

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023 and 2022
(unaudited)

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

TABLE OF CONTENTS

	Page
Report on review of interim condensed consolidated financial statements	1
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022 (UNAUDITED):	
Interim condensed consolidated statements of financial position	2-3
Interim condensed consolidated statements of profit or loss	4
Interim condensed consolidated statements of comprehensive income	5
Interim condensed consolidated statements of changes in shareholders' equity	6
Interim condensed consolidated statements of cash flows	7-8
Notes to the interim condensed consolidated financial statements:	9-29
1. General information and description of business	9
2. Summary of significant accounting policies and new accounting pronouncements	9
3. Business acquisitions	10
4. Segment information	11
5. Discontinued operations	13
6. Investments in associates and joint ventures	14
7. Property, plant and equipment and intangible assets	14
8. Borrowings	14
9. Finance income and costs	16
10. Rights-of-use assets and lease obligations	17
11. Fair value of financial instruments	18
12. Bank financial assets and liabilities	19
13. Income tax	22
14. Shareholders' equity	23
15. Related parties	23
16. Commitments and contingencies	27

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and the Board of Directors of
Mobile TeleSystems Public Joint Stock Company:

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Mobile TeleSystems Public Joint Stock Company and its subsidiaries (the "Group") as of June 30, 2023 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in shareholders' equity and cash flows for the six months ended June 30, 2023 and 2022, and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Andrei Shvetsov
Engagement partner

AO "Business Solutions and Technologies"
(ORNZ № 12006020384)

August 22, 2023



PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2023 AND DECEMBER 31, 2022 (Amounts in millions of Russian Rubles)

	Notes	June 30, 2023 (unaudited)	December 31, 2022 ¹
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	7	306,026	312,509
Investment property		8,109	4,925
Right-of-use assets	10	116,324	120,192
Goodwill		55,819	52,100
Other intangible assets	7	116,357	113,143
Investments in associates and joint ventures	6	13,954	9,752
Other investments		12,268	7,539
Deferred tax assets		8,918	11,610
Accounts receivable, related parties	15	1,298	1,767
Trade accounts receivable		890	882
Bank deposits and loans to customers	12	155,433	138,199
Other financial assets		15,647	5,383
Other assets		3,489	4,046
Total non-current assets		814,532	782,047
CURRENT ASSETS:			
Inventories		15,925	14,199
Trade and other receivables		37,548	37,176
Accounts receivable, related parties	15	2,636	2,643
Bank deposits and loans to customers	12	106,273	96,135
Short-term investments		24,913	24,422
Advances paid and prepaid expenses		8,167	8,160
VAT receivable		8,794	10,867
Income tax assets		1,299	785
Assets held for sale		229	273
Cash and cash equivalents		46,606	78,292
Other financial assets		26,074	24,015
Other non-financial assets		1,583	3,916
Total current assets		280,047	300,883
TOTAL ASSETS		1,094,579	1,082,930

¹ The reporting indicators have been retrospectively counted to reflect the result from the completed 2022 acquisition valuation.

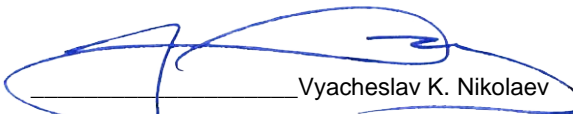
PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2023 AND DECEMBER 31, 2022 (CONTINUED) (Amounts in millions of Russian Rubles)

	Notes	June 30, 2023 (unaudited)	December 31, 2022
EQUITY AND LIABILITIES			
EQUITY:			
Common stock	14	200	200
Treasury stock		(91,667)	(92,307)
Additional paid-in capital		2,900	895
Retained earnings		41,248	69,742
Accumulated other comprehensive income	14	17,628	12,103
Equity attributable to owners of the Company		(29,691)	(9,367)
Non-controlling interests		6,310	5,750
Total equity		(23,381)	(3,617)
NON-CURRENT LIABILITIES:			
Borrowings	8	349,467	368,393
Lease obligations	10	119,687	123,894
Bank deposits and liabilities	12	10,786	12,397
Deferred tax liabilities		13,258	17,759
Provisions		8,153	7,288
Contract liabilities		975	1,124
Other financial liabilities		4,706	3,464
Other liabilities		2,014	883
Total non-current liabilities		509,046	535,202
CURRENT LIABILITIES:			
Trade and other payables		100,767	67,166
Accounts payable, related parties	15	871	1,451
Contract liabilities		27,044	26,082
Borrowings	8	137,795	117,747
Lease obligations	10	20,564	19,608
Bank deposits and liabilities	12	261,168	260,744
Income tax liabilities		2,192	3,150
Provisions		24,727	23,757
Other financial liabilities		3,892	2,985
Other liabilities		29,894	28,655
Total current liabilities		608,914	551,345
TOTAL EQUITY AND LIABILITIES		1,094,579	1,082,930

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

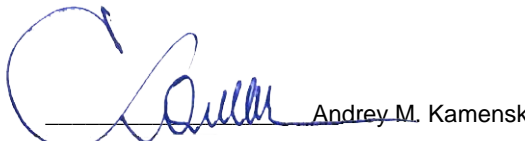
President and CEO



Vyacheslav K. Nikolaev

August 22, 2023

Vice-president, Finance



Andrey M. Kamensky

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022

(Amounts in millions of Russian Rubles, except per share amounts)

	Notes	Six months ended June 30,	
		2023	2022
		(unaudited)	(unaudited)
Service revenue		264,940	237,604
Sales of goods		21,389	22,135
Revenue	4	286,329	259,739
Cost of services		78,174	73,954
Cost of goods		19,161	20,054
Selling, general and administrative expenses		60,322	50,866
Depreciation and amortization		57,933	58,755
Operating share of the profit of associates and joint ventures		(3,120)	(2,294)
Impairment of non-current assets		-	489
Expected credit losses		15,220	12,994
Other operating income		(4,833)	(4,069)
Operating profit	4	63,472	48,990
Finance income	9	(1,240)	(356)
Finance costs	9	25,590	30,958
Non-operating share of the profit of associates and joint ventures		(160)	(118)
Other non-operating expenses/(income)		2,194	(5,274)
Profit before tax		37,088	23,780
Income tax expense	13	7,264	5,979
Profit for the period from continuing operations		29,824	17,801
Profit/(Loss) from discontinued operations	5	142	(2,666)
Profit for the period		29,966	15,135
Profit for the period attributable to:			
Owners of the Company		29,499	14,805
Non-controlling interests		467	330
Earnings per share from continuing operations (basic and diluted), Russian Rubles:		17.40 and 17.18	10.43 and 10.27
Earnings per share from discontinued operations (basic and diluted), Russian Rubles:		0.08 and 0.08	(1.59) and (1.57)
Earnings per share, total (basic and diluted), Russian Rubles:		17.48 and 17.27	8.84 and 8.70

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

President and CEO



Vyacheslav K. Nikolaev

Vice-president, Finance



Andrey M. Kamensky

August 22, 2023

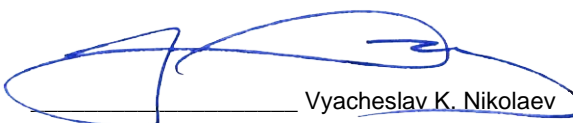
PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022 (Amounts in millions of Russian Rubles)

	Six months ended June 30,	
	2023	2022
	(unaudited)	(unaudited)
Profit for the period	29,966	15,135
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	6,259	(3,329)
Net fair value (loss) on financial instruments	(73)	(85)
Share of other comprehensive loss of associates		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations in associates	(662)	(1,939)
Other comprehensive (loss) / income for the period, net of income tax	5,524	(5,353)
Total comprehensive income for the period	35,490	9,782
Total comprehensive income for the year attributable to:		
Owners of the Company	35,023	9,452
Non-controlling interests	467	330

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

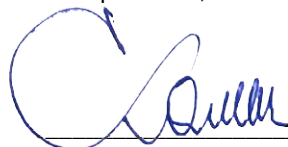
President and CEO



Vyacheslav K. Nikolaev

August 22, 2023

Vice-president, Finance



Andrey M. Kamensky

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AS OF JUNE 30, 2023 AND 2022 (UNAUDITED)

(Amounts in millions of Russian Rubles, except share amounts)

	Accumulated other comprehensive income / (loss)											
	Common stock		Treasury stock		Additional paid-in capital	Investment revaluation reserve	Foreign currency translation reserve ⁽²⁾	Remeasurements of the net defined benefit liability	Retained earnings	Equity attributable owners of the Company	Non-controlling interests	Total equity
	Shares	Amount	Shares	Amount								
Balances at January 1, 2022	1,998,381,575	200	(335,757,457)	(96,195)	619	-	9,537	670	94,935	9,766	4,838	14,604
Profit for the period	-	-	-	-	-	-	-	-	14,805	14,805	330	15,135
Change in fair value of investments, net of tax of 21 million	-	-	-	-	-	(85)	-	-	-	(85)	-	(85)
Currency translation adjustment, net of income tax	-	-	-	-	-	-	(5,268)	-	-	(5,268)	-	(5,268)
Total comprehensive (loss) / income for the period	-	-	-	-	-	(85)	(5,268)	-	14,805	9,452	330	9,782
Issuance of stock options	-	-	-	-	1,406	-	-	-	-	1,406	-	1,406
Exercise of stock options	-	-	21,736,832	3,975	(1,363)	-	-	-	-	2,612	-	2,612
Dividends declared by MTS	-	-	-	-	-	-	-	-	(57,016)	(57,016)	-	(57,016)
Reclass of stock options to provisions ⁽¹⁾	-	-	-	-	(1,343)	-	-	-	-	(1,343)	-	(1,343)
Changes in ownership interest with no gain/loss of control	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Reclass to retained earnings	-	-	-	-	993	-	-	-	(993)	-	-	-
Balances at June 30, 2022	1,998,381,575	200	(314,020,625)	(92,220)	312	(85)	4,269	670	51,731	(35,123)	5,167	(29,956)
Balances at January 1, 2023	1,998,381,575	200	(315,427,725)	(92,307)	895	(134)	11,567	670	69,742	(9,367)	5,750	(3,617)
Profit for the period	-	-	-	-	-	-	-	-	29,499	29,499	467	29,966
Change in fair value of investments, net of tax of 21 million	-	-	-	-	-	(72)	-	-	-	(72)	-	(72)
Currency translation adjustment, net of income tax	-	-	-	-	-	-	5,597	-	-	5,597	-	5,597
Total comprehensive (loss) / income for the period	-	-	-	-	-	(72)	5,597	-	29,499	35,024	467	35,491
Issuance of stock options	-	-	-	-	376	-	-	-	-	376	-	376
Exercise of stock options	-	-	(17,541,832)	(3,241)	124	-	-	-	-	(3,117)	-	(3,117)
Dividends declared by MTS	-	-	-	-	-	-	-	-	(57,993)	(57,993)	-	(57,993)
Dividends to noncontrolling interest	-	-	-	-	-	-	-	-	-	-	93	93
Sale of own shares	-	-	19,983,816	3,881	2,756	-	-	-	-	6,637	-	6,637
Purchase of NCI	-	-	-	-	(1,268)	-	-	-	-	(1,268)	-	(1,268)
Reclass to retained earnings	-	-	-	-	17	-	-	-	-	17	-	17
Balances at June 30, 2023	1,998,381,575	200	(312,985,741)	(91,667)	2,900	(206)	17,164	670	41,248	(29,691)	6,310	(23,381)

⁽¹⁾ In March 2022, the Group modified part of its equity settled share based programmes. The entitled employees were granted the right to require the Group to redeem the shares within two years from the exercise date at a fixed price. The respective amount of cash-settled component was reclassified to provisions.

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022 (Amounts in millions of Russian Rubles)

	Notes	Six months ended June 30,	
		2023	2022
		(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the period		29,966	15,135
Adjustments for:			
Depreciation and amortization		57,933	58,825
Impairment of non-current assets		-	489
Expected credit losses		15,220	12,987
Finance income		(1,240)	(356)
Finance costs		25,590	30,969
Income tax expense		7,264	5,934
Share of profit of associates and joint ventures		(3,280)	(2,412)
Net foreign exchange loss / (gain) and change in fair value of financial instruments		1,859	(4,024)
Inventory obsolescence expense		968	1,002
Change in provisions		3,598	(3,315)
Other non-cash items		(3,515)	163
Movements in operating assets and liabilities:			
Decrease in trade and other receivables and contract assets		75	1,217
Increase in bank deposits and loans to customers		(41,023)	(13,799)
(Increase)/decrease in inventory		(2,596)	3,453
(Increase)/decrease in advances paid and prepaid expenses		(11,958)	1,819
Decrease in VAT receivable		2,132	1,566
Decrease in trade and other payables, contract liabilities and other current liabilities		(1,312)	(14,509)
Decrease in bank deposits and liabilities		(10,676)	(9,138)
Dividends received		2,591	2,057
Income tax paid		(10,913)	(5,864)
Interest received		902	513
Interest paid, net of interest capitalized		(25,571)	(28,718)
NET CASH PROVIDED BY OPERATING ACTIVITIES		36,014	53,994
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of subsidiaries, net of cash acquired	3	319	(7,134)
Purchases of property, plant and equipment (including capitalized interest in the amount of RUB 350 million and RUB 435 million, respectively)		(14,676)	(40,599)
Purchases of other intangible assets		(22,731)	(18,811)
Purchases of investment property		(1,190)	-
Cost to obtain and fulfill contracts, paid		(2,148)	(2,109)
Proceeds from sale of property, plant and equipment and assets held for sale		2,125	1,842
Purchases of short-term and other investments		(3,962)	(1,304)
Proceeds from sale of short-term and other investments		1,419	7,681
Investments in associates and joint ventures		(800)	(700)
Cash flows related to swap contracts		388	(821)
Proceeds from sale of subsidiaries		-	(86)
Other investing activities		(36)	379
NET CASH USED IN INVESTING ACTIVITIES		(41,292)	(61,662)

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022 (CONTINUED) (Amounts in millions of Russian Rubles)

	Six months ended June 30,	
	2023	2022
	(unaudited)	(unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of notes	(28,344)	(20,523)
Proceeds from issuance of notes	21,150	29,900
Notes and debt issuance cost paid	(35)	(135)
Lease obligation principal paid	(9,032)	(7,837)
Dividends paid	(25,525)	(9)
Proceeds from loans	41,018	47,383
Repayment of loans	(36,344)	(11,512)
Acquisition of subsidiaries under common control	(84)	-
Sale of ownership interest in subsidiaries without change in control	482	-
Acquisition of ownership interest in subsidiaries without change in control	(1,208)	-
Proceeds from sales of treasury shares	3,370	-
Other financial activities	1,198	(1,900)
NET CASH (USED IN) / PROVIDED BY FINANCING ACTIVITIES	(33,354)	35,367
Effect of exchange rate changes on cash and cash equivalents	6,946	(10,436)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(31,686)	17,263
CASH AND CASH EQUIVALENTS, beginning of the period	78,292	40,590
CASH AND CASH EQUIVALENTS, end of the period (including cash and cash equivalents within assets held for sale in amount of nill and RUB 3 million, respectively)	46,606	57,853

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Amounts in millions of Russian Rubles unless otherwise stated)

1. GENERAL INFORMATION AND DESCRIPTION OF BUSINESS

Mobile TeleSystems Public Joint-Stock Company ("MTS PJSC", or "the Company") is a company incorporated under the laws of the Russian Federation and having its registered address at 4, Marksistskaya Street, 109147, Moscow, Russian Federation.

Business of the Group – MTS PJSC was incorporated on March 1, 2000, through the merger of MTS CJSC and Rosico TC CJSC, its wholly-owned subsidiary. MTS CJSC started its operations in the Moscow licence area in 1994, before expanding through Russia and the CIS. As of June 30, 2023 and December 31, 2022, 42.1% and 42.1% of the Company's issued shares were held by Sistema Public Joint-Stock Financial Corporation or Sistema and its subsidiary, 42.5% and 42.2% of the issued shares were owned by a significant number of shareholders. As of June 30, 2023 and December 31, 2022, Vladimir P. Yevtushenkov held 49.2% and 49.2% of Sistema's issued shares, in the financial year 2022 he transferred 10% of his shares and thus ceased to be a majority shareholder of Sistema. 50.8% and 50.8% of Sistema's shares were held by a significant number of shareholders as of June 30, 2023 and December 31, 2022, respectively.

MTS completed its initial public offering in 2000 and listed its shares of common stock, represented by American Depositary Shares, or ADSs, on the New York Stock Exchange (NYSE) under the symbol "MBT". Since 2003 common shares of MTS PJSC have been traded on the Public Joint-Stock Company "Moscow Exchange MICEX-RTS" (the "Moscow Exchange"). In April 2022, Russian Federal Law No. 114-FZ, requiring Russian companies to terminate their depository receipt programs, came into force. Following the requirements of the law the Group terminated its depository receipt program. MTS' ADSs were delisted from NYSE. The existing ADSs could be converted into MTS' ordinary shares at the ratio of 1:2. The guaranteed period for depository receipts conversion was completed on January 12, 2023 (inclusive).

The Group provides a wide range of telecommunications and digital services including voice and data transmission, internet access, pay TV, various value added services ("VAS") through wireless and fixed lines, fintech services, B2B Cloud and digital solutions as well as the sale of equipment, accessories and software. The Group primarily operates in Russia.

Seasonality – Whilst the Group does not view its business as highly seasonal as defined by IAS 34, *Interim Financial Reporting*, its financial results are impacted by seasonality through the calendar year. Higher consumption of roaming services in May-September and increased demand for handsets and accessories at the year-end before winter holidays enhance revenue from services and sales of goods for the second half of the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

Basis of preparation – These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2022.

These interim condensed consolidated financial statements are unaudited and do not include all the information and disclosures required in the annual IFRS financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its 2022 audited consolidated financial statements, such as accounting policies and details of accounts which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequently to the issuance of its annual consolidated financial statements of the Group for the year ended December 31, 2022.

Management believes that the disclosures in these interim condensed consolidated financial statements are adequate to make the presented information not misleading if these interim condensed consolidated financial statements are read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2022 and the notes related thereto. In the opinion of management, the financial statements reflect all adjustments necessary to present the Group's financial position, financial performance and cash flows for the interim reporting period in accordance with IAS 34, *Interim Financial Reporting*. Results for the six months ended June 30, 2023 are not necessarily indicative of the results that may be expected for the year ended December 31, 2023.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Amounts in millions of Russian Rubles unless otherwise stated)

These interim condensed consolidated financial statements have been prepared on a historical cost basis, unless disclosed otherwise. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Amounts in the interim condensed consolidated financial statements are stated in millions of Russian Rubles ("RUB million"), unless indicated otherwise.

These interim condensed consolidated financial statements for the six months ended June 30, 2023 were authorized for issue by the Company's President on August 22, 2023.

As at June 30, 2023, current liabilities exceeded current assets by RUB 328.9 billion. Management believes the Group has sufficient existing and continuing access to liquidity through both operating cash flows and available credit facilities. As of June 30, 2023, the Group's total available credit facilities amounted to RUB 267.5 billion (Note 8).

Significant accounting policies – The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended December 31, 2022, with exception of income tax calculation performed using the best estimate of the weighted average annual income tax rate expected for 2023.

In the first half of 2023 the Group adopted the following standards, interpretations and amendments:

IFRS 17 and amendments to IFRS17	<i>Insurance Contracts</i>
Amendments to IAS 8	<i>Definition of Accounting Estimate</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policy</i>

None of these interpretations and amendments had material effect on the Group's interim condensed consolidated financial statements.

3. BUSINESS ACQUISITIONS

Completing the initial measurement period – In 2023 initial measurement for the following businesses acquired in 2022 was completed: Videoconferencing services application developer, Hotel booking and Security systems. As a result, the balances «Goodwill» and «Other intangible assets» of Statement of financial position as of December 31, 2022 were adjusted retrospectively in the amount of RUB 3,594 mln.

Acquisition of programmatic advertisement developer – In March 2023, the Group acquired a 100% ownership interest in one of the leading players in the programmatic advertising market. The acquisition is aimed at strengthening the Group's advertising services and increasing its share in the Russian advertising market. The purchase price constitutes a cash payment of RUB 105 million.

Acquisition of regional fixed-line operators – In April 2023, the Group increased from 51% to 100% its stake in the holding company for six local fixed-line operators, previously accounted as the investment in joint venture, and obtained control over the entity. The local fixed-line operators provide Internet services in Belgorod, Lipetsk, Ufa, Neftekamsk, Beloretsk, Tomsk and Vladivostok. The purchase price constituted a cash payment of RUB 561 million paid in May 2023.

Acquisition of IT developer of telematics solutions – In April 2023, the Group acquired a 51% ownership interest in one of the leading IT developers and integrators of telematics solutions for managing commercial transport. The acquisition is aimed at strengthening of the Group's position in the transport telematics segments of the Internet of Things market. The purchase price constitutes a cash payment of RUB 36 million and contingent consideration of RUB 40 million. The Group obtained call option to purchase the remaining 49% stake and issued put option to the sellers to sell the remaining 49% stake.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Amounts in millions of Russian Rubles unless otherwise stated)

Acquisition of financial company – In May 2023, the Group acquired a 99,9% ownership interest in the financial company for the consideration of RUB 450 million in cash. The acquisition is aimed at the development of the Group's Fintech services.

The preliminary purchase price allocations for acquired companies as at the dates of acquisitions were as follows:

	Regional fixed-line operators	Other subsidiaries acquired
Goodwill	1,557 ⁽¹⁾	842 ⁽³⁾
Customer base	20 ⁽²⁾	-
Other intangible assets	13	240
Property, plant and equipment	368	36
Other non-current assets	180	82
Current assets	76	363
Cash and cash equivalents	135	1,249
Current liabilities	(584)	(1,236)
Effect of bargain purchase	-	(157)
Non-current liabilities	(620)	(34)
Total consideration	1,145	1,385
Including:		
Fair value of contingent consideration	-	40
Liability to purchase non-controlling interest	-	754
Fair value of previously held interest	584	-
Cash paid	561	591

(1) The provisional goodwill is attributable to the expected synergies arising from the acquisition and allocated to the "Telecom" operating segment.

(2) Amortized over the term of up to 4 years.

(3) The provisional goodwill is attributable to the expected synergies arising from the acquisitions and allocated to the «Fintech» operating segment and operating segments, reported as a part of the "Other" category.

None of the provisional amounts of goodwill recognized is expected to be deductible for income tax purposes.

Since the dates of acquisition the businesses acquired contributed revenue of RUB 309 million and net loss of RUB 51 million to the interim condensed consolidated statement of profit or loss. If the acquisitions had taken place at the beginning of the period, the Group's revenue and net profit would have been RUB 286,806 million and RUB 29,961 million, respectively.

4. SEGMENT INFORMATION

Management (chief operating decision maker) analyzes and reviews results of the Group's operating segments separately based on the nature of products and services, regulatory environments and geographic areas. Management of the Group evaluates the performance of each segment based on revenue and operating profit, excluding depreciation and amortization measured on the basis consistent with IFRS consolidated financial statements (the relevant financial indicator called OIBDA). Management does not analyze assets or liabilities by reportable segments.

The Group identified the following reportable segments:

Telecom: represents the results of mobile and fixed line operations, which encompasses services rendered to customers across the regions of Russia, including voice and data services, transmission, broadband, pay-TV and various value-added services and sales of handsets and accessories.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Amounts in millions of Russian Rubles unless otherwise stated)

Fintech: represents the results of banking services, investment management and services of credit broker, rendered to customers across regions of Russia.

The “Other” category does not constitute a reportable segment. It includes the results of a number of other operating segments that do not meet the quantitative thresholds for separate reporting.

The intercompany eliminations presented below primarily consist of sales transactions between segments conducted under the normal course of operations.

Financial information by reportable segments is presented below:

For the six months ended June 30, 2023:	Telecom	Fintech	Total of reportable segments	Other	HQ and elimination	Consolidated
Revenue						
Connectivity services	200,277	-	200,277	21,315	48	221,640
Sales of goods	20,516	179	20,695	694	-	21,389
Fintech services	-	38,099	38,099	-	-	38,099
Other services	1,039	393	1,432	3,769	-	5,201
External Customers	221,832	38,671	260,503	25,778	48	286,329
Intersegment	3,460	1,754	5,214	13,674	(18,888)	-
Total revenue	225,292	40,425	265,717	39,452	(18,840)	286,329
OIBDA	106,321	7,489	113,810	15,971	(8,376)	121,405
Depreciation and amortization						(57,933)
Impairment of non-current assets						-
Operating profit						63,472
For the six months ended June 30, 2022:	Telecom	Fintech	Total of reportable segments	Other	HQ and elimination	Consolidated
Revenue						
Connectivity services	188,188	-	188,188	16,984	46	205,218
Sales of goods	21,450	-	21,450	685	-	22,135
Fintech services	-	28,707	28,707	-	-	28,707
Other services	1,263	173	1,436	2,243	-	3,679
External Customers	210,901	28,880	239,781	19,912	46	259,739
Intersegment	2,376	1,902	4,278	9,849	(14,127)	-
Total revenue	213,277	30,782	244,059	29,761	(14,081)	259,739
OIBDA	100,451	29	100,480	11,787	(4,033)	108,234
Depreciation and amortization						(58,755)
Impairment of non-current assets						(489)
Operating profit						48,990

For the six months ended June 30, 2023 revenue recognized over the time amounted to RUB 252,405 million, while revenue recognized at a point in time amounted to RUB 33,924 million.

For the six months ended June 30, 2022 revenue recognized over the time amounted to RUB 228,172 million, while revenue recognized at a point in time amounted to RUB 31,567 million.

Interest revenue calculated using the effective interest method for the six months ended June 30, 2023 amounted to RUB 25,980 million and RUB 19,890 million for the six months ended June 30, 2022.

The consolidated operating profit is reconciled to the consolidated profit before tax on the face of the interim condensed consolidated statements of profit or loss.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Amounts in millions of Russian Rubles unless otherwise stated)

5. DISCONTINUED OPERATIONS

Vodafone Ukraine – in December 2019, the Group completed sale of Preludium B.V., 100% owner of PJSC “Vodafone Ukraine” and its subsidiaries, which carried out the Group’s operations in Ukraine and constituted “Ukraine” reporting segment. The results of operations in Ukraine were reported as discontinued operations in the consolidated statements of profit or loss.

According to the terms of the sale agreement, an additional consideration based on the performance of the discontinued operations in Ukraine was receivable. The Group received the first part of the additional contingent consideration in the amount of RUB 1,234 million in March 2021. The Group recognized contingent consideration receivable of RUB 1,867 million as of December 31, 2021. As of June 30, 2022 following uncertainty over the receipt of the consideration and economic volatility and sanctions in Russia as disclosed in Note 16, the Group created expected credit allowance for the total amount of receivable and its value decreased to nil.

NVision Czech Republic a.s. – in June 2022, following the decision on disposal of NVision Czech Republic a.s. («NVision»), all of the assets and liabilities of the subsidiary were classified as held for sale and measured at fair value less costs to sell. The disposal was completed in October and the fair value of consideration, receivable in five-year term, amounted to RUB 453 million, of which RUB 50 million were received in 2022. The results of NVision operations were reported as discontinued operations in the consolidated statements of profit or loss.

The results of the discontinued operations were included in the (loss)/profit from discontinued operations in the interim condensed consolidated statements of profit or loss as follows:

	Six months ended June 30,			
	2023		2022	
	NVision	Ukraine	NVision	Total
Revenue	-	-	4,484	4,484
Expenses	-	-	(4,355)	(4,355)
Profit/(Loss) before tax	-	-	129	129
Attributable tax income	-	-	44	44
Profit/(Loss) for the period	-	-	173	173
Loss on remeasurement at fair value less costs to sell	-	-	(973)	(973)
Earn-out revaluation – fair value measurement	142	(1,866)	-	(1,866)
Net (loss)/income attributable to discontinued operations	142	(1,866)	(800)	(2,666)

Cash flows from / (used in) discontinued operations are presented as follows:

	Six months ended June 30, 2022 NVision
Net cash used in operating activities	(153)
Net cash used in investing activities	(49)
Net cash provided by financing activities	189

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Amounts in millions of Russian Rubles unless otherwise stated)

6. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investments in associates and joint ventures are accounted for using the equity method, with exception of associates held by the Group's venture capital subsidiary. The Group elected to measure venture investments in associates at fair value through profit or loss in accordance with IFRS 9:

	Country of operations	Operating activity	June 30, 2023	December 31, 2022
Telecommunication operator in Belarus	Belarus	Telecommunications	5,944	5,798
Regional fixed line operators	Russia	Telecommunications	-	199
Agregator of home services providers	Russia	Classifieds	666	667
Financial company	Russia	Investments	3,274	-
Other unquoted companies	Russia, Cyprus		3,439	2,611
Total investments in associates and joint ventures			13,323	9,275
Other unquoted companies accounted for at fair value through profit or loss	Russia		631	477
Total investments in associates and joint ventures			13,954	9,752

In June 2023, the Group became an investor in financial company ("FC"), with a 49% stake. The Group accounted for investments in the financial company using the equity method ("Investments in FC").

7. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Six months ended June 30,	
	2023	2022
Property, Plant and Equipment		
Additions	18,876	31,064
Disposals (net book value)	(688)	(663)
Intangible assets		
Additions	25,810	25,285
Disposals (net book value)	(92)	(98)

Additions mostly consist of equipment and software development for the network maintenance and development of ecosystem products and services.

8. BORROWINGS

The Group's borrowings comprised the following:

	June 30, 2023	December 31, 2022
Notes	193,052	195,929
Bank and other loans	294,210	290,211
Total borrowings	487,262	486,140
Less: current portion	(137,795)	(117,747)
Total borrowings, non-current	349,467	368,393

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Amounts in millions of Russian Rubles unless otherwise stated)

Notes – The reconciliation between opening and closing balances of the Group's Notes for the six months ended June 30, 2023 and 2022 was the following:

	<u>Currency</u>	<u>Interest rate (actual as of June 30, 2023)</u>	<u>Carrying amount</u>
Balance at December 31, 2022			195,929
New Notes			
MTS PJSC Notes P24 due 2025	RUB	9.05%	20,000
Digital notes due 2023	RUB	9.22%	1,000
Repayments			(28,344)
Currency exchange loss			4,253
Other movements			214
Balance at June 30, 2023			193,052
Less: current portion			(39,624)
Total notes, non-current			153,428
			<u>Carrying amount</u>
Balance at December 31, 2021			191,996
New Notes			30,000
Repayments			(20,623)
Currency exchange gain			(10,191)
Other movements			(55)
Balance at June 30, 2022			191,127
Less: current portion			(62,458)
Total notes, non-current			128,669

Bank and other loans – The reconciliation between opening and closing balance of the Group's loans from banks and financial institutions for the six months ended June 30, 2023 and 2022 was the following:

	<u>Carrying amount</u>
Balance at December 31, 2022	290,211
New loans	41,041
Repayments	(36,344)
External loans of the acquired companies	261
Other movements	(959)
Balance at June 30, 2023	294,210
Less: current portion	(98,171)
Total bank and other loans, non-current	196,039
	<u>Carrying amount</u>
Balance at December 31, 2021	270,143
New loans	46,483
Repayments	(10,456)
External loans of the acquired companies	70
Other movements	(209)
Balance at June 30, 2022	306,031
Less: current portion	(77,357)
Total bank and other loans, non-current	228,674

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Amounts in millions of Russian Rubles unless otherwise stated)

Compliance with covenants – Bank loans and notes of the Group are subject to certain covenants limiting the Group's ability to create liens on properties, dispose assets, including cellular licenses in core Russian regions, issue guarantees and grant loans to the third parties, delay payments for the borrowings, merge or consolidate MTS PJSC with a third party or be a subject to unsatisfied judgments (excluding the total penalty under the agreements with the United States Department of Justice ("DOJ")). The Group is required to comply with certain financial ratios.

If the Group fails to meet these covenants, after certain notice and cure periods, the debtholders are entitled to demand accelerated principal repayment.

The Group was in compliance with all existing notes and bank loans covenants as of June 30, 2023.

Available credit facilities – As of June 30, 2023, the Group's total available unused credit facilities amounted to RUB 267,541 million and related to the following credit lines:

Currency	Maturity	Interest rate	Available till	Available amount
RUB	2024	To be agreed	May 2024	89,000
RUB	2025	To be agreed	August 2025	60,000
RUB	2027	To be agreed	December 2027	40,000
USD/EUR/CNY	2028	LIBOR + 1.75%	September 2024	26,110
RUB	2024	To be agreed	August 2024	20,000
RUB	2028	To be agreed	May 2028	20,000
RUB/USD/EUR	2023	To be agreed	November 2023	7,000
RUB	2024	To be agreed	January 2024	3,000
		0,1 * CBR ⁽¹⁾ key rate + 2.42%	November 2023	634
RUB	2025	0,1 * CBR ⁽¹⁾ key rate + 2.47%	November 2023	970
RUB	2025	CBR ⁽¹⁾ key rate	July 2025	827
Total				267,541

⁽¹⁾ CBR – Central Bank of Russia

9. FINANCE INCOME AND COSTS

Finance income and costs for the six months ended June 30, 2023 and 2022 comprised the following:

	June 30, 2023	June 30, 2022
Interest expense:		
– Loans and notes	19,210	25,041
– Amortization of debt issuance costs	83	52
– Lease obligations	6,231	6,238
– Provisions: unwinding of discount	109	16
Total interest expense	25,633	31,347
Other finance costs (income)	26	(29)
Total finance costs	25,659	31,318
Less: amounts capitalized on qualifying assets ⁽¹⁾	(350)	(534)
Debt modification/derecognition and other loss	281	174
Finance costs	25,590	30,958
Finance income on loans and receivables:		
– Interest income on bank deposits	818	429
– Interest income on loans issued	397	97
– Other finance income (costs)	25	(170)
Finance income	1,240	356
Net finance costs	24,350	30,602

⁽¹⁾ The annual weighted average capitalization rates of 8.2% and 10.1% were used to determine the amount of capitalized interest for the six months ended June 30, 2023 and 2022, respectively.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Amounts in millions of Russian Rubles unless otherwise stated)

Interest expense for the six months ended June 30, 2023 has decreased as compared to the interest expense for the six months ended June 30, 2022 mainly due to the decrease in interest expense accrued on loans, bearing variable interest rates and impacted by a decrease in Central Bank of Russia key rate.

10. RIGHTS-OF-USE ASSETS AND LEASE OBLIGATIONS

The following table presents a summary of net book value of rights-of-use assets:

Lease of:	June 30, 2023	December 31, 2022
Sites for network and base station equipment	82,115	83,795
Land and buildings	33,826	36,005
Vehicles and other	383	392
Rights-of-use assets, net	116,324	120,192

Depreciation of the rights-of-use assets for the six months ended June 30, 2023 and 2022 included in depreciation and amortization expense in the accompanying interim condensed consolidated statements of profit or loss was as follows:

Lease of:	Six months ended June 30, 2023	2022
Sites for network and base station equipment	(5,880)	(5,971)
Land and buildings	(3,931)	(3,768)
Vehicles and other	(42)	(61)
Depreciation charge, total	(9,853)	(9,800)

Additions to the assets leased during the six months ended June 30, 2023 and 2022 amounted to RUB 5,380 and RUB 6,421 million.

Interest expense accrued on lease obligations for the six months ended June 30, 2023 and 2022 amounted to RUB 6,231 million and RUB 6,238 million, respectively, were included in finance costs in the accompanying interim condensed consolidated statements of profit or loss (Note 9).

The following table presents future lease payments under lease arrangements together with the present value of the net lease payments as of June 30, 2023:

	June 30, 2023	June 30, 2022
Lease payments, including:		
Current portion (less than 1 year)	32,418	30,267
Between 1 to 5 years	98,279	99,143
Over 5 years	77,495	85,121
Total lease payments	208,192	214,531
Less amount representing interest	(67,941)	(69,408)
Present value of net lease payments	140,251	145,123
Less current portion of lease obligations	(20,564)	(18,414)
Non-current portion of lease obligations	119,687	126,709

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Amounts in millions of Russian Rubles unless otherwise stated)

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments are represented by cash and cash equivalents, trade and other receivables and payables, investments (mainly deposits with original maturity of more than three months, originated loans other than bank loans to customers as well as debt securities), derivative instruments, notes, bank loans and put options to purchase non-controlling interests.

The table below presents the fair value of financial instruments accounted for at fair value within the statements of financial position:

	<u>Level of inputs</u>	<u>June 30 2023</u>	<u>December 31 2022</u>
Assets			
Notes	Level 1	22,463	21,715
Securities (notes, shares and other)	Level 2	28,175	24,494
Derivative instruments	Level 2	1,012	761
Cross-currency swaps		953	719
Interest rate swaps		59	42
Embedded derivatives in a lease agreement	Level 2	120	82
Investments in equity	Level 3	3,800	2,208
Contingent consideration	Level 3	611	473
Call and put options	Level 3	-	112
Liabilities			
Securities (notes, shares and other)	Level 2	(5,065)	(2,450)
Call and put options	Level 3	(4,255)	(2,780)
Contingent consideration and other	Level 3	(1,085)	(1,220)

The fair value measurement of the Group's derivative instruments and securities (Level 2 assets and liabilities) is based on the observable yield curves for similar instruments.

The fair value measurement of the Group's Level 3 assets and liabilities is based on the construction of business models using forecasts and assumptions based on the Group's internal estimates.

The liability under call and put option agreement for non-controlling interests in subsidiaries is measured at fair value using a discounted cash flow technique. The most significant quantitative inputs used to measure its fair value as of June 30, 2023 are presented in the table below:

<u>Unobservable inputs</u>	<u>Communication platform</u>	<u>Equipment monitoring</u>	<u>Management of home devices</u>	<u>Equipment for automobiles</u>
Discount rate	19,4%	10,7%	11,5%	11,5%
Revenue growth rate	14.8 - 33.7% (av. 24.4%)	34.6 - 96.8% (av. 69.5%)	45.2%	-
OIBDA margin	-	10.1-21.2% (av. 17.3%)	21.5-22.2% (av. 21.8%)	-
Cap amount	-	-	-	1,150

Other Level 3 assets and liabilities measured at fair value are individually insignificant.

Net unrealized gains and losses of Level 3 assets and liabilities resulting from fair value measurements were included in other non-operating income in the interim condensed consolidated statements of profit or loss in the following amounts:

	<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Net unrealized gains/(losses) of Level 3 assets	138	125
Net unrealized gains/(losses) of Level 3 liabilities	740	22
	878	147

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Amounts in millions of Russian Rubles unless otherwise stated)

The carrying value of the Group's financial instruments accounted for at amortized cost approximates their fair value due to their short-term nature and market interest rates, except for bank deposits and loans to customers and borrowings, gross of debt issuance cost, as disclosed in the table below:

	Level of inputs	June 30, 2023		December 31, 2022	
		Fair value	Carrying value	Fair value	Carrying value
Bank deposits and loans to customers	Level 3	264,829	261,706	236,485	234,334
Total bank deposits and loans to customers		264,829	261,706	236,485	234,334
Notes	Level 1	(154,893)	(155,778)	(145,143)	(145,565)
Notes	Level 2	(36,844)	(37,274)	(49,203)	(50,365)
Bank and other loans	Level 3	(293,271)	(294,210)	(289,735)	(290,211)
Total borrowings		(485,008)	(487,262)	(484,081)	(486,141)

While management has used available market information in estimating the fair value of its financial instruments, the market information may not be fully reflective of the value that could be realized in the current circumstances.

There were no transfers between levels of inputs within the hierarchy for the six months ended June 30, 2023. During the six months ended June 30, 2022, Eurobonds of Russian issuers held by MTS Bank, accounted for at fair value, in amount of RUB 3,075 million were transferred in the hierarchy level from Level 1 to Level 2 due to the Moscow Exchange suspension of main trading mode for these securities.

There were no transfers between the accounting categories of financial instruments for the six months ended June 30, 2023. During the six months ended June 30, 2022, corporate, bank and government debt securities held by MTS Bank, accounted for at fair value, in amount of RUB 24,770 million as of December 31, 2021, were transferred from the category "financial assets at fair value through profit or loss" to the "financial assets at fair value through other comprehensive income" due to the change in investment policy, reviewed to include both sale and receipt of contractual cash flows for the reclassified securities. As of June 30, 2022, the fair value of reclassified securities amounted to RUB 20,142 million. Interest income on reclassified securities for the six months ended June 30, 2022 amounted to RUB 779 million.

12. BANK FINANCIAL ASSETS AND LIABILITIES

To present the influence of current macroeconomic conditions the Group refined main approaches, which have the most significant influence on the amounts reflected in consolidated financial statements, to valuation of the level of expected credit losses on bank loans.

Loans to corporate customers:

- As of June 30, 2023 The Group utilizes macroeconomic scenarios for Probability of default (PD) model using the updated macroeconomic forecasts by the Central Bank of Russian Federation and World Bank;
- An unscheduled testing of credit risk has been performed in light of macroeconomic environment deterioration;
- Decrease of risk appetite caused by:
 - Enhancement of authorization procedures for new loans and tranches for existing lines of credit;
 - Review of new loan applications in light of stressful scenario of economic development according to budget and business plan;
 - Tendency to replace revolving and non-revolving lines of credit with products that have more preferable risk profile, like overdrafts and factoring;
 - Launch of enhanced monitoring of existing borrowers.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Amounts in millions of Russian Rubles unless otherwise stated)

Loans to individuals, small and medium businesses:

1. As of June 30, 2023 the PD model considered the effect of macroeconomic situation and its impact on the portfolio behavior;
2. Decrease of risk appetite caused by:
 - Review of new loan applications in light of stressful scenario of economic development;
 - Launch of enhanced monitoring of existing borrowers;
 - Launch of restructuring programs for troubled borrowers.

Bank deposits and loans to customers

The table below represents the structure and amounts of current and non-current bank deposits and loans to customers as of June 30, 2023 and December 31, 2022.

	June 30, 2023	December 31, 2022
Loans to customers	300,736	267,700
Due from banks	4,159	3,432
Allowance for expected credit losses (ECL)	(43,189)	(36,798)
Total bank deposits and loans to customers, net	261,706	234,334
Less: current portion	(106,273)	(96,135)
Bank deposits and loans to customers, non-current	155,433	138,199

The structure and amounts of bank loans to customers as of June 30, 2023 and December 31, 2022 are presented in the table below:

	June 30, 2023	December 31, 2022
Loans to legal entities		
Corporate borrowers	17,077	16,132
Medium-sized enterprises and small businesses	1,421	1,454
Total loans to legal entities	18,498	17,586
Loans to individuals		
Consumer loans	188,134	168,024
Credit cards	71,510	59,315
Mortgage loans	22,574	22,730
Other	20	45
Total loans to individuals	282,238	250,114
Due from banks		
Obligatory reserves with the Central Bank of Russia	3,094	2,257
Time deposits with banks	1,065	1,175
Total due from banks	4,159	3,432
Total bank deposits and loans to customers	304,895	271,132
Less: allowance for impairment losses	(43,189)	(36,798)
Total bank deposits and loans to customers, net	261,706	234,334

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Amounts in millions of Russian Rubles unless otherwise stated)

Movements in the allowance for expected credit losses for the six months ended June 30, 2023 are presented in the table below:

	Loans to customers	Due from banks	Total
Balance as at December 31, 2022	36,654	144	36,798
Provision charge / (release)	12,235	(13)	12,222
Recovery of bad debt written-off	257	-	257
Bad debt written-off	(2,516)	(6)	(2,522)
Sale of loans	(4,008)	-	(4,008)
Other movements	126	316	442
Balance as at June 30, 2023	42,748	441	43,189

Movements in the allowance for expected credit losses for the six months ended June 30, 2022 are presented in the table below:

	Loans to customers	Due from banks	Total
Balance as at December 31, 2021	21,114	30	21,144
Provision charge / (release)	11,643	46	11,689
Recovery of bad debt written-off	174	-	174
Bad debt written-off	(487)	(16)	(503)
Sale of loans	(1,232)	-	(1,232)
Other movements	(635)	-	(635)
Balance as at June 30, 2022	30,577	60	30,637

Bank deposits and liabilities

The table below represents the structure and amounts of current and non-current bank deposits and liabilities as of June 30, 2023 and December 31, 2022.

	June 30, 2023	December 31, 2022
Customer accounts	248,800	249,696
Due to banks and other financial institutions	15,900	10,984
Debt securities issued	3,922	10,481
Financial liabilities at fair value through profit or loss	1,807	-
Other financial liabilities	1,525	1,980
Total bank deposits and liabilities	271,954	273,141
Less: current portion	(261,168)	(260,744)
Total bank deposits and liabilities, non-current	10,786	12,397

The structure and amounts of customer accounts as of June 30, 2023 and December 31, 2022 are presented below:

	June 30, 2023	December 31, 2022
Legal entities		
- Current/settlement accounts	34,084	40,276
- Term deposits	55,624	67,469
Individuals		
- Current/settlement accounts	28,011	30,767
- Term deposits	131,081	111,184
Total customer accounts	248,800	249,696

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Amounts in millions of Russian Rubles unless otherwise stated)

The structure and amounts of due to banks as of June 30, 2023 and December 31, 2022 are presented below:

	June 30, 2023	December 31, 2022
Loans under repurchase agreements	10,464	4,002
Loans and term deposits from banks and other financial institutions	1,146	1,894
Correspondent accounts of other banks	4,290	5,088
Total due to banks	15,900	10,984

Loans under repurchase agreements were secured by the following collateral:

- Securities measured at fair value through other comprehensive income with the value RUB 11,336 million and RUB 4,456 million as of June 30, 2023 and December 31, 2022 respectively.

In November 2015, a subordinated debt of RUB 7,246 million has been received in the form of federal loan bonds (OFZ) from the state corporation «Deposit insurance agency» (DIA). In accordance with the terms of the contract, the securities should be returned to the creditor at the end of the contract period. The Group does not recognize the securities and the obligation to return them to the creditor in the consolidated statement of financial position as of June 30, 2023 and December 31, 2022. In accordance with the contract, the Group should comply with certain covenants with respect to capital and loan portfolio of loans to individuals. If the above conditions are not met, DIA may apply penalties. The contract also includes certain restrictions on sale or repledge of the securities. The securities received from DIA were not pledged as a collateral as of June 30, 2023 and December 31, 2022. As of June 30, 2023 and December 31, 2022 the Group fully complied with the terms of the contract.

13. INCOME TAX

Significant components of income tax expense for the six months ended June 30, 2023 and 2022 were as follows:

	Six months ended June 30, 2023	2022
Current income tax charge	9,590	7,317
Adjustments recognised for current tax of prior periods	(11)	(325)
Total current income tax	9,579	6,992
Deferred tax	(2,315)	(1,013)
Income tax expense on continuing operations	7,264	5,979

Income tax expense on continuing operations excludes the amounts of tax income from the discontinued operations of RUB nil and RUB 44 million for six months ended June 30, 2023 and 2022, respectively, which have been included in (loss)/profit from discontinued operations in the interim condensed consolidated statement of profit or loss (Note 5).

The statutory income tax rates in jurisdictions in which the Group operated during six months ended June 30, 2023 did not change in comparison to the statutory income tax rates effective at December 31, 2022. The Russian statutory income tax rate of 20% reconciled to the Group's effective income tax rate for the six months ended June 30, 2023 and 2022 was as follows:

	Six months ended June 30, 2023	2022
Statutory income tax rate for the period	20.0%	20.0%
Adjustments:		
Expenses not deductible for tax purposes	1.2	2.7
Withholding tax on distributed and undistributed profits	(1.0)	0.9
Changes in recognized deferred tax assets	(1.6)	0.9
Change in fair value of derivative financial instruments	(0.3)	0.7
Different tax rate of subsidiaries	1.5	(0.4)
Other	(0.2)	0.3
Effective income tax rate	19.6%	25.1%

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Amounts in millions of Russian Rubles unless otherwise stated)

14. SHAREHOLDERS' EQUITY

Common stock (ordinary shares)

The Group had 1,998,381,575 authorized ordinary shares with par value 0.1 RUB as of June 30, 2023 and December 31, 2022. Preferred shares have not been issued.

As of June 30, 2023, there were 312,985,741 total shares in treasury stock and 1,685,395,834 shares were outstanding. As of December 31, 2022, the total shares in treasury stock comprised 315,427,725 and 1,682,953,850 shares were outstanding.

Dividends

The Group may take decisions on the dividend payout based not only on annual results but also on interim results for three, six or nine months of the fiscal year. Annual and interim dividend payments, if any, must be recommended by the Board of Directors and approved by the shareholders.

In accordance with Russian laws, earnings available for dividends are limited to profits determined under Russian statutory accounting regulations, denominated in Russian Rubles, after certain deductions.

The following table summarizes the Group's declared cash dividends for the six months ended June 30, 2023 and 2022:

	Six months ended June 30,	
	2023	2022
Dividends declared (including dividends on treasury shares of 9,206 and 9,319 respectively)	67,199	66,335
Dividends, RUB per share	34.29	33.85

As of June 30, 2023 and December 31, 2022, dividends payable were RUB 48,735 million and RUB 16,591 million, respectively, and were included in the trade and other payables within the interim condensed consolidated statement of financial position.

As of June 30, 2023, the Group had a negative balance of equity attributable to owners of the Company, which mainly reflects share repurchases completed by the Group over the 2016-2021 period as well as increased dividend payouts. The Group's management does not consider this issue as creating any significant risk to neither the Group's continued operations nor its ability to pay future dividends. The Company is not subject to any requirements of the regulatory bodies or creditors which set that the Company comply with minimum requirements to the balance of the equity.

15. RELATED PARTIES

Related parties include the Sistema Public Joint-Stock Financial Corporation or "Sistema", a shareholder of the Group, subsidiaries of Sistema, affiliated companies, associates and joint ventures.

Terms and conditions of transactions with related parties – Outstanding balances as of June 30, 2023 and December 31, 2022, were unsecured except accounts receivable from Development Company (Development) in amount of RUB 1,475 million, which were secured by buildings pledged as collateral. Settlements with related parties are made on a cash basis. There have been no guarantees provided or received for any related party receivables or payables. As of June 30, 2023, the Group had no significant amounts of credit impairment relating to the receivables owed by related parties as well as impairment expenses recognized during the six months ended June 30, 2023 and 2022.

The Group has neither the intent nor the ability to offset the outstanding accounts payable and accounts receivable with related parties under the terms of existing agreements.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Amounts in millions of Russian Rubles unless otherwise stated)

Balances of related parties' transactions were as follows:

	June 30, 2023	December 31, 2022
ASSETS FROM RELATED PARTIES		
NON-CURRENT ASSETS:		
Advances for property, plant and equipment		
<i>Sistema's subsidiaries</i>	551	1,211
<i>Other related parties</i>	15	11
Right-of-use assets, Gross Book Value		
<i>Sistema's subsidiaries</i>	3,945	3,832
<i>Other related parties</i>	84	101
Right-of-use assets, Accumulated Depreciation		
<i>Sistema's subsidiaries</i>	(1,816)	(1,017)
<i>Other related parties</i>	(49)	(48)
Other investments		
<i>Sistema's subsidiaries</i>	3,256	3,211
<i>The Group's associates</i>	1,832	2,035
<i>Other related parties</i>	-	3
Accounts receivable, related parties		
<i>Sistema's subsidiaries</i>	1,298	1,290
<i>Key management personnel of the Group, its parent and</i>		
<i>Sistema's shareholders</i>	-	477
Bank deposits and loans to customers		
<i>Sistema's subsidiaries</i>	1,729	693
<i>Sistema's associates</i>	-	283
Other assets		
<i>Key management personnel of the Group, its parent and</i>		
<i>Sistema's shareholders</i>	-	355
Total non-current assets	10,845	12,437
CURRENT ASSETS:		
Accounts receivable, related parties		
<i>Sistema's subsidiaries</i>	1,710	1,502
<i>The Group's associates</i>	870	823
<i>Other related parties</i>	56	318
Bank deposits and loans to customers		
<i>Sistema's subsidiaries</i>	3,769	5,550
<i>Key management personnel of the Group, its parent and</i>		
<i>Sistema's shareholders</i>	48	341
<i>Sistema's associates</i>	1,360	287
Short-term investments		
<i>Sistema's subsidiaries</i>	4,844	4,125
<i>Sistema, parent company</i>	2,084	2,156
Cash and cash equivalents		
<i>Sistema's subsidiaries</i>	708	520
Other financial assets		
<i>Sistema, parent company</i>	711	2,010
<i>Sistema's subsidiaries</i>	358	509
<i>Other related parties</i>	-	109
Other assets		
<i>Key management personnel of the Group, its parent and</i>		
<i>Sistema's shareholders</i>	-	1,402
<i>Sistema's subsidiaries</i>	632	1,026
<i>Other related parties</i>	206	585
Total current assets	17,356	21,263
TOTAL ASSETS FROM RELATED PARTIES	28,201	33,700

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Amounts in millions of Russian Rubles unless otherwise stated)

LIABILITIES TO RELATED PARTIES	June 30, 2023	December 31, 2022
NON-CURRENT LIABILITIES:		
Borrowings		
<i>The Group's associates</i>	3,173	2,745
Lease obligations		
<i>Sistema's subsidiaries</i>	2,845	3,103
<i>Other related parties</i>	38	49
Bank deposits and liabilities		
<i>Key management personnel of the Group, its parent and</i>		
<i>Sistema's shareholders</i>	683	2,920
Other financial liabilities		
<i>The Group's associates</i>	217	2,081
Total non-current liabilities	6,956	10,898
CURRENT LIABILITIES:		
Accounts payable, related parties		
<i>Sistema's subsidiaries</i>	650	658
<i>Sistema's associates</i>	32	523
<i>The Group's associates</i>	131	270
<i>Other related parties</i>	47	-
Borrowings		
<i>The Group's associates</i>	537	454
<i>Other related parties</i>	12	12
Lease obligations		
<i>Sistema's subsidiaries</i>	543	487
<i>Other related parties</i>	9	10
Bank deposits and liabilities		
<i>Key management personnel of the Group, its parent and</i>		
<i>Sistema's shareholders</i>	43,206	38,276
<i>Sistema's subsidiaries</i>	8,575	26,426
<i>Sistema's associates</i>	1,374	5,797
<i>Sistema, parent company</i>	104	946
<i>Other related parties</i>	791	470
Total current liabilities	56,011	74,329
TOTAL LIABILITIES TO RELATED PARTIES	62,967	85,227

Operating transactions – During the six months ended June 30, 2023 and 2022 the Group provided the following services to related parties – electricity supply, Internet and video/image transmission services, integration services, roaming, interconnect and other telecommunication services, banking services.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Amounts in millions of Russian Rubles unless otherwise stated)

At the same time, the Group incurred security expenses, roaming and interconnect expenses, transfer of line-cable structures, dismantling equipment expenses, rent expenses and other expenses, and recognized income from scrap metal sales and other operations.

	Six months ended June 30,	
	2023	2022
Revenue		
<i>Sistema's subsidiaries</i>	2,628	2,412
<i>Sistema's associates</i>	844	316
<i>Other related parties</i>	149	496
Total Revenue	3,621	3,224
Cost of services		
<i>Key management personnel of the Group and Sistema</i>	1,770	1,197
<i>Sistema's subsidiaries</i>	504	2,222
<i>Other related parties</i>	365	780
Selling, general and administrative expenses		
<i>Key management personnel of the Group and Sistema</i>	2,236	2,149
<i>Other related parties</i>	491	392
Other operating income / (expense)		
<i>Sistema's subsidiaries</i>	404	785
<i>Other related parties</i>	121	-
Operating profit / (loss)	(1,220)	(2,731)
Finance income / (loss)		
<i>Sistema's subsidiaries</i>	273	(142)
<i>Other related parties</i>	(23)	(97)
Other non-operating income / (expense)		
<i>Sistema's subsidiaries</i>	-	-
<i>Other related parties</i>	(185)	-
Profit before tax	(1,155)	(2,970)

During the six months ended June 30, 2023 and 2022, the Group acquired property, plant and equipment and intangible assets from related parties in the amounts of:

	Six months ended June 30,	
	2023	2022
Purchases of property, plant and equipment, intangible assets and other assets:		
<i>Sistema's subsidiaries</i>	4,643	6,337
<i>Other related parties</i>	574	173
Total purchases of property, plant and equipment, intangible assets and other assets, related parties	5,217	6,510

As of June 30, 2023 and December 31, 2022, the Group had Contingent liabilities on loans and undrawn credit lines from the related parties in the amount of:

	June 30, 2023	December 31, 2022
<i>Sistema's subsidiaries</i>	438	188
<i>Other related parties</i>	4	41
Total contingent liabilities on loans and undrawn credit lines	442	229

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Amounts in millions of Russian Rubles unless otherwise stated)

As of June 30, 2023 and December 31, 2022, the Group provided bank Guarantees to the related parties in the amount of:

	June 30, 2023	December 31, 2022
<i>Sistema's subsidiaries</i>	1,869	658
<i>Other related parties</i>	1,433	976
Total guarantees and similar commitments	3,302	1,634

Lease payments

During the six months ended June 30, 2023 and 2022, the Group made lease payments to the related parties in the amount of RUB 408 million and RUB 605 million, respectively.

Development

In December 2021, the Group purchased 5-year 10.8% coupon notes of Development, Sistema's subsidiary operating in the development business, in the amount of RUB 2,100 million. The notes were accounted as financial assets at fair value through profit and loss and disclosed within short-term investments in the accompanying interim condensed consolidated statements of financial position. As of June 30, 2023 and December 31, 2022, the investment amounted to RUB 2,105 million and RUB 2,105 million respectively.

In April 2022, the Group entered into a novation agreement in respect of the receivable from Development company for the disposal of buildings in 2019. Under the new terms part of the receivable was restructured to a loan issued with a similar interest rate and repayment schedule. The loan will be repaid by Investment company, a subsidiary of Sistema. As of June 30, 2023, the amount of RUB 3,139 and RUB 343 million were recognised as part of other investments and short-term investments, respectively in the accompanying interim condensed consolidated statements of financial position.

Remuneration of key management personnel

Key management personnel of the Group are members of the Board of Directors and Management Board. During the six months ended June 30, 2023 and 2022 key management personnel total remuneration amounted to RUB 1,023 million and RUB 1,208 million, respectively, including social contributions of RUB 322 million and RUB 314 million, respectively. These amounts comprised of RUB 594 million and RUB 657 million in base salaries and RUB 429 million and RUB 551 million in bonuses paid pursuant to a bonus plan, respectively (including social contributions).

The management and directors are also entitled to cash-settled and equity-settled share-based payments. Related compensation accrued during the six months ended June 30, 2023 and 2022 amounted to RUB 1,212 million and RUB 841 million, respectively, including social contributions of RUB 148 million and RUB nil million, respectively.

16. COMMITMENTS AND CONTINGENCIES

Capital commitments – As of June 30, 2023 and December 31, 2022, the Group had entered into purchase agreements of approximately RUB 29,839 and RUB 25,369 million to acquire property, plant and equipment, intangible assets and costs related thereto.

Taxation – Management believes that it has adequately provided for tax liabilities in the accompanying interim condensed consolidated financial statements. However, the risk remains that the relevant tax authorities could take different positions with regard to interpretive issues and the effect could be significant.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Amounts in millions of Russian Rubles unless otherwise stated)

The Group estimates the following contingent liabilities in respect to additional tax settlements:

	June 30, 2023	December 31, 2022
Contingent liabilities for additional taxes other than income tax	554	498
Contingent liabilities for additional income taxes	506	1,222

Licenses – Management believes that as of June 30, 2023 the Group complied with conditions of the licenses used.

Litigation – In the ordinary course of business, the Group is party to various legal, tax and customs proceedings, and subject to claims, some of which relate to developing markets and evolving fiscal and regulatory environments within MTS's markets of operation.

Litigation related to operations in Turkmenistan - In September 2017, the Group's subsidiary in Turkmenistan MTS Turkmenistan or MTS-TM, suspended the provision of telecommunication services to its subscribers, due to the termination by Turkmen state-owned companies and state authorities of line rental, frequency allocation, interconnect, and other agreements necessary to provide telecommunication services. The license for the provision of telecommunication services on the territory of Turkmenistan was valid until July 2018.

In July 2018, the Group filed a Request for Arbitration against the Sovereign State of Turkmenistan with the World Bank's International Center for Settlement of Investments Disputes ("ICSID") in order to protect its legal rights and investments in Turkmenistan. In June 2023 the ICSID ruled against MTS and obliged the Group to compensate for the Sovereign State of Turkmenistan' legal fees and expenses. Management of the Group believes that as of June 30, 2023 it has adequately provided for the related losses. The Group considers further legal opportunities for protection of its rights and interests.

Antimonopoly proceedings – In August 2018, the Federal Antimonopoly Service of Russia ("FAS Russia") charged MTS and other federal operators with violation of antimonopoly laws in respect to establishing discriminatory terms and conditions for bulk SMS pricing for the banks with state-owned equity interest as compared to the terms and conditions for other banks and later – with establishing unreasonably high bulk SMS prices. In May 2019, FAS Russia considered that MTS had breached the provisions of antimonopoly laws in respect to establishing discriminatory terms and conditions for bulk SMS pricing and charging unreasonably high bulk SMS prices, prescribing MTS to cease its violations. MTS contested the decision and the prescription of FAS Russia, however courts at different levels upheld the position of FAS Russia. In August 2021, the Group paid the fine imposed by FAS Russia in full amount of RUB 189 million.

In 2021, certain financial institutions in Russia initiated litigations against the Group, claiming reimbursement for losses incurred in connection with violation of antimonopoly laws in respect to establishing unreasonably high bulk SMS prices. The commercial courts at four levels have dismissed all the claims in full. It's currently impossible to predict the possibility or outcome of new litigations on violation of antimonopoly laws in respect to establishing unreasonably high bulk SMS prices. Management of the Group believes that as of June 30, 2023 it has adequately provided for claims related to antimonopoly proceedings.

Potential adverse effects of economic volatility and sanctions in Russia – In February 2022, following the conflict between Russia and Ukraine, the EU, US, UK and certain other countries have imposed significant new sanctions and export controls on Russian and Belarusian persons and entities. These sanctions resulted in reduced access of the Russian businesses to international capital and some export markets, volatility of the Russian ruble, rise of inflation, decline in capitals markets, restrictions targeting several major Russian financial institutions and the Central Bank of Russia ("CBR"), a number of companies and individuals, technology export controls and other negative economic consequences.

On February 28, 2022, trading on the Moscow Exchange in all equity securities was suspended (including MTS PJSC ordinary shares), with the suspension later extended to March 28, 2022. Also on February 28, 2022, the New York Stock Exchange halted trading in the Company's American depositary shares ("ADSs") and those of certain other Russian companies.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Amounts in millions of Russian Rubles unless otherwise stated)

Developments relating to these matters are highly unpredictable, occur swiftly and often with little notice and are mostly outside the control of the Group, and the risk that any Group member, or individuals holding positions within the Group as well as its counterparties, may be affected by future sanctions designations cannot be excluded. In 2023 Canada imposed sanctions on MTS PJSC, extending to the subsidiaries controlled by MTS PJSC. The volume of the Group's operations with Canadian entities and individuals is insignificant. Current and future risks to the Group include, among others, the risk of reduced or blocked access to capital markets and ability to obtain financing on commercially reasonable terms (or at all), the risk of restrictions on the import of certain equipment and software, as well as the risk deviations of the conversion rate of Russian ruble against other currencies. In addition, Central Bank's of Russia increase of its key rate to 20% on February 28, 2022, impacted floating-rate credit facilities and consequently increased the Group's finance costs. Further in 2022, the Central Bank of Russia has gradually decreased its key rate to 7,5% as of June 30, 2023 and increased to 12% in August, 2023.

Furthermore, the CBR has prohibited Russian companies from making any payments, including dividends, on securities of Russian companies to non-Russian residents, with the result that any non-Russian resident holders of our ADSs were ineligible to receive such dividends. In May 2022, the Decree of the President of Russian Federation No. 254 set temporary procedures for making dividend payments on securities of Russian companies to non-Russian residents, which includes making payments in Russian rubles through special accounts.

In April 2022, Russian Federal Law No. 114-FZ, requiring Russian companies to terminate their depository receipt programs, came into force. In May, the Russian Government Commission on Monitoring Foreign Investment ("the Commission") approved the Company's request to maintain its American Depositary Receipts (ADR) program. The Commission's decision provided for the continuation of circulation of MTS ADRs until July 12, 2022 (inclusive). Following the Commission's decision and requirements of the law the Group initiated the termination process of its depository receipt program, starting from July 13th, 2022. MTS' ADSs were delisted from the NYSE effective August 8, 2022. The existing ADSs could have been converted into MTS' ordinary shares at the ratio of 1:2. The guaranteed conversion period expired on January 12, 2023 (inclusive). In August 2022, the Group initiated ADSs automatic conversion into ordinary shares. If holders of depository receipts held with foreign brokers and/or custodians were restricted by foreign brokers and/or custodians from the conversion of receipts and allotment of shares due to sanctions, holders of receipts could have their shares converted through a forced conversion mechanism. The deadline for submitting forced conversion applications expired on November 11, 2022.

Management remains focused on ensuring operational continuity and providing uninterrupted connectivity and other services for customers. In making its going concern assessment, management considered principal risks and existing uncertainties, the Group's liquidity position, including the Group's borrowings and available credit facilities, its expectations on compliance with covenants, capital expenditure commitments and other factors.

Sanctions on MTS Bank - In February 2023, the US Office of Foreign Assets Control (OFAC) and the UK Office of Financial Sanctions Implementation (OFSI) designated MTS Bank as a sanctioned person pursuant to applicable sanctions regulations adopted by the US and the UK, respectively. Accordingly, MTS Bank became subject to so-called "blocking" (asset-freeze) sanctions maintained by the US and the UK. Among other matters, these sanctions require US and UK third parties, including banks, to block or freeze assets which MTS Bank holds with such parties or otherwise block the settlement of payments to or from MTS Bank and its counterparties. The full impact and potential implications of the imposed sanctions on MTS Bank on the Group's operations, assets and liabilities cannot be reliably estimated at this time. Management believes it is taking the appropriate measures to mitigate the related negative effects.

Compliance monitoring – In March 2019, following the previously disclosed investigation concerning the Group's former subsidiary in Uzbekistan, the Group consented to the entry of an administrative cease-and-desist order (the "Order") by the United States Securities and Exchange Commission and entered a deferred prosecution agreement ("DPA"). Under the DPA and the Order in September 2019 the Group appointed an independent compliance monitor for, inter alia, review, testing and perfecting MTS' anti-corruption compliance code, policies, and procedures. The term of the monitoring will continue until September 2023.