

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.



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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