

Mobile TeleSystems Public Joint-Stock Company

Financial Statements for 2021
and Independent Auditor's Report
(Translated from the original in Russian –
unofficial translation)

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Mobile TeleSystems Public Joint-Stock Company (the "Company"), which comprise:

- Balance sheet as of 31 December 2021;
- Statement of financial results for 2021;
- Appendices to the balance sheet and statement of financial results:
 - Statement of changes in equity for 2021;
 - Statement of cash flows for 2021;
 - Notes to Balance sheet and Statement of financial results, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year 2021 in accordance with Russian accounting and financial reporting standards ("RASs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Auditor's Independence Rules and the Auditor's Professional Ethics Code, that are relevant to our audit of the financial statements in the Russian Federation together with the ethical requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter? How the matter was addressed in the audit?

Revenue recognition

The Company's revenue from telecommunication services consists of a significant volume of low-value transactions, sourced from multiple systems, databases, and other tools, including billing systems. The processing and recording of revenue is highly automated and is based on established tariff plans.

We identified the revenue recognition for telecommunication services as a key audit matter due to the complexity of information systems involved in the revenue recognition process and the risks associated with recognition and measurement of revenue, arising from the diversity and constant evolution of tariff plans, marketing offers and discounts provided to customers. The auditing of revenue required an increased extent of audit effort, including the need for us to involve professionals with expertise in information technology (IT), to identify, test, and evaluate the Company's systems, software applications, and automated controls.

See Notes 2, 15 and 17 to the financial statements.

Our audit procedures related to the Company's revenue recognition for telecommunication services included the following, among others:

- We evaluated the IT environment that secures proper functioning of billing and other IT systems related to accounting, including control procedures for monitoring changes and segregation of duties, as well as testing of these controls;
 - We tested the design and operating effectiveness of internal controls over revenue recognition, including the recording and registration of phone calls, call duration, provision of data and value added services; authorization of changes in tariff plans and input of this information into the billing systems; and the accuracy of the application of incentive arrangements and discounts;
 - We performed end-to-end testing of the reconciliation of data on the duration and volume of telecommunication services provided from their initial registration by switching equipment to billing and other IT systems and then to accounting records, including testing of certain manual adjustments recorded when transferring data from billing and other IT systems to the general ledger;
 - We used test calls to test the accuracy of the details of connections, their duration and the tariff plans applied;
 - We tested whether incentive arrangements and discounts were correctly accounted for in accordance with the relevant accounting policies of the Company;
 - We agreed the information on active tariffs entered in the billing systems to the approved tariff orders and published tariff plans;
 - We evaluated the Company's accounting policy with respect to the recognition of revenue from the provision of services to subscribers to determine if the existing policy is appropriate for new types of operations and applied correctly;
 - We assessed the compliance of the disclosures in the consolidated financial statements with the requirements of IFRS 15, Revenue from Contracts with Customers.
-

Why the matter was determined to be a key audit matter? How the matter was addressed in the audit?

Valuation of investments in subsidiaries and associates

The Company applies separate principles of equity method for accounting of its investments in subsidiaries and associates. In addition, the Company performs impairment tests with respect to its investments in subsidiaries and associates.

We considered this matter as a key audit matter due to the material amount of investments in subsidiaries and associates for the financial statements and also due to the fact that the application of the separate principles of equity method, the determination of objective impairment indicators and, if necessary, impairment testing, requires performing complicated calculations and applying judgement.

See Notes 2 and 6 to the financial statements.

We obtained an understanding of the accounting treatment of investments in subsidiaries and associates share capital and valuation of its impairment.

Our audit procedures included:

- Sample based verification of valuation of investments in subsidiaries and associates by the means of:
 1. Comparing the initial cost of the investment at the date of acquisition with supporting documents,
 2. Comparing the Company's share in profit or loss and other comprehensive income with the financial statements of subsidiaries and associates for the reporting period,
 3. Verification of the correctness of the profit or loss and other comprehensive income included in the financial statements of subsidiaries and associates for the reporting period,
 4. Verification of the other changes in the carrying value of investments with the supporting documents as at the dates of operations;
- Assessment of the correctness of the determination of objective impairment indicators of investments in subsidiaries and associates performed by management and verification of the impairment test calculation prepared by management for those investments where the impairment indicators was identified. The verification of the impairment calculation included a comparison of the fair value of the investment with the carrying value of the investment, as well as an analysis of the assumptions and judgments applied by management in determining fair value.

We checked completeness and evaluated the compliance of the disclosures in the financial statements with the requirements of the applicable reporting standards.

Why the matter was determined to be a key audit matter? How the matter was addressed in the audit?

Compliance with anti-bribery laws and regulations and associated accounting and disclosure implications

In March 2019, the Company reached a resolution with the United States Securities and Exchange Commission (“SEC”) and the United States Department of Justice (“DOJ”) relating to the investigation concerning the Company’s former subsidiary in Uzbekistan. The Company consented to the commencement of an administrative cease-and-desist order (the “Order”) by the SEC and entered into a deferred prosecution agreement (“DPA”). Under the DPA and the Order in September 2019 the Company appointed an independent compliance monitor (“Independent Monitor”) for, inter alia, review, testing and improving MTS’ anti-corruption compliance code, policies, and procedures for a period of three years. In 2021, the DOJ and SEC approved a one year extension of the monitorship, which is permitted by the terms of the DPA and the Order.

Given the significant judgments required to be made by management in order to estimate contingencies related to any potential instance of non-compliance with anti-corruption laws and regulations, the audit procedures necessary to evaluate management’s judgments in this area as of December 31, 2021 required a high degree of auditor judgment in evaluating whether the audit evidence obtained supports management’s estimate.

See Note 30 to the financial statements.

Our audit procedures related to the Company’s estimation of any contingencies related to any potential instance of non-compliance with anti-corruption laws and regulations included the following, among others:

- We inspected the laws and regulations the Company has to comply with in order to obtain an understanding of the relevance and applicability to the Company and to assess any potential penalties that may arise for non-compliance;
 - We read the procedures performed by the Independent Monitor and evaluated the implications of their findings, including discussing these with management of the Company as well as internal and external legal advisors;
 - We inquired management regarding their follow up on the results of internal and external investigations, influencing the design and operational effectiveness of the Company’s compliance programs and internal controls relating to the prevention and detection of fraud and corruption;
 - We tested the design and operating effectiveness of internal controls, including, amongst others, the control environment (including whistle-blower and internal fraud management cases) and the controls for the adherence of business partners to the anti-corruption codes;
 - We read the minutes of the Board of Directors’ meetings;
 - We evaluated management’s assessment of compliance with anti-corruption laws and regulations as well as an estimation of contingencies related to any potential instances of non-compliance;
 - We obtained letters from external and internal legal counsel;
 - We evaluated the Company’s accounting policy with respect to the accounting for provisions and disclosure of contingent liabilities to determine if the existing policy is appropriate and applied correctly, and assessed the compliance of the disclosures in the financial statements against the requirements of PBU 8/2010 “Provisions, Contingent Liabilities and Contingent Assets”.
-

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report for 2021 (the “Annual report”), but does not include the financial statements and our auditor’s report thereon. The Annual report is expected to be made available to us after the date of this auditor’s report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement of other information therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with RASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting for preparation of financial statements unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control system relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The Russian original signed by

Shvetsov Andrei Viktorovich

(ORNZ №21906101417)

Engagement partner

Acting based on the power of attorney issued by the General Director on 18.10.2021

authorizing to sign off the audit report on behalf of AO "Deloitte & Touche CIS"

(ORNZ № 12006020384)

31 March 2022

The following financial statements were prepared for use in the Russian Federation in accordance with accounting principles and financial reporting practices generally accepted in the Russian Federation and are not intended to present the financial position and results of operations of the audited entity in accordance with accounting principles and practices generally accepted in any other jurisdiction.

**BALANCE SHEET
as at 31 December 2021**

		CODES	
Entity	Mobile TeleSystems Public Joint-Stock Company	Form No. 1 OKUD	0710001
Taxpayer identification number		Date (day, month, year)	31/12/2021
Type of activity	Telecommunications based on wireless technologies	OKPO	52686811
Legal status/ form of ownership	Public joint-stock company/ Joint private and foreign ownership	TIN	7740000076
Measurement unit	RUB thousand	OKVED-2	61.20
Address	4 Marksistskaya St., Moscow, 109147	OKOPF/OKFS	12247/34
		OKEI	384
The financial statements is subject to mandatory audit		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Audit Firm		AO "Deloitte & Touche CIS"	
Taxpayer identification number of the audit firm		TIN	7703097990
Primary state registration number of the audit firm		PSRN	1027700425444

Item description	Note	31 December 2021	31 December 2020	31 December 2019
ASSETS				
I. NON-CURRENT ASSETS				
Intangible assets	3	19 762 415	19 090 789	15 283 208
Cost-to-obtain contracts with subscribers		17 934 546	17 539 906	17 504 898
Non-exclusive rights to use assets	3	59 909 943	53 213 077	49 205 810
Property, plant and equipment	4	218 716 971	206 675 728	185 382 978
Right-of-use assets	5	114 870 529	111 061 674	109 783 121
Construction-in-progress	4	34 629 161	25 479 869	18 118 201
Investments in subsidiaries and associates	6	374 230 642	302 822 284	276 387 373
Other investments	7	21 578 452	11 912 224	20 023 291
Other non-current assets	8	7 333 698	6 065 429	8 926 413
Total Section I		868 966 357	753 860 980	700 615 293
II. CURRENT ASSETS				
Inventories		781 936	914 524	545 152
Value-added tax receivable		8 334 692	7 825 953	7 303 923
Accounts receivable	9	24 122 857	29 515 917	31 384 574
Other investments (other than cash equivalents)	7	10 666 931	12 056 098	35 675 712
Cash and cash equivalents	10	22 442 953	46 844 624	8 759 649
Other current assets		145 792	82 751	121 666
Total Section II		66 495 161	97 239 867	83 790 676
TOTAL ASSETS		935 461 518	851 100 847	784 405 969
EQUITY AND LIABILITIES				
III. EQUITY AND RESERVES				
Share capital	11	199 838	199 838	199 838
Treasury shares		(12 642 941)	(111 535)	(4 120)
Additional paid-in capital (excluding revaluation)		10 028 760	8 029 093	8 192 619
Accumulated other comprehensive income		13 861 591	12 470 710	10 969 433
Reserve capital		30 996	30 996	30 996
Retained earnings		84 573 285	87 177 441	82 990 541
Total Section III		96 051 529	107 796 543	102 379 307
IV. NON-CURRENT LIABILITIES				
Borrowings	12	423 105 476	461 829 240	311 320 629
Deferred tax liabilities	16	15 933 999	17 269 833	15 985 103
Provisions	14	6 787 330	4 788 824	4 565 679
Accounts payable	13	3 824 584	3 405 630	3 959 789
Lease obligations	5	117 805 397	113 026 810	109 680 256
Contract liabilities	15	762 855	548 389	327 302
Total Section IV		568 219 641	600 868 726	445 838 758
V. CURRENT LIABILITIES				
Borrowings	12	150 416 384	48 406 841	125 624 566
Accounts payable	13	83 026 790	60 590 898	82 140 407
Lease obligations	5	12 158 325	10 497 802	9 320 262
Contract liabilities	15	20 383 672	19 219 682	17 352 980
Deferred income		9 335	9 430	9 747
Provisions	14	5 195 842	3 710 925	1 739 942
Total Section V		271 190 348	142 435 578	236 187 904
TOTAL EQUITY AND LIABILITIES		935 461 518	851 100 847	784 405 969

The Russian original signed by

A.M. Kamensky
Member of the Management Board
Finance Vice-president of Mobile TeleSystems PJSC
(By power of attorney No. 77 AG 3479248 dated March 12, 2020)

A.V. Dvoretiskikh
Chief Accountant of Mobile TeleSystems PJSC

31 March 2022

**STATEMENT OF FINANCIAL RESULTS
for 2021**

		CODES	
Entity	Mobile TeleSystems Public Joint-Stock Company	Form No. 2 OKUD	0710002
Taxpayer identification number		Date (day, month, year)	31/12/2021
Type of activity	Telecommunications based on wireless technologies	OKPO	52686811
Legal status/ form of ownership	Public joint-stock company/ Joint private and foreign ownership	TIN	7740000076
Measurement unit	RUB thousand	OKVED-2	61.20
		OKOPF/ OKFS	12247/34
		OKEI	384

Item description	Note	2021	2020
Revenue	17	373 326 442	358 081 393
Cost of sales	18	<u>(182 328 509)</u>	<u>(171 011 407)</u>
Gross profit		<u>190 997 933</u>	<u>187 069 986</u>
Selling expenses	18	(49 215 231)	(50 010 330)
Administrative expenses	18	<u>(47 988 578)</u>	<u>(38 064 887)</u>
Operating profit		<u>93 794 124</u>	<u>98 994 769</u>
Interest income		2 902 481	4 557 708
Interest expense	12	(34 018 040)	(32 938 837)
Interest expense – lease obligations	5	(10 135 734)	(10 312 276)
Share of the net profit of subsidiaries and associates	6	23 144 457	20 876 607
Other income	19	2 630 441	10 161 345
Other expenses	20	<u>(6 674 609)</u>	<u>(23 428 825)</u>
Profit before income tax		<u>71 643 120</u>	<u>67 910 491</u>
Income tax	16	(11 755 433)	(11 054 622)
current income tax	16	(13 333 103)	(8 937 279)
deferred income tax	16	1 577 670	(2 117 343)
Other	16	<u>(178 854)</u>	<u>170 331</u>
Net profit		<u><u>59 708 833</u></u>	<u><u>57 026 200</u></u>
ADDITIONAL INFORMATION			
Result of other transactions not included in current year net profit		1 390 894	1 501 277
Comprehensive financial result for the period		61 099 727	58 527 477
Basic earnings per share, RUB	23	30.03	28.54
Diluted earnings per share, RUB	23	30.03	28.54

The Russian original signed by

A.M. Kamensky
Member of the Management Board
Finance Vice-president of Mobile TeleSystems PJSC
(By power of attorney No. 77 AG 3479248 dated March 12, 2020)

A.V. Dvoretzkikh
Chief Accountant of Mobile TeleSystems PJSC

31 March 2022

**STATEMENT OF CHANGES IN EQUITY
for 2021**

Entity
Taxpayer identification number
Type of activity
Legal status/ form of ownership
Measurement unit

Mobile TeleSystems Public Joint-Stock Company
Telecommunications based on wireless technologies
Public joint-stock company/ Joint private and foreign ownership
RUB thousand

	CODES
Form No. 4 OKUD	0710004
Date (day, month, year)	31/12/2021
OKPO	52686811
TIN	7740000076
OKVED-2	61.20
OKOPF/OKFS	12247/34
OKEI	384

1. Changes in equity

Item description	Share capital	Treasury shares	Additional paid in capital	Accumulated other comprehensive income	Reserve capital	Retained earnings	Total
Total as at 31 December 2019	199 838	(4 120)	8 192 619	10 969 433	30 996	82 990 541	102 379 307
Net profit	-	-	-	-	-	57 026 200	57 026 200
Dividends	-	-	-	-	-	(58 939 757)	(58 939 757)
Foreign currency translating reserve of foreign standalone division	-	-	617	-	-	-	617
Equity method effect for investments in subsidiaries and associates (Note 6)	-	-	-	1 501 277	-	7 397 845	8 899 122
Purchase of own stock	-	(107 415)	-	-	-	-	(107 415)
Options granted under employee benefit programs (Note 31)	-	-	408 683	-	-	-	408 683
Exercise of options under employee benefit programs (Note 31)	-	-	(572 826)	-	-	-	(572 826)
Change in equity due to reorganization	-	-	-	-	-	(1 297 388)	(1 297 388)
Total as at 31 December 2020	199 838	(111 535)	8 029 093	12 470 710	30 996	87 177 441	107 796 543
Net profit	-	-	-	-	-	59 708 833	59 708 833
Dividends	-	-	-	-	-	(73 680 966)	(73 680 966)
Foreign currency translating reserve of foreign standalone division	-	-	13	-	-	-	13
Equity method effect for investments in subsidiaries and associates (Note 6)	-	-	-	1 390 881	-	11 713 900	13 104 781
Purchase of own stock	-	(12 531 406)	-	-	-	-	(12 531 406)
Options granted under employee benefit programs	-	-	2 020 921	-	-	-	2 020 921
Exercise of options under employee benefit programs	-	-	(21 267)	-	-	-	(21 267)
Change in equity due to reorganization	-	-	-	-	-	(345 923)	(345 923)
Total as at 31 December 2021	199 838	(12 642 941)	10 028 760	13 861 591	30 996	84 573 285	96 051 529

2. Adjustments on changes of accounting policy

Item description	As at 31 December 2019	Changes in equity for 2020		As at 31 December 2020
		Due to net profit	Due to other factors	
Equity – total				
Before adjustments	101 575 256	57 026 200	(51 444 821)	107 156 635
Adjustment on:				
Changes of accounting policy	804 051	-	(164 143)	639 908
After adjustments	102 379 307	57 026 200	(51 608 964)	107 796 543
thereof:				
Retained earnings:				
Before adjustments	-	-	-	-
Adjustment on:				
Changes of accounting policy	-	-	-	-
After adjustments	-	-	-	-

3. Net assets

Item description	31 December 2021	31 December 2020	31 December 2019
Net assets	<u>96 060 864</u>	<u>107 805 973</u>	<u>102 389 054</u>

The Russian original signed by

A.M. Kamensky
Member of the Management Board
Finance Vice-president of Mobile TeleSystems PJSC
(By power of attorney No. 77 AG 3479248 dated March 12, 2020)

A.V. Dvoretiskikh
Chief Accountant of Mobile TeleSystems PJSC

31 March 2022

**STATEMENT OF CASH FLOWS
for 2021**

		CODES	
		Form No. 5 OKUD	0710005
		Date (day, month, year)	31/12/2021
Entity	Mobile TeleSystems Public Joint-Stock Company	OKPO	52686811
Taxpayer identification number		TIN	7740000076
Type of activity	Telecommunications based on wireless technologies	OKVED-2	61.20
Legal status/ form of ownership	Public joint-stock company/ Joint private and foreign ownership	OKOPF/OKFS	12247/34
Measurement unit	RUB thousand	OKEI	384
Item description		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows – total		333 823 399	309 540 520
including:			
Proceeds from customers		314 102 788	293 262 423
Interest received on cash equivalents		808 054	1 290 301
Other cash inflows		18 912 557	14 987 796
Cash outflows – total		(175 443 794)	(179 492 312)
including:			
Payments for acquired goods, services, raw materials and other current assets		(73 477 645)	(77 130 362)
Payments to employees		(33 688 628)	(37 808 400)
Interest paid		(43 437 281)	(43 122 756)
Income tax paid		(10 497 028)	(8 653 582)
Other taxes and duties paid		(14 117 625)	(12 761 071)
Other payments		(225 587)	(16 141)
Net cash flow from operating activities		158 379 605	130 048 208
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows – total		44 544 259	79 029 018
including:			
Proceeds from sales of property, plant and equipment and other non-current assets		435 463	440 979
Proceeds from disposal of financial investments in the authorized capital of subsidiaries and associates		2 451 501	2 450 000
Proceeds from sale of securities and other financial instruments		611 564	25 491 776
Dividends received		20 817 919	8 019 800
Interest received		756 416	5 623 496
Proceeds from repayment of loans given to other entities		19 374 668	36 724 597
Proceeds from reorganization of subsidiaries in the form of merger		11 420	278 370
Proceeds from repayment of deposits		85 308	-
Cash outflows – total		(194 717 561)	(148 690 209)
including:			
Deposit placement		(12 000)	(73 115)
Purchase of financial investments in share capitals of subsidiaries and associates		(52 890 069)	(27 653 333)
Purchase of securities and other financial instruments		(226 881)	-
Cost to obtain contracts, paid		(9 409 278)	(10 438 440)
Purchase of property, plant and equipment (including investment property) and intangible assets		(102 439 847)	(87 688 442)
Loans issued to subsidiaries and associates		(29 739 486)	(22 836 879)
Net cash used in investing activities		(150 173 302)	(69 661 191)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash inflows – total		198 609 169	327 310 342
including:			
Proceeds from loans issued by other organizations and bond issues		198 609 169	327 310 342
Cash outflows – total		(231 645 579)	(349 898 147)
including:			
Repayment of borrowings (excluding interest)		(136 023 122)	(257 038 159)
Dividends paid (including withholding income tax)		(73 680 969)	(84 453 622)
Purchase of own shares		(12 515 304)	(107 394)
Lease obligation principal paid		(9 426 184)	(8 298 972)
Net cash used in financing activities		(33 036 410)	(22 587 805)
Net cash flow for the reporting period		(24 830 107)	37 799 212
Cash and cash equivalents at the beginning of the reporting period		46 844 624	8 759 649
Cash and cash equivalents at the end of the reporting period		22 014 517	46 844 624
Effect of foreign exchange rate changes on the ruble		428 436	285 763

The Russian original signed by

A.M. Kamensky
Member of the Management Board
Finance Vice-president of Mobile TeleSystems PJSC
(By power of attorney No. 77 AG 3479248 dated March 12, 2020)

31 March 2022

A.V. Dvoretiskikh
Chief Accountant of Mobile TeleSystems PJSC

**NOTES TO THE BALANCE SHEET AND STATEMENT OF FINANCIAL RESULTS OF
Public Joint-Stock Company Mobile TeleSystems for 2021**

1. GENERAL MATTERS

Mobile TeleSystems Public Joint-Stock Company (“the Company” or “MTS PJSC”) provides mobile and fixed-line communication services on the territory of the Russian Federation (“RF”). The Company is one of the leading mobile operators in the Russian Federation.

State Registration Certificate No. P-7882.16 was issued by the State Registration Chamber under the Ministry of Justice of the Russian Federation on 1 March 2000.

Legal and actual address: Russian Federation, 109147, Moscow, 4 Marksistskaya St.

MTS PJSC has branches and structural divisions registered in the following regions in the RF:

Moscow city, the Moscow Region; the Oryol Region, Oryol; the Belgorod Region, Belgorod; the Lipetsk Region, Lipetsk; the Kursk Region, Kursk; the Voronezh Region, Voronezh; the Bryansk Region, Bryansk; Tula Region, Tula; Smolenskiy Region, Smolensk; Ryazanskiy Region, Ryazan; Vladimirskiy Region, Vladimir; the Kaluzhskiy Region, Kaluga; the Yaroslavskiy Region, Yaroslavl; the Tverskoy Region, Tver; the Kostromskoy Region, Kostroma; the Ivanovskiy Region, Ivanovo; the Tambovskiy Region, Tambov; St.-Petersburg; the Pskovskiy Region, Pskov; the Komi Republic, Syktyvkar; the Arkhangelsk Region, Arkhangelsk; the Vologda Region, Vologda; the Kaliningrad Region, Kaliningrad; the Murmanskiy Region, Murmansk; the Novgorodskiy Region, Veliky Novgorod; the Republic of Karelia, Petrozavodsk; the Nizhny Novgorod Region, Nizhny Novgorod; the Kirov Region, Kirov; the Republic of Tatarstan, Kazan; the Udmurt Republic, Izhevsk; the Chuvash Republic, Cheboksary; the Republic of Mordovia, Saransk; the Mariy El Republic, Yoshkar-Ola; the Penzenskiy Region, Penza; the Samarskiy Region, Samara; the Saratovskiy Region, Saratov; the Orenburgskiy Region, Orenburg; the Ulyanovsk Region, Ulyanovsk; the Republic of Bashkortostan, Ufa; the Krasnodar Region, Krasnodar; the Krasnodar Region, Novorossiysk; the Krasnodar Region, Sochi; the Astrakhan Region, Astrakhan; the Volgograd Region, Volgograd; the Stavropol Region, Stavropol; the Rostov Region, Rostov on-Don; the Kabardino-Balkaria Republic, Nalchik; the Karachay-Cherkessia Republic, Cherkessk; the Republic of Ingushetia, Nazran; the Republic of North Osetia-Alania, Vladikavkaz; the Republic of Dagestan, Makhachkala; the Chechen Republic, Grozny; the Sverdlovsk Region, Ekaterinburg; the Perm Region, Perm; the Chelyabinsk Region, Chelyabinsk; the Kurgan Region, Kurgan; the Tyumen Region, Tyumen; the Khanty-Mansi Autonomous District, Surgut; the Yamalo-Nenets Autonomous District, Noyabrsk; the Novosibirsk Region, Novosibirsk; the Omsk Region, Omsk; the Kemerovo Region, Kemerovo; the Altai Region, Barnaul; the Krasnoyarsk Region, Krasnoyarsk; the Tomsk Region, Tomsk; the Republic of Khakassia, Abakan; the Altai Republic, Gorno-Altaysk; the Tyva Republic, Kyzyl; the Primorsky Region, Vladivostok; the Khabarovsk Region, Khabarovsk; the Amur Region, Blagoveshchensk; the Zabaikalskiy Region, Chita; the Republic of Sakha (Yakutia), Yakutsk; the Irkutsk Region, Irkutsk; the Kamchatka Region, Petropavlovsk-Kamchatsky; the Magadan Region, Magadan; the Buryat Republic, Ulan-Ude; the Sakhalin Region, Yuzhno-Sakhalinsk.

MTS PJSC also has a representative office in the Republic of Belarus.

The average number of staff at the Company in 2021 and 2020 was 26 951 and 27 527, respectively.

The entity keeping record of title to securities is JSC Independent Registrar Company.

Company’s information is published in the Attachment to the Newsletter of the Federal Financial Markets Service of Russia.

Primary source of the Company's revenue

The Company generates revenue primarily from rendering the following services:

- Mobile communication services;
- Lease of communication channels;
- Fixed local, long-distance and international communication services;
- Telematic services;
- Other services.

Liquidity risk

Liquidity risk represents the risk of insufficient funds. In accordance with the Company's policy, the borrowings are made centrally through a combination of short-term and long-term credit facilities. These borrowings in conjunction with cash from operating activities are used to meet the estimated financing needs. The Company's management estimated the risk on its debt refinancing as low.

Management manages the liquidity risk on long-term debt liabilities supporting the loan portfolio with various periods of maturity and necessary amount of net debt, thus minimizing the risk of debt refinancing. The debt repayment periods vary from one to seven years.

As at 31 December 2021 the current liabilities exceeded the current assets by RUB 204 695 187 thousand. Management considers that the Company has access to sufficient amount of liquidity due to proceeds of cash from operating activities and credit lines in the amount of RUB 263 026 334 thousand (Note 12 Borrowings).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Company are prepared in accordance with the accounting and reporting requirements of the RF, accounting standards enacted on the territory of the RF by the Decree of the Government of the RF of 25 February 2011 №107, which approved the "Regulation on the recognition of International Financial Reporting Standards and Explanations of International Financial Reporting Standards for use in the Russian Federation".

The basis for the application of International Financial Reporting Standards (hereinafter IFRS) was the decree of the Ministry of Finance of Russia dated 28 April 2017 №69n, which amended certain provisions of the Accounting Regulations of PBU 1/2008 "Accounting Policy of the Organization", approved by decree of the Ministry of Finance of Russia dated 6 October 2008 №106n.

This amendment allows entities that publish their financial statements in accordance with IFRS to use IFRS accounting policies for the preparation of their statutory financial statements. In particular, the entity may not apply the accounting and reporting requirements established by Federal Accounting Standards ("FAS") in case these requirements are not consistent with IFRS accounting policies.

The Company uses Oracle e-Business Suite as the principal software suite to maintain its financial and tax accounting records.

Going concern assumption

In preparation of the financial statements, the Company's management assumed that the Company will continue as a going concern in the foreseeable future and has neither intention nor obligation to discontinue or significantly reduce its activities, and that therefore its obligations will be discharged in due course.

Chart of accounts

The Company applies working chart of accounts built on segregation of all accounting items into groups based on common characteristics shared by items.

The Company accounts for assets, liabilities and business transactions in accordance with the working chart of accounts.

The structure of a chart of accounts ensures the consistency of accounting data with the financial statements.

Stockcount

The procedure and timing of stockcount of assets and liabilities and the list of items subject to stockcount are determined by the Company's management, except where there is a need to take an obligatory stockcount. Obligatory stockcount is prescribed by the Russian legislation and federal and industry standards.

A count of property, plant and equipment ("PP&E") is performed for each PP&E group in different reporting periods, but at least once every 3 years for each PP&E group.

In 2021 all fixed assets were counted under Order dated 19.03.2021 No. 01/00103 P "On performing an unscheduled stockcount of MTS property in connection with the establishment of Tower Infrastructure Company LLC" and Order dated 09.06.2021 No. 01/00219 P "On performing a count of assets and liabilities in connection with the reorganization of the organization in the form of a spin-off".

A count of intangible assets ("IA") is performed every year.

The count of other assets and liabilities was performed as at 1 October and 31 December 2021 (depending on the type of assets and liabilities) as scheduled by the Order of the President of MTS PJSC P "On Performing Stockcount of Assets and Liabilities Before Preparation of the Annual Financial Statements" dated 27 August 2021 № 01/00301 P.

Assets and liabilities denominated in foreign currencies

When accounting for foreign currency transactions, the Company uses the Central Bank of the RF official exchange rates of the Russian ruble ("RUB") against other currencies at the dates of the transaction (unless another exchange rate is agreed by the parties).

Assets and liabilities denominated in foreign currencies are translated into RUB as at:

- The transaction date; and
- The last day of the reporting period in which the assets and liabilities are recorded;
- As of the maturity date of the assets (liabilities).

Advances are not subsequently adjusted for movements in exchange rates.

Foreign exchange differences are recognized in other income / expenses.

Foreign currency gains and losses are recognized on the net basis as other income or expenses in the statement of financial results.

Current and non-current assets and liabilities

Assets and liabilities classified in the financial statements as current are expected to be used (settled) in the course of production and other activities within 12 months after the reporting date.

Other assets and liabilities are reported as non-current.

Accounting for property, plant and equipment

The historical cost of property, plant and equipment comprises:

- Purchase price (including import duties and non-refundable purchase taxes, less trade discounts);
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be used in the manner intended by management;
- The initial estimate of dismantling costs and the cost of returning network infrastructure sites to their original condition;
- Capitalized borrowing costs.

The inclusion of borrowing costs in the historical cost of property, plant and equipment is mandatory for assets, which require a significant period of 6 months or more than 6 months to prepare for their intended use. If capital investments into real estate items have been already incurred but the title to such items has not been registered yet in the manner prescribed by the legislation, such real estate items are recognized as property, plant and equipment regardless of the fact of their state registration. Such items are depreciated in accordance with the general policy from the first day of the month following the month of recognition.

Changes in the historical cost of property, plant and equipment items at which it was recorded may be made as a result of their major improvement that extends useful lives and/or enhancement of original performance parameters. Changes in the historical cost of a property, plant and equipment item may relate to:

- The additional construction, additional equipment, reconstruction, modernization while meeting common criteria (increase in the historical cost);
- The partial liquidation (decrease in the historical cost).

Repair, maintenance and day-to-day servicing costs are treated as expenses for the period and expensed as incurred.

Property, plant and equipment are not revalued.

Items of property, plant and equipment are depreciated starting from the first day of the month following the month in which items are recognized for accounting purposes and until items are depreciated in full or derecognized.

Depreciation is charged on a straight-line basis over the estimated useful life, whether the asset is used during this period or not.

Non-depreciable items of property, plant and equipment include those items, which do not change their consumer characteristics over time (for example, land plots).

Useful life for property, plant and equipment recognized at commissioning is determined in accordance with the property, plant and equipment register of property, plant and equipment of PJSC "MTS".

Groups of property, plant and equipment	Useful lives (years)	
	From (minimum)	To (maximum)
Buildings	7	99
Constructions and transmission facilities	5	50
Machinery and equipment	1.5	20
Vehicles	2	10
Manufacturing and other tools	2	20
Land and natural resources	n/a	n/a
Other types of property, plant and equipment	2	25

Useful lives of property, plant and equipment are revised on an as-needed basis, but at least at the end of each reporting period. If the estimated useful life differs from previous estimates, the changes are accounted for in accordance with the procedures applied when accounting estimates are changed. Component accounting is applied to complex items of property, plant and equipment. The components of such complex items may have different useful lives.

Depreciation of property, plant and equipment items ceases from the first day of the month following the month of item disposal.

Accounting for intangible assets

The Company recognizes intangible assets when they meet recognition criteria for intangible assets with useful lives of over 12 months.

Software costs with useful lives of less than 12 months in the amount of up to RUB 1,000 thousand are written off to current period expenses on a one-time basis. Expenses with useful lives of less than 12 months in the amount of over RUB 1,000 thousand are recognized on the straight-line basis during the period over which the right of use is made available.

Intangible assets acquired for consideration are initially measured at cost, including:

- Asset purchase price, including import duties and non-refundable purchase taxes, less any trade discounts;
- Any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

If the Company is provided with an installment plan for payment of intangible assets for a period of more than 1 year, the initial cost of such an asset is assumed to be equal to the price equivalent with immediate payment in cash, i.e. the present value of cash payments that the Company, under the terms of the contract, have to make to pay off the debt to the supplier.

Brands, mastheads, publishing titles, customer lists and items similar in substance that are internally generated are not recognized as intangible assets. Expenditure incurred after the recognition of an acquired intangible asset is recognized as an expense for the period. Certain expenses (for example, expenses related to the acquisition of updates, software development) may be accounted for on a stand-alone basis provided that the general criteria for recognition of an intangible asset is met.

Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization.

The Company determines whether the useful life of an intangible asset is finite or indefinite. Intangible assets with indefinite useful lives are not amortized. Such assets are subject to annual impairment review. Intangible assets with finite useful lives are amortized on a straight-line basis, with the exception of movie films, which are depreciated using the accelerated depreciation method (which implies a faster depreciation of the asset during the first years of its use and a slower depreciation during the last years).

Useful lives of intangible assets are determined on the basis of dates specified in contractual documents or regulatory approvals. If the useful life is not specified by relevant document, it is determined on the basis of a technical expert's opinion.

In the absence of expert opinion or information on the useful life in purchase documents, the following depreciation periods apply (provided that the asset has finite useful life):

- Software – 2 years;
- Trademarks (service marks) – 10 years;
- Rights to use number capacity of fixed communications – 10 years;
- Rights to use number capacity of mobile communications – 5 years;
- own production films (including scripts as part of films) – 5 years;
- Other intangible assets – 2 years.

The average useful life for licenses ranges from 1 to 20 years, for radio frequencies from 1 to 15 years.

Useful lives of intangible assets purchased under agreements with an option for prolongation are determined taking into account a possible extension of the agreement provided that the amount of estimated costs of the prolongation is insignificant (compared to the amounts of the agreement).

Useful lives of intangible assets are revised on an as-needed basis, but at least at the end of each reporting period.

Accounting for inventories

The following items are recognized as inventories:

- Raw materials and supplies;
- Merchandise; and
- Finished goods.

The cost of inventories acquired for consideration includes actual costs incurred by the Company for acquisition, net of value added tax ("VAT") and other recoverable taxes (unless otherwise prescribed by the Russian legislation).

Discounts, premiums, bonuses provided by suppliers form an integral part of the cost of inventories during their sale.

The cost of inventories denominated in foreign currency is translated as at the date of purchase/costs incurred.

Accounting for the acquisition of equipment, materials, and goods is performed using accounts 15 Procurement of inventories and 16 Variances in cost of inventories. Inventories are recognized in the inventories and equipment accounts at purchase price. Inventories are recognized at purchase price. If no price is specified in the purchase documents, the market value of acquired inventories is determined, based on the prices set by suppliers of similar inventories.

Variances between the standard cost of inventories and their actual purchase price are recognized in account 16 Variances in cost of inventories. At the end of the month, variances recognized in account 16 are transferred (or reversed in case of a negative variance) to the accounts used to expense respective inventories (cost of sales, selling expenses, overheads, shortages, etc.) pro rata to the cost of the inventories sold or used. The procedures for the valuation and write-off of inventories are set out in the Company's internal documents.

Upon input into operation or other disposal of inventories, they are measured at weighted average moving cost, which is based on the estimation of inventory cost at the time of its disposal or at the cost of an individual disposable unit.

To reduce accounting effort, personal protective clothing, shoes and other personal protective equipment are expensed at the time they are distributed to the Company's staff.

Finished goods are recorded in account 43 Finished Goods at their actual production cost without using account 40 Production of Goods and Services. Merchandise is recorded in account 41 Goods at book value.

At the end of each reporting month the Company measures inventories at the lower of:

- Actual cost, or
- Net realizable value.

If the actual cost of inventories exceeds their net realizable value the Company creates allowance for obsolescence of such inventories.

The write-down of inventories to net realizable value is recognized as an expense in the statement of financial results.

Inventories, which are obsolete, have fully or partially lost their original quality or which current market value has decreased, are reported in the balance sheet at the end of the reporting period net of the allowance for inventory obsolescence.

Accounting for investments

Accounting for investments in share capitals of subsidiaries and associates

Since 2018 the Company has not applied accounting methods provided for by the Accounting Standard PBU 19/02, *Investments*, because such methods cause inconsistency between the Company's accounting policies and the requirements of International Financial Reporting Standards and applied IAS 28, *Investments in Associates and Joint Ventures*, to accounting for the investments in the share capitals of its subsidiaries and associates.

The Company departed from the following accounting methods provided for by the Accounting Standard PBU 19/02, *Investments*:

- The Company did not determine the current market value of the investments in the share capitals of its subsidiaries and associates, the current market value of which could be determined as prescribed by paragraph 20 PBU 19/02, and the value of such investments was not restated;
- The Company did not recognize the investments in the share capital of its subsidiaries and associates with indeterminable current market value as at the reporting date at historical cost.

As disclosed below, the Company recognized all investments in the share capitals of its subsidiaries and associates using the equity method in accordance with separate principles of IAS 28, *Investments in Associates and Joint Ventures*.

Subsidiaries are entities that are controlled by the Company. Associates are entities the activities of which are not controlled by the Company, but the Company exercises significant influence over their financial and operational performance. Significant influence is the power to participate in the financial and operating policy decisions of the organization but is not control or joint control of those decisions.

A joint venture involves joint control of activities.

Investments in subsidiaries and associates are initially recognized in the balance sheet at cost and subsequently adjusted for the Company's share of profit or loss, other comprehensive income and changes in additional paid-in capital of subsidiaries and associates. If the Company's share of the losses of a subsidiary or associate exceeds the Company's share in that entity, the Company ceases to recognize its share of further losses. Additional losses are recognized only if the Company is obliged by law or in accordance with the rules of business to reimburse the corresponding share of the loss or if the Company has made payments on behalf of a subsidiary or associate.

The excess of the acquisition cost of the investment over the Company's share of the fair value of the identifiable assets and liabilities at the acquisition date forms goodwill included in the carrying amount of such investment. If the Company's share of the net fair value of identifiable assets and liabilities acquired exceeds the cost of the investment after revaluation, the excess is recognized immediately in profit or loss in the period in which the entity is acquired.

The Company's share in the profit or loss, other comprehensive income and additional paid-in capital of subsidiaries and associates is determined on the data from the financial statements of subsidiaries and associates prepared in accordance with IFRS.

The company presents the profit or loss from the activities of enterprises accounted for using the equity method in the line *Share in net income of subsidiaries and associates* in the statement of financial results. The company presents other comprehensive income and expenses from the activities of enterprises accounted for using the equity method in the line *Result from other transactions not included in current year net profit* of the statement of financial results and, accordingly, in the line *Accumulated other comprehensive income* of the balance sheet.

The Company does not present the share in the profits or losses of subsidiaries and affiliates from operations of enterprises with shares of the Company.

The Company does not present own shares held by a subsidiary or an associate in the Equity and Reserves in the line *Treasury shares* if the Company does not have intention to reduce its share capital by these shares through a merger of the subsidiary or associate with subsequent redemption of these shares, or in another way.

The Company does not present the share in the profits and losses of subsidiaries and affiliates in amount of excess of the value of the assets acquired by the Company from the enterprises over the cost of selling such assets.

The Company reduces the cost of investments in subsidiaries and associates by the amount of dividends at the moment of obtaining the right to receive them.

The occurrence of impairment of the Company's investments in subsidiaries and associates is determined in accordance with IAS 36. If necessary, the carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 in its entirety by comparing its recoverable amount (the higher of the value in use and fair value less costs of disposal) with its carrying amount. The recognized impairment loss is not attributed to any asset (including goodwill) that is included in the carrying amount of the investment. A reversal of an impairment loss is recognized in accordance with IAS 36 if the recoverable amount of the investment subsequently increases.

Impairment testing of financial investments is performed for every investment, if it was determined as a separate cash generating unit (CGU), or at the level of CGU identified in the preparation of the consolidated statements of MTS PJSC and its subsidiaries, prepared in accordance with IFRS, to which this investment is attributable.

Investments in the share capital of subsidiaries acquired in business combinations under common control are initially measured at historical cost including purchase price and direct costs. Subsequent measurement is based on the equity method of accounting, excluding adjustments made to measure the company's assets at fair value at the date of the business combination, and is tested for impairment in accordance with IAS 36.

Accounting for other investments, other than investments in share capital of subsidiaries and associates

The historical cost of investments acquired for consideration includes actual costs incurred net of value added tax and other recoverable taxes (unless otherwise prescribed by the legislation of the RF).

For debt securities for which no current market value can be determined, the difference between historical cost and par value according to the terms of their issue is recognized on a straight line basis over the life of the investments (as other income or expenses) in the statement of financial results.

Investments for which current market value can be determined are presented in the financial statements at market value as at the end of the reporting period through adjustment of their value as at the previous reporting date. The difference is recognized in other income/other expenses. Such revaluation is performed on a quarterly basis.

The other investments are reviewed for impairment on a regular basis (at least annually). The Company makes an allowance for the impairment of the investments if, after a review, there is an evidence of impairment of investments. The amount of the specified allowance is determined as the difference between the recorded and estimated value of the respective investments.

Accounting for acquisitions of property complexes classified as assets under common control

The company does not apply the accounting methods established by the Accounting Standard PBU 6/01, *Accounting of Fixed Assets*, in relation to accounting for the acquisition of property complexes classified as assets from enterprises under common control, since such methods lead to inconsistencies with accounting policies applied by the Company in preparing its consolidated financial statements. The assets acquired are recognized at the carrying values recorded previously in the counterparty's financial statements, with the resulting gain or loss recognized directly in equity.

Accounting for cash and cash equivalents

Cash and cash equivalents comprise highly liquid investments with original maturities of less than three months that are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value are disclosed in the Cash and cash equivalents of balance sheet.

Accounting for income

Based on the nature, conditions of receipt and type of operations, the Company's income is divided into:

- Revenue (income from operating activities);
- Other income.

Revenue (income from operating activities) includes:

- Revenue from communication services:
- Subscription and time-based fees;
- Connection fees;
- Air-time revenue;
- Fixed local, long-distance, and international communication services;
- Data transmission services;
- Pay-TV;
- Additional services;
- Roaming services (internal and external subscribers);
- Interconnection services;
- Service provider fees;
- Other income, including revenue from property lease;
- Revenue from trade and intermediary services;
- Revenue from integration services.

Other income includes:

- Loan interest income and income from other similar contracts (other debt instruments, including securities);
- Share of net profit of subsidiaries and associates;
- Gains from foreign exchange operations with derivative financial instruments;
- Positive currency exchange gain;
- Other income from non-operating activities.

Revenue recognition

Since 2018, the Company has departed from the accounting methods provided for by Accounting Standard PBU 9/99, *Income of an Organization*, and Accounting Standard PBU 10/99, *Expenses of an Organization*, regarding revenue recognition, because such methods cause inconsistency between the Company's accounting policies and the requirements of International Financial Reporting Standards and applied IFRS 15, *Revenue from Contracts with Customers*, in full to its contracts with customers (revenue). The examples of such inconsistencies are as follows:

- On a number of contracts for provision of TV and audio content the Company did not recognize in full the revenue at the moment the services were provided to a customer as stipulated by p. 6 of PBU 9/99. As disclosed below, in accordance with IFRS 15 the Company recognizes its revenue in the amount of commission fee for rendering of services if it is an agent to the contract.
- The Company did not record dealer commission fees as selling and distribution expenses of the reporting year as stipulated by p. 9 of PBU 10/99. As disclosed below, in accordance with IFRS 15 the Company capitalizes its contract origination expenses including commissions paid to external dealers. Amortization expenses from commission capitalization are recorded on a straight line basis during the average subscriber's life.

IFRS 15, *Revenue from Contracts with Customers*, sets a single comprehensive approach to the recognition and measurement of revenue from contracts with customers. The core principle of IFRS 15 is that a company shall recognize revenue to depict the transfer of goods or services to customers as stipulated by the Contract in an amount equivalent to the consideration expected to be received by the company in exchange for those goods or services.

The Company recognizes revenue on supplied goods and rendered services on contracts with customers if the amount of revenue can be measured reliably and the receipt of future economic benefits from the transactions is probable. Revenue is the fair value of the consideration to the receipt less VAT and discounts.

In general the Company receives revenue from mobile and fixed-line communication (connection fees, voice and video communication, message transfer, interconnection services, broadband and mobile internet services, TV and music content, roaming services). Goods and services can be sold either separately or within bundle offers. The major part of revenue comes from prepaid contracts.

Revenue from connection voice and video communication, message transfer, interconnection services, broadband and mobile internet services is recognized as the services are consumed and the amount of such revenue is calculated on the basis of the amount of used traffic (in minutes or units of transferred data) or duration of services provision (if there is month subscription). The revenue from prepaid services is deferred until a customer consumes them or the prepaid period for their usage expires.

Revenue from services on TV and music content provision is recognized as the content is provided to the customer either in full amount, or in the amount of the commission for the services depending on whether the Company is the principal or an agent to the contract.

For packaged offers, the Company recognizes separately the revenue for each unit of goods or services if the goods or the services are identifiable, i.e. give value to the customer on their own. The remuneration for the package is allocated between separate components of the package on the basis of the fair value of each item included into the package of goods or services. In this case the fair value shall be determined as the market selling price outside the package considering any possible volume-based discounts.

The Company provides retrospective volume-based discounts when rendering roaming services to international and local providers. For estimating the variable part of the remuneration for the specified discounts the Company uses forecasts based on historical data on traffic which are reviewed on a monthly basis considering all available information. The arising obligation on providing a discount is recognized as decrease in the revenue included into trade and other accounts receivable in the balance sheet.

The Company capitalizes certain incremental costs incurred in acquiring or fulfilling a contract with a customer if the management expects these costs to be recoverable.

Costs of acquiring a contract include commissions paid to a third-party distributors.

Costs to fulfill a contract include costs that were incurred as a result of signing a contract with the subscriber.

These costs are capitalized and transferred to the financial result through amortization on a straight-line basis over the average life of a long-lived subscriber.

The Company uses a practical expedient from IFRS 15 which allows to expense contract costs as incurred when the expected contract duration is one year or less.

Accounting for expenses

The Company divides the main types of expenses into the following expense functions:

- Cost of sales (communication services, goods sold);
- Administrative expenses;
- Selling expenses;
- Other expenses.

The cost of sales includes direct expenses attributable to rendering communication services, sale of subscriber equipment and accessories.

The cost of sales includes the following types of expenses:

- Interconnect cost;
- Lease of communication channels;
- Roaming expenses;
- Cost of subscriber equipment and accessories;
- Production personnel payroll;
- Lease of production resources;
- Repair and maintenance of communication equipment;
- Content-related expenses;
- Other direct expenses.

Selling and administrative expenses comprise:

- Advertising and marketing expenses;
- Dealer commission fees;
- Payment processing fees;
- Administrative and selling personnel payroll;
- Repair and maintenance;
- Utilities (heating, electricity, water);
- Billing and data processing;
- Legal and notary services;
- Environmental expenses;
- Advisory services;
- Other employee expenses (training, material aid, gifts, corporate events, etc.);
- Universal Service Fund contributions;
- Property insurance;
- Taxes;
- Other expenses.

Expenses related to production, performance of work and provision of services are grouped by cost elements.

Other expenses include:

- Borrowing interest expense and expenses under other similar contracts (other debt obligations, including securities);
- loss from participation in the share capitals of subsidiaries and associates;
- allowance for doubtful debts;
- expenses from currency operations with derivative financial instruments;
- Foreign currency exchange losses;
- Other non-operating expenses.

Accounting for loans and borrowings

Loans and borrowings are initially recognized at cost net of significant borrowing costs (over RUB 1 000 thousand) directly attributable to the receipt, issue and placement of debt securities. Such costs in excess of RUB 1 000 thousand are charged to other expenses on a straight-line basis over the term of the loan or the loan agreement.

If borrowing costs are not significant (less than RUB 1 000 thousand) they are recognized as interest expense as incurred.

Long-term liabilities are reclassified to short-term liabilities when, under a loan agreement, their maturity is less than 365 days from the reporting date.

Interest payable to a lender is capitalized as part of the cost of the investment asset or interest payable on a straight-line basis regardless of the loan conditions.

Accounting for allowances and provisions

The Company creates the following allowances:

- Allowance for doubtful accounts (monthly);
- Allowance for impairment of investments (quarterly);
- Allowance for inventory obsolescence (monthly).

The Company recognizes the following provisions:

- Provision for unused vacations (included in accounts payable);
- Provision for performance bonuses (included in accounts payable);
- Provision for the forthcoming expenses for the restoration (reclamation) of land after works on dismantling fixed assets;
- Guarantee obligations;
- Stock options liability;
- Provision for litigation;
- Tax provisions;
- Other provisions meeting the recognition criteria.

Doubtful accounts are the Company's receivables which have not been repaid at the date specified in a contractual agreement and are not secured by related guarantees.

Accounts receivable may be deemed uncollectible (before expiry of the limitation period) based on the results of a Company investigation, provided that the specified procedures are performed, if costs required to collect these receivables exceed potential economic benefits. The company constantly monitors the current economic situation and the impact of the COVID-19 in relation to the risk of non-recoverability of receivables and the assessment of the provision for doubtful debts.

The allowance for impairment of investments in securities (excluding investments in share capitals of subsidiaries and associates) for which the current market value is not determinable is made at the end of the quarter in the amount of the excess of the recorded value over the estimated value of the investments, if there is an evidence of a sustained significant decline in investment value.

The allowance for inventory obsolescence is made in the amount of the difference between the net realizable value (estimated selling price of goods net of selling costs) and an actual cost of inventories, provided that the latter is higher than the net realizable value, as well as in cases of physical damage, full or partial obsolescence during storage, and is charged to other operating expenses.

The Company recognizes provisions, if all of the following conditions are met:

- There is a present obligation (legal or constructive) arising as a result of a past event;
- It is highly probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- Obligation amount can be reliably estimated.

The provision (allowance) is recognized at the end of the reporting period in the amount representing the best estimate of the consideration required to settle the present obligation.

Asset retirement obligations are calculated when the Company has a legal or constructive obligation in connection with the retirement of tangible long-lived assets. Obligations of the Company relate primarily to the costs of removing its equipment from leased sites. The Company recorded the present value of its asset retirement obligations in its financial statements in the Provisions line item of the balance sheet.

Income tax accounting

Income tax expense (income) is determined as the sum of current income tax and deferred income tax.

Current income tax is calculated based on information from the accounting data. The amount of the current income tax is equal to the amount of the calculated income tax reflected in the income tax declaration.

Deferred income tax is defined as the total change in deferred tax assets and deferred tax liabilities for the period, excluding the results of transactions that are not included in accounting profit (loss).

Deferred tax assets and deferred tax liabilities at the beginning and end of the period are determined based on temporary differences determined by comparing the carrying amount of assets and liabilities with their values which will be taken into calculating of income taxes.

Theoretical income tax expense is the amount calculated as the product of profit per accounting records and the income tax rate.

Permanent and temporary differences are formed in accounting records on the basis of primary accounting documents in estimates, in which they initially arose. Permanent differences are accounted differentially by types of income and expenses, temporary differences – by types of assets and liabilities, in estimates, in which temporary difference initially arose, and are recorded in accounting separately.

Leases

Since 2018, the Company has departed from the accounting methods provided for by the Accounting Standard PBU 10/99, *Expenses of an Entity*, in relation to the accounting for lease contracts, because such methods cause inconsistency between the Company's accounting policies and the requirements of International Financial Reporting Standards, and applied fully IFRS 16, *Leases*, to the accounting of lease contracts. An example of such inconsistencies was:

- The Company did not charge the expenses of leasing sites for telecommunications equipment (on land, towers, roofs or inside buildings), network infrastructure, as well as buildings and premises for administrative and technical needs within the cost, selling and administrative expenses of the reporting year, as prescribed by paragraph 9 of PBU 10/99. As disclosed below, in accordance with IFRS 16, the Company recognizes assets in the form of the right to use lease objects and the corresponding lease liabilities under all lease contracts, according to which the Company has the right to control the use of identified assets for a fee for a fixed period of time, except short-term lease contracts (up to 12 months).

In accordance with IFRS 16, Leases, the Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements (including sub-lease and lease of intangible assets), which conveys the right to control the use of identified assets for a period of time in exchange for consideration, except for short-term leases (with a lease term of 12 months or less). For these leases, the Company recognizes the lease payments as operating expenses over the term of the lease. When identifying the lease, the Company uses practical expedient of IFRS 16 permitting the lessee not to separate the non-lease components of the contract and, instead, to account for any lease and associated non-lease components as a single arrangements.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate of the Company. The incremental borrowing rate of the Company is determined based on the credit spreads of the Company's debt instruments in relation to the zero-coupon yield curve for government securities. The lease payments include fixed payments, variable payments that depend on index or rate, amounts expected to be paid under residual value guarantee, the excise price under a purchase option the Company is reasonably certain to exercise, early termination fees unless the Company is reasonably certain not to terminate earlier. Variable payments that depend on external factors are expensed as incurred.

Lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of right-of-use asset had been reduced to zero.

Right-of-use assets are initially measured at cost, which is the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any direct costs incurred and an estimate of costs to dismantle, remove or restore the underlying asset less any lease incentives received.

Right-of-use assets are subsequently amortized on a straight-line basis over the expected lease term. The lease term corresponds to the non-cancellable period of each contract except in cases where the Company is reasonably certain of exercising renewal or termination options. When assessing the lease term, the Company considers all facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, such as useful life of the asset located on the leased site, sites replacement statistics, sequence of technology change, profitability of our retail stores as well as costs to terminate or enter into lease contracts.

The Company does not treat servitude contracts as lease agreements.

In accordance with current estimates, right-of-use assets are amortized over the following periods:

Sites for placement of network equipment and base stations inside the buildings	10 years
Sites for placement of network equipment and base stations on land	20 years
Fiber-optic lines	not less than 2 years
Administrative offices, warehouses, parking garages	not less than 3 years
Vehicles	4-5 years

Right-of-use assets are tested for impairment in accordance with IAS 36, *Impairment of Assets*.

Accounting for the costs to obtain and fulfill contracts with subscribers

The Company capitalizes certain incremental costs incurred in acquiring or fulfilling a contract with a customer if the management expects these costs to be recoverable.

Costs of acquiring a contract include commissions paid to a third-party distributors.

Costs to fulfill contracts include costs that are incurred as a result of contract between the Company and a subscriber.

These costs are capitalized and transferred to the financial result through amortization on a straight-line basis over the average life of a long-lived subscriber.

The Company uses a practical expedient from IFRS 15 which allows to expense contract costs as incurred when the expected contract duration is one year or less.

Reporting segments

Based on the current management structure, the Company believes that it operates within one operating segment. Thus, segment information is not disclosed.

Share-based payment

As part of the Company's employee motivation strategy, the Company has a number of share-based financial incentive programs. These programs include both cash settlement programs and share settlement programs.

Beginning with the 2021 financial statements, the Company applies IFRS 2, *Share-Based Payment*, to account for share-based payments in order to improve the reliability of the information presented in the financial statements.

Compensation under the Company's stock-based payment plans is recorded at fair value the grant date and is recorded as personnel costs over the vesting period and offset against capital reserves.

The fair value of cash-settled share-based compensation plans is calculated at each reporting date and at the date of payment, with changes in fair value recognized in the statement of financial results until the liability is settled.

Share-based financial reward programs apply for 3 years.

For the share-based financial compensation plans adopted in 2021, the vesting conditions included a market condition on the Company's capitalization, which was taken into account in determining the fair value of the payments under the plans. The share-based compensation plans adopted prior to 2021 contained only non-market vesting conditions, in particular the objective of achieving a certain financial Free cash flow ratio.

The fair value of stock-based payment is determined by reference to the quoted market price of the Company's common shares or ADSs (American Depositary Shares). In addition, the fair value of stock-based payment is adjusted for expected dividends discounted to present value using the risk-free interest rate.

Acquisition of a group of assets representing the business

Assets and liabilities included in the group representing the business under IFRS 3 are classified and accounted for as separate assets and liabilities in accordance with the Company's accounting policy.

3. INTANGIBLE ASSETS AND NON-EXCLUSIVE RIGHTS TO USE ASSETS

Intangible assets

Movements in the historical cost of the main classes of intangible assets for 2021 and 2020, as well as accumulated amortization and net book value were as follows as at 31 December 2021, 2020 and 2019:

	(RUB thousand)				
	Exclusive rights for intellectual property	Rights to use radio frequencies and radio frequency channels	Licenses	Numbering capacity and other	Total
Historical cost as at 31 December 2019	8 551 786	9 482 302	8 085 396	1 914 499	28 033 983
Accumulated amortization as at 31 December 2019	<u>(2 813 161)</u>	<u>(5 102 425)</u>	<u>(3 010 384)</u>	<u>(1 824 805)</u>	<u>(12 750 775)</u>
Net book value as at 31 December 2019	<u>5 738 625</u>	<u>4 379 877</u>	<u>5 075 012</u>	<u>89 694</u>	<u>15 283 208</u>
Additions at historical cost	6 388 869	1 516 076	724	245 093	8 150 762
Disposals at historical cost	(98 611)	(225 030)	(49 612)	(94 745)	(467 998)
Historical cost as at 31 December 2020	14 842 044	10 773 348	8 036 508	2 064 847	35 716 747
Accumulated amortization as at 31 December 2020	<u>(5 255 666)</u>	<u>(5 812 771)</u>	<u>(3 717 916)</u>	<u>(1 839 605)</u>	<u>(16 625 958)</u>
Net book value as at 31 December 2020	<u>9 586 378</u>	<u>4 960 577</u>	<u>4 318 592</u>	<u>225 242</u>	<u>19 090 789</u>
Additions at historical cost	6 224 275	1 313 113	602	739 026	8 277 016
Disposals at historical cost	(303 130)	(244 417)	(80)	(835 504)	(1 383 131)
Historical cost as at 31 December 2021	20 763 189	11 842 044	8 037 030	1 968 369	42 610 632
Accumulated amortization as at 31 December 2021	<u>(10 040 400)</u>	<u>(6 638 808)</u>	<u>(4 463 541)</u>	<u>(1 705 468)</u>	<u>(22 848 217)</u>
Net book value as at 31 December 2021	<u>10 722 789</u>	<u>5 203 236</u>	<u>3 573 489</u>	<u>262 901</u>	<u>19 762 415</u>

Non-exclusive rights to use assets

Non-exclusive rights to use assets as at 31 December 2021, 2020 и 2019 comprised:

	(RUB thousand)		
	31 December		
	2021	2020	2019
Software	59 313 598	52 648 721	48 728 524
Servitude	596 338	564 348	477 277
Trademark	7	8	9
Total	<u>59 909 943</u>	<u>53 213 077</u>	<u>49 205 810</u>

4. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION-IN-PROGRESS

Property, plant and equipment

Movements in the historical cost of the key groups of property, plant and equipment for 2021 and 2020 as well as the historical cost, accumulated depreciation and net book value as at 31 December 2021, 2020 and 2019 comprise:

	(RUB thousand)								
	Buildings	Constructions and transmission facilities	Machinery and equipment	Vehicles	Manufacturing and other tools	Land and natural resources	Investment property	Other types of property, plant and equipment	Total
Historical cost as at 31 December 2019	13 984 949	89 759 855	396 218 173	2 717 317	1 038 838	832 600	2 201 178	190 756	506 943 666
Accumulated depreciation as at 31 December 2019	(4 309 243)	(43 113 794)	(271 190 137)	(2 054 603)	(640 092)	-	(109 670)	(143 149)	(321 560 688)
Net book value as at 31 December 2019	9 675 706	46 646 061	125 028 036	662 714	398 746	832 600	2 091 508	47 607	185 382 978
Additions at historical cost	6 012 233	5 759 308	56 590 771	173 615	254 846	24 638	-	100 175	68 915 586
Disposals at historical cost	(106 259)	(1 350 104)	(34 424 377)	(162 493)	(118 871)	(10 031)	(91 847)	(3 240)	(36 267 222)
Historical cost as at 31 December 2020	19 890 923	94 169 059	418 384 567	2 728 439	1 174 813	847 207	2 109 331	287 691	539 592 030
Accumulated depreciation as at 31 December 2020	(4 966 044)	(46 362 268)	(278 426 231)	(2 071 256)	(718 041)	-	(188 109)	(184 353)	(332 916 302)
Net book value as at 31 December 2020	14 924 879	47 806 791	139 958 336	657 183	456 772	847 207	1 921 222	103 338	206 675 728
Additions at historical cost	850 886	7 975 406	52 368 611	448 372	270 369	1 590	-	30 656	61 945 890
Disposals at historical cost	(60 217)	(414 547)	(36 718 888)	(283 771)	(129 578)	(40)	(544 700)	(3 711)	(38 155 452)
Historical cost as at 31 December 2021	20 681 592	101 729 918	434 034 290	2 893 040	1 315 604	848 757	1 564 631	314 636	563 382 468
Accumulated depreciation as at 31 December 2021	(5 434 683)	(50 804 273)	(285 206 994)	(1 975 441)	(791 679)	-	(249 559)	(202 868)	(344 665 497)
Net book value as at 31 December 2021	15 246 909	50 925 645	148 827 296	917 599	523 925	848 757	1 315 072	111 768	218 716 971

Additional information about property, plant and equipment as at 31 December 2021, 2020 and 2019 was as follows:

Item description	(RUB thousand)		
	31 December		
	2021	2020	2019
Changes in cost of property, plant and equipment as a result of completions, additions, reconstruction and partial liquidation	3 263 553	2 196 000	1 129 413
Non-depreciable property, plant and equipment	848 756	847 207	832 600
Property, plant and equipment transferred under lease agreement (at carrying amount)	154 847	171 720	174 692
Real estate property put into operation but under the process of state registration	3 673 311	3 751 670	2 429 753

4.2 Construction-in-progress

As at 31 December 2021, 2020 and 2019, construction-in-progress comprised the following:

Item description	(RUB thousand)		
	31 December		
	2021	2020	2019
Completed work and construction services	21 034 602	14 453 058	10 044 262
Equipment for installation	13 594 559	11 026 811	8 073 939
Total	34 629 161	25 479 869	18 118 201

The Company performed an analysis of idle equipment to determine the alternatives of its further usage. The stockcount and analysis resulted in identifying equipment, which was obsolete, unfit for operation or lacking in demand. As at 31 December 2021, 2020 and 2019 the following allowances were recognized:

- Allowance for unused equipment was recorded in the Equipment for installation line in the amount of RUB 86 027 thousand, RUB 205 548 thousand and RUB 171 845 thousand respectively;
- Allowance for obsolescence of completed work and construction services was recorded in the Completed work and construction services line in the amount of RUB 12 011 thousand, RUB 84 196 thousand and RUB 170 838 thousand, respectively.

5. Lease agreements in which the company acts as a lessee

The Company's lease contracts largely relate to leases of cellular sites (i.e. land, cell towers or rooftop surface areas), network infrastructure, and retail stores as well as buildings used for administrative or technical purposes.

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

Lease of:	(RUB thousand)		
	31 December		
	2021	2020	2019
Network and base station equipment	93 696 642	93 089 853	92 234 229
Land and buildings	21 173 887	17 971 821	17 548 892
Right-of-use assets, total	114 870 529	111 061 674	109 783 121

The depreciation of right-of-use assets, included in the expenses in the attached statement of financial results, was:

	2021	(RUB thousand) 2020
Depreciation of right-of-use assets of:		
Network equipment and base stations	12 850 399	10 324 091
Land and buildings	1 136 423	2 711 911
Depreciation charge, total	13 986 822	13 036 002

Additions of right-of-use assets during 2021 and 2020 amounted to RUB 14 597 128 thousand and 8 426 071 thousand, respectively.

The amounts recognized in the statement of financial results in respect of lease contracts in which the company acts as a lessee amounted to:

Item description	2021	(RUB thousand) 2020
Interest expense accrued on lease obligations	10 135 734	10 312 276
Depreciation of the rights-of-use assets	13 986 822	13 036 002
Variable lease payments not included on the measurement of lease liabilities	10 476 401	9 523 439
Expenses on short-term lease	247 363	165 914

The following table presents future minimum lease payments under lease arrangements together with the present value of the net minimum lease payments as at 31 December 2021, 2020 and 2019:

	(RUB thousand)		
	31 December		
	2021	2020	2019
Minimum lease payments, including:			
Current portion (less than 1 year)	21 887 623	19 948 382	19 291 482
More than 1 to 5 years	82 644 791	75 196 870	70 883 037
Over 5 years	89 341 885	92 393 619	99 991 454
Total minimum lease payments	193 874 299	187 538 871	190 165 973
Less amount representing interest	(63 910 577)	(64 014 259)	(71 165 455)
Present value of net minimum lease payments, including:			
Current portion (less than 1 year)	12 158 325	10 497 802	9 320 262
More than 1 to 5 years	53 438 717	45 877 468	39 000 792
Over 5 years	64 366 680	67 149 342	70 679 464
Lease obligations	129 963 722	123 524 612	119 000 518
Current portion	12 158 325	10 497 802	9 320 262
Non-current portion	117 805 397	113 026 810	109 680 256
Cash outflows for leases:	2021	2020	
Interest paid	10 135 734	10 298 815	
Lease obligation principal paid	9 426 184	8 298 972	
Variable lease payments	10 476 401	9 523 439	
Cash outflows for leases, total	30 038 319	28 121 226	

The Company's lease contracts include typical restrictions and covenants common for local business practice, such as the responsibility of the Company for regular maintenance and repair of the lease assets and their insurance, redesign and conduction of permanent improvements only with the consent of the lessor, and use of the leased asset in accordance with current legislation.

6. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

As of 31 December 2021, 2020 and 2019, the most significant subsidiaries and associates accounted for using the equity method were as follows:

	Country of operations / registration	31 December		
		2021	2020	2019
PJSC MGTS	Russia, Moscow	94.7%	94.7%	94.7%
Allegretto Holding S.a.r.l.	Luxembourg	100%	100%	100%
LLC Stream Digital	Russia, Moscow	100%	100%	100%
Mobile TeleSystems B.V.	The Netherlands	100%	100%	100%
JSC MWS	Russia, Moscow	100%	-	-
JSC Russian Telephone Company	Russia	100%	100%	100%
LLC Telecom Projects	Russia, Moscow	100%	100%	100%
Baggio Holding B.V.	The Netherlands	100%	100%	100%
Vostok Mobile B.V.	The Netherlands	100%	100%	100%
LLC MTS-Capital	Russia, Moscow	100%	100%	100%
LLC STV MTS	Russia, Moscow	100%	-	-
		99%	99%	99%
		(100% with indirect control through Telecom Projects LLC)	(100% with indirect control through Telecom Projects LLC)	(100% with indirect control through Telecom Projects LLC)
ES MTS-Turkmenistan	Turkmenistan			
LLC BASTION	Russia, Moscow	100%	100%	100%
Dega Retail Holding Limited	British Virgin Islands	100%	100%	100%
LLC STV	Russia, Moscow	100%	100%	100%
JLLC Mobile TeleSystems	Belarus	49%	49%	49%
Data Services Holding S.a r.l	Luxembourg	100%	-	-
		30% (100% with indirect control through Mobile TeleSystems B.V)	30%	30%
LLC MC Sistema Capital	Russia, Moscow			
				0.2% (100% with indirect control through Vostok Mobile B.V)
LLC Avantage	Russia, the Moscow Region	-	-	
		45%	45%	45%
		(100% with indirect control through LLC Stream Digital)	(100% with indirect control through LLC Stream Digital)	(100% with indirect control through LLC Stream Digital)
LLC Stream	Russia, Moscow			
JSC Objedinennye Russkie Kinostudii	Russia, St. Petersburg	100%	100%	100%
JSC MTT	Russia, Moscow	100%	-	-
JSC RIKT	Russia, Mezhdurechensk	-	-	100%
LLC MTS Media	Russia, Moscow	100%	100%	100%
		86.36% (100% with indirect control through LLC Telecom Projects and LLC Stream)	0% (100% with indirect control through LLC Telecom Projects and Baggio Holding B.V)	0% (100% with indirect control through LLC Telecom Projects and Baggio Holding B.V)
LLC MTS Didigital	Russia, Moscow			
MTS AI LLC	Russia, Moscow	100%	100%	100%

Movements in the investments in share capitals of subsidiaries and associates for 2021 and 2020 are presented as follows:

(RUB thousand)

	2020							31 December 2020	
	31 December 2019	Acquisitions	Share of the profit/(loss)	Impairment / Reversal of impairment	Dividends	Disposals	Other comprehensive income		Other changes
Investment in subsidiaries									
PJSC MGTS	71 020 018	-	11 920 741	-	-	-	1 243	223 658	83 165 660
Allegretto Holding S.a.r.l.	20 887 522	-	5 509 751	-	(4 699 497)	-	835 836	476 126	23 009 738
LLC Stream Digital	39 177 959	-	592 994	-	-	-	-	3 072 897	42 843 850
Mobile TeleSystems B.V.	36 748 838	-	1 269 531	-	-	-	-	-	38 018 369
JSC Russian Telephone Company	15 273 686	-	(63 571)	-	-	-	-	-	15 210 115
LLC Telecom Projects	15 467 497	-	(1 805 844)	-	-	-	-	24 129	13 685 782
Baggio Holding B.V.	6 008 541	-	(2 169 482)	-	-	-	839 820	-	4 678 879
Vostok Mobile B.V.	13 559 420	-	1 046 167	-	-	-	2 018	-	14 607 605
LLC BASTION	34 425 719	15 000 000	164 321	-	-	-	-	3 630 713	53 220 753
Dega Retail Holding Limited	2 570 398	-	1 301 539	-	-	-	-	-	3 871 937
JSC Objedinennye Russkie Kinostudii	2 078 074	60 000	(28 060)	(1 878 647)	-	-	-	-	231 367
LLC STV	673 880	-	(673 880)	-	-	-	-	-	-
JSC RIKT ¹⁰	375 288	-	1 689	-	-	-	-	(376 977)	-
LLC MTS Venture Investments	10	300 000	1 251	-	-	-	-	-	301 261
ACHEMAR HOLDINGS LIMITED ¹	-	1 045 593	69 156	-	-	-	-	(60 652)	1 054 097
Sistema-Rentnaya Nedvizhimost -3	-	483 791	70 686	-	-	-	-	-	554 477
LLC MTS Energo	-	530 000	(74 199)	-	-	-	-	-	455 801
Stopol Auto LLC ²	-	279 956	20 389	-	-	-	-	-	300 345
Other ¹⁰	1 485 970	10 477 272	(1 047 431)	-	(32 503)	-	17 059	(10 204 606)	695 761
Total	259 752 820	28 176 612	16 105 748	(1 878 647)	(4 732 000)	-	1 695 976	(3 214 712)	295 905 797
Investment in associates and others									
JLLC Mobile TeleSystems	4 502 543	-	5 030 805	-	(4 214 108)	-	(194 699)	-	5 124 541
LLC MC Sistema Capital	405 307	-	56 495	-	(21 000)	-	-	-	440 802
LLC Stream	1 039 515	-	(85 788)	-	-	-	-	-	953 727
JSC Sibintertelecom ¹¹	10 309 245	-	(236 150)	-	-	-	-	(10 073 095)	-
Other	377 943	-	5 497	-	(13 444)	-	-	27 421	397 417
Total	16 634 553	-	4 770 859	-	(4 248 552)	-	(194 699)	(10 045 674)	6 916 487
Total investments in subsidiaries and associates	276 387 373	28 176 612	20 876 607	(1 878 647)	(8 980 552)	-	1 501 277	(13 260 386)	302 822 284

(RUB thousand)

	2021							31 December 2021	
	31 December 2020	Acquisitions	Share of the profit/(loss)	Impairment / Reversal of impairment	Dividends	Disposals	Other comprehensive income		Other changes
Investment in subsidiaries									
PJSC MGTS	83 165 660	-	13 984 426	-	-	-	-	280 516	97 430 602
Allegretto Holding S.a.r.l.	23 009 738	2 688 809	972 720	-	(2 222 373)	-	1 393 916	-	25 842 810
LLC Stream Digital	42 843 850	-	1 094 658	-	(9 000 000)	-	-	3 514 789	38 453 297
Mobile TeleSystems B.V. ⁷	38 018 369	13 630 619	5 043 877	-	-	-	-	-	56 692 865
JSC Russian Telephone Company	15 210 115	-	(2 950 092)	-	-	-	-	-	12 260 023
LLC Telecom Projects	13 685 782	-	436 076	-	-	-	(2 300)	-	14 119 558
Baggio Holding B.V.	4 678 879	965 482	4 521 704	-	(5 390 451)	-	(80 911)	-	4 694 703
Vostok Mobile B.V.	14 607 605	-	77 197	-	-	-	(2 044)	-	14 682 758
LLC BASTION	53 220 753	12 000 000	76 090	-	-	-	-	7 572 993	72 869 836
Dega Retail Holding Limited	3 871 937	-	191 728	-	-	-	-	-	4 063 665
JSC Objedinennye Russkie Kinostudii	231 367	120 000	(23 537)	-	-	-	-	-	327 830
JSC MWS	-	1 000 000	13 754	-	-	-	-	-	1 013 754
JSC MTT ⁴	-	5 797 803	55 299	-	-	-	-	-	5 853 102
LLC MTS Venture Investments	301 261	350 000	1 772	-	-	-	-	-	653 033
ACHEMAR HOLDINGS LIMITED ¹	1 054 097	2 123 106	325 933	-	-	-	(148)	50 826	3 553 814
Sistema-Rentnaya Nedvizhimost -3	554 477	-	29 049	-	-	-	-	-	583 526
LLC MTS Energo	455 801	-	16 272	-	-	-	-	-	472 073
LLC MTS Media	-	4 500 000	(1 183 807)	-	-	-	-	-	3 316 193
LLC MTS Didigital ⁸	-	7 929 850	(3 800 551)	-	-	-	-	-	4 129 299
LLC IT-GRAD 1Cloud ⁹	-	2 099 000	411 840	-	-	-	-	-	2 510 840
MTS AI LLC	-	1 386 417	(850 709)	-	-	-	-	-	535 708
LLC MTS Electronica	-	500 000	(22 003)	-	-	-	-	-	477 997
LLC MTS Avto ²	300 345	-	68 731	-	-	-	-	-	369 076
Other ^{2,3,5,6,11}	695 761	1 325 855	(101 976)	-	(35 310)	-	5 325	(592 529)	1 297 126
Total	295 905 797	56 416 941	18 388 451	-	(16 648 134)	-	1 313 838	10 826 595	366 203 488
Investment in associates and others									
JLLC Mobile TeleSystems	5 124 541	-	5 085 610	-	(4 034 754)	-	88 195	-	6 263 592
LLC MC Sistema Capital	440 802	-	10 057	-	(32 999)	-	-	-	417 860
LLC Stream	953 727	-	(342 636)	-	-	-	313	345 602	957 006
Other	397 417	-	2 975	-	(11 506)	-	-	(190)	388 696
Total	6 916 487	-	4 756 006	-	(4 079 259)	-	88 508	345 412	8 027 154
Total investments in subsidiaries and associates	302 822 284	56 416 941	23 144 457	-	(20 727 393)	-	1 402 346	11 172 007	374 230 642

In 2021 and 2020, the following operations took place related to the investments in share capital of subsidiaries, associated and other entities of MTS PJSC:

¹ **Acquisition of ACHEMAR HOLDINGS LIMITED** – In February 2020, the Company completed the purchase a 51% ownership interest in the “Zelenaya Tochka” Group. In April 2021, the Company acquired the remaining 49% of share in the capital, bringing its ownership to 100%. The “Zelenaya Tochka” Group owns 100% of shares in companies providing fixed-line services in Stavropol and Tambov regions.

² **Acquisition of LLC Stopol Auto (in 2021 renamed to LLC MTS Avto)** – In June 2020, the Company acquired Stopol Auto LLC and Coagent Rus LLC. The companies will enter a new direction – MTS Automotive, which combines technologies and products for automotive electronics.

³ **Acquisition of Amaran Limited** – In July 2021 the Company purchased a 51% ownership interest in Amaran Limited, the sole participant of LLC Factorin, which is the developer and owner of blockchain-based platform for trade finance transactions with a focus on supply chain finance and invoice factoring.

⁴ **Acquisition of JSC MTT** – In June 2021, the Company acquired a 100% ownership interest in share capital of OJSC “Multiregional TransitTelecom” (“MTT”), a provider of intelligent connectivity solutions for businesses, to expand offerings for business clients through platform solutions.

⁵ **Acquisition of Credit Consulting** – In April 2021, the Company acquired a 100% ownership interest in share capital of LLC “Credit Consulting”, a credit broker. The purchase price constituted a cash payment of RUB 10 thousand paid in May 2021 and contingent consideration at fair value of RUB 60 000 thousand, payable in 5-year period based on operating performance targets.

⁶ **Acquisition of Data Services Holding S.a r.l. (Energy Group)** – In June 2021, the Company acquired a 100% ownership interest in share capital of Data Services Holding S.a r.l., owning 100% of the interests in LLC “GDTs Energy Group”, which is the owner and operator of GreenBush DC, located in Tehnopolis special economic area. GreenBush’s DC resources will be used to offer colocation and cloud services and meet customers’ computing and storage needs.

⁷ **Acquisition of share in LLC Sistema Capital** – In September 2021, the Company through its subsidiary Mobile TeleSystems B.V. acquired a 70% ownership interest in its subsidiary LLC Sistema Capital. The consideration paid to the sellers of shares, subsidiaries of Sistema JSFC, amounted to RUB 3 500 000 thousand. As a result of the transaction, MTS’s stake in LLC Sistema Capital, including indirect ownership through Mobile TeleSystems B.V., reached 100%.

⁸ **Acquisition of share in LLC MTS Didgital** – In December 2021, the Company acquired from its subsidiary Baggio Holding B.V. a 86.36% ownership interest in its subsidiary LLC MTS Didgital. The consideration paid to the seller of the stake amounted to RUB 7 929 850 thousand. As a result of the transaction, the Company’ stake in LLC MTS Didgital, including indirect ownership through other subsidiaries of MTS PJSC, did not change and remained 100%.

⁹ **Acquisition of share in LLC IT-GRAD 1Cloud** – In October 2021, MTS PJSC acquired from its subsidiary Vostok Mobile B.V. a 99.99% ownership interest in its subsidiary LLC IT-GRAD 1Cloud. The consideration paid to the seller of the share amounted to RUB 2 099 000 thousand.

¹⁰ **Disposal of companies**

2020. In October 2020, the Company sold shares in NVision Group JSC to AFK Sistema PJSC. The Company’s indirect participation in TelecomLogistic LLC, Serebryany Bor Complex LLC, SITRONICS IT LIMITED was terminated in connection with the sale of NVision Group JSC.

¹¹ Reorganization of MTS PJSC

2020. On July 31, 2020, the Company was reorganized through a merger with SIBINTERTELECOM JSC, Teleservice JSC, RIKT JSC, Progtech-Yug LLC, Avantage LLC, NVision-Consulting LLC.

2021. On October 1, 2021, the Company was reorganized through a merger with NPO Progtech JSC and MCN-Balashikha LLC.

Other movements include dividend payments by MTS PJSC to its subsidiaries and associates, as well as the effects of the reorganization through the merger of subsidiaries with MTS PJSC and other effects.

The Company does not reflect own shares held by a subsidiary / associated company / joint venture in the Capital and Provisions in the line Treasury shares repurchased from shareholders. In respect of these shares the Company does not have intention to reduce its share capital by these shares through a merger of the subsidiary / associated company / joint venture with subsequent redemption of these shares, or in another way. As of December 31, 2021, the Company's own shares were held by subsidiaries LLC Bastion and LLC Stream Digital.

The cost of financial investments in the shares of MTS PJSC, which are accounted on the balances of the subsidiaries Stream Digital LLC and Bastion LLC, is shown below:

	31 December		
	2021	2020	2019
Shares of MTS PJSC			
Purchase price of shares, RUB thousand	62 154 311	59 804 705	51 168 350
Market value of shares, RUB thousand	64 169 353	69 615 520	59 601 586
Number of shares	215 913 032	211 212 139	185 530 229
Market price per share, RUB	297.20	329.6	321.25
ADRs			
Purchase price of ADRs, RUB thousand	22 789 699	15 073 212	8 567 773
Market value of ADRs, RUB thousand	22 348 190	17 210 901	10 129 254
Number of ADRs	37 838 130	26 030 288	16 120 585
Market price per ADR, RUB	590.63	661.1875	628.34
Total purchase price of shares, RUB thousand	84 944 010	74 877 917	59 736 123
Total market value of shares, RUB thousand	86 517 543	86 826 421	69 730 840
Total number of shares ¹	291 589 292	263 272 715	217 771 399

¹ one ADR equals two ordinary shares

7. OTHER INVESTMENTS

7.1 Other long-term investments

As at 31 December 2021, 2020 and 2019, the Company's other long-term investments comprised the following:

	31 December		
	2021	2020	2019
	(RUB thousand)		
Loans receivable			
LLC MTS-Capital	9 345 000	9 345 000	9 345 000
Data Services Holding S.a r.l	5 200 000	-	-
JSC Russian Telephone Company	3 194 000	-	6 230 000
LLC MTS Media	2 000 000	1 986 700	-
MTS AI LLC	875 000	242 500	-
LLC STV MTS	475 000	-	-
LLC IT-GRAD 1Cloud	110 000	-	-
LLC MTS Avto	100 000	-	-
LLC MTS Energo	16 000	361 200	267 100
JSC SITRONICS	-	246 023	-
LLC BASTION	-	-	1 551 000
PJSC Navigation Information Systems	-	-	1 296 000
MTS IT LLC	-	-	976 000
LLC Avantage	-	-	187 000
Other	167 500	92 001	158 020
Total	21 482 500	12 273 424	20 010 120
Allowance for impairment of long-term loans receivable (clause 7.3.)	(16 000)	(361 200)	(1 296 020)
Securities acquisition costs			
Advances for acquisition	1 503 887	1 391 935	1 309 191
Total	1 503 887	1 391 935	1 309 191
Allowance for impairment of purchase advances	(1 391 935)	(1 391 935)	-
Total long-term investments	21 578 452	11 912 224	20 023 291

7.2. Other short-term investments

As at 31 December 2021, 2020 and 2019, the Company's other short-term investments comprised the following:

	31 December		
	2021	2020	2019
(RUB thousand)			
Bank deposits			
PJSC MTS Bank	-	71 184	-
Total	-	71 184	-
Loans receivable			
Oblachny Retail Plus LLC	2 151 383	1 872 084	1 878 400
LLC STV	1 996 000	515 000	-
PJSC Navigation Information Systems	1 403 000	1 262 000	-
PRALISS ENTERPRISES LIMITED	306 086	243 790	146 717
JSC SITRONICS	246 023	-	-
JSC Metro-Telecom	223 201	213 201	223 201
LLC MTS Education	167 000	127 500	-
Dega Retail Holding Ltd	3 599	580 674	8 599 286
JSC Russian Telephone Company	-	420 000	-
A JSC SITRONICS Telecom Solutions ²	-	-	232 000
JSC Teleservice ³	-	-	135 000
Other	121 417	205 501	241 884
Total	6 617 709	5 439 750	11 456 488
Allowance for impairment of short-term loans receivable (clause. 7.3)	(6 368 086)	(3 884 076)	(2 852 652)
Debt securities			
JSC SITRONICS	-	-	219 690
Total	-	-	219 690
Trust management agreement			
LLC MC Sistema Capital ¹	10 417 308	10 313 373	26 852 186
Total	10 417 308	10 313 373	26 852 186
Other			
receivables assignment	-	115 867	-
Total	-	115 867	-
Total short-term investments	10 666 931	12 056 098	35 675 712

¹ Eurobonds issued in June 2010 with 8.625% yield per annum and were repaid in 2020. Issuer of bonds is a related party MTS International Funding Ltd. In 2017, the bonds and cash were transferred in trust management to LLC MC Sistema Capital, a subsidiary of AFK Sistema PJSC, with which the Company concluded a trust management agreement in May 2016 to obtain short-term income from securities sale and purchase transactions. As at the reporting date these Eurobonds were repaid in accordance with the repayment schedule.

² Merged with LLC MTS IT on November 20, 2020

³ Merged with PJSC MTS on July 31, 2020

7.3 Allowance for impairment of other investments

In accordance with the Company's accounting policy, the Company created an allowance for impairment of other long-term and short-term investments, which, as at 31 December 2021, 2020 and 2019, comprised the following:

Allowance for impairment of loans receivable and debt securities				(RUB thousand)
	As at 31 December 2019	Recognition of an allowance	Allowance release and other movements	As at 31 December 2020
JSC Metro-Telecom	(223 201)	-	10 000	(213 201)
PJSC Navigation Information Systems	(1 374 000)	(261 000)	373 000	(1 262 000)
JSC SITRONICS Telecom Solutions	(232 000)	-	232 000	-
MTS Corporate University LLC	-	(127 500)	-	(127 500)
LLC MTS Energo	-	(361 200)	-	(361 200)
Oblachny Retail Plus LLC	(1 878 400)	-	6 316	(1 872 084)
PRALISS ENTERPRISES LIMITED	(146 717)	(97 073)	-	(243 790)
Other	(294 354)	(6 157)	135 010	(165 501)
Total	(4 148 672)	(852 930)	756 326	(4 245 276)

Allowance for impairment of loans receivable and debt securities				(RUB thousand)
	As at 31 December 2020	Recognition of an allowance	Allowance release and other movements	As at 31 December 2021
JSC Metro-Telecom	(213 201)	(10 000)	-	(223 201)
PJSC Navigation Information Systems	(1 262 000)	(141 000)	-	(1 403 000)
LLC STV	-	(1 996 000)	-	(1 996 000)
LLC MTS Education	(127 500)	(39 500)	-	(167 000)
LLC MTS Energo	(361 200)	-	345 200	(16 000)
Oblachny Retail Plus LLC	(1 872 084)	(279 299)	-	(2 151 383)
PRALISS ENTERPRISES LIMITED	(243 790)	(62 296)	-	(306 086)
Other	(165 501)	-	44 085	(121 416)
Total	(4 245 276)	(2 528 095)	389 285	(6 384 086)

8. OTHER NON-CURRENT ASSETS

As at 31 December 2021, 2020 and 2019, other non-current assets comprised:

	(RUB thousand)		
	2021	31 December 2020	2019
Other non-current assets			
Advances given for acquisition of property, plant and equipment, software and construction services	2 653 094	2 976 760	3 446 749
Interest on loans receivable and deposits	1 594 026	542 043	1 445 189
Allowance for impairment of interest on loans receivable	-	(28 467)	(333 288)
Accounts receivable for sold OZON shares	-	-	2 642 231
Other non-current assets	3 086 578	2 575 093	1 725 532
Total	7 333 698	6 065 429	8 926 413

9. ACCOUNTS RECEIVABLE

Accounts receivable as at 31 December 2021, 2020 and 2019 comprised the following:

	(RUB thousand)		
	31 December		
	2021	2020	2019
Accounts receivable			
Trade receivables	21 135 490	23 316 508	22 242 002
Allowance for trade receivables	(4 086 554)	(4 567 023)	(5 812 853)
Settlements on roaming discounts	435 834	662 107	1 092 251
Dividends receivable from ES MTS-Turkmenistan ¹	1 044 043	1 038 183	878 577
Provision for dividends receivable from ES MTS-Turkmenistan ¹	(1 044 043)	(1 038 183)	(878 577)
Receivables from dealers	172 423	178 389	200 198
Allowance for receivables from dealers	(172 423)	(178 145)	(191 690)
Advances paid	1 221 139	1 044 360	1 016 820
Allowance for advances paid	(46 740)	(51 445)	(26 518)
Interest on loans receivable and deposits	239 195	448 069	3 375 931
Allowance for interest on loans receivable	(148 549)	(141 571)	(196 134)
Settlements on taxes and duties	1 002 536	3 417 241	4 356 423
Settlements with the Social Security Fund	3 376	62 140	57 874
Other	4 425 464	5 368 957	5 329 235
Allowance for other receivables	(58 334)	(43 670)	(58 965)
Total	24 122 857	29 515 917	31 384 574

¹ On 29 September 2017, MTS PJSC announced the forced suspension of provision of communication services in Turkmenistan due to the fact that partnership agreements regulating the provision of services in Turkmenistan were not extended by the state telecommunication company Turkmentelecom. As at 31 December 2021, 2020, 2019, MTS PJSC charged an allowance for the full amount of dividends receivable as there is uncertainty related to receipt of dividends from "MTS-Turkmenistan".

10. CASH AND CASH EQUIVALENTS

As at 31 December 2021, 2020 and 2019, cash and cash equivalents comprised:

	(RUB thousand)		
	31 December		
	2021	2020	2019
Cash and cash equivalents			
Deposits with initial maturity of less than 3 months	16 500 000	27 800 000	4 573 485
Current bank accounts	3 815 348	16 634 212	2 669 747
Cash in transit	2 126 522	2 408 736	1 513 572
Petty cash	1 083	1 676	2 845
Total	22 442 953	46 844 624	8 759 649

11. SHARE CAPITAL

As at 31 December 2021, 2020 and 2019, the Company's share capital comprised the following:

Types of shares	Par value, RUB	Number of shares			Including number of treasury shares acquired by subsidiaries and affiliates and the Company		
		2021 year	2020 year	2019 year	2021 year	2020 year	2019 year
		Ordinary shares	0.1	1 998 381 575	1 998 381 575	1 998 381 575	335 757 457
Total		1 998 381 575	1 998 381 575	1 998 381 575	335 757 457	271 479 406	225 547 422

The shareholder structure as at 31 December 2021, 2020 and 2019 comprised the following:

	% of ownership		
	2021	2020	2019
Non-banking credit organization JSC National Settlement Depository (nominal holder)	44.89	52.69	70.70
AFK Sistema PJSFC	31.05	31.76	15.75
LLC Sistema Telecom Aktivy	11.03	11.03	11.03
Sistema Finance S.A.	-	-	0.37
Other shareholders	13.03	4.52	2.15
Total	100	100	100

The controlling owner of MTS PJSC is Vladimir Petrovich Evtushenkov.

12. BORROWINGS

Maturities of the main types of debt outstanding as at 31 December 2021 are presented as follows:

Borrowings	Up to 1 year	1 year to 5 years	Over 5 years	(RUB thousand)
				Total
Loans	41 536 518	106 187 999	-	147 724 517
Bank loans	59 000 000	207 851 817	-	266 851 817
Notes	49 879 866	87 065 660	22 000 000	158 945 526
Total	150 416 384	401 105 476	22 000 000	573 521 860

A number of notes of the Company are subject to unconditional obligation to repurchase as the holders have the unilateral right to demand repurchase of the notes at par value prior to maturity. The notes in the accompanying financial statements are disclosed as maturing in the period, when put options may be exercised.

Some loan agreements contain provisions that limit the ability of the Company and its subsidiaries:

- Borrow funds;
- Enter into loan transactions with affiliates;
- Merge or consolidate with another entity;
- Transfer their property and assets to another entity;
- Sell or transfer any of the GSM licenses for license areas in Moscow, St. Petersburg, Krasnodar;
- Make certain types of reorganization or changes in the composition of the Company's shareholders.

If the Company fails to meet required covenants, after certain notice and cure periods, the creditors can accelerate the debt to be immediately due and payable.

A number of loan agreements contain provisions with regard to early repayment upon the creditor's demand in case of judgment against the Company and its subsidiaries requiring payment of money or recovery against property in an amount in excess of certain limits determined by the agreements and the continuance of any such judgment unsatisfied and in effect for any period of 60 consecutive calendar days without a stay of execution.

Loan agreements also contain cross default provisions with other loan agreements of MTS PJSC and its subsidiaries.

As at 31 December 2021, the Company was in full compliance with all covenants of notes and loan agreements.

Available credit facilities:

	(RUB thousand)			
	Up to 1 year	1 year to 5 years	Over 5 years	Total
Other loans	23 232 001	24 125 203	-	47 357 204
Bank loans	29 287 780	171 459 673	5 000 000	205 747 453
Notes	-	-	9 921 677	9 921 677
Total	52 519 781	195 584 876	14 921 677	263 026 334

The accrued expenses on loans and borrowings recognized in the Interest expense line item of the statement of financial results (interest and other additional expenses) for 2021 and 2020 amounted to RUB 34 018 040 thousand and RUB 32 938 837 thousand, respectively.

The debt issuance costs for 2021 and 2020 amounted to RUB 94 145 thousand and RUB 91 352 thousand, respectively, and are recognized in the *Borrowings* line item of the balance sheet.

Capitalized borrowing costs for 2021 and 2020 amounted to RUB 505 255 thousand and 348 119 thousand, respectively, and are recognized in the *Property, plant and equipment* line item of the balance sheet.

13. ACCOUNTS PAYABLE

As at 31 December 2021, 2020 and 2019, the Company's accounts payable comprised the following:

	(RUB thousand)		
	31 December		
	2021	2020	2019
Long-term payables			
Interest on borrowings	3 623 946	3 175 201	3 639 985
Trade payables	200 638	230 429	319 804
Total long-term payables	3 824 584	3 405 630	3 959 789
Short-term payables			
Trade payables	56 801 076	40 907 378	34 000 555
Advances received	1 054 445	1 174 466	962 103
Wages and salaries payable	8 288 623	5 056 981	7 100 319
Interest on borrowings	5 279 717	4 467 936	5 296 660
Taxes and duties payable	6 879 937	6 280 847	8 309 092
Social contributions payable	533 685	720 735	420 675
Consideration on acquisition of subsidiaries	15 663	3 412	25 518 902
Other ¹	4 173 644	1 979 143	532 101
Total short-term payables	83 026 790	60 590 898	82 140 407

¹ The amount includes the debt under the Contract of sale and purchase of a share in the share capital of LLC MTS Didgital.

14. PROVISIONS

Movements in provisions for 2021 and 2020 comprised:

	(RUB thousand)			
	Discounts provided on roaming services	Asset retirement obligations	Other provisions	Total
Total as at 31 December 2019	1 262 341	4 796 541	246 739	6 305 621
Increase in provisions	685 473	165 475	2 717 402	3 568 350
Decrease in provisions	(1 262 341)	(39 823)	(72 058)	(1 374 222)
Total as at 31 December 2020	685 473	4 922 193	2 892 083	8 499 749
Increase in provisions	1 181 683	2 291 242	806 321	4 279 246
Decrease in provisions	(685 473)	(46 978)	(63 372)	(795 823)
Total as at 31 December 2021	1 181 683	7 166 457	3 635 032	11 983 172

Maturities of provisions as at 31 December 2021, 2020 and 2019, are presented below:

Balance sheet line	(RUB thousand)		
	31 December		
	2021	2020	2019
Long-term provisions ¹	6 787 330	4 788 824	4 565 679
Short-term provisions ²	5 195 842	3 710 925	1 739 942
	11 983 172	8 499 749	6 305 621

¹ Long-term provisions include asset retirement obligations

² The short-term provisions include provision for discounts provided on roaming services, provision related to the SMS pricing and other provisions.

15. CONTRACT LIABILITIES

Contract liabilities represent amounts paid by customers to the Company before receiving the goods and/or services promised in the contract. Contract liabilities include advances received from customers, or amounts invoiced and paid for goods or services that are yet to be transferred.

The following table provides information about contract liabilities from contracts with customers:

	(RUB thousand)		
	31 December 2021	31 December 2020	31 December 2019
Contract liabilities	(21 146 527)	(19 768 071)	(17 680 282)
<i>Thereof:</i>			
<i>Mobile and fixed telecommunication services</i>	(21 004 061)	(19 674 343)	(17 421 551)
<i>Loyalty programme</i>	(142 466)	(93 728)	(258 731)
Total liabilities	(21 146 527)	(19 768 071)	(17 680 282)
Less current portion	20 383 672	19 219 682	17 352 980
Total non-current liabilities	(762 855)	(548 389)	(327 302)

Changes in the contract liabilities balances during the period are as follows:

	2021	(RUB thousand) 2020
Balance as of 1 January	(19 768 071)	(17 680 282)
Revenue recognised that was included in the contract liability balance at the beginning of the period	10 083 679	7 578 246
Increase due to cash received, excluding amount recognised as revenue during the period	(11 462 135)	(9 666 035)
Balance as of 31 December	(21 146 527)	(19 768 071)

The Company expects to recognize revenue related to performance obligations that were unsatisfied as of 31 December 2021 as follows:

	2022	2023-2027	(RUB thousand) Total
Mobile and fixed telecommunication service	(20 241 206)	(762 855)	(21 004 061)
Loyalty programme	(142 466)	-	(142 466)

16. INCOME TAX

The relationship between the income tax expense for 2021 and 2020 and the profit before tax is as follows:

	2021	(RUB thousand) 2020
Profit before income tax	71 643 120	67 910 491
Theoretical income tax expense	13 968 805	13 195 121
Permanent tax expenses:		
Non-deductible expenses	1 364 378	1 031 405
Dividends received from foreign subsidiaries	4 665	3 348
Other	258 287	449 398
Total	1 627 330	1 484 151
Permanent tax income:		
non-deductible income	(3 840 702)	(3 624 650)
Total	(3 840 702)	(3 624 650)
Deferred income tax arising from the origination and repayment of temporary differences is presented as follows:		
Increase/(decrease) in deferred tax assets:		
Property, plant and equipment, including due to:		
- Different periods and methods of depreciation for accounting and tax purposes	6 568	7 369
- Other operations with property, plant and equipment	22 972	87 783
Provisions	1 589 739	(1 137 125)
Difference in methods of revenue recognition	170 124	716 946
Allowance for doubtful debt	513 015	(613 901)
For lease	459 064	437 074
Other	(243 703)	(385 912)
Total	2 517 779	(887 766)
(Increase)/decrease in deferred tax liabilities:		
related to property, plant and equipment, due to:		
- Different periods and methods of depreciation for accounting and tax purposes	(177 412)	(1 193 981)
- Other operations with property, plant and equipment	(619 861)	(516 174)
Other	(142 836)	480 578
Total	(940 109)	(1 229 577)
Total current income tax	13 333 103	8 937 279

Deferred tax assets and liabilities are recorded on a net basis in the financial statements.

The Other line item of the statement of financial results comprises the following:

	2021	(RUB thousand) 2020
Adjustments to income tax declarations for prior periods	184 336	347
Income tax arrears	-	328
Tax penalties of prior periods	(363 190)	240 945
Other tax penalties	-	(71 289)
Total	(178 854)	170 331

17. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue for the years ended 31 December 2021 and 2020 is disclosed in the table below:

	2021	(RUB thousand) 2020
Revenue		
<i>Mobile services</i>	330 256 527	323 593 663
<i>Fixed line services</i>	29 555 017	25 346 042
<i>Integration services</i>	2 184 327	951 892
<i>Sales of goods</i>	3 803 244	1 563 515
<i>Other services</i>	7 527 327	6 626 281
Total revenue	373 326 442	358 081 393
Thereof:		
Recognised over time	369 523 198	356 517 878
Recognised at point of time	3 803 244	1 563 515
Total	373 326 442	358 081 393

18. OPERATING EXPENSES

Below is the summary of the Company's expenses on operating activities for 2021 and 2020:

	2021	(RUB thousand) 2020
OPERATING EXPENSES		
Depreciation and amortization	100 036 057	89 576 907
Payroll	31 364 788	28 688 414
Social contributions	7 895 613	7 301 000
Raw materials and supplies	5 886 342	3 462 335
Other expenses	134 349 518	130 057 968
Total	279 532 318	259 086 624

Other expenses line within expenses on operating activities for 2021 and 2020 includes:

	2021	(RUB thousand) 2020
Other expenses		
Interconnection services	53 842 896	54 655 711
Dealers commission	13 471 340	17 083 827
Roaming expenses	6 743 427	7 037 934
Content expenses	4 600 966	3 979 170
Advertising and marketing expenses	11 036 138	9 636 951
Utilities	10 178 253	9 324 553
Technical support and maintenance of equipment	8 396 443	7 079 746
Taxes	4 522 588	3 900 229
Lease expense	4 805 454	4 008 624
Other expenses	16 752 013	13 351 223
Total	134 349 518	130 057 968

Depreciation and amortization line within expenses on operating activities for 2021 and 2020 includes:

	2021	(RUB thousand) 2020
OPERATING EXPENSES		
Depreciation and amortization of PPE and IA	77 210 424	67 638 217
Depreciation of right-of-use assets	14 057 908	13 036 002
Amortization of cost to obtain contracts	8 767 725	8 902 688
Total	100 036 057	89 576 907

19. OTHER INCOME

Other income for 2021 and 2020 comprised:

	2021	(RUB thousand) 2020
Other income		
Foreign exchange gain and loss, net	797 055	-
Gain from sale and disposal of other property	538 125	513 781
Accounts payable written off as unclaimed	268 876	537 568
Gain from sale and disposal of property, plant and equipment	259 419	478 777
Gain from foreign exchange transactions with financial derivatives	-	7 254 483
Gain from the reversal of allowance for impairment of other investments	389 285	1 027 886
Gain from decrease in provisions	-	707
Gain from the reversal of allowance for obsolescence of long-term inventories and other non-current assets	25 393	-
Other	352 288	348 143
Total	2 630 441	10 161 345

20. OTHER EXPENSES

Other expenses for 2021 and 2020 comprised:

	2021	(RUB thousand) 2020
Other expenses		
Allowance for impairment of other investments	2 528 095	2 251 496
Allowance for doubtful accounts	1 341 721	1 075 837
Provision related to SMS pricing investigations (Note 30)	909 417	2 692 683
Loss from swaps	285 642	370 016
Loss from sale of foreign currency	220 859	-
Write-off of value-added tax receivable	156 662	175 850
Loss on sale and disposal of other property	151 068	510 182
Expenses related to charity activities	141 827	375 909
Bank charges	90 854	94 518
Loss on sale and disposal of property, plant and equipment	72 875	116 805
Provisions	7 023	-
Loss from revaluations of market value of other investments	83 846	1 883 799
Foreign exchange gain and loss, net	-	11 043 464
Allowance for obsolescence of long-term inventories and other non-current assets	-	126 928
Impairment loss of investments in subsidiaries and associates	-	1 878 647
Other	684 720	832 691
Total	6 674 609	23 428 825

21. EXCHANGE RATES

The Central Bank of Russia's exchange rates set for the reporting dates are presented below:

Currency	31 December		
	2021	2020	2019
US Dollar	74.2926	73.8757	61.9057
EUR	84.0695	90.6824	69.3406
			(RUB thousand)
		2021	2020
Foreign exchange gain (loss) from translation of assets and liabilities denominated in foreign currency and payable in foreign currency		925 070	10 564 543
Foreign exchange gain/(loss) from translation of assets and liabilities denominated in foreign currency and payable in rubles		(128 015)	478 921
Total		797 055	11 043 464

22. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses off-balance sheet accounts to summarize information on the availability and movement of such instruments, recording the financial result in the statement of financial results after the transaction is completed.

The fair value of the Company's assets as at 31 December 2021, 2020 and 2019 was as follows (in rubles at the exchange rate as at the reporting date):

Derivative financial instruments	31 December		
	2021	2020	2019
Swaps	4 626 506	4 508 273	(696 127)
Forwards	35 861	-	(339 963)
Total	4 662 367	4 508 273	(1 036 090)

In 2021 and 2020, loss from unrealized swap transactions amounted to RUB 285 642 thousand and RUB 370 016 thousand, respectively. Results from swaps transactions are included in the line *Other Expenses* of the statement of financial results. The swaps mature in 2022-2024. In 2021 and 2020, loss and gain from realized financial derivatives transactions amounted RUB 220 859 thousand and RUB 7 254 483 thousand, respectively. Results from realized financial derivatives transactions are included in the line *Other Expenses and Other Income* of the statement of financial results, respectively.

The Company entered into deliverable currency forward agreements to minimize foreign currency risk exposure for operating activities. The contracts assumed purchase or sale of the agreed amount of currency at a specified exchange rate and date. The foreign exchange rate is determined by the market spot rate upon performance of a transaction.

Underlying assets related to deliverable currency forwards not settled as at 31 December 2021, 2020 and 2019 amounted to RUB 4 437 885 thousand, RUB 0 and RUB 68 334 239 thousand, respectively.

23. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Net profit, RUB thousand	59 708 833	57 026 200
Weighted average number of ordinary shares outstanding	<u>1 988 246 406</u>	<u>1 998 105 456</u>
Basic earnings per share, RUB	<u>30.03</u>	<u>28.54</u>
Diluted earnings per share, RUB	<u>30.03</u>	<u>28.54</u>

24. BOARD OF DIRECTORS

As at 31 December 2021, the Board of Directors consisted of the following members:

<u>Name</u>	<u>Position</u>	<u>Period</u>
Felix Vladimirovich Evstushenkov	Chairman of the Board of Directors	from 27 June 2019
Vyacheslav Konstantinovich Nikolayev	Member of the Board of Directors	from 23 June 2021
Regina von Flemming	Member of the Board of Directors	from 25 June 2015
Artem Ivanovich Zasursky	Member of the Board of Directors	from 29 June 2017
Valentin Borisovich Yumashev	Member of the Board of Directors	from 27 June 2019
Thomas Holtrop	Member of the Board of Directors	from 14 February 2013
Shaygan Kheradpir	Member of the Board of Directors	from 24 June 2020
Nadia Shurabura	Member of the Board of Directors	from 24 June 2020
Konstantin Lvovich Ernst	Member of the Board of Directors	from 24 June 2020
Alexey Valeryevich Kornya	Member of the Board of Directors	from 28 June 2018 to 22 June 2021
Alexey Borisovich Katkov	Member of the Board of Directors	from 28 June 2018 to 24 June 2020
Vsevolod Valerievich Rozanov	Member of the Board of Directors	from 27 June 2012 to 24 June 2020
Antonios Teodosiou Antoniou	Member of the Board of Directors	from 27 June 2019 to 24 June 2020

The amount of compensation paid to the members of the Board of Directors in 2021 and 2020 amounted to RUB 236 010 thousand and RUB 524 655 thousand, respectively, including social contributions of RUB 17 101 thousand and RUB 45 775 thousand, respectively. Total amount of compensation paid to the members of the Board of Directors, who are also the members of the Management Board, is included in the total amount of compensation disclosed in Note 25.

25. MANAGEMENT BOARD

As at 31 December 2021, 2020 and 2019 the Management Board consisted of the following members

<u>Name</u>	<u>Position</u>	<u>Period</u>
Vyacheslav Konstantinovich Nikolayev	President, Chairman of the Management Board	from 13 March 2021
Inesa Galaktionova	Member of the Management Board, First Vice President for Telecommunications	from 01 August 2019
Aleksandr Evgenyevich Gorbunov	Member of the Management Board, Vice President for Strategy and Development	from 01 August 2019
Ruslan Sultanovich Ibragimov	Member of the Management Board, Vice President for Government Relations and PR	from 01 August 2019
Andrey Mikhaylovich Kamenskiy	Member of the Management Board, Vice-President, Finance	from 01 August 2019
Igor Nikolaevich Mishin	Member of the Management Board, Vice President for MTS Media	from 24 March 2019
Ilya Valentinovich Filatov	Member of the Management Board, Vice President for Financial services	from 01 August 2019
Barsegyan Alexey Vizskopbovich	Member of the Management Board, Vice President, Corporate and legal issues	from 23 October 2020
Alexander Alexandrovich Khanin	Member of the Management Board, CEO of MTS Artificial Intelligence Center	from 23 October 2020

Name	Position	Period
Viktor Leonidovich Belov	Member of the Management Board, Vice President for Technical Affairs	from 29 October 2021
Pavel Alekseevich Voronin	Member of the Management Board, Vice President for Technology	from 17 June 2021
Igor Alfridovich Egorov	Member of the Management Board, Vice President for Infrastructure Development	from 01 July 2021
Olga Nikolaevna Ziborova	Member of the Management Board, Vice President for Ecosystem Development and Marketing	from 16 April 2021
Farid Shamilevich Kamalov	Member of the Management Board, Vice President for Retail Business Development	from 17 June 2021
Alexey Valeryevich Kornya	President, Chairman of the Management Board	from 13 March 2018 to 12 March 2021
Vyacheslav Konstantinovich Nikolayev	Member of the Management Board, First Vice President for Customer Experience and Marketing	from 1 August 2019 to 12 March 2021
Dmitry Alexandrovich Khomchenko	Member of the Management Board, Vice President for Information Technology	from 1 August 2019 to 16 June 2021
Tatyana Sergeevna Chernysheva	Member of the Management Board, Vice President for Human Resources	from 27 November 2019 to 30 June 2021
Sergey Sergeevich Belyakov	Member of the Management Board, CEO of JSC RTC	from 1 July 2020 to 16 June 2021
Dmitry Alexandrovich Halin	Member of the Management Board, Vice President, Cloud and Digital Solutions	from 1 January 2020 to 30 June 2021

The amount of compensation paid to the members of the Management Board in 2021 and 2020 amounted to RUB 1 198 220 thousand and RUB 934 694 thousand, respectively, including social contributions of RUB 161 137 thousand and RUB 123 022 thousand, respectively.

Members of the Management Board are also entitled to cash-settled and equity-settled share-based payments. Related compensation accrued during 2021 and 2020 amounted to RUB 2 383 811 million and RUB 426 055 million, respectively, including social contributions of RUB 316 325 million and RUB 57 769 million, respectively.

26. DISTRIBUTION OF RETAINED EARNINGS

The annual meetings of shareholders which took place on 23 June 2021 and 30 September 2021 voted to distribute part of the profit retained by the Company in 2020, first half of 2021 to pay dividends to shareholders in the amount of RUB 52 966 350 thousand and RUB 21 082 926 thousand, respectively. These payments include dividends on treasury shares in the total amount of RUB 368 310 thousand.

The annual meetings of shareholders which took place on 24 June 2020 and 30 September 2020 voted to distribute part of the profit retained by the Company in 2019, first half of 2020 to pay dividends to shareholders in the amount of RUB 41 106 346 thousand, RUB 17 841 928 thousand, respectively. These payments include dividends on treasury shares in the total amount of RUB 8 517 thousand.

27. REORGANIZATION OF THE COMPANY

Reorganization of the Company in 2021

On October 1, 2021, the Company was merged with NPO Progtech JSC and MCN-Balashikha LLC.

Property, plant and equipment and intangible assets of the merged company were transferred to MTS PJSC at net book value; other assets and liabilities were transferred at carrying value at the date of the merger according to the transfer acts. The financial results of the merged companies are included in the financial statements of MTS PJSC from the date of their merger.

The financial result from the reorganization of MTS PJSC through the merger, not included in the net profit of the period, represented the effect of RUB 345 923 thousand (expense) and included the amount of net assets of the merged companies at the date of the merger of RUB 246 605 thousand, the amount of disposed investments of the Company in the merged companies at the date of the merger of RUB 592 528 thousand. The effect of the merger was recognized in the Change of equity due to reorganization was included in equity in the line *Change in equity due to reorganization*.

Adjusted amounts of the Company's statement of financial results for 2021 (unaudited)

The pro-forma financial indicators for 2021 reflect the merger of companies in 2021 as if it took place at the beginning of the reporting period.

	(RUB thousand)
	2021
Adjusted amounts	
Revenue	373 396 475
Operating profit	93 809 520
Net profit	59 731 601
Basic and diluted earnings per share, RUB	30.04

The pro-forma information is based on various assumptions and estimates. The pro-forma information is not necessarily indicative of the operating results that would have occurred if the Company acquisitions were completed as at 1 January 2021 and is also not necessarily indicative of future financial results. The pro-forma information does not reflect in any potential revenue enhancements or cost synergies or other operating efficiencies that could result from the acquisitions. The actual financial results of operations of these companies are included in the financial statements of the Company from the dates of merger.

Reorganization of the Company in 2020

On July 31, 2020, the Company was merged with SIBINTERTELECOM JSC, Teleservice JSC, RIKT JSC, Progtech-Yug LLC, Avantage LLC, NVision-Consulting LLC.

Property, plant and equipment and intangible assets of the merged company were transferred to MTS PJSC at net book value; other assets and liabilities were transferred at carrying value at the date of the merger according to the transfer acts. The financial results of the merged companies are included in the financial statements of MTS PJSC from the date of their merger.

The financial result from the reorganization of MTS PJSC through the merger, not included in the net profit of the period, represented the effect of RUB 1 297 388 thousand (expense) and included the amount of net assets of the merged companies at the date of the merger of RUB 17 558 006 thousand, the amount of disposed investments of the Company in the merged companies at the date of the merger of RUB 19 148 378 thousand. The effect of the merger was recognized in the Change of equity due to reorganization was included in equity in the line *Change in equity due to reorganization*.

Adjusted amounts of the Company's statement of financial results for 2020 (unaudited)

The pro-forma financial indicators for 2020 reflect the merger of companies in 2020 as if it took place at the beginning of the reporting period.

	(RUB thousand)
	2020
Adjusted amounts	
Revenue	357 511 943
Operating profit	95 349 844
Net profit	56 706 540
Basic and diluted earnings per share, RUB	28.38

The pro-forma information is based on various assumptions and estimates. The pro-forma information is not necessarily indicative of the operating results that would have occurred if the Company acquisitions were completed as at 1 January 2020 and is also not necessarily indicative of future financial results. The pro-forma information does not reflect in any potential revenue enhancements or cost synergies or other operating efficiencies that could result from the acquisitions. The actual financial results of operations of these companies are included in the financial statements of the Company from the dates of merger.

28. RELATED PARTIES

Related parties of MTS PJSC are represented by its subsidiaries and associates, AFK Sistema PJSC, all the companies controlled by or significantly influenced by AFK Sistema PJSC, and key management personnel and other individuals or legal entities which have significant influence on the decisions concerning management of MTS PJSC and the above-mentioned companies through participation in their share capital and/or other circumstances.

Related party transactions

Sale of equipment, goods, work and services

	2021	(RUB thousand) 2020
PJSC MGTS, a subsidiary	7 192 882	6 511 130
JSC Russian Telephone Company, a subsidiary	3 319 035	3 640 330
MTS-Bank PJSC, a subsidiary	1 827 589	2 452 462
OJSC MTT, a subsidiary	372 827	-
LLC MTS Digital (former LLC MTS IT), a subsidiary	350 476	252 105
CJSC MTS Armenia, a subsidiary	308 655	263 344
LLC MTS AI, a subsidiary	98 372	-
JSC Sibintertelecom, a former subsidiary	-	2 307 642
Other	1 974 452	1 675 519
Total	15 444 288	17 102 532

Purchase of equipment, goods, work and services

	2021	(RUB thousand) 2020
JSC Russian Telephone Company, a subsidiary	15 206 041	17 083 621
LLC MTS Digital (former LLC MTS IT), a subsidiary	10 527 886	6 913 842
PJSC MGTS, a subsidiary	7 251 482	6 414 719
LLC Stream, a subsidiary	5 393 922	3 756 934
JSC NVision Group, a former subsidiary	3 836 202	5 049 342
LLC MTS Energo, a subsidiary	4 062 374	1 734 779
LLC MTS Media, a subsidiary	3 067 268	417
CJSC MTS Armenia, a subsidiary	443 534	503 582
LLC MTS AI, a subsidiary	348 066	-
LLC Jooms Projects, a subsidiary	318 067	1 303 506
LLC Prikladnaya Tehnika, subsidiary company	248 904	-
JSC Navigation Information Systems, a subsidiary	6 145	497 487
JSC Metro-Telecom, a subsidiary	99 607	102 417
JSC Sibintertelecom, a former subsidiary	-	375 818
Other	2 967 285	2 473 964
Total	53 776 783	46 210 428

Interest income on loans receivable

	2021	(RUB thousand) 2020
Dega Retail Holding Ltd, a subsidiary	102 713	714 383
JSC Russian Telephone Company, a subsidiary	176 959	105 365
LLC MTS Digital (former LLC MTS IT), a subsidiary	81 882	55 458
Data Services Holding S.à r.L., a subsidiary	114 115	-
Other	748 333	795 556
Total	1 224 002	1 670 762

Interest expense on borrowings

	2021	(RUB thousand) 2020
MTS International Funding Ltd, a subsidiary	1 841 465	3 933 903
PJSC MGTS, a subsidiary	2 272 738	1 293 859
Vostok Mobile B.V., a subsidiary	502 743	122 878
LLC Telecom Projects, a subsidiary	499 638	441 882
LLC Stream Digital, a subsidiary	334 678	325 237
LLC BASTION, a subsidiary	262 389	355 915
Mobile TeleSystems B.V., a subsidiary	167 596	258 071
LLC Stream, a subsidiary	67 796	79 350
JSC MGTS-Nedvizhimost, a subsidiary	50 488	25 890
Baggio Holding B.V., a subsidiary	11 831	7 105
JSC Sibintertelecom, a former subsidiary	-	321 629
Other	518 966	325 953
Total	6 530 328	7 491 672

Amounts of outstanding balances with related parties**Loans payable, including interest payable**

	31 December			(RUB thousand) Period of settlement for 2021 operations
	2021	2020	2019	
PJSC MGTS, a subsidiary	47 015 266	33 041 095	21 237 283	2022-2024
MTS International Funding Ltd, a subsidiary	37 306 235	37 096 888	77 615 507	2023
Vostok Mobile B.V., a subsidiary	14 294 793	12 508 042	2 476 656	2022-2023
LLC Telecom Projects, a subsidiary	10 206 182	10 271 144	10 218 962	2023-2024
LLC Stream Digital, a subsidiary	9 072 798	9 164 659	4 963 422	2022-2024
LLC BASTION, a subsidiary	7 960 504	3 696 415	-	2023
JSC MGTS-Nedvizhimost, a subsidiary	4 314 962	706 964	490 074	2022
JSC Russian Telephone Company, a subsidiary	3 503 772	1 779 164	-	2024
ALLEGRETTO HOLDING S.A.R.L., a subsidiary	3 236 329	391 587	310 495	2022-2023
LLC MTS Digital (former LLC MTS IT), a subsidiary	3 001 397	1 575 161	-	2022
CJSC MTS Armenia, a subsidiary	2 860 265	2 740 788	2 210 033	2024
LLC TSTV, an associate	2 128 557	1 858 156	712 840	2022
Mobile TeleSystems B.V., a subsidiary	1 794 664	3 057 321	8 077 303	2024
LLC MDTZK	1 019 631	358 130	-	2022
JSC MWS	1 013 830	-	-	2024
LLC Stream, a subsidiary	691 902	2 731 106	2 139 755	2022
LLC Network, a subsidiary	679 168	-	-	2024
Baggio Holding B.V., a subsidiary	529 315	337 698	330 593	2022
JSC Sibintertelecom, a former subsidiary	-	-	10 345 798	-
LLC STV, a subsidiary	-	-	1 207 977	-
JSC NVision Group, a former subsidiary	-	-	694 646	-
Other	1 778 919	728 807	639 206	2022-2026
Total	152 408 489	122 043 125	143 670 550	

Loans receivable and other investments, including interest receivable

	31 December			(RUB thousand)
	2021	2020	2019	Period of settlement for 2021 operations
	LLC MTS-Capital, a subsidiary	10 371 593	9 834 703	9 362 602
Data Services Holding S.à r.L., a subsidiary	5 314 115	-	-	2024
JSC Russian Telephone Company, a subsidiary	3 604 566	653 608	7 067 530	2024
LLC Oblachnyi Retail Plus, a subsidiary	2 246 180	1 966 881	1 973 197	2022
LLC MTS Media, a subsidiary	2 022 960	2 002 189	-	2023
LLC STV, a subsidiary	2 007 442	518 154	-	2022
PJSC Navigation Information Systems, a subsidiary	1 403 000	1 262 000	1 374 003	2022
LLC MTS AI, a subsidiary	882 265	243 113	-	2024
LLC STV MTS, a subsidiary	483 900	-	-	2024
JSC Sitronics, a subsidiary	271 987	253 535	309 439	2022
LLC MTS AUTO, a subsidiary	100 752	-	-	2023
Dega Retail Holding Ltd, a subsidiary	23 053	583 104	11 752 128	2022
LLC MTS Energo, a subsidiary	16 000	389 667	283 586	2024
JSC NVision Group, a former subsidiary	-	3 326	333 308	-
LLC BASTION, a subsidiary	-	-	1 664 427	-
LLC MTS Digital (former LLC MTS IT), a subsidiary	-	-	1 098 425	-
JSC Sitronics Telecom Solutions, a former subsidiary	-	-	232 000	-
LLC Avantage, a former subsidiary	-	-	189 862	-
Other	1 130 290	911 849	866 547	2022-2023
Total	29 878 103	18 622 129	36 507 054	

Accounts receivable

	Type of transaction	31 December			(RUB thousand)
		2021	2020	2019	
		PJSC MGTS, a subsidiary	Sale of goods, works, services	1 550 455	5 607 625
JSC NVision Group, a former subsidiary	Sale of goods, works, services	1 454 821	272 162	416 850	
ES MTS-Turkmenistan, a subsidiary	Dividends receivable	1 044 043	1 038 183	878 577	
JSC Russian Telephone Company, a subsidiary	Sale of goods, works, services	833 561	400 440	774 475	
MTS-Bank PJSC, a subsidiary	Sale of goods, works, services	462 077	316 453	446 541	
CJSC MTS Armenia, a subsidiary	Sale of goods, works, services	133 614	252 463	123 783	
LLC STV MTS, a subsidiary	Sale of goods, works, services	168 362	-	-	
MTS Belarus, an associate	Settlement on due dividends	45 854	676 430	126 521	
MTS Belarus, an associate	Sale of goods, works, services	15 081	-	366 918	
LLC Yahont, under common control	Sale of goods, works, services	8 079	46 997	997 866	
	Discounts provided on roaming services	247	2 535	181 364	
MTS Belarus, an associate					
Dega Retail Holding Ltd, a subsidiary	Settlements on financial investment	-	2 836 870	5 282 844	
JSC Sibintertelecom, a former subsidiary	Sale of goods, works, services	-	-	709 393	
JSC Sitronics Telecom Solutions, a former subsidiary	Sale of goods, works, services	-	-	1 049	
Other	Sale of goods, works, services	1 435 022	1 576 860	1 640 486	
Other	Other services	-	-	2 306	
Total		7 151 216	13 027 018	15 130 433	

As at 31 December 2021, 2020 and 2019, the allowance for doubtful accounts from related parties and allowance for impairment of loans receivable from related parties (including interest receivable) comprised the following:

	(RUB thousand)		
	31 December		
	2021	2020	2019
LLC Oblachnyi Retail Plus, a subsidiary	2 246 180	1 966 881	1 973 197
LLC STV, a subsidiary	2 007 442	-	-
PJSC Navigation Information Systems, a subsidiary	1 403 000	1 262 000	1 296 000
ES MTS-Turkmenistan, a subsidiary	1 044 043	1 061 498	878 577
JSC Metro-Telecom, a subsidiary	237 986	227 986	237 986
JSC NVision Group, a former subsidiary	-	3 326	333 308
JSC Sitronics Telecom Solutions, a former subsidiary	-	-	232 000
Other	633 374	958 745	607 237
Total	7 572 025	5 480 436	5 558 305

Accounts payable

	Type of transaction	(RUB thousand)		
		31 December		
		2021	2020	2019
LLC MTS Digital (former LLC MTS IT)	Purchase of goods, works, services	5 092 215	848 659	1 204 458
JSC Russian Telephone Company, a subsidiary	Purchase of goods, works, services	4 818 399	2 787 168	8 258 707
LLC MTS Media, a subsidiary	Purchase of goods, works, services	3 453 986	9 822	-
Baggio Holding B.V. , a subsidiary	Settlements on financial investment	2 525 750	-	-
JSC NVision Group, a former subsidiary	Purchase of goods, works, services	1 872 712	1 214 746	849 876
PJSC MGTS, a subsidiary	Purchase of goods, works, services	456 020	1 746 687	346 424
LLC Yahont, under common control	Purchase of goods, works, services	482 964	888 058	314 987
LLC MTS AI, a subsidiary	Purchase of goods, works, services	120 735	-	-
AFK Sistema PJSC, parent company	Dividends payable	-	-	15 221 205
Sistema Telecom Activy, under common control	Dividends payable	-	-	10 659 838
LLC BASTION, a subsidiary	Dividends payable	-	-	1 507 778
LLC Stream Digital, a subsidiary	Dividends payable	-	-	1 322 503
Sistema Finance S.A., under common control	Dividends payable	-	-	545 887
MTS Belarus, an associate	Discounts provided on roaming services	-	-	161 543
PJSC MGTS, a subsidiary	Dividends payable	-	-	87 858
Other	Purchase of goods, works, services	2 275 972	1 829 688	1 841 310
Other	Other services	202 306	171 211	121 442
Total		21 301 059	9 496 039	42 443 816

Cash and cash equivalents

The Company has several bank accounts in MTS-Bank PJSC, a subsidiary of MTS PJSC. As at 31 December 2021, 2020 and 2019, the amount of cash placed in MTS-Bank PJSC as part of the line Cash and cash equivalents is RUB 2 398 454 thousand, RUB 2 735 938 thousand and RUB 1 955 087 thousand, respectively.

Cash flows with related parties

	2021	(RUB thousand) 2020
Cash flows from operating activities		
Proceeds from customers	13 953 642	8 863 600
Other cash inflows	239 316	284 954
Payments for acquired goods, services, raw materials and other current assets	(24 904 508)	(24 369 030)
Interest paid	(4 992 323)	(6 006 193)
Other payments	(483)	(78)
Net cash outflow from operating activities	(15 704 356)	(21 226 747)
Cash flows from investing activities		
Dividends received	20 817 787	8 019 668
Proceeds from repayment of loans given to other entities	19 374 668	36 724 597
Proceeds from disposal of financial investments in the share capital of subsidiaries and associates	2 451 501	2 450 000
Proceeds from sales of securities and other financial instruments	611 564	-
Interest received	756 416	5 600 283
Proceeds from sales of property, plant and equipment and other non-current assets	19 441	90 615
Purchase of financial investments in share capital of subsidiaries and associates and other financial investments	(46 557 496)	(27 653 333)
Purchase of property, plant and equipment (including investment property) and intangible assets	(22 012 700)	(19 007 254)
Cost to obtain contracts	(4 766 003)	(5 137 244)
Loans given to other entities	(29 739 486)	(22 836 879)
Net cash inflow/(outflow) from investing activities	(59 044 308)	(21 749 547)
Cash flows from financing activities		
Proceeds from borrowings provided by other entities	101 465 252	76 722 277
Repayment of borrowings (excluding interest)	(73 261 422)	(102 448 413)
Dividends paid (including withholding income tax)	(34 441 021)	(30 530 589)
Acquisition of treasury shares	(6 219 981)	-
Lease obligation principal paid	(1 844 172)	(1 613 929)
Net cash outflow from financing activities	(14 301 344)	(57 870 654)

Lease operations

Rights-of-use assets and lease obligations – The following table represents carrying value of right-of-use assets leased from related parties as of 31 December 2021, 2020 and 2019:

	(RUB thousand)		
Carrying value of right-of-use assets:	31 December		
	2021	2020	2019
PJSC MGTS, a subsidiary	12 952 273	13 417 703	12 544 416
JSC MGTS-Nedvizhimost, a subsidiary	365 006	269 715	316 333
JSC Business Nedvizhimost, under common control	290 856	221 599	267 827
Other related parties	903 169	488 460	817 691
Total carrying value of right-of-use assets	14 511 304	14 397 477	13 946 267

The following table presents summary of lease obligations which arose from lease arrangements with related parties as of 31 December 2021, 2020 and 2019:

	(RUB thousand)		
	31 December		
Lease obligations:	2021	2020	2019
PJSC MGTS, a subsidiary	14 708 029	14 934 737	13 623 077
JSC MGTS-Nedvizhimost, a subsidiary	370 399	289 959	329 853
JSC Business Nedvizhimost, under common control	312 740	242 881	285 121
Other related parties	936 745	538 883	897 749
Total lease obligations	16 327 913	16 006 460	15 135 800

The amounts recognized in the statement of financial results in respect of lease contracts in which the company acts as a lessee amounted to:

Name of indicator	(RUB thousand)	
	2021	2020
Interest expense accrued on lease obligations	1 128 108	1 303 778
Depreciation of the rights-of-use assets	1 965 211	2 086 868
Total amounts recognized in the statement of financial results	3 093 319	3 390 646

Joint operations

PJSC VimpelCom – On 22 October 2014, MTS PJSC and PJSC VimpelCom entered into an agreement on the provision of combined services related to planning, joint development and operation of LTE communication networks.

The term of validity of the agreement is seven years, during that period the operators will share base stations and sites exploitation, their infrastructure and transmission network. At the same time, the companies may be involved in the construction of the network on their own to develop LTE individual coverage.

Assets and liabilities recognized in the balance sheet

	(RUB thousand)		
	31 December		
	2021	2020	2019
Property, plant and equipment (net book value)	4 543 093	4 974 581	4 385 064
Amounts due from / (to) customers under joint venture agreement	3 833 043	529 174	2 018 834

Result from operations recognized in the statement of financial results

	(RUB thousand)	
	2021	2020
Depreciation of fixed assets	(1 349 110)	(1 189 509)
Compensated expenses	1 878 267	1 601 422
Property operating costs	(1 360 464)	(1 113 907)

Acquisitions of businesses under common control

Acquisition of share capital of LLC Sistema Capital – In September 2021, the Company through its subsidiary Mobile TeleSystems B.V. acquired a 70% ownership interest in its subsidiary LLC Sistema Capital. As a result of the transaction, MTS's stake in LLC Sistema Capital, including indirect ownership through Mobile TeleSystems B.V., reached 100% (Note 6).

29. GUARANTEES ISSUED

Guarantees issued by the Company as at 31 December 2021 were as follows:

Debtor's name	Creditor's name	Date of issue	Date of expiry	Contractual currency	(RUB thousand)	
					Contractual amount (in contractual currency)	Contractual amount (RUB thousand)
MTS International Funding Ltd	Bondholders	30 May 2013	30 May 2023	US Dollar	502 153	37 306 235
JSC Russian Telephone Company	LLC Samsung Electronics Rus Company	20 October 2016	Perpetual	RUB	7 000 000	7 000 000
JSC Russian Telephone Company	Apple Rus LLLLC	23 October 2017	Perpetual	RUB	1 350 000	1 350 000
JSC NVision Group	LLC Dell	16 April 2019	15 March 2022	US Dollar	1 000	74 293
JSC NVision Group	MICROSOFT IRELAND OPERATIONS LIMITED	25 February 2020	25 February 2023	US Dollar	40 000	2 971 704
JSC NVision Group	JSC Tinkoff Bank	18 February 2020	17 February 2025	RUB	499 000	499 000
ES MTS-Turkmenistan	Nokia Siemens Networks Oy/ Nokia Siemens Networks GmbH&Co.KG	22 December 2012	Perpetual	US Dollar	761	56 570
Total						49 257 802

30. CONTINGENT LIABILITIES

Licenses – The Management believes that as of December 31, 2021 the Company complied with conditions of the licenses used.

Capital commitments – As of December 31, 2021, 2020 and 2019 the Company had executed purchase agreements of approximately RUB 57 006 452 thousand, RUB 49 526 053 thousand and RUB 26 738 426 thousand to acquire property, plant and equipment, intangible assets and costs related thereto.

Litigation – in the ordinary course of business, the Company 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 PJSC's markets of operation.

Antimonopoly proceedings – In August 2018, the Federal Antimonopoly Service of Russia ("FAS Russia") charged MTS PJSC 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 PJSC 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 PJSC to cease its violations. MTS contested the decision and the prescription of FAS Russia in the Moscow Arbitration Court, which upheld the position of FAS Russia in November 2019, following by the Arbitration Court of Appeal in March 2020. MTS PJSC filed a cassation appeal to the Arbitration Court of the Moscow District, which also upheld the position of FAS Russia. In December 2020, MTS PJSC cassation appeal was rejected by the Judicial Chamber of the Supreme Court. In March 2021, Deputy Chairman of the Supreme Court of the Russian Federation upheld the rejection. In August 2021, the Company paid the fine imposed by FAS Russia in full amount of RUB 189 000 thousand.

In April, June and July 2021, JSC “Tinkoff Bank”, PJSC “Sovcombank” and JSC “Raiffeisenbank” initiated litigations against MTS PJSC, claiming reimbursement for losses incurred in connection with violation of antimonopoly laws in respect to establishing unreasonably high bulk SMS prices. Commercial Court of the City of Moscow has dismissed all three claims in full. It’s currently impossible to predict the timing or outcome of the litigations on violation of antimonopoly laws in respect to establishing unreasonably high bulk SMS prices. Management of the Company believes that as of December 31, 2021 provisions reported are sufficient to reimburse the claims related to SMS pricing.

Potential adverse effects of economic instability and sanctions in Russia – In February 2022, following an escalation in 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 include, among others, restrictions targeting several major Russian financial institutions and the Central Bank of Russia (“CBR”), a number of companies and individuals as well as technology export controls.

On February 28, 2022, trading on the Moscow Exchange in all equity securities was suspended (including MTS PJSC ordinary shares), with the further suspension. As of March 31, 2022, trading on the Moscow Exchange was resumed. Also on February 28, the New York Stock Exchange halted trading in the Company’s American depositary shares (“ADSs”) and those of certain other Russian companies.

Developments relating to these matters are highly unpredictable, occur swiftly and often with little notice and are mostly outside the control of the Company, and the risk that any Group member, or individuals holding positions within the Company as well as its counterparties, may be affected by future sanctions designations cannot be excluded. Current and future risks to the Company 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 of further depreciation of the Russian ruble against other currencies (which has already occurred to a significant extent), which may adversely impact the Company’s investment process as a significant portion of its capital expenditures are denominated in or linked to foreign currencies. In addition, rate hikes by the Central Bank of Russia, which has increased its key rate to 20%, will increase the Company’s financing costs due to the impact on floating-rate credit facilities.

In addition, the CBR has prohibited Russian securities market professionals from carrying out depositary activities and register maintenance and from effecting sales of securities of Russian companies by non-Russian residents (with a very limited number of exceptions), with the effect that, among other things, no ADSs can be converted into ordinary shares for such non-Russian residents. 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 as of the relevant record date for payment of dividends would be ineligible to receive such dividends. These developments could materially adversely affect the liquidity in, and the value of, our ADSs.

The Company’s management is currently unaware of any designation of the Company, its subsidiaries, or members of its management team with regards to sanctions recently imposed by the EU, US, UK, and certain other countries.

The Company’s management expects that due to the high volatility of foreign currency exchange rates, the Company’s operating expenses will increase. In addition, due to restrictions imposed by various countries, the Company may encounter difficulties in supplying certain key resources necessary to maintain and develop its network. The Company is currently searching for alternative sources of supply.

The Company's management remains focused on ensuring operational continuity and providing uninterrupted connectivity and other services for customers. Management believes it is taking the appropriate measures to support the sustainability of the Company's business in the current circumstances.

Impacts of COVID-19 – The coronavirus pandemic has led to a global economic crisis. Due to higher demand for certain telecommunications services the impact of the crisis has been felt less severely by the telecommunication industry and the Company than by other industries. Business activities and thus the results of operations and financial position of the Company were impacted by the coronavirus pandemic in various business areas, affecting revenue and earnings, although not to any significant extent.

Generally, the global COVID-19 situation remains uncertain and subject to change and could further impact the economies and financial markets of many regions, including the Russian Federation, which in turn could impact consumer and business spending patterns and the Company's operating results.

Independent compliance monitor – In March 2019, the Company reached a resolution with the United States Securities and Exchange Commission ("SEC") and the United States Department of Justice ("DOJ") relating to the previously disclosed investigation concerning the Company's former subsidiary in Uzbekistan, consented to the entry of an administrative cease-and-desist order (the "Order") by the SEC and entered a deferred prosecution agreement ("DPA"). Under the DPA and the Order in September 2019 the Company appointed an independent compliance monitor for, inter alia, review, testing and perfecting MTS' anti-corruption compliance code, policies, and procedures.

As of December 31, 2021 the Company has not received notice from the SEC, the DOJ or the monitor of any breach of the terms of the DPA or the Order. However, given a variety of factors, including the COVID-19 pandemic, the Company has agreed to a one-year extension of the DPA and the monitorship with the DOJ and the SEC to allow the monitor sufficient time to be able to complete its review of the remedial efforts, including the Company's implementation of the monitor's recommendations and an assessment of the sustainability of the Company's remedial actions. The term of the monitorship will continue until September 2023.

In connection with compliance monitorship, certain transactions were identified relating to the Company's subsidiary in Armenia, and such transactions were disclosed to the DOJ and SEC. The DOJ and SEC have requested information regarding the transactions and the Company has initiated an investigation into the matter. It's currently impossible to predict the timing or outcome of the investigation.

In December 2020, the Company received a request for information from the DOJ concerning certain historical transactions with a supplier of telecommunication and information technology. Currently, the Company is cooperating to provide information to the DOJ and the SEC responsive to the request.

Class action complaint – In March 2019, a proposed class action complaint on behalf of Shayan Salim and all other persons similarly situated has been filed in the United States District Court for the Eastern District of New York against MTS PJSC and certain of its managers. On 1 March 2021, US District Judge of Eastern District Court of New York granted MTS's motion to dismiss with prejudice and dismissed the complaint in full. The plaintiff has filed an appeal for dismissal resolution of Eastern District Court of New York. As of December 31, 2021 the appeal is pending. It's currently impossible to predict the outcome of the litigation.

Taxation – Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. Although the Company’s management believes that the accompanying financial statements reflect fairly the Company’s tax liabilities, there is a risk that the interpretation of the legislation by the tax and customs authorities, as applied to the transactions and activities of the Company, may not coincide with that of the management. The tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the tax authorities in respect of taxes for the three calendar years prior to the year of tax review. Under certain circumstances, reviews may cover longer periods.

Establishment of prices when selling goods and services between the companies of MTS PJSC is regulated by the transfer pricing rules.

Management believes that the allowances recorded in the financial statements are sufficient to cover tax liabilities. However, the risk remains that the relevant authorities could take a position that is different from the position of the management of MTS PJSC with regard to the issues subject to varying interpretations and the effect could be significant.

The Company has the following contingent liabilities on income tax and other taxes for which it determines the outflow of economic benefits as less than possible:

	(RUB thousand)		
	31 December		
	2021	2020	2019
Contingent liabilities on other taxes	167 192	231 198	47 222
Contingent income tax liabilities	503 431	96 483	77 377

31. CHANGE IN THE DISCLOSURE OF INFORMATION

In the reporting period, the Company changed the procedure for disclosing information in the reporting items, as a result of which the comparative figures of the Company’s accounting statements have been adjusted in the current reporting, for the purposes of comparability with the figures as of December 31, 2021.

Change in accounting policy for share-based payments:

As disclosed in Note 2, beginning in 2021, the Company applies accounting for share-based compensation plans in accordance with IFRS 2, *Share-Based Payment*.

Balance sheet data as of December 31, 2019, subject to the accounting treatment used in the reporting year:

December 31, 2019	Initial amount	Amendment	(RUB thousand) Restated amount
III. EQUITY AND RESERVES			
Additional paid-in capital	7 388 568	804 051	8 192 619
Total Section III	101 575 256	804 051	102 379 307
V. CURRENT LIABILITIES			
Accounts payable	82 944 458	(804 051)	82 140 407
Total Section V	236 991 955	(804 051)	236 187 904

Balance sheet data as of December 31, 2020, subject to the accounting treatment used in the reporting year:

December 31, 2020	<u>Initial amount</u>	<u>Amendment</u>	<u>(RUB thousand) Restated amount</u>
III. EQUITY AND RESERVES			
Additional paid-in capital	7 389 185	639 908	8 029 093
Total Section III	<u>107 156 635</u>	<u>639 908</u>	<u>107 796 543</u>
V. CURRENT LIABILITIES			
Accounts payable	61 230 806	(639 908)	60 590 898
Total Section V	<u>143 075 486</u>	<u>(639 908)</u>	<u>142 435 578</u>

First adoption of RAS 5/2019, Inventories

Starting from these financial statements the Company has applied RAS 5/2019, *Inventories*. The Company decided to apply the change in accounting policy prospectively, i.e., only with respect to the facts of business activities that occurred after the beginning of the application of this RAS since January 1, 2021, as the application of RAS 5 did not have a significant impact on accounting of inventory as compared to the previously adopted accounting methods.

Significant accounting policy for inventories, adopted from 2021, is disclosed in Note 2.

32. SUBSEQUENT EVENTS

32.1. New Management Board

On 18 March 2022 the new Management Board was elected from 5 April 2022:

Nikolayev Vyacheslav Konstantinovich	President, Chairman of the Management Board
Barsegyan Alexey Vizskopbovich	Member of the Management Board, Vice President, Corporate and legal issues
Belov Viktor Leonidovich	Member of the Management Board, Vice President for Technical Affairs
Bodyagina Larisa Vladimirovna	Member of the Management Board, Vice President for Human Resources
Voronin Pavel Alekseevich	Member of the Management Board, Vice President for Technology
Galaktionova Inesa	Member of the Management Board, Vice President, Telecommunication business
Gorbunov Aleksandr Evgenyevich	Member of the Management Board, Vice President for Strategy and Development
Egorov Igor Alfridovich	Member of the Management Board, Vice President for Infrastructure Development
Ziborova Olga Nikolaevna	Member of the Management Board, Vice President for Ecosystem Development and Marketing
Ibragimov Ruslan Sultanovich	Member of the Management Board, Vice President, Government relations and PR
Kamalov Farid Shamilevich	Member of the Management Board, Vice President for Retail Business Development
Kamenskiy Andrey Mikhaylovich	Member of the Management Board, Vice President, Finance
Mishin Igor Nikolaevich	Member of the Management Board, Vice President, Media
Filatov Ilya Valentinovich	Member of the Management Board, Vice President for Financial Services
Khalin Dmitry Alexandrovich	Member of the Management Board, Vice President for Cloud and Digital Solutions

32.2. Changes in members of the Board of Directors

On March 17, 2022, member of the Board of Directors Konstantin Lvovich Ernst left the Board of Directors.

32.3. Acquisition of Subsidiaries

On February 22, 2022, STV LLC was reorganized through a merger with MTS PJSC.

32.4. Acquisition of financial investments

Acquisition of VisionLabs – In February 2022, the Company through its subsidiary MTS AI LLC acquired a 100% ownership interest in VisionLabs B.V. (“VisionLabs”), leading provider of computer vision and machine learning solutions. The acquisition is aimed at reinforcement of the Company’s artificial intelligence product portfolio in the computer vision space, and enhancing the potential of the Company’s digital ecosystem. The purchase price constitutes a cash payment of RUB 5 243 million, transfer of the non-controlling stake in one of the Company’s subsidiaries for RUB 659 million and contingent consideration of RUB 621 million. Contingent consideration is based on certain performance criteria for the periods starting 2022 and ending 2024.

32.5. Economic instability and sanctions in Russia

Possible negative impacts of economic instability and sanctions in Russia are disclosed in Note 30.

The Russian original signed by

Member of the Management Board –
Finance Vice-president of Mobile TeleSystems PJSC
(By power of attorney No. 77 AG 3479248 dated March 12, 2020)

A.M. Kamensky

Chief Accountant of Mobile TeleSystems PJSC

A.V. Dvoretiskikh

31 March 2022