Citizenship: United Kingdom

He was elected as a member of MTS PJSC Board of Directors for the first time at the General Meeting of Shareholders on June 27, 2019.

As of December 31, 2019, he didn't own shares in MTS PJSC (directly/indirectly).



**Feliks Vladimirovich
Yevtushenkov**

Non-Executive Director
Chairman of the Board of Directors

He was born in 1978, in Moscow

In 2000 he graduated from the Griboedov Institute of International Law and Economics, majoring in Law.

Professional experience:

- › 1999–2000: Assistant to the President of Sistema-Invest CJSC, Executive Director of the Industry Department of Sistema PJSC.
- › 2000–2006: Deputy General Director, General Director of Sistema-Gals CJSC.
- › 2006–2008: President of Sistema-Gals OJSC.
- › 2008–2011: Vice President, Head of the Consumer Assets Business Unit of Sistema PJSC.
- › 2011–2012: First Vice President, Head of the Basic Assets Business Unit of Sistema PJSC.
- › 2012–2018: First Vice President of Sistema PJSC.
- › 2018 till present: Chairman of the Board of Sistema Charitable Fund.
- › 2018 till present: Director of Sistema PJSC.

Citizenship: Russian Federation.

Member of the Board of Directors of MTS PJSC in 2011 to 2012.

He was reelected as a member of MTS PJSC Board of Directors at the General Meeting of Shareholders on June 27, 2019.

As of December 31, 2019, he didn't own shares in MTS PJSC (directly/indirectly).



**Artyom Ivanovich
Zasursky**

Non-Executive Director
Chairman of the Strategy Committee under the Board of Directors¹
Member of the Corporate Governance Committee under the Board of Directors
Member of the Special Committee under the Board of Directors for Compliance

He was born in October 1979, in Moscow.

In 2005 he graduated from the fellowship of the Faculty of Journalism in Lomonosov Moscow State University.

In 2001 he graduated from the Lomonosov Moscow State University with a degree in "Social and Economic Geography of Foreign Countries, Translator/Interpreter."

Professional experience

- › 2002–2003: Director, Directorate of Development Department, Crossmedia Solutions LLC.
- › 2003–2005: founder of several companies in the field of digital services and content.
- › 2005–2006: Executive Director of Game Territory, LLC.
- › 2007–2011: General Director, Dragonara LLC.
- › 2011–2011: Development Director, Stream LLC.
- › 2012–2013: Vice President, Development, SMM OJSC.
- › 2013–2016: General Director, Stream LLC.
- › 2016–2018: Vice President, Head of the Strategy Complex of Sistema PJSC.
- › 2018 till present: Vice President for Strategy of the Strategy Department of Sistema PJSC.

Member of the Board of Directors of Medsi Group of Companies JSC, Sistema Asia Capital PTE, LTD, Sistema Vostok Invest LLC

Citizenship: Russian Federation

He was elected as a member of MTS PJSC Board of Directors for the first time at the General Meeting of Shareholders on June 29, 2017.

As of December 31, 2019, he didn't own shares in MTS PJSC (directly/indirectly).

¹ A new composition of the Strategy Committee was elected by the decision of the Board of Directors of MTS PJSC dated April 9, 2020. Up-to-date information is presented on the website <https://moskva.mts.ru/about/investoram-i-akcioneram/rukovodstvo/komitetu/>.



**Aleksey Borisovich
Katkov**

Non-Executive Director
Chairman of the Budget Committee
under the Board of Directors¹
Member of the Strategy Committee
under the Board of Directors²

He was born in 1977, in Moscow.

In 1999 he graduated from the Academy of the National Economy
Under the Government of the Russian Federation, Moscow.

Professional experience:

- › 2000–2015: Sales Director, Vice President and Commercial
Director, Director for International Development of Mail.RU LLC.
- › 2015–2016: member of the Management Board – First Vice
President – Operations Director, SMM JSC.
- › 2016 till present: President, member of the Board of Directors
of Sistema Venture Capital JSC.
- › 2016 till present: President, SVK Fund LLC.
- › 2018 till present: Managing Partner, Member
of the Management Board, Sistema PJSFC.

Member of the Board of Directors of Detsky Mir PJSC, Sitronics
JSC, Sistema-Consult LLC, SVK Fund LLC, Ozone Holding LLC
and other companies.

Citizenship: Russian Federation.

He was elected as a member of MTS PJSC Board of Directors
for the first time at the General Meeting of Shareholders on June
28, 2018.

**As of December 31, 2019, he didn't own shares in MTS PJSC
(directly/indirectly).**



**Aleksey Valerievich
Kornya**

President, Chairman of the Management
Board of MTS PJSC
Executive Director
Member of the Corporate Governance
Committee Under the Board of Directors
Member of the Strategy Committee
Under the Board of Directors³

He was born in 1975, in Bryansk.

In 1998 he graduated from St. Petersburg State University
of Economy and Finance.

Professional experience:

- › 2000–2000: PricewaterhouseCoopers Audit CJSC,
consultant-auditor.
- › 2000–2004: North-West Telecom OJSC, chief financial
consultant, chief specialist on financial consultation.
- › 2004–2007: MTS PJSC, in July 2004 – financial director
of the branch of MTS PJSC of Urals macroregion; in October
2007 – director of the Financial Planning and Analysis
Department of the Financial Unit of MTS Group.
- › 2007–2008: MTS PJSC, controlling director of the Finance
and Investment Unit.
- › 2008–2009: MTS PJSC, deputy of the vice-president
for finance and investments, acting vice-president for finance
and investments
- › 2010–2013: MTS PJSC, vice-president for finance
and investments.
- › 2013–2016: MTS PJSC, member of the Management Board –
Vice President, Finance and Investments.
- › 2016–2018: MTS PJSC, Member of the Management Board
– Vice-President for Finance and Investment, Mergers
and Acquisitions.
- › 2018 till present: MTS PJSC, President, Management Board
Chairman.

Member of the Board of Directors of Mobile TeleSystems JLLC,
Council MTS Bank PJSC, RTC JSC, Sistema Capital MC LLC,
Member of Sistema Charity Fund, member of the Board of GSM
Association (GSMA).

Citizenship: Russian Federation.

He was elected as a member of MTS PJSC Board of Directors
for the first time at the General Meeting of Shareholders on June
28, 2018.

**As of December 31, 2019, he owned ordinary registered
shares in MTS PJSC in the amount of 345,889 shares.**

¹ By decision of the Board of Directors of MTS PJSC dated April 9, 2020, the Budget Committee was abolished.
² A new composition of the Strategy Committee was elected by the decision of the Board of Directors of MTS PJSC dated April 9, 2020. Up-to-date
information is available on the website <https://moskva.mts.ru/about/investoram-i-akcioneram/rukovodstvo/komitetu>

³ A new composition of the Strategy Committee was elected by the Decision of the Board of Directors of MTS PJSC dated April 9, 2020. Up-to-date
information is available on the website <https://moskva.mts.ru/about/investoram-i-akcioneram/rukovodstvo/komitetu>



**Regina Dagmar
Benedicta von
Flemming**

Independent Director

Chairman of the Remuneration
and Nomination Committee
under the Board of Directors

Member of the Budget Committee
under the Board of Directors

Member of the Audit Committee
under the Board of Directors

Member of the Strategy Committee
under the Board of Directors

Member of the Special Committee
under the Board of Directors
for Compliance

She was born in 1965, in Lubeck.

In 1992 she graduated from the Free University of Berlin
with a specialty in Political Science, and from the Institute
for Political Studies (Paris).

In 1993 she was a fellow of INSEAD Business School (Paris),
and also completed a refresher course at the German
Development and Trade Institute (Germany).

Professional experience

- › 1996–1999: CEO of Krone Russia.
- › 1999–2000: CEO of Ehrmann AG.
- › 2000–2003: Vice President of the American-Russian
Investment Fund “Delta Capital.”
- › 2003–2009: founder and owner of the consulting company
Flemming & Partner GmbH Berlin.
- › 2005–2015: CEO of Axel Springer Russia Publishing House.
- › 2014–2018: Advisor to ANK company.
- › 2018–2020: Advisor to the General Director of ACCENTURE
LLC.
- › 2020 till present: Weinstube LLC, Marketing Director

Member of the Board of Directors of Sovcombank PJSC, Chairman
of the Audit Committee, Member of the ESG Committee, Member
of the Board of Trustees of the Russian Standard Charitable Fund,
Member of the Board of Trustees of the German-Russian Forum
in Berlin, member of the board of the Russian-German Chamber
of Commerce, member of the Board of Trustees of the specialized
fund for managing the endowment of a private cultural institution
“Jewish Museum and Tolerance Center.”

Citizenship: Germany.

She was elected as a member of the MTS PJSC Board of Directors
for the first time at the General Meeting of Shareholders on June
25, 2015.

**As of December 31, 2019, she owned ordinary registered
shares in MTS PJSC in the amount of 20,305 shares.**



**Vsevolod Valerievich
Rozanov**

Non-Executive Director

Chairman of the Corporate Governance
Committee under the Board of Directors

Member of the Budget Committee
under the Board of Directors¹

Member of the Strategy Committee
under the Board of Directors

Member of the Special Committee
under the Board of Directors
for Compliance

He was born in 1971, in Moscow.

He graduated from the Economic Department of Moscow State
University n.a. M. V. Lomonosov with a specialty in “Economics
of Foreign Countries.”

Professional experience

- › 1993–2001: various consulting positions in Bain & Company
in Moscow, London, and Stockholm.
- › 2002–2004: Deputy CEO for Economics and Finances in MTU-
Inform CJSC.
- › 2004–2006: Deputy CEO for Economics and Finances
in KOMSTAR – UTS OJSC.
- › 2006–2008: Vice President for Finance and Investments,
Management Board member of MTS OJSC.
- › 2008–2013: President of SISTEMA SHYAM TELESERVICES
LIMITED (India).
- › 2013–2018: Senior Vice President, Head of the Finance
and Investments Complex, Management Board Member
at Sistema PJSC.
- › 2018 till present: Managing Partner, Member
of the Management Board, Sistema PJSC.

Board of Directors Chairman of MTS Bank PJSC, Sistema Capital
MC LLC, Member of the Board of Directors of EAST-WEST UNITED
BANK SA, Sistema Asia Pte, Sistema Vostok Invest LLC, Fortenova
Grupa d.d., Council Member of Sistema Charitable Foundation.

Citizenship: Russian Federation.

He was elected as a member of MTS PJSC Board of Directors
for the first time at the General Meeting of Shareholders on June
27, 2012.

**As of December 31, 2019, he owned ordinary registered
shares in MTS PJSC in the amount of 72,792 shares.**

² By decision of the Board of Directors of MTS PJSC dated April 9, 2020, the Budget Committee was abolished.



Thomas Holtrop

Independent Director
Chairman of the Audit Committee under the Board of Directors
Member of the Budget Committee under the Board of Directors¹
Member of the Remuneration and Nomination Committee under the Board of Directors
Member of the Corporate Governance Committee under the Board of Directors
Chairman of the Special Compliance Committee under the Board of Directors
Finance Expert

He was born in 1954, in Dortmund.

He studied psychology in University of Freiburg and business administration with a specialty in economics and production organization at the German Academy of Civil Employees.

Professional experience

- › 1990–1999: Vice President of American Express International Inc. in New York, Frankfurt and London, member of the Board of Directors in Bank 24 AG and Deutsche Bank 24 AG.
- › 2001–2004: President of T-Online International AG.
- › 2002–2004: member of Deutsche Telekom AG Board of Directors.
- › 2005–2006: Chief Executive Officer of Thomas Cook AG.
- › 2005–2011: member of the Supervisory Board of Gruner + Jahr Publishing House (Hamburg).
- › 2009–2011: member of Komstar-OTS OJSC Board of Directors, Chairman of Audit Committee, Strategy Committee and Remuneration and Nomination Committee under the Board of Directors of Komstar-OTS OJSC.

Citizenship: Germany.

He was elected as a member of MTS PJSC Board of Directors for the first time at the General Meeting of Shareholders

on February 14, 2013.

As of December 31, 2019, he owned ordinary registered shares in MTS PJSC in the amount of 16,338 shares.



Valentin Borisovich Yumashev

Independent Director
Member of the Remuneration and Nomination Committee under the Board of Directors
Member of the Strategy Committee under the Board of Directors²

He was born in 1957, in Perm.

In 1984 he graduated from Lomonosov Moscow State University, Faculty of Journalism.

Professional experience:

- › 1987–1995: Member of the editorial board, editor of department, deputy chief editor, general director of the magazine Ogoniok.
- › 1996–1997: Advisor to the President of the Russian Federation on interaction with the media.
- › 1997–1998: Head of the Administration of the Russian Federation President.
- › 1998 till present: Advisor to the President of the Russian Federation on a voluntary basis.
- › 2006 till present: Millhouse LLC, General Director's Office, Advisor.

In 2000 he became one of the founders of the Fund of the first Russian president B. N. Yeltsin, currently called the Yeltsin Presidential Center Foundation, or the Yeltsin Center.

He is an adviser to the Fund and since 2009 he has been a management board member of the Yeltsin Presidential Center.

Acting State Advisor of the Russian Federation, Class I (1997).

He was twice honored with Commendation by the President of the Russian Federation (1996, 1997).

Citizenship: Russian Federation.

He was elected as a member of MTS PJSC Board of Directors for the first time at the General Meeting of Shareholders on June 27, 2019.

As of December 31, 2019, he didn't own shares in MTS PJSC (directly/indirectly).

¹ By Decision of the Board of Directors of MTS PJSC dated April 9, 2020, the Budget Committee was abolished.

² A new composition of the Strategy Committee was elected by the Decision of the Board of Directors of MTS PJSC dated April 9, 2020. Up-to-date information is available on the website <https://moskva.mts.ru/about/investoram-i-akcioneram/rukovodstvo/komitetu/>.

Key Competences of the Board of Directors Members

Member of the Board of Directors	Duration of work on the Board of Directors	Key competences							
		Strategy	Finance and Auditing	Industry Specialization (telecom)	Legal Matters and Corporate Governance	Risk Management	HR management	M&A	GR/IR
A. Antoniou	1 year (from June 2019)		⊙		⊙		⊙		
F. V. Yevtushenkov	1 year (from June 2019)	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
A. I. Zasursky	3 years (from June 2017)	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
A. B. Katkov	2 years (from June 2018)	⊙				⊙		⊙	
A. V. Kornya	2 years (from June 2018)	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
V. V. Rozanov	7 years (from June 2012)	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Regina von Flemming	4 years (from June 2015)	⊙	⊙		⊙	⊙			⊙
T. Holtrop	7 years (from February 2013)	⊙	⊙	⊙	⊙	⊙	⊙	⊙	
V. B. Yumashev	1 year (from June 2019)	⊙			⊙	⊙	⊙		⊙

* According to information available to the Company, in the reporting year there were no conflicts of interest among the members of the Board of Directors, including those related to the participation of these persons in the management bodies of competitors of MTS PJSC.
** Board of Directors members did not make transactions with the Company's shares in the reporting year.
*** None of the Board of Directors members received loans (credits) from the Company in 2019. Claims were not brought against members of the Board of Directors by the Company.

CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the Board of Directors of MTS PJSC bears the main responsibility for ensuring the implementation of the rights and interests of the shareholders and achieving a balance between the short-term financial result and the long-term strategic positioning of the business. In terms of the personal qualities of the chairman, this means the ability to combine pragmatism and specificity in solving tactical issues with the role of a strategist and visionary who deeply understands the processes occurring in the company and has a clear vision of the local market situation. The Chairman of the Board of Directors has the highest level of personal responsibility for the long-term sustainability of the business and strives to ensure the growth of shareholder value.

 **Feliks Vladimirovich Yevtushenkov was elected Chairman of the Board of Directors of MTS by unanimous decision of the MTS Board of Directors on June 27, 2019.**

The Chairman of the Board of Directors is not an independent director, a senior independent director is not defined. Thus, one of the recommendations of the Bank of Russia Corporate Governance Code is not respected. At the same time, the expanded Corporate Governance Committee of the MTS Board of Directors (with participation of all independent directors) regularly analyzes the recommendations of the Bank of Russia Corporate Governance Code that are not respected by the Company and assesses the possibility of their implementation. This non-respected recommendation was considered at all past meetings, including at the last meeting on December 18, 2019: the directors did not consider its implementation appropriate.¹ The level of corporate governance of the Company and the atmosphere of constructive discussion formed by the previous chairman of the MTS board of directors do not currently require, according to members of the board of directors, the implementation of this recommendation of the Bank of Russia Corporate Governance Code and the appointment of another chairman, albeit formally meeting all independence criteria.

The Board of Directors is a well-coordinated mechanism, a single team, in which everyone contributes to the management decision-making process. Within the MTS Board of Directors there is a strong independent block of directors, and four places out of nine have been occupied by independent directors for the last four years. The Board of Directors is balanced both from the point of view of quantitative composition and from the point of view of experience and qualification of its members. Each member of the board is a professional of the highest level, a carrier of industry knowledge and business experience, a generator of advanced ideas. The chairman is the leader, the central figure of the board whose main task is to make his team of professionals work as productively as possible. While forming a businesslike, dynamic, positive atmosphere in the board of directors, he moderates the discussion so that each participant can show their best qualities but the result of discussions is a unified, balanced, justified, and specific managerial decision.

- provision of Company's corporate documents storage;
- › provision of interaction of the Company with its shareholders and participation in the prevention of corporate conflicts;
 - › ensuring the implementation of the procedures established by the Law and internal documents of the Company, ensuring the rights and legitimate interests of shareholders and control over their use;
 - › ensuring the Company's interaction with regulators, trade organizers, the registrar, other professional participants of the securities market within the powers assigned to the Corporate Secretary; and
 - › immediate notification of the Board of Directors of all identified violations of the law and internal documents of the Company, observance of which is within the functions of the Corporate Governance Department.

The Corporate Governance Department is headed by the Corporate Governance Director, an officer of the Company reporting to the Board of Directors of the Company.

The Corporate Governance Director of MTS PJSC is also responsible for:

- › preparation and conducting of meetings with the shareholders of MTS PJSC;
- › management of subsidiaries of MTS Group;
- › ensuring the timely disclosure of information in accordance with the requirements of the securities market legislation;
- › development of Corporate Governance System of MTS Group;
- › integrated management of intangible assets; and
- › other functions.

The Board of Directors approves the nominated Corporate Governance Director as the manager of the unit serving as the Corporate Secretary.

The Director of Corporate Governance Department in the reporting period was Corporate Governance Director of MTS PJSC, Maxim Aleksandrovich Kalinin.

CORPORATE SECRETARY²

The Corporate Secretary ensures effective current interaction with the shareholders, coordinates actions of the Company for protection of rights and interests of shareholders, and supports effective work of the Board of Directors.

The functions of the Corporate Secretary in MTS PJSC are performed by a special structural subdivision – the Corporate Governance Department, the main functions, rights and obligations of which are defined in the Regulations on Corporate Governance Department.³

The Functions of the Corporate Governance Department at MTS PJSC include:

- › participation in the improvement of the Company's corporate governance system and practice;
- › participation in the organization of the preparation and holding of the Company's General Meetings of shareholders;
- › ensuring the effective work of the Board of Directors and Committees of the Board of Directors of the Company;
- › participation in the realization of the Company's policy on information disclosure, and also

¹ Detailed information is presented in the appendix to this report, "Report on Compliance with the Bank of Russia Corporate Governance Code".

² <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/departament-korporativnogo-upravleniya/>
³ http://static.mts.ru/uploadmsk/contents/1655/Regulations_on_MTS_CG_Department-rus.pdf

BOARD OF DIRECTORS SECRETARY

Main purpose of the Board of Directors Secretary of MTS PJSC is to ensure compliance by the Company's management bodies with the requirements of legislation and internal regulatory documents of the Company, which guarantee the enforcement of rights and interests of its shareholders.

Regulatory base for implementation of Board of Directors Secretary's functions, besides the Charter, is the Regulation on MTS PJSC Board of Directors.

Board of Directors Secretary:

- > carries out an instatement of newly elected members of the Company's Board of Directors;
- > informs members of the Board of Directors and invited persons on forthcoming meetings of the Board of Directors;

- > sends to members of the Board of Directors materials on issues of the Board of Directors agenda;
- > upon request, provides to members of the Board of Directors an additional information on Company's activities;
- > calculates the votes on issues put to a vote and keeps record of the Board of Directors meetings;
- > ensures storage of the Board of Directors' documents;
- > controls implementation of the Board of Directors' decisions;
- > assists the Chairman of the Board of Directors in planning for activities of the Board;
- > ensures communication of members of the Board of Directors with management; and
- > assists in solving organizational and technical issues.

The Board of Directors Secretary since 2005 has been the Corporate Governance Director of MTS PJSC, Maxim Aleksandrovich Kalinin



Maksim Aleksandrovich Kalinin

He was born in 1972, in Moscow.

In 1997 he graduated from Lomonosov Moscow State University with a specialty in law.

Before coming to the Company, he worked in private business with foreign participation where was responsible for legal support in the sphere of corporate management, real estate and contractual work.

In June 2001, he joined MTS. He worked in the Investments and Securities Department: was responsible for projects of mergers and acquisitions in the territory of the Russian Federation and CIS, supported the reorganization of MTS Group subsidiaries, and was responsible for corporate governance in MTS and subsidiaries. He went from legal counsellor to deputy director of the department.

From 2005 to the present day, he has been exercises the powers of the Board of Directors Secretary of MTS PJSC.

In 2010 he won the fifth national "Director of the Year" awards in the nomination "Corporate Governance Director – Corporate Secretary."

In recent years he was regularly included in the rankings of the 25 best Corporate Governance Directors and Corporate Secretaries during the ceremony of the national "Director of the year" awards.

He is a member of the Council of Corporate Secretaries National Association (CSNA), which allows MTS to exchange experience in the corporate governance sphere and promotes a development of the institute of corporate secretaries in general.

Citizenship: Russian Federation.	According to information available to the Company, the Board of Directors Secretary had no conflicts of interest in the reporting year, including those related to his participation in the management bodies of competitors of MTS PJSC.
He owns (directly/indirectly) neither MTS PJSC shares nor stocks or shares in MTS PJSC subsidiaries; he is not a relative of any persons who are members of management and/or control bodies overseeing financial and business activities of MTS PJSC.	

ORGANIZATION OF THE BOARD OF DIRECTORS' ACTIVITIES

At least six in-person meetings are be conducted each year in accordance with the approved plan of meetings of the Board of Directors. If necessary, it is possible to participate in a joint meeting through video conferencing. Extraordinary meetings are convened to take decisions on urgent matters. Meetings in the form of absentee voting are conducted to vote on issues on which members of the Board of Directors do not have significant qualms.

The plan for the Board of Directors' activities for the next year is approved in December of the current year. Dates, periods, and locations of meetings shall be determined according to the schedules of activities of the Board of Directors members in order to provide for participation of all the directors.

Traditionally the plan of activities includes the main issues of Company's operation: strategy, finances, budget and risks, and HR matters. Such plan shall be prepared with regard to the suggestions of the Board of Directors members and Company's managers. All issues of the Board of Directors meeting agenda shall normally be reviewed by dedicated committees, allowing to discuss and draw up recommendations for a final decision by the Board of Directors.

In-person meetings of the Board of Directors are usually held in Moscow headquarters. First

meeting of the newly elected Board of Directors shell be held with personal attendance, on the day of the General Meeting of Shareholders which decided on election of the Board of Directors.

To hold the meeting in the headquarters, it is necessary to plan and approve the schedule of activities for two days: meetings of committees under the Board of Directors, briefing with Board of Directors members (PreBoard), the meeting of the Board of Directors, and to make all practical arrangements: on provision of simultaneous translation, services on hotel booking, transfers, catering, etc.

The Chairman of the Board of Directors holds monthly meetings/consultations with representatives of shareholders and/or managers of the Company. Main topic of such meetings is a matter of the management of strategic changes. This allows to initiate global strategic changes outside of routine management ant to change the focus of a common perception of Company's systems and processes.

The Company believes it is a good practice allowing to share ideas and observations from our experience of working with other companies and businesses, which at the end of the day enriches our discussions in the Board of Directors and forms a strong base for right decisions of the executives.



ELECTRONIC DOCUMENT MANAGEMENT SYSTEM – “PORTAL OF THE BOARD OF DIRECTORS”



MTS (Board of Directors, Management Board, Committees of the Board of Directors and the President) and subsidiaries of MTS Group effectively operate an electronic document management system – the Portal of the Board of Directors, installed on personal tablets of members of the management bodies. The portal of the Board of Directors enabled the accumulation, in a single information space, of the necessary and relevant set of options for the activities of members of the Company’s collective management bodies, and the automation of their work, and it also ensured the mobility of the process’ participants for making important managerial decisions.

2019 saw 16 meetings of the Board of Directors, including 9 in-person meetings and 7 meetings by correspondence.



Participation of the Directors in Meetings of the Board of Directors in 2019

Director	In-person meeting	In-absentia meeting
Antonios Theodosiou Antoniou¹ Independent Director, not a member of MTS PJSC executive management	6/6	3/3
Feliks Vladimirovich Yevtushenkov¹	6/6	3/3
Artyom Ivanovich Zasursky	9/9	7/7
Aleksey Borisovich Katkov	9/9	7/7
Aleksey Valerievich Kornya	9/9	7/7
Vsevolod Valerievich Rozanov	9/9	7/7
Regina Von Flemming Independent Director, not a member of MTS PJSC executive management	9/9	7/7
Thomas Holtrop Independent Director, not a member of MTS PJSC executive management	9/9	7/7
Valentin Borisovich Yumashev¹ Independent Director, not a member of MTS PJSC executive management	6/6	3/3
Ron Sommer²	3/3	4/4
Stanley Miller² Independent Director, not a member of MTS PJSC executive management	3/3	4/4
Wolfgang Schussel² Independent Director, not a member of MTS PJSC executive management	3/3	4/4

Duration of Meetings of the Board of Directors and Committees in 2019 (in presence)

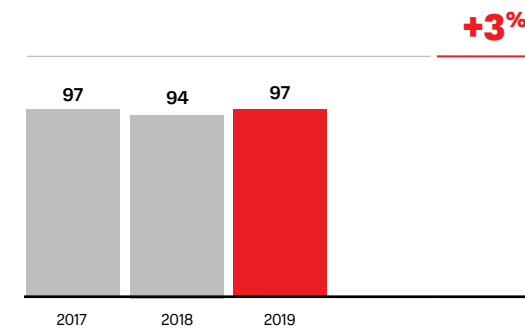
Meetings (in presence)	Number	Average duration (h)
Board of Directors	9	2.5
Audit Committee	13	1.5
Remuneration and Nomination Committee	9	1.5
Corporate Governance Committee	2	1.2
Joint meeting of the Corporate Governance Committee and the Remuneration and Nomination Committee	2	1.2
Strategy Committee	8	2
Budget Committee	7	2
Special Committee	4	1



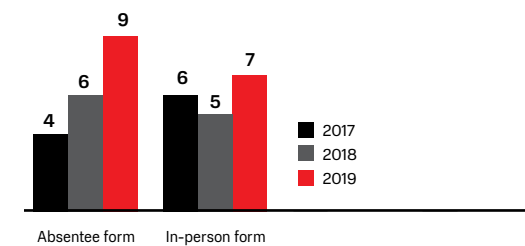
Over 95% of meetings of the Company’s Board of Directors were held with 100% participation by the Board of Directors members

¹ Elected as a member of the Board of Directors on June 27, 2019.
² Powers of the Board of Directors member terminated on June 27, 2019.

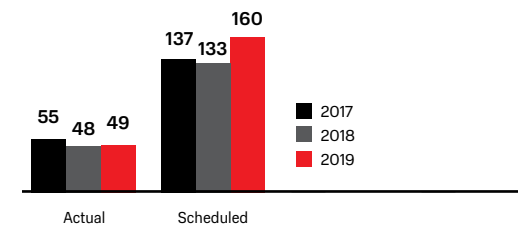
\\ Average percentage of participation the Board of Directors members in the meetings, 2017–2019



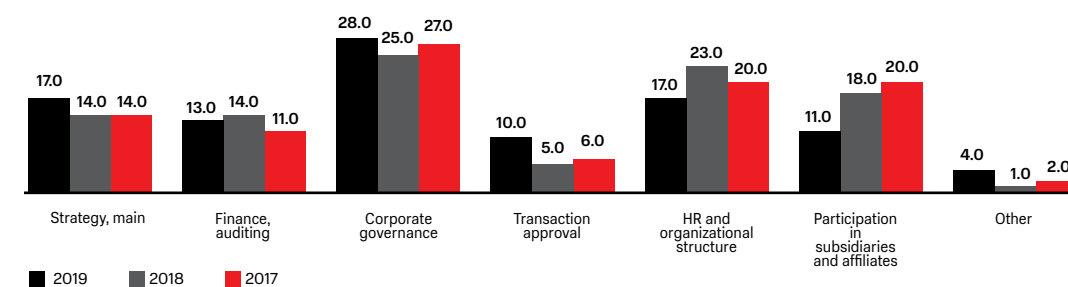
\\ Number of meetings held by the Board of Directors in 2017–2019



\\ Number of issues considered at meetings of the Board of Directors in 2017–2019



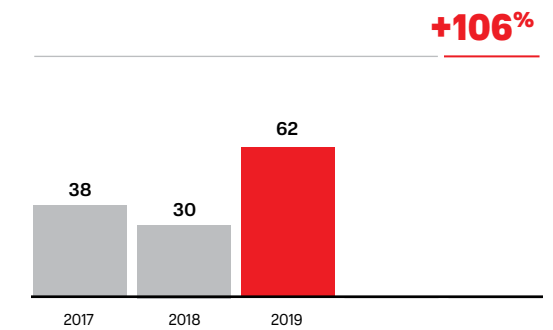
\\ Structure of issues reviewed at meetings of the Board of Directors in 2017–2019



Significant Items on the Agenda of the MTS PJSC Board of Directors Meetings in 2019

1. MTS Group Strategy for 2020–2022.
2. Review of the results of MTS Group budget fulfilment for 2019, on MTS Group budget adoption for 2020.
3. Board of Directors recommendations on dividend payment for 2018, the first half of 2019, 9 months of 2019.
4. Acquisition of subsidiaries, participation of MTS PJSC in other organizations.
5. On the approval of the repurchase price of MTS PJSC shares.
6. Approval of loan agreements between MTS PJSC and Sberbank PJSC, VTB Bank (PJSC).
7. On increasing the share of MTS PJSC in MTS Bank PJSC.
8. On acquisition by MTS Group of up to 100% capital of MTS Armenia CJSC.
9. On the termination of MTS PJSC participation in OZONE HOLDINGS LIMITED.
10. On the sale of the telecommunications business in Ukraine (VF Ukraine PJSC).
11. On the creation of the Special Committee under the Board of Directors.
12. On the dividend policy of MTS PJSC.
13. On organizational changes.
14. On the procedure for using MTS PJSC logo and other elements of MTS PJSC visual identification.
15. On the TV development strategy of MTS PJSC.
16. On the concept of MTS PJSC investments in high-tech companies.
17. On the results of consultations with investors about the optimal structure of MTS PJSC listing.
18. On the registrar of MTS PJSC.

\\ Instructions of the Board of Directors given to managers of the Company



19. Review of reports:

- > on risk management;
- > on the development of the Unified Compliance System;
- > on the implementation of the KSO program;
- > on the assessment of completion of individual tasks by the President and Management Board members;
- > on the business status of essential subsidiaries of MTS PJSC;
- > on the results of the assessment of the performance of the MTS PJSC Board of Directors; and
- > on the operation of the units of internal audit, control and compliance, including the report on the efficiency of the risk management system.

In 2019, the Board of Directors issued 62 instructions to the management of the Company.

Members of the Board of Directors receive information on the status of completion of Board's assignments at each in-person meeting.

Proper completion of the Board of Directors' assignments is one of the conditions for rewarding the Company's personnel.



COMMITTEES OF THE BOARD OF DIRECTORS

Committees of the Board of Directors serve as a tool for the preliminary in-depth study of issues before they are submitted to the meeting of the Board of Directors. Members of the committee study in detail the considered issue and propose to the members of the Board of Directors the elaborated alternative decisions making it possible for them to join the discussion of an issue more quickly.

The following committees operated under the Board of Directors in order to increase the efficiency of decisions taken by the Board of Directors, to exercise a detailed preliminary review of the most topical matters and to prepare the corresponding recommendations by the end of 2019: Budget Committee, Audit Committee, Remuneration and Nomination Committee, Corporate Governance

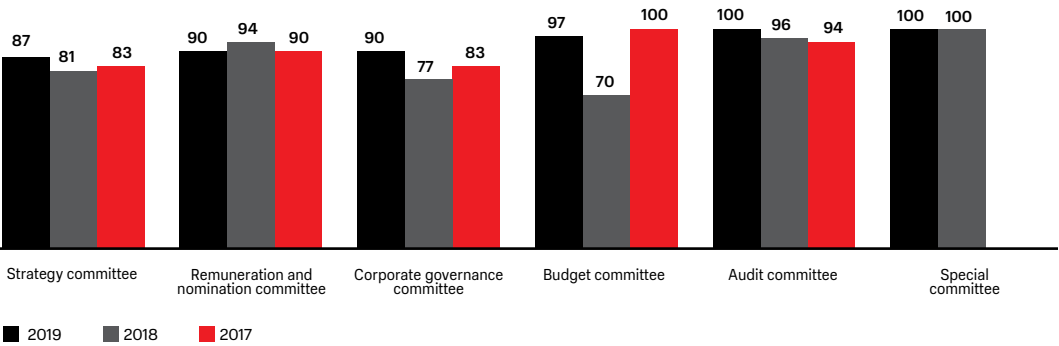
Committee, Strategy Committee, and Special Compliance Committee Under the Board of Directors.

The powers and composition requirements of the committees are determined by regulations on committees approved by the Board of Directors. Committees may involve external experts and advisors in order to resolve their tasks. The results of reviews of agenda issues by the Committees are communicated to Board of Directors members before each Board of Directors meeting.

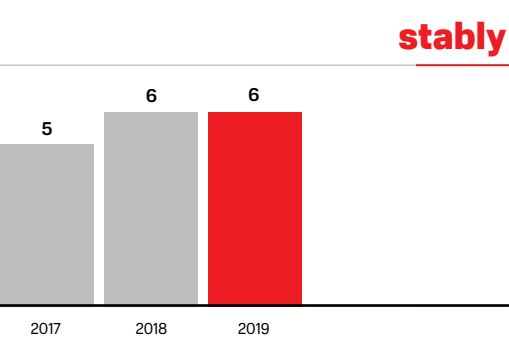
Each Board of Directors member is also a member of one to four committees. Representation of the Company's managers in the committees allows for a meaningful dialog during committee meetings.

Committee	Committee Overview
Budget Committee	Preparation of recommendations to the Board of Directors on issues of preparation, approval, correction and supervision over performance of budgets, long-term business plans and investment plans of the Company
Audit Committee	Preparation of recommendations to the Board of Directors on supervision over financial and operational activities of the Company
Remuneration and Nomination Committee	Preparation of recommendations to the Board of Directors on issues of HR policy, determination of the motivation and remuneration system and generation of the Company's corporate culture development strategy
Corporate Governance Committee	Preparation of recommendations to the Board of Directors on issues of preliminary review of internal regulatory documents, annual report, sustainability report of the Company and the development of corporate governance practices
Strategy Committee	Preparation of recommendations to the Board of Directors upon review of a strategic development of key functions, projects and Company in general, and implementation of investment projects and long-term investment programs
Special Compliance Committee	Overall supervision in the sphere of compliance, review of issues and preparation of recommendations for the Board of Directors on compliance issues

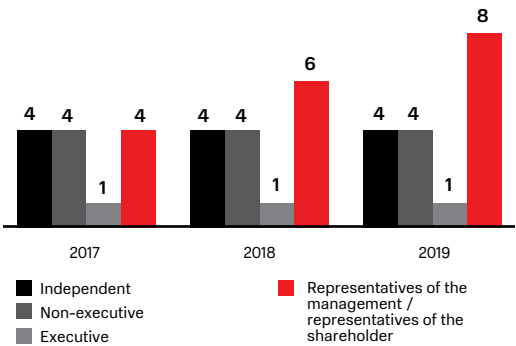
\\ Average Level of Attendance of the Meetings of the Committees in 2017–2019



\\ Number of committees of the Board of Directors in 2017–2019



\\ Structure of composition of the committees of the Board of Directors in 2017–2019



Attendance of Committee Meetings in 2019¹

Committee Member	Remuneration and Nomination Committee (12 meetings including 9 in-person meetings and 3 meetings in the form of absentee voting)	Audit Committee (15 meetings including 13 in-person meetings and 2 meetings in the form of absentee voting)	Budget Committee (7 in-person meetings)	Strategy Committee (9 meetings including 8 in-person meetings and 1 meetings in the form of absentee voting)	Corporate Governance Committee (3 meetings including 2 in-person meetings and 1 meeting in the form of absentee voting)	Joint meeting of the Corporate Governance Committee and Remuneration and Nomination Committee (3 in-person meetings)	Special Committee on Compliance (4 in-person meetings)
Antonios Theodosiou Antoniou ²	7/7	8/8		5/7	1/1	2/2	3/3
Artyom Ivanovich Zasursky ³			3/3	9/9	1/3	1/3	2/4
Aleksey Borisovich Katkov ⁴			4/4	9/9			
Aleksey Valerievich Kornya				6/7	2/3	3/3	
Vsevolod Valerievich Rozanov ⁵			7/7	7/9	4/4		4/4
Regina Dagmar Benedicta von Flemming ⁶ Independent Director, not a member of executive management MTS PJSC	12/12	15/15	7/7	6/7	2/2	1/1	4/4
Thomas Holtrop ⁷ Independent Director, not a member of executive management MTS PJSC	12/12	15/15	6/7		1/1	2/2	4/4
Valentin Borisovich Yumashev ⁸ Independent Director, not a member of executive management MTS PJSC	5/7			3/7			
Ron Sommer ⁹			3/3	2/2	2/2	1/1	
Stanley Miller ¹⁰ Independent Director, not a member of executive management MTS PJSC	4/5	8/8		1/2	1/3	0/3	
Wolfgang Schüssel ¹¹ Independent Director, not a member of executive management MTS PJSC	4/5	8/8		2/2			1/1
Ruslan Sultanovich Ibragimov					3/3	3/3	
Vyacheslav Konstantinovich Nikolaev				9/9			
Andrey Mikhailovich Kamensky			7/7				
Aleksander Evgenievich Gorbunov ¹²				9/9			
Vladimir Sergeevich Travkov			6/7				
Andrey Alekseevich Shmakov					2/3	2/3	
Victor Mechislavovich Klimovich ¹³			4/4				

¹ As of 12.31.2019.

² He was elected a member of the Audit Committee, the Remuneration and Nomination Committee, the Corporate Governance Committee, the Strategy Committee, and the Special Compliance Committee on June 27, 2019.

³ Powers of a member of the Budget Committee terminated on June 27, 2019, elected as a member of the Special Compliance Committee on April 10, 2019.

⁴ Elected as a member of the Strategy Budget Committee on June 27, 2019.

⁵ He was elected as a member of the Special Compliance Committee on April 10, 2019.

⁶ The powers of a member of the Corporate Governance Committee, elected as a member of the Special Compliance Committee on April 10, 2019, were terminated on June 27, 2019.

⁷ He was elected a member of the Corporate Governance Committee on June 27, 2019, and of the Special Compliance Committee on April 10, 2019.

⁸ He was elected a member of the Remuneration and Nomination Committee and the Strategy Committee on June 27, 2019.

⁹ The powers of this member of the Corporate Governance Committee, the Budget Committee and the Strategy Committee were terminated on June 27, 2019.

¹⁰ The powers of this member of the Audit Committee, the Remuneration and Nomination Committee, the Corporate Governance Committee, and the Strategy Committee were terminated on June 27, 2019.

¹¹ The powers of this member of the Audit Committee, the Remuneration and Nomination Committee, the Strategy Committee, and the Special Compliance Committee were terminated on June 27, 2019.

¹² The powers of this Budget Committee member were terminated on June 28, 2018.

¹³ Elected as a Budget Committee member on June 27, 2019.

ACTIVITIES OF COMMITTEES
IN THE REPORTING YEAR

Budget Committee

The Budget Committee is an auxiliary body of MTS PJSC Board of Directors for the preparation of recommendations to the Board of Directors when reviewing matters of preparation, approval, amendment and supervision over the execution of budgets, long-term business plans and investment plans of MTS PJSC.

The committee follows in its activities the recommendations and requirements of the relevant legislation, the Charter and internal documents of the Company, Code of Ethics and Business Conduct, decisions of management bodies of the Company, and Regulation on the Committee.

Tasks

Development and provision of recommendations to the Board of Directors on the following matters:

- > approval and amendment of budgets, long-term business plans and investment plans;
- > supervision over the progress of budget utilization;
- > methods for the determination of key indicators of budgets, long-term business plans and investment plans; and
- > budget utilization and the necessity of amendments.

Number and identities of members

The composition of the Committee was changed during the reporting year.

The composition of the Committee was approved at the meeting of the Board of Directors dated June 27, 2019.

Meetings

The reporting year saw 7 in-person meetings of the Committee.

Committee Member	From June 28, 2018	From October 25, 2018	From June 27, 2019
A. B. Katkov, Chairman, Non-Executive Director ¹	○	○	●
V. V. Rozanov, Non-Executive Director	●	●	●
Regina von Flemming, Independent Director	●	●	●
T. Holtrop, Independent Director	●	●	●
A. M. Kamensky, Management Board member – Vice President for Finance of MTS PJSC	○	●	●
V. S. Travkov, Vice President for Finance and Investments of Sistema PJSC	○	○	●
V. M. Klimovich, representative of Sistema PJSC ¹	○	●	●
Ron Sommer, Independent Director ¹	●	●	○
A. I. Zasursky, Non-Executive Director ¹	○	●	○

\\ Participation of Committee members in the meetings.

Committee Member	February 20	March 3	June 25	September 18	October 22	November 20	December 17
A. B. Katkov	-	-	-	●	●	●	●
V. V. Rozanov	●	●	●	●	●	●	●
Regina Von Flemming	●	●	●	●	●	●	●
T. Holtrop	●	●	●	●	○	●	●
A. M. Kamensky	●	●	●	●	●	●	●
V. S. Travkov	●	●	●	●	●	○	●
V. M. Klimovich	-	-	-	●	●	●	●
R. Sommer	●	●	●	-	-	-	-
A. I. Zasursky	●	●	●	-	-	-	-

● person was/is a Committee member
○ person was/is not a Committee member
– person was not a Committee member at the time of the meeting



In the reporting year, the Audit Committee remained focused on the effectiveness of the systems for internal control, risk management, corporate governance and a unified compliance system. The Committee monitors the development of strategic initiatives and transformation of the Company into a service company that provides customers with the opportunity to use the digital ecosystem. This requires the Committee's special attention on risk assessment, compliance with corporate governance rules and compliance requirements in new digital business areas.

The Audit Committee plays a key role in ensuring the effective functioning of the internal audit service and the external auditor, monitoring their independence and objectivity, and overseeing the quality of their activities.

The Committee continued its work together with the management to ensure the completeness and reliability of the financial statements of MTS Group, including monitoring the disclosure of relevant information.

Thomas Holtrop,
Chairman of the Audit Committee

Issues and recommendations reviewed

- > Report on the current forecast for MTS Group budget utilization in 2019.
- > Interim results of MTS debt and liquidity management for 2019.
- > On approval of the MTS Group budget for 2020.
- > On reorganization of MTS PJSC through the acquisition of subsidiaries.
- > Others.

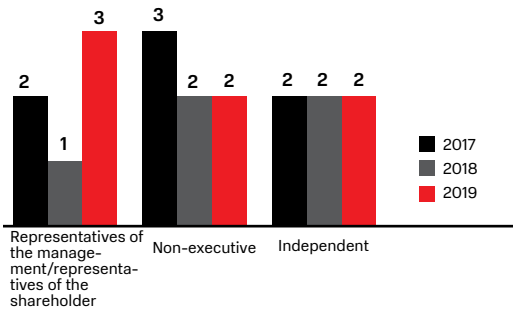
The Committee has provided the following recommendations to the Board of Directors:

- > take into account the forecast for the utilization of the MTS Group budget for 2019;
- > submit draft budget 2019 for consideration of the Board of Directors of MTS PJSC.

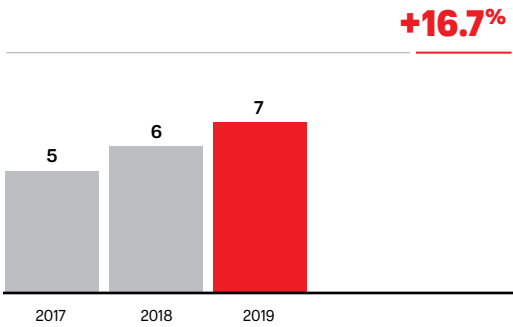
Work results in 2019

The Committee considered during the reporting year all the necessary issues related to the approval and amendment of budgets, long-term business plans and investment plans

\\ Composition of the Budget Committee in 2017–2019



\\ In-person form



¹ Elected as a Committee member on June 27, 2019.

Audit Committee

The Audit Committee is a collective deliberative body under the Board of Directors. The committee was established for the purposes of assisting in efficient implementation of functions of the Board of Directors in terms of control over financial and economic activities of the Company.

The committee follows in its activities the recommendations and requirements of the relevant legislation, the Charter and internal documents of the Company, Code of Ethics and Business Conduct, decisions of management bodies of the Company, and Regulation on the Audit Committee.¹

Tasks:

- > control over the completeness, accuracy and credibility of financial statements of MTS Group of Companies; analysis of annual financial statements, intermediate financial information and corresponding documents submitted to US Securities and Exchange Commission and other regulating bodies for assessment of their completeness and information consistency, conducted jointly with executives and an external auditor;
- > control over the reliability and efficiency of the system for risk management, compliance and internal control, and corporate governance system; analysis and assessment of completion of the procedures for risk management, compliance and internal control; control of procedures for compliance of the Group with legislation (anti-corruption, anti-monopoly, etc.) requirements, ethical standards, regulations and procedures of the Group, requirements of stock exchanges;

- > ensuring the independence and impartiality of the implementation of the internal audit function; consideration of policy in the field of internal control and auditing, the work plan, the corresponding budget and the results of activities of the Internal Control and Audit Unit, as well as assessment of the effectiveness of activities of the Internal Control and Audit Unit, including the approval and assessment of KPI implementation;
- > assessment of the independence, impartiality and lack of conflict of interests among the Group's external auditors, including the assessment of candidates for the Group's auditors, development of proposals for the appointment, re-election and removal of the Group's external auditors, payment for their services and conditions for their involvement; supervision of the external audit and assessment of the audit quality, as well as assessment of the audit report confirming the reliability of the financial statements;
- > control over the efficiency of the system for notification on potential cases of unethical practices of the Group's employees and third parties or other violations in the Group; review of reports on operation of the Single Hotline of MTS Group of Companies; control of ethical standards, analysis and assessment of implementation of policies for the management of conflicts of interests; and
- > other tasks.

Number and identities of members

The composition of the Committee was changed during the reporting year.

The new composition of the Committee was approved at the meeting of the Board of Directors dated June 27, 2019.

Committee Member	From June 28, 2018	From June 27, 2019
T. Holtrop, Chairman, Independent Director	●	●
A. Antoniou, Independent Director ²	○	●
Regina von Flemming, Independent Director	●	●
S. Miller, Independent Director ³	●	○
W. Schüssel, Independent Director ³	●	○

● – person was/is a Committee member
○ – person was/is not a Committee member

Meetings

Committee activities were based on the approved action plan according to the main functions assigned to the Committee. In the reporting year, 15 committee meetings were held: 13 in-person meeting and 2 meetings in the form of absentee voting.

Besides these meetings, the Committee members held meetings with financial executives of the Company and managers responsible for the system of management of risks and internal control, as well as with external advisors of the Company on a number of issues.

Committee Member	January 24 (in absentia)	February 12	February 20	March 18	April 9	April 10	May 22	June 25	July 26 In-absentia	August 19	September 18	October 23	October 25	November 18	December 18
T. Holtrop	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
A. Antoniou	●	●	●	●	●	●	●	●	-	-	-	-	-	-	-
Regina Von Flemming	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
S. Miller	-	-	-	-	-	-	-	-	●	●	●	●	●	●	●
W. Schüssel	●	●	●	●	●	●	●	●	-	-	-	-	-	-	-

● – Committee member participated in the meeting
○ – Committee member did not participate in the meeting
-- person was not a Committee member at the time of the meeting

Key areas of the Audit Committee's activities in 2019

In the sphere of risk management and internal control system

During 2019 the Committee controlled the procedures providing for Group's compliance with the requirements of Sarbanes-Oxley Act. The plan for 2019 and the operation results of the Department for Internal Control Systems for the first half of 2019 and for 2019 in general were reviewed. The Committee gave a positive assessment of the activities of the unit. The Committee took note of the results of evaluating the effectiveness of the MTS Group's internal control system by the Internal Control and Audit Unit.

The Committee reviewed and preliminarily approved the reports on risk management in MTS PJSC for the first half year and 2019, work in the field of MTS Group risk MTS was positively estimated in 2019. The Annual Report of MTS PJSC for 2019 by the form 20-F was discussed and approved.

Together with the management and the external auditor, an analysis was carried out of the interim financial information of MTS Group for the I, II and III quarters of 2019, the consolidated financial statements of the Group for 2019 prepared in accordance with international financial reporting standards, as well as the accounting statements

of MTS PJSC for 2019 in accordance with Russian accounting and reporting standards.

The reports on the financial and operational performance of MTS Group for the first, second, third and fourth quarters and for 2019 in general were reviewed and approved.

During 2019, the committee reviewed transactions of interest. The review was performed for intragroup transactions of MTS Group companies, the value of which exceeds the established materiality threshold of 500 million rubles, and transactions with companies of the Sistema Group PJSC, regardless of the amount of the transaction. The results of the analysis of economic feasibility and compliance with the requirements of regulatory documents when making such transactions carried out by the Internal Control and Audit Unit of the MTS Group CC were taken into account.

In the field of compliance system management

The Committee reviewed and approved the strategic areas of the compliance function for 2019 in MTS Group. The Chairman of the Audit Committee held regular meetings with the Director for Business Ethics and Compliance.

The Committee reviewed and approved a report on the status of implementation of the compliance system in MTS PJSC and subsidiaries in the first

¹ https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenti-pao-mts/polozhenie-o-komitete-po-auditu/
² Elected as a Committee member on June 27, 2019
³ Excluded from the composition of the Committee on June 27, 2019.

half of 2019 and a report on the implementation of the MTS Group's strategy in the field of compliance according to the year's results. The Committee gave a positive assessment of the compliance function performance. The Committee reviewed and took into account the report on the development of the unified compliance system of MTS PJSC for 2019.

In the field of internal control and audit management

During 2019, the Committee reviewed information about current operation of the Internal Control and Audit Unit. The Chairman of the Audit Committee held regular meetings with the Director for Internal Control and Audit.

The committee reviewed and approved results of the Internal Control and Audit Unit's operation for the first six months and in general for 2019, and performed assessment of KPI implementation for 2019. The Audit Committee positively evaluated the Internal Control and Audit Unit's performance, finds the function effective and the performance of Unit tasks to be in full compliance with the expected results.

In 2019, the committee paid attention to the use of data analysis tools in internal auditing, the development of new audit technologies and new skills and competencies of employees of the Internal Control and Audit Unit.

The Audit Committee reviewed and took into account the results of self-assessment of the activities of the Internal Control and Audit Unit for 2019, confirming compliance with the International Professional Standards of Internal Audit and the Code of Ethics of the Institute of Internal Auditors.

In December 2019, the committee reviewed and approved the work plan of the Internal Control and Audit Unit for 2020, which continues to implement the approved strategy of the Unit for 2019–2021, KPIs and the budget for 2020, as well as took into account the audit plans for 2020 of the internal control and audit functions of the most significant subsidiaries.

In the field of external audit management

The audit committee recommended Deloitte JSC and Touche CIS as the auditor of financial statements of MTS PJSC for 2019, which was confirmed by the recommendation of the Board of Directors and by shareholders of the Company at the Annual General Meeting of Shareholders on June 27, 2019. The Committee previously approved and recommended that the Board of Directors approve the remuneration of the auditor.

Assessment of the efficiency and quality of the external audit process is prepared by the Committee according to the results of analysis of the auditor's reports. The Audit Committee discussed and approved the results and conclusions of the external auditor based on the review of quarterly overviews of MTS Group financial information for the I, II and III quarters of 2019 and the annual audit, including conclusions on the effectiveness of the internal control system over the preparation of financial statements in MTS Group. Based on 2019 results the Committee gave a positive assessment of the audit quality and audit procedure efficiency in general.

The Audit Committee gave a positive assessment of auditor's opinions based on results of the audit of MTS PJSC financial statements for 2019 prepared in accordance with Russian accounting standards, and consolidated financial statements of MTS PJSC and its subsidiaries for 2019 prepared in accordance with international financial reporting standards.

The Committee exercised supervision over compliance of the auditors with independence principles. During 2019 the Committee considered information on permissible auditing and non-auditing services, which was provided by the external auditor, and discussed with the auditor a possible impact of the service on independence of the auditor. Permissible auditing and non-auditing services were preliminarily approved by the Committee in accordance with the procedure described in the Regulation on Audit Committee.

In the field of counteraction to unethical practices of MTS Group employees and third parties and compliance with ethical standards and conflict of interest management

In 2019 the Committee reviewed the performance of the Unified Hotline of MTS Group of Companies, and on a monthly basis reviewed reports on operation of the Internal Control and Audit Unit.

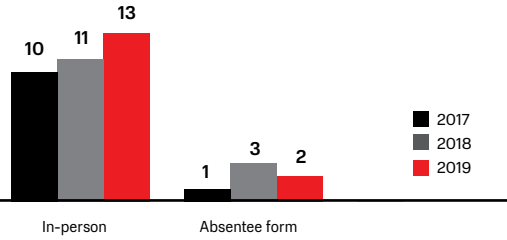
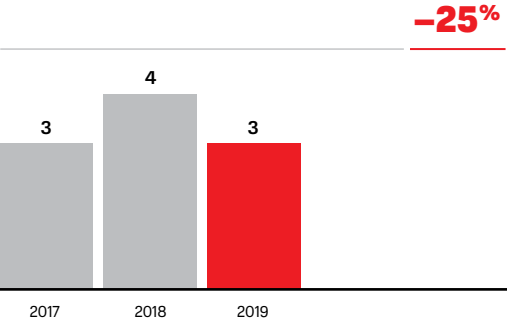
The Committee made recommendations to the Board of Directors regarding the consideration and approval of the following items:

- > risk management reports for MTS PJSC for the first half of the year and for 2019 and assessment of the risk management function performance;
- > remuneration for Deloitte JSC and Touche CIS for auditing services in 2019; and
- > significant transactions with interest falling within the competences of review by the Board of Directors.

Work results in 2019

In the reporting year, the Committee reviewed issues related to the assurance of control over reliability and efficiency of the system for risk management and internal control, corporate governance, unified compliance system, veracity of financial statements of MTS Group of Companies, independence and fairness of internal and external audit implementation, efficiency of the system for notifying on potential cases of unethical practices of the Group's employees and third parties or other violations in the Group. The Committee's operation plan for the next year on main functional areas was drafted and approved.

Composition of the Audit Committee in 2017-2019



In the reporting year, the Appointments and Remuneration Committee continued working over aspects of personnel management that are important for the company. Efficiently using the international corporate governance experience and best professional practices, the committee consults the Board of Directors on these issues.

Our task is to ensure that MTS’ policy in the field of personnel management in general and compensation and remuneration in particular is recognized as the best practice in the labor market; that the best managers work in the Company; and that the work of employees is evaluated using clear and understandable indicators established by the Company’s management body. The Committee generalizes the results of achievement of the annual key performance indicators and provides recommendations to the Board of Directors on short-term and long-term stimuli based on analysis of local and international market conditions.

The Committee tracks the implementation of Company’s strategic development initiatives. An important goal, on the one hand, is to ensure fair remuneration of outstanding results, and on the other hand, not to ignore absence of efforts. Together with the Audit Committee, special attention is paid to compliance with the corporate governance rules, regulatory requirements and prevention of financial crimes.

In accordance with the new strategy for building up and implementing the MTS ecosystem, one of the key tasks is to reflect this in the recently developed HR strategy and, accordingly, in the new structure of key performance indicators and a long-term program for employee bonuses and life cycle. Determining and providing the best experience for employees, as well as attracting the best talents in the market, is a strategically important aspect of the work of the remuneration and nomination committee. Corporate culture and its implementation in the context of change management were one of the main tasks of the committee in 2019/20 and will be the future.

The Committee is responsible for review of external and internal candidates for key management jobs of the Company, and for the assessment of independent candidates for the Board of Directors.

All members of the Committee are confident that through engagement of the best personnel, investment into training, retention and fair remuneration at the market level, creation of opportunities for their development in a competitive but fair environment, the Company will ensure for its success for many years ahead.

Regina Dagmar Benedicta von Flemming,
Chairman of the Remuneration and Nomination Committee

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is an auxiliary collective deliberative body under the Board of Directors. The main purposes of the Committee are: formulation of HR policy of the Company, determination of the system for remuneration of chief officers of the company, shaping the strategy for development of corporate culture in MTS Group.

Committee members follow leading international practices and trends in preparation of effective solutions within the terms of their reference.

In its activities, the Committee is guided by the recommendations and requirements of the effective legislation, the Charter and internal documents of the Company, Code of Ethics and Business Conduct, decisions of management bodies of the Company, and Regulation on the Committee.¹

Tasks:

- Development and updating of MTS PJSC HR policy, preparation of a succession pool for the positions of chief officers;
- Drawing up proposals on candidates and on the determination of significant conditions for remuneration of the chief executives, and proposals on an early termination of office;
- Assessment of performance results of the Company’s President and Management Board members, direct subordinates of the Company’s President for the reporting period and preparation of proposals on their reappointment and appointment of Corporate Secretary;
- Development and submission for review by the Board of Directors of internal documents related to the implementation of the Options Plan of the Company;

- Control over meeting the requirements of the effective legislation, MTS PJSC Charter and internal regulatory acts of MTS PJSC as to compliance with HR policy of the Company, standards and procedures in the sphere of remuneration and appointments;
- Determining methods and assessment of performance of the Board of Directors of the Company; and
- The Committee preliminarily addresses the issues reviewed at meetings of the Company’s Board of Directors in the sphere of appointment and remuneration of top managers of the Company.

Number and identities of members

The composition of the Committee was changed during the reporting year.

The composition of the Committee was approved at the meeting of the Board of Directors dated June 27, 2019.

Committee Member	From June 28, 2018.	From June 27, 2019.
Regina von Flemming, Chairman, Independent Director	●	●
A. Antoniou, Independent Director ²	○	●
T. Holtrop, Independent Director	●	●
V. B. Yumashev, Independent Director ²	○	●
S. Miller, Independent Director ³	●	○
W. Schüssel, Independent Director ³	●	○

● – person was/is a Committee member
○ – person was/is not a Committee member

Meetings

In the reporting year, 12 meetings of the committee took place: 9 in-person meetings and 3 meetings in the form of absentee voting.

Participation of Committee members in the meetings is reflected in the table.

Committee Member	February 1 In-absentia	February 20	April 9	May 24 In-absentia	June 26	June 27	July 29	September 19	October 23	November 20	December 31 In-absentia
Regina Von Flemming	●	●	●	●	●	●	●	●	●	●	●
S. Miller	●	●	●	●	○	-	-	-	-	-	-
T. Holtrop	●	●	●	●	●	●	●	●	●	●	●
A. Antoniou	-	-	-	-	●	●	●	●	○	●	○
V. B. Yumashev	-	-	-	-	●	●	●	●	●	●	●
W. Schüssel	-	-	-	-	-	●	●	●	●	●	●

● – Committee member participated in the meeting
○ – Committee member didn't participate in the meeting
– –person was not a Committee member at the time of the meeting

¹ <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenty-pao-mts/polozhenie-o-komitete-po-voznagrazhdeniyam-i-naznacheniyam>

² Elected as a Committee member on June 27, 2019.
³ Excluded from the composition of the Committee on June 27, 2019.

Main areas of activities of the Remuneration and Nomination Committee in 2019

1. Matters of appointments and succession assurance
 - > Candidates, including external ones, for positions of immediate subordination to the Company's President were considered. Experience sufficiency was evaluated; the results achieved in the Company were analyzed for internal candidates.
 - > Independence of the candidates for inclusion in the Audit Committee under the MTS PJSC Board of Directors was assessed.
2. Issues with systems for the remuneration of managers
 - > Key indicators of the performance of company's top managers were determined, the results of previous period activities were reviewed.
 - > Procedures required for the support of long-term motivation program were implemented, including determination of the current-year program participants and program's KPI targets.
 - > Technical standards for top managers were updated according to the current needs.
3. Matters related to the efficiency of the development of the personnel management function at MTS
 - > HR strategy implementation results and objectives for future periods were reviewed. Recommendations on the main areas of activities were given to the Company's managers.
 - > Key transformations of the Company's organizational structure, their correspondence to the upper-level business objectives and the Company's strategy

Issues and recommendations reviewed

- > Assessment of the results of activities performed by the President and top managers of the company in 2018.
- > Setting goals for 2019, including the list, target values and influence (weight) of each of the parameters upon the resulting remuneration award.
- > Review of KPI results of the long-term awarding programs for 2018 and setting goals for 2019.
- > Drawing up lists of participants of the long-term awarding programs according to the program's regulations.
- > Appointments and employment termination of the Management Board members and top managers; it was recommended to rotate Management Board of the Company.
- > Changes in the Company's organizational structure in general and with respect to direct subordinates of the President of the Company.
- > Composition and readiness of successors to top managers of the Company.
- > Assessment of top managers' remuneration level against the market level and their contribution to Company's results.

- > Standards of material and technical support of the Company's top managers have been updated.
- > Assessment of compliance of candidate members of MTS PJSC Board of Directors with the independence criteria.
- > Development of the company's organizational structure.

The Committee has provided the following recommendations to the Board of Directors

- > On all the issues discussed, the Committee provided recommendations for good decisions in accordance with the best world practices, the current business environment and the company's development strategy.

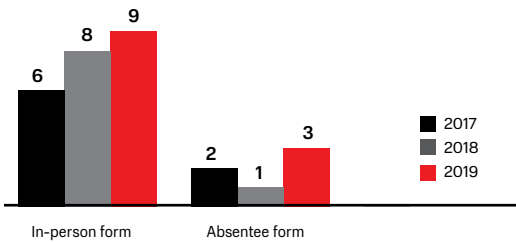
Work Results in 2019

In the reporting year, the Committee reviewed all the necessary issues related to the competences of the Committee required to effectively support the Company's activities and its development.

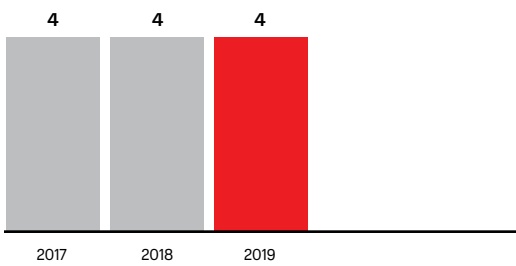
Particular attention was paid to the formation of an external and internal employee reserve and the development of internal successors to leadership positions and the Company's digital transformation.

Furthermore, the Committee's operation plan for the next year on main functional areas was drafted and approved.

Composition of the Remuneration and Nomination Committee for 2017–2019



stably



In the reporting year, we continued to improve the corporate governance system of the company.

At the beginning of the year, we conducted a large-scale audit of one of the most important elements of the corporate governance system – the practice of interaction between the company's key functions. To do this, we held more than thirty interviews with management representatives and carefully examined the internal documents governing activities of individual company divisions. The audit allowed us to reveal the most important areas for improving corporate governance practices.

One of the most important events for the entire company was when a new strategy providing for the creation of an ecosystem was adopted in the second half of the year. This was also reflected in the corporate governance system. In connection with the new strategy, we revised the approaches to the work of the Board of Directors, its committees and the Management Board. Our task was to strengthen the strategic role of the Board of Directors and to change the role of the Corporate Secretary.

Also, at the end of the year, the company decided to conduct an external assessment of the effectiveness of the Board of Directors. We have already chosen an independent consultant and started this process. In the next reporting year, we expect to receive research results that will help us become even better.

V. V. Rozanov
Chairman of the Corporate Governance Committee

Corporate Governance Committee

The committee was created in order to develop and improve the system and practices of corporate governance in the Company. Within its competences the Committee preliminarily reviews the most important issues regarding corporate governance and prepares recommendations for the Board of Directors to take relevant decisions.

In its activities, the committee follows the recommendations and requirements of the relevant legislation, the Charter and internal documents of the Company, Code of Ethics and Business Conduct, decisions of management bodies of the Company, and Regulation on the Committee.¹

Tasks

The Committee faces challenges regarding the development of priority directions for the Company's activities, with regards to the implementation of the corporate governance standards and control over practices in this sphere and settlement of corporate conflicts.

In connection with its assigned tasks, the Committee performs the following functions:

- > In connection with its assigned tasks, the Committee performs the following functions:
- > control over the reliability and efficiency of the system and practices of corporate governance, and preparation of suggestions on their improvement, as well as a comparative analysis of corporate governance policies and programs at other companies;
- > determination of policies in the area of voluntary disclosure of information by the Company and control over the compliance with information policies;
- > assistance in the prevention and settlement of corporate conflicts between the shareholders and between the shareholders and executive bodies of the Company, as well as review of complaints and comments of the shareholders; and
- > preliminary review of internal regulatory documents of the Company submitted for approval (preliminary review) of the Board of Directors, and of the Company's annual report.

¹ <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenty-pao-mts/polozenie-o-komitete-po-korporativnomu-upravleniyu>



Number and identities of members

The composition of the Committee was changed during the reporting year.

The composition of the Committee was approved at the meeting of the Board of Directors dated June 27, 2019.

Committee Member	From June 28, 2018	From October 25, 2018	From June 27, 2019
V. V. Rozanov, Chairman, Non-Executive Director	●	●	●
A. V. Kornya, President, Chairman of the MTS PJSC Management Board, Executive Director	●	●	●
A. Antoniou, Independent Director ¹	○	○	●
R. Sommer, Non-Executive Director ²	●	●	○
R. S. Ibragimov, Management Board Member, Vice President for Government Relations and Public Relations	●	●	●
Stanley Miller, Independent Director ²	●	●	○
Regina von Flemming, Independent Director ²	●	●	○
A. I. Zasursky, Non-Executive Director	○	●	●
A. A. Shmakov, Managing Director, Corporate Relations, Sistema PJSC	●	●	●
T. Holtrop, Independent Director ¹	○	○	●

● – person was/is a Committee member
○ – person was/is not a Committee member

Meetings

In the reporting year, 4 meetings were held: 3 in-person meetings and 1 meeting in the form of absentee voting.

Participation of Committee members in the meetings is reflected in the table.

Committee Member	April 09	April 09 ³	May 24	October 24	October 24 ³	December 18 ³
V. V. Rozanov	●	●	●	●	●	●
A. V. Kornya	●	●	○	●	●	●
A. Antoniou	—	—	—	●	●	●
R. Sommer	●	●	●	—	—	—
R. S. Ibragimov	●	●	●	●	●	●
S. Miller	○	○	●	—	—	—
Regina Von Fleming	●	●	●	—	—	—
A. I. Zasursky	●	○	○	○	○	●
A. A. Shmakov	○	○	●	●	●	●
T. Holtrop	—	—	—	●	●	●

● – Committee member participated in the meeting
○ – Committee member did not participate in the meeting
— – person was not a Committee member at the time of the meeting

Issues reviewed in 2019

- > results of the assessment of MTS Board of Directors,

> report on the work of MTS Corporate Secretary,

> preliminary review of draft local regulatory acts of MTS,

> preliminary review of the draft annual report of MTS for 2018,

> keeping a register of MTS shareholders,
- > officials and MTS Group Companies Liability Insurance,

> new practices in the work of MTS Board of Directors,

> comparison of the Corporate Governance Level at MTS with the Leading Companies in the Field of Corporate Governance,

> launching an external assessment procedure for the MTS Board of Directors,

> etc.

The Committee, inter alia, made the following recommendations:

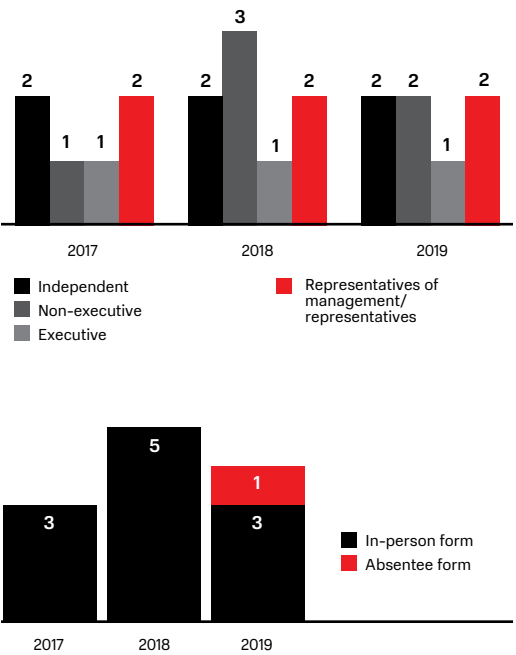
- > recommend that MTS Board of Directors approve the report on the work of MTS Corporate Secretary,
- > recommend that MTS Board of Directors approve the report on evaluating the performance of MTS Board of Directors,
- > recommend that MTS Board of Directors preliminarily approve the MTS Annual Report and the report on compliance with the Corporate Governance Code for 2018,
- > recommend that MTS Board of Directors preliminarily approve local regulatory acts of MTS in new revisions,
- > recommend that MTS Board of Directors take a decision on conducting an external assessment of the performance of MTS Board of Directors,
- > etc.

Work results in 2019

In the reporting year, the Committee considered all the matters related to the development of corporate governance at the Company; no issues on the settlement of corporate conflicts arose; no complaints or comments from shareholders on the competences of the Committee were received.

The Committee was mainly focused on assessing the Company's Board of Directors and developing the corporate governance of MTS.

Composition of the Corporate Governance Committee for 2017–2019



At the meetings of the Strategy Committee under the MTS Board of Directors in 2019, we reviewed both general issues relating to the strategic planning process and strategies of individual functional and business areas in the company. Most of the time was devoted to discussing the vertical and horizontal strategies of the ecosystem as part of the new strategy of the MTS Group. A plan for improving the work of the Strategy Committee formed based on feedback received from members of the Board of Directors following the results of work in 2018 was also reviewed and approved. As part of this plan, in particular, it was decided to strengthen the practice of committee's preliminary discussions of strategic issues addressed at Board of Directors meetings, and, in particular, to submit materials on M&A transactions for preliminary discussion in the Strategy Committee.

Artyom Zasursky
Chairman of the Strategy Committee

¹ Excluded from the composition of the Committee on June 27, 2019.
² Elected as a committee member on June 27, 2019.
³ Joint meeting of the Corporate Governance Committee and Remuneration and Nomination Committee.

Strategy Committee

The Committee is an auxiliary body of MTS PJSC Board of Directors for the preparation of recommendations to the Board of Directors upon review of a strategic development of key functions, projects and Company in general, and the implementation of investment projects and long-term investment programs.

Tasks:

- reliminary review and provision of recommendations to the Board of Directors on issues within the terms of reference of the Strategy Committee and
- discussion and drawing up of recommendations on strategic activity areas and projects of the Company.
- Number and identities of members
- The composition of the Committee was changed during the reporting year.
- The composition of the Committee was approved at the meeting of the Board of Directors dated June 27, 2019.

Committee Member	From June 28, 2018	From June 27, 2019
A. I. Zasursky, Chairman, Non-Executive Director	●	●
R. Sommer, Non-Executive Director ¹	●	○
A. E. Gorbunov, Management Board Member, Vice President for Strategy and Development of MTS PJSC	●	●
S. Miller, Independent Director ¹	●	○
V. V. Rozanov, Non-Executive Director	●	●
A. B. Katkov, Non-Executive Director	●	●
W. Schüssel, Independent Director ¹	●	○
V. K. Nikolaev, First Vice President for Client Experience, Marketing and Ecosystem Development, Member of the Management Board of MTS PJSC	●	●
A. Antoniou, Independent Director ²	○	●
Regina von Flemming, Independent Director	○	●
V. B. Yumashev, Independent Director ²	○	●

● – person was/is a Committee member
○ – person was/is not a Committee member .

Meetings

In the reporting year, 9 meetings were held: 8 in-person meetings and 1 meeting in the form of absentee voting.

Participation of Committee members in the meetings is reflected in the table.

Committee Member	April 9	June 26	September 18	October 24	November 1	November 26	December 10	December 12	December 19
R. Sommer	●	●	–	–	–	–	–	–	–
V. V. Rozanov	●	○	●	●	○	●	●	●	●
A. I. Zasursky	●	●	●	●	●	●	●	●	●
A. B. Katkov	●	●	●	●	●	●	●	●	●
S. Miller	○	●	–	–	–	–	–	–	–
W. Schüssel	●	●	–	–	–	–	–	–	–
A. E. Gorbunov	●	●	●	●	●	●	●	●	●
V. K. Nikolaev	●	●	●	●	●	●	●	●	●
A. Antoniou	–	–	●	●	●	●	●	○	●
Regina Von Flemming	–	–	●	●	●	●	○	●	●
V. B. Yumashev	–	–	●	●	●	○	○	○	●
A. V. Kornya	–	–	●	●	●	●	●	○	●

● – Committee member participated in the meeting
○ – Committee member did not participate in the meeting
– – person was not a Committee member at the time of the meeting

Issues reviewed by the Committee in 2019

- Main strategic subjects/areas for the following cycle of strategic planning for 2019–2021 in MTS Group.
- IT policy and strategy (including in the cybersecurity field).
- MTS technology strategy.
- MTS Innovation Center: current status and plans.
- Report on digital directions.
- IoT development in MTS: current status, near-future plans, pending issues.
- Satellite TV: current status and strategy.
- Status and strategy of ticketing services development.
- Digital services in MTS ecosystem and strategy to improve penetration of digital applications.
- Updated Regulations on the Strategy Committee of the Board of Directors of MTS PJSC.

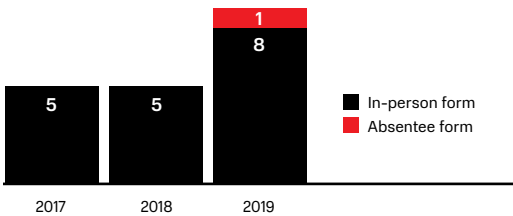
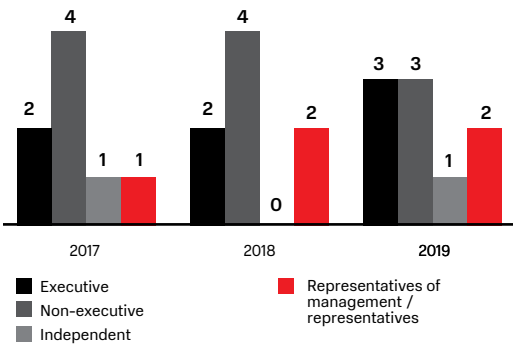
The Committee has provided the following recommendations to the Company's Board of Directors and Management of MTS Group.

- In the process of strategic planning for 2019–2021, to follow the format and procedure defined by the Strategy Committee under the Board of Directors.
- When developing/adjusting functional strategies, to follow recommendations defined by the Strategy Committee under the Board of Directors.
- To ensure a detailed and in-depth review of digital directions development results at the Board of Directors and the Strategy Committee under the Board of Directors. In process of analysis and planning of operations, to take into account metrics defined by the Committee for each specific area.
- To recommend that the Board of Directors of MTS PJSC approve the updated Regulations on the Strategy Committee of the Board of Directors of MTS PJSC.

Work results in 2019

In the reporting year, the Committee considered issues related to the process of strategic planning of the Company's operations, strategies on the main functional areas and separately for all business areas in the digital category. Several recommendations were provided to the Company's management following the review of issues. Furthermore, the updated regulations on the Committee were adopted, and the Committee's work plan was decided for the next year.

Composition of the Strategy Committee for 2017–2019



¹ Excluded from the composition of the Committee on June 27, 2019.
² Elected as a Committee member on June 27, 2019.



Special Compliance Committee under the Board of Directors

The main objective of the Special Committee is overall supervision in the sphere of compliance, review of issues and preparation of recommendations for the Board of Directors on compliance issues.

Number and identities of members

The personal composition of the Committee was approved at the meeting of the Board of Directors dated April 10, 2019.

Committee Member	From April 10, 2019	From June 27, 2019
T. Holtrop, Chairman, Independent Director	●	●
Regina von Flemming, Independent Director	●	●
V. V. Rozanov, Non-Executive Director	●	●
A. I. Zasursky, Non-Executive Director	●	●
W. Schussel, Independent Director	●	○
Yu. S. Romashkina, Director of Business Ethics and Compliance of MTS PJSC	○	●
A. Antoniou, Independent Director		●

● – person was/is a Committee member
○ – person was/is not a Committee member

Meetings

In the reporting year, 4 in-person committee meetings were held.

Participation of Committee members in the meetings.

Committee Member	April 10	September 18	October 23	December 18
T. Holtrop	●	●	●	●
Regina Von Flemming	●	●	●	●
V. V. Rozanov	●	●	●	●
A. I. Zasursky		●	●	○
W. Schüssel	●	-	-	-
Yu. S. Romashkina	●	●	●	●
A. Antoniou	●	●	●	●

● – Committee member participated in the meeting
○ – Committee member did not participate in the meeting
– – person was not a Committee member at the time of the meeting

Issues and recommendations reviewed:

- expert statements and reports regarding supervision of compliance in the company's procedures were reviewed.

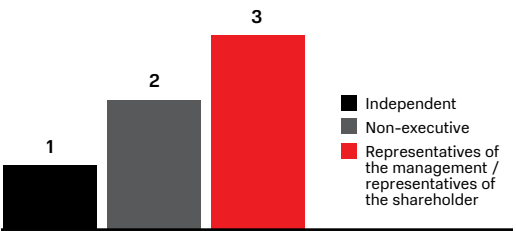
The Committee provided the following recommendations to the Company's Board of Directors:

None

Work results in 2019

In the reporting year, the Committee reviewed issues related to compliance supervision measures implemented by the Company.

Composition of the Special Committee in 2019



Events after the reporting date

On April 9, 2020, the Board of Directors of MTS PJSC adopted the following decisions:

- Abolish the Budget Committee of the Board of Directors of MTS PJSC.
- Form the personal composition of the following Committees of the Board of Directors of MTS PJSC:

Strategy Committee	A. B. Katkov — Chairman, Committee members: > A. Antoniou, > A. I. Zasursky, > A. V. Kornya, > R. Flemming, > V. V. Rozanov, > A. E. Gorbunov, > V. S. Travkov.
Corporate Governance Committee	V. V. Rozanov — Chairman, Committee members > A. Antoniou, > A. I. Zasursky, > T. Holtrop, > A. V. Kornya, R. S. Ibragimov, > A. A. Shmakov, > A. V. Barsegian.
Special Compliance Committee under the Board of Directors of MTS PJSC	T. Holtrop — Chairman, Committee members: > A. Antoniou, > R. Flemming, > V. V. Rozanov, > A. I. Zasursky, > L. E. Lukyanova, > A. V. Barsegian.

REMUNERATION FOR BOARD OF DIRECTORS MEMBERS

The procedure and terms of remuneration payment to members of the Board of Directors of MTS PJSC are defined in accordance with the Regulation on remunerations and compensations paid to members of the Board of Directors of MTS PJSC.¹

MTS pays remuneration to independent directors, as well as directors, who are not employees or members of the management bodies of companies in MTS Group. Overheads are compensated to all directors in accordance with actually made and documented target expenses.



Remuneration is paid to directors who are not employees or members of executive bodies of MTS or MTS Group or of a controlling stakeholder of MTS or individuals subordinated to them. Compensation for overhead costs is made to all directors for real target costs proven with documentation.

¹ <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenty-pao-mts/polozenie-ovoznagrazhdenii-chlenov-soveta-direktorov-paomts>

WHERE DOES REMUNERATION COME FROM? MTS

TOTAL AMOUNT

CHAIRMAN/ OTHER DIRECTOR

No more than \$600 000
No more than \$500 000

01 \ BASIC REMUNERATION



CHAIRMAN/DIRECTOR

\$400 000 / \$300 000

- Paid for fulfilment of the duties of a member of the Board of Directors of the Company during the corporate year.

02 \ REMUNERATION FOR SITTING ON COMMITTEES



CHAIRMAN/DIRECTOR

\$50 000 / \$30 000
for sitting on a mandatory committee

\$30 000 / \$25 000
for sitting on another committee

\$50 000 / \$30 000
for sitting on a special committee

- Paid for the performance of additional duties related to work in committees under the Board of Directors

03 \ GRANTING OF SHARES

- Additional remuneration in the form of remuneration with shares is paid following work results for the corporate year. There are restrictions in respect to shares¹



The remuneration system for members of the Board of Directors ensures a convergence of the financial interests of directors with long-term financial interests of shareholders.



Detailed information is disclosed in Clause 4.2.1. Report on the fulfilment of the principles and recommendations of the Corporate Governance Code.

REMUNERATION PAID TO MEMBERS OF THE BOARD OF DIRECTORS IN 2019

Indicator	Total, RUB
Remuneration for participation in operations of the management body	123,751,595.50
Cost compensations	1,247,015
TOTAL	124,998,610.60

ASSESSMENT OF BOARD OF DIRECTORS' PERFORMANCE

The effectiveness of the Board of Directors affects the quality of the management and performance of the organization and, as a consequence, its market capitalization. In order to improve the practices of the Board of Directors, a systematic assessment is necessary, after which the members of the Board of Directors will better understand their strengths and development areas and can identify opportunities for constructive and sustainable changes in the long term.

The assessment of the Board of Directors performance acts as an efficient tool of corporate governance development and is designed to increase the efficiency of Board of Directors' performance.

After the adoption of the Code of corporate governance and completion of the corporate governance audit of MTS in 2015 the Corporate Governance Committee under the Board of Directors made a decision on the need for drafting a new methodology. In 2016, with the joint participation of the Remuneration and Nomination Committee, Corporate Governance Committee and the Board of Directors, an independent consultant was selected to update the existing methodology for assessment of the performance of the Board of Directors. The new methodology was approved by the decision of the Board of Directors.

The Methodology defines the approach to the assessment, the purpose of which is to improve the performance of the Board of Directors, its committees, Board of Directors members, and to improve the quality of corporate governance at MTS as a whole.

The Methodology contains a description of the following:

- > objects and subjects (participants) of assessment;
- > methods and tools of assessment;
- > principles, procedures and main areas of assessment;
- > assessment procedure;

- > approach to analysis and use of assessment results; and
- > approach to risk management in process of assessment.

The assessment principles are the following:

- > regular performance;
- > relevance;
- > practical focus;
- > objectivity of results;
- > comparability of results; and
- > confidentiality.

The objects of the assessment include:

- > activities of the Board of Directors;
- > activities of committees of the Board of Directors;
- > individual performance of each member of the Board of Directors and committees, including their chairmen; and
- > activities of the Corporate Secretary.

The assessment is carried out on a regular basis (annually) and can be conducted both independently (by questionnaire method) and with the involvement of an independent consultant.

The purpose of the Board of Directors performance assessment is to maximize the Board of Directors' contribution to the successful development and growth of the company's value by solving such tasks as:

- > ensuring a balanced composition of the Board of Directors from the point of view of professional experience, knowledge, skills and personal qualities of its members;
- > analysis of effective approaches and procedures used by the Board of Directors and Committees in their work;
- > tracking the presence and level of motivation of the Board of Directors' members;
- > confirmation of sufficient control from the Board of Directors over operations of the organization and determination of the quality of interrelations between the Board of Directors and management; and
- > determination of the Board of Directors' contribution to development of the MTS corporate governance system and ensuring efficient cooperation of its subjects.

¹ A director does not have the right to dispose of, or use in any way, shares received as remuneration for three years from the moment they first receive shares as remuneration.

The main objective of the Board of Directors performance assessment is definition of their efficiency in preliminary elaboration of issues and assistance to the Board of Directors in the decision-making process. This objective can be achieved by solving such tasks as:

- › confirmation of the role, function and objectives of the Committee;
- › inspection of the balanced composition of the Committee from the point of view of number of its members, their knowledge, professional experience and competences; and
- › analysis of the quality and efficiency of the Committee’s interaction with the Board of Directors and management.

The individual assessment of members of the Board of Directors is designed to maximize their contribution to operations of the Board of Directors and Committees, and also to detect directors’ need for upgrade or development of certain skills enabling more effective operation of the Board of Directors and Committees.

At the end of 2019, the MTS Board of Directors decided to conduct an independent assessment of the quality of the Board of Directors’ work. Based on the results of a tender, an external consultant was selected and the assessment process started. At the time of preparing this report, the assessment has not yet been completed.

INFORMING NEWLY ELECTED MEMBERS OF THE BOARD OF DIRECTORS ABOUT THE COMPANY’S OPERATION

In accordance with best corporate governance practices for newly elected members of the Board of Directors an orientation (information) course is held in the form of an interactive presentation in Russian and English. This course quickly familiarizes new members of the Board of Directors with the Company’s development history, the operation of the Board of Directors, the main documents governing Company’s operations, annual financial reporting, the development strategy, the Company’s management structure, etc.

The President, the Company’s management and Board of Directors Secretary take part in the presentation. Individual meetings with senior functional management of the Company are also offered to members of the Board of Directors, at which members of the Board of Directors can obtain any information required for their work.

THE ROLE OF THE BOARD OF DIRECTORS IN THE ORGANIZATION OF AN EFFICIENT RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM¹

Within its competences, the Board of Directors is responsible for monitoring the effectiveness of the construction and functioning of the systems for risk management, compliance and internal control of the Company; twice a year it reviews and approves the reports of the Audit Committee on the work of internal control and audit, compliance and risk management units and the internal control system, as well as reports on risk management in the MTS Group and reports on the development of the Unified Compliance System.

Today, an efficiently-operating risk management, compliance and internal control system are in place designed to ensure a reasonable level of confidence in the company achieving its aims.

OFFICIALS AND MTS GROUP COMPANIES LIABILITY INSURANCE



The insurance amount under the liability insurance contract is USD 10 million.

The insurance contract enables us to ensure the protection of members of the Board of Directors, Management Board and management of MTS PJSC (hereinafter – “Officials”) and provide coverage for:

- › indemnification of Officials, in connection with actions or claims submitted against them or their persecution by authorized state authorities for their actions/omissions while they exercise office duties in the office held, namely:
 - compensation of expenses of Officials for lawyers and legal protection in connection with the above actions or claims;
 - indemnification of damages caused to plaintiffs by actions/omission of Officials (in the event that the lawsuit is satisfied by the court);
- › indemnification of damages of MTS PJSC and subsidiaries of MTS PJSC for claims related to securities (except for lawsuits related to IPO of American depositary receipts).

PRESIDENT AND MANAGEMENT BOARD OF MTS

A key role in the implementation of the selected strategy, organization of efficient implementation of resolutions of the Board of Directors, management of current operations of the Company is played by the Executive Bodies of the Company – the President (sole executive body) and Management Board (collegial executive body).

The executive bodies are accountable to the Board of Directors and General Meeting of Shareholders.

The executive bodies of the Company shall be established by the Board of Directors.

The President and Management Board act on the basis of the articles of association of MTS PJSC, Regulation on President of MTS PJSC² and Regulation on the Management Board of MTS PJSC.³

Executive bodies:

- › organize the Company’s activities and are responsible for the results of these activities, and ensure the enforcement of decisions made by the General Meetings of Shareholders and by the Board of Directors;
- › ensure the establishment and maintenance of the operation of an efficient risk management and internal control system in the Company, and are responsible for the implementation of the resolutions of the Board of Directors in terms of organization of the risk management and internal control system;
- › are responsible for the effective economic, financial, scientific and technical and social policies of the Company.

The Board of Directors is entitled at any time to adopt a resolution on the early termination of a President’s powers as well as on the termination of the powers of an individual member of the Management Board or all members of the Management Board and on establishment of new Executive Bodies.

During 2019 (from March 13, 2018), the functions of the president of MTS PJSC were performed by Aleksey V. Kornya.

COMPOSITION OF THE MANAGEMENT BOARD IN 2019

MTS Management Boards in effect during 2019

	Inessa Galaktionova (on the board since 2019)
	Igor Nikolaevich Mishin (on the board since 2019)
	Ilya Valentinovich Filatov (on the board since 2019)
	Dmitry Aleksandrovich Khomchenko (on the board since 2019)
	Tatyana Sergeevna Chernysheva (on the board since 2019)
Aleksandr Evgenievich Gorbunov (on the board since 2018)	
Ruslan Sultanovich Ibragimov (on the board since 2007)	
Andrey Mikhailovich Kamensky (on the board since 2018)	
Aleksey Valerievich Kornya (on the board since 2008)	
Vyacheslav Konstantinovich Nikolaev (on the board since 2017)	
Maria Nikolaevna Golyandrina (on the board since 2018, powers terminated on November 22, 2019)	
Kirill Aleksandrovich Dmitriev (on the board since 2014, powers terminated on July 31, 2019)	
Igor Alfridovich Yegorov (on the board since 2016, powers terminated in 2019)	
Andrey Gennadievich Smelkov (on the board since 2013, powers terminated in 2019)	
Andrei Eduardovich Ushatsky (on the board since 2013, powers terminated in 2019)	
Valery Viktorovich Shorzhin (on the board since 2014, powers terminated in 2019)	

¹ More complete information is provided in the “Risk Management” section.

² <http://ir.mts.ru/about-mts/corporate-governance/company-documents/default.asp>
³ <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/dokumenti-pao-mts/polozenie-opravlenii-paomts/>



Information about the President and members of the Management Board
as of December 31, 2019



Aleksey Valerievich
Kornya

President, Management Board Chairman
of MTS PJSC

He was born in 1975, in Bryansk.

In 1998 he graduated from St. Petersburg State University
of Economy and Finance.

Professional experience:

- > 2000–2000: PricewaterhouseCoopers Audit CJSC, Consultant-Auditor
- > 2000–2004: North-West Telecom OJSC, Chief Financial Consultant, Chief Specialist on Financial Consultation
- > 2004–2007: MTS PJSC, in July 2004 – Financial Director of the branch of MTS PJSC of Urals Macroregion; in October 2004 – director of the Financial Planning and Analysis Department of the Financial Unit of MTS Group
- > 2007–2008: MTS PJSC, Controlling Director of the Finance and Investment Unit
- > 2008–2009: MTS PJSC, Deputy of the Vice-President for Finance and Investments, Acting Vice-President for Finance and Investments
- > 2010–2013: MTS PJSC, Vice-President for Finance and Investments
- > 2013–2016: MTS PJSC, member of the Management Board – Vice President for Finance and Investments
- > 2016–2018: MTS PJSC, Member of the Management Board – Vice President for Finance and Investment, Mergers and Acquisitions
- > 2018 till present: MTS PJSC, President, Management Board Chairman

Member of the Board of Directors of Mobile TeleSystems JLLC, MTS Bank PJSC, RTC JSC, Sistema Capital MC LLC, Board Member of Sistema Charity Fund, member of the Board of GSM Association (GSMA).

Member of the Management Board of MTS PJSC since 2008.

As of December 31, 2019, he owned ordinary registered
shares in MTS PJSC in the amount of 345,889 shares.



Inessa Galaktionova

First Vice President
for Telecommunications – Management
Board member

She was born in 1974 in Vilnius.

In 1997 she graduated from Vilnius State University's Department
of Economics.

Professional experience:

- > 1996–2009: PHILIPS LLC, Marketing Director, Chairman of the Brand Development Council of the Philips Representative Office in Russia, Director for Video and Television Business
- > 2009–2013: Tele2 Russia OJSC, Commercial Director
- > 2013–2019: FSUE Post of Russia, Deputy General Director
- > 2019–2019: FSUE Post of Russia, Advisor to the General Director
- > 2019 till present: MTS PJSC, First Vice President for Telecommunications Business, MTS PJSC Management Board Member

Board of Directors Member in MTS Bank PJSC, RTC JSC, MGTSPJSC, Cloud Retail LLC, and other companies.

Member of the Management Board of MTS PJSC since 2019.

As of December 31, 2019, she did not own shares in MTS
PJSC (directly/indirectly).



**Aleksandr Evgenievich
Gorbunov**

Management Board Member – Vice
President for Strategy and Development
of MTS PJSC

He was born in 1967 in Moscow.

In 1992 he graduated from Moscow Engineering Physics Institute
with a specialty in Experimental Nuclear Physics and Plasma
Physics.

In 1999 he earned an MBA from Harvard University.

Professional experience:

- › 2002–2003: NTP Intellect Telecom OJSC, Deputy General
Director
- › 2003–2005: MTS OJSC, head of the Strategic Analysis Service,
Chief Strategy Officer of the Strategic Analysis Department
- › 2005–2006: Sistema PJSFC, head of the Corporate
Development Department, Acting First Vice President
and the Director of Strategy and Development Complex
- › 2006–2010: Komstar-OTS OJSC, Vice President for Strategy
and Development
- › 2010–2012: Sitronics OJSC, Counselor of the President
- › 2010–2012: Sistema PJSFC, Executive Vice President
for Telecommunication Assets Development of “Basic Assets”
Business Unit
- › 2012–2015: Sistema PJSFC, Executive Vice President
(Investment Portfolio)
- › 2015–2018: Sistema PJSFC, Vice President, Manager
of Telecommunication Assets
- › 2018 till present: MTS PJSC, Management Board Member, Vice
President for Strategy and Development

Chairman of the Board of Directors of Sistema Smart
Technologies Ltd., member of the Board of Directors of YUODO
WEB TECHNOLOGIES LIMITED, member of the Strategy and Risk
Management Committee of MTS Bank PJSC.

Member of the Management Board of MTS PJSC since 2018.

**As of December 31, 2019 he didn’t own shares in MTS PJSC
(directly/indirectly).**



**Ruslan Sultanovich
Ibragimov**

Management Board Member – Vice
President for Government Relations
and Public Relations

He was born in 1963 in the town of Taldykorgan.

In 1986 he graduated from the faculty of law of Lomonosov
Moscow State University.

In 1992 he completed postgraduate studies in Lumumba RUDN
(Peoples' Friendship University of Russia), with a Ph.D. in Law.

Professional experience:

- › 1992–1996: he worked in commercial banks, headed legal
services
- › 1996–2002: RSM Top Audit, took the office of the director
of legal service, director-partner, deputy general director, head
of the Department of Tax and Legal Advice, Director, Partner,
Tax and Legal Consulting.
- › 2002–2004: he worked as a lawyer in various bar associations.
- › 2004–2006: Moscow Bar Association “Ibragimov, Kagan
and partners,” associate.
- › 2006–2007: MTS PJSC, director of legal department, he was
then transferred to the position of the chief legal officer.
- › 2007–2008: MTS PJSC, Vice President for Corporate and Legal
Issues.
- › 2008–2019: MTS PJSC, Management Board Member, Vice
President for Corporate and Legal Issues.
- › 2019 till present: MTS PJSC, Management Board Member, Vice
President for Government Relations and Public Relations.

Management Board Member, Vice President of the Non-Profit
Partnership “Association of Corporate Lawyers”, member
of the All-Russian Public Organization “Association of Russian
Lawyers,” Senior Director of the Association of Independent
Directors, member of the Partnership of Antimonopoly Experts
Association, Member of the Supervisory Board of the Autonomous
Non-Profit Organization “Digital Economy,” Independent Director
of Publishing House “Higher School” OJSC, Member of the Board
of Directors of Doctor Ryadom LLC and Publishing House
“Education” JSC, Member of the Corporate Governance Committee
at the Board of Directors of MTS PJSC.

Member of the Management Board of MTS PJSC since 2007.

**As of December 31, 2019, he owned ordinary registered
shares in MTS PJSC in the amount of 241,989 shares.**



**Andrey Mikhailovich
Kamensky**

Management Board Member, Vice
President for Finance

He was born in 1972, in Moscow.

In 1995 he graduated from the Moscow State University of Geodetics and Cartography and in 1999 – from the Financial Academy under the Government of the Russian Federation majoring in “Financial Credit.”

Professional experience:

- › 1997–2011: managerial positions in the field of finances in Trade House Perekrestok, SAN InBev, ING Bank (Eurasia).
- › 2011–2018: Sistema PJSC, Executive Vice President for Finance and Economics.
- › 2018–2019: MTS PJSC, Member of the Management Board – Vice President for Finance and Investment, Mergers and Acquisitions
- › 2018–2019: MTS PJSC, Management Board member – Vice President for Finance, Investment, Mergers and Acquisitions
- › 2019 till present: MTS PJSC, Management Board member, Vice President for Finance.

Member of the Board of Directors of MTS Bank PJSC, Sistema Capital MC LLC, Mobile TeleSystems JLLC, RTC JSC.

Member of the Management Board of MTS PJSC since 2018.

As of December 31, 2019, he didn’t own shares in MTS PJSC (directly/indirectly).



**Igor Nikolaevich
Mishin**

Management Board member, Vice
President of MTS Media

He was born in 1962 in Yekaterinburg.

In 1985 he graduated from Gorky Ural State University, majoring in Sociology.

Professional experience:

- › 1991–2007: founder and President of Channel Four, the largest private regional media holding.
- › In 1995, he became one of the founders of the Independent Broadcasting System association of non-state regional television companies (REN-TV/NVS network).
- › 1997–2002: participated in creation of TNT-Teleset OJSC.
- › 2005–2007: founder and General Director of National Television Syndicate OJSC.
- › 2006–2007: General Director of Amedia CJSC.
- › In 2008, he became a shareholder of Media-1 company that became a part of YuTV Holding in 2010, where he took over the position of general producer of TV Service CJSC (Muz-TV channel).
- › 2011–2014: head of A-One Concept Media Inc.
- › 2014–2016: General Director of TNT-Teleset OJSC.
- › 2019 till present: MTS PJSC, Management Board member, Vice President of MTS Media.

Producer, Vice President of the Academy of Russian Television, Member of the European Film Academy, recipient of the Prize of the Russian Federation Government in Science and Technology, Chairman of the Board of Trustees of the Street Cinema Festival. From 2008 till present: film producer, developer of the author’s methodology for public protection of film projects, a teacher in film schools.

Member of the Management Board of MTS PJSC since 2019.

General Director and member of the board of directors of MTS Media LLC, President of Gorodskoy Kvartal LLC, Chairman of the Board of Directors of the Non-commercial partnership of individual developers USOVO-3, General Director of Kinokompania MIG PIKCHERS LLC.

As of December 31, 2019, he didn’t own shares in MTS PJSC (directly/indirectly).



**Vyacheslav
Konstantinovich
Nikolaev**

First Vice President for Client Experience,
Marketing and Ecosystem Development,
Member of the Management Board

He was born in 1970 in Moscow.

In 1992 he graduated from the faculty of mathematics
of computation and cybernetics of Lomonosov Moscow State
University.

In 1994 he completed management training in the Kriebie Institute,
Washington, DC.

Professional experience:

- › 1994–1999: international consulting company European Public
Policy Advisers, Senior Adviser
- › 1999–2000: J'son and Partners (telecommunications
consulting), Adviser
- › 2000–2003: investment bank Renaissance Capital,
Telecommunications Analyst
- › 2003–2004: investment bank Trust, Vice President, Stock
Market Research Department
- › 2004–2006: MTS PJSC, Director, Scheduling and Analysis
Department, Sales and Subscriber Service Unit
- › 2006–2008: MTS PJSC, Director, Regional Management
Department
- › 2008–2011: MTS PJSC, Deputy Director, Business Unit Russia
for Regional Development and Operations Support
- › 2011–2017: MTS PJSC, Director, Consumer Market Marketing
- › 2017–2019: MTS PJSC, Management Board Member, Vice
President for Marketing
- › 2019–2020: MTS PJSC, First Vice President for Customer
Experience and Marketing, Management Board member
- › 2020 till present: MTS PJSC, First Vice President for Client
Experience, Marketing and Ecosystem Development, Member
of the Management Board

Board of Directors member in RTK JSC, MTS Armenia CJSC,
MDTZK LLC, KS LLC, ORK JSC, MTS Bank PJSC.

Member of the Management Board of MTS PJSC since 2017.

**As of December 31, 2019, he didn't own shares in MTS PJSC
(directly/indirectly).**



**Ilya Valentinovich
Filatov**

Management Board member, Vice
President for Financial Services

Born in 1976 in Klin.

In 1998 he graduated from the Moscow State Academy of Water
Transport, in 2009 he received an MBA degree from the Higher
School of International Business Economics at the Academy
of National Economy under the Government of the Russian
Federation.

Professional experience:

- › 2005–2014: BANK URALSIB PJSC, held managerial positions,
incl. the position of Deputy Chairman of the Management
Board of the Bank since 2008.
- › 2014–2015: MTS-Bank PJSC, First Deputy Chairman
of the Management Board
- › 2015 till present: MTS-Bank PJSC, Chairman
of the Management Board
- › 2019 till present: MTS PJSC, Management Board member, Vice
President for Financial Services

Board of Directors member in MTS-Bank PJSC, RTK JSC, East-West
United Bank SA and other companies.

Member of the Management Board of MTS PJSC since 2019.

**As of December 31, 2019, he owned ordinary registered
shares in MTS PJSC in the amount of 0.12% of the shares.**



**Valery Viktorovich
Shorzhin**

Management Board member, Vice
President for Cloud and Digital Solutions
(powers terminated on December 31, 2019)

He was born in 1963 in Ulyanovsk.

In 1986 he graduated from Bauman MSTU.

Professional experience:

- > 1993–1996: Tveruniversal Bank JSCB, Department of Bank Technologies Automation
- > 1996–2000: STsS Sovintel, Communication Engineer, Head of the Traffic Analysis and Control Group, Director of the Network Control and Development Department
- > 2000–2006: STsS Sovintel, IT Director
- > 2006–2008: Farlep-Invest (Ukraine), IT Director and Chief Technical Officer
- > 2008–2011: MTS PJSC, IT Director
- > 2011–2014: MTS PJSC, Director of the Procurement Department
- > 2014–2018: MTS PJSC, Management Board Member, Vice President for Procurement and Administration
- > 2018–2019: MTS PJSC, Management Board member, Vice President for Digital Business Solutions
- > 2019–2019: MTS PJSC, Management Board member, Vice President for Cloud and Digital Solutions

Board of Directors member in NVision Group JSC, IT-GRAD 1 CLOUD LLC.

He was elected in the Management Board of MTS PJSC for the first time in 2009; he was reelected in the Management Board in 2011.

As of December 31, 2019, he owned ordinary registered shares in MTS PJSC in the amount of 214,913 shares.



**Dmitry Aleksandrovich
Khomchenko**

Management Board member, Vice
President for Information Technology

He was born in 1976 in the town of Svobodny, Amur Region.

In 1998 he graduated from Amur State University, majoring in Economics Information Systems.

Professional experience:

- > 2001–2004: ASS CJSC, head of IT Department
- > 2004–2011: MTS PJSC, head of IT operation divisions in the Macroregions of the Urals and the South
- > 2011–2014: MTS PJSC, Director for Information Technology Operations
- > 2014–2019: MTS PJSC, IT Director
- > 2019 till present: MTS PJSC, Management Board member, Vice President for Information Technology

Chairman of the Supervisory Board of NVision Chech Republic a.s., and NVision Chech Republic ICT a.s., Chairman of the Board of Directors in STS JSC.

Member of the Management Board of MTS PJSC since 2019.

As of December 31, 2019, he didn't own shares in MTS PJSC (directly/indirectly).



Tatyana Sergeevna Chernysheva

Member of the Management Board — Vice-President, Human Resources

She was born in 1977 in St. Petersburg.

In 2000 she graduated from the Department of Management of St. Petersburg

Professional experience:

- 2004–2016: held the position of HR Director in Russian representative offices and branches of the companies: Lamoda Group, Alliance Healthcare, Danone Group, and Johnson & Johnson.
- 2016–2017: LSR Group PJSC, Deputy General Director for HR Policy and Organizational Development
- 2016–2017: own projects in the field of HR consulting
- 2017–2019: Spencer Stuart International, headed the practice of leadership development in the Moscow office of the consulting company
- 2019 till present: MTS PJSC, Management Board member, Vice President for Human Resources

Member of the Management Board of MTS PJSC since 2019.

As of December 31, 2019, she did not own shares in MTS PJSC (directly/indirectly).

Events after the reporting date

- Appointment of Dmitry Aleksandrovich Khalin as a member of the Management Board, Vice President for Cloud and Digital Solutions of MTS PJSC ¹.

On November 20, 2019, the Board of Directors of MTS PJSC decided to elect Dmitry Aleksandrovich Khalin to the position of a member of the Management Board, Vice President for Cloud and Digital Solutions of MTS PJSC from January 1, 2020.

By the Decision of the Board of Directors of MTS PJSC, the quantitative composition of the Management Board of MTS PJSC from January 1, 2020, was decided as 11 members as follows:

- Aleksey Valerievich Kornya – Chairman of the Management Board, MTS PJSC
- Inessa Galaktionova
- Aleksandr Evgenievich Gorbunov
- Ruslan Sultanovich Ibragimov
- Andrey Mikhailovich Kamensky
- Igor Nikolaevich Mishin
- Vyacheslav Konstantinovich Nikolaev
- Ilya Valentinovich Filatov
- Dmitry Aleksandrovich Khalin
- Dmitry Aleksandrovich Khomchenko
- Tatyana Sergeevna Chernysheva

Key Competences of the Management Board Members

Member of the Management Board	Duration of work as Management Board Member	Key competences								
		Strategy	Finance and Auditing	Industry Specialization (telecom)	Marketing	Legal Matters and Corporate Governance	Risk Management	Risk Management	M&A	GR/IR
A. V. Kornya	11 years (from September 2008)	•	•	•	•	•	•	•	•	•
I. Galaktionova	1 year (from February 2019)	•		•	•		•	•	•	•
A. E. Gorbunov	2 years (from April 2018)	•		•		•			•	
R. S. Ibragimov	12 years (from April 2007)	•		•		•	•	•	•	•
A. M. Kamensky	2 years (from April 2018)	•	•	•			•	•	•	•
I. N. Mishin	1 year (from September 2019)	•			•	•	•	•		•
V. K. Nikolaev	3 years (from July 2017)	•		•	•		•	•	•	•
I. V. Filatov	1 year (from August 2019)	•	•	•	•	•	•	•	•	•
V. V. Shorzhin	5 years (from March 2014)	•		•	•		•	•		
D. A. Khomchenko	1 year (from August 2019)	•		•			•	•		
T. S. Chernysheva	1 year (from August 2019)	•				•	•	•	•	

¹ <http://ir.mts.ru/about-mts/corporate-governance/company-documents/default.aspx>

WORK OF MANAGEMENT BOARD

Over the previous year, 2019, the Management Board held 24 meetings: 20 in-person meetings and 4 meetings in the form of absentee voting.

\\ Participation of Management Board Members in Meetings of the Management Board in 2019

Member of the Management Board	In-person meetings	In-absentia meetings
I. Galaktionova ¹	16/16	3/3
M. N. Golyandrina ²	15/19	3/3
A. E. Gorbunov	18/20	4/4
K. A. Dmitriev ³	10/12	2/2
I. A. Egorov ³	12/12	2/2
R. S. Ibragimov	14/20	4/4
A. M. Kamensky	16/20	4/4
A. V. Kornya	20/20	4/4
V. K. Nikolaev	19/20	3/4
I. N. Mishin ⁴	2/6	2/2
A. G. Smelkov ⁵	7/8	2/2
A. E. Ushatsky ⁶	7/12	2/2
I. V. Filatov ⁷	4/8	2/2
D. A. Khomchenko ⁷	8/8	2/2
T. S. Chernysheva ⁸	2/2	1/1
V. V. Shorzhin ⁹	17/20	4/4

* According to information available in the Company, in 2018 the members of the Management Board announced four situations of a conflict of interest (COI) – two situations of actual COI and two situations of potential COI. Currently, all situations are resolved in accordance with the Conflict of Interest Management Policy approved in the Company.

**The Company did not grant loans (credits) to the President and Management Board in 2019. No claims were raised against the president and management board members of the Company.

Significant Issues Considered at the Meetings of the Management Board of MTS PJSC in 2019

1. Preliminary consideration of materials for the meetings of the Board of Directors of MTS PJSC.

2. Controlling reports on MTS Group for the fourth quarter of 2018 and 2018, I–III quarters of 2019.

3. Review of reports on implementation of functional strategies of MTS Group for 2018 in the field of marketing, sales and services, technology and IT, personnel management, procurement, corporate security and regime, public relations, compliance, corporate social responsibility, and regulatory risk management.

4. Performance of MTS Group in 2018.

5. Results of the rating of MTS PJSC, subsidiaries and branches of MTS PJSC in 2018.

6. Strategy for MTS PJSC operation in the capital markets for 2019–2021.
7. Creation of a venture investment area in MTS PJSC.

8. Plan for MTS PJSC participation in the Digital Economy program and implementation of projects under the program.

9. System of bonuses for employees of MTS PJSC for 2019.

10. Corporate MBA program for MTS Group managers in 2019.

11. Approval of the Regulation on the branch of MTS PJSC in the Trans-Baikal Territory in new revision.

12. Approval of MTS IT LLC reorganization in the form of STS JSC acquisition.

13. IT-GRAD 1 Cloud LLC reorganization in the form of the acquisition of Enterprise Cloud LLC.

¹ She was elected a Management Board member on February 7, 2019.
² The powers of this Management Board member were terminated on November 22, 2019.
³ The powers of this Management Board member were terminated on July 31, 2019.
⁴ Elected a management board member on September 10, 2019.
⁵ The powers of this management board member were terminated on April 30, 2019.
⁶ The powers of this management board member were terminated on July 31, 2019.
⁷ Elected a management board member on August 1, 2019.
⁸ Elected a management board member on November 27, 2019.
⁹ The powers of this management board member were terminated on December 31, 2019

REMUNERATION OF MANAGEMENT BOARD MEMBERS AND TOP EXECUTIVE OFFICERS

PRINCIPLES OF REMUNERATION OF MANAGEMENT BOARD MEMBERS AND SENIOR OFFICIALS

A contract is entered into with every Management Board member, which defines labor terms, the procedure for deciding the amount of remuneration, terms of compensation of expenses connected with execution of duties of the Management Board member and contract termination procedure. The contract is signed on behalf of the Company by the Chairperson of the Board of Directors of the Company or by a person authorized by the Board of Directors. The Board of Directors is entitled at any time to terminate the contract with a member of the Company's Management Board. The terms and conditions of the contract shall be approved by the Board of Directors of the Company.

Remuneration of senior officials is fixed and calculated based on the Policy for labor payment of employees of MTS PJSC and meets the following principles:

- > observation of fairness and competitiveness of remuneration;
- > connection of remuneration with personal contribution and final work results in the Company in general; and
- > motivation for achievement of target business development parameters in accordance with strategic development installations approved by the Board of Directors.

The system of remuneration to senior officials includes elements of base remuneration and variable premium part:

- > Base remuneration – monthly official salary.
- > Short-term motivation system is an annual premium paid for fulfilment of key performance indicators (“KPI”) fixed in general for the Company for a corresponding reporting period as well as for fulfilment of functional individual tasks defined by the Board of Directors.
- > The long-term material incentive program is aimed at increasing the Company's shareholder value as well as preserving long-term labor and corporate relations between the Company and its management.
- > Variable part of remuneration is determined by the results of the Company's business in the reporting period in accordance with the Company's internal regulations and approved by the Company's Board of Directors.

14. Termination of MTS PJSC participation in the RUSBRAND Association of Brand Manufacturers.

15. Participation of MTS PJSC in the “Donor Forum” Association of Grant Organizations.

16. Participation of MTS-Bank PJSC in non-commercial organizations.

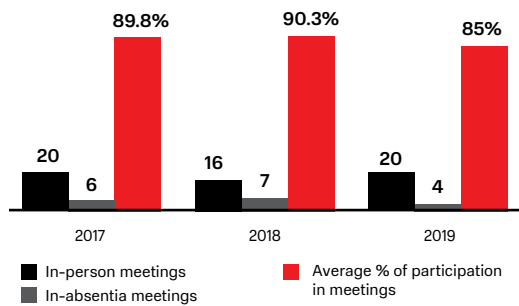
17. Strengthening the strategic role of the Board of Directors of MTS PJSC: impact on the practices of the Management Board.

18. Approval of the technological strategy of MTS Group for 2020–2022.

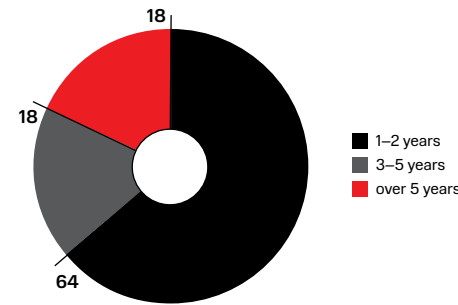
19. Approval of the business plan of MTS Group for 2020 to 2022.

20. Approval of the work plan of the Management Board of MTS PJSC for 2020.

\\ Statistics of the Management Board's performance for 2017–2019



\\ Duration of work in the Management Board, %



MTS PJSC Business Key Performance Indicators System

- Corporate indicators, which are formed on the basis of the Company's business plan and include the main financial and economic and industrial indicators. They make it possible to track generalized results of the company's business and to adjust the strategy.
- Functional indicators, which are formed on the basis of business unit performance strategies.
- Individual indicators of performance are formed on the basis of strategic objectives of a specific director of the Company.

The list of indicators and their target values for the Company's directors are approved by the Board of Directors of the Company with preliminary discussion at the specialized committees on an annual basis.

The list of corporate performance indicators of the MTS PJSC President includes such indicators as:

- OIBDA;
- income;
- integral assessment of the implementation of strategic projects and business development.

STRUCTURE OF REMUNERATION OF TOP MANAGEMENT IN 2019

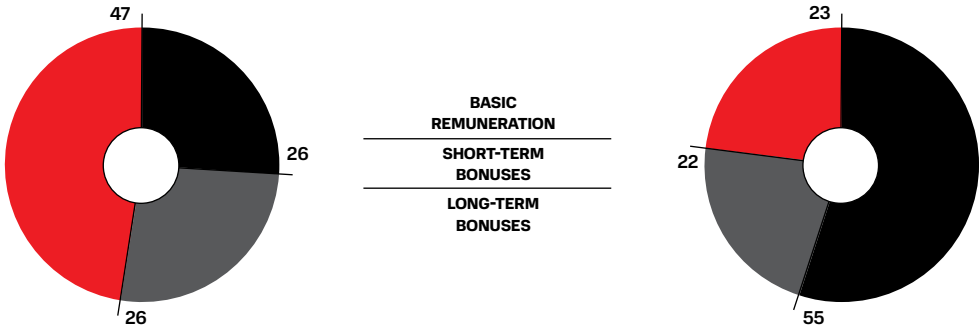
The income structure of the Company's chief executives varies depending on the post level.

The higher the post in the internal hierarchy of the Company, the larger the share is in the variable remuneration.

The actual element's value individually varies depending on the work schedule in the reporting year, achieved results as per KPIs and shareholder value according to the long-term bonus payment program.

The typical element ratio is presented in the following options.

Typical remuneration structure ratio



PERFORMANCE ASSESSMENT OF THE PRESIDENT AND MEMBERS OF THE MANAGEMENT BOARD

One of the tasks of the Board of Directors is to ensure control over the operation of the President and members of the Board of Directors and to evaluate their performance which is done on the basis of materials approved by the Remuneration and Appointment Committee.

The assessment of the President and members of the Management Board for 2019 was performed in accordance with an existing method based on fulfilment of key performance indicators of the Company in general, functional individual tasks and competence development level.

Remuneration of members of the Management Board and senior officials based on 2019 results

Remuneration paid to members of the Management Board in 2019

Indicator	Total, RUB
Salary	199,390,771
Bonuses	572,382,467
Cost compensations	82,170,491
Other remuneration types	3,684,744
TOTAL	857,628,473

Remuneration paid to senior officials in 2019¹

Indicator	Total, RUB
Salary	321,887,794
Bonuses	842,696,453
Cost compensations	137,594,674
Other remuneration types	20,253,154
TOTAL	1,322,432,075

Events after the reporting date

In April 2020 there was a change in the size of the shareholding of several Management Board members in the authorized capital of MTS PJSC – participants in the Long-term Material Incentive Program for MTS PJSC top managers based on MTS PJSC ordinary shares approved by the Board of Directors of MTS PJSC in 2013.

Member of the Management Board	Size of the share of the corresponding person in the charter capital of MTS PJSC before the transaction	Amount of the share of the corresponding person in the authorized capital after the transaction	Date, from which the share of the corresponding person in the authorized capital of MTS PJSC changed
Aleksey Valerievich Kornya President, Chairman of the Management Board, Member of the Board of Directors	0.0173%	0.0224%	10.04.2020
Ruslan Sultanovich Ibragimov Management Board Member, Vice President for Government Relations and Public Relations	0.0121%	0.0153%	10.04.2020
Vyacheslav Konstantinovich Nikolaev First Vice President for Client Experience, Marketing and Ecosystem Development, Management Board member	did not own shares	0.0015%	10.04.2020
Ilya Valentinovich Filatov Management Board member, Vice President for Financial Services	0.1200%	0.1527%	15.04.2020
Dmitry Aleksandrovich Khomchenko Management Board member, Vice President for Information Technology	0.0040%	0.0062%	10.04.2020

¹ Includes information on remuneration of 25 top officials of the Company (including Members of the Management Board).

MANAGEMENT OF SUBSIDIARIES OF MTS GROUP

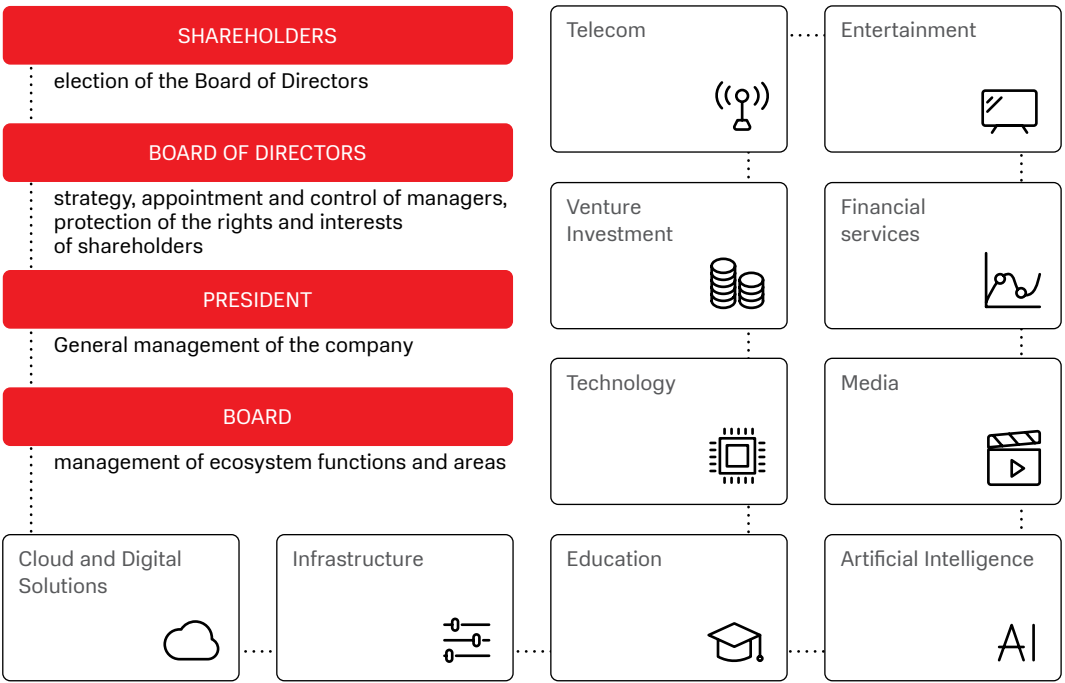
MTS is implementing its strategy to create a large-scale ecosystem of new digital products based on our accumulated expertise and leadership in the telecommunications business through the development of new business areas, including acquisition and the creation of new companies.

New companies in the field of media, entertainment and artificial intelligence appeared in the MTS Group in order to implement the strategy in 2019.

A multi-level corporate governance system helps to implement the strategic goals throughout the Group of Companies, taking into account

the interconnectedness and continuity of decisions made by the MTS management bodies.

MTS has the following participants in the system for corporate governance over subsidiaries:



Corporate governance approaches depend on the ownership share in the company.

In companies with an MTS ownership share of less than 50%, the property rights and interests of MTS are protected by the provisions of the charter or corporate agreement.

MTS ownership share in companies of more than 50% suggests the possibility of forming the composition of the Board of Directors and determining strategic and priority decisions of the Boards of Directors of subsidiaries.

The following points are taken into account when forming Boards of Directors in subsidiaries:

- > importance of the company for the overall strategy of MTS Group,
- > current and target scale of the company's business,
- > sector / industry of the company,
- > requirements of laws, regulators and exchanges, and
- > balance between the personal and quantitative composition of the Board of Directors

In significant subsidiaries with large business, a strong and involved personal composition of Board of Directors members is formed with the involvement of independent directors.

The following criteria are taken into account when selecting candidates for members of the Board of Directors of subsidiaries:

- > personal skills, qualifications, experience,
- > knowledge of industry and sector of the subsidiary,
- > total employment, in particular, in other Boards of Directors,
- > exclusion of a possible conflict of interest, and
- > candidate's consent, including consent to meet anti-corruption compliance requirements.

A preliminary compliance check is carried out for independent directors.

Candidates for nomination to the Boards of Directors of subsidiaries are agreed upon by the President of MTS or responsible Vice Presidents of MTS. The Board of Directors approves candidacies for boards of directors of foreign companies in accordance with the list of such subsidiaries approved by the Board.

The MTS Board of Directors is the center for strategic decisions which are transmitted to subsidiaries through MTS representatives in management bodies.

The influence of the MTS Board of Directors on the main business processes:

- > strategy and investments,
- > business plan and budget,
- > functional strategies,
- > remuneration system,
- > management control, audit, compliance, and
- > asset control.

MTS representatives participate in the work of subsidiary management bodies, guided by the norms of MTS internal documents.

In order to effectively fulfill their duties, the representatives:

- > receive and analyze information about the company's activities,
- > initiate issues to be included in the agenda of management bodies,
- > take active part in meetings of governing bodies,
- > vote, taking into account the position of MTS management bodies,
- > control the implementation of decisions made, and
- > inform MTS about the occurrence of a conflict of interest and possible violations of the requirements of the applicable anticorruption legislation by the company.

Best practices are applied in order to develop a multi-level corporate governance system, including compliance with the requirements of the Corporate Governance Code, implementation of common standards for internal documents, planning of work of the Boards of Directors, and timely and complete disclosure of information.

\\ The Report of the Audit Commission is annually attached to the materials of the annual General Shareholders’ Meeting of MTS PJSC.

Audit Committee under the Board of Directors

The Audit Committee is a collective deliberative body under the Board of Directors. The Committee was established for the purposes of assisting in the efficient implementation of the duties of the Board of Directors in terms of control over the financial and economic activities of the Company.
For detailed information about the Audit Committee's work results in the reporting year see the “Committees of the Board of Directors” section.
Results of evaluation by the Committee of the external and internal audit process efficiency: please see the “Audit Committee Performance Report” section

Auditing Commission

On June 27, 2019, the followings persons were elected as members of the Auditing Committee at the annual general shareholder meeting of MTS PJSC:

- › Irina Radomirovna Borisenkova, born in 1963, holds the position of the chief accountant, managing director of the Finance and Investment Complex of Sistema SISFC;
- › Maxim Aleksandrovitch Mamonov, born in 1978, holds the position of the internal control and audit director of MTS PJSC;
- › Andrei Anatolyevich Porokh, born in 1979, holds the position of vice president for internal control and audit of Sistema JSFC.

Report on the operation of the Auditing Committee
In April 2019, based on the results of the performed audit for 2018, the Auditing Committee did not record any material facts of violation of accounting activities or in the submission of financial statements while carrying out the financial and economic activities of the Company.
The Auditing Committee confirmed that the financial statements of the Company for 2018 and the Annual Report on Company's activities for 2018, in terms of the Company's financial statements, are authentic.
In April 2020, the Auditing Committee carried out an audit of the financial and economic activities of the Company for 2019. The opinion report of the Auditing Committee will be submitted for the approval of the Annual General Shareholder Meeting of MTS in June 2020.

Internal Control and Audit Unit

The Internal Control and Audit Unit is an independent structural subdivision and consists of the Internal Audit Department, Control Department, Methodology and Coordination Department. The Unit is headed by the Director for Internal Control and Audit who is functionally subordinated to the Chairman of the Audit Committee under the Board of Directors of MTS PJSC, and is administratively subordinated directly to the President of MTS PJSC.
The Internal Control and Audit Unit performs the following functions:

- › evaluation of the internal control system's efficiency based on the following areas: efficiency and effectiveness of business operations, authenticity of financial and management accounting, compliance with internal standards and external requirements;
- › evaluation of the risk management system's efficiency in the company in general and development of recommendations for improvement of the risk management system;
- › development of recommendations for improvement of internal control, risk management and corporate governance procedures, and assistance to the management in development of corrective measures based on the results of performed audits/inspections of financial and economic activities;
- › implementation of monitoring of execution of recommendations for rectification of violations and deficiencies discovered based on audit results;
- › analysis of authenticity of performance indicators and achievement of planned results during audits/inspections of financial and economic activities;
- › coordination, analysis and registration of messages received through the “Unified hotline”;
- › analysis of compliance of the company's operations with requirements of legislation (including anti-corruption) during audits/inspections of financial and economic activities;
- › assessment of the design and operational effectiveness of the control procedures in the processes of managing the information systems and information technologies, ensuring information security and cybersecurity, protecting personal data and intellectual property; assessment of the effectiveness of the management of business continuity and sustainability;
- › providing consulting services

The IK&AU maintains a program to ensure and improve the quality of internal control and audit designed to assess the conformity of IK&AU with international professional standards of internal audit and the use by the IK&AU staff of the Institute of Internal Auditors Code of Ethics (The IIA).

Report on operation of the Internal Control and Audit Unit
During 2019, the Internal Control and Audit Unit operated in accordance with the set objectives, tasks and performed functions.
In July 2019, a new version of the Rules of Procedure RP-013-4 “Conducting Audits by the Internal Control and Audit Unit of the MTS Group CC” was developed and approved, after having improved in accordance with the International Principles of Professional Practice of Internal Auditing adopted by the International Institute of Internal Auditors (The IIA) and supplemented by a section identifying parameters for the provision of consulting services.
The results of the Internal Control and Audit Unit's operation for the first six months and in general for 2019 were inspected and approved by the Audit Committee. The Audit Committee positively evaluated the operations of the Internal Control and Audit Unit, and believes it is efficient.
In December 2019, the Audit Committee approved the work plan and budget of the Internal Control and Audit Unit for 2020.



Today, IT auditing is the most promising area in the digital economy. The structure of IK&AU has an IT audit department. IT auditors work with a wide range of tasks - from general IT processes to analysis of use of specific technologies. To conduct such an audit, you need to have the appropriate knowledge, as well as an ability to communicate both with the management of IT departments, and with highly specialized technical specialists. Hence the constant need for continuous professional development, which is implemented in our company in approved career development programs.

Maxim Mamonov,
Internal Control and Audit Director

Department of Internal Control Systems

The Department of Internal Control Systems is a structural unit which is part of the Finance Unit, and consists of the ICS development department for the key business, the ICS development department for integrator business, the ICS development department for financial technologies and commerce, the Certification Group and the General Methodology ICS. The Department of Internal Control Systems is headed by the director of the department, who is directly subordinated to the member of the Management Board and vice president for finance of MTS PJSC and reports to the Audit Committee under the Board of Directors of MTS PJSC. The Department of Internal Control Systems performs the following main functions:

- › formation, implementation and development of the system for internal control over reliability of financial statements of MTS Group;
- › testing, evaluation and certification of the system of internal control over generation of financial statement of MTS Group;
- › management of the separation of authorities in SOX-essential information systems (SoD-analysis);
- › completion of expert assessment of business processes with the purpose of identifying potential risk areas and subsequent communication to owners of business processes;
- › coordination of interaction of external auditors and functional subdivisions of the company during the audit of efficiency of the internal control system of MTS Group.

The Department of Internal Control Systems is directly subordinated to the Member of the Management Board, Vice President for Finance of MTS PJSC and reports to the Audit Committee under the Board of Directors of MTS PJSC.

Report on operation of the Department of Internal Control Systems

In 2019, as a part of the development of the internal control system for the MTS Group of Companies, including the construction and implementation of the internal control system in new types of businesses, as well as taking into account the results of the management testing and external audit in 2018, and changes in the organizational structure and business processes, activities were carried out to formalize the control procedures aimed at covering significant risks, and an evaluation of their effectiveness, including control over the correctness of applying the updated accounting standards IAS 16, IAS 15, IAS 9, controls for centralization of the accounting function of a subsidiary company of MGTS PJSC in SSC of MTS PJSC, controls for the application of RPA technology and automation in the accounting processes and the other company's business processes documented for SOX purposes. Since 2018, ICSD has changed the strategy for implementing and developing ICS in new subsidiaries – the management of the ICS function in subsidiaries is carried out from the CC level. This approach was implemented in 2019 in the following subsidiaries: RTC JSC, NVision Group JSC, Satellite TV LLC, Stream LLC, Cloud Retail LLC, NVision Czech Republic a.s. MTS Bank PJSC and MGTS PJSC. The strategy proved its effectiveness through the efficient and flexible distribution of resources and the optimization of time in support of ICS in subsidiaries. In 2019 the the project for implementation of the internal control system (SOX) was successfully carried out with regard to the accuracy of accounting in the largest subsidiary of MTS Group – MTS Bank PJSC. According to the results of the implementation in 2019, 227 control procedures were documented, 175 control procedures in business processes, 35 general corporate controls and 15 ITGC. In accordance with the approved methodology for managing the separation of powers in SOX-essential information systems, efforts are underway to identify and reduce conflicts of roles and powers (SoD):

- › In the key ERP system of Oracle EBS, the number of SoD risks was significantly reduced in 2019 at the level of business processes.
- › Robotization of ICSD control processes launched: SoD Foris and testing marketing programs. With the participation of IS owners, within the framework of the first stage of the project for the implementation of separation of powers in Foris IS, business processes were analyzed to identify SoD risks, a SoD risk matrix was formalized at the business level, a technical SoD risk matrix was developed taking into account the role structure of Foris IS. The Terms of Reference have been developed for automating the processing of the SoD-risk matrix and the privileges assigned to users in IS Foris.

The MTS Group's internal control system is tested and certified in accordance with Art. 404 of the Sarbanes-Oxley Act. Based on the results of the internal evaluation and external audit, the internal control system of MTS Group as of December 31, 2019, was found to be efficient and to have no material and significant deficiencies.

EXTERNAL AUDIT

Auditor	<p>On June 27, 2019 the Annual General Meeting of shareholders of MTS PJSC approved Joint-Stock Company Deloitte & Touche CIS as the auditor (Location: 5 Lesnaya Str., Moscow 125047, Russian Federation), OGRN 1027700425444, certificate of membership in the Self-Regulatory Organization of Auditors of the Association “Commonwealth” (Association) of January 31, 2020, ORNZ 12006020384. Deloitte and Touche CIS CJSC is one of the leading audit and consulting firms providing services in the field of audit, consulting, corporate finance, risk management and tax and legal advice. It is a member of the international association Deloitte Touche Tohmatsu Limited, one of the world's leading providers of professional services, with more than 286,000 employees in more than 150 countries. In the reporting year the Auditor performed:</p> <ul style="list-style-type: none">› an audit of annual financial statements of MTS PJSC for 2019 prepared in accordance with the Russian Accounting Standards as per the International Audit Standards (IAS);› an audit of the consolidated financial statements of MTS PJSC and its subsidiaries, prepared in accordance with IFRS for 2019, conducted in accordance with ISA;› an integrated audit of consolidated financial statements of MTS PJSC and its subsidiaries prepared in accordance with IFRS for 2019 and efficiency of the internal control system over its preparation as of December 31, 2019, conducted in accordance with the standards of the US Public Company Accounting Oversight Board. <p>In March and April 2020, the Audit Committee approved the results of the external auditor based on the results of audits for 2019, including conclusions on the effectiveness of the internal control system over the formation of financial statements in the MTS Group.</p> <p>Based on the results of the audits, the MTS PJSC auditor expressed opinions on the reliability of the financial statements of MTS PJSC for 2019 prepared in accordance with Russian accounting standards, and the consolidated financial statements of MTS PJSC and its subsidiaries for 2019 prepared in compliance with international financial reporting standards.</p> <p>Procedure for the selection of the issuer's auditor</p> <p>A tender for selection of the external auditor of MTS PJSC is conducted at least once every five years. To conduct the tender, MTS PJSC establishes a tender commission. Based on tender results the tender commission generates recommendations for selection of the external auditor which are submitted for approval to members of the Audit Committee at the Board of Directors of MTS PJSC. In the event that the auditor's candidacy is approved by the Audit Committee, Board of Directors and General Shareholder Meeting of the Company, a contract for financial statements audit services shall be signed with an auditing company. The remuneration of the auditor for the audit of the accounts of MTS PJSC and its subsidiaries for 2019 is approved by the Board of Directors of MTS PJSC and according to the results of 2019 amounted to 177,479 thousand rubles, excluding VAT and overhead expenses, including audit of reports of MTS PJSC. In the amount of 13,500 thousand rubles and an audit of the incoming balances of MTS Bank in 2018 in the amount of 1,050 thousand rubles.</p>
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SETTLEMENT OF POSSIBLE CONFLICTS OF INTEREST OF MANAGEMENT BODIES AT MTS PJSC

For the purposes of non-admission of conflicts of interests, the Company holds an annual knowledge testing and certification of compliance with norms of the Code of Business Conduct and Ethics for executives and top management, the result of which are reviewed at the Auditing Committee at the Board of Directors of MTS PJSC. Members of the Management Board and employees are not entitled to participate in the approval, agreement, or other decision-making in respect of transactions concluded by the Company if they are or may be under the influence of the conflict of interests. During managing a conflict of interests the Company is guided by the principles of lawfulness, confidentiality, impartiality, objectiveness and reasonable sufficiency, obligatory immediate disclosure of information by Company's employees about an actual or potential conflict of interests or likelihood of such a conflict.

During 2019, two cases of conflict of interest were discovered among members of the Management Board of MTS PJSC. All the situations have been resolved in accordance with the conflict of interest management policy approved by the Company. Procedures preventing a possible conflict of interests of directors are also established in our Company. Members of the Board of Directors must refrain from actions which may result in appearance of a conflict of interests and, if such a situation exists or arises, disclose information about it to the Board of Directors and not participate in voting on conflict agenda items. Members of the Board of Directors, who have interest in agenda items of the Board of Directors, do not take part in discussion and voting on the specified agenda items. During 2019 no conflict of interests of members of the Board of Directors of MTS PJSC was found.

DIVIDEND POLICY

On March 21, 2019, the MTS Board of Directors approved the new dividend policy for 2019–2021, according to which the dividend yield target is at least RUB 28.0 per ordinary share of MTS PJSC (RUB 56.0 per ADR) during each calendar year.

The new dividend policy, as before, provides for dividend payment in two parts during a calendar year – annual payments based on the results of the previous year and payment of interim dividends for the first half of the current year. When determining dividend payments, MTS will take into account a number of factors, including operating cash flow, capital expenditures and debt position.

In addition to regular payments within the framework of the dividend policy, the Company may increase the shareholders' benefit by implementing a program of share redemption in the open market. When deciding on the launch and size of the redemption program, the Board of Directors will take into account the current availability of funds, operating performance indicators, the amount of debt, the Company's future cash requirements and the overall market situation.

The previous dividend policy for 2016–2018 established the dividend yield of up to RUB, but not less than RUB 25.0–26.0 per ordinary share (RUB 50.0–52.0 per ADR) during each calendar year.



The full text of the new dividend policy is available on the MTS website.

Events after the reporting date

On February 14, 2020, MTS announced completion of the payment of special dividends approved by the extraordinary general meeting of shareholders on December 30, 2019, based on the financial results of the Company for 9 months of 2019 and taking into account the sale of VF Ukraine PJSC. The special dividend amounted to 13.25 rubles per MTS ordinary share (26.50 rubles per ADR) with a total payment of 26.5 billion rubles (26,478,309,511 rubles).

In March 2020, MTS announced a new program for the repurchase of its ordinary shares and ADRs in the amount of up to 15 billion rubles, which

includes the funds spent for the acquisition of shares in the Company from Sistema Finance. The acquisition plan entered into force on March 31, 2020, and is valid for the calendar year 2020. The Company may make purchases within the Purchase Plan in accordance with the Rule 10b5-1 of the Securities and Exchange Act 1934 as amended. Re-purchase is implemented through the 100% subsidiary Bastion LLC.

COMMUNICATION POLICY

One of the most important goals of MTS is to maintain strong trustful relationships with shareholders and investors, based on the principles of direct dialog in accordance with the relevant legislation and prevalent international practices.

The current information disclosure system is built taking into account the requirements of listing rules of the Moscow and New-York stock exchanges, operates in the Company and ensures compliance with the transparency principle.

In order to improve its activities in the sphere of compliance with the interests of investors and shareholders, and the establishment of trusting relations with partners, MTS continuously strives to improve the level of its transparency and openness.

In accordance with the principle of general availability, the Company publishes announcements of significant events on the website of the US Securities and Exchange Commission¹, on the website of the Russian Information Agency (news feed)², on the official website of MTS: for shareholders³ and investors⁴.

MTS also publishes other information on its official website. The "For investors and shareholders"⁵ section includes internal corporate documents, annual reports, reports on sustainable development, materials for shareholder meetings, information on the registrar and auditor, information on dividend policies, quarterly financial statements under IFRS and RAS, and information on quoted prices of shares and bonds. The annual report of MTS PJSC is also available on the Apple App Store.⁶

The Company's management is involved in the maintenance and development of an effective dialog with equity market participants. MTS representatives regularly participate in international

conferences, hold road shows and meetings with investors, and organize days of analysts. Quarterly publication of financial results is carried out with phone conferences involving MTS managers. Financial statements are published as supported by presentation materials for better coverage of achieved results and presentation of the Company's strategy.

MTS is continuously improving its interaction with investors and shareholders, using the best experience of other companies and monitoring the latest legislation changes and key standards in this area.

In order to promptly respond to stakeholder appeals to the Company, the information resource "Unified Hotline" has been created. The subject of communications covers a wide range of issues related to the various activities of MTS and its subsidiaries. A single hotline enables all stakeholders to receive comprehensive information on topics of interest.

The list of the main stakeholders of MTS PJSC includes shareholders, investors, employees, customers / subscribers, mass media, the state, local communities, business.

In case of questions related to MTS activities, investors may contact the services on interaction with shareholders and relations with investors.

Contact information for investors and shareholders:

Corporate Governance Development of MTS PJSC:

Maxim Kalinin

(Director for Corporate Governance)

Tel.: +7 (495) 9116555. Fax: +7 (495) 9116569.

E-mail: shareholder@mts.ru

Investor Relations Department, MTS PJSC:

Polina Ugryumova (Director of the Department)

Tel.: +7 (495) 223 2025.

E-mail: ir@mts.ru

Investor's calendar for 2020

Matters of interest for investors

The issues that interested investors in 2019 can be divided into three main blocks.



The investor's calendar is available on the MTS website

Macroeconomic matters:

- > investment appeal of the Russian market;
- > main macroeconomic parameters and their impact on the company's business.

Industry-specific matters:

- > main trends and drivers of the industry;
- > competitive environment
- > pricing policy;
- > surplus retail optimization;
- > frequency distribution, the beginning of construction of 5G networks in Russia;
- > regulatory environment.

Matters related directly to the company's business and performance:

- > new company development strategy (2020–2022);
- > listing structure / presence in capital markets;
- > capital investments, Yarovaya Law;
- > dividend policy and share buyback program;
- > development of new business hierarchies, including MTS Bank and MTS Media;
- > investment in digital areas;
- > launch of new services and products.

¹ <http://www.sec.gov/>
² <http://www.disclosure.ru/>
³ <http://www.company.mts.ru/comp/ir/control/data/>
⁴ <http://www.ir.mts.ru/>
⁵ <https://moskva.mts.ru/about/investoram-i-akcioneram>
⁶ <https://apps.apple.com/ru/app/godovaa-otchetnost-gruppy-mts/id919440557?mt=8%2F>

CAPITAL AND SECURITIES

JOINT STOCK CAPITAL STRUCTURE

Authorized capital of MTS PJSC as of December 31, 2019, amounted to

199,838,157.50 RUB

Placed and Declared Shares in MTS PJSC as of December 31, 2019

Placed shares			Declared shares		
Share categories (types)	Quantity (pcs.)	Nominal value of one share (RUB.)	Share categories (types)	Quantity (pcs.)	Nominal value of one share (RUB)
Ordinary shares	1,998,381,575	0.1	Ordinary shares	100,000,000	0.1
Voting shares	1,998,381,575	0.1			
Preferred shares	0	0	Preferred shares	0	0

Shareholder Capital Structure of MTS PJSC as of December 31, 2019.¹ Information about persons owning shares disposing of votes by shares being beneficiaries by shares in MTS PJSC

	Number of ordinary shares	Interest of authorized capital
Sistema PJSC ^{2 3}	886,538,875	44.36 ⁴
MGTS PJSC ⁵	7,569,230	0.38
Stream Digital LLC	104,165,997	5.21
Bastion LLC	113 794 531	5.70
MTS PJSC	17,664	0
Shares in free circulation ⁶	886,295,278	44.35
Total	1,998,381,575	100

¹ All ordinary registered voting shares at the disposal of MTS PJSC, in accordance with requirements of current legislation, do not grant a voting right, are not counted during voting, and dividends are not accrued for them.

² The ownership interest of Sistema PJSC includes ownership interests of its following subsidiaries: Sistema Telecom Assets LLC (11.03% of shares in MTS PJSC) and Sistema Finance S.A. (1.57% of shares in MTS PJSC).

³ Vladimir Petrovich Evtushenkov is a controlling person of Sistema PJSC.

⁴ The stake of Sistema PJSC, including indirect ownership through controlled entities (MTS PJSC, MGTS PJSC, Stream Digital LLC and Bastion LLC) is 55.65% of shares, while an effective interest is 50.007%.

INFORMATION ON THE NUMBER OF SHAREHOLDERS

Total number of persons registered in the shareholder register of the issuer as of the end of 4th quarter of 2019: 895.

Total number of persons included in the list of persons compiled by the latter (as of December 6, 2019) having a right to exercise (implement) rights to shares in MTS PJSC and for compilation of which the nominal issuer's shareholders presented data on persons, for whose benefit they owned (own) shares in MTS PJSC: 47,133.

The management of MTS PJSC has no information⁷ about existing share-ownership interests exceeding 5% of the authorized capital of MTS PJSC apart from the above-mentioned.

management, the right to obtain a portion of Company's profits in the form of a dividend as well as the right to obtain a portion of the property left after Company's liquidation.

The Company's issued and placed shares are ordinary registered shares in the same par value.

Information about the circulation of shares in MTS PJSC on stock exchanges

Trading Platform Name	Issuer Code
NYSE, New York	MBT
MOEX, Moscow	MTSS

Information about current lists and transaction prices:



For updated information about joint-stock capital structure, visit the Company's website



<http://www.moex.com>



<http://www.nyse.com>

INFORMATION ABOUT SECURITIES

Shares

Shares of MTS PJSC are circulated on the leading Russian platform – Moscow Stock Exchange (MOEX) and are listed on the New-York Stock Exchange. From October 3, 2003, shares in MTS PJSC were included in the list of non-listed securities of the Moscow Interbank Currency Exchange. In December 2003, shares in MTS PJSC were included in “B” quotation list at MICEX. Since October 2010, shares have been traded in the “A1” quotation list. Since June 2014, shares in MTS PJSC have been traded in the first level of the MICEX securities list.

On the New-York stock exchange MTS shares are listed in the form of American Depository Receipts – ADR (ratio: 1 ADR to 2 shares).

The ordinary shares in MTS PJSC fixes for its owner (shareholder) a given volume of property rights, including the right to participate in the Company's

Price and volume of shares in MTS PJSC (RUB), 2019

MICEX	Price (RUB)
Minimum share price	240.50
Maximum share price	320.00
Average daily trade volume (pcs)	2,303,849
Price as of December 31, 2019	319.95

⁵ MGTS PJSC, Stream Digital LLC and Bastion LLC are subsidiaries of MTS PJSC.

⁶ Includes 7.58% of shares in MTS PJSC and ADR for 36.77% of shares in MTS PJSC.

⁷ Information is understood as documented data received by (handed over to) the management.



Price and volume of American depository receipts of MTS PJSC (USD), 2019

NYSE	Price (USD)
Minimum ADR price	7.26
Maximum ADR price	10.24
Average daily trade volume (pcs)	3,016,407
Price as of December 31, 2019	10.15

American Depository Receipts

On June 30, 2000, MTS successfully floated the issue of American Depository Receipts (ADRs) of the third level at the New York Stock Exchange. MTS PJSC became the second company in Russia to implement the ADR program of the highest level.

On April 20, 2010, MTS PJSC announced a change in the ratio between ADRs and company shares starting from May 3, 2010. As a result of this change, the ratio of ADRs to ordinary shares was changed from 1:5 to 1:2. Thus, holders of MTS ADRs registered at the end of the work day of April 28, 2010 received an additional 1.5 ADRs for every available ADR.

As of December 31, 2019, the total number of ADRs for ordinary registered share amounted to 356,699,642 ADR, which makes up 713,399,284 ordinary registered shares or 35.70% of the company’s authorized capital.

A depository under ADR program and shareholder of MTS PJSC is JP Morgan Chase Bank, N.A., to which a depository account of depository programs was opened.

Bonds

MTS PJSC is one of the largest issuers of corporate bonds in Russia. The Company uses funds from bonds' placement for debt portfolio refinancing and implementation of its investment program.

2008	RUB 10 billion	First issue of ruble bonded loan of MTS PJSC
	RUB 20 billion	Additional issue of two bond offerings of MTS PJSC
2009	RUB 30 billion	Issue of two bond offerings of MTS PJSC
2010	RUB 25 billion	Two bond offerings. The funds obtained from the placement of bonds were used for corporate purposes to optimize the company's debt portfolio and implement investment program.
2011	RUB 36 billion	Three issues of A, B, and C series bonds by means of conversion of registered interest-bearing book-entry inconvertible bonds of COMSTAR – United TeleSystems OJSC into registered interest-bearing book-entry inconvertible bonds of MTS PJSC
2012	USD 400 million US	Repayment of Eurobonds of Mobile TeleSystems Finance SA
2013	RUB 10 billion	First issue of exchange-traded bonds in rubles of MTS PJSC with the circulation period of 10 years and offer within five years.
	USD 500 million US	Placement of USD Eurobonds with a maturity period of 10 years
	RUB 10 billion	Full repayment of series 01 bonds
2014	RUB 15 billion	Full repayment of series 04 bonds
2015	RUB 10 billion	Full repayment of series 02 bonds
	0.1 billion rubles	Repayment of series A bonds

2016	RUB 15 billion	Full repayment of series 04 bonds
	RUB 10 billion	Second issue of exchange-traded bonds in rubles by MTS PJSC with the circulation period of 15 years and offer within two years
	RUB 0.1 billion	Repayment of series B bonds
2017	RUB 10 billion	First issue of 001P-01 exchange-traded bonds with the circulation period of five years
	RUB 10 billion	Second issue of 001P-02 exchange-traded bonds with the circulation period of four years
	RUB 15 billion	Third issue of exchange-traded bonds 001P-03 with the circulation period of five years
	RUB 10 billion	Fourth issue of 001P-04 exchange-traded bonds with the circulation period of one year
	RUB 10 billion	Repayment of series 07 bonds
2018	RUB 10 billion	The fifth issue of 001P-05 exchange-traded bonds with the circulation period of 3,5 years
	RUB 10 billion	Sixth issue of 001P-06 exchange-traded bonds with the circulation period of 7 years
	RUB 0.75 billion	First issue of KO-P01 commercial bonds with the circulation period of 182 days using smart contracts on the National Settlement Depository’s blockchain platform
	RUB 0.75 billion	Full repayment of KO-P01 commercial bonds
	RUB 10 billion	Full repayment of series 03 bonds
2019	RUB 10 billion	Full repayment of 001P-04 exchange-traded bonds
	RUB 10 billion	The seventh issue of exchange-traded bonds 001P-07 with the maturity term of 5 years
	RUB 5 billion	The eighth issue of exchange-traded bonds 001P-08 with the maturity term of 3.5 years
	RUB 7.5 billion	The ninth issue of exchange-traded bonds 001P-09 with the maturity term of 5.5 years
	RUB 15 billion	The tenth issue of exchange-traded bonds 001P-10 with the maturity term of 6 years
	RUB 10 billion	The eleventh issue of exchange-traded bonds 001P-11 with the maturity term of 7 years
	RUB 15 billion	The twelfth issue of exchange-traded bonds 001P-12 with the maturity term of 4 years
	RUB 10 billion	The thirteenth issue of exchange-traded bonds 001P-13 with the maturity term of 3 years



More detailed information is available on the MTS website



Issue of bonds

Issuer	Mobile TeleSystems Public Joint Stock Company
Security type	Non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of O8 series
Coupon	1st – 10th coupons – 8.15% per annum, 11th – 12th coupons – 10.75% per annum, 13th – 14th coupons – 9.25% per annum, 15–16th coupons – 7.5% per annum, 17–20th coupons -7.9%
Placement price	100%
Issue currency	Ruble
Issue amount	15,000,000,000
Placement date	November 16, 2010
Repayment date	November 03, 2020
ISIN Reg No.	RU000A0IR4J2
Offer	–
Issuer	Mobile TeleSystems Public Joint Stock Company
Security type	Exchange-traded non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of BO-01 series
Coupon	1–10th coupons – 8.25% per annum, 11–14th coupons – 6.85% per annum
Placement price	100%
Issue currency	Ruble
Issue amount	10,000,000,000
Placement date	April 3, 2013
Repayment date	March 22, 2023
ISIN Reg No.	RU000A0JTTA5
Offer	March 30, 2020
Issuer	Mobile TeleSystems Public Joint Stock Company
Security type	Exchange-traded non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of BO-02 series
Coupon	1–4 coupons -- 9,40% p.a., 5–6 coupons –7,85% p.a., 7–9% coupons – 7,5% p.a.
Placement price	100%
Issue currency	Ruble
Issue amount	10,000,000,000
Placement date	September 2, 2016
Repayment date	August 15, 2031
ISIN Reg No.	RU000A0JWRV9
Offer	March 3, 2021
Issuer	Mobile TeleSystems Public Joint Stock Company
Security type	Registered interest-bearing book-entry non-convertible bonds of “B” series
Coupon	5% of the Bond's par value for the entire circulation period
Placement price	100%
Issue currency	Ruble
Issue amount	12,000,000
Placement date	April 1, 2011
Repayment date	June 28, 2022
State Reg. No.	4-11-04715-A
Offer	–
Issuer	MTS International Funding Limited
Security type	Eurobonds (144A/Reg S), guaranteed by the Company
Coupon	8.625% fixed, payment once every six months
Placement price	100%
Issue currency	USD
Issue amount	750,000,000
Repayment date	June 22, 2020

Issuer	MTS International Funding Limited
Security type	Notes (144A/Reg S), guaranteed by the Company
Coupon	5% fixed, payment once every six months
Placement price	100%
Issue currency	USD
Issue amount	500,000,000
Repayment date	May 30, 2023
Issuer	Mobile TeleSystems Public Joint Stock Company
Security type	Exchange-traded non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of 001R-01 series
Coupon	1–10 coupons – 9% per annum
Placement price	100%
Issue currency	Ruble
Issue amount	10,000,000,000
Placement date	February 10, 2017
Repayment date	February 4, 2022
ISIN Reg No.	RU000A0JXEV5
Offer	-
Issuer	Mobile TeleSystems Public Joint Stock Company
Security type	Exchange-traded non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of 001R-02 series
Coupon	1–8th coupons – 8.85% per annum
Placement price	100%
Issue currency	Ruble
Issue amount	10,000,000,000
Placement date	March 30, 2017
Repayment date	March 25, 2021
ISIN Reg No.	RU000A0JXMH7
Offer	-
Issuer	Mobile TeleSystems Public Joint Stock Company
Security type	Exchange-traded non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of 001R-03 series
Coupon	1–10th coupons – 7.7% per annum
Placement price	100%
Issue currency	Ruble
Issue amount	15,000,000,000
Placement date	November 9, 2017
Repayment date	November 3, 2022
ISIN Reg No.	RU000A0ZYFC6
Offer	-
Issuer	Mobile TeleSystems Public Joint Stock Company
Security type	Exchange-traded non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of 001R-05 series
Coupon	1–7th coupons – 7.1% per annum
Placement price	100%
Issue currency	Ruble
Issue amount	10,000,000,000
Placement date	March 7, 2018
Repayment date	September 1, 2021
ISIN Reg No.	RU000A0ZYWX7
Offer	-



Issuer	Mobile TeleSystems Public Joint Stock Company
Security type	Exchange-traded non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of 001R-06 series
Coupon	1–14th coupons – 7.25% per annum
Placement price	100%
Issue currency	Ruble
Issue amount	10,000,000,000
Placement date	March 7, 2018
Repayment date	February 26, 2025
ISIN Reg No.	RU000AOZYWY5
Offer	-
Issuer	Mobile TeleSystems Public Joint Stock Company
Security type	Exchange-traded non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of 001R-07 series
Coupon	1st – 20th coupon – 8.7% per annum
Placement price	100%
Issue currency	Ruble
Issue amount	10,000,000,000
Placement date	January 29, 2019
Repayment date	January 23, 2024
ISIN Reg No.	RU000A100238
Offer	-
Issuer	Mobile TeleSystems Public Joint Stock Company
Security type	Exchange-traded non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of 001R-08 series
Coupon	1-14 coupons –8.4% per annum
Placement price	100%
Issue currency	Ruble
Issue amount	5,000,000,000
Placement date	April 22, 2019
Repayment date	October 17, 2022
ISIN Reg No.	RU000A100A58
Offer	-
Issuer	Mobile TeleSystems Public Joint Stock Company
Security type	Exchange-traded non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of 001R-09 series
Coupon	1st – 22nd coupon – 8.60% per annum
Placement price	100%
Issue currency	Ruble
Issue amount	7,500,000,000
Placement date	April 22, 2019
Repayment date	October 14, 2024
ISIN Reg No.	RU000A100A66
Offer	-

Issuer	Mobile TeleSystems Public Joint Stock Company
Security type	Exchange-traded non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of 001R-10 series
Coupon	1st – 24th coupon – 800% per annum
Placement price	100%
Issue currency	Ruble
Issue amount	15,000,000,000
Placement date	July 3, 2019
Repayment date	June 25, 2025
ISIN Reg No.	RU000A100HU7
Offer	-
Issuer	Mobile TeleSystems Public Joint Stock Company
Security type	Exchange-traded non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of 001R-11 series
Coupon	1st – 28th coupon – 7.9% per annum
Placement price	100%
Issue currency	Ruble
Issue amount	10,000,000,000
Placement date	July 17, 2019
Repayment date	July 8, 2026
ISIN Reg No.	RU000A100L55
Offer	-
Issuer	Mobile TeleSystems Public Joint Stock Company
Security type	Exchange-traded non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of 001R-12 series
Coupon	1st – 16th coupon – 6.85% per annum
Placement price	100%
Issue currency	Ruble
Issue amount	15,000,000,000
Placement date	October 31, 2019
Repayment date	October 26, 2023
ISIN Reg No.	RU000A100ZK0
Offer	-
Issuer	Mobile TeleSystems Public Joint Stock Company
Security type	Exchange-traded non-convertible interest-bearing certificated exchange-traded bonds in bearer form subject to mandatory deposit of 001R-13 series
Coupon	Coupon 1–12 – 6.45% per annum
Placement price	100%
Issue currency	Ruble
Issue amount	10,000,000,000
Placement date	December 26, 2019
Repayment date	December 22, 2022
ISIN Reg No.	RU000A101939
Offer	-

IMPROVEMENT OF CORPORATE GOVERNANCE SYSTEM

Key MTS corporate governance principles are:

- › comprehensive protection of shareholder rights and interests;
- › information openness and transparency;
- › single corporate policy in respect of subsidiaries;
- › independence of the Board of Directors when defining the Company's strategy, approving business plans, and making other important decisions;
- › control over management activities;
- › observance of business ethics when doing business; and
- › doing socially responsible business aimed at ensuring the sustainable development of the Company and its welfare.

The procedures for preparing and conducting the General Shareholder Meeting enable MTS to ensure equal attention to all shareholders from the company when they exercise their rights to participation in the company's management and receipt of profits.

The remuneration system applied in MTS is designed to increase the Company's shareholder value, and the level of remuneration paid is fair and sufficient for the motivation of employees and members of management bodies.

The risk management and internal control system, developed taking into account the generally accepted conceptual foundations COSO (The Committee of Sponsoring Organizations of the Treadway Commission), is efficient and is aimed at ensuring reasonable confidence in the achievement of the objectives set by the company.

The Company has an efficient system of control over transactions executed under a conflict of interests.

The information disclosure system, built with consideration for the requirements of listing rules of the Moscow Exchange and NYSE, is efficient

and ensures compliance with the transparency principle.

The Company's systemic approach also covers areas where compliance with legislation is essential. Thus, systems of assurance of compliance with anticorruption, antitrust, insider legislation and intellectual property legislation were built at the Company based on the best international compliance standards.

In 2019, MTS continued to develop the Company's corporate governance system. In recent years, attention has been focused primarily on the implementation of the provisions of the Corporate Governance Code¹ – high results have been achieved in this field (MTS follows more than 80% of the recommendations of the code).

We also continued to monitor practices for compliance with the recommendations of the Code by other Russian public companies and take them into account for drawing up our own plan for the further development of the corporate governance system.

In 2019, a number of projects were implemented that were aimed both at developing corporate governance practices, and at maintaining them at the achieved level.

At the beginning of 2019, MTS conducted an audit of individual practices of interaction between key participants in corporate governance. Within the framework of this project, more than 30 interviews were conducted with the heads of key functions and the current MTS practices in this area were analyzed. The results will allow MTS to improve its corporate governance practices.

Last year, in connection with the tasks facing the Company to develop its own ecosystem, approaches to the work of the board of directors, its

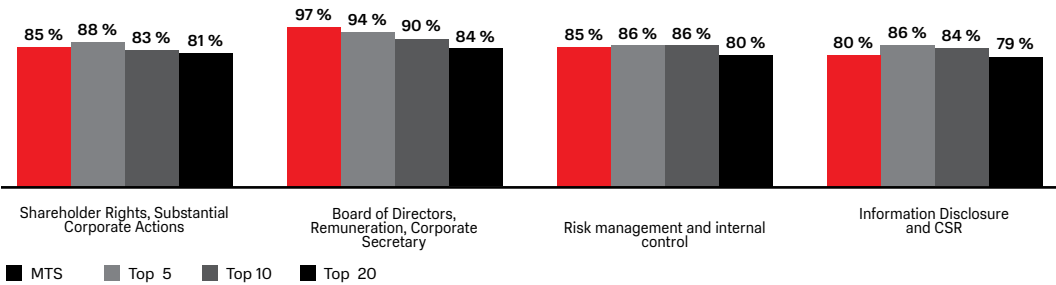
committees and the board were revised. The main efforts in this process were aimed at strengthening the strategic role of the Board of Directors and changing the role of the corporate secretary.

Another important event for MTS was the decision to conduct an external assessment of the effectiveness of the Board of Directors. The results of the assessment will be presented to the company in 2020. Based on the results of the assessment, there are plans to develop an action plan, which, inter alia, will be aimed at developing the corporate governance practices of the company.

CORPORATE GOVERNANCE INDEX

At the end of 2019, MTS remained in the top 10 companies of the National Corporate Governance Index for the third year in a row.

Level of compliance with key principles of corporate governance



Dynamics 2019 / 2018	Rights of shareholders, essential corporate actions	Board of Directors, remuneration, corporate secretary	Risk management and internal control	Information Disclosure and CSR
MTS ¹	+4%	+4%	+10%	–1%
Top 5	+9%	+5%	–3%	+5%
Top 10	+7%	+7%	–1%	+5%
Top 20	+7%	+6%	–1%	+3%

¹ Detailed information on MTS compliance with the recommendations of the Corporate Governance Code is available in the Appendix to this report, "Report on Compliance with the Corporate Governance Code"

04\

SUSTAINABLE DEVELOPMENT

- 206** Our Approach to Sustainable Development/Social Responsibility
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MITC

OUR APPROACH TO SUSTAINABLE DEVELOPMENT/ SOCIAL RESPONSIBILITY

MTS TODAY –



is a digital company that develops innovations in education, healthcare, financial services, entertainment, and many other spheres. Our solutions using big data, artificial intelligence, virtual and augmented reality are aimed at improving the quality of life of our subscribers, customers, and employees.



As a responsible employer, we put the care of our employees at the forefront of sustainable business development. Therefore, the main emphasis in MTS is on improving the training system, respecting human rights in the workplace and improving working conditions, developing a corporate culture and creating a comfortable environment for the self-realization of each employee.



We create the professions of the future, develop talents and retrain employees so that they continue to remain in demand at MTS.



Special attention is paid to the development of the territories of our business operation and interaction with local communities. MTS projects are aimed at eliminating the digital divide, creating an effective system of social entrepreneurship, solving key environmental problems, educating and creatively developing children, and preserving their historical heritage. The greatest value for us is the support of these projects by volunteer employees of MTS.



Solving the company's strategic tasks in the field of social responsibility helps to strengthen the corporate spirit and reputation of the employer, demonstrates the transparency of the business and affects its attractiveness to shareholders, investors, partners, and suppliers.

Tatyana Chernysheva,

Member of the Management Board, Vice President, Human Resources, MTS PJSC

MTS features a mature system and the necessary resources to move from the classic CSR model to a model where sustainable development is integrated into the Company's business strategy and the activities of key divisions. This fact was confirmed during the self-assessment of compliance with the recommendations of the international standard ISO 26000: 2010 "Guidelines on Social Responsibility" back in 2018. During the reporting period, MTS implemented this readiness in practice.



BMTS is confident that in order to achieve the sustainable development goals in practice, business should play a key role. In this regard, programs and projects are implemented annually in accordance with best practices and international standards.

SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY

The basis of sustainable development and corporate social responsibility of MTS is compliance with the principles of conducting socially responsible business aimed at improving the quality of life of the population, employees and society by expanding the range of services and introducing innovative solutions.

The Board of Directors, the MTS Management Board, and the Committee on CSR are the main management bodies for sustainable business development and corporate social responsibility, which approve the strategies of CSR and social programs, monitor the implementation and evaluate their effectiveness.

MTS activities in the field of sustainable development and CSR in 2019 were carried out on the basis of the adopted CSR Strategy, Business Strategy and HR Strategy of MTS, the UN Sustainable Development Goals until 2030 (SDGs), recommendations of the international Standard ISO 26000 (Guidelines for Corporate Social Responsibility), best international and Russian practices.

The company's activities in the field of CSR cover the social, economic and environmental spheres and are formed in accordance with the requests of the company, MTS employees, partners, and investors.

SUSTAINABLE DEVELOPMENT ACTIVITIES



Social area



Economic area



Environmental area

MANAGEMENT SYSTEM FOR SUSTAINABLE DEVELOPMENT ASPECTS



BOARD OF DIRECTORS		CSR COMMITTEE <ul style="list-style-type: none">› Working Group for Carbon Management		COMPLIANCE COMMITTEE <ul style="list-style-type: none">› Anti-corruption enforcement› Personal data processing security› Occupational safety› Respect for human rights› Compliance with environmental standards				
MANAGEMENT BOARD		SUPERVISORY BOARD FOR CHARITY						
CSR POLICY		CODE OF BUSINESS CONDUCT AND ETHICS		CHARITY POLICY		OCCUPATIONAL SAFETY BLOCK	IR	PR
CSR DEPARTMENT		HR MANAGEMENT BLOCK		RISK MANAGEMENT DEPARTMENT		PROCUREMENT MANAGEMENT BLOCK <ul style="list-style-type: none">Code of Business Conduct of Supplier:› environmental protection;› human rights	COMPLIANCE DEPARTMENT	
STRATEGY BLOCK							RISK MANAGEMENT DEPARTMENT MARKETING	

HIGH-QUALITY PRODUCTS AND SERVICES FOR SATISFYING CUSTOMER NEEDS IN VARIOUS SPHERES OF THEIR LIFE WITH A VIEW TO MAXIMIZE VALUE FOR CUSTOMERS AND THE COMPANY

INCREASE OF LIFE QUALITY AND SAFETY OF A PERSON AND THE COMMUNITY THROUGH INNOVATION DEVELOPMENT

ENGAGEMENT IN MAJOR INTERNATIONAL AND RUSSIAN INITIATIVES

- GSMA
- JAC Association
- UN Global Compact
- Russian Union Industrialists and Entrepreneurs
- Managers Association

PUBLIC REPORTING

- Sustainability report
- Reporting under CDP international standard

CSR KPIS FOR 2019

Number of Social Idea projects in 2019 considered for implementation in the Company's business
307 projects

Share of regions in socially important projects
50% (+ 8pp)

Share of volunteers in social programs
14% of the total number

External audience involved in volunteer campaigns
125 k people (+20%)

UN SUSTAINABLE DEVELOPMENT GOALS

\\ MTS shares all 17 of the UN Global Sustainable Development Goals and implements projects in support of 13 of them in accordance with the company’s areas of business:



SDG 1.
Eradication of poverty
The universal eradication of poverty in all its forms



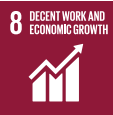
SDG 3.
Good health and wellbeing
Ensuring a healthy lifestyle and promoting wellbeing for all at all ages



SDG 4.
High quality education
Ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for everybody



SDG 5.
Gender equality
Gender equality and the empowerment of all women and girls



SDG 8.
Dignified work and economic growth
Promoting persistent, comprehensive and sustainable economic growth, full and productive employment and decent work for everybody



SDG 9.
Industrialization, innovation, and infrastructure
Development of robust infrastructure, promotion of inclusive and sustainable industrialization and innovation



SDG 10.
Reduction of inequality
Reducing inequality within and between countries



SDG 11.
Sustainable cities and localities
Ensuring openness, security, resilience and sustainability of cities and settlements



SDG 12.
Responsible consumption and production
Providing rational consumption and production patterns



SDG 13.
Fighting climate change
Urgent action to combat climate change and its effects



SDG 15.
Conservation of terrestrial ecosystems
Protection, restoration of terrestrial ecosystems and promotion of their rational use, sustainable forest management, combating desertification, ending and reversing land degradation and ending biodiversity loss



SDG 16.
Peace, justice, and strong institutions
Contributing to building peaceable and open societies for sustainable development, ensuring access to justice for all and creating effective, accountable and participatory institutions at all levels



SDG 17.
Partnership for sustainable development
Strengthening the means to achieve sustainable development and revitalizing global partnership mechanisms for sustainable development

CSR TRENDS IN 2019

- › Training, innovation and promotion of sustainable development, taking into account the recommendations of the audit of the Company’s business processes in the field of CSR for compliance with the ISO26000 standard.
- › Work with major stakeholder groups, including suppliers, customers and employees, was carried out within the framework of popularizing

the SDGs and the benefits of their integration into the strategy, culture and activities of the company, contributing to the creation of common corporate values.

- › The implementation of environmental projects, which allowed MTS to contribute to sustainable development and the preservation of the ecological balance in its regions of operation.

THE VALUES WE CREATE

In the social sphere, we strive to improve the quality of the life of our clients, we care about our employees and their development, we cultivate corporate volunteering, and engage in charity. Our activities in the field of SD and CSR are aimed at supporting and promoting the main audiences with which the company interacts in the process of providing services. The main stakeholders are customers, employees, shareholders, government agencies and local communities.

- › MTS actively promotes the values of sustainable development. Among other things, in 2019 the following initiatives were implemented.
- › An online course of 8 video lessons on the topic “Sustainable Business Development” was

developed for employees and external stakeholders. The course is available as a free resource <https://mtscu.ru/courses/ustojchivoe-razvitie-biznesa/>

- › Two open MTS conferences, “Responsible Business. Be Better Every Day” and “Sustainable Development. Be Better Every Day!” were held in Moscow. The conferences were attended by over 200 representatives of large equipment suppliers, 50 partner companies and clients of MTS, NPOs, international experts, CSR and sustainable development managers, and MTS top managers.

Stakeholders	Basic mechanisms and principles of interaction	2019 Results / Report Information
Clients	All MTS projects related to the main line of business are aimed, first of all, at improving the quality of life of customers and subscribers. Digital services, online education, telemedicine and environmental projects, social and charitable projects, educational programs for schoolchildren, students and people of mature age – all this is becoming accessible to a wide audience.	Detailed information is available in the “Management Report” (subsections “Looking to the Future,” “New Business Areas,” “Business Overview”) and “Sustainable Development” (subsection “Social Investments”) sections, as well as in the Report on Sustainable Development of MTS Group ¹
Employees	The company has the best practices for employee programs. New approaches to staff training, improving working conditions and communication channels, promoting a healthy lifestyle, adaptation and retraining programs – this is not the whole list of opportunities offered by the company to employees.	Detailed information is available in the “Sustainable Development” section (Our Employees sub-section), as well as in the Sustainability Report of MTS Group
Partners	The relations of MTS and its partners are based on the principles of honesty, integrity and transparency. The Supplier’s Code of Business Conduct for the MTS PJSC contains standards that are expected to be met by suppliers, in particular compliance with environmental laws and human rights. Also, in cooperation with partners, MTS expects them to clearly follow the principles of anti-corruption legislation and the requirements of business ethics.	Detailed information is available in the “Sustainable Development” section (subsection “Sustainability of the supply chain”)

¹ <https://moskva.mts.ru/about/mts-dlya-obshchestva/novosti-i-otcheti/otchet-ustoychivogo-razvitiya>




Stakeholders	Basic mechanisms and principles of interaction	2019 Results / Report Information
Shareholders	The sustainability strategy affects the investment attractiveness of the company. The demonstration of transparency in the field of sustainable business development sets the tone for the company's quotes on the stock exchange and becomes an important factor in deciding on investments. Reporting in the field of sustainable development by MTS allows investors to get full access to information for making business decisions, taking into account the social and environmental consequences for the company and for society as a whole. To assess the full range of risks and make proper investment decisions in favor of a company, investors are increasingly paying attention to its commitment to ESG principles (environmental, social and governance).	Detailed information is available in the "Corporate Governance" section (subsection "Interaction with shareholders and investors")
State and local communities	MTS actively interacts with federal and regional government bodies and local communities under projects that support the development not only of the business, but also of the areas of operation. We train in new professions, develop quality services, provide support to socially vulnerable sections of the population, and carry out activities to protect the environment and environmental education.	Detailed information is available in the "Sustainable Development" section (the Social Investments section), as well as in the Sustainability Report of MTS Group ¹

OUR AWARDS AND ACHIEVEMENTS IN THE FIELD OF SUSTAINABLE DEVELOPMENT



MTS is the leader of the RUIE ratings "Responsibility and Openness" and "Vector of Sustainable Development," presenting the best Russian practice in the field of disclosing information on sustainable development and CSR, reflecting the positive dynamics of the social and environmental performance of its activities.

The high quality of MTS' public accounting at the global industry level was noted during the Public Certification Procedure of the Committee for Non-Financial Reporting under the RUIE.



MTS is the leader in the social performance rating of the largest Russian companies of AK & M news agency.



MTS entered the top 10 Russian companies in disclosure of information on climate change according to the CDP rating.



MTS entered the TOP-15 ranking of Expert Media Holding for sustainable development among the 100 largest Russian companies and became the leader among IT and telecom industry companies.

¹ <https://moskva.mts.ru/about/mts-dlya-obshhestva/novosti-i-otcheti/otchet-ustoychivogo-razvitiya>

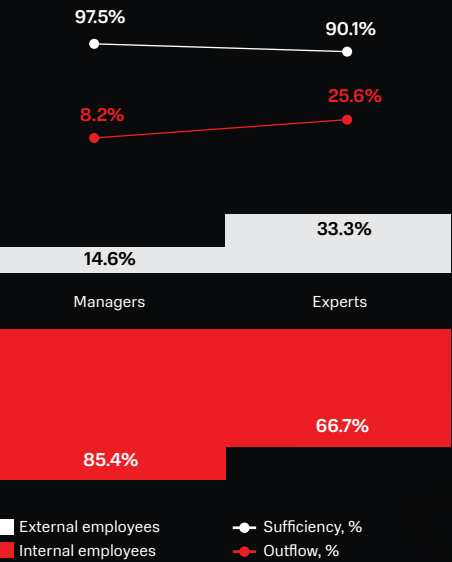
OUR EMPLOYEES²

MTS pays special attention to building and developing an effective and successful team of professionals.

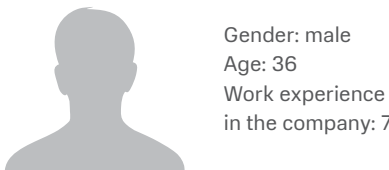
MTS actively uses the best practices in the field of employee programs. New approaches to staff training, improving working conditions and communication channels, promoting a healthy lifestyle, adaptation and retraining programs – these are just some of the opportunities available to employees.

>62.5 thousand people the number of employees of MTS Group at the end of the year.

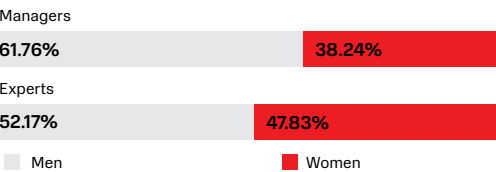
Closing of vacancies



Portrait of an average company employee

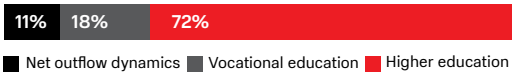


Gender composition

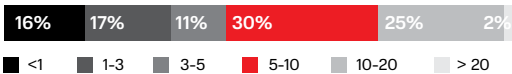


PERSONNEL STRUCTURE

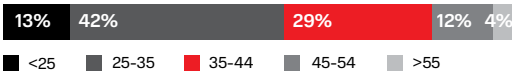
by level of education



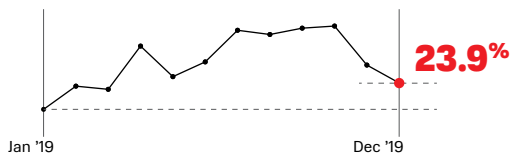
by experience



by age



Net outflow dynamics



² More detailed information is available in the MTS Group Sustainability Report for 2019: chapter "Corporate Social Responsibility," section "Employees" (<https://moskva.mts.ru/about/mts-dlya-obshhestva/novosti-i-otcheti/otchet-ustoychivogo-razvitiya>).



REMUNERATION AND SOCIAL BENEFITS

MTS has a competitive remuneration system. According to the data for 2019, the average salary in the Company is 38% higher than in the whole country.

In addition, MTS provides its employees with a large package of compensations and benefits. Employees can take part in the “Benefit Cafeteria” program where an employee’s set of benefits may be changed based on their individual decision. This approach enables us to qualitatively satisfy different employees’ needs with high cost effectiveness.

PERFORMANCE EVALUATION

All the company’s employees participate annually in the performance evaluation procedure, which includes both an evaluation of fulfilment of key performance indicators and the competence development level. During the evaluation process, managers provide extended feedback based on annual work results, and, following the results of the evaluation, a plan of development measures is generated for employees.

In 2019 the work on the development and improvement of the KPI system was continued, including an increase in the number of cross-cutting team indicators to help to effectively unite teams to achieve common goals. To develop the potential of employees, additional options have appeared for obtaining assessments in competencies from colleagues.

Thanks to a properly built personnel development system, around 85% of manager’s vacancies in the company are closed by means of in-house candidates. Using advanced distance learning platforms, with the preservation of quality, it has been possible to provide employees with opportunities for developing professional and personal competencies, as well as for studying new digital directions and retraining.



CORPORATE UNIVERSITY LLC



Starting in May 2018, MTS University has been actively gaining momentum and entering the foreign market. Last July, the beta version of the mtscu.ru site was launched, and the number of unique visitors by the end of the year reached almost 100,000. A YouTube channel with open webinars was launched, where the number of views is approximately 20,000. The number of channel subscribers, i.e. potential customers, reached 8,152.

MTS University has released 15 online courses and 24 video courses, opened an expert School for product design and held 15 open meetings. In October, MTS University held a competition – “StandUp Speakers.”

Among the clients of MTS University are Okko, IVI, Domodedovo, Moscow State University, Rosbank, Lanit, Novolipetsk Metallurgical Plant, Rubius, Boxberry, Glavstroy, Olympia, Russian Product, and others.

ADVANCED TRAINING FOR STAFF

MTS has a special department – “Corporate University”, which is responsible for comprehensive staff training. The mission of the Corporate University is to create development opportunities, expanding the boundaries of people and business. Department experts develop educational programs for units, develop distance learning on a personal Virtual Academy platform, conduct face-to-face trainings and workshops and organize staff training with external providers.

In 2019, Corporate University provided the following types of training:

- > Faculty training
- > Competency Model Training
- > Virtual Academy
- > Business analysis. Beginning,
- > PowerPoint PRO Slides
- > Product Series of MTS
- > MTS STARS
- > Management club
- > New Height
- > Successor to the post of director of the region
- > ProfLab Program
- > Product Series of MTS

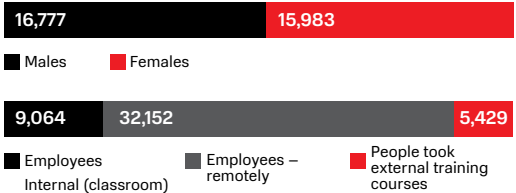
MTS has an Academy of Coaching Excellence, which professionally trains coaches. In 2019 45 coaches were trained. Domestic coaches held 668 events. Their total duration was 45,435 person-hours or 6.5 hours per participant.

Besides to educational programs, MTS employees have access to the Alpina Digital electronic library with popular science and business literature.



32,760
MTS employees

completed at least one training session in 2019
12%> more than in 2018



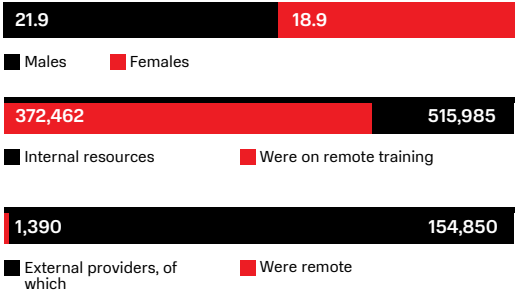
24,289
people

were trained in anti-corruption procedures in 2019.



757,052
hours

were spent learning in 2019,
the number of training hours per employee was:



86,217
hours

mandatory training



ADAPTATION OF NEW EMPLOYEES

The new employee is immersed in the principles of work and corporate culture through the adaptation measures of MTS.

On the first day, the new employee is told about the basic regulations that exist within MTS.

During their first week, the new employee is assigned distance learning, called the “First Course”, which is a combination of different formats. The course immerses the employee in the company’s strategy and business, and explains compliance, the code of business behavior and Ethics and the principles of the company’s work.

During the second week, we invite our new employees to the “Welcome Day” event. In a face-to-face communication format, we talk with newcomers in detail about the strategy and corporate culture of the company, we introduce them to the buddy program, and answer all their questions. The event also involves managers from different fields and top managers of the company, who share success stories and present their areas of work.

Throughout the entire adaptation period, new employees and their managers receive push notifications with useful information and links. At different stages, we inform them about what they need to know, we remind them of the importance of setting goals and their implementation, receiving feedback, which model of competencies is adopted by the company, and why it is important to undergo mandatory training for 3 months.

as international law and local regulations on labor protection.

The Company operates a two-tier system of H&S management, focused on creating a safe working environment, prevention of occupational injuries and personnel training of safe work rules.

There are no official joint committees on health and safety in MTS PJSC. Directors of units and representatives of employees participate in monitoring and in development of annual H&S Safety Plans in branches for the next year and in the development of the List of Actions to Improve Conditions and H&S of employees, at whose workplaces special labor conditions evaluation was conducted.

Labor protection activities carried out by MTS PJSC are aimed at:

- › ensuring the priority of preserving life and health in the workplace;
- › improving the OSH management system;
- › timely training of managers and specialists on labor protection;
- › organization of preventive and periodical medical examinations of employees;
- › timely provision of employees with special clothing, footwear and other personal protective equipment;
- › organization of production control and evaluation of special conditions of employment;
- › evaluation and management of occupational risks;
- › ensuring the safety of production equipment and processes;
- › accounting and analysis of occupational injuries, organization of investigation of accidents and activities to prevent occupational injuries and diseases;
- › providing units with normative documents, communicating the laws and regulations on labor protection to the employees; and
- › promotion of occupational safety and health issues. Indicators of injuries in MTS PJSC, 2017-2019

OCCUPATIONAL HEALTH AND LABOR SAFETY

MTS PJSC pays close attention to the issue of ensuring comfortable and safe working conditions. Personnel safety is the main component of corporate social responsibility of the Company. MTS is guided in the field of occupational health and safety by the laws of the Russian Federation, as well



IN 2019: MTS

- 19,606 employees underwent external and internal labor protection training.
- A special assessment of working conditions was carried out in relation to 100% of jobs in the Corporate Center of MTS Group and the branches of MTS PJSC (24,987 jobs).
- Preliminary and regular medical examinations were undergone by 2,800 and 8,424 employees, respectively, employed in work with harmful and (or) dangerous working conditions (according to the results of regular medical examinations 52 employees needed to be transferred to another job (corresponding changes were made to their duties), sanatorium-resort treatment was recommended to 92 employees (the possibility of treatment was provided at the expense of the Company)).

Indicator	2017	2018	2019
Accident Frequency Rate (AFR) ¹	0.22	0.27	0.17
Accident Severity Rate (ASR) ²	21.3	106.6	107.4
Accident and Lost Work Time Rate (ALWTR)	0.03	0.03	0.02
Lost Work Day Rate (LWDR)	0.48	2.18	1.47
Absentee Rate (AS)	4.27	4.36	4.31

Annually MTS PJSC cooperates with the Social Insurance Fund of the Russian Federation (SIF RF) for financial support of preventive measures to reduce accident injury rate and occupational diseases of employees and health resort treatment of employees working with hazardous and (or) dangerous production factors, as well as to obtain discounts on insurance tariff for compulsory social insurance against industrial accidents and occupational diseases. In 2019 the total amount received from this work made 6.2 M RUB (in 2018 – 6.8 M RUB, in 2017 – 2.61 M RUB).

At the expense of funds of the Social Insurance Fund of the Russian Federation:

- › medical examinations were carried out;
- › overalls, safety shoes and other personal protective equipment were purchased; and
- › a special assessment of working conditions was carried out.

In the reporting year, the representatives of MTS and subsidiaries participated in the work of the third

All-Russian Labor Protection Week in Sochi. The busy schedule of the All-Russian Labor Protection Week made it possible to participate in professional discussions, to study best practices and experience of colleagues, to learn about the main directions of labor protection law improvement, to get recommendations and answers to practical questions.

Every year, the Company assesses the effectiveness of its OSH management system based on quantitative indicators that objectively assess the degree of implementation of its labor policy. Assessment is carried out for each region. As a result of evaluating the OSH management system effectiveness, analysis is carried out, and concrete measures on improvement of labor protection are planned.

The H&S management system in MTS PJSC has been recognized at regional and district levels. In 2019 some MTS branches became prize winners of various H&S review competitions.

¹ The Accident Frequency Rate (AFR) defines the number of accidents for the reporting period per 1,000 workers.
² The Accident Severity Rate (ASR) defines the number of days of work missed due to one injury.



SOCIAL INVESTMENTS¹

\\ MTS actively interacts with federal and regional government bodies and local communities under socially significant projects. We develop quality services, provide support to socially vulnerable sections of the population, and take measures to conserve valuable cultural sites in the regions, protect the environment and provide environmental education, provide many education and development opportunities for the inhabitants, and more. During 2019, a large number of partnership projects were implemented across the country with the participation of volunteer employees of MTS, which became especially important in the Year of the Volunteer.

WORK WITH LOCAL COMMUNITIES

Since the end of 2016, MTS has been implementing a comprehensive program of social investments in the field of supporting local communities. In this regard, we interact with independent groups of people who, not being charitable foundations, try to solve social problems that are important for their local environment by uniting in communities of interest. A characteristic feature of such local groups is the social significance of their activities.

In 2019, MTS implemented 480 projects to help local communities across the country: we collected the necessary things for people in flood zones; helped large and low-income families send children to school; equipped sports grounds and bike paths; restored old houses; provided search teams with equipment necessary for their work; helped with equipping the sensory rooms and more.

A significant part of community activities is carried out with the participation of MTS volunteers – our employees participate in community work days, plant trees, modify buildings, and collect things for the homeless. Such social projects go beyond intra-corporate ones and become an important part of the Company's dialogue with local communities.

MTS has a large volunteer movement which, according to data from 2019, is made up of more than 7,500 employees from various regions of Russia, and its online projects involve over 10 million people.

MTS volunteers take part in ecological events, cultural and educational events, donor programs, and they help organize the company's large socially significant events for external audiences including veterans, children from social institutions and people with disabilities.

MTS' MOST SIGNIFICANT SOCIAL PROJECTS IN 2019

GENERATION M

<https://pokolenie.mts.ru/>

In 2014, MTS implemented its flagship social project, "Generation M", the goal of which is to provide equal opportunities for creative education and development to children from all over the country, regardless of where they live or their family's means. On the project's online platforms – the website pokolenie.mts.ru, the group on VKontakte, the Instagram page and on TikTok – children from across the country can develop themselves by taking part in competitions, online workshops and interactive activities with Russian starson many different themes.

Today, the Generation M project is implemented with the help of more than two hundred partners in various areas of activity. These are primarily creative organizations which run the project's competitions and offer unique opportunities to the winner – the Tretyakov Gallery, GITIS, Yeralash, Smeshariki, TikTok, Ekol producer center, the publishing house ACT and many more. The project is actively supported by the authorities, with whom more than ten agreements have been signed on the development of the socio-cultural environments of the regions, as well as large businesses, the mass media and non-profit organizations.

Awards and achievements of the Generation M project in 2019

Winner of the
Effie Awards Russia 2019,
gold in the
**Positive Change category/
Contribution to society
and sustainable
development. Brands.**

Laureate of the Prize

**“Corporate
Philanthropy Leaders
in the Sustainable
Development Paradigm
2019”**

first place in the nomination

**“The best program
that contributes
to sustainable
development
and achieving
the goals of charity work
with the help of IT.”**

Winner of the

**“Digital Communications
AWARD – 2019”**

Award in the

“CSR Communications”
nomination



¹ More detailed information is available in the MTS Group Sustainability Report for 2019: chapter "Corporate Social Responsibility," section "Local Communities" ([HYPERLINK «https://moskva.mts.ru/about/mts-dlya-obshchestva/novosti-i-otcheti/otchet-ustoychivogo-razvitiya»](https://moskva.mts.ru/about/mts-dlya-obshchestva/novosti-i-otcheti/otchet-ustoychivogo-razvitiya) <https://moskva.mts.ru/about/mts-dlya-obshchestva/novosti-i-otcheti/otchet-ustoychivogo-razvitiya>).



CULTURAL CODE

The “Cultural Code” project aims to preserve and support a territory’s unique cultural values and initiatives: development of creative technologies, conservation of cultural monuments, support for artisanal schools and unique craftspeople, enterprising local societies and movements and independent regional events, exhibitions and art installations.

By the end of 2019, the project covered 40 regions. Events were held under the slogan “People working for people” – volunteers single-handedly restored the historical garden of the Tsvetayev family in Tarusa, collected recipes for the national cuisine of the Evenki people in Khabarovsk Krai, restored the Michurin summerhouse in Tambov Oblast, helped to organize an exhibition of works by children on the autism spectrum in Rostov-on-Don, supported unique Argun carving craftspeople in Vladimir Oblast, provided the Solikamsk Regional Natural History Museum with modern multimedia services, sent equipment for online streaming to the world’s only museum of ancient music named after Povetkin in Veliky Novgorod and trained their staff how to use it, and much more.

MEMORY OF VICTORY

The purpose of the volunteer movement “Memory of Victory” is to preserve and help the reconstruction of regional monuments to the Second World War and memorials to local heroes who fell while fighting for their homeland, which have a special significance for the local population. Under the project, the areas around monuments are tidied, painted and plastered, trees are planted, flowers are laid, and ceremonial events are organized with the involvement of the local inhabitants. In 2019 the Memory of Victory project involved more than 1,500 people from 30 regions of Russia: from Kaliningrad to the Yamalo-Nenetsky autonomous okrug.

In 2019, the project came first in the “Working with Communities” nomination of the “Champions of Good Deeds” awards at the All-Russian Forum of Corporate Volunteering.

2,500+
volunteers

40
regions

1
place
in the “Working with Communities” nomination of the “Champions of Good Deeds” awards at the All-Russian Forum of Corporate Volunteering.

30
regions of Russia

1,500
people

URBAN LEGENDS

Under the “Urban Legends” project, MTS gets people involved in the creation of modern products in the field of tourism – city audio-guides with a focus on lesser-known places which perfectly reveal the spirit and uniqueness of the regions. The city audio-guides are designed to let people learn about points of interest on their own with the help of voice-guided tours, available on the world’s largest specialized platform for audio-guides, izi.TRAVEL and on the specialized mobile travel app “Surprise Me”. To begin a tour, all you need to do is download the free app on a smartphone and follow the guide’s suggestions. Audio-guides can even be used without an internet connection and at any time.

MTS/MEDIA EDUCATIONAL PROJECT
<https://media.mts.ru/>

MTS/Media is a unique media platform which contains educational and helpful content, available on the websites media.mts.ru and mts.ru, the My MTS app (stories format), and in a blog on Yandex. Zen. The goal of the MTS/Media publication is to explain difficult technological topics using simple language. Building the materials into direct client channels (SMS, email marketing, welcome programs and others) allows us to promote MTS products and services, and improve MTS’ image as a digital company which offers a whole range of innovative services the mass and business markets.

>1,200
posts
about CSR on social networks coverage

Coverage –

>35
mln people

9.6 mln times
viewed MTS / Media materials
(including the number on the Yandex.Zen channel)

In 2019, the project was implemented in 15 regions of Russia. The ceremonial presentations involved representatives of municipal administrations, journalists, urban activists and local history experts.

15
regions of Russia

In 2019, more than 2,000 publications were released in various VKontakte groups with MTS/Media materials about the company’s digital products – lifestyle apps, media products, B2B services. The total coverage was over 100 million people. More than 1,200 publications dedicated to CSR content based on MTS/Media were released. They explained how to pay taxes, what social payments are available to Russians, what to do if your social media account is hacked, how to protect yourself from fraud and more.

>2,000
posts
in VKontakte groups to promote MTS digital products

Coverage –

>100
mln people

>1 mln
total number of views of the media materials





4



9



SOCIAL IDEA 2019

Searching, collecting and supporting social projects based on digital technologies which bring about positive changes in society, including MTS' regions of operation: Social Idea won the TIME OF INNOVATIONS prize in the "Social

Innovation of the Year" nomination and "Best Project for Popularizing Innovative Activities" in the "TELECOMMUNICATION TECHNOLOGIES" category.

7,000
participants

7
countries

307
applications

80
regions of Russia

5
winners

8



PROJECT "MTS – A COMPANY FOR EVERYONE"

"MTS – a Company for Everyone" targets the 40+ audience. Its goals are to seek, train and retrain older candidates for future work with subscribers and clients of various ages and to simplify the search for jobs in the mass segment.

The results of 2019:

Satisfaction of 40+ clients increased by

40%

Average cost for a 40+ candidate fell by

3%

Speed of filling vacancies on average increased by

4%

CAREER PATH

Career Path is a competition for people with limited capabilities. Its goal is the professional involvement and employment of driven and talented specialists with disabilities in leading Russian and international companies.

4
participating
regions

>420
participants
with different disabilities

70
finalists

30
vacancies filled

1
internship

THEATER FOR EVERYONE

"Theater for Everyone" was the winner of an MTS competition in the "Best Federal Inclusive Project 2019" nomination and is geared towards children with hearing difficulties. The project's goal is to create equal opportunities for all audiences. "MTS Mobile Fairytale Theater" puppet shows with sign interpretation in Russian sign language were watched by more than 2,600 viewers from 20 of MTS' cities of operation with the involvement of 380 company volunteers.

>2,600
viewers

20
cities of operation

380
volunteers

8



10



10





WORLD OF KNOWLEDGE WITH MTS

A federal project and the winner of MTS' competition in the "Best Educational Project 2019" nomination. Its goal is to make scientific knowledge more accessible and popular among children from social institutions.

The project consists of three units: workshops, an internet safety lesson and a journey into virtual reality called "Virtual Planetarium".

33
regions of Russia

>1,700
participants



BECOME A STAR OF FINANCIAL LITERACY TOGETHER WITH MTS BANK

Become a star of financial literacy together with MTS Bank – a federal educational project, the aim of which is to provide education in financial literacy to older students and children from social institutions.

Results of 2019

11,000
participants

375
lessons
in education institutes in all of the bank's
regions of operation



A number of programs and events implemented by MTS are aimed at creating a barrier-free environment and supporting people with disabilities:

- > Conducting an audit of the accessibility of MTS and RTK offices in Moscow and the adjacent territory for people with limited mobility, including people with disabilities.
- > Support for a training program for deaf and hard of hearing guides-translators and guides for working in Russian sign language in museum spaces of the Russian regions.

- > Support for activities to create an accessible educational environment for children and young people with disabilities in the framework of the international program "Notebook of Friendship": 8,300 children, teachers and parents, 23 participating regions and 3 foreign countries.
- > "Theater for All" is the best federal inclusive project aimed at children with hearing impairment, whose task is to create equal opportunities for all audiences: 20 participating cities, 2600 spectators, 380 volunteers.

THE COMPANY'S ENVIRONMENTAL- PROTECTION ACTIVITIES¹

\\ In its activities, MTS strives to not only have a minimal impact on the environment, but also to reduce this impact. The Company is guided by applicable environmental legislation, as well as by the principles of responsible business conduct, and strives to improve the environmental culture of its employees and partners and to implement services based on advanced technologies.

In accordance with the recommendations of the international standard ISO 26000, MTS implements a set of measures in the field of "Environment." Within the scope of development of the "Ecology" compliance program, in 2018, the MTS Environmental Safety and Environmental-Protection Policy was enacted, which reflects the Company's position with respect to the environment at its administrative facilities.

The fundamental principles of the MTS Policy for Environmental Safety and Protection:

- > compliance with the requirements of the nature-conservation legislation of the Russian Federation;
- > compliance with the requirements of national and international standards in the field of environmental protection;
- > improved level of environmental awareness and education of all company employees;
- > implementation of environmental socially significant projects;
- > openness and availability of environmental information;
- > continuous improvement of MTS environmental management system;
- > reduced level of negative impact at environment and aspiration for sustainability.

A unified approach is generated in MTS branches due to the introduction of a unified environmental-management system, to ensure compliance and the performance of nature-conservation legislation norms and requirements.

For the reporting period

- > a new paper waste storage system has been introduced in offices in connection with the entry of new waste management requirements into force;
- > an inventory of administrative facilities was organized and conducted to verify the availability of environmental documentation for all facilities, as provided for by the current legislation of the Russian Federation; and
- > experts in the field of environmental protection and safety analyzed all categories of products/works/services of the Company as specified in the "Procurement" Policy to determine their impact on the environmental protection and safety.

External experts conducted mandatory periodical training for managers of the branches and persons responsible for environmental safety with subsequent issue of certificates to confirm the knowledge gained.

¹ More detailed information is available in the MTS Group Sustainability Report for 2019: chapter "Corporate Social Responsibility", section "Ecology" ([HYPERLINK «https://moskva.mts.ru/about/mts-dlya-obshchestva/novosti-i-otcheti/otchet-ustoychivogo-razvitiya»](https://moskva.mts.ru/about/mts-dlya-obshchestva/novosti-i-otcheti/otchet-ustoychivogo-razvitiya) <https://moskva.mts.ru/about/mts-dlya-obshchestva/novosti-i-otcheti/otchet-ustoychivogo-razvitiya>)



Types of expenses and expenses of the organization for environmental protection	Amount, thousand RUB ¹
Payments for adverse environmental impact	414,465.2
Preparation of environmental documentation (development of draft standards for waste generation and limits for their disposal, obtaining permits, etc.)	3,731,341
Solid waste removal to landfill	9,744,429
Recycling paper and paper waste	20,517.78
Disposal of mercury-containing lamps	199,255.1
Cartridge recycling	340
Disposal of computer equipment and IT equipment	13,692.49
Battery Disposal	10,930.7
Installation of automatic energy consumption level control systems (indoor motion sensors, etc.)	16,007
Conducting supervisory certification audits of environmental management systems	63,006
Training of employees to introduce environmental management systems	154,652
Other expenses	56,000



The Company was not imposed with any fines and/or non-financial sanctions for non-compliance with environmental laws and regulations in 2019.

VOLUME OF THE ENERGY RESOURCES USED BY MTS PJSC IN 2019

\\ In kind

Resource type	quantity	unit	In monetary terms, RUB, minus VAT
Electric power	1,357,524,418	kW/h	8,576,729,397
Heat power	54,974.33	Gcal	78,597,150,22
Water supply	241,002.67	cub.m.	12,670,363.17
Gas supply	690,946.37	cub.m.	5,483,660,98
Petrol	3,214,326,70	liters	123,847,979.40
Diesel fuel	1,825,258.81	liters	61,940,038.18

ENVIRONMENTAL INITIATIVES

Within the scope of its environmental initiatives, MTS evaluates environmental impact at all stages of its operations: from the construction of base stations to the production and packaging of SIM-cards. The entire MTS team and each employee, in particular, are involved as much as possible in the process of environmental-project implementation and objectively assess their responsibility to nature. The main environmental initiatives of the company include the following:

- > eco-packaging,
- > eco-telecom,
- > ecological cleanups,
- > tell batteries to “Give up!”,
- > waste paper collection and recycling on an ongoing basis,
- > electronic signature for employees, and
- > Mobile Technologies for Environment.

ACHIEVEMENTS OF 2019 IN THE FIELD OF ENVIRONMENTAL PROTECTION:



- MTS PJSC took 2nd place in the nomination “Green Leader Office” during its participation in the annual environmental awareness campaign of the Department of Nature Management and Environmental Protection.
- The MTS Ecological Movement community has been launched on the Pulse portal.
- Containers for separate plastic waste were installed in 3 Moscow offices.
- Greenhouse Gas Report prepared for CDP (Carbon Disclosure Project).
- MTS began to disclose information on CDP standards, joining the GSMA global initiative to develop an industry roadmap for measures to minimize the impact of the telecommunications industry on the climate change in accordance with the Paris Agreement aimed at curbing global warming. MTS PJSC entered the top 10 Russian companies, receiving the “Awareness” rating (C). The resulting MTS score is higher than the simple “disclosure” level (D). This indicates a high level of transparency in the disclosure of environmental information and a deep understanding of the company’s own impact on the climate.

ENVIRONMENTAL IMPACT

MTS as a telecom provider objectively understands that its operations have virtually no negative impact on the environment. Nevertheless, the Company considers environmental protection activities as an integral component of business and works in the area of environmental balance and stability maintenance. In its attempt to minimize its environmental impact, MTS skillfully manages those insignificant sources of adverse environmental impact that currently exist.

Upon completion of facility construction, the organization accredited by the Federal Service on Customers’ Rights Protection and Human Well-being Surveillance (Rospotrebnadzor), performs measurements at the facility, issues a report and a protocol of measurements that are submitted to Rospotrebnadzor. As a result, MTS receives a Sanitary-Epidemiological Conclusion Certificate on compliance of the functioning facility with the SanPiN.

The facilities of MTS PJSC relate mainly to facilities that do not have a negative impact on the environment. There are several objects of categories III and IV that have a minor or minimal negative impact on the environment.

The design of network objects and their commissioning takes place in compliance with all regulatory requirements.

¹ Excluding CC and Sibintertelecom JSC

ENERGY

Our business does not impact the environment directly, but all our communication facilities, office buildings, sales offices and call centers consume power. Most generating stations in Russia run on gas and coal and emit carbon dioxide into the atmosphere. We are aware of the fact that

the more traffic grows and the faster the subscriber base expands, the more power we consume, which inevitably results in higher workloads at generating stations which therefore harms the environment.

\\ Total energy consumed, kW•h

Year	Offices + Technology	Data Centers	Web-sites (MB)	FX (FB)
2017	183,705,584	27,267,714	929,830,674	54,324,334
2018	187,537,547	31,716,418	1,005,349,691	60,835,675
2019	184,516,021	39,034,106	1,070,124,641	63,849,650

The growth of power consumption is related with network development (additional commissioning of both base stations and other infrastructure of the Company (DPCs, call centers, etc.), and with the growth of data traffic volumes. Traffic growth and installation of additional equipment result in increased consumption of power by base station sites. The increase in power tariffs is reflected in the growth of consumed power in monetary terms.

The Company introduces new energy efficient equipment everywhere and implements energy efficiency programs. Without such actions, with consideration for network growth, power consumption would be much higher.

Since 2010 the “Strategy of Energy Savings and Energy Efficiency” has been in operation in MTS, aimed at restricting growth and reduction of electric energy consumption. All MTS branches in regions implement their own energy savings and energy efficiency programs.

Energy Efficiency Events Summary	Event Results (Savings)	2019 Targets
Using energy-saving lamps	5,247 kW/h	5,000 kW/h
LED lightening	487,449 kW/h	450,000 kW/h
Turning off the HVAC systems after working hours (scheduling)	464,390 kW/h	462,000 kW/h
Turning off the lighting in technological rooms after working hours	136,941 kW/h	127,000 kW/h
Revision and shutdown of unused equipment	971,220 kW/h	950,000 kW/h
Air conditioning optimization	144,271 kW/h	150,000 kW/h
Other activities (switching to a thin client, replacing the equipment with a more energy-efficient one, etc.)	218,645 kW/h	200,000 kW/h
Implementation of the ASKUE project	32,671,401 rubles	

WATER CONSUMPTION AND DISCHARGE OF THE USED WATER

MTS PJSC business has no substantial impact on water intake, however, we strive to cut water consumption. The main source of water intake is a water services company. The entire volume of the water received from the water utility is used and discharged into the sewer.

WASTE

We treat the issue of waste disposal responsibly, and therefore, one of main requirements to cooperation with domestic waste disposal companies is performance of full cycle of waste handling when removed from our offices: sorting and secondary raw materials production, provision of reporting and supporting documents, ability to check progress and quality of works provided for waste handling.

The main share of the Company’s waste is non-hazardous waste of classes IV and V.

EMISSIONS

As a result of MTS PJSC’s activities, there are no significant direct greenhouse gas emissions. Despite this, the Company is developing a Unified program for carbon management and risk assessment of MTS PJSC related to climate change.

To further reduce the carbon footprint, the Company is testing alternative energy options: wind power plants, solar panels and photovoltaic installations.

The prospects for the use of renewable energy sources are related to their environmental friendliness and low cost of operation, in addition, this segment is a driver of technological innovations and has significant potential to reduce greenhouse gas emissions.

DISPOSAL OF TELECOMMUNICATION EQUIPMENT

When disposing of telecommunication equipment, we usually sell spent devices back to the manufacturer, on a competitive basis sell it to other companies or make agreements with specialized recycling companies. Then we transfer spent equipment to the site of the specialized company, where it is disassembled, sorted, and the resulting metal scrap is weighed. Further inspection and confirmation is carried out that metal scrap was prepared according to GOST, surveyed by a pyrotechnician, neutralized, recognized as explosion-proof and may be admitted for recycling and remelting. The final metal scrap is sold by a recycling company, which will be in charge of its further recycling.

Our counterparties have the appropriate licenses for collection and disposal of hazard class I–IV waste and will perform work in accordance with the laws of the Russian Federation, observing all environmental standards.

TRANSPORT

Considering the Company’s business features, our direct impact at environment is reduced to generation of emissions by car fleet vehicles. To reduce this impact, the Company seeks to purchase ecological class 5 cars for its fleet, as well as to use taxi services for business trips.

STABILITY OF SUPPLY CHAIN

PROCUREMENT MANAGEMENT

MTS builds relationships with suppliers based on the principles of honesty, integrity and transparency. The procurement management process is aimed at maximizing the development of the business and satisfying the interests of the Company, guaranteeing an optimal price-quality ratio.

Company purchases are carried out in accordance with the MTS Procurement Rules (<https://tenders.mts.ru/>), developed in accordance with the requirements of the legislation and aimed at the efficient use of funds, increasing competition and transparency. The Company also has a Code of Business Conduct for MTS PJSC' suppliers (https://tenders.mts.ru/upload/SUPPLIER_CODE.rar) to contain a list of standards, compliance of which is expected from suppliers. In addition to good faith and honesty, the Code notes the importance of compliance by vendors with environmental laws and human rights.

In 2019, some changes were introduced into the regulatory documents of the Company for procurement activities:

- › control operations have been worked out as part of the creation of a system for managing intellectual property risks;
- › the questionnaire for the participant has been expanded in terms of providing information on subcontractors / co-contractors, as well as in the field of CSR;
- › within the framework of the MTS Accelerator project, a procurement procedure has been introduced for innovative projects, taking into account the participation of startups.

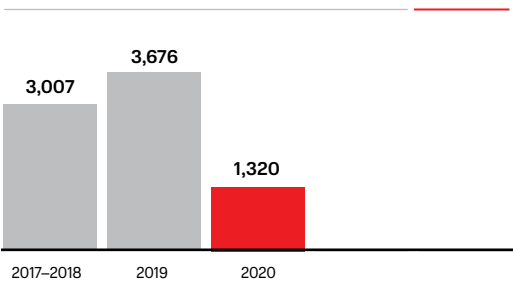
In 2019, the Supplier Questionnaire was adjusted to reflect changes in the requirements of CSR and Compliance. The Company implemented an automated survey on corporate social responsibility (CSR) when registering new suppliers in the electronic procurement system of MTS PJSC and annually notifying already registered suppliers of the need to update the data in the questionnaire. The analysis of the information received is carried out automatically.

In 2019

3,676
profiles

were registered, since the beginning of 2020
(at the time of preparation of this report) – 1,320.

Statistics by year



The annually updated Questionnaire for the Participant helps not only in obtaining relevant information about a supplier, but also in developing training events for the supplier in terms of CSR, Compliance, Policies and Codes of the company in accordance with the Strategy of MTS PJSC. A special distance course “Sustainable business development” has already been developed for suppliers. Since the implementation of the functionality for automated filling out of the Supplier Questionnaire, there was an increase not only in the number of completed questionnaires, but also in the number of suppliers who have already implemented it, or are at the stage of implementing the principles and standards of CSR.

RESULTS OF THE ANNUAL SURVEY OF SUPPLIERS IN 2019, INCLUDING IN TERMS OF CSR

In 2019, an open conference was held by MTS – “Responsible Business. Be better every day,”

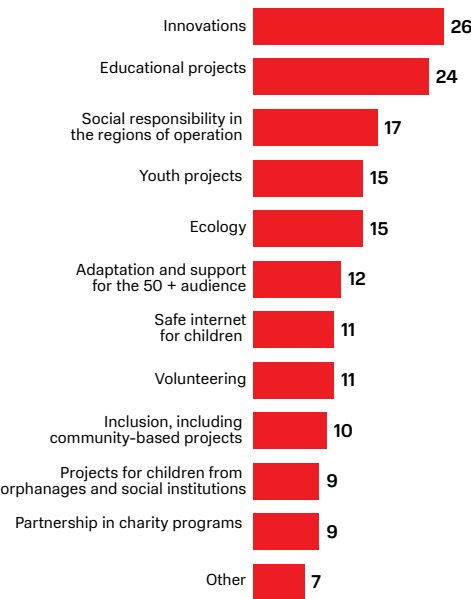
dedicated to the sustainable development and social responsibility of business to society.

The event brought together about 200 representatives of large supplier companies of equipment and services to MTS, NPOs, international experts, managers on CSR and sustainable development, and top managers on one site.

At the conference, the key directions and strategy of the company in the field of Corporate Social Responsibility were announced, issues related to world trends and Russian CSR practices and sustainable development were discussed, including in supply chains, the impact of ESG on company value and tools that allow the achievement of better results for business and stakeholders: employees and customers, suppliers and partners, shareholders and top management.

As a result of the conference, a survey of suppliers was conducted in order to obtain feedback on the event itself, understanding the topics discussed, and areas in which suppliers are ready for further cooperation with MTS PJSC. The survey involved 56 representatives of the Company's suppliers.

Areas in which suppliers are ready to cooperate with MTS



PROJECT FOR THE ASSESSMENT OF SUPPLIERS IN THE FIELD OF SOCIAL AS PART OF THE ACTIVITIES OF JAC ASSOCIATION

Since 2017, MTS has been a member of the international association of telecom operators JAC (Joint Audit Cooperation, <http://jac-initiative.com/>). The Association was established in 2010, and to date, its members include 17 world telecom operators, including Deutsche Telecom, Orange, Telecom Italia, Swisscom, Verizon, Vodafone, and others.

As a part of its membership in the JAC association, MTS, along with other participants, annually organizes audits of suppliers in the field of CSR in the interests of all members of the Association, attracting leading audit companies that have experience in conducting such audits.

Based on the results of each supplier audit, an audit report is generated and a corrective action plan is approved, the implementation of which is carefully monitored. Audit reports, corrective action plans, and information on their implementation progress are stored in a single database and are available to all JAC members. As a result of joining efforts, each JAC participant gets opportunities for more effective interaction with suppliers, which allows us to promptly identify weak links in production, eliminate shortcomings and, ultimately, achieve increased sustainability of their supply chains.

In 2019, MTS became a member of the Climate Change Workstream working group, created as part of the JAC association. The objectives of the working group are to develop and implement the standards of JAC aimed at reducing the negative impact on the climate change.

Participation in the working group allowed MTS to gain access to the best practices in the field of greenhouse gas emissions management. This made it possible to more efficiently continue the implementation of the initiatives already launched and to formulate new tasks in the field of greenhouse gas emissions management, including:

- › identification of the most significant sources of greenhouse gas emissions and their volume in the MTS supply chain;
- › setting goals to reduce greenhouse gas emissions in the MTS supply chain, measuring and monitoring the achievement of goals; and
- › setting requirements for suppliers to achieve emission reduction goals.

PROTECTION AND SECURITY OF INFORMATION

INFORMATION SECURITY

GLOBAL TRENDS OF THREATS IN THE SPHERE OF INFORMATION SECURITY

In 2019, the information security divisions of MTS PJSC successfully implemented a set of organizational and technical measures that made it possible to ensure that the management and information security systems comply with the legislative requirements of the Russian Federation, the requirements of international standards, the current level of cyber threats and to prevent financial, reputational and other damage to the MTS Group.

In 2019, the most interesting goals for cybercriminals included: information assets (arrays) with personal data and telemetry of consumers of communication services, financial transaction data, know-how in the field of big data processing methods and artificial intelligence, information of limited access.

According to experts in the Company, the vector of attacks of 2019 will continue in the near future and target corporate information systems for managing, processing and storing information. The main areas of growth for cyber-tension for the corporate sector:

- › The development of methods and forms of targeted attacks (Advanced Persistent Threat) based on artificial intelligence technologies and deep learning.
- › Social engineering and direct recruitment of company personnel.
- › Attacks on the corporate segment using user terminal equipment connected into managed intelligent botnets.

- › Insufficient security and vulnerability of cloud services and solutions for the implementation of the secure Internet of Things (IoT) of domestic production.
- › The presence of vulnerabilities in the program code of commercial and proprietary IT solutions.
- › The use of personal mobile equipment of employees who do not have sufficient means of protecting information to access restricted information.
- › Remote work of employees, increasing the risk of unauthorized access to corporate protected assets.

In the legislative sphere, we should expect a continuing trend in the extension of mandatory information protection measures to non-state information resources (personal data, professional and commercial secrets, public communications networks, critical information infrastructure facilities, etc.).

INFORMATION SECURITY RISKS

Risk	Description / Risk Factors
Risk of information security breach	Violation of the confidentiality, integrity or accessibility of information due to the inconsistency of the information-protection system with current information-security threats, failure by administrators and users of information systems or partners of MTS PJSC to fulfill the company's information security policy. As a result, possible damage arises due to leaks of information constituting a commercial secret, claims of individuals or partners due to violation of personal data security, communication secrets, commercial secrets of partners or other restricted information.
Information security regulatory risks	Sanctions of controlling bodies or negative conclusions of auditors (the General Prosecutor's Office, the Ministry of Communications, Roskomnadzor, FSTEC and FSB of Russia, controlling bodies of the countries where we operate, SOX, PCI DSS auditors, etc.) due to the failure to comply with the requirements of Russian, international or national legislation for information security protected by laws in the countries where we operate. Moreover, the laws establish different IS requirements for one-and-the-same object of regulation, which may differ. In this case, no priority of laws is established.
Information security contract risks	Refusal to conclude state or other contracts due to failure to comply with competitive conditions for information security (no FSTEC and FSB licenses, Russian or international certificates for IS processes and systems, IS infrastructure required for providing services, etc.)

INFORMATION SECURITY SYSTEM AT MTS

- › MTS' information protection system is a unified complex of interrelated organizational and technical actions, with centralized infrastructure and information-security management and support processes unified in MTS Group. The system has been built with consideration of the best global practices on the basis of international standards of the ISO 27000 and 15408 series.
- › The personal data protection system provides for the third level of PD protection in accordance with the legislation of the Russian Federation.
- › Protection of secrecy of communication in communication networks with information-protection mechanisms built into communication facilities meets the international communication standards and requirements of the industry regulator.
- › MTS PJSC is a licensee of FSTEC and FSS of Russia for operations of technical and cryptographic protection of confidential information and monitoring of IS events, and may provide the corresponding services.

2019 RESULTS AND ACHIEVEMENTS:

- › The British Standards Institution for the first time certified the corporate information security management system of MTS PJSC for compliance with the international standard ISO/IEC 27001: 2013 INFORMATION TECHNOLOGY – SECURITY TECHNIQUES – INFORMATION SECURITY MANAGEMENT SYSTEMS – REQUIREMENTS and issued Certificate No. IS 719403. It also expands the opportunities for the company to participate in competitions and tenders focused on international information security standards.
- › In 2019, the security forces prevented damage to the business (financial, reputation or otherwise) as a result of cyber attacks on the company.
- › Continuity of all business and technological processes is provided in accordance with the requirements of regulators, shareholders and management of MTS PJSC.
- › The number of clients of a commercial service for monitoring and responding to information security incidents has been increased.

- › In order to fulfill the requirements of the Federal Law of July 26, 2017, No. 187-FZ “On the Safety of Critical Information Infrastructure of the Russian Federation,” the following measures were taken in 2019:
 - a commission was created to categorize critical information infrastructure (CII) facilities of MTS PJSC;
 - categorization of MTS PJSC CII facilities was carried out in accordance with the methodology of RF Government Resolution No. 127;
 - a list of MTS PJSC CII facilities has been approved and sent to the FSTEC of Russia; and
 - a technical project has been developed to create a security system for MTS PJSC CII facilities.
- › Support was provided for the new management structure of the Company through the unification of the process of developing the information security requirements, the accounting of protection objects and their characteristics was organized.
- › In order to ensure the failure-proof operation of special complexes installed on the MTS PJSC network, actions are organized and held on a permanent basis to prevent and support the equipment and software.
- › As part of fulfilling the tasks of implementing the requirements of Federal Law No. 374-FZ, work is underway on the network of MTS PJSC to implement special complexes in accordance with the concept and deadlines for implementing the Law agreed upon with the Federal Security Service (FSB) of Russia.
- › Special equipment has been installed on communication networks, the presence of which provides the ability to provide new services and services: NB IoT, MTS Connect, WiFi Calling, VoLTE/ViLTE, WiFi for Business, Virtual PBX.
- › Work on the modernization of the special equipment supporting the activities of authorized state bodies was carried out on a scheduled basis, in accordance with the approved investment program, in strict accordance with the requirements of the regulatory legal acts. Scheduled events were held in full.

THE MAIN OBJECTIVES IN THE FIELD OF MANAGEMENT AND ENSURING INFORMATION SECURITY FOR 2020

- › Ensuring compliance of the Information Security Management System of MTS PJSC with the international standard ISO/IEC 27001:2013.
- › Improving measures and means of information protection simultaneously with the process of introducing new information technologies.
- › Monitoring compliance with the requirements for certification of equipment and software of information protection under the standards of FSTEC and organization of certification in accordance with the requirements of FSTEC and FSS of Russia for the latest information security tools while ensuring the protection of personal data.
- › Implementation of protection measures established by regulatory legal acts of the Ministry of Communications, FSTEC and the FSB of Russia, which provide a minimum sufficient level of information security.
- › Participation in the work of regulators, public organizations, and the Digital Economy NCP to improve information security legislation.
- › Creation of a security system for MTS PJSC CII facilities.

An important element in maintaining a high professional level of specialists in the field of information security of the Company is their training in special educational institutions, improving professional skills, expanding and deepening the quality of knowledge, which is achieved by participating in thematic events, including international ones, and targeted retraining in specialized courses. In 2019, retraining was conducted according to the standards of information security of higher professional education of 16 employees of the Company. Prepared by 3 leading auditors according to ISO 27001:2013..

ECONOMIC SECURITY

In 2019, the Economic Security and Anti-Corruption Units of MTS PJSC successfully implemented a set of measures that made it possible to protect the vital interests of MTS Group of Companies from internal and external economic threats.

In 2019, emphasis was placed on the implementation of the following areas of development:

- › assistance in increasing the efficiency of business processes and procedures in the interests of increasing business profitability while using the minimum necessary barriers to guarantee the prevention of damages and losses;
- › improvement of contractors' verification mechanisms;
- › development of a sustainable system for ensuring HR security of the Company;
- › increasing the return on the formed system of measures to minimize and recover overdue receivables; and
- › studying and applying the experience of the economic security departments of other key telecom operators for the Company's economic security.

In order to ensure the economic security of the Company for 2020, the following priority objectives are set:

- › improvement of the functionality of internal security;
- › organization and implementation of measures to prevent manifestations of corruption;
- › analysis and control of investment project preparation;
- › improvement of the verification of counterparties before concluding agreements and contracts;
- › checking candidates before employment;
- › taking part in the activities to collect, minimize and prevent overdue accounts receivable; and
- › verification of execution of contracts concluded as a result of procurement procedures;

In 2019, the efficiency of the work to protect the economic interests of the Company increased, which, in turn, had a positive impact on the performance of other structural divisions.

On an ongoing basis, support was provided for the processes of procurement and contractual activities, and implementation of investment projects. The employees of the security departments participated as experts at all stages of the procurement procedures, which allowed to gain a significant economic effect.

Information was collected about legal entities participating in the process of procurement

procedures for purchasing products, works and services. At the same time, financial and economic activities of potential contractors were analyzed, and a conclusion was drawn about their reliability. Upon receipt of information about problems with contractors (decision on liquidation, bankruptcy claim, lawsuits, etc.), information was transferred to the Procurement Management Unit. Problem contractors were entered into the “List of Problem Suppliers,” which blocked the possibility of concluding new contracts with them.

Work was done on studying candidates for jobs, rejecting those who do not meet the requirements, and is also a member of the List of Organizations and Individuals for which there is information about their involvement in extremist activities or terrorism.

Together with the structural divisions of the Revenue Management Department, employees of the economic security and anti-corruption divisions took part in the work to recover overdue receivables. Delays in performance of contractual obligations were monitored and analyzed on an ongoing basis. The location of the problem counterparties, and, if necessary, their liquid assets, was established.

Primary claims activities were carried out at the stage of the pre-trial negotiation process to recover problem receivables.

Taking into account the successful experience of engaging security units to recovery of the Company's funds, in 2019 a new business area began to develop – claiming VAT with the participation of Department personnel.

In 2019, the Department carried out significant work to organize the fight against fraudulent activities using SIM cards to gain access to remote banking services. An effective system of measures has been implemented to identify and combat the facts of unlawful replacement of SIM cards by MTS PJSC subscribers for the subsequent theft of funds from their bank accounts. Constant monitoring was organized using the Intellinx system, which can significantly reduce the risks of theft of funds from the bank accounts of MTS PJSC' subscribers.



Work was carried out to combat corruption – the prevention and prevention of corruption, the identification and suppression of corruption offenses related to causing both material and image damage to the Company.

Work of the anti-corruption security units was carried out in close cooperation with the Internal Control and Audit Unit (ICAB). Within the framework of the Unified Hotline of MTS Group, which is curated by BVKA, the Unified Hotline of the Corporate Security and Regime Unit (CSRU) operates. Company employees are informed about the existing opportunity to report of corruption offenses.

A special place was taken by the events held by the economic security and anti-corruption units, together with other functional units of the Company, related to the prevention of financial and reputational risks for the MTS Group.

To ensure maximum security from these threats, a well-coordinated and effective protection system has been built that allows you to:

- › forecasting of possible threats in the field of economy;
- › organization of activities to prevent possible threats;
- › identification, analysis and evaluation of the real emerged threats to economic security;
- › decision-making and organization of measures to respond to emerging threats; and
- › continuous improvement of the Company's economic security system.

Within the scope of development of the Unified Complex Security Center at the Company, the security system was developed, and improvements were made to the following business processes:

- › the process of checking candidates and current employees in the List terrorists/extremists has been automated;
- › changes were made to the Code of Business Conduct and Ethics;
- › interaction with state authorities, the project of an automated system for the execution of law enforcement agencies and court requests is being implemented;
- › safety of subscription service processes, observance of communication secrets;
- › a database has been created for storing and exchanging information between security divisions of the MTS Group; and
- › a project is being implemented to automate the system for studying and monitoring contractors in conjunction with the Big Data unit using state-of-the-art approaches and methods, including agile.

SAFETY OF PERSONNEL AND OBJECTS

The anti-terrorist protection and security of facilities was provided in accordance with the Strategy of MTS Group in the field of integrated security for 2019–2020, as well as the “Plan of measures for ensuring integrated security of MTS PJSC for 2019.”

Work on ensuring access control and on-site regimes in MTS PJSC was based on the Standard “Requirements for ensuring the safety of facilities, conducting comprehensive inspections on civil defense, emergency situations and fire safety at the facilities of MTS PJSC. Access control at the facilities of the Company was carried out by the employees of SAFETI LLC using engineering and technical security equipment: access control and management systems, CCTV, signaling, communications, and fencing systems.

In 2019, in order to study the possibility of using the face recognition function to access the facilities of MTS PJSC, a pilot project was implemented to recognize the faces of MTS PJSC employees in the Moscow Region.

Since June 2019, employees of the Moscow region have had the opportunity to use the smartphone as the pass using the Mobile Pass service.

In order to prevent the occurrence of vandalism and theft of inventory at the facilities of the radio subsystem and to maintain uninterrupted communication services, activities were continued to ensure the continuity of operation of the highest priority BS due to a significant increase in their equipping with security equipment.

In 2019, at the facilities of MTS PJSC, anti-terrorism trainings and exercises were regularly held with the participation of the Company's employees and employees. Security officers in all regions of MTS PJSC operation traveled around base stations in order to check anti-terrorist protection.

In accordance with the legislation of the Russian Federation and the recommendations of the Ministry of Emergency Situations of Russia, as well as in accordance with the approved Action Plans for civil defense, prevention and response to emergency situations and ensuring fire safety, the CC and branches of MTS PJSC took measures in the field of civil defense and Emergency.

Priority areas in the field of personnel and facility safety:

- › improving the efficiency of the security system and anti-terrorism protection of personnel and facilities of MTS PJSC;
- › ensuring the safety of managers and employees, as well as facilities and infrastructure elements of MTS PJSC;
- › implementation of measures to prevent theft of equipment and inventory from the facilities of MTS PJSC; and
- › maintaining readiness for action of MTS PJSC's system for emergency prevention and response under threats and emergency conditions.

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ADDITIONAL INFORMATION

MTSC

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HISTORY OF THE COMPANY

1993	MTS company was founded by the fixed-line communication operator MGTS, Deutsche Telekom, and Siemens companies and other investors.
1994	Launch of services in the Moscow licensed territory.
1997	Start of regional expansion in Russia.
2000	IPO on NYSE exceeded \$ 350 million to finance expansion in Russia and CIS countries.
2001	In August, the company’s subscriber base exceeded 2 million users.
2002	Expansion in CIS and launch of operations in Belarus.
2003	Acquisition of UMS, leading Ukrainian mobile operator.
2004	Purchase of Uzdunrobita company, No. 1 mobile operator in Uzbekistan.
2005	Acquisition of VSP, mobile operator No. 1 in Turkmenistan.
2006	Deep Company re-branding.
2007	Acquisition of VtVaCeLL, the leading Armenian mobile operator.
2008	Conclusion of a strategic partnership with Vodafone. Obtaining a license for construction of UMTS network in Russia.
2009	Start of development of MTS mono-brand retail chain (RTC CJSC).
2010	Purchase of a number of regional BBA and CTV operators, start of consolidation of MTS fixed assets. Suspension of operation in Turkmenistan. Launch of the first LTE network in the CIS in Uzbekistan.
2011	Signing of a memorandum with Scartel, participation in the Union of Telecommunications Operators LTE. Conclusion of Komstar-OTS acquisition by MTS.

2012	Obtaining frequencies and the federal license for provision of communication services of LTE standard in Russia, launch of home network in Moscow.
	Acquisition of Taskom CJSC. Resumption of activity in Turkmenistan, connection of about 1 million subscribers by the end of the year.
	Signing of indicative offer with MTS Bank and Sistema JSFC on acquisition of 25.095% of the authorized capital in MTS-Bank OJSC.
	Suspension of operations in Uzbekistan.
2013	Conclusion of an agreement between Altimo, MTS, Nomihold Security Inc. and other related parties on settlement of disputes as to investments in Bitel LLC, former largest mobile communication operator in Kyrgyzstan.
	Approval of new revision of MTS dividend policy.
2014	Presentation of new 3D strategy with the main focuses on Data, Differentiation and Dividends.
2015	Strategic partnership with Vodafone in Ukraine, MTS Ukraine re-branding.
2016	Entering the market of tower infrastructure lease: creation of new business for management and further monetization of assets.
2017	Entrance to promising markets: market of cloud services for large business, services for cloud processing of large data arrays, launch of own IoT-platform for deployment of Internet of Things at enterprises, etc.
2018	Development of the digital ecosystem for customers within implementation of MTS digital-strategy.
2019	Approval of a new business strategy until 2022, focused on creating a digital ecosystem based on the main telecommunications business, continuation of investment in promising growing areas.

REPORT ON FULFILMENT OF THE PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

\\ The Board of Directors of MTS PJSC hereby declares that the corporate governance principles of the Corporate Governance Code recommended by the Bank of Russia¹ (hereinafter referred to as the Code) are followed by the Company, with the exception of certain principles and recommendations of the Code specified in the Appendix to this Statement.

\\ This report on keeping the principles and recommendations of the Code by MTS PJSC was considered by the Board of Directors of MTS PJSC at the meeting on May 21, 2020, Minutes No. 297.

\\ The Board of Directors confirms that the data provided in this report contain full and valid information on compliance of the company with the principles and recommendations of the Corporate Governance Code for 2019, as well as for the period after the reporting date before the approval of the Annual Report of MTS PJSC by the Board of Directors of MTS PJSC.²

¹ Letter of the Bank of Russia dated April 10, 2014 No. 06-52/2463 "On the Corporate Governance Code".
² The reporting year is specified, and if the report on compliance with the principles and recommendations of the Corporate Governance Code comprises data for the period that elapsed from the moment of reporting year completion and to the date of making this report, the date of making this report is specified.

BRIEF DESCRIPTION OF MOST SUBSTANTIAL ASPECTS OF THE MODEL AND PRACTICE OF CORPORATE GOVERNANCE IN THE COMPANY

The system (model) of corporate governance of MTS PJSC was built on the basis of the norms of the existing legislation of the Russian Federation, provisions of the Charter of the Company and principles recommended for use by the Corporate Governance Code, with account of the listing requirements of the Moscow Exchange and NYSE, and also takes into account the G20 corporate governance principles adopted by the Organization for Economic Cooperation and Development. Description of most substantial aspects of the corporate governance model and practice is provided in the section "Corporate Governance" of the Annual Report of MTS PJSC.

DESCRIPTION OF THE METHODOLOGY, WHICH THE JOINT STOCK COMPANY USED TO ASSESS COMPLIANCE WITH PRINCIPLES OF CORPORATE GOVERNANCE RECORDED BY THE CORPORATE GOVERNANCE CODE

Assessment of compliance with corporate governance principles recorded in the Code is implemented by the method of analysis and comparison of internal standards and procedures with recommendations of the Code.

PLANNED (SUGGESTED) ACTIONS AND MEASURES OF THE JOINT STOCK COMPANY TO IMPROVE AND MODEL AND PRACTICE OF CORPORATE GOVERNANCE

In 2015 the President developed and approved the Roadmap for implementation of the Corporate Governance Code recommendations in MTS PJSC (hereinafter referred to as the Roadmap). Roadmap actions were carried out in 2015–2018, which increased the number of performed recommendations of the Corporate Governance Code. In particular, following the results of 2018 the company implemented some actions, having achieved compliance with the recommendations of the Code, related to remuneration of directors, access to information before the general meeting of shareholders, and recording of rules and procedures related to fulfillment of corporate actions.

In 2020 MTS will concentrate on tracking and analyzing new international practices and trends in the field of corporate governance, as well as introducing practices that will help to increase the level of corporate governance in the company.

Detailed data on compliance with the principles of the Code as of the date of approval of the Annual Report of MTS PJSC by the Board of Directors of MTS PJSC, as well as on actions for further implementation of the Code recommendations is provided below in the Annex to this Application.



Appendix to the Statement of the Board of Directors of MTS PJSC on compliance with the principles and recommendations of the Corporate Governance Code recommended for use by the Bank of Russia

Nº	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status ¹ of compliance with the corporate governance principle	Explanations ² of the deviation from criteria of assessment of compliance with the corporate governance principle
1.1	The company shall ensure equal and fair relations with all shareholders that exercise their right for participation in governance of the Company.			
1.1.1	The company creates the maximum favorable conditions for the shareholders to participate in the General Meeting, conditions to generate a justified position on the General Meeting agenda items, to coordinate their actions, as well as the opportunity to speak their opinion on the considered issues.	complied with 1. The internal document of the Company approved by the General Meeting of shareholders that regulates the procedures of holding a General Meeting is openly available. 2. The Company provides an accessible method of communication with the Company, such as a hotline, e-mail or forum in the internet, making it possible for shareholders to speak their opinion and send questions in respect to the agenda undergoing preparation for the General Meeting. The specified actions were undertaken by the Company before every General Meeting held during the reporting period.	<div>⊕ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div> <div>⊕ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
1.1.2	The procedure for communicating about the realization of a General Meeting and providing materials for the General Meeting enables the shareholders to properly prepare for their participation in it.	complied with 1. The message on holding a General Meeting of shareholders is placed (published) on the website on the internet at least 30 days before the date of the General Meeting. 2. The message on holding a General Meeting specifies the venue of the meeting and documents required to be admitted into the venue. 3. Shareholders were provided with access to information on those who proposed agenda items and candidates for the Board of Directors and Audit Commission of the Company.	<div>⊕ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div> <div>⊕ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div> <div>⊕ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	

Nº	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status ¹ of compliance with the corporate governance principle	Explanations ² of the deviation from criteria of assessment of compliance with the corporate governance principle
1.1.3	In process of preparation and holding of a General Meeting, the shareholders could freely and promptly receive information on the meeting and materials to it, ask questions to the executive authorities and members of the Board of Directors of the company, communicate with each other.	complied with 1. In the reporting period shareholders were given a chance to ask questions to the members of the executive authorities and members of the Board of Directors of the Company before and during the annual General Meeting. 2. The position of the Board of Directors (including special opinions included into the minutes), on each issue of the agenda of the General Meetings held in the reporting period was included into the materials for the General Meeting of shareholders. 3. The Company provided access to entitled shareholders to the list of persons authorized to participate in the General Meeting, starting from the date of its receipt by the company, in all cases of holding General Meetings in the reporting period.	<div>⊕ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div> <div>⊕ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div> <div>⊕ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
1.1.4	Implementation of the shareholder's right to request the calling of a General Meeting, to propose candidates for the management bodies and to make proposals for inclusion into the agenda of the General Meeting was not accompanied by unwarranted difficulties.	complied with 1. In the reporting period the shareholders were able within at least 60 days upon completion of the appropriate calendar year to make proposals for inclusion into the agenda of the annual General Meeting. 2. In the reporting period the Company did not reject the inclusion of proposals for the agenda or candidates to the company bodies due to misprints and other minor defects in the shareholder's proposal.	<div>⊕ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div> <div>⊕ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
1.1.5	Each shareholder was able to freely implement their voting right in the way that was most simple and convenient for them.	complied with 1. The internal document (internal policy) of the Company contains provisions, in accordance with which each participant of the General Meeting may before the end of the appropriate meeting request the copy of the filled bulletin certified by the counting board.	<div>⊕ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	

¹ The status "complied with" is only specified if the company meets all criteria of assessment of compliance with the corporate governance principle. Otherwise, the status "partially complied with" or "not complied with" is indicated.
² Provided for each criterion of assessment of compliance with the principle of corporate governance, if the company complies only with some criteria or does not comply with any criterion of assessment of compliance with the principle. If the company specified the status "complied with," no explanations are required.

№	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status ¹ of compliance with the corporate governance principle	Explanations ² of the deviation from criteria of assessment of compliance with the corporate governance principle
1.1.6	The procedure for holding a General Meeting established by the Company provides equal opportunity to all persons present at the meeting to speak their opinion and ask their questions of interest.	complied with 1. During General Meetings of shareholders in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time was provided for reports on agenda items, as well as time for discussion of these questions. 2. Candidates to the Company management and control bodies were available to answer questions from shareholders at the meeting, where their candidatures were put to a vote 3. The Board of Directors, when making decisions related to the preparation and holding of General Meetings of shareholders, considered the question of using telecommunications facilities for the provision of remote access to shareholders for participation in the General Meetings in the reporting period.	<div>⊙ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div> <div>⊙ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div> <div>⊙ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
1.2 Shareholders were provided equal and fair opportunity to participate in the profit of the Company by receiving dividends				
1.2.1	The company developed and introduced a transparent and clear mechanism for determination of the dividend amount and their payment	complied with 1. The dividend policy in the Company was developed, approved by the Board of Directors and disclosed. 2. If the dividend policy of the Company uses the Company reporting indicators for determination of the dividend amount, then the appropriate provisions of the dividend policy shall take into account the consolidated indicators of the financial statements.	<div>⊙ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div> <div>⊙ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	

№	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status ¹ of compliance with the corporate governance principle	Explanations ² of the deviation from criteria of assessment of compliance with the corporate governance principle
1.2.2	The Company does not make a decision on the payment of dividends if such decision, formally not breaking the limitations established by the law, is economically unjustified and may result in the formation of false representations about the Company's business.	complied with 1. The dividend policy of the Company includes clear references to the financial/ economic circumstances, when the Company should not pay dividends.	<div>○ complied with</div> <div>⊙ partially complied with</div> <div>○ not complied with</div>	1. The Company's dividend policy ¹ does not contain clear indications of financial / economic circumstances under which the Company should not pay dividends, but includes a provision stating that the Company has no right to declare or pay declared dividends in cases stipulated by the legislation of the Russian Federation. The Company has been consistently paying dividends for the entire duration of its public history (MTC had IPO in the New York Stock Exchange in 2000), ensuring dividend income to shareholders at the level of global and regional telecom operators. Stable dividends are an important element of the Company's investment appeal. In 2014, MTS introduced its 3D strategy, according to which the payment of dividends is one of its key elements. We do not rule out paying dividends out of retained profit from previous years, and therefore do not consider it possible to set, for example, a ban on the decision to pay dividends in the event that the net profit for the reporting year is below the amount recommended for payment of dividends for the fiscal year. In accordance with the Dividend Policy, the Board of Directors of the Company takes into account the financial results of the Company's operations when determining the recommended amount of dividends. When determining the amount of dividends, the Board of Directors takes into account a number of additional factors, including prospects for revenue growth, capital expenditure requirements, funds received from general business, potential acquisition opportunities, and the state of the Company's debt obligations. The Company does not make a decision on payment of dividends, if such decision is economically unjustified and may result in the formation of false representations about the Company's business. The existing practices for dividend payment and the considerable attention paid to this issue by the Board of Directors provide a balanced approach and mitigate risks associated with not fully implementing the recommendation. At one of the meetings of the Corporate Governance Committee under the Board of Directors in 2018, the issue of partial compliance with this recommendation of the Code was considered. It was noted that MTS PJSC does not comply with the recommendations on formal grounds only. With this being said, in our opinion, the Company complies with the Code's basic principle. At the next revision of the Dividend Policy, MTS PJSC plans to return to consideration of the possibility of a separate reference in the Dividend Policy to the fact that when determining the amount of dividend payments, the Board of Directors takes into account the indicators of the consolidated financial statements.

¹ http://static.mts.ru/uploadmsk/contents/1656/Statute_on_MTS_Dividends_Policy_2016_rus_.pdf



№	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status ¹ of compliance with the corporate governance principle	Explanations ² of the deviation from criteria of assessment of compliance with the corporate governance principle
1.2.3	The Company does not allow a deterioration of the dividend rights of the existing shareholders.	complied with 1. In the reporting period, the Company did not commit any actions resulting in deterioration of the dividend rights of existing shareholders.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	
1.2.4	The Company strives to exclude the use of other methods of gaining profit (income) by the shareholders at the expense of the Company, apart from dividends and liquidation value.	complied with 1. In order to exclude other methods of gaining profit (income) by the shareholders at the expense of the Company, apart from dividends and liquidation value, the internal documents of the Company establish controls, which provide for timely detection and procedure of approval of transactions with persons affiliated (related) with major shareholders (persons entitled to dispose of voting rights of voting shares), in those cases, when the law formally does not recognize such transactions as transactions of interest.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	
1.3	The system and practice of corporate governance ensure equal conditions for all shareholders – owners of shares of one category (type), including minority (small) shareholders and foreign shareholders, and equal treatment of them by the Company			
1.3.1	The Company created conditions for the fair treatment of each shareholder by the management bodies and controlling persons of the Company, including conditions preventing abuse by majority shareholders of minority shareholders.	complied with 1. Within the reporting period the procedures of management of potential conflicts of interest in major shareholders are effective, and the Board of Directors paid proper attention to conflicts between shareholders, if these occurred	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	
1.3.2	The Company does not undertake actions that result or may result in the artificial redistribution of corporate control.	complied with 1. Quasi-treasury shares are absent or did not participate in voting during the reporting period.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	
1.4	Shareholders are provided with reliable and effective ways of register rights for shares, as well as the opportunity of free and unhindered alienation of shares they own			
1.4	Shareholders are provided with reliable and effective ways of register rights for shares, as well as the opportunity of free and unhindered alienation of shares they own	complied with 1. The quality and reliability of activities executed by the Company registrar to keep the register of securities' owners comply with the needs of the Company and its shareholders.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	

№	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status ¹ of compliance with the corporate governance principle	Explanations ² of the deviation from criteria of assessment of compliance with the corporate governance principle
2.1	The Board of Directors carries out strategic management of the Company, determines the main principles and approaches to the organization of the risk management system and internal control in the company, monitors activity of the executive bodies of the Company, and implements other key functions			
2.1.1	The Board of Directors is responsible for making decisions related to appointments to and dismissals from the executive bodies, including due to improper performance of one's job duties. The Board of Directors also checks that the executive bodies of the Company act in accordance with the approved strategy of development and main directions of the Company's business.	complied with 1. The Board of Directors has powers registered in the charter for the appointment, dismissal and determination of the agreement terms in respect to the members of the executive bodies. 2. The Board of Directors considered the report (reports) of the sole executive body and members of the collective executive body on achievement of the Company strategy.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with <input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	
2.1.2	The Board of Directors establishes the main reference points for the Company's business in the long term, assesses and approves the key indicators of business and main business objectives of the Company, and assesses and approves the strategy and business plans on the main types of the Company's business.	complied with 1. During the reporting period at the meetings of the Board of Directors, the issues were considered, which were related to the progress of achievement and update of the strategy, approval of the financial and business plan (budget) of the Company, as well as consideration of criteria and indicators (including interim ones) for achievement of the strategy and business plans of the Company.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	
2.1.3	The Board of Directors defines principles and approaches for the organization of the risk management and internal control system in the Company.	complied with 1. The Board of Directors defined principles and approaches to organization of the risk management and internal control system in the Company. 2. The Board of Directors assessed the risk management and internal control system in the Company during the reporting period.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with <input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	



№	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status ¹ of compliance with the corporate governance principle	Explanations ² of the deviation from criteria of assessment of compliance with the corporate governance principle
2.1.4	The Board of Directors defines the Company policy on remuneration and (or) recovery of costs (compensations) to members of the Board of Directors, executive bodies and other key management employees of the Company	complied with 1. The Company developed and introduced the policy (policies) approved by the Board of Directors for remuneration and recovery of costs (compensations) of the members of the Board of Directors, executive bodies of the company and other key management employees of the Company. 2. During the reporting period, at the meetings of the Board of Directors, issues related to the specified policy (policies) were considered.	<div><div>⊕</div> complied with</div> <div><div>○</div> partially complied with</div> <div><div>○</div> not complied with</div>	
2.1.5	The Board of Directors plays a key role in prevention, detection and settlement of internal conflicts between the Company authorities, shareholders of the Company and employees of the company.	complied with 1. The Board of Directors plays a key role in the prevention, detection and settlement of internal conflicts. 2. The company created a system of identification of transactions related to a conflict of interest, and a system of actions aimed at the resolution of such conflicts	<div><div>⊕</div> complied with</div> <div><div>○</div> partially complied with</div> <div><div>○</div> not complied with</div> <div><div>⊕</div> complied with</div> <div><div>○</div> partially complied with</div> <div><div>○</div> not complied with</div>	
2.1.6	The Board of Directors plays a key role in ensuring the transparency of the Company, timeliness and completeness of information disclosure by the company, unhindered access of shareholders to the Company documents.	complied with 1. The Board of Directors approved the Regulation on Information Policy. 2. There are individuals in the Company who are designated as being responsible for the implementation of the information policy.	<div><div>⊕</div> complied with</div> <div><div>○</div> partially complied with</div> <div><div>○</div> not complied with</div> <div><div>⊕</div> complied with</div> <div><div>○</div> partially complied with</div> <div><div>○</div> not complied with</div>	
2.1.7	The Board of Directors monitors the practice of corporate governance in the Company and plays a key role in the substantial corporate events of the Company	complied with 1. During the reporting period, the Board of Directors considered the issue on the practice of corporate governance in the Company.	<div><div>⊕</div> complied with</div> <div><div>○</div> partially complied with</div> <div><div>○</div> not complied with</div>	

№	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
2.2.	The Board of Directors reports to all shareholders of the Company			
2.2.1	Information on the operation of the Board of Directors is disclosed and provided to shareholders.	complied with 1. The annual report of the Company for the reporting period includes information on attendance of the meetings of the Board of Directors and committees by individual directors. 2. The annual report contains information on the main results of assessment of the activities of the Board of Directors carried out in the reporting period.	<div><div>⊕</div> complied with</div> <div><div>○</div> partially complied with</div> <div><div>○</div> not complied with</div> <div><div>⊕</div> complied with</div> <div><div>○</div> partially complied with</div> <div><div>○</div> not complied with</div>	
2.2.2	The Chairman of the Board of Directors is available for communication with the Company shareholders.	complied with 1. There is a transparent procedure in the Company, which provided for the shareholders an opportunity to send questions and their position on them to the Chairman of the Board of Directors.	<div><div>⊕</div> complied with</div> <div><div>○</div> partially complied with</div> <div><div>○</div> not complied with</div>	
2.3.	The Board of Directors is an effective and professional management body of the Company, capable of producing objective independent opinions and making decisions to protect the interests of the company and its shareholders			
2.3.1	Only persons with a perfect business and personal reputation and the knowledge, skills and experience required for making decisions related to the competences of the Board of Directors, and required for effective realization of its functions, are elected by the members of the Board of Directors.	complied with 1. The procedure accepted in the company for the assessment of the efficiency of the operation of the Board of Directors also includes assessment of professional qualification of the members of the Board of Directors. 2. In the reporting period the Board of Directors (or its Nomination Committee) performed an assessment of the candidates for the Board of Directors to check for the necessary experience, knowledge, business reputation, absence of conflict of interest, etc.	<div><div>⊕</div> complied with</div> <div><div>○</div> partially complied with</div> <div><div>○</div> not complied with</div> <div><div>⊕</div> complied with</div> <div><div>○</div> partially complied with</div> <div><div>○</div> not complied with</div>	



№	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
2.3.2	The members of the Board of Directors of the company are elected through a transparent procedure, making it possible for shareholders to receive information about candidates, sufficient for the generation of representation on their personal and professional qualities.	complied with 1. In all cases of holding a General Meeting of shareholders in the reporting period, the agenda of which included issues on election of the board of directors, the company provided the shareholders with the biographic data of all candidates to the members of the Board of Directors, the results of assessment of such candidates performed by the Board of Directors (or its nomination committee), and also information on the compliance by the candidate with the independence criteria, in accordance with the recommendations 102–107 of the Code and written consent of candidates to be elected into the Board of Directors.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	
2.3.3	The composition of the Board of Directors is balanced, also by qualification of its members, their experience, knowledge and business qualities, and enjoys confidence of shareholders.	complied with 1. Within the procedure for assessing the work of the Board of Directors performed in the reporting period, the Board of Directors analyzed its needs in the field of professional qualification, experience and business skills.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	
2.3.4	The quantitative composition of the Board of Directors of the company makes it possible to organize the activities of the Board of Directors in the most efficient manner, including the possibility to form the committees of the Board of Directors, and also provides for the substantial minority shareholders of the company the possibility of election of the candidate they vote for into the Board of Directors.	complied with 1. Within the procedure of assessment of the Board of Directors performed in the reporting period, the Board of Directors considered the issue of compliance of the quantitative composition of the Board of Directors with the needs of the company and interests of shareholders	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	

№	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
2.4	The Board of Directors includes a sufficient number of independent directors			
2.4.1	An independent director is a person with sufficient professionalism, experience and independence for the formation of their own position, capable of producing objective and fair opinions independent on the influence of the executive bodies of the Company, separate groups of shareholders or other stakeholders. At the same time it should be taken into account that under regular conditions a candidate (elected member of the Board of Director) may not be recognized as independent, if they are related to the Company, its major shareholder	complied with 1. Within the reporting period all independent members of the Board of Directors met all the criteria of independence specified in the recommendations 102–107 of the Code, or were recognized as independent by the decision of the Board of Directors.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	
2.4.2	Assessment of compliance of the candidates to the members of the Board of Directors with the independence criteria is performed, and regular analysis is carried out for compliance of independent members of the Board of Directors with the independence criteria. During performance of such assessment the content shall prevail over the form.	complied with 1. In the reporting period the Board of Directors (or the nomination committee of the Board of Directors) produced the opinion on independence of each candidate to the Board of Directors and provided the appropriate report to the shareholders. 2. During the reporting period, the Board of Directors (or the nomination committee of the Board of Directors) at least once considered independence of the existing members of the Board of Directors, which are specified by the Company in the annual report as the independent directors. 3. The Company developed procedures that determine the necessary actions of the member of the Board of Directors, if they stop being independent, including obligations on timely notification of the Board of Directors, accordingly.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div> <div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	



№	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
2.4.3	Independent directors make up at least one third of the elected composition of the Board of Directors.	complied with 1. Independent directors make up at least one third of the composition of the Board of Directors.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	
2.4.4	Independent directors play a key role in prevention of internal conflicts in the Company and making substantial corporate actions by the Company.	complied with 1. Independent directors (with no conflict of interests) preliminarily assess the substantial corporate actions related to a potential conflict of interest, and results of this assessment are provided to the Board of Directors.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	
2.5 The Chairman of the Board of Directors supports the most efficient implementation of the functions laid upon the Board of Directors				
2.5.1	The Chairman of the Board of Directors is an independent director, or a senior independent director is decided from the elected independent directors, who coordinates the work of the independent directors and cooperates with the Chairman of the Board of Directors.	partially complied with 1. The Chairman of the Board of Directors is an independent director, or a senior independent director is defined among independent directors ¹ 2. The role, rights and obligations of the Chairman of the Board of Directors (and, if applicable, the senior independent director) are properly defined in the internal documents of the Company.	<input type="radio"/> complied with <input checked="" type="radio"/> partially complied with <input type="radio"/> not complied with <input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	1. The Chairman of the Board of Directors is not an independent director, a senior independent director is not defined. Today we do not see the real scope of duties of the Senior Independent Director, however, we do not rule out that in the future in case of any changes to the Board of Directors (quantity, composition), such an appointment may be necessary. When implementing the recommendations of the Code, we follow the position that each recommendation of the Code must be evaluated for its usefulness and applicability to the system of corporate governance of a specific company. In particular, 4 of 9 company directors are independent. There is good communication in the company, including between independent directors (in virtue of long-term period of entrance to the MTS Board of Directors), and furthermore, there is a democratic and open culture of interaction, including with the company management and key shareholders. Thus, MTS has no objective need for additional coordination of the independent directors by the Senior Independent Director.
2.5.2	The Chairman of the Board of Directors ensures a constructive atmosphere for holding meetings, free discussion of the issues included in the meeting agenda, and control over performance of decisions made by the Board of Directors.	complied with 1. The efficiency of the work of the Chairman of the Board of Directors is assessed within the procedure of assessment of Board of Directors efficiency in the reporting period.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	
2.5.3	The Chairman of the Board of Directors takes the necessary actions for timely provision of the information necessary to make decisions on the issues of the agenda to the members of the Board of Directors.	complied with 1. The obligation of the Chairman of the Board of Directors to take actions to provide for timely provision of materials to the members of the Board of Directors on the agenda issues of the meeting of the Board of Directors is recorded in the internal documents of the Company.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	

№	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
2.6 Members of the Board of Directors act fairly and reasonably for the interests of the Company and its shareholders on the basis of sufficient awareness, with a sufficient degree of care and diligence.				
2.6.1	Members of the Board of Directors make decisions with account of all available information, in absence of conflict of interests, with account of equal attitude to shareholders of the Company, within regular entrepreneur risk.	complied with 1. Internal documents of the Company establish that the member of the Board of Directors must notify the Board of Directors, if they have a conflict of interest in respect to any issue of the agenda of the meeting of the Board of Directors or the committee of the Board of Directors, before discussion of the appropriate item of the agenda. 2. Internal documents of the Company provide that the member of the Board of Directors shall abstain from voting on any issue, where they have a conflict of interest. 3. In the Company there is a procedure, which makes it possible for the Board of Directors to receive professional consultations on issues related to its competences, at the expense of the Company.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with <input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	
2.6.2	Rights and obligations of the members of the Board of Directors are clearly formulated and recorded in the internal documents of the Company.	complied with 1. In the Company there is an internal document accepted and published, which defines the rights and obligations of the members of the Board of Directors.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	
2.6.3	Members of the Board of Directors have sufficient time to perform their obligations.	complied with 1. Individual attendance of the meetings of the Board and the committees, as well as time allocated for preparation to participate in the meetings was taken into account within the procedure to assess the Board of Directors, in the reporting period 2. In accordance with the internal documents of the company, the members of the Board of Directors must notify the Board of Directors about their intent to enter the management bodies of other organizations (apart from subsidiaries and affiliates of the Company), as well as on the fact of such appointment.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with <input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	

¹ Specify which of two alternative approaches permitted by the principle is introduced in the company, and explain the reasons for the chosen approach



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2.6.4	All members of the Board of Directors to the same extent are able to access documents and information of the Company. Newly elected members of the Board of Directors within the shortest time possible are provided with sufficient information about the Company and work of the Board of Directors.	complied with 1. In accordance with the internal documents of the Company, the members of the Board of Directors are entitled to access the documents and make queries related to the Company and its subsidiaries, and executive bodies of the Company shall provide the appropriate information and documents. 2. In the Company there is a formalized program of introductory events for newly elected members of the Board of Directors.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	
2.7	Meetings of the Board of Directors, preparation for them and participation by members of the Board of Directors in them ensure the effective operation of the Board of Directors.			
2.7.1	Meetings of the Board of Directors are held when required, with account of the scale of activities and objectives of the Company at a certain period of time.	complied with 1. The Board of Directors held at least six meetings in the reporting period.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	
2.7.2	The internal documents of the Company record the procedure of preparation and holding of the meetings of the Board of Directors, providing the opportunity for the members of the Board of Directors to properly prepare for its holding.	complied with 1. In the Company there is an internal document, which defines the procedure of preparation and holding of the meetings of the Board of Directors, where it is also established that notice on holding a meeting should be made as a rule at least 5 days before the date of the meeting.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	
2.7.3	The form of holding a meeting of the Board of Directors is determined with consideration for the importance of the agenda items. Most important issues are resolved at the meetings held with physical presence.	complied with 1. The Charter or the internal document of the Company provides that the most important issues (according to the list provided in the Recommendation 168 of the Code) shall be considered at in-person meetings of the Board.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	

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2.7.4	Decisions on the most important issues of the Company's business shall be made at the meeting of the Board of Directors by the qualified majority or majority of votes of all elected members of the Board of Directors.	partially complied with 1. The charter of the Company provides that the decisions on the most important issues specified in the recommendations 170 of the Code shall be made at the meeting of the Board of Directors by qualified majority, with at least three quarters of votes, or by the majority of votes of all elected members of the Board of Directors.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	1. The charter of the Company does not provide that the decisions on the issues specified in the Recommendation 170 of the Code shall be made at the meeting of the Board of Directors by qualified majority, with at least three quarters of votes, or by the majority of votes of all elected members of the Board of Directors. In accordance with the Charter, decisions on most issues related to the competences of the Board of Directors, are taken by simple majority (more than a half) of votes of the members of the Board of Directors attending the meeting). A small number of issues requires a unanimous decision by all members of the Board of Directors, except for retired members of the Board of Director. In practice the specified recommendation of the Code is complied with: in recent years more than 90% of the Board of Directors' meetings took place with 100% participation of the members of the Board of Directors. Therefore, in most cases the simple majority of votes of the Board of Directors members attending the meeting is comparable to majority of votes of all elected members of the Board of Directors. After approval of the Code, the issue on implementation of the recommendation was considered by the members of the Corporate Governance Committee at the Board of Directors with involvement of other members of the Board of Directors and the management. The Committee came to the conclusion on unreasonableness of introducing stricter procedures for decision making by the Board of Directors, including in connection with the fact that their implementation may negatively impact the urgency of decision making. Risks related to incomplete compliance with the recommendation are levelled out by traditionally high attendance of the Board of Directors' meetings by its members, and also decision making procedures adopted in the Company: decisions made by the Board of Directors are built on the consensus of all members of the Board of Directors, and key decisions are first elaborated by independent members of the Board of Directors within the framework of the committees' work. In connection with the above, the Company does not plan to achieve full compliance with this recommendation of the Code in this part. Additionally, the Company will continue monitoring compliance with such recommendation of the Code by the Russian issuers and evaluate the opportunity of its introduction in MTS PJSC (depending in changes happening in the field of the Russian corporate governance).

No	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
2.8.3	For preliminary consideration of the issues related to HR planning (succession planning), professional composition and efficiency of work of the Board of Directors, the Nomination Committee (for appointments, HR) is established, majority of the members of which are independent directors.	<p>partially complied with</p> <p>1. The Board of Directors established the Nomination Committee (or its objectives specified in the Recommendation 186 of the Code, are implemented within a different committee¹, the majority of the members of which are independent directors.</p> <p>2. Internal documents of the Company define the objectives of the Nomination Committee (or the appropriate committee with the combined functionality), including the objectives contained in the Recommendation 186 of the Code.</p>	<p>⊕ complied with ○ partially complied with ○ not complied with</p> <p>⊕ complied with ⊕ partially complied with ○ not complied with</p>	<p>1. The objectives specified in Recommendation 186 of the Code are imposed upon the Appointments and Remuneration Committee.</p> <p>2. Activities of the Appointments and Remuneration Committee are performed on the basis of the Committee Regulations. In accordance with the Regulations, the committee's functions include, inter alia, all objectives listed in Recommendation 186 of the Code, excluding Sub-Clause 8.</p> <p>The objective to describe individual duties of directors and Chairman of the Board of Directors was not included into the list of functions of the Appointments and Remuneration Committee for two main reasons:</p> <ul style="list-style-type: none"> ➤ main duties of the members of the Board of Directors (including the Chairman of the Board of Directors) are clearly defined in the Regulations on the Board of Directors; ➤ the composition of the Board of Directors is stable enough. Therefore, the circle of individual duties of each director has already been formed, and the Company believes that additional description of duties of the directors by the Appointments and Remuneration Committee will be of exclusively formal nature and would not be a catalyst for increased efficiency of the Board of Directors' work. <p>Risks related to partial compliance with such recommendation, are levelled out by introduction of an Induction in the Company for newly elected members of the Board of Directors, which also contain description of duties of directors and Chairman of the Board of Directors.</p> <p>In connection with the above, the Corporate Governance Committee made a decision on unreasonableness of including the objective specified in Sub-Clause 8 of Recommendation 186 of the Code into the functions of the Appointments and Remuneration Committee. The Company does not plan to apply this objective to functions of the Appointments and Remuneration Committee. In connection with the above, the Company does not plan to achieve full compliance with this recommendation of the Code in this part.</p>



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2.8.4	With account of the scale of activity and level of risk, the Board of Directors of the Company verified that the composition of its committees fully complies with the objectives of the Company's business. Additional committees were either formed or were not recognized necessary (Strategy Committee, Corporate Governance Committee, Ethics Committee, Risk Management Committee, Budget Committee, Health, Safety and Environment Committee, etc.).	complied with 1. In the reporting period the Board of Directors of the company considered the issue of compliance of the composition of its committees with the objectives of the Board of Directors and objectives of the Company's business. Additional committees were either formed or were not recognized necessary.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	1. As of 01.01.2019, the following committees were formed under the Board of Directors: — Audit Committee, — Remuneration and Nomination Committee, — Strategy Committee, — Budget Committee, and — Corporate Governance Committee At the meeting of June 27, 2019, the Board of Directors considered the issue of compliance of the composition of its committees with the objectives of the Board of Directors and objectives of the Company's business. Established committees continued their operations. The need to establish additional committees was not identified.
2.8.5	The composition of the committees was determined so that it made it possible to perform comprehensive discussion of previously considered issues with account of different opinions.	complied with 1. Committees of the Board of Directors are headed by independent directors. 2. Internal documents (policies) of the company provide for the provisions, in accordance with which the persons not included into the composition of the Audit Committee, Nomination Committee and Remuneration Committee may visit the meetings of the committees only with the invitation of the chairman of the appropriate committee.	<input type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with <input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	
2.8.6	Chairmen of the committees regularly inform the Board of Directors and its chairman on the work of its committees.	complied with 1. During the reporting period the chairmen of the committees regularly report to the Board of Directors about the work of the committees.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	

№	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
2.9	The Board of Directors provides for performance of assessment of the quality of Board of Directors' work, its committees and members of the Board of Directors			
2.9.1	Performance of assessment of quality of Board of Directors' work is aimed at definition of degree of efficiency of Board of Directors', committees' and members of the Board of Directors work, compliance of their work with the needs of the company development, activation of work of the Board of Directors and detection of areas, where their activity may be improved.	complied with 1. Self-assessment or external assessment of work of the Board of Directors performed in the reporting period included assessment of the work of committees, separate members of the Board of Directors and the Board of Directors in general. 2. Results of self-assessment or external assessment of the Board of Directors performed during the reporting period were considered at the in-person meeting of the Board of Directors.	<input type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with <input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	
2.9.2	Assessment of work of the Board of Directors, Committees and members of the Board of Directors is realized on a regular basis at least once per year. For independent assessment of quality of work of the Board of Directors, at least once in three years an external organization (consultant) is employed	partially complied with 1. To perform independent assessment of quality of work of the Board of Directors within the last three reporting periods, at least once the Company employed an external organization (consultant).	<input type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	1. Within three last reporting periods, the external consultant to independently assess the Board of Directors' performance was not involved. However, in 2017, with the methodological support of the external consultant, the Company performed self-assessment of the Board of Directors' performance. Within self-assessment, the certain external assessment tools were used. In particular, all members of the Board of Directors and some management willingly took part in individual interviews held by the independent consultant on the basis of the results of questionnaires. Furthermore, the independent consultant analyzed the internal documents of the Company. Therefore, the self-assessment procedure was brought as close as possible to the format of external assessment of the Board of Directors. Following the assessment procedure results, the Company obtained an independent opinion with recommendations, which were included into the Board of Directors work plan for 2018–2019. In 2018–2019, based on the results of the execution of the approved plan based on the results of the assessment conducted in 2017, the Company considered the possibility of conducting an external assessment of the Board of Directors, and taking into account that the assessment of the Board of Directors in 2017 practically corresponded to the external assessment procedure, as well as a large number requiring the implementation of measures based on the results of the assessment and the inclusion of new members in the Board of Directors, it was deemed inappropriate to conduct it in 2018. In 2019, the MTS Board of Directors decided to conduct an independent external assessment with an external organization. At the time of preparation of the report, the Company is in the process of conducting an independent assessment.

No	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
4.1.2	The Company remuneration policy is developed by the Remuneration Committee and approved by the Board of Directors of the Company. The Board of Directors, with the support of the Remuneration Committee provides for monitoring of implementation and execution of the remuneration policy in the Company, and if necessary – revises and corrects it.	complied with 1. During the reporting period the Remuneration Committee considered the remuneration policy (policies) and practice of its (their) introduction, and if required, the necessary recommendations to the Board of Directors.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	
4.1.3	The remuneration policy of the Company comprises transparent mechanisms for determination of the remuneration amount of the members of the Board of Directors, executive bodies and other key management employees of the Company, and also regulates all types of payments, benefits and privileges provided to the specified persons.	complied with 1. The remuneration policy (policies) of the Company comprises (comprise) transparent mechanisms for determination of the remuneration amount of the members of the Board of Directors, executive bodies and other key management employees of the Company, and also regulates (regulate) all types of payments, benefits and privileges provided to the specified persons.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	
4.1.4	The Company determines the policy for recovery of expenses (compensations) that details the list of expenses subject to recovery, and the level of service that the members of the Board of Directors, executive bodies and other key management employees of the Company may claim for. Such a policy may be a component of the Company's remuneration policy.	complied with 1. The remuneration policy (policies) or other internal documents of the Company establish the rules for recovery of the expenses of the members of the Board of Directors, executive bodies and other key management employees of the Company.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	

Nº	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
4.3	The system of remuneration of the members of executive bodies and other key management employees of the Company provides for the dependence of remuneration on the result of operation of the Company and their personal contribution to achievement of this result.			
4.3.1	Remuneration of the members of the executive bodies and other key management employees of the company is determined so that reasonable and justified ratio is provided between the fixed part of remuneration and the variable part of remuneration depending on the results of Company operation and personal (individual) contribution of the employee to the final result.	<p>complied with</p> <p>1. During the reporting period, the annual indicators of efficiency approved by the Board of Directors were used to determine amount of variable remuneration of the members of the executive bodies and other key management employees of the Company.</p> <p>2. During the last completed assessment of the remuneration system of the executive bodies and other key management employees of the Company, the Board of Directors (Remuneration Committee) verified that the Company uses effective ratio of the fixed part of remuneration and variable part of remuneration.</p> <p>3. The company provides for the procedure providing for return of bonus payments to the Company, which were illegally received by the members of executive bodies and other key management employees of the Company.</p>	<p>⊗ complied with ○ partially complied with ○ not complied with</p> <p>⊗ complied with ○ partially complied with ○ not complied with</p> <p>⊗ complied with ○ partially complied with ○ not complied with</p>	
4.3.2	The Company introduced a program of long-term motivation of the members of the executive bodies and other key management employees of the company using shares in the Company (options or other derivative financial instruments, the basic asset for which is the shares in the Company).	<p>complied with</p> <p>1. The Company introduced a program of long-term motivation of the members of the executive bodies and other key management employees of the Company using shares in the Company (financial instruments based on the Company shares).</p> <p>2. The program of long-term motivation of the members of executive bodies and other key management employees of the company provides for the fact that the right to sell shares and other financial instruments used in this program arises not earlier than in three years from the moment of their provision. At the same time, the right for their sale is provided through the achievement of certain indicators of the Company activities.</p>	<p>⊗ complied with ○ partially complied with ○ not complied with</p> <p>⊗ complied with ○ partially complied with ○ not complied with</p>	



Nº	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
4.3.3	The amount of compensation (golden handshake) paid by the Company in case of early termination of powers to the members of the executive bodies or key management employees at the initiative of the Company and with absence of unfair actions from their side, does not exceed double size of the fixed part of the annual remuneration.	complied with 1. The amount of compensation (golden handshake) paid by the Company in case of early termination of powers to the members of the executive bodies or key management employees at the initiative of the Company and with absence of unfair actions from their side in the reporting period did not exceed double size of the fixed part of the annual remuneration.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	
5.1	In the Company an efficiently operating risk management and internal control system aimed at assuring reasonable confidence in achievement of objectives set in the Company was established.			
5.1.1	The Board of Directors of the Company defined principles and approaches to organization of the risk management and internal control system in the Company.	complied with 1. Functions of various management bodies and subdivisions of the Company in the risk management and internal control system are clearly defined in the internal documents/appropriate policy of the Company approved by the Board of Directors.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	
5.1.2	Executive bodies of the Company provide for development and maintenance of functioning of the efficient risk management and internal control system in the Company.	complied with 1. Executive bodies of the Company provided for distribution of functions and powers in respect to risk management and internal control between their subordinate managers of subdivisions and departments.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	
5.1.3	The risk management and internal control system in the Company provides for objective, fair and clear presentation of the current status and prospects of the Company, integrity and transparency of the Company reporting, reasonableness and acceptability of the risks undertaken by the Company.	complied with 1. The Company has an approved anti-corruption policy. 2. The Company has an available method for informing the Board of Directors or the Audit Committee of the Board of Directors about the facts of breaching of the law, internal procedures, Company code of ethics.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with <input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	

Nº	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
5.1.4	The Board of Directors of the Company undertakes the necessary actions in order to verify that the existing Company risk management and internal control system complies with the principles and approaches to its organization determined by the Board of Directors and functions effectively.	complied with 1. During the reporting period the Board of Directors or the Audit Committee of the Board of Directors assessed the efficiency of the risk management and internal control system in the Company. Data on the main results of such assessment is included into the annual report of the Company.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	
5.2	For systematic independent evaluation of reliability and efficiency of the risk management and internal control system and corporate management practice, performance of the internal audit is organized by the Company			
5.2.1	For internal audit, there is a separate structural subdivision in the Company, or an independent external organization is employed. Functional and administrative accountabilities of the internal audit subdivision are separated. The functional subdivision of internal audit reports to the Board of Directors.	complied with 1. For internal audit, the Company has is a separate structural subdivision of internal audit, which functionally reports to the Board of Directors or the Audit Committee, or an independent external organization is employed with the same principle of accountability.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	
5.2.2	The internal audit subdivision performs assessment of efficiency of the internal control system, assessment of efficiency of the risk management system, and also the corporate governance system. The Company applies the generally accepted standards of activities in the field of an internal audit.	complied with 1. During the reporting period within the implementation of the internal audit, the efficiency of the internal control and risk management system is assessed. 2. The Company applies generally accepted approaches to internal control and risk management.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with <input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	
6.1	The Company and its activities are transparent for shareholders, investors and other stakeholders			
6.1.1	In the Company there is an information policy developed and introduced, which provides for effective information interaction of the Company, shareholders, investors and other stakeholders.	complied with 1. The Board of Directors of the company approved the information policy of the Company developed with account of the Code recommendations. 2. The Board of Directors (or one of its committees) considered the issues related to Company compliance with its information policy at least once in the reporting period.	<input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with <input checked="" type="radio"/> complied with <input type="radio"/> partially complied with <input type="radio"/> not complied with	



№	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
6.1.2	The Company discloses information on the system and practice of corporate governance, including detailed information on compliance with the principles and recommendations of the Code.	partially complied with 1. The Company discloses information about the corporate governance system in the company and general principles of corporate governance, used in the Company, including those on the website of the Company on the internet. 2. The Company discloses information on the composition of executive bodies and the Board of Directors, independent members of the Board and their membership in the committees of the Board of Directors (in accordance with the definition of the Code). 3. If there is a person that controls the Company, the Company publishes a memorandum of the controlling entity in respect to the plans of such entity in respect to the corporate governance in the Company.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div> <div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div> <div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	<p>The Company did not publish the memorandum of the controlling entity in respect to its plans as regards the Company in connection with the fact that such memorandum was not adopted by the controlling entity.</p> <p>The controlling shareholder of the Company (Sistema PJSC, hereinafter also referred to as "Corporation"), promptly provides public access to information about all of its plans in respect to the Company with the help of various information disclosure channels (annual report, notices of substantial facts, press releases, etc.), following the principles of protection of the confidential information and rights of shareholders of the Company.</p> <p>Furthermore, on the website of Sistema PJSC there is the Corporate Governance Code published.¹</p> <p>The Corporate Governance Code of Sistema PJSC declares the aspiration of the Corporation to ensure compliance with regulations and requirements of the existing legislation, and also best standards of corporate governance in practice of its subsidiaries and affiliates. Besides, the code contains information on principles of building relations in Sistema PJSC Group of Companies. In accordance with the Code, the main objective of the Corporation in respect to subsidiaries and affiliates (portfolio companies), shall be proclaimed assistance to their comprehensive development for the purposes of their cost increase. Furthermore, when making management decisions, the Corporation takes into account interests of all shareholders, investors, main consumers of subsidiaries' products, and also other stakeholders, including state authorities and employees of portfolio companies.</p> <p>In connection with the above, use of an additional tool of information disclosure (controlling entity's memorandum) for disclosure of the public information is unreasonable. Risks of failure to comply with the recommendation are levelled out by the timely and high-quality disclosure of all material information of the Corporation.</p> <p>MTS has no data on plans of Sistema PJSC on acceptance of the specified memorandum. If the controlling entity accepts the memorandum recommended by the Code, it will be published by the Company.²</p>

№	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
6.2	The Company promptly discloses full, relevant and valid information about the Company to ensure the possibility to make justified decisions by the Company shareholders and investors			
6.2.1	The Company discloses information in compliance with the principles of regularity, consistence and efficiency, as well as availability, validity, completeness and comparability of disclosed data.	complied with 1. The information policy of the Company determines approaches and criteria for definition of information capable of significantly influencing the assessment of the Company and cost of its securities and procedures providing for timely disclosure of such information. 2. If securities of the Company circulate in the foreign organized markets, disclosure of substantial information in the Russian Federation and in such markets is done synchronously and equivalently during the reporting period. 3. If foreign shareholders own a substantial quantity of Company shares, then during the reporting year disclosure of information was done not only in Russian, but also in one of the most common foreign languages	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div> <div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	
6.2.2	The Company avoids formal approach in disclosure of information and discloses substantial information about its activities, even if disclosure of such information is not provided for by the law.	complied with 1. During the reporting period the Company disclosed annual and semi-annual financial reporting prepared in accordance with the IFRS standards. The annual report of the Company for the reporting period includes annual financial reporting made according to the IFRS standards jointly with the auditor's report. 2. The Company discloses full information on the structure of the company capital in accordance with the Recommendation 290 of the Code in the annual report and on the website of the Company on the internet.	<div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div> <div><div></div> complied with</div> <div><div></div> partially complied with</div> <div><div></div> not complied with</div>	

¹ http://www.sistema.ru/fileadmin/user_upload/corporate_documents/kodeks_korporativnogo_upravlenija.pdf.
² Due to the fact that the formal complying with the recommendations of the Code depends on a controlling entity, and not on MTS PJSC, the company has no information on whether inconsistency with the provisions of the Code temporary and whether the controlling shareholder had intention to achieve Code compliance in the future. However, the company will continue to monitor compliance with this Code provision by Russian issuers and initiate consideration of the issue by the corporate governance Committee, if the practice will change.



№	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
6.2.3	The annual report of the Company, being one of the most important tools for information exchange with shareholders and other stakeholders; it contains information for evaluating the results of the Company activities over the year.	complied with 1. The annual report of the Company contains information on key aspects of operating activities of the Company and its financial results. 2. The annual report of the Company contains information on environmental and social aspects of the company's business.	<div><div>⦿</div> complied with</div> <div><div>○</div> partially complied with</div> <div><div>○</div> not complied with</div>	
6.3	The company provides information and documents for requests of shareholders in accordance with the principles of fairness and no hardship			
6.3.1	The Company provides information and documents for requests of shareholders in accordance with the principles of fairness and no hardship.	partially complied with 1. The information policy of the Company determines the unhindered procedure of provision of access to information to shareholders, including information on controlled legal entities of the Company, at the request of shareholders.	<div><div>○</div> complied with</div> <div><div>⦿</div> partially complied with</div> <div><div>○</div> not complied with</div>	In 2019, the information policy of the Company did not include the shareholders' right for access to information on controlled legal entities of the Company. Besides, the shareholders received sufficient information to exercise their rights. The Company and its business are fully transparent for shareholders, investors and other stakeholders. All information to be disclosed shall be regularly published on the Company's website. Additionally MTS provides public access to separate types of information recommended for disclosure by the Code. Besides, the information policy provides for various methods and forms of information provision (including internet conferences, meetings, telephone negotiations and other contacts with professional participants of the market and shareholders, it is possible to visit Company offices). Therefore, the Company provides considerable volume of information about itself and its business in accordance with principles of equal and unhindered access. In connection with it, shareholders' exercise of the right for access to documents and information of the Company in practice is not coupled with unjustified difficulties. MTS information policy is a top-level document containing the basic principles adhered by MTS for disclosing material non-public information. In this regard, we have disclosed (on our website on the internet) the procedure for providing shareholders with access to information on legal entities controlled by the Company at the request of shareholders.

№	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
6.3.2	If the Company provides information to shareholders, a reasonable balance is provided between interests of specific shareholders and interests of the Company itself, which is interested in preservation of confidentiality of important commercial information, which may substantially influence its competitiveness.	complied with 1. During the reporting period, the Company did not reject requests of shareholders for provision of information, or such rejections were justified. 2. In cases defined by the information policy of the Company the shareholders are warned about the confidential nature of information and undertake to maintain its confidentiality.	<div><div>⦿</div> complied with</div> <div><div>○</div> partially complied with</div> <div><div>○</div> not complied with</div>	
7.1	Actions that considerably influence or may influence the structure of the joint stock capital and financial condition of the Company, and therefore the position of shareholders (substantial corporate actions), are carried out under fair conditions, providing for compliance with the rights and interests of shareholders, as well as other stakeholders			
7.1.1	Substantial corporate actions include reorganization of the company, acquisition of 30 and more percent of the voting shares in the company (acquisition), closing of major transactions by the company, increase or decrease of the charter capital of the company, listing and delisting of the company shares, as well as other actions, which may result in substantial change in the rights of shareholders or violation of their interests. The charter of the Company defines a list (criteria) of transactions or other actions, being substantial corporate actions, and such actions are related to the competences of the Board of Directors of the company.	complied with 1. The charter of the Company defines a list of transactions or other actions, being substantial corporate actions, and criteria for their definition. Decision making in respect to substantial corporate actions is referred to the competences of the Board of Directors. In cases when realization of these corporate actions is directly related by the law to the competence of the General Meeting of shareholders, the Board of Directors provides the appropriate recommendations to the shareholders. 2. The charter of the company includes at least the following actions as the substantial corporate actions: reorganization of the company, acquisition of 30 or more percent of the voting shares in the company (acquisition), closing of major transactions by the company, increase or decrease of the charter capital of the company, listing and delisting of the company shares.	<div><div>⦿</div> complied with</div> <div><div>○</div> partially complied with</div> <div><div>○</div> not complied with</div>	
7.1.2	The Board of Directors plays a key role in making decisions or generation of recommendations in respect to substantial corporate actions, the Board of Directors relies on the position of the independent directors of the Company.	complied with 1. In the Company there is a procedure, in accordance with which the independent directors state their position on the substantial corporate actions before their approval.	<div><div>⦿</div> complied with</div> <div><div>○</div> partially complied with</div> <div><div>○</div> not complied with</div>	

Nº	Corporate governance principles	Criteria of assessment of compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations of the deviation from criteria of assessment of compliance with the corporate governance principle
7.1.3	When making substantial corporate actions, which affect the rights and legal interests of the shareholders, equal conditions are provided for all shareholders of the Company, and if the mechanisms specified by the law and aimed at protection of the shareholders' rights are insufficient, additional measures are taken to protect rights and legal interest of the Company shareholders. At the same time the Company not only complies with the formal requirements of the law, but also the principles of corporate governance specified in the Code.	complied with 1. The charter of the Company with account of the features of its activities establishes lower minimum criteria to refer the Company transactions to the substantial corporate actions compared to the law. 2. During the reporting period all substantial corporate actions were approved before their realization.	<div>☑ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div> <div>☑ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
7.2	The company provides for such procedure of making substantial corporate actions, which makes it possible for the shareholders to promptly obtain full information on such actions, makes it possible for them to influence making such actions and guarantees compliance and adequate level of protection of their rights during commitment of such actions			
7.2.1	Information on making substantial corporate actions is disclosed with explanation of reasons, conditions and effects of making such actions..	complied with 1. During the reporting period the Company promptly and in detail disclosed information on substantial corporate actions of the Company, including grounds and timing for making such actions.	<div>☑ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	
7.2.2	Rules and procedures related to realization of substantial corporate actions by the company are recorded in the internal documents of the Company.	complied with 1. Internal documents of the Company provide for the procedure of employment of an independent appraiser to define the cost of property alienated or purchased within a major transaction or a transaction of interest. 2. Internal documents of the Company provide for the procedure of employing an independent appraiser to assess the cost of purchase and redemption of the Company shares. 3. Internal documents of the Company provide for the extended list of grounds, under which the members of the Board of Directors of the Company and other persons specified by law are recognized as interested in the Company transactions.	<div>☑ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div> <div>☑ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div> <div>☑ complied with</div> <div>○ partially complied with</div> <div>○ not complied with</div>	In 2018 changes were made to the Regulations on the Board of Directors of MTS PJSC aimed at formalization of the procedure to employ an appraiser in some cases when making substantial transactions.

LIST OF MAJOR TRANSACTIONS BY MTS PJSC CLOSED AND TRANSACTIONS OF INTEREST CLOSED IN 2019

\\ In 2019 MTS PJSC did not approve (close) transactions, which are recognized in accordance with the Federal Law “Concerning Joint Stock Companies” as major transactions, and also other transactions, the closing of which is covered by the procedure of major transactions approval according to the Charter of the Company.

\\ The list of transactions closed by MTS PJSC in 2019 and recognized in accordance with the Federal Law “Concerning Joint Stock Companies” as transactions of interest, the need to approve which by the authorized management body of the joint stock company is specified by chapter XI of the Federal Law “On Joint Stock Companies.”





ANNUAL CONSOLIDATED FINANCIAL REPORTING OF MTS PJSC AND SUBSIDIARIES FOR 2019



Information is available
on the MTS PJSC corporate
website

CONTACTS AND ADDITIONAL INFORMATION ABOUT MTSC

Information about the Company	<p>Full trade name of the Company:</p> <ul style="list-style-type: none">> in Russian: Публичное акционерное общество «Мобильные ТелеСистемы»> in English: Mobile TeleSystems Public Joint Stock Company <p>Short trade name of the Company:</p> <ul style="list-style-type: none">> in Russian: ПАО «МТС»> in English: MTS PJSC <p>Location of MTS PJSC: 4 Marksistskaya St., Moscow 109147, Russian Federation Tel.: +7 (495) 911 6555 Fax: +7 (495) 911 6569</p> <p>Correspondence address of MTS PJSC 5, Building 2, Vorontsovskaya St., 109147, Moscow, Russian Federation</p> <p>E-mail: info@mts.ru</p> <p>Website address http://www.mts.ru</p>
Information on the Shareholder and Investor Relations Department	<p>Location of Shareholder and Investor Relations Department 5, Building 2, Vorontsovskaya St., Moscow 109147, Russian Federation</p> <p>Shareholder relations department Corporate Governance Development of MTS PJSC: Maxim Kalinin (Director for Corporate Governance) Tel.: +7 (495) 911 6555 Fax: +7 (495) 911 6569 E-mail: shareholder@mts.ru</p> <p>Investor Relations Department Investor Relations Department, MTS PJSC: Polina Ugryumova (Director of the Department) Tel.: +7 (495) 223 2025 E-mail: ir@mts.ru</p>
Auditor	<p>Joint Stock Company Deloitte & Touche CIS Address: 5 Lesnaya St., Moscow, 125047, Russian Federation Phone: +7 (495) 787 0600 Fax: +7 (495) 787 0601 Website address: http://www.deloitte.com</p>
Registrar	<p>Independent Registrar Company R.O.S.T. Joint Stock-Company¹ Address: 18 Stromynka St., building 13, Moscow, 107996 Phone: +7 (495) 989 76 50, +7 (495) 780-73-63 E-mail: clients_rm@rrost.ru Website address: www.rrost.ru</p> <p>Reestr¹ Joint Stock Company Address: 1/20 Bolshoi Balkansky Lane, Moscow, 129090 Phone: +7 (495) 617-01-01 E-mail: reestr@aoreestr.ru Website address: www.aoreestr.ru</p>
Depository	<p>HNon-Bank Credit Organization Closed Joint Stock Company National Settlement Depository Address: 12 Spartakovskaya St., Moscow, 105066 Multi-channel number: + 7 (495) 234 4827 E-mail: info@nsd.ru Website address: http://www.nsd.ru</p>

¹ Registrar of MTS PJSC until April 8, 2020.

GLOSSARY

MOU — Minutes of Usage

ARPU — Average Revenue Per User

GPON — Gigabit Passive Optical Network

3G — 3rd Generation

4G — 4th Generation

5G — 5th Generation

LTE — Long-Term Evolution

TDD — Time Division Duplex

FDD — Frequency Division Duplex

M2M — Machine-To-Machine

SaaS — Software as a Service

HSPA+ — High Speed Packet Access Plus

MVNO — Mobile Virtual Network Operator

CDMA — Code Division Multiple Access

GSM — Global System for Mobile Communications

Wi-Fi — Wireless Fidelity

UMTS — Universal Mobile Telecommunications System

VAS — Value Added Services

IoT network (Internet of Things Networks) — a number of autonomous physical devices connected to a single network via digital communication channels

NB-IoT (NarrowBand Internet of Things) is one of the IoT standards developed by 3GPP consortium

LTE-M (Long Term Evaluation for Machines) — one of the IoT standards developed by 3GPP consortium

3GPP (3rd Generation Partnership Project) — an international consortium developing mobile telephony specifications

e-Health (Electronic Health, eHealth): implementation of public health functions using information and telecommunication technologies

m-Health (Mobile Health, mHealth): performing health functions using mobile devices (smartphones, tablets, etc.)

VR (Virtual Reality): a realistic simulation of the environment created using information technologies and imitating the immersion of the user into it

AR (Augmented Reality, Changed Reality): human-perceived combination of the real world and virtual elements created by computer tools

SDN (Software-Defined Network): data network where network management functions are implemented at the software level and are independent of the hardware solution

NFV (Network Function Virtualization): network architecture concept that involves the use of virtual machines without connection to specialized equipment

BBA — Broadband Access

FOCL — Fiber Optic Communication Line

OIBDA — Operating Income Before Depreciation and Amortization

CAPEX — CAPital EXpenditure

Moscow Stock Exchange — the largest stock exchange holding in Russia and Eastern Europe

NYSE — New York Stock Exchange, USA

Bank of Russia — Central Bank of the Russian Federation

SEC — The United States Securities and Exchange Commission, USA

ADR — American Depository Receipts

IFRS — International Financial Reporting Standards

RAS — Russian Accounting Standards

CSR — Corporate Social Responsibility

FEEDBACK FORM

\\ Dear Reader,

We have presented for your attention the Annual Report of MTS PJSC for 2019.

It is important for us to maintain the most transparent and honest dialogue with all stakeholders. Your feedback and suggestions will help us to improve the quality of future reports, their level of information and relevance.

Please send a completed form to:

MTS PJSC, 2/5 Vorontsovskaya St., Moscow, 109147;
or by e-mail: shareholder@mts.ru

\\ Which stakeholder group do you represent?

1. Shareholder/investor
2. Concern employee
3. Representative of government agencies/public organizations
4. Media representative
5. Representative of the expert community
6. Other (please specify) _____

\\ Does this report contain the answers to your questions?

1. Yes, it answers all of them
2. Yes, it answers some of them
3. No

\\ What additional information would you like to see in the next Annual Report of MTS PJSC?

\\ Please rate this report by the following criteria:

Criterion	Excellent	Good	Satisfactory	Poor
Relevance and significance of the issues addressed				
Reliability of information				
Structure and convenience of finding information				
Design				

THANK YOU FOR YOUR PARTICIPATION!

Alexey Kornya
President of MTS PJSC

Alexey Dvoretzkiikh
Chief Accountant
of MTS PJSC