

Mobile TeleSystems Public Joint-Stock Company

Financial Statements for 2022
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 2022;
- Statement of financial results for the year 2022;
- Appendices to the balance sheet and statement of financial results:
 - Statement of changes in equity for the year 2022;
 - Statement of cash flows for the year 2022;
 - Notes to the Balance sheet and the 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 2022, and its financial performance and its cash flows for the year then ended 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
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 2.10, 15 and 17 to the financial statements.

How the matter was addressed in the audit

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 financial statements with the requirements of the applicable standards.
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Why the matter was determined to be a key audit matter
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 2.8 and 6 to the financial statements.

How the matter was addressed in the audit

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 standards.
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Why the matter was determined to be a key audit matter
Reorganization of the Company in the form of a spin-off of a subsidiary LLC "TIC"

As indicated in the Note 27 to the financial statements, on December 16, 2022 an entry was made in the Unified State Register of Legal Entities to establish Tower Infrastructure Company LLC (LLC "TIC") as a result of the reorganization of MTS PJSC by spinning off LLC "TIC". In accordance with the decision of the extraordinary meeting of the shareholders of PJSC MTS as of June 30, 2021 and the transfer act, PJSC MTS transferred to LLC "TIC" part of its property, rights and obligations. The total amount of transferred assets, rights and obligations is RUB 64 165 413 thousand. The financial result from spin-off is amounted to RUB 64 190 413 thousand and was recognized in the statement of changes in equity in the line *Retained earnings*.

As a result of subsequently signed lease contract with LLC "TIC" the Company recognized right-of-use assets amounted to RUB 94 027 917 thousand and lease obligations amounted to RUB 94 027 917 thousand for leasing more than 21 thousand of antenna-mast structures and telecommunication towers for 10 years.

We consider the reorganization and subsequent lease of the towers as a key audit matter based on the materiality of the transaction for the financial statements and the significant judgments and estimates made by Company's management in determining how the lease of the towers is accounted for, as well as reviewing the terms of the subsequent lease agreement and determining the appropriate lease term. This required greater attention and increased effort from the auditor in performing the procedures to evaluate the accounting, presentation and disclosure by management in the financial statements of the lease of the towers and to identify each unit of account within the transaction in accordance with the applicable standards.

How the matter was addressed in the audit

Our audit procedures related to the accounting for the reorganization and subsequent lease included the following, among others:

- We obtained an understanding of accounting for the transaction and inspected the documents related to the reorganization of MTS PJSC in the form of a spin-off of LLC "TIC";
- We obtained an understanding of the controls related to accounting for the spin-off of LLC "TIC" and accounting for the subsequent lease of towers;
- We assessed the correctness of the application of applicable accounting standards and the resulting accounting and disclosure of right-of-use assets and related lease liabilities, including an assessment of the applicable lease term;
- We assessed whether the disclosure of the information on the reorganization to the notes to the financial statements, is appropriate in terms of the description of the key conditions as well as judgment applied is relevant.

Why the matter was determined to be a key audit matter
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.

The audit procedures necessary to evaluate management’s judgments in area of potential instance of non-compliance with anti-corruption laws and regulations as of December 31, 2022 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.

How the matter was addressed in the audit

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 obtained an understanding of 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”.
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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 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 scepticism 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 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 to 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 10.06.2022 authorizing to sign off the audit report on behalf of AO "Business Solutions and Technologies" (ORNZ № 12006020384)

29 March 2023

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 2022

Entity	Mobile TeleSystems Public Joint-Stock Company
Taxpayer identification number	
Type of business activity	Telecommunications based on wireless technologies
Legal status/ form of ownership	Public joint-stock company/ Joint private and foreign ownership
Measurement unit	RUB thousand
Address	4 Marksistskaya St., Moscow, 109147

	CODES
OKUD	0710001
Date (day, month, year)	31/12/2022
OKPO	52686811
INN	7740000076
OKVED 2	61.20
OKOPF/OKFS	12247/34
OKEI	384

Financial statements is subject to mandatory audit
 Audit Firm
 Taxpayer identification number of the audit firm
 Primary state registration number of the audit firm

	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	AO BST
INN	7703097990
OGRN	1027700425444

Item description	Note	31 December 2022	31 December 2021	31 December 2020
ASSETS				
I. NON-CURRENT ASSETS				
Intangible assets	3	25 152 667	19 762 415	19 090 789
Cost-to-obtain contracts with subscribers		17 789 592	17 934 546	17 539 906
Non-exclusive rights to use assets	3	49 411 740	59 909 943	53 213 077
Property, plant and equipment	4	194 439 559	218 716 971	206 675 728
Right-of-use assets	5	183 534 522	114 870 529	111 061 674
Construction-in-progress	4	45 204 781	34 629 161	25 479 869
Investments in subsidiaries and associates	6	402 754 756	374 230 642	302 822 284
Other investments	7	27 326 356	21 578 452	11 912 224
Other non-current assets	8	13 368 839	7 333 698	6 065 429
Total Section I		958 982 812	868 966 357	753 860 980
II. CURRENT ASSETS				
Inventories		1 998 280	781 936	914 524
Value-added tax receivable		8 004 544	8 334 692	7 825 953
Accounts receivable	9	26 448 546	24 122 857	29 515 917
Other investments (other than cash equivalents)	7	11 342 153	10 666 931	12 056 098
Cash and cash equivalents	10	16 055 800	22 442 953	46 844 624
Other current assets		209 682	145 792	82 751
Total Section II		64 059 005	66 495 161	97 239 867
TOTAL ASSETS		1 023 041 817	935 461 518	851 100 847
EQUITY AND LIABILITIES				
III. EQUITY AND RESERVES				
Share capital	11	199 838	199 838	199 838
Treasury shares		(12 636 939)	(12 642 941)	(111 535)
Additional paid-in capital (excluding revaluation)		8 931 827	10 028 760	8 029 093
Accumulated other comprehensive income		15 614 127	13 861 591	12 470 710
Reserve capital		30 996	30 996	30 996
Retained earnings		123 056 778	84 573 285	87 177 441
Total Section III		135 196 627	96 051 529	107 796 543
IV. NON-CURRENT LIABILITIES				
Borrowings	12	377 645 167	423 105 476	461 829 240
Deferred tax liabilities	16	12 195 555	15 933 999	17 269 833
Provisions	14	504 031	6 787 330	4 788 824
Accounts payable	13	7 760 926	3 824 584	3 405 630
Lease obligations	5	176 543 443	117 805 397	113 026 810
Contract liabilities	15	861 907	762 855	548 389
Total Section IV		575 511 029	568 219 641	600 868 726
V. CURRENT LIABILITIES				
Borrowings	12	166 889 602	150 416 384	48 406 841
Accounts payable	13	88 928 113	83 026 790	60 590 898
Lease obligations	5	26 622 341	12 158 325	10 497 802
Contract liabilities	15	22 633 524	20 383 672	19 219 682
Deferred income		9 023	9 335	9 430
Provisions	14	7 251 558	5 195 842	3 710 925
Total Section V		312 334 161	271 190 348	142 435 578
TOTAL EQUITY AND LIABILITIES		1 023 041 817	935 461 518	851 100 847

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

29 March 2023

STATEMENT OF FINANCIAL RESULTS
for the year 2022

			CODES
		OKUD	0710002
		Date (day, month, year)	31/12/2022
Entity	Mobile TeleSystems Public Joint-Stock Company	OKPO	52686811
Taxpayer identification number		INN	7740000076
Type of business 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	Note	2022	2021
Revenue	17	391 573 447	373 326 442
Cost of sales	18	(188 964 944)	(182 328 509)
Gross profit		202 608 503	190 997 933
Selling expenses	18	(54 924 787)	(49 215 231)
Administrative expenses	18	(56 789 267)	(47 988 578)
Operating profit		90 894 449	93 794 124
Interest income		5 588 888	2 902 481
Interest expense	12	(55 779 566)	(34 018 040)
Interest expense – lease obligations	5	(11 646 904)	(10 135 734)
Share of the net profit of subsidiaries and associates	6	11 768 660	23 144 457
Other income	19	9 680 967	2 630 441
Other expenses	20	(12 112 270)	(6 674 609)
Profit before income tax		38 394 224	71 643 120
Income tax	16	(7 489 263)	(11 755 433)
Including current income tax	16	(7 543 826)	(13 333 103)
deferred income tax	16	54 563	1 577 670
Other	16	373 624	(178 854)
Net profit		31 278 585	59 708 833
ADDITIONAL INFORMATION			
Result of other transactions not included in net profit for the period		1 110 157	1 390 894
Comprehensive financial result for the period		32 388 742	61 099 727
Basic earnings per share, RUB	23	15.96	30.03
Diluted earnings per share, RUB	23	15.96	30.03

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

29 March 2023

STATEMENT OF CHANGES IN EQUITY for the year 2022

Entity
Taxpayer identification number
Type of business 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
OKUD	0710004
Date (day, month, year)	31/12/2022
OKPO	52686811
INN	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
Balance 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 translation 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)
Balance at 31 December 2021	199 838	(12 642 941)	10 028 760	13 861 591	30 996	84 573 285	96 051 529
Net profit	-	-	-	-	-	31 278 585	31 278 585
Dividends	-	-	-	-	-	(66 334 845)	(66 334 845)
Foreign currency translation reserve of foreign standalone division	-	-	(171)	-	-	-	(171)
Equity method effect for investments in subsidiaries and associates (Note 6)	-	-	(1 010 536)	1 752 536	-	9 317 942	10 059 942
Exercise of options under employee benefit programs	-	6 002	(86 226)	-	-	(307)	(80 531)
Change in equity due to reorganization (Note 27.2)	-	-	-	-	-	64 222 118	64 222 118
Balance at 31 December 2022	199 838	(12 636 939)	8 931 827	15 614 127	30 996	123 056 778	135 196 627

2. Net assets

Item description	<u>31 December 2022</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Net assets	<u>135 205 650</u>	<u>96 060 864</u>	<u>107 805 973</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

29 March 2023

STATEMENT OF CASH FLOWS for the year 2022

		CODES	
		OKUD	0710005
		Date (day, month, year)	31/12/2022
Entity	Mobile TeleSystems Public Joint-Stock Company	OKPO	52686811
Taxpayer identification number		INN	7740000076
Type of business 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		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows – total		345 992 067	333 823 399
including:			
Proceeds from customers		331 638 690	314 102 788
Interest received on cash equivalents		697 614	808 054
Other cash inflows		13 655 763	18 912 557
Cash outflows – total		(208 900 665)	(175 443 794)
including:			
Payments for acquired goods, services, raw materials and other current assets		(94 183 610)	(73 477 645)
Payments to employees		(39 650 195)	(33 688 628)
Interest paid		(59 675 131)	(43 437 281)
Income tax paid		(3 676 471)	(10 497 028)
Other taxes and duties paid		(11 515 336)	(14 117 625)
Other payments		(199 922)	(225 587)
Net cash flows from operating activities		137 091 402	158 379 605
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows – total		26 369 642	44 544 259
including:			
Proceeds from sales of property, plant and equipment and other non-current assets		538 810	435 463
Proceeds from disposal of financial investments in the authorized capital of subsidiaries and associates		-	2 451 501
Proceeds from sale of securities and other financial instruments		2 085 888	611 564
Dividends received		2 714 753	20 817 919
Interest received		131 418	756 416
Proceeds from repayment of loans given to other entities		20 878 276	19 374 668
Proceeds from reorganization of subsidiaries in the form of merger		20 497	11 420
Proceeds from repayment of deposits		-	85 308
Cash outflows – total		(162 822 062)	(194 717 561)
including:			
Deposit placement		-	(12 000)
Purchase of financial investments in share capitals of subsidiaries and associates		(18 479 131)	(52 890 069)
Purchase of securities and other financial instruments		(2 830)	(226 881)
Cost to obtain contracts, paid		(10 956 794)	(9 409 278)
Purchase of property, plant and equipment (including investment property) and intangible assets		(103 694 422)	(102 439 847)
Loans issued to subsidiaries and associates		(29 688 885)	(29 739 486)
Net cash used in investing activities		(136 452 420)	(150 173 302)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash inflows – total		245 455 112	198 609 169
including:			
Proceeds from loans issued by other organizations and bond issues		245 455 112	198 609 169
Cash outflows – total		(250 583 831)	(231 645 579)
including:			
Repayment of borrowings (excluding interest)		(192 583 987)	(136 023 122)
Dividends paid (including withholding income tax)		(48 159 707)	(73 680 969)
Purchase of own stock		-	(12 515 304)
Lease obligation principal paid		(9 840 137)	(9 426 184)
Net cash used in financing activities		(5 128 719)	(33 036 410)
Net cash flows for the reporting period		(4 489 737)	(24 830 107)
Cash and cash equivalents at the beginning of the reporting period		22 442 953	46 844 624
Cash and cash equivalents at the end of the reporting period		16 055 800	22 442 953
Effect of foreign exchange rate changes on the ruble		(1 897 416)	428 436

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

29 March 2023

**NOTES TO THE BALANCE SHEET AND STATEMENT OF FINANCIAL RESULTS OF
Public Joint-Stock Company Mobile TeleSystems for the year 2022**

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 Murmansk 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-Altai; 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 2022 and 2021 was 28 346 and 26 951, 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 mitigates the liquidity risk on long-term debt liabilities by maintaining 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 2022 the current liabilities exceeded the current assets by RUB 248 275 156 thousand. Management considers that the Company has access to sufficient amount of liquidity due to proceeds of cash from operating activities, unused credit lines, borrowings and bond programs in the amount of RUB 259 927 465 thousand (Note 12 Borrowings).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Company have been 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

The management has prepared the financial statements under the assumption 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.

Stock count

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

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

As of October 1, 2022 the stock count of the following PP&E groups was performed:

- Office equipment and computer equipment (in operation, in stock, leased out, leasehold improvements);
- Buildings;
- Facilities (reporting);
- Objects of long-term usage cost less than RUB 20 thousand for disclosure in the financial statements;
- Other non-telecommunication fixed assets (reporting).

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

The stock count of other assets and liabilities was performed as at 1 October and 31 December 2022 (depending on the type of assets and liabilities) as scheduled by the Order of the President of MTS PJSC P "On Performing Stock count of Assets and Liabilities Before Preparation of the Annual Financial Statements" dated 18 July 2022 № 01/00185 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.

Exchange differences are recognised on a net basis as other income / 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 classified as non-current.

Accounting for property, plant and equipment

Starting from these financial statements, the Company has adopted FAS 6/2020, Property, Plant and Equipment, and FAS 26/2020, Capital Investments. The Company has decided to recognize the effects of the change in accounting policy without restatement of the comparatives for the periods preceding the reporting period. There are no changes in the book value of property, plant and equipment due to the adoption of FAS 6/2020.

For the purpose of FAS 26/2020, the Company decided to recognise the resulting changes in the accounting policy on a prospective basis, i.e. in respect of business transactions which occurred after the adoption of FAS 26/2020 with effect from 1 January 2022, without any revision of the previous accounting records.

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 already been 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.

If the Company is provided with an installment plan for more than 1 year for the repayment of obtained property, plant and equipment, the historical cost of such asset is assumed to be equal to the equivalent price subject to immediate payment in cash, i.e. the present value of cash payments that the Company is contractually obliged to make to repay the debt to the supplier.

After initial recognition, property, plant and equipment are carried at cost less accumulated depreciation and impairment losses.

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

Repairs, 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, regardless of 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). Except for land plots, the Company has no property, plant and equipment that are not subject to depreciation.

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	3	20
Vehicles	2	10
Manufacturing and other tools	3	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 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 more than 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 granted.

Intangible assets acquired for a 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 bring the asset to a usable condition for the intended purpose.

If the Company is provided with an installment plan for more than 1 year for payment of obtained intangible assets, 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 other items similar in substance that are internally generated are not recognized as intangible assets.

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 the initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses.

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, except for movies/series that are amortised using either the production method or the straight line method (depending on the category).

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 amortisation periods are applied (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 agreement 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;
- Finished goods.

The cost of inventories acquired for a consideration includes actual costs to purchase incurred by the Company, 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.

Valuation of raw materials and supplies, the cost of which at the time of acquisition is determined in foreign currency, is made in the functional currency by recalculating the amount in foreign currency at the official exchange rate effective on the date of acceptance of inventories for accounting (date of ownership transfer).

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 recognizes allowance for obsolescence of such inventories, which is recorded in the line "Cost of sales" in the Statement of financial results.

Impairment of inventories to net realizable value through the creation of provision is recognized as an expense in profit and loss in the reporting period in which the impairment was identified.

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 IAS 27 Separate Financial Statements.

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 each investment, that 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 a 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 value fluctuation are disclosed in the balance sheet as Cash and cash equivalents.

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 revenue in the statement of financial results and increase in trade and other accounts payable 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 period of service provision.

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;
- Lease expenses related to production resources that are not subject to capitalization;
- 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 12 months from the reporting date.

Interest payable to a lender is included in the cost of the qualifying asset or interest payable on a straight-line basis regardless of the loan conditions.

Accounting for allowances and provisions

The Company recognizes 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 debts are the Company's receivables, which have not been repaid within the contractual term and are not secured by appropriate guarantees.

Accounts receivable may be deemed uncollectible (before the expiry of the limitation period) based on the results of a Company's 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 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 determined, assessed 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 recognized 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 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 line Provisions in 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 records. The current income tax corresponds to the amount of income tax recorded 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).

Opening and closing deferred tax assets and deferred tax liabilities are calculated based on temporary differences determined by comparing the carrying amount of assets and liabilities with and their values for income tax purposes calculation.

Theoretical income tax expense is determined as accounting profit multiplied by an income tax rate.

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

Leases

The Company applies IFRS 16 Leases to account for leases. The Company has departed from the accounting methods provided for by Federal Accounting Standard FAS 25/2018 “Lease Accounting” for the accounting and disclosure of those contracts where the Company acts as a lessee, as such methods cause inconsistency between the Company’s accounting policies and the requirements of International Financial Reporting Standards and has fully applied IFRS 16 “Leases” to the accounting for lease contracts. Examples of such inconsistencies are:

- The Company does not revise the discount rate used to recalculate the lease liability in the event of changes in lease terms, changes in Company’s intentions to extend or reduce the lease term, or changes in lease payments, as prescribed by paragraph 22 of FAS 25/18. The Company uses a constant discount rate (as determined when the lease agreement was initially recorded) to recalculate the lease liability, unless the change in lease payments is due to a change in floating interest rates.
- The Company revises the lease term if a significant event or a significant change in circumstances occurs that is within the lessee’s control and affects the assessment of whether the option (right) is reasonably certain to be exercised. In accordance with paragraph 9 of FAS 25/18, the lease term is revised only if events occur that change the assumptions used in its initial determination/previous revision.

For contracts in which the Company acts as a lessor and other situations, the Company applies the accounting standard FAS 25/2018.

In accordance with IFRS 16, Leases, the Company recognizes right-of-use assets and corresponding lease liabilities with respect to all lease agreements including sub-lease (except for rights held by a lessee under license agreements that are within the scope of IAS 38 Intangible Assets, and relate to motion pictures, videos, plays, manuscripts, patents and copyrights), 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 less than 12 months). Payments under short-term leases are recognized as operating expenses on a straight-line basis over the term of the contract. 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 liabilities are reassessed 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 as part of the exercise or non-exercise of purchase options, extension or termination of contracts. 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.

The initial valuation of the right-of-use asset includes the initial amount of the lease liability, lease payments made at or before the commencement date less lease incentives received, initial direct costs incurred in connection with the lease, and estimated costs to be incurred in dismantling, moving or restoring the underlying asset.

Right-of-use assets are subsequently depreciated on a straight-line basis over the expected lease term. The lease term corresponds to the non-cancellable period of each contract except for 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 retail stores as well as the materiality of the costs associated with the termination of the leases.

The Company does not treat servitude contracts as lease agreements.

In accordance with current estimates, right-of-use assets are depreciated 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*.

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 payment transactions in order to improve the reliability of the information presented in the financial statements.

Compensation under the Company's share-based payment plans is measured at fair value at the grant date and is expensed to payroll over the vesting period along with the corresponding increase in capital reserves.

The fair value of cash-settled share-based payment plans is remeasured 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. Under this type of compensation, a liability to employees is recognized.

Share-based payment programs is effective for 3 years.

For the share-based financial payment programs 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 payment programs adopted prior to 2021 contained only non-market vesting conditions, in particular the objective of achieving a certain financial Free cash flow value.

The fair value of stock-based payment is determined by reference to the quoted market price of the Company's common 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 *Business Combinations* 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 2022 and 2021, as well as accumulated amortization and net book value were as follows as at 31 December 2022, 2021 and 2020:

	(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 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>
Additions at historical cost	15 483 822	537 307	6 753	528 877	16 556 759
Disposals at historical cost	(144 391)	(287 955)	(81)	(218 561)	(650 988)
Historical cost as at 31 December 2022	36 102 620	12 091 396	8 043 702	2 278 685	58 516 403
Accumulated amortization as at 31 December 2022	<u>(18 860 633)</u>	<u>(7 587 130)</u>	<u>(5 192 734)</u>	<u>(1 723 239)</u>	<u>(33 363 736)</u>
Net book value as at 31 December 2022	<u>17 241 987</u>	<u>4 504 266</u>	<u>2 850 968</u>	<u>555 446</u>	<u>25 152 667</u>

Non-exclusive rights to use assets

Non-exclusive rights to use assets as at 31 December 2022, 2021 и 2020 comprised:

	(RUB thousand)		
	31 December		
	2022	2021	2020
Software (including non-exclusive licenses)	48 834 855	59 313 598	52 648 721
Servitude	576 874	596 338	564 348
Trademark	11	7	8
Total	<u>49 411 740</u>	<u>59 909 943</u>	<u>53 213 077</u>

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

4.1 Property, plant and equipment

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

Movements in the historical cost of the key groups of property, plant and equipment for 2022 as well as the historical cost, accumulated depreciation and net book value as at 31 December 2022 and 2021 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 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
Additions	1 926 591	6 839 719	35 598 030	495 105	470 647	24 261	-	143 238	45 497 591
Disposals*	(51 086)	(45 568 798)	(24 549 706)	(69 494)	(149 664)	(431 514)	(679 329)	(12 691)	(71 512 282)
31 December 2022	22 557 097	63 000 839	445 082 614	3 318 651	1 636 587	441 504	885 302	445 183	537 367 777
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)
Depreciation for the period	(575 028)	(5 767 927)	(39 789 101)	(231 716)	(260 628)	-	123 973	(37 973)	(46 538 400)
Disposals*	24 616	24 760 522	23 272 468	66 571	138 882	-	-	12 620	48 275 679
31 December 2022	(5 985 095)	(31 811 678)	(301 723 627)	(2 140 586)	(913 425)	-	(125 586)	(228 221)	(342 928 218)
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
31 December 2022	16 572 002	31 189 161	143 358 987	1 178 065	723 162	441 504	759 716	216 962	194 439 559

* These lines reflect the disposal of property, plant and equipment caused by reorganization in the form of a spin-off of LLC "TIC". The net book value of disposed property, plant and equipment was RUB 21,995,288 thousand (Note 27.2)

Additional information about property, plant and equipment as at 31 December 2022, 2021 and 2020 was as follows:

Item description	(RUB thousand)		
	31 December		
	2022	2021	2020
Changes in cost of property, plant and equipment as a result of completions, additions, reconstruction and partial liquidation	1 385 870	3 263 553	2 196 000
Non-depreciable property, plant and equipment	441 447	848 756	847 207
Property, plant and equipment transferred under lease agreement (at carrying amount)	234 959	154 847	171 720
Real estate property put into operation but under the process of state registration	2 198 037	3 673 311	3 751 670

4.2 Construction-in-progress

As at 31 December 2022, 2021 and 2020, construction-in-progress comprised the following:

Item description	(RUB thousand)		
	31 December		
	2022	2021	2020
Completed work and construction services	27 577 017	21 034 602	14 453 058
Equipment for installation	17 627 764	13 594 559	11 026 811
Total	45 204 781	34 629 161	25 479 869

The Company performed an analysis of idle equipment to determine the alternatives of its further usage. The stock count and analysis resulted in identifying equipment, which was morally and physically obsolete and unsuitable for operation and sale. As at 31 December 2022, 2021 and 2020 the following allowances were recognized:

- Allowance for unused equipment was recorded in the line Equipment for installation line in the amount of RUB 54 737 thousand, RUB 86 027 thousand and RUB 205 548 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 266 128 thousand, RUB 12 011 thousand and RUB 84 196 thousand, respectively.

5. LEASE AGREEMENTS IN WHICH THE COMPANY ACTS AS A LESSEE

Lease agreements of MTS PJSC mainly relate to the lease of areas for telecommunications equipment (on the ground, towers, roofs or inside buildings), network infrastructure, as well as buildings and premises for administrative and technical needs.

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

Lease of:	(RUB thousand)		
	31 December		
	2022	2021	2020
Network and base station equipment	175 947 354	93 696 642	93 089 853
Land and buildings	7 587 168	21 173 887	17 971 821
Right-of-use assets, total	183 534 522	114 870 529	111 061 674

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

	(RUB thousand)	
Depreciation of right-of-use assets of:	2022	2021
Network equipment and base stations	13 987 744	12 850 399
Land and buildings	1 014 748	1 136 423
Depreciation charge, total	15 002 492	13 986 822

Additions of right-of-use assets during 2022 and 2021 amounted to RUB 103 936 912 thousand (including additions under the tower lease agreement with LLC "TIC": RUB 94 027 917 thousand (Note 27.2)) and RUB 14 597 128 thousand, respectively.

Disposals of right-of-use assets caused by reorganization in the form of spinoff of LLC "TIC" amounted to RUB 15 834 997 thousand, disposals of lease liabilities amounted to RUB 17 366 682 thousand.

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	2022	(RUB thousand) 2021
Interest expense accrued on lease obligations	11 646 904	10 135 734
Depreciation of the rights-of-use assets	15 002 492	13 986 822
Variable lease payments not included on the measurement of lease liabilities	11 186 489	10 476 401
Expenses on short-term lease	95 509	247 363

The table below provides future lease payments under lease arrangements together with the present value of the net lease payments as at 31 December 2022, 2021 and 2020:

	(RUB thousand)		
	31 December		
	2022	2021	2020
Lease payments, including:			
Current portion (less than 1 year)	35 853 840	21 887 623	19 948 382
More than 1 to 5 years	140 171 985	82 644 791	75 196 870
Over 5 years	139 691 379	89 341 885	92 393 619
Total lease payments	315 717 204	193 874 299	187 538 871
Less amount representing interest	(112 551 420)	(63 910 577)	(64 014 259)
Lease obligations	203 165 784	129 963 722	123 524 612
Current portion	26 622 341	12 158 325	10 497 802
Non-current portion	176 543 443	117 805 397	113 026 810
Cash flows for lease obligations:	2022	2021	
Interest paid	11 646 904	10 135 734	
Lease obligation principal paid	9 840 137	9 426 184	
Variable lease payments	11 186 489	10 476 401	
Cash flows for lease obligations, total	32 673 530	30 038 319	

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 2022, 2021 and 2020, the most significant subsidiaries and associates accounted for using the equity method were as follows:

	Country of operations / registration	31 December		
		2022	2021	2020
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	100%	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%	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%
JLLC Mobile TeleSystems	Belarus	49%	49%	49%
Data Services Holding S.a r.l	Luxembourg	100%	100%	-
		30% (100% with indirect control through Mobile TeleSystems B.V)	30% (100% with indirect control through Mobile TeleSystems B.V)	30%
LLC MC Sistema Capital	Russia, Moscow	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%	100%	-
LLC MTS Media	Russia, Moscow	100%	100%	100%
		86.36% (100% with indirect control through LLC Telecom Projects and LLC Stream)	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)
LLC MTS Didigital	Russia, Moscow			
LLC "TIC"	Russia	100%	-	-
LLC MTS Travel	Russia, Moscow	100%	-	-
MTS AI LLC	Russia, Moscow	100%	100%	100%

Movements in the investments in share capitals of subsidiaries and associates for 2022 and 2021 are presented as follows:

(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. ¹¹	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. ¹³	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 Didgital ¹²	-	7 929 850	(3 800 551)	-	-	-	-	-	4 129 299
LLC IT-GRAD 1 CLOUD ⁷	-	2 099 000	411 840	-	-	-	-	-	2 510 840
LLC MTS AI	-	1 386 417	(850 709)	-	-	-	-	-	535 708
LLC MTS Electronica	-	500 000	(22 003)	-	-	-	-	-	477 997
LLC MTS Avto	300 345	-	68 731	-	-	-	-	-	369 076
Other ^{2,3,5,6}	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

(RUB thousand)

	2022							31 December 2022	
	31 December 2021	Acquisitions	Share of the profit/(loss)	Impairment / Reversal of impairment	Dividends	Disposals	Other comprehensive income		Other changes
Investment in subsidiaries									
PJSC MGTS	97 430 602	-	16 226 624	-	-	-	-	184 561	113 841 787
Allegretto Holding S.a.r.l. ¹⁰	25 842 810	-	(1 374 434)	(206 967)	(1 463 334)	-	2 452 059	-	25 250 134
LLC Stream Digital	38 453 297	-	727 359	-	-	-	-	2 953 272	42 133 928
Mobile TeleSystems B.V. ¹¹	56 692 865	11 441 009	716 045	-	-	-	(166 569)	-	68 683 350
JSC Russian Telephone Company	12 260 023	-	(1 074 192)	-	-	-	-	-	11 185 831
LLC Telecom Projects ¹⁴	14 119 558	-	674 896	-	-	-	2 302	-	14 796 756
Baggio Holding B.V. ¹⁴	4 694 703	-	(822 022)	-	-	-	-	(226 680)	3 646 001
Vostok Mobile B.V. ^{8,13}	14 682 758	-	265 189	-	-	-	(622)	-	14 947 325
LLC BASTION	72 869 836	-	(2 296 594)	-	-	-	-	2 591 381	73 164 623
Dega Retail Holding Limited	4 063 665	-	148 310	-	-	-	-	-	4 211 975
JSC Objedinennye Russkie Kinostudii	327 830	120 000	(17 794)	-	-	-	-	-	430 036
JSC MWS	1 013 754	-	(30 442)	-	-	-	-	-	983 312
JSC MTT ⁴	5 853 102	-	102 538	-	-	-	-	-	5 955 640
LLC MTS Venture Investments	653 033	1 000 000	10 667	-	-	-	(10 300)	-	1 653 400
ACHEMAR HOLDINGS LIMITED ¹	3 553 814	-	355 910	-	-	-	(926)	-	3 908 798
Sistema-Rentnaya Nedvizhimost -3	583 526	-	47 470	-	-	-	-	-	630 996
LLC MTS Energo	472 073	-	30 103	-	-	-	-	-	502 176
LLC MTS Media	3 316 193	550 000	(1 754 205)	-	-	-	-	-	2 111 988
LLC MTS Didigital ¹²	4 129 299	-	(4 129 299)	-	-	-	-	-	-
LLC IT-GRAD 1Cloud	2 510 840	-	209 891	-	-	-	(7 597)	-	2 713 134
MTS AI LLC ⁷	535 708	405 000	(1 014 752)	-	-	-	74 044	-	-
LLC MTS Electronica	477 997	-	5 224	-	-	-	-	-	483 221
LLC MTS Avto	369 076	860 000	(27 100)	(282 000)	-	-	-	-	919 976
LLC MTS Travel ^{2,9}	-	200 000	273 006	-	-	-	-	-	473 006
Other ^{2,3,5,6,15}	1 297 126	550 858	(419 357)	-	(57 593)	-	(34 217)	(900)	1 335 917
Total	366 203 488	15 126 867	6 833 041	(488 967)	(1 520 927)	-	2 308 174	5 501 634	393 963 310
Investment in associates and others									
JLLC Mobile TeleSystems	6 263 592	-	4 833 033	-	(4 546 685)	-	(755 216)	-	5 794 724
LLC MC Sistema Capital	417 860	-	22 570	-	-	-	(129)	-	440 301
LLC Stream	957 006	292 500	110 689	-	-	-	-	-	1 360 195
LLC URENTBIKE.RU	-	740 000	-	-	-	-	-	-	740 000
Other	388 696	112 192	(30 673)	-	(13 989)	-	-	-	456 226
Total	8 027 154	1 144 692	4 935 619	-	(4 560 674)	-	(755 345)	-	8 791 446
Total investments in subsidiaries and associates	374 230 642	16 271 559	11 768 660	(488 967)	(6 081 601)	-	1 552 829	5 501 634	402 754 756

In 2022 and 2021, 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 **Companies incorporation** – During 2022 subsidiary companies MTS Travel LLC and Serenity Cyber Security LLC were established. The contributions to the charter capital amounted to RUB 200 000 thousand and RUB 210 000 thousand, respectively.

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 VisionLabs** – In February 2022, the Company, through its subsidiary MTS AI LLC, acquired 100% stake in VisionLabs B.V. (“VisionLabs”), a leading developer of computer vision and machine learning products, for RUB 6 555 851 thousand. Purchase consideration included cash payment of RUB 5 276 468 thousand, deferred consideration of RUB 658 169 thousand and contingent consideration of RUB 621 214 thousand. The contingent consideration is payable based on the achievement by VisionLabs of certain financial indicators during the periods from 2022 to 2024.

⁸ **Acquisition of Gulfstream** – In April 2022, the Company, through its subsidiary Vostok Mobile B.V., acquired a 58.38% stake in Gulfstream Security Systems JSC (“Gulfstream”), one of the leaders on the Russian residential, automotive and commercial security market, for RUB 1 999 401 thousand paid in cash. The acquisition is aimed at the comprehensive development of a new business vertical “Smart House”.

⁹ **Acquisition of Bronevik** – In July 2022, the Company, through its subsidiary MTS Travel LLC, acquired a 99% stake in LLC “Kompaniya Bronevik” and LLC “Bronevik Online” (together, “Bronevik”), one of the leaders in the Russian online hotel reservation market. Another 1% each in LLC “Kompaniya Bronevik” and LLC “Bronevik Online” was purchased by the Company. The acquisition is aimed at developing MTS Travel’s new travel and tourism business. The purchase price of RUB 4 000 000 thousand was paid in cash.

¹⁰ **Acquisition of Webinar** – In July 2022, the Company, through its subsidiary Allegretto Holding S.A.R.L., acquired a 75.5% stake in Webinar LLC and Webinar Technologies LLC (collectively, Webinar), which provide video conferencing and corporate video services. The acquisition complements the Company’s B2B ecosystem and enables the development of a unified universal application for video calls and conferences and integrated videoconferencing communication services. The purchase price of RUB 2 095 268 thousand was paid in cash. In September, Allegretto Holding S.A.R.L. purchased another 8.72% stake for RUB 328 138 thousand, bringing its stake in Webinar to 84.25%.

¹¹ **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%.

¹² **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’s stake in LLC MTS Didgital, including indirect ownership through other subsidiaries of MTS PJSC, did not change and remained 100%.

¹³ **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.

¹⁴ **Disposal of NVision Czech Republic a.s.** – In October 2022, the Company sold a 100% interest in NVision Czech Republic a.s. The sale was performed through Baggio Holding B.V. and Telecom Projects LLC. The fair value of consideration to be received over a five-year period amounted to RUB 452 948 thousand, RUB 49 795 thousand of which was received in 2022.

¹⁵ **Reorganization of MTS PJSC**

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

2022 – In 2022, the Company was reorganized:

- February 22, 2022, in the form of a merger with STV LLC;
- April 1, 2022, in the form of a merger with Cloud Retail LLC and Cloud Retail Plus LLC;
- December 16, 2022, by spin-off LLC “TIC” (Note 27.2).

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, 2022, 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 presented below:

	31 December		
	2022	2021	2020
Shares of MTS PJSC			
Purchase price of shares, RUB thousand	79 200 702	62 154 311	59 804 705
Market value of shares, RUB thousand	63 349 820	64 169 353	69 615 520
Number of shares	269 803 321	215 913 032	211 212 139
Market price per share, RUB	234.80	297.20	329.6
ADRs			
Purchase price of ADRs, RUB thousand	-	22 789 699	15 073 212
Market value of ADRs, RUB thousand	-	22 348 190	17 210 901
Number of ADRs	-	37 838 130	26 030 288
Market price per ADR, RUB	-	590.63	661.1875
Total purchase price of shares, RUB thousand	79 200 702	84 944 010	74 877 917
Total market value of shares, RUB thousand	63 349 820	86 517 543	86 826 421
Total number of shares ¹	269 803 321	291 589 292	263 272 715

7. OTHER INVESTMENTS

7.1 Other long-term investments

As at 31 December 2022, 2021 and 2020, the Company's other long-term investments comprised the following:

	31 December		
	2022	2021	2020
(RUB thousand)			
Loans receivable			
LLC MTS-Capital	9 345 000	9 345 000	9 345 000
INTEMA S.A.R.L	6 079 694	-	-
Data Services Holding S.a r.l	5 197 400	5 200 000	-
LLC MTS Travel	3 901 500	-	-
LLC STV MTS	1 062 000	475 000	-
MTS AI LLC	1 000 000	875 000	242 500
JSC Russian Telephone Company	679 000	3 194 000	-
LLC MTS Avto	410 500	100 000	-
LLC GDC ENERGY GROUP	402 800	68 000	-
LLC MTS Energo	66 800	16 000	361 200
LLC MTS Media	-	2 000 000	1 986 700
LLC IT-GRAD 1 Cloud	-	110 000	-
JSC SITRONICS	-	-	246 023
Other	440 861	99 500	92 001
Total	28 585 555	21 482 500	12 273 424
Allowance for impairment of long-term loans receivable (Note 7.3.)	(1 371 151)	(16 000)	(361 200)
Securities acquisition costs			
Advances for acquisition	111 952	1 503 887	1 391 935
Total	111 952	1 503 887	1 391 935
Allowance for impairment of advances for acquisition	-	(1 391 935)	(1 391 935)
Total long-term investments	27 326 356	21 578 452	11 912 224

¹ one ADR equals two ordinary shares

7.2. Other short-term investments

As at 31 December 2022, 2021 and 2020, the Company's other short-term investments comprised the following:

	31 December		
	2022	2021	2020
	(RUB thousand)		
Bank deposits			
PJSC MTS Bank	-	-	71 184
Total	-	-	71 184
Loans receivable			
JSC NIS	1 521 000	1 403 000	1 262 000
LLC MTS Media	981 000	-	-
LLC MTS AI	670 000	-	-
JSC SITRONICS	246 023	246 023	-
PRALISS ENTERPRISES LIMITED	243 719	306 086	243 790
LLC MTS Avto	100 000	-	-
LLC GDC ENERGY GROUP	100 000	-	-
JSC Metro-Telecom	-	223 201	213 201
LLC MTS Education	-	167 000	127 500
Dega Retail Holding Ltd	3 900	3 599	580 674
JSC Russian Telephone Company	-	-	420 000
Oblachny Retail Plus LLC ¹	-	2 151 383	1 872 084
LLC STV ¹	-	1 996 000	515 000
Other	118 001	121 417	205 501
Total	3 983 643	6 617 709	5 439 750
Allowance for impairment of short-term loans receivable (Note 7.3)	(1 812 719)	(6 368 086)	(3 884 076)
Trust management agreement			
LLC MC Sistema Capital	9 171 229	10 417 308	10 313 373
Total	9 171 229	10 417 308	10 313 373
Other			
Receivables assignment	-	-	115 867
Total	-	-	115 867
Total short-term investments	11 342 153	10 666 931	12 056 098

¹The Company was merged into MTS PJSC in 2022 (Note 27.1).

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 2022, 2021 and 2020, comprised the following:

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 NIS	(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)

Allowance for impairment of loans receivable and debt securities	(RUB thousand)			
	As at 31 December 2021	Recognition of an allowance	Allowance release and other movements	As at 31 December 2022
JSC Metro-Telecom	(223 201)	-	-	(223 201)
PJSC NIS	(1 403 000)	(118 000)	-	(1 521 000)
LLC STV MTS	-	(1 062 000)	-	(1 062 000)
LLC STV ¹	(1 996 000)	-	1 996 000	-
LLC MTS Education	(167 000)	-	167 000	-
Oblachny Retail Plus LLC ¹	(2 151 383)	-	2 151 383	-
PRALISS ENTERPRISES LIMITED	(306 086)	-	62 367	(243 719)
Other	(137 416)	(4 950)	8 416	(133 950)
Total	(6 384 086)	(1 184 950)	4 385 166	(3 183 870)

¹ Merged into MTS in 2022 (note 27.1)

8. OTHER NON-CURRENT ASSETS

As at 31 December 2022, 2021 and 2020, other non-current assets comprised:

	(RUB thousand)		
	2022	31 December 2021	2020
Other non-current assets			
Advances given for acquisition of property, plant and equipment, software and construction services	5 736 388	2 653 094	2 976 760
Interest on loans receivable and deposits	4 304 650	1 594 026	542 043
Allowance for impairment of interest on loans receivable	(125 209)	-	(28 467)
Other non-current assets	3 453 010	3 086 578	2 575 093
Total	13 368 839	7 333 698	6 065 429

9. ACCOUNTS RECEIVABLE

Accounts receivable as at 31 December 2022, 2021 and 2020 comprised the following:

	(RUB thousand)		
	31 December		
	2022	2021	2020
Accounts receivable			
Trade receivables	23 634 949	21 135 490	23 316 508
Allowance for trade receivables	(4 048 212)	(4 086 554)	(4 567 023)
Settlements on roaming discounts	538 200	435 834	662 107
Dividends receivable from ES MTS-Turkmenistan ¹	987 049	1 044 043	1 038 183
Provision for dividends receivable from ES MTS-Turkmenistan ¹	(987 049)	(1 044 043)	(1 038 183)
Receivables from dealers	172 716	172 423	178 389
Allowance for receivables from dealers	(172 616)	(172 423)	(178 145)
Advances paid	2 482 644	1 221 139	1 044 360
Allowance for advances paid	(149 180)	(46 740)	(51 445)
Interest on loans receivable and deposits	389 845	239 195	448 069
Allowance for interest on loans receivable	(15 115)	(148 549)	(141 571)
Settlements on taxes and duties	36 073	1 002 536	3 417 241
Settlements with the Social Security Fund	9 761	3 376	62 140
Other	3 667 258	4 425 464	5 368 957
Allowance for other receivables	(97 777)	(58 334)	(43 670)
Total	26 448 546	24 122 857	29 515 917

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 2022, 2021, 2020, 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 2022, 2021 and 2020, cash and cash equivalents comprised:

	(RUB thousand)		
	31 December		
	2022	2021	2020
Cash and cash equivalents			
Deposits with initial maturity of less than 3 months	10 000 000	16 500 000	27 800 000
Current bank accounts	3 962 868	3 815 348	16 634 212
Cash in transit	2 089 009	2 126 522	2 408 736
Petty cash	3 923	1 083	1 676
Total	16 055 800	22 442 953	46 844 624

Cash and cash equivalents are held in banks with credit ratings ranging from AAA to BBB+, according to Expert RA, an independent credit rating agency.

11. SHARE CAPITAL

As at 31 December 2022, 2021 and 2020, 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		
		2022 year	2021 year	2020 year	2022 year	2021 year	2020 year
Ordinary shares	0.1	1 998 381 575	1 998 381 575	1 998 381 575	313 947 032	335 757 457	271 479 406
Total		1 998 381 575	1 998 381 575	1 998 381 575	313 947 032	335 757 457	271 479 406

As of 31 December 2022, 1 480 693 shares were granted to employees of the MTS Group under the long-term incentive programme. The employees can present these shares for redemption during the period stipulated by the program.

The shareholder structure as at 31 December 2022, 2021 and 2020 comprised the following:

	% of ownership		
	2022	2021	2020
Non-banking credit organization JSC National Settlement Depository (nominal holder)	57.91	44.89	52.69
AFK Sistema PJSC	31.05	31.05	31.76
LLC Sistema Telecom Aktivy	11.03	11.03	11.03
Other shareholders	0.01	13.03	4.52
Total	100	100	100

As of December 31, 2022 and 2021, 42.1% and 42.1% of the Company's issued shares were held by Sistema Public Joint-Stock Financial Corporation or Sistema and its subsidiary, 42.2% and 41.1% of the issued shares were owned by a significant number of shareholders. As of December 31, 2022 and 2021, Vladimir P. Yevtushenkov held 49.2% and 59.2% of Sistema's issued shares, in the financial year 2022 he transferred 10% of his shares and thus ceased to be a majority shareholder of Sistema. 50.8% and 40.8% of Sistema's shares were held by a significant number of shareholders as of December 31, 2022 and 2021, respectively.

12. BORROWINGS

Borrowings as at 31 December 2022, 2021 and 2020 are presented as follows:

	(RUB thousand)		
	2022	2021	2020
Bonds	173 938 827	158 945 526	175 192 828
Bank loans and other borrowings	370 595 942	414 576 334	335 043 253
Total borrowings	544 534 769	573 521 860	510 236 081
Less: current portion of borrowings	(166 889 602)	(150 416 384)	(48 406 841)
Total non-current portion of borrowings	377 645 167	423 105 476	461 829 240

Maturities of the main types of debt outstanding as at 31 December 2022 are presented as follows:

Borrowings	(RUB thousand)			
	Up to 1 year	1 year to 5 years	Over 5 years	Total
Loans	85 154 249	80 186 950	-	165 341 199
Bank loans	56 874 849	148 379 894	-	205 254 743
Bonds	24 860 504	149 078 323	-	173 938 827
Total	166 889 602	377 645 167	-	544 534 769

A number of bond securities of the Company are subject to unconditional obligation to be redeemed at their par value prior to maturity in case they are presented for repayment by bondholders after the announcement of the next coupon. The notes in the accompanying financial statements are disclosed in accordance with the maturity period, when put options may be exercised.

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

- 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 2022, 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	29 619 762	14 541 999	-	44 161 761
Bank loans	8 844 027	197 000 000	-	205 844 027
Bonds	-	-	9 921 677	9 921 677
Total	38 463 789	211 541 999	9 921 677	259 927 465

The accrued expenses on loans and borrowings recognized in the line Interest expense in the statement of financial results (interest and other additional expenses) for 2022 and 2021 amounted to RUB 55 779 566 thousand and RUB 34 018 040 thousand, respectively.

The debt issuance costs for 2022 and 2021 amounted to RUB 120 941 thousand and RUB 94 145 thousand, respectively, and are recognized in the line *Borrowings* in balance sheet.

Capitalized borrowing costs for 2022 and 2021 amounted to RUB 604 561 thousand and RUB 505 255 thousand, respectively, and are recognized in the line *Property, plant and equipment* in balance sheet.

13. ACCOUNTS PAYABLE

As at 31 December 2022, 2021 and 2020, the Company's accounts payable comprised the following:

	(RUB thousand)		
	31 December		
	2022	2021	2020
Long-term payables			
Interest on borrowings	5 834 522	3 623 946	3 175 201
Payables to personnel	1 854 439	-	-
Trade payables	71 965	200 638	230 429
Total long-term payables	7 760 926	3 824 584	3 405 630
Short-term payables			
Trade payables	33 496 874	56 801 076	40 907 378
Advances received	1 082 964	1 054 445	1 174 466
Wages and salaries payable	8 435 130	8 288 623	5 056 981
Interest on borrowings	9 872 562	5 279 717	4 467 936
Taxes and duties payable	11 170 227	6 879 937	6 280 847
Social contributions payable	4 149 052	533 685	720 735
Consideration on acquisition of subsidiaries	18 582 218	15 663	3 412
Other ¹	2 139 086	4 173 644	1 979 143
Total short-term payables	88 928 113	83 026 790	60 590 898

¹ In 2022 the debt under the Contract of sale and purchase of a share in the share capital of LLC MTS Digital was repaid (Note 6).

14. PROVISIONS

Movements in provisions for 2022 and 2021 comprised:

	(RUB thousand)			
	Discounts provided on roaming services	Asset retirement obligations	Other provisions	Total
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
Increase in provisions	1 717 484	392 794	3 348 761	5 459 039
Decrease in provisions	(1 181 683)	(2 775 475)	-	(3 957 158)
Reserve recovery	-	-	(1 570 975)	(1 570 975)
Decrease in provisions due to transfer of liabilities to LLC "TIC"	-	(4 158 489)	-	(4 158 489)
Total as at 31 December 2022	1 717 484	625 287	5 412 819	7 755 589

Maturities of provisions as at 31 December 2022, 2021 and 2020, are presented below:

Balance sheet line	(RUB thousand)		
	2022	31 December 2021	2020
Long-term provisions ¹	504 031	6 787 330	4 788 824
Short-term provisions ²	7 251 558	5 195 842	3 710 925
	7 755 589	11 983 172	8 499 749

¹ Long-term provisions include property, plant and equipment retirement obligations

² Short-term provisions include provisions for discounts provided on roaming services, as well as in relation to court cases 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:

	31 December 2022	31 December 2021	(RUB thousand) 31 December 2020
Contract liabilities	(23 495 431)	(21 146 527)	(19 768 071)
<i>Thereof:</i>			
<i>Mobile and fixed telecommunication services</i>	(23 267 190)	(21 004 061)	(19 674 343)
<i>Loyalty programme</i>	(228 241)	(142 466)	(93 728)
Total liabilities	(23 495 431)	(21 146 527)	(19 768 071)
Less current portion	22 633 524	20 383 672	19 219 682
Total non-current liabilities	(861 907)	(762 855)	(548 389)

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

	2022	(RUB thousand) 2021
Balance as of 1 January	(21 146 527)	(19 768 071)
Revenue recognised that was included in the contract liability balance at the beginning of the period	10 076 571	10 083 679
Increase due to cash received, excluding amount recognised as revenue during the period	(12 425 475)	(11 462 135)
Balance as of 31 December	(23 495 431)	(21 146 527)

The Company expects to recognize revenue related to performance obligations that were unsatisfied as of 31 December 2022 as follows:

	2023	2024-2028	(RUB thousand) Total
Mobile and fixed telecommunication service	(22 405 283)	(861 907)	(23 267 190)
Loyalty program	(228 241)	-	(228 241)

16. INCOME TAX

The relationship between the income tax expense for 2022 and 2021 and the profit before tax is as follows:

	2022	(RUB thousand) 2021
Profit before income tax	38 394 224	71 643 120
Theoretical income tax expense	6 760 141	13 968 805
Permanent tax expenses:		
Non-deductible expenses	717 010	1 364 378
Dividends received from foreign subsidiaries	869	4 665
Other	307 422	258 287
Total	1 025 301	1 627 330
Permanent tax income:		
non-deductible income	(296 179)	(3 840 702)
Total	(296 179)	(3 840 702)
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	6 904	6 568
- Other operations with property, plant and equipment	27 319	22 972
Provisions	(503 666)	1 589 739
Difference in methods of revenue recognition	435 260	170 124
Allowance for doubtful debt	427 633	513 015
For lease	209 742	459 064
Other	(1 857 465)	(243 703)
Total	(1 254 273)	2 517 779
(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	1 874 063	(177 412)
- Other operations with property, plant and equipment	(999)	(619 861)
Other	(564 228)	(142 836)
Total	1 308 836	(940 109)
Total current income tax	7 543 826	13 333 103

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:

	2022	(RUB thousand) 2021
Adjustments to income tax declarations for prior periods	(483 351)	184 336
Income tax arrears	633	-
Tax penalties of prior periods	109 094	(363 190)
Total	(373 624)	(178 854)

17. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue for the years ended 31 December 2022 and 2021 is disclosed in the table below:

	2022	(RUB thousand) 2021
Revenue		
<i>Mobile services</i>	340 609 431	330 256 527
<i>Fixed line services</i>	30 890 423	29 555 017
<i>Integration services</i>	3 475 290	2 184 327
<i>Sales of goods</i>	6 467 703	3 803 244
<i>Other services</i>	10 130 600	7 527 327
Total revenue	391 573 447	373 326 442
Thereof:		
Recognised over time	385 105 744	369 523 198
Recognised at point of time	6 467 703	3 803 244
Total	391 573 447	373 326 442

18. OPERATING EXPENSES

Below is the summary of the Company's expenses on operating activities for 2022 and 2021:

	2022	(RUB thousand) 2021
OPERATING EXPENSES		
Depreciation and amortization	103 707 406	100 036 057
Payroll	36 691 968	31 364 788
Social contributions	8 889 317	7 895 613
Raw materials and supplies	9 091 085	5 886 342
Other expenses	142 299 222	134 349 518
Total	300 678 998	279 532 318

Other expenses line within operating expenses for 2022 and 2021 includes:

	2022	(RUB thousand) 2021
Other expenses		
Interconnection services	51 623 957	53 842 896
Dealers commission	13 793 771	13 471 340
Advertising and marketing expenses	13 774 206	11 036 138
Utilities	10 656 868	10 178 253
Technical support and maintenance of equipment	10 386 029	8 396 443
Roaming expenses	6 745 677	6 743 427
Content expenses	5 059 663	4 600 966
Lease expense	4 906 813	4 805 454
Taxes	4 734 562	4 522 588
Other expenses	20 617 676	16 752 013
Total	142 299 222	134 349 518

Depreciation and amortization line within operating expenses for 2022 and 2021 includes:

	2022	(RUB thousand) 2021
OPERATING EXPENSES		
Depreciation and amortization of PPE and IA	80 097 735	77 210 424
Depreciation of right-of-use assets	15 002 492	14 057 908
Amortization of cost to obtain contracts	8 607 179	8 767 725
Total	103 707 406	100 036 057

19. OTHER INCOME

Other income for 2022 and 2021 comprised:

	2022	(RUB thousand) 2021
Other income		
Foreign exchange gain and loss, net	4 574 906	797 055
Gain from the reversal of provisions	1 557 347	-
Gain from foreign exchange transactions with financial derivatives	1 208 092	-
Gain from sale and disposal of other property	517 965	538 125
Gain from sale and disposal of property, plant and equipment	181 425	259 419
Accounts payable written off as unclaimed	155 570	268 876
Gain from the reversal of allowance for impairment of other investments	219 244	389 285
Gain from the reversal of allowance for obsolescence of long-term inventories and other non-current assets	-	25 393
Other ¹	1 266 418	352 288
Total	9 680 967	2 630 441

¹ Including income from partial termination under the lease agreement with the counterparty International Organization of Space Communications Intersputnik in the amount of RUB 976 814 thousand.

20. OTHER EXPENSES

Other expenses for 2022 and 2021 comprised:

	2022	(RUB thousand) 2021
Other expenses		
Accrual of provisions	3 128 500	909 417
Allowance for doubtful accounts	1 721 074	1 341 721
Allowance for impairment of other investments	1 876 618	2 528 095
Loss from revaluations of market value of other investments	1 189 615	83 846
Allowance for obsolescence of long-term inventories and other non-current assets	1 017 652	-
Loss from swaps	919 396	285 642
Loss from foreign exchange transactions with financial derivatives	-	220 859
Loss on sale and disposal of other property	554 237	151 068
Write-off of value-added tax receivable	380 181	156 662
Expenses related to charity activities	164 070	141 827
Bank charges	105 315	90 854
Loss on sale and disposal of property, plant and equipment	86 113	72 875
Provisions	-	7 023
Other	969 499	684 720
Total	12 112 270	6 674 609

21. EXCHANGE RATES

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

Currency	(RUB thousand)		
	31 December		
	2022	2021	2020
US Dollar	70.3375	74.2926	73.8757
EUR	75.6553	84.0695	90.6824
		2022	2021
Foreign exchange gain (loss) from translation of assets and liabilities denominated in foreign currency and payable in foreign currency		4 440 144	925 070
Foreign exchange gain/(loss) from translation of assets and liabilities denominated in foreign currency and payable in rubles		134 762	(128 015)
Total		4 574 906	797 055

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 2022, 2021 and 2020 was as follows (in rubles at the exchange rate as at the reporting date):

Derivative financial instruments	(RUB thousand)		
	31 December		
	2022	2021	2020
Swaps	761 193	4 626 506	4 508 273
Forwards	-	35 861	-
Total	761 193	4 662 367	4 508 273

In 2022 and 2021, loss from unrealized swap transactions amounted to RUB 919 396 thousand and RUB 285 642 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 2022 and 2021, gain and loss from realized financial derivatives transactions amounted RUB 1 208 826 thousand and RUB 220 859 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 2022, 2021 and 2020 amounted to RUB 0 thousand, RUB 4 437 885 thousand and RUB 0 thousand, respectively.

23. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Net profit, RUB thousand	31 278 585	59 708 833
Weighted average number of ordinary shares outstanding	<u>1 959 679 632</u>	<u>1 988 246 406</u>
Basic earnings per share, RUB	<u>15.96</u>	<u>30.03</u>
Diluted earnings per share, RUB	<u>15.96</u>	<u>30.03</u>

24. BOARD OF DIRECTORS

The amount of compensation paid to the members of the Board of Directors in 2022 and 2021 amounted to RUB 200 482 thousand and RUB 236 010 thousand, respectively, including social contributions of RUB 7 080 thousand and RUB 17 101 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

The amount of compensation paid to the members of the Management Board in 2022 and 2021 amounted to RUB 1 865 838 thousand and RUB 1 198 220 thousand, respectively, including social contributions of RUB 249 675 thousand and RUB 161 137 thousand, respectively.

Members of the Management Board are also entitled to cash-settled and equity-settled share-based payments. Related compensation accrued during 2022 and 2021 amounted to RUB 2 026 817 thousand and RUB 2 383 811 thousand, respectively, including social contributions of RUB 242 334 thousand and RUB 316 325 thousand, respectively.

All of the payments were short-term compensations.

26. DISTRIBUTION OF RETAINED EARNINGS

The annual meeting of shareholders which took place on 22 June 2022 voted to distribute part of the profit retained by the Company in 2021 to pay dividends to shareholders in the amount of RUB 67 645 216 thousand. These payments include dividends on treasury shares in the total amount of RUB 1 310 305 thousand.

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.

27. REORGANIZATION OF THE COMPANY

27.1 Reorganization of the Company in 2022. Merger of STV LLC, Cloud Retail LLC and Cloud Retail Plus LLC

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

On 1 April 2022, Cloud Retail LLC and Cloud Retail Plus LLC were reorganized through a merger with MTS.

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

The financial result from the reorganization of PJSC “MTS” in the form of a merger, not included in net profit for the period, was RUB 31 704 thousand (gain), including the amount of negative net assets of the merged companies at the date of merger in the amount of RUB 4 830 606 thousand and the amount of the reserve for financial investments used. The effect of this merger was recorded in the statement of changes in equity in the line “Change in equity due to reorganization”.

Adjusted Statement of Financial Results for 2022 (unaudited)

The following pro forma financial indicators of the Company for 2022 reflect the 2022 business combination as if it had occurred at the beginning of the reporting period.

Adjusted amounts	(RUB thousand)
	2021
Revenue	391 812 124
Operating profit	90 824 637
Net profit	31 344 657
Basic and diluted earnings per share, RUB	15.99

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 2022 and is also not necessarily indicative of future financial results. The pro-forma information does not reflect 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.

27.2 Reorganization of the Company in 2022. Spin-off of LLC “TIC”

On 16 December 2022 an entry was made in the Unified State Register of Legal Entities to establish Tower Infrastructure Company LLC (LLC “TIC”) as a result of the reorganization of MTS PJSC by spinning off LLC “TIC”, the company that owns and operates the infrastructure of telecommunication towers. In accordance with the decision of the Extraordinary General Meeting of MTS PJSC dated 30 September 2021, LLC “TIC” was transferred a part of the property, rights and obligations under the transfer act. Total amount of transferred assets, rights, obligations and liabilities amounted to RUB 64 165 413 thousand. The date of drawing up the transfer act or dividing balance sheet is 30 June 2021.

As a result of the reorganization some of the tower assets of MTS PJSC were transferred to LLC "TIC", represented by capital investments in tower infrastructure facilities (buildings, structures, towers, antenna-mast structures, towers, land plots, power lines, communication lines, other property), assets in the form of right to use and respective liabilities under lease contracts for land plots and sites for tower infrastructure, and liabilities represented by long-term bank loans.

The table presents data on the property, rights and obligations transferred as part of the reorganization in the form of spin-off and data on the formed property and obligations of the newly incorporated legal entity in December 2022:

Property and liabilities	2022
Right-of-use assets (Note 5)	15 834 997
Property, plant and equipment (Note 4)	21 995 288
Other assets	83 722
Total assets	37 914 007
Lease liabilities	17 366 682
Borrowings (Note 12)	80 000 000
Other liabilities	4 712 738
Total liabilities	102 079 420
Share capital	25 000
Retained earnings	(64 190 413)

The financial result from the reorganization of MTS PJSC in the form of the spin-off of LLC "TIC", not included in net profit for the period, was RUB 64 190 413 thousand (income) and includes the effect of the increase in net assets changed due to the spin-off of assets and liabilities in favour of LLC "TIC" at the date of reorganization. The effect of this reorganization was recorded in equity accounts in the line "Retained earnings".

As a result of the lease agreement subsequently entered into with LLC "TIC", MTS PJSC recognized right-of-use assets of RUB 94 027 917 thousand and lease liabilities of RUB 94,027,917 in respect of the lease of over 21 thousand antenna-mast structures, towers and poles for the placement of communications equipment for 10 years. The Company exercised its judgement by applying the accounting treatment prescribed in the existing accounting policy to the lease agreement for towers with LLC "TIC", classifying this contract as a new lease.

As a result of the reorganization, the Company recognized on the balance sheet an equity-accounted financial investment in subsidiary LLC "TIC" in the amount of RUB 25 000 thousand (Note 6).

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

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.

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

	2022	(RUB thousand) 2021
PJSC MGTS, a subsidiary	7 377 481	7 192 882
JSC Russian Telephone Company, a subsidiary	2 957 433	3 319 035
MTS-Bank PJSC, a subsidiary	2 404 253	1 827 589
OJSC MTT, a subsidiary	835 938	372 827
LLC Yakhont, under common control	648 426	97
LLC MTS Digital (former LLC MTS IT), a subsidiary	425 700	350 476
CJSC MTS Armenia, a subsidiary	320 457	308 655
LLC MTS AI, a subsidiary	217 109	98 372
LLC STW MTS, a subsidiary	175 000	87 724
LLC MTS Media, a subsidiary	157 322	41 423
JLLC MTS Belarus, an associate	91 599	65 426
Other	1 659 609	1 779 782
Total	<u>17 270 327</u>	<u>15 444 288</u>

Purchase of equipment, goods, work and services

	2022	(RUB thousand) 2021
LLC MTS Digital (former LLC MTS IT), a subsidiary	20 444 330	10 527 886
JSC Russian Telephone Company, a subsidiary	15 160 686	15 206 041
JSC NVision Group, a former subsidiary	7 709 661	3 836 202
PJSC MGTS, a subsidiary	6 938 878	7 251 482
LLC MTS Energo, a subsidiary	5 657 577	4 062 374
LLC MTS Media, a subsidiary	4 394 871	3 067 268
LLC Stream, a subsidiary	3 699 062	5 393 922
MTS-Bank PJSC, a subsidiary	3 044 160	1 051 129
LLC MTS AI, a subsidiary	740 385	348 066
LLC "TIC", a subsidiary	724 888	-
TSTV LLC, an associate	522 173	70 294
OJSC MTT, a subsidiary	354 293	126 195
CJSC MTS Armenia, a subsidiary	315 961	443 534
LLC STV MTS, a subsidiary	230 825	77 650
LLC Prikladnaya Tehnika, subsidiary company	175 469	248 904
LLC MDTZK, a subsidiary	162 686	75 263
LLC Jooms Projects, a subsidiary	162 616	318 067
LLC IT-Grad 1 Cloud, a subsidiary	156 511	27 190
JSC MWS, a subsidiary	134 585	-
JSC Metro-Telecom, a subsidiary	68 502	99 607
JSC Navigation Information Systems, a subsidiary	5 549	6 145
Other	1 498 273	1 539 564
Total	72 301 941	53 776 783

Interest income on loans receivable

	2022	(RUB thousand) 2021
MTS-Capital LLC, a subsidiary	992 234	536 887
JSC Russian Telephone Company, a subsidiary	669 669	176 959
Intema S.a.r.l.	522 935	-
Data Services Holding S.à r.L., a subsidiary	233 862	114 115
LLC MTS Travel, a subsidiary	133 354	-
LLC MTS Digital (former LLC MTS IT), a subsidiary	15 927	81 882
Dega Retail Holding Ltd, a subsidiary	1 973	102 713
Other	548 021	211 446
Total	3 117 975	1 224 002

Interest expense on borrowings

	2022	(RUB thousand) 2021
PJSC MGTS, a subsidiary	5 545 712	2 272 738
MTS International Funding Ltd, a subsidiary	1 714 289	1 841 465
LLC Telecom Projects, a subsidiary	911 840	499 638
LLC Stream Digital, a subsidiary	873 262	334 678
LLC BASTION, a subsidiary	805 830	262 389
Vostok Mobile B.V., a subsidiary	576 151	502 743
JSC MGTS-Nedvizhimost, a subsidiary	455 631	50 488
Baggio Holding B.V., a subsidiary	176 520	11 831
Mobile TeleSystems B.V., a subsidiary	80 675	167 596
LLC Stream, a subsidiary	47 048	67 796
Other	1 123 145	518 966
Total	12 310 103	6 530 328

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

	31 December			(RUB thousand) Period of settlement for 2022 operations
	2022	2021	2020	
	PJSC MGTS, a subsidiary	67 040 016	47 015 266	
MTS International Funding Ltd, a subsidiary	36 199 390	37 306 235	37 096 888	2023
LLC Telecom Projects, a subsidiary	12 427 662	10 206 182	10 271 144	2023-2024
LLC Stream Digital, a subsidiary	12 216 360	9 072 798	9 164 659	2024-2025
Vostok Mobile B.V., a subsidiary	11 992 781	14 294 793	12 508 042	2023-2024
LLC MTS Digital, a subsidiary	8 006 822	3 001 397	1 575 161	2025
JSC MGTS-Nedvizhimost, a subsidiary	4 806 693	4 314 962	706 964	2024
LLC BASTION, a subsidiary	3 503 325	7 960 504	3 696 415	2023
Baggio Holding B.V., a subsidiary	3 235 736	529 315	337 698	2023
LLC TSTV, an associate	3 170 947	2 128 557	1 858 156	2025
CJSC MTS Armenia, a subsidiary	2 806 466	2 860 265	2 740 788	2023
JSC Russian Telephone Company, a subsidiary	1 948 542	3 503 772	1 779 164	2024
Mobile TeleSystems B.V., a subsidiary	1 866 238	1 794 664	3 057 321	2024
JSC MTT	1 214 230	411 085	-	2024
ALLEGRETTO HOLDING S.A.R.L., a subsidiary	952 570	3 236 329	391 587	2023
LLC Network, a subsidiary	877 328	679 168	-	2024
LLC MDTZK, a subsidiary	886 364	1 019 631	358 130	2025
JSC MWS, a subsidiary	817 173	1 013 830	-	2024
LLC MTS Venture Investments, a subsidiary	666 637	135 433	211 116	2023-2025
LLC Stream, a subsidiary	618 150	691 902	2 731 106	2024
LLC MTS Electronics, a subsidiary	481 518	467 501	-	2025
LLC Prikladnaya Tehnika, a subsidiary	450 185	-	-	2023
LLC Jooms Projects, a subsidiary	375 058	447 107	328 303	2025
Other	1 065 216	317 793	189 388	2023-2027
Total	177 625 407	152 408 489	122 043 125	

Loans receivable and other investments, including interest receivable

	31 December			(RUB thousand) Period of settlement for 2022 operations
	2022	2021	2020	
	LLC MTS-Capital, a subsidiary	11 363 827	10 371 593	
Intema S.a.r.l., a subsidiary	6 602 629	-	-	2025
Data Services Holding S.à r.L., a subsidiary	5 545 378	5 314 115	-	2024
LLC MTS Travel, a subsidiary	4 034 854	-	-	2025
JSC Russian Telephone Company, a subsidiary	1 759 235	3 604 566	653 608	2024
LLC MTS AI, a subsidiary	1 774 936	882 265	243 113	2024
PJSC Navigation Information Systems, a subsidiary	1 521 000	1 403 000	1 262 000	2023
LLC Oblachnyi Retail Plus, a former subsidiary	-	2 246 180	1 966 881	-
LLC MTS Media, a subsidiary	1 189 555	2 022 960	2 002 189	2023
LLC STV, a former subsidiary	-	2 007 442	518 154	-
LLC STV MTS, a subsidiary	1 163 407	483 900	-	2024
LLC MTS AUTO, a subsidiary	530 147	100 752	-	2025
JSC Sitronics, a subsidiary	290 439	271 987	253 535	2023
LLC MTS Energo, a subsidiary	77 851	16 000	389 667	2024
Dega Retail Holding Ltd, a subsidiary	22 075	23 053	583 104	2024
JSC NVision Group, a former subsidiary	-	-	3 326	-
Other	1 363 156	1 130 290	911 849	2023-2025
Total	37 238 489	29 878 103	18 622 129	

Accounts receivable

		(RUB thousand)		
		31 December		
Type of transaction		2022	2021	2020
LLC Prikladnaya Tehnika, a subsidiary	Sale of goods, works, services	2 942 087	2 862	49
JSC NVision Group, a former subsidiary	Sale of goods, works, services	2 450 346	1 454 821	272 162
ES MTS-Turkmenistan, a subsidiary	Dividends receivable	987 049	1 044 043	1 038 183
PJSC MGTS, a subsidiary	Sale of goods, works, services	869 170	1 550 455	5 607 625
PJSC MTS-Bank, a subsidiary	Sale of goods, works, services	712 070	462 077	316 453
JSC Russian Telephone Company, a subsidiary	Sale of goods, works, services	275 014	833 561	400 440
LLC "TIC", a subsidiary	Sale of goods, works, services	171 584	-	-
LLC STV MTS, a subsidiary	Sale of goods, works, services	136 418	168 362	-
MTS Belarus, an associate	Settlement on due dividends	86 212	45 854	676 430
CJSC MTS Armenia, a subsidiary	Sale of goods, works, services	78 974	133 614	252 463
MTS Belarus, an associate	Sale of goods, works, services	6 462	15 081	-
LLC Yahont, under common control	Sale of goods, works, services	2	8 079	46 997
MTS Belarus, an associate	Discounts provided on roaming services	-	247	2 535
Dega Retail Holding Ltd, a subsidiary	Settlements on financial investment	-	-	2 836 870
Other	Sale of goods, works, services	1 486 932	1 432 160	1 576 811
Other	Other services	33 553	-	-
Total		10 235 873	7 151 216	13 027 018

As at 31 December 2022, 2021 and 2020, the allowance for doubtful debts from related parties and allowance for impairment of loans receivable from related parties (including interest receivable) comprised the following:

		(RUB thousand)		
		31 December		
		2022	2021	2020
PJSC Navigation Information Systems, a subsidiary		1 521 000	1 403 000	1 262 000
LLC STV MTS, a subsidiary		1 163 407	-	-
ES MTS-Turkmenistan, a subsidiary		987 049	1 044 043	1 061 498
JSC Metro-Telecom, a subsidiary		237 986	237 986	227 986
JSC NVision Group, a former subsidiary		-	-	3 326
LLC Oblachnyi Retail Plus, a former subsidiary		-	2 246 180	1 966 881
LLC STV, a former subsidiary		-	2 007 442	-
Other		423 928	633 374	958 745
Total		4 333 370	7 572 025	5 480 436

Accounts payable

		(RUB thousand)		
		31 December		
	Type of transaction	2022	2021	2020
LLC MTS Digital (former LLC MTS IT)	Purchase of goods, works, services	2 595 198	5 092 215	848 659
LLC BASTION, a subsidiary	Dividends payable	2 111 595	-	-
JSC Russian Telephone Company, a subsidiary	Purchase of goods, works, services	1 665 110	4 818 399	2 787 168
PJSC MGTS, a subsidiary	Purchase of goods, works, services	1 156 653	456 020	1 746 687
LLC "TIC", a subsidiary	Purchase of goods, works, services	1 000 875	-	-
LLC MTS Media, a subsidiary	Purchase of goods, works, services	904 001	3 453 986	9 822
LLC MTS AI, a subsidiary	Purchase of goods, works, services	577 280	120 735	-
Baggio Holding B.V., a subsidiary	Settlements on financial investment	-	2 525 750	-
JSC NVision Group, a former subsidiary	Purchase of goods, works, services	449 270	1 872 712	1 214 746
LLC Yahont, under common control	Purchase of goods, works, services	-	482 964	888 058
Other	Purchase of goods, works, services	2 432 886	2 275 972	1 829 688
Other	Other services	950 352	202 306	171 211
Total		13 843 220	21 301 059	9 496 039

Cash and cash equivalents

The Company has several bank accounts in MTS-Bank PJSC, a subsidiary of MTS PJSC. As at 31 December 2022, 2021 and 2020, the amount of cash placed in MTS-Bank PJSC as part of the line Cash and cash equivalents is RUB 2 520 020 thousand, RUB 2 398 454 thousand and RUB 2 735 938 thousand, respectively.

Cash flows with related parties

	(RUB thousand)	
	2022	2021
Cash flows from operating activities		
Proceeds from customers	10 105 921	13 953 642
Other cash inflows	1 192 848	239 316
Payments for acquired goods, services, raw materials and other current assets	(38 965 764)	(24 904 508)
Interest paid	(5 023 213)	(4 992 323)
Other payments	(17)	(483)
Net cash outflows from operating activities	(32 690 225)	(15 704 356)
Cash flows from investing activities		
Dividends received	2 714 632	20 817 787
Proceeds from repayment of loans given to other entities	20 878 276	19 374 668
Proceeds from disposal of financial investments in the share capital of subsidiaries and associates	-	2 451 501
Proceeds from sales of securities and other financial instruments	877 062	611 564
Interest received	113 725	756 416
Proceeds from sales of property, plant and equipment and other non-current assets	153 545	19 441
Purchase of financial investments in share capital of subsidiaries and associates and other financial investments	(18 128 097)	(46 557 496)
Purchase of property, plant and equipment (including investment property) and intangible assets	(40 687 766)	(22 012 700)
Cost to obtain contracts	(4 979 769)	(4 766 003)
Loans given to other entities	(29 691 085)	(29 739 486)
Net cash outflows from investing activities	(68 749 477)	(59 044 308)
Cash flows from financing activities		
Proceeds from borrowings provided by other entities	88 341 343	101 465 252
Repayment of borrowings (excluding interest)	(69 895 204)	(73 261 422)
Dividends paid (including withholding income tax)	(30 859 457)	(34 441 021)
Acquisition of treasury shares	-	(6 219 981)
Lease obligation principal paid	(1 659 820)	(1 844 172)
Net cash outflow from financing activities	(14 073 138)	(14 301 344)

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 2022, 2021 and 2020:

	(RUB thousand)		
Carrying value of right-of-use assets:	31 December		
	2022	2021	2020
LLC "TIC", a subsidiary	93 244 351	-	-
PJSC MGTS, a subsidiary	10 042 240	12 952 273	13 417 703
JSC MGTS-Nedvizhimost, a subsidiary	250 190	365 006	269 715
JSC Business Nedvizhimost, under common control	261 341	290 856	221 599
Other related parties	976 993	903 169	488 460
Total carrying value of right-of-use assets	104 775 115	14 511 304	14 397 477

The following table provides summary of lease obligations which arose from lease arrangements with related parties as of 31 December 2022, 2021 and 2020:

	(RUB thousand)		
	31 December		
Lease obligations:	2022	2021	2020
LLC BIK, a subsidiary	94 459 673	-	-
PJSC MGTS, a subsidiary	12 024 303	14 708 029	14 934 737
JSC MGTS-Nedvizhimost, a subsidiary	251 109	370 399	289 959
JSC Business Nedvizhimost, under common control	282 159	312 740	242 881
Other related parties	1 001 575	936 745	538 883
Total lease obligations	108 018 819	16 327 913	16 006 460

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	(RUB thousand)	
	2022	2021
Interest expense accrued on lease obligations	1 790 164	1 128 108
Depreciation of the rights-of-use assets	2 573 798	1 965 211
Total amounts recognized in the statement of financial results	4 363 962	3 093 319

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		
	2022	2021	2020
Property, plant and equipment (net book value)	3 501 710	4 543 093	4 974 581
Amounts due from / (to) customers under joint venture agreement	2 510 959	3 833 043	529 174

Result from operations recognized in the statement of financial results

	(RUB thousand)	
	2022	2021
Depreciation of fixed assets	(1 496 986)	(1 349 110)
Compensated expenses	(2 091 024)	1 878 267
Property operating costs	1 204 087	(1 360 464)

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 2022 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	514 653	36 199 390
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
PJSC MTS Bank	JSC "Tinkoff Bank"	18 February 2020	17 February 2025	RUB	499 000	499 000
JSC NVision Group	MICROSOFT IRELAND OPERATIONS LIMITED	25 February 2020	25 February 2023	US Dollar	40 000	2 813 500
ES MTS-Turkmenistan	Nokia Siemens Networks Oy/ GmbH&Co.KG	22 December 2012	Perpetual	US Dollar	761	53 558
Total						47 915 448

Since the Company's management does not consider it probable that the economic benefits to the Company will decrease in connection with these guarantees, no provisions were created.

30. CONTINGENT LIABILITIES

Licenses – The Management believes that as of December 31, 2022 the Company complied with conditions of the licenses used.

Capital commitments – As of December 31, 2022, 2021 and 2020 the Company had executed purchase agreements of approximately RUB 15 508 561 thousand, RUB 57 006 452 thousand and RUB 49 526 053 thousand respectively to acquire property, plant and equipment, intangible assets and costs related.

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 PJSC filed an application to invalidate the above decisions and prescriptions of the FAS Russia, however the courts of various instances supported the position of FAS of Russia. In August 2021, the Company paid the fine imposed by FAS Russia in full amount of RUB 188 678 thousand.

In 2021, several Russian financial institutions 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. Arbitration courts of three instances have dismissed all 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, 2022 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, the EU, US, UK and certain other countries have imposed significant new sanctions and export controls on Russian and Belarusian persons and entities. The sanctions have resulted in reduced access of Russian companies to international capital markets and certain export markets, volatility of the Russian ruble, increased inflation, depressed capital markets, restrictions against several major Russian financial institutions and the Central Bank of Russia (“CBR”), certain companies and individuals, controls on technology exports and other negative economic consequences.

From February 28 to March 28, 2022, trading on the Moscow Exchange in all equity securities was suspended (including MTS PJSC ordinary shares). Also on February 28, the New York Stock Exchange suspended trading of 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, the increase of the interest rate by the Central Bank of the Russian Federation up to 20% on February 28, 2022, increased the Company’s financing costs due to the impact on floating-rate credit facilities. The Central Bank of the Russian Federation subsequently reduced its key rate to 7.5% on December 31, 2022.

In addition, the CBR has prohibited Russian companies from making any payments, including dividends, on securities of Russian companies to non-Russian residents, with the result that any non-Russian resident holders of our ADSs were ineligible to receive such dividends. In May 2022, Presidential Decree № 254 established a temporary procedure for the fulfillment of obligations to pay dividends to non-residents, which provides for settlements in Russian rubles, subject to the opening of special accounts.

In April 2022, Federal Law № 114 FZ came into force, obliging Russian companies to terminate their foreign depositary receipt programs. In May, the Government Commission for the Control of Foreign Investment in the Russian Federation (the “Commission”) granted MTS PJSC’s request to retain its American Depositary Receipt (“ADR”) program. The Commission allowed MTS PJSC to continue trading the Company’s ADRs outside of Russia until July 12, 2022 inclusive. Pursuant to the decision of the Government Commission and legal requirements, MTS PJSC initiated the process of closing its depositary receipts program from 13 July 2022. The NYSE terminated the American Depositary Shares (ADSs) of MTS PJSC on August 8, 2022. The depositary receipts were subject to conversion into shares of common stock at a conversion ratio of 1 to 2. The guaranteed period for the conversion of depositary receipts expired on (and including) January 12, 2023. In August 2022, the Company initiated automatic conversion of the ADSs into ordinary shares in accordance with applicable law. In the event that holders of depositary receipts held with foreign brokers and (or) depositories were restricted by foreign brokers and (or) depositories from converting receipts and receiving shares due to sanctions, the holders of receipts could convert the shares through a compulsory conversion mechanism. The deadline for filing applications for involuntary conversion expired on November 11, 2022.

The Company's management remains focused on ensuring operational continuity and providing uninterrupted communication and other services for customers. In assessing the ability to act as going concern, management took into account all possible risks and uncertainties, available liquidity (Note 1), considering existing debt facilities and unused credit lines, ability to comply with loan covenants, the amount of capital commitments and other factors.

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, 2022 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. In March 2021, US District Judge of Eastern District Court of New York granted a motion to MTS to reject a claim and fully dismissed the case. The plaintiff filed an appeal for dismissal resolution of US District Court of the Eastern District of New York. On March 31, 2022, the United States Court of Appeals for the Second Circuit reconfirmed the decision of the US District Court of the Eastern District of New York of New York and found plaintiff's claims without merit.

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 assesses the outflow of economic benefits as less than possible:

	(RUB thousand)		
	31 December		
	2022	2021	2020
Contingent liabilities on other taxes	86 699	167 192	231 198
Contingent income tax liabilities	56 693	503 431	96 483

31. SUBSEQUENT EVENTS

Acquisition of interest in Buzzoola – In February 2023 the Company acquired 67% stake in Buzzoola Internet Technologies LLC (“Buzzoola”), a provider of advertising technology services. The purchase price included RUB 371 276 thousand and contingent consideration. The acquisition of 67% interest was accounted for as investment in joint venture.

Placement of ruble-denominated bonds – In March 2023, MTS PJSC placed a new series of exchange-traded bonds with a nominal value of RUB 20 billion at a coupon rate of 9.05% per annum and a 2-year maturity.

Acquisition of interest in Infomat LLC – In March 2023, the Company, through its subsidiary MTS AI LLC, acquired a 49% interest in Infomat LLC, which provides services under the Infomatika brand and specializes in the development of software and hardware systems and interactive systems. The consideration paid to the seller of the stake amounted to RUB 187 000 thousand.

The Russian original signed by

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

Chief Accountant of Mobile TeleSystems PJSC A.V. Dvoretiskikh

29 March 2023