

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

Consolidated financial statements

For the year ended December 31, 2024 and
Independent auditors's report

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-6
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024	
Consolidated statement of financial position	7-8
Consolidated statement of profit or loss	9
Consolidated statement of comprehensive income	10
Consolidated statement of changes in shareholders' equity	11
Consolidated statement of cash flows	12-13
Notes to the consolidated financial statements:	14-86
1. General information and description of business	14
2. Summary of significant accounting policies and new accounting pronouncements	14
3. Significant accounting judgments, estimates and assumptions	17
4. Business acquisitions	19
5. Segment information	23
6. Revenue from contracts with customers	25
7. Selling, general and administrative expenses	28
8. Finance income and costs	29
9. Other non-operating (income)/expenses	29
10. Discontinued operations	29
11. Income tax	31
12. Earnings per share	34
13. Cash and cash equivalents	34
14. Short-term investments	35
15. Investments in associates and joint ventures	36
16. Other investments	39
17. Trade and other receivables	40
18. Inventories	42
19. Property, plant and equipment	43
20. Goodwill	45
21. Impairment review	45
22. Other intangible assets	47
23. Borrowings	49
24. Right-of-use assets and lease obligations	50
25. Reconciliation of liabilities arising from financial activities	53
26. Provisions	54
27. Fair value of financial instruments	55
28. Financial risk management	59
29. Bank financial assets and liabilities	63
30. Related parties	77
31. Stock-based compensations	82
32. Shareholders' equity	83
33. Commitments and contingencies	85

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Mobile TeleSystems PJSC:

Opinion

We have audited the consolidated financial statements of Mobile TeleSystems PJSC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for 2024, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for 2024 in accordance with International Financial Reporting Standards ("IFRSs").

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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 Group'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 this matter 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 (the "IT") to identify, test, and evaluate the Group's systems, software applications, and automated controls.

See Note 6 to the consolidated financial statements.

How the matter was addressed in the audit

Our audit procedures related to the Group'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 internal 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 procedure 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 evaluated the Group's accounting policy with respect to the recognition of revenue from the provision of services to subscribers to determine if the existing policy continues to be appropriate;
- 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 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 Group;
- We agreed the information on active tariffs entered in the billing systems to the approved tariff orders and published tariff plans; and
- We assessed the compliance of the disclosures in the consolidated financial statements with the requirements of IFRS 15, Revenue from Contracts with Customers.

Why the matter was determined to be a key audit matter**Accounting for investments in accordance with IFRS 9, *Financial Instruments***

As part of its strategy, the Group regularly invests in various financial assets. Such assets of RUB 213,749 million as at December 31, 2024 (2023: RUB 113,953 million) include investments in stocks and bonds on the Russian and foreign markets, loans issued, investments in investment funds.

We identified this area as a key audit matter due to the materiality of such investments, as well as due to the fact that the valuation and classification of such investments are subjective judgments by management (determination of assumptions and inputs used for the valuation of financial investments, which fair value cannot be derived from active markets), and therefore a high degree of judgment is required from the auditor when performing audit procedures.

See Note 3, 14, 16 and Note 27 to the consolidated financial statements.

Assessment and measurement of expected credit losses on loans to individuals

The Group applies an 'expected loss' model to determine the impairment of loans to individuals of MTS Bank. As described in Note 29, *Bank financial assets and liabilities*, the Group reported an allowance for expected credit losses of RUB 48,811 million as at December 31, 2024 in respect of loans to individuals (2023: RUB 41,624 million), including allowance for expected credit losses in the amount of RUB 45,661 million as at December 31, 2024 in respect of loans to individuals (2023: RUB 38,571 million). Due to the underlying assumptions and estimations, in particular the evaluation of the probability of default for loans assessed

How the matter was addressed in the audit

Our audit procedures related to the investments included the following, among others:

- We analysed agreements, key terms of transactions and supporting documents for the acquisition of investments to verify their existence and classification;
- We verified that the Group owns the rights to financial investments by external confirmations received from third parties;
- We evaluated fair value estimates by reconciling the value with information from open market sources and recalculating the value of financial investments, which value of cannot be derived from active markets, as well as analysed the recoverability of investments (the review of financial statements of borrowers; the analysis of assets used to secure financial investments. the analysis of cash flows from financial investments after the reporting date);
- We assessed the compliance of the disclosures in the consolidated financial statements with the requirements of IFRS 9, *Financial Instruments*.

Our audit procedures related to the assessment and measurement of expected credit losses of loans to customers assessed on a collective basis included the following, among others:

- We tested the design and the effectiveness of internal controls procedure over key assumptions in the assessment of probability of default of customers;
- We evaluated compliance of the methodology, models and techniques, used by the Group's management to determine the expected credit losses, with the requirements of IFRS 9, *Financial Instruments*;
- With the assistance of internal actuarial specialists, we performed an analysis of the integrity and logic of the models and assessed the most critical underlying assumptions against historical data and recent trends of default ratios, the retrospective testing of internally developed

Why the matter was determined to be a key audit matter

on a collective basis, the determination of expected credit losses is one of the most significant management estimates.

We identified this area as a key audit matter because models and techniques applied in calculating of expected credit losses requires the use of statistical data as well as the application of complex and subjective judgments by management.

Therefore, a high degree of judgment and an increased extent of audit effort was required in this area, including the need to involve our actuarial specialists and to perform focused audit procedures to evaluate management judgements made in estimating the allowance for expected credit losses to individuals.

See Note 3 and Note 29 to the consolidated financial statements.

How the matter was addressed in the audit

models performed by the Group, and assessed the Group managements' judgments regarding the impact of restructuring loans to customers and other external factors on expected credit losses;

- We tested the completeness and accuracy of statistical historical data used in the estimation of expected credit losses; and

We evaluated the compliance of the disclosures in the consolidated financial statements with the requirements of IFRS 9, Financial Instruments.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report for 2024 (the "Annual report") and the Issuer's report for 12 months of 2024 (the "Issuer's report"), but does not include the consolidated financial statements and our auditor's report thereon. The Annual report and Issuer's report are expected to be made available to us after the date of this auditor's report.

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

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

When we read the Annual report and Issuer's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 the Audit Committee 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 the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated 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.

Andrei Shvetsov
(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)

Moscow, Russia
5 March 2025

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2024

(Amounts in millions of Russian Rubles)

	Notes	December 31, 2024	December 31, 2023
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	19	339,510	314,270
Investment property		9,249	8,546
Right-of-use assets	24	99,032	111,305
Goodwill	20	61,736	49,229
Other intangible assets	22	157,408	120,470
Investments in associates and joint ventures	15	14,866	22,170
Other investments	16	48,421	43,462
Deferred tax assets	11	14,129	9,221
Accounts receivable, related parties	30	1,099	1,202
Trade accounts receivable	6,17	1,184	1,607
Bank deposits and loans to customers	29	218,228	188,713
Other financial assets	27	11,697	14,116
Other assets		1,910	1,626
Total non-current assets		978,469	885,937
CURRENT ASSETS:			
Inventories	18	15,462	19,009
Trade and other receivables	6,17	50,186	40,746
Accounts receivable, related parties	30	3,929	4,820
Bank deposits and loans to customers	29	162,335	148,144
Short-term investments	14	85,747	39,791
Advances paid and prepaid expenses		10,532	12,360
VAT receivable		11,666	11,984
Income tax assets		5,637	3,754
Cash and cash equivalents	13	109,776	73,752
Other financial assets	27	79,581	30,520
Other assets		3,260	776
Assets held for sale	10	383	19,952
Total current assets		538,494	405,608
TOTAL ASSETS		1,516,963	1,291,545

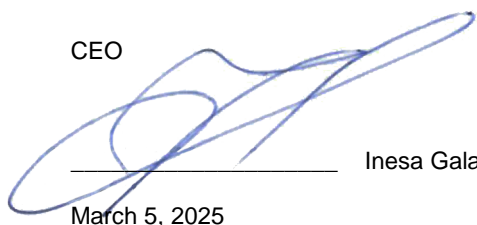
PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2024 (CONTINUED) (Amounts in millions of Russian Rubles)

	Notes	December 31, 2024	December 31, 2023
EQUITY AND LIABILITIES			
EQUITY:			
Common stock	32	200	200
Retained earnings		56,113	66,301
Other reserves		(93,992)	(71,599)
Equity attributable to owners of the Company		(37,679)	(5,098)
Non-controlling interests		26,445	6,818
Total equity		(11,234)	1,720
NON-CURRENT LIABILITIES:			
Borrowings	23	270,004	312,868
Lease obligations	24	98,411	113,003
Bank deposits and liabilities	29	11,440	20,774
Deferred tax liabilities	11	3,405	6,911
Provisions	26	5,101	10,374
Contract liabilities	6	1,380	1,102
Other financial liabilities	27	5,299	5,230
Other liabilities		2,892	2,426
Total non-current liabilities		397,932	472,688
CURRENT LIABILITIES:			
Trade and other payables		128,562	95,951
Accounts payable, related parties	30	750	762
Contract liabilities	6	34,182	29,614
Borrowings	23	401,775	241,187
Lease obligations	24	23,092	20,509
Bank deposits and liabilities	29	460,067	347,110
Income tax liabilities		2,685	711
Provisions	26	41,070	41,780
Other financial liabilities	27	5,202	6,146
Other liabilities		32,880	30,161
Liabilities directly associated with the assets held for sale	10	-	3,206
Total current liabilities		1,130,265	817,137
TOTAL EQUITY AND LIABILITIES		1,516,963	1,291,545

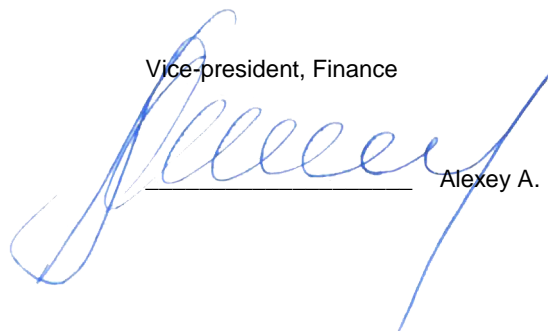
The accompanying notes are an integral part of these consolidated financial statements.

CEO



Inesa Galaktionova
March 5, 2025

Vice-president, Finance



Alexey A. Katunin

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2024

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

	Notes	2024	2023
Service revenue		639,790	552,021
Sales of goods		63,951	53,970
Revenue	5,6	703,741	605,991
Cost of services		216,102	166,389
Cost of goods	18	58,786	49,232
Selling, general and administrative expenses	7	152,922	131,523
Depreciation and amortization	5	110,502	111,391
Share of the profit of operating associates and joint ventures	15	(5,622)	(6,272)
Expected credit losses	17,29	34,286	34,735
Other operating expense/(income)		835	(3,853)
Operating profit	5	135,930	122,846
Finance income	8	(6,721)	(2,484)
Finance costs	8	104,794	60,106
Share of the (profit)/loss of non-operating associates and joint ventures	15	(480)	50
Other non-operating expense/(income)	9	2,859	(222)
Profit before tax		35,478	65,396
Income tax expense	11	3,959	12,767
Profit for the year from continuing operations		31,519	52,629
Profit from discontinued operations	10	(19,781)	(2,900)
Profit for the year		51,300	55,529
Profit for the year attributable to:			
Owners of the Company		49,048	54,552
Non-controlling interests		2,252	977
Earnings per share from continuing operations (basic and diluted), Russian Rubles:	12	17.43 and 17.28	30.59 and 30.23
Earnings per share from continuing and discontinued operations (basic and diluted), Russian Rubles:	12	29.21 and 28.96	32.31 and 31.93

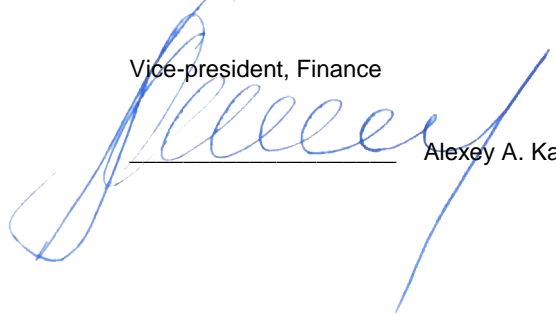
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CEO


Inesa Galaktionova

March 5, 2025

Vice-president, Finance


Alexey A. Katunin


PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2024 (Amounts in millions of Russian Rubles)

	<u>2024</u>	<u>2023</u>
Profit for the year	<u>51,300</u>	<u>55,529</u>
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Reclassification to profit and loss due to Disposal of subsidiary, (Note 10)	(17,548)	-
Exchange differences on translating foreign operations	(165)	241
Exchange differences on translating foreign operations from group held for sale	-	4,036
Net fair value (loss) on financial instruments	(767)	(6)
Share of other comprehensive (loss) / income of associates		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations in associates	<u>263</u>	<u>558</u>
Other comprehensive income for the year, net of income tax	<u>(18,217)</u>	<u>4,829</u>
Total comprehensive income for the year	<u>33,083</u>	<u>60,358</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	30,831	59,381
Non-controlling interests	2,252	977

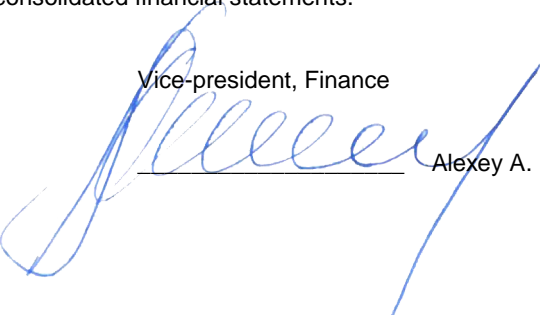
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CEO



Inesa Galaktionova
March 5, 2025

Vice-president, Finance



Alexey A. Katunin

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2024

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

	Common stock		Retained earnings	Other reserves	Equity attributable to equity holders	Non-controlling interests	Total equity
	Shares	Amount					
Balances at January 1, 2023	1,998,381,575	200	69,742	(79,309)	(9,367)	5,750	(3,617)
Profit for the year	-	-	54,552	-	54,552	977	55,529
Currency translation adjustment	-	-	-	4,835	4,835	-	4,835
Change in fair value of investments, net of tax	-	-	-	(6)	(6)	-	(6)
Total comprehensive income for the year	-	-	54,552	4,829	59,381	977	60,358
Issuance of stock options	-	-	-	590	590	-	590
Dividends declared by MTS	-	-	(57,993)	-	(57,993)	-	(57,993)
Other	-	-	-	2,291	2,291	91	2,382
Balances at December 31, 2023	1,998,381,575	200	66,301	(71,599)	(5,098)	6,818	1,720
Profit for the year	-	-	49,048	-	49,048	2,252	51,300
Disposal of subsidiary, net of tax	-	-	-	(17,548)	(17,548)	-	(17,548)
Currency translation adjustment	-	-	-	98	98	-	98
Change in fair value of investments, net of tax	-	-	-	(767)	(767)	-	(767)
Total comprehensive income for the year	-	-	49,048	(18,217)	30,831	2,252	33,083
Issuance of stock options	-	-	-	566	566	-	566
Other change in non-controlling interest	-	-	-	(4,285)	(4,285)	15,931	11,646
Dividends declared by MTS	-	-	(58,142)	-	(58,142)	-	(58,142)
Other	-	-	(1,094)	(457)	(1,551)	1,444	(107)
Balances at December 31, 2024	1,998,381,575	200	56,113	(93,992)	(37,679)	26,445	(11,234)

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

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2024 (Amounts in millions of Russian Rubles)

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	51,300	55,529
Adjustments for:		
Depreciation and amortization	110,757	114,359
Expected credit loss	34,285	34,746
Gain from disposal of subsidiary (Note 10)	(19,074)	-
Finance income	(6,796)	(2,526)
Finance costs	104,805	60,246
Income tax expense	4,018	13,597
Share of profit of associates and joint ventures	(6,102)	(6,222)
Net foreign exchange gain and change in fair value of financial instruments	(605)	(564)
Inventory obsolescence expense	1,845	2,407
Change in provisions	(7,358)	22,409
Other non-cash items	2,713	(2,075)
Movements in operating assets and liabilities:		
Increase in trade and other receivables and contract assets	(10,461)	(5,069)
Increase in bank deposits and loans to customers	(76,107)	(130,780)
Decrease / (Increase) in inventory	2,239	(7,239)
Increase in advances paid, prepaid expenses and other financial assets	(45,892)	(20,417)
Decrease / (Increase) in VAT receivable	871	(1,061)
Increase in trade and other payables, contract liabilities and other current liabilities	14,093	4,697
Increase in bank deposits and liabilities	103,624	84,117
Dividends received	5,355	5,321
Income tax paid	(12,038)	(27,923)
Interest received	6,106	2,347
Interest paid, net of interest capitalized	(98,619)	(57,185)
Net cash provided by operating activities	<u>158,959</u>	<u>138,714</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of subsidiaries, net of cash acquired (Note 4)	(4,288)	(231)
Purchases of property, plant and equipment (including capitalized interest in the amount of RUB 1,241 million and RUB 669 million, respectively)	(67,112)	(51,146)
Purchases of other intangible assets (including capitalized interest in the amount of RUB 1,982 million and RUB 220 million, respectively)	(65,261)	(50,360)
Purchases of investment property	(89)	(1,905)
Cost to obtain and fulfill contracts, paid	(6,032)	(4,531)
Proceeds from sale of property, plant and equipment and assets held for sale	8,223	5,867
Purchases of short-term and other investments	(78,747)	(50,340)
Proceeds from sale of short-term and other investments	28,909	6,564
Investments in associates and joint ventures (Note 15)	(4,704)	(2,560)
Net cash paid related to swap contracts	(2,489)	(3,014)
Proceeds from sale of subsidiaries, net of cash disposed of (Notes 10 and 30)	15,561	941
Proceeds from sale/liquidation of associates (Note 15)	-	100
Other investing activities	-	(25)
Net cash used in investing activities	<u>(176,029)</u>	<u>(150,640)</u>

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Amounts in millions of Russian Rubles)

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of notes	(56,126)	(45,814)
Proceeds from issuance of notes	64,094	58,277
Notes and debt issuance cost paid	(569)	(354)
Lease obligation principal paid	(18,925)	(19,785)
Dividends paid	(47,318)	(47,471)
Acquisition of entities under common control, net of cash acquired (Note 4)	(50)	(84)
Sale of ownership interest in subsidiaries without change in control	10,979	482
Acquisition of ownership interest in subsidiaries without change in control	(1,019)	(1,204)
Proceeds from sales of treasury shares	-	3,370
Proceeds from loans	220,510	113,867
Repayment of loans	(118,062)	(59,928)
Repurchase of common stock	(2,647)	-
Other financing activities	(723)	1,198
Net cash from financing activities	<u>50,144</u>	<u>2,554</u>
Effect of exchange rate changes on cash and cash equivalents	892	6,890
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>33,966</u>	<u>(2,482)</u>
CASH AND CASH EQUIVALENTS, beginning of the year	<u>75,810</u>	<u>78,292</u>
Less cash and cash equivalents within held for sale	2,058	-
CASH AND CASH EQUIVALENTS, beginning of the year	<u>73,752</u>	<u>78,292</u>
CASH AND CASH EQUIVALENTS, end of the year	<u>109,776</u>	<u>75,810</u>
Less cash and cash equivalents within held for sale	-	2,058
CASH AND CASH EQUIVALENTS, end of the year	<u>109,776</u>	<u>73,752</u>

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

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

1. GENERAL INFORMATION AND DESCRIPTION OF BUSINESS

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

The consolidated financial statements of the Company and its subsidiaries (“the Group” or “MTS”) as of December 31, 2024 and for the year ended 31 December 2024 were authorized for issue by the CEO of MTS PJSC on March 5, 2025.

Business of the Group – MTS PJSC was incorporated on March 1, 2000, through the merger of MTS CJSC and Rosico TC CJSC, its wholly-owned subsidiary. MTS CJSC started its operations in the Moscow licence area in 1994. As of December 31, 2024 and 2023, 42.1% of the Company’s issued shares were held by Sistema Public Joint-Stock Financial Corporation or Sistema and its subsidiary, 49.0% and 50.0% of the issued shares were owned by a significant number of shareholders, respectively. As of December 31, 2024 and 2023, Vladimir P. Yevtushenkov held 49.2% of Sistema’s issued shares. 50.8% of Sistema’s shares were held by a significant number of shareholders as of December 31, 2024 and 2023.

Since 2003 common shares of MTS PJSC have been traded on the PJSC “Moscow Exchange MICEX-RTS” (the “Moscow Exchange”). Till 2023 MTS shares in form of American Depositary Shares, or ADSs, have been also listed on the New York Stock Exchange (NYSE). In 2022 following the requirements of Russian Federal Law No. 114-FZ, requiring Russian companies to terminate their depositary receipt programs, MTS’ ADSs were delisted from NYSE. The existing ADSs could be converted into MTS’ ordinary shares.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

Basis of preparation and going concern – The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

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

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

The consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

As at December 31, 2024, the Group’s consolidated current liabilities exceeded current assets by RUB 591,773 million. The management believes the Group has sufficient existing and continuing access to liquidity through both operating cash flows and the availability of credit facilities of RUB 149,334 million committed as of the reporting date (Note 23). In addition, in February 2025 the Group entered into a number of new bank credit facilities with total amount of RUB 180,000 million. Also the remaining Group’s bond programs allow to raise additional RUB 823,700 million. In 2024, the Group generated a net profit of RUB 51,300 million, with a net operating cash flow of RUB 158,959 million for the year ended December 31, 2024. As of the reporting date, the Group held cash and cash equivalents totaling RUB 109,766 million.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Therefore, these consolidated financial statements have been prepared on a going concern basis, reflecting the reasonable assumption by management that the Group possesses the necessary resources to continue its operational activities for the foreseeable future.

Basis of consolidation – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved only where the Company has power over the entity, is exposed and has rights to variable returns, and is able to use the power to affect its amount of variable returns. The results of the controlled entities acquired or disposed of during the reporting period are included in the consolidated financial statements from the date the Group achieves control over the entity, or until the date on which the Company ceases to control the entity. If necessary, the accounting policies of controlled entities are aligned with the accounting policy applied by the Group. All intra-group balances, income, expenses and cash flows are eliminated on consolidation.

Effective ownership interests in the Group's significant subsidiaries and associates were the following:

	Accounting method	December 31, 2024	December 31, 2023
RTC	Consolidated	100.0%	100.0%
MTS Bank	Consolidated	99.9%	99.9%
MGTS Group	Consolidated	94.7%	94.7%
MTS Armenia ⁽¹⁾	Consolidated	-	100.0%
Cloud Services (Note 4)	Consolidated	100.0%	100.0%
Media Services	Consolidated	100.0%	100.0%
MTS AI	Consolidated	100.0%	100.0%
Ad Tech Services	Consolidated	100.0%	100.0%
Personel Mobility Device Operator	Consolidated	76.6%	80.6% ⁽²⁾
MTS Belarus (Note 15)	Equity	49.0%	49.0%

⁽¹⁾ Sold in January 2024 (Note 10)

⁽²⁾ Accounted by equity method in 2023 (for more details please refer to Notes 4 and 15)

Acquisitions from entities under common control – Business combinations arising from transfers of interests in entities that are under common control with the Group are consolidated prospectively starting from the date that the control over those entities is passed to the Group. The assets and liabilities 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.

Non-current assets held for sale and discontinued operations – The Group classifies assets and disposal groups as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the assets (or disposal group) are available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and their sale is highly probable to occur within a year. Held for sale assets and disposal groups are measured at the lower of carrying amount or fair value less cost to sell. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of the entity that either has been disposed of or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations;
- Or is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Group's statement of cash flows include both cash flows from continuing and discontinued operations, amounts related to discontinued operations by operating, investing and financing activities are presented in Note 10.

Supplier financing arrangements – The Group has factoring arrangements under which banks pay the amounts due to the identified suppliers on behalf of the Group for a fixed fee. No additional collateral or guarantee are provided by the Group in respect of factored payables. Based on the Group's assessment the liabilities under the factoring arrangements are closely related to its operating purchases and the arrangements do not lead to any significant change in the nature or function of the related liabilities. These liabilities are therefore classified as accounts payables. As of December 31, 2024 and 2023 accounts payables under the factoring arrangements totaled to RUB 12,009 million and RUB 3,688 million, they are generally repayable within 180 days and are full prepaid by factors.

Functional currency translation methodology – As of December 31, 2024, the functional currencies of Group entities were as follows:

- For entities incorporated in the Russian Federation – the Russian Ruble (“RUB”);
- For MTS Belarus – the Belarusian Ruble;

Foreign-currency transactions are translated into the functional currency at the exchange rates at the dates of the transactions. At the reporting date, monetary items denominated in foreign currencies are translated at the closing rate, whereas non-monetary items are stated at the exchange rate at the date of their recognition. Exchange rate differences are recognized in profit or loss.

For entities whose records are maintained in their functional currency, which is other than the reporting currency, are translated into Russian Rubles at the period-end exchange rate set by the Central Bank of Russia. Revenues and expenses have been translated at the average exchange rate for the period. Translation differences resulting from the use of these rates are reported as a component of other comprehensive income.

Standards, interpretations and amendments adopted in the financial year 2024

Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
	<i>Non current Liabilities with Covenants</i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 7 and IFRS 7	<i>Disclosures—Supplier Finance Arrangements</i>

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

New and revised IFRS Accounting Standards in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁽¹⁾
Amendments to IAS 21	<i>Lack of Exchangeability</i> ⁽²⁾
Amendments to IFRS 9 and IFRS 7	<i>Classification and Measurement of Financial Instruments</i> ⁽³⁾
IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ⁽⁴⁾
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ⁽⁴⁾

(1) The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.

(2) Effective for annual periods beginning on or after January 1, 2025, with earlier application permitted.

(3) Effective for annual periods beginning on or after January 1, 2026, with earlier application permitted.

(4) Effective for annual periods beginning on or after January 1, 2027, with earlier application permitted.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

None of IFRS pronouncements with exception of IFRS 18 are expected to have a material impact on the Group's consolidated financial statements.

IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 replaces IAS 1 *Presentation of financial statements*, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33 *Earnings per Share*.

IFRS 18 introduces new requirements to:

- Present specified categories and defined subtotals in the statement of profit or loss
- Provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- Improve aggregation and disaggregation.

An entity is required to apply IFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to IAS 7 and IAS 33, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions.

The management of the company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

A critical accounting estimate is an estimate that is both important to the presentation of the Group's financial position and requires management's most difficult, subjective or complex judgments, often as a result of the need to determine estimates and develop assumptions about the outcome of matters that are inherently uncertain.

Management evaluates such estimates on an on-going basis, based upon historical results, historical experience, trends, consultations with experts, forecasts of the future, and other methods which management considers reasonable under the circumstances. Management considers the accounting estimates discussed below to be its critical accounting estimates, and, accordingly, provides an explanation of each.

1. Depreciation and amortization of non-current assets

Depreciation and amortization expenses are based on management estimates of useful life, residual value and amortization method of property and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortization or depreciation charges. Technological developments are difficult to predict and management views on the trends and pace of development may change over time. Some of the assets and technologies, in which the Group invested several years ago, are still in use and provide the basis for new technologies. Critical estimates in the evaluations of useful lives for intangible assets include, but are not limited to, the estimated average customer relationship based on churn, the remaining licence period and the expected developments in technology and markets.

The useful lives of property and equipment and intangible assets are reviewed at least annually, taking into consideration the factors mentioned above and all other important relevant factors. The actual economic lives of intangible assets may be different from useful lives estimated by management, thereby resulting in a different carrying value of intangible assets with finite lives.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

The Group continues to evaluate the amortization period for intangible assets with finite lives to determine whether events or circumstances warrant revised amortization periods. A change in estimated useful lives is a change in accounting estimate, and depreciation and amortization charges are adjusted prospectively. See Notes 19 and 22 for further information.

2. Impairment of non-current assets

The Group made significant investments in property, plant and equipment, intangible assets, goodwill, right-of-use assets, acquiring and fulfilling of contracts.

Pursuant to IAS 36, goodwill and other intangible assets with indefinite useful lives and intangible assets not yet brought into use must be tested for impairment annually or more often if indicators of impairment exist. Other assets are tested for impairment when circumstances indicate that there may be a potential impairment.

Recoverable amounts of assets and cash generating units ("CGUs") are based on evaluations, including the determination of the appropriate CGUs, the discount rate, estimates of future performance, the revenue generating capacity of the assets, timing and amount of future purchases of property and equipment, assumptions of the future market conditions and the long-term growth rate into perpetuity (terminal value). A change of assumptions, particularly in relation to the discount rate and growth rate used to estimate the recoverable amounts of assets, could significantly impact results of the Group's impairment evaluation.

See Note 21 for further information.

3. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but when this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 27 for further information.

4. Provisions and contingencies

The Group is subject to various legal proceedings, disputes and claims, including regulatory discussions related to the Group's business, licences, tax positions and investments, where the outcomes are subject to significant uncertainty. In addition, significant uncertainty exists in relation to employee bonuses and other rewards, which depend on their individual performance and Group's results. The management evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss or related expense. Unanticipated events or changes in these factors may require the Group to increase or decrease the amount recorded or to be recorded for a matter that has not been previously recorded because it was not considered probable. See Notes 26 and Note 33 for further information.

5. Right-of-use assets and lease liabilities

The value of right-of-use assets and lease liabilities is based on management estimates of lease terms as well as an incremental borrowing rate used to discount lease payments. The lease term corresponds to the non-cancellable period of each contract except in cases where the Group is reasonably certain of exercising renewal options. When assessing the lease term the management considers all facts and circumstances that create the economic incentive for the Group to exercise the option to extend the lease, such as the useful life of the asset located on the leased site, statistics on sites replacement, sequence of technology change, profitability of the Group's retail stores as well as costs to terminate or enter into lease contracts. The incremental borrowing rate of the Group is determined based on the credit spreads of the Group's debt instruments in relation to zero-coupon yield curve for government securities.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Changes in these factors could affect the estimated lease term and the reported value of right-of-use assets and lease liabilities.

See Note 24 for further information.

6. Impairment of financial assets

The Group uses management's judgement to estimate allowance for expected credit losses (ECL) for financial assets at amortized costs. ECL are measured in a way that reflects the unbiased and probability-weighted amount, the time-value of money and reasonable and supportable information at the reporting date pertaining to past events, current conditions and forecasts of future economic conditions.

ECL are measured as probability-weighted present value of all cash shortfalls over the expected life of each financial asset. For receivables from financial services, ECL are mainly calculated using a statistical model based on three major risk parameters: probability of default, loss given default and exposure at default.

The estimation of these risk parameters incorporates all available relevant information, not only historical and current loss data, but also reasonable and supportable forward-looking information reflected by the future expectation factors. This information includes macroeconomic factors (unemployment rate, inflation rate) and forecasts of future economic conditions.

Significant changes in risk parameters could affect the estimated amount of ECL.

See Notes 17 and 29 for further information.

4. BUSINESS ACQUISITIONS

Unless stated otherwise, all business combinations disclosed were accounted for by applying the acquisition method. Goodwill recognized as a result of the acquisitions is not expected to be deductible for income tax purposes.

Acquisitions and disposal in 2024

Acquisition of operator of personal mobility devices – After increase in the Group's stake from 11.78% to 80.59%, in April 2024, the Group obtained control over the second-largest operator of personal mobility devices in Russia in terms of revenue and fleet size, previously accounted as the investment in joint venture. The control was achieved through modification of the shareholders' agreement terms. The purchase price of RUB 5,306 million, including RUB 5,002 million paid in cash, constitutes a fair value of previously held interest of 80.59%. The Group entered into option agreements to purchase the remaining 19.4% stake. The acquisition is expected to take the company to a new level by bolstering synergies with the MTS ecosystem.

Acquisition of developer of tickets sales platform – In April 2024, the Group obtained control over the developer of ticket sales platform for event organization. The purchase price of RUB 664 million constitutes a fair value of previously held interest of 85%, previously accounted as the investment in joint venture. The control was achieved through modification of the shareholders' agreement terms. The Group expects the acquisition to strengthen its position and increase its share in ticket sales market. The Group entered into option agreements for the remaining 15% stake. The put option was exercised in December 2024, and the Group increased its stake to 100%.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Acquisition of Internet advertising platform developer – In May 2024, the Group increased from 67% to 100% its stake in the holding company for Internet advertising platform developer and obtained control over the company, previously accounted as the investment in joint venture. The acquisition is expected to accelerate the development of the Group's Internet advertising business and increase its share of this market. The purchase price constituted a cash payment of RUB 2,205 million and a fair value of previously held interest in amount of RUB 1,081 million.

Acquisition of developer and owner of blockchain-based platform for trade finance transactions – In August 2024, the Group increased from 75% to 100% its stake in the developer and owner of blockchain-based platform for trade finance transactions and obtained control over the company, previously accounted as the investment in joint venture. The acquisition is aimed at expanding MTS Group's portfolio of digital financial services for B2B clients. The purchase price constituted a cash payment of RUB 223 million and a fair value of previously held interest in amount of RUB 1,334 million.

Acquisition of developer of professional video conferencing solutions – In November 2024, the Group acquired a 51% ownership interest in one of the leading players in the Russian videoconferencing market. The Group expects the acquisition to strengthen its conferencing services offering in the corporate segment. The purchase price constituted a cash payment of RUB 1,291 million. The Group entered into option agreements for the remaining 49% stake.

Acquisition of electric scooter developer – In November 2024, the Group acquired the assets and a 100% ownership interest in a developer of micro-mobility technology from Belarus. The acquisition is aimed at establishment of a research and development center for micro-mobility devices. The purchase price constituted a cash payment of RUB 807 million and 4.9% share in the Group's Russian subsidiary - operator of personal mobility devices - along with call and put option agreements for its subsequent repurchase.

Acquisition of developer of platform for advertising through bloggers – In December 2024, the Group acquired a 100% ownership interest in a platform that enables advertising through bloggers. The acquisition is expected to strengthen MTS's position in the AdTech market by establishing a comprehensive platform for advertisers and creators through Telegram, expanding the Group's existing product portfolio and customer base and increasing its average check. The purchase price constituted a cash payment of RUB 1,632 million.

Acquisition of manufacturer of "smart" turnstiles and ticketing systems – In December 2024, the Group increased from 49% to 55% its stake in the manufacturer of "smart" turnstiles and ticketing systems and obtained control over the company, previously accounted as the investment in joint venture. Integration of acquiree's solutions with Group's artificial intelligence products is expected to enable to implement complex projects for transport, stadiums, and concert halls, as well as educational organizations. The purchase price constituted a cash payment of RUB 50 million and a fair value of previously held interest in amount of RUB 302 million.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

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

	Operator of personal mobility devices	Other subsidiaries acquired
Goodwill	5,306 ⁽¹⁾	1,679 ⁽³⁾
Customer base	500 ⁽²⁾	1,340 ⁽⁴⁾
Other intangible assets	1,654	910
Property, plant and equipment	6,489	3
Other non-current assets	528	3
Trade receivables	34	458 ⁽⁵⁾
Indemnification assets	313	13
Other current assets	1,009	81
Cash and cash equivalents	1,211	1,074
Current liabilities	(8,198)	(1,219)
Non-current liabilities	(1,323)	(194)
Total consideration	7,523	4,148
Including:		
Liability to purchase non-controlling interest	2,217	198
Fair value of previously held interest	5,306	1,745
Cash paid	-	2,205

⁽¹⁾ The goodwill is mainly attributable to the potential contracts with new customers and allocated to the segment not defined as reporting, therefore reported within the "Other" category, disclosed in Note 5.

⁽²⁾ Amortized over the term of up to 3 years.

⁽³⁾ The goodwill is attributable to the expected synergies arising from the acquisitions and allocated to the segments not defined as reporting, therefore reported within the "Other" category, disclosed in Note 5.

⁽⁴⁾ Amortized over the term of up to 10 years.

⁽⁵⁾ Balances of the receivables acquired represent mainly balances due from customers in the ordinary course of business and were expected to be received in full amounts.

The preliminary purchase price allocations for the companies acquired in August, November and December 2024 as at the dates of acquisitions were as follows:

	Developer of professional video conferencing solutions	Other subsidiaries acquired
Goodwill	2,202 ⁽¹⁾	3,407 ⁽²⁾
Other intangible assets	79	1,304
Property, plant and equipment	28	209
Other non-current assets	7	184
Trade receivables	160	424
Other current assets	127	343
Cash and cash equivalents	45	248
Current liabilities	(250)	(683)
Non-current liabilities	(1)	(218)
Fair value of non-controlling interest	(1,106)	(337)
Total consideration	1,291	4,881
Including:		
Liability to purchase non-controlling interest	-	533
Fair value of previously held interest	-	1,636
Cash paid	1,291	2,712

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

⁽²⁾ The provisional goodwill is attributable to the expected synergies arising from the acquisition and allocated to segments not defined as reporting, therefore reported within the "Other" category, disclosed in Note 5 and "Fintech" operating segment.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Disposal of MTS Armenia – In January 2024, the Group disposed of 100% in MTS Armenia, which constituted a segment not defined as reporting, therefore reported within the “Other” category, disclosed in Note 5. The details of the disposal are disclosed in Note 10.

Acquisitions in 2023

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

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

Acquisition of IT developer of telematics solutions – In April 2023, the Group acquired a 51% ownership interest in one of the leading IT developers and integrators of telematics solutions for managing commercial transport. The acquisition is aimed at strengthening of the Group’s position in the transport telematics segments of the Internet of Things market. The purchase price constitutes a cash payment of RUB 36 million, contingent consideration of RUB 40 million and cash investment of RUB 300 million. The Group obtained call option to purchase the remaining 49% stake and issued put option to the sellers to sell the remaining 49% stake.

Acquisition of financial company – In May 2023, the Group acquired a 99.9% ownership interest in the financial company for the consideration of RUB 450 million in cash. The acquisition is aimed at the development of the Group’s Fintech services.

Completing the initial measurement period – In 2024 initial measurement for the following businesses acquired in 2023 was completed: Programmatic advertisement developer, Regional fixed-line operators, IT developer of telematics solutions and Financial company. The purchase price allocations for the businesses acquired in 2023 was as follows:

	Regional fixed-line operators	Other subsidiaries acquired Preliminary amounts	Measurement period adjustments 2024	Other subsidiaries acquired Final amounts
Goodwill	1,557 ⁽¹⁾	920 ⁽³⁾	(87)	833 ⁽³⁾
Customer base	20 ⁽²⁾	-	-	-
Other intangible assets	13	240	-	240
Property, plant and equipment	368	36	-	36
Other non-current assets	180	82	-	82
Current assets	76	286	87	373
Cash and cash equivalents	135	1,249	-	1,249
Current liabilities	(584)	(1,236)	-	(1,236)
Effect of bargain purchase	-	(157)	-	(157)
Non-current liabilities	(620)	(35)	-	(35)
Total consideration	1,145	1,385	-	1,385
Including:				
Fair value of contingent consideration	-	40	-	40
Liability to purchase non-controlling interest	-	754	-	754
Fair value of previously held interest in JV	584	-	-	-
Cash paid	561	591	-	591

⁽¹⁾ The goodwill is attributable to the expected synergies arising from the acquisition allocated to the “Telecom” operating segment.

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

⁽³⁾ The goodwill is attributable to the expected synergies arising from the acquisitions and allocated to the “Fintech” operating segment and segments not defined as reporting, therefore reported within the “Other” category, disclosed in Note 5.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

According to the terms of the purchase agreements, deferred payments and contingent consideration payable by the Group could be reduced by the amount of any losses incurred by the Group in respect of any tax or other claims relating to the pre-acquisition period. In case the amount of the losses incurred exceeds the amount of deferred payment, the seller has indemnified the Group for the amounts in excess. The following table summarizes the movement in deferred payment and contingent consideration liabilities for the years ended December 31, 2024 and 2023:

Liability on deferred payment/ contingent consideration	Computer vision and machine learning solutions developer	Other subsidiaries acquired
January 1, 2023	(675)	(65)
Initial recognition of deferred payment/contingent consideration	-	(40)
Revaluation	(48)	(9)
Payment	253	20
December 31, 2023	(470)	(94)
Initial recognition of deferred payment/contingent consideration	-	(400)
Revaluation	(19)	4
Change in tax reserves		35
Payment	253	405
December 31, 2024	(236)	(50)

Pro forma results of operations – The following pro forma financial data for the years ended December 31, 2024 and 2023 give effect to the business combinations as if they had been completed at the beginning of the year.

	<u>2024</u>	<u>2023</u>
Revenue	708,191	606,468
Profit for the year	50,862	55,524

The pro forma information is based on various assumptions and estimates. The pro forma information is neither necessarily indicative of the operating results that would have occurred if the Group acquisitions had been consummated as of January 1, 2023 or 2024, nor is it necessarily indicative of future operating results. The pro forma information does not give effect to any potential revenue enhancements or cost synergies or other operating efficiencies that could result from the acquisitions. The actual results of operations of these companies are included into the consolidated financial statements of the Group only from the respective dates of acquisition and are presented as follows:

	<u>2024</u>	<u>2023</u>
Revenue	10,223	1,656
(Loss)/Profit for the year	(964)	124

5. SEGMENT INFORMATION

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

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

The Group identified the following reportable segments:

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

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

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

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

Financial information by reportable segments is presented below:

Year ended December 31, 2024:

	Telecom	Fintech	Total of reportable segments	Other	HQ and elimination	Consolidated
Revenue						
External customers	510,941	124,157	635,098	68,588	55	703,741
Intersegment	17,574	5,279	22,853	38,641	(61,494)	-
Total revenue	528,515	129,436	657,951	107,229	(61,439)	703,741
OIBDA	217,299	15,987	233,286	25,180	(12,034)	246,432
Depreciation and amortization						(110,502)
Operating profit						135,930

Year ended December 31, 2023:

	Telecom	Fintech	Total of reportable segments	Other	HQ and elimination	Consolidated
Revenue						
External customers	469,311	87,968	557,279	48,611	101	605,991
Intersegment	9,140	3,700	12,840	27,856	(40,696)	-
Total revenue	478,451	91,668	570,119	76,467	(40,595)	605,991
OIBDA	211,424	15,060	226,484	23,873	(16,121)	234,236
Depreciation and amortization						(111,391)
Operating profit						122,846

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

Disaggregation of revenue:

Year ended December 31, 2024:	Telecom	Fintech	Total of reportable segments	Other	HQ and elimination	Consolidated
Revenue						
Connectivity services	444,478	-	444,478	51,441	55	495,974
Sales of goods	62,551	-	62,551	1,400	-	63,951
Fintech services	-	122,795	122,795	-	-	122,795
Other services	3,912	1,362	5,274	15,747	-	21,021
External Customers	510,941	124,157	635,098	68,588	55	703,741
Intersegment	17,574	5,279	22,853	38,641	(61,494)	-
Total revenue	528,515	129,436	657,951	107,229	(61,439)	703,741
Thereof:						
Recognised over time	448,390	91,284	539,674	67,188	55	606,917
Recognised at point of time	62,551	32,873	95,424	1,400	-	96,824
	510,941	124,157	635,098	68,588	55	703,741

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Year ended December 31, 2023:	Telecom	Fintech	Total of reportable segments	Other	HQ and elimination	Consolidated
Revenue						
Connectivity services	414,545	-	414,545	37,864	101	452,510
Sales of goods	52,692	-	52,692	1,278	-	53,970
Fintech services	-	87,129	87,129	-	-	87,129
Other services	2,074	839	2,913	9,469	-	12,382
External Customers	469,311	87,968	557,279	48,611	101	605,991
Intersegment	9,140	3,700	12,840	27,856	(40,696)	-
Total revenue	478,451	91,668	570,119	76,467	(40,595)	605,991
Thereof:						
Recognised over time	416,619	57,248	473,867	47,333	101	521,301
Recognised at point of time	52,692	30,720	83,412	1,278	-	84,690
	469,311	87,968	557,279	48,611	101	605,991

Interest revenue calculated using the effective interest method for the year ended December 31, 2024 amounted to RUB 91,226 million and RUB 57,465 million for the year ended December 31, 2023.

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognized to the extent that the Group has delivered goods or rendered services under an agreement, the amount of revenue can be reliably measured and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is measured at the fair value of the consideration receivable, exclusive of value added taxes and discounts.

The Group obtains revenue from providing mobile and fixed telecommunication services (access charges, voice and video calls, messaging, interconnect fees, fixed and mobile broadband, tv and musical content and connection fees), financial services, integration services, cloud services, tickets distribution, scooter rental, as well as selling equipment, accessories and software. Products and services may be sold separately or in bundle packages. The most significant part of revenue relates to prepaid contracts.

Revenue for access charges, voice and video calls, rendering of cloud services, messaging, interconnect fees and fixed and mobile broadband is recognized as services are rendered. This is based upon either usage (minutes of traffic processed, volume of data transmitted) or passage of time (monthly subscription fees). Revenue from the sale of prepaid credit is deferred until such time as the customer consumes the services or the credit expires.

Revenue from the provision of TV and music content is recognized as the Group renders the service and is recorded either at the gross amount billed to the customers or in the amount of commission fee receivable by the Group.

Revenue from commission services for tickets distribution is recognized immediately when the related entertainment event has occurred.

Revenue from rental of scooters and other personal mobility aids is accounted for in accordance with the provisions of IFRS 16 "Lease" and meets the criteria for recognition as operating lease income. The Group recognizes revenue from trips over a period of time based on the length of the service period. There is no element of financing, as payment is made immediately.

Revenue from sales of goods (mainly mobile handsets, other mobile devices, software licences) is recognized when the significant risks and rewards of ownership have been transferred to the customer.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **(Amounts in millions of Russian Rubles unless otherwise stated)**

For bundled packages, the Group accounts for individual products and services separately if they are distinct, which means that a product or service, as well as the customer benefit, is separately identifiable from other items in the bundled package and a customer can benefit from it. The arrangement consideration is allocated to each separate product and service, based on its relative fair value. The determined fair value of individual elements is generally based on prices at which the deliverable is regularly sold on a stand-alone basis after considering any appropriate volume discounts.

The Group provides retrospective volume discounts under roaming agreements with international and local mobile operators. To estimate the variable consideration in relation to these discounts, the Group uses original data traffic adjusted on a monthly basis to reflect newly-available information. The resulting liability for the expected future discounts is recognized as a reduction of revenue within trade and other payables in the accompanying consolidated statement of financial position.

For contracts that permit customers to return acquired mobile devices, the amount of recognized revenue is adjusted for expected product return or refunds, which are estimated based on the basis of historical data. The respective refund liability is recorded as provision in the accompanying consolidated statement of financial position.

Revenue from the provision of financial services mainly relates to interest bearing assets of Bank. Such revenue is recognized on an accrual basis using the effective interest method. Loan origination fees are deferred together with the related direct costs and are recognised as an adjustment to the effective interest rate of the loan. Commission revenue which is also a significant part of Bank revenue is either recognized at the moment the related operation occurs, or during the period of customer contract duration.

Revenue from construction services mainly relates to project type contracts and is determined by reference to the stage of completion of each respective projects. The stage of completion is calculated using the input method – based on the proportion of costs incurred for work performed to date to the estimated total contract costs. Revenue is recognized cumulatively as total revenue under the project multiplied by percentage of completion as at reporting date. When it is probable that total contract costs will exceed the total contract revenue, the expected loss is recognized as an expense immediately.

Contract balances

Contract balances include trade receivables related to the recognized revenue, contract assets and contract liabilities.

Trade receivables represent an unconditional right to receive consideration (primarily in cash).

Contract assets represent accrued revenues that have not yet been billed to customers due to certain contractual terms other than the passage of time. This is the case in a bundled offering which combines the sale of a mobile device and the provision of mobile services for a fixed-period, where the mobile device is invoiced at a reduced price leading to the reallocation of a portion of amounts invoiced for mobile communication services to the supply of the mobile phone. The excess of the amount allocated to the mobile phone over the price invoiced is recognized as a contract asset and is thus transferred to trade receivables as the service is invoiced. The other part of contract assets relates to the Group's rights to consideration for work completed but not yet billed for construction services projects.

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

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	December 31,	
	2024	2023
Receivables	47,658	33,257
Contract assets	22	39
Total assets	47,680	33,296
Less current portion	(46,565)	(31,689)
Total non-current assets	1,115	1,607
Contract liabilities:		
<i>Mobile and fixed telecommunication services</i>	(30,798)	(26,827)
<i>Other services</i>	(4,612)	(3,372)
<i>Loyalty programme</i>	(152)	(517)
Total liabilities	(35,562)	(30,716)
Less current portion	34,182	29,614
Total non-current liabilities	(1,380)	(1,102)

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

	2024	2023
Balance as of January 1	(30,716)	(27,206)
Revenue recognised that was included in the contract liability balance at the beginning of the period	27,648	20,749
Increase due to cash received, excluding amount recognised as revenue during the period	(30,883)	(24,259)
Business acquisition	(228)	-
Other movement	(1,384)	-
Balance as of December 31	(35,563)	(30,716)

The Group expects to recognize revenue related to performance obligations that were unsatisfied (or partially unsatisfied) as of December 31, 2024 as follows:

	2025	2026-2030	2031-2035	Total
Connectivity services	29,418	1,347	33	30,798
Other services	4,612	-	-	4,612
Loyalty programme	152	-	-	152

The total transaction price assigned to unsatisfied performance obligations is presented below:

	2025	2026-2030	2031-2035	After 2035	Total
Connectivity services	1,033	1,000	198	80	2,311
Other services	687	491	-	-	1,178

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Cost to obtain and fulfill a contract

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

The Group 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.

Costs of acquiring a contract include commissions paid to a third-party distributors as well as the associated remuneration of the Group's commercial employees for obtaining a contract with a customer with the expected duration of more than twelve months. These costs are amortized on a straight-line basis over the average life of a long-lived subscriber.

Costs to fulfill a contract mainly relate to costs of equipment transferred to the subscribers required for the provision of services. These costs are amortized on a straight-line basis generally for the period of average subscriber life.

As of December 31, 2024 and 2023 the balances of cost to obtain and fulfill contracts capitalized by the Group amounted to:

	December 31,	
	2024	2023
Cost to obtain contracts (Note 19):		
Gross book value	18,376	16,965
Accumulated amortization	(8,217)	(7,588)
Cost to fulfill contracts:		
Gross book value	4,336	4,827
Accumulated amortization	(3,153)	(3,143)

Amortization expense related to cost to obtain and fulfill contracts recognized for the years ended December 31, 2024 and 2023 amounted RUB 4,628 million and RUB 4,599 million, respectively. There was no impairment loss relating to the costs capitalized.

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended December 31, 2024 and 2023 comprised the following:

	2024	2023
Salaries and social contributions	89,503	78,838
Advertising and marketing expenses	25,725	17,733
General and administrative expenses	10,754	9,612
Dealers commission	4,669	4,412
Other personnel expenses	4,359	3,544
Universal service fund	4,287	4,069
Taxes other than income tax	3,276	3,681
Cash collection commission	3,052	2,677
Consulting expenses	2,569	2,768
Utilities and maintenance	1,959	2,008
Other	2,769	2,181
Total	152,922	131,523

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

8. FINANCE INCOME AND COSTS

Finance income and costs for the years ended December 31, 2024 and 2023 comprised the following:

	<u>2024</u>	<u>2023</u>
Interest expense:		
– Loans and notes	89,766	46,322
– Amortization of debt issuance costs	342	174
– Lease obligations	13,690	12,634
– Provisions: unwinding of discount	321	217
Total interest expense	<u>104,119</u>	<u>59,347</u>
Loss on financial instruments	2,127	555
Other finance costs	1,361	507
Total finance costs	<u>107,607</u>	<u>60,409</u>
Less: amounts capitalized on qualifying assets ⁽¹⁾	(3,245)	(890)
Debt modification/derecognition and other loss	432	587
Finance costs	<u>104,794</u>	<u>60,106</u>
Finance income on loans and receivables:		
– Interest income on bank deposits	1,504	1,836
– Interest income on loans and digital assets	3,831	425
– Other finance income	1,386	223
Finance income	<u>6,721</u>	<u>2,484</u>
Net finance costs	<u><u>98,073</u></u>	<u><u>57,622</u></u>

⁽¹⁾ The annual weighted average capitalization rates of 14.9% and 9.4% were used to determine the amount of capitalized interest for the years ended December 31, 2024 and 2023, respectively.

9. OTHER NON-OPERATING (INCOME)/EXPENSES

Other non-operating (income)/expenses for the years ended December 31, 2024 and 2023 comprised the following:

	<u>2024</u>	<u>2023</u>
Net forex exchange (gain) / loss	(1,133)	4,739
(Gain)/loss arising on derivatives	(3,287)	5,324
Net (gain)/loss arising on financial assets measured at FVTPL	7,665	(10,976)
Net (gain)/loss arising on financial liabilities measured at FVTPL	(841)	(138)
Other	455	829
Total	<u><u>2,859</u></u>	<u><u>(222)</u></u>

10. DISCONTINUED OPERATIONS

MTS Armenia – in December, 2023, the Group entered into a sale agreement to dispose of MTS Armenia CJSC (“MTS Armenia”), which carried out the Group’s operations in Armenia and constituted “Armenia” operating segment within the group of segments aggregated in the “Other” category (Note 5), for cash consideration in amount of USD 209.1 million (RUB 18,393 million as of disposal date). As of December 31, 2023, all of the assets and liabilities of MTS Armenia were classified as held for sale and measured at carrying value. The results of MTS Armenia’ operations were reported as discontinued operations in the accompanying consolidated statements of profit or loss. The accompanying statements of cash flows were not retrospectively restated. The disposal was completed in January 2024.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

As of December 31, 2023, the carrying amounts of assets and liabilities pertaining to the MTS Armenia disposal group and reconciliation of the fair value were as follows:

	Including intercompany balances	Excluding intercompany balances retained within the Group
MTS Armenia		
Property, plant and equipment	5,753	5,691
Goodwill	6,553	6,553
Other intangible assets	3,106	3,106
Other non-current assets	5,994	1,364
Cash and cash equivalents	2,066	2,058
Other current assets	984	875
Total assets	24,456	19,647
Current liabilities	(7,523)	(2,316)
Non-current liabilities	(890)	(890)
Total liabilities	(8,413)	(3,206)
Other comprehensive income	(16,649)	(16,649)
Fair value of cash consideration		18,752

As of disposal date the carrying amounts of discontinued operation net assets and reconciliation of the gain on disposal were as follows:

Property, plant and equipment	5,623
Goodwill	6,542
Other intangible assets	2,981
Other non-current assets	1,482
Other current assets	961
Cash and cash equivalents	2,119
Non-current liabilities	(995)
Current liabilities	(2,085)
Accumulated other comprehensive income	(17,309)
Less: Fair value of consideration	18,393
Gain on disposal	19,074
Net cash inflow arising on disposal:	16,274
Cash consideration receivable	18,393
Less: cash and cash equivalents disposed of	(2,119)

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

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

	Year ended 31 December 2024	Year ended 31 December 2023
Revenue	984	11,084
Expenses	(301)	(7,829)
Profit before tax	683	3,255
Tax expense	(59)	(542)
Profit for the period	624	2,713
Gain/(loss) on disposal	19,074	-
Consideration revaluation	83	187
Net income/(loss) attributable to discontinued operations	19,781	2,900

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

	Year ended 31 December 2024	Year ended 31 December 2023
Net cash provided by operating activities	115	5,477
Net cash provided by/(used in) investing activities	16,400	(2,461)
Net cash provided by/(used in) financing activities	62	(3,274)

11. INCOME TAX

Income taxes of the Group's Russia-incorporated entities have been calculated in accordance with Russian legislation and are based on the taxable profit for the period. The statutory corporate income tax rate in Russia was 20% in 2024 and 2023. The foreign subsidiaries of the Group pay withholding taxes in their respective jurisdictions. The withholding tax rate on dividends paid within Russia is 13%. The exceptions include dividend payments to the organization owing at least 50% in the payer for the term exceeding one year and vice versa, starting 2024, provided that the recipient returns dividend proceeds to the paying organisation within 120 days. In these cases the withholding tax rate is 0%. Since 2022 to the end of 2024, special tax regime was applicable to some of the Group's software development subsidiaries in Russia, reducing income tax rate to nil. On July 12, 2024 the Federal Law No. 176-FZ on amendments to the Tax Code of the Russian Federation was enacted, providing for the change in the statutory corporate income tax rate to 25% from 20%, and for the IT company income tax rate up to 5%, effective from January 1, 2025.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases of assets and liabilities that will result in future taxable or deductible amounts. The deferred tax assets and liabilities are measured using the enacted or substantially enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. As of December 31, 2024 the Group's deferred tax assets and liabilities are measured with consideration of tax rates enacted by the Federal Law No. 176-FZ, effective from January 1, 2025.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Significant components of income tax expense were as follows:

	<u>2024</u>	<u>2023</u>
Current income tax charge	13,394	22,011
Prior period tax adjustments	<u>(1,135)</u>	<u>118</u>
Total current income tax	<u>12,259</u>	<u>22,129</u>
Deferred tax	<u>(8,300)</u>	<u>(9,362)</u>
Income tax expense on continuing operations	<u>3,959</u>	<u>12,767</u>
Not including:		
Income tax expense on discontinued operations (Note 10)	<u>59</u>	<u>542</u>

The Russian statutory income tax rate reconciled to the Group's effective income tax rate for the years ended December 31, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Statutory income tax rate for the year	20.0%	20.0%
Adjustments:		
Expenses not deductible for tax purposes	5.7	1.8
Prior periods tax effects	(3.3)	0.2
Different tax rate of subsidiaries	(6.4)	(0.1)
Withholding tax on distributed and undistributed profits	(1.9)	(0.3)
Change in fair value of derivative financial instruments	0.3	-
Changes in recognized deferred tax assets	3.1	(2.0)
Change in enacted tax rates	(7.1)	-
Other	<u>0.9</u>	<u>(0.1)</u>
Effective income tax rate	<u>11.2%</u>	<u>19.5%</u>

The Group reported the following deferred income tax assets and liabilities in the consolidated statement of financial position:

	<u>2024</u>	<u>2023</u>
Deferred tax assets	14,129	9,221
Deferred tax liabilities	<u>(3,405)</u>	<u>(6,911)</u>
Net deferred tax assets/(liabilities)	<u>10,724</u>	<u>2,310</u>

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Movements in the deferred tax assets and liabilities for the year ended December 31, 2024 were as follows, detailed to tax effect origins:

	December 31, 2023	Recognised in profit / loss	Recognised in other comprehen- sive income	Effect of acquisitions	December 31, 2024
Property, plant and equipment	(21,251)	(9,106)	-	-	(30,357)
Other intangible assets	75	5,541	-	(198)	5,418
Dividends from/to Group's subsidiaries/ associates/ joint ventures	(1,927)	961	-	-	(966)
Licenses	(1,425)	(68)	-	-	(1,493)
Customer base	(754)	(186)	-	(278)	(1,218)
Capitalization of cost to obtain and fulfill contracts	(2,024)	(646)	-	-	(2,670)
Accrued expenses for services	12,525	696	-	-	13,221
Write-down of inventories	328	51	-	-	379
Allowance for ECL	2,377	780	-	-	3,157
Lease obligations	26,830	4,116	-	-	30,946
Right-of-use assets	(22,003)	(2,936)	-	-	(24,939)
Loss carryforward	5,052	9,273	-	-	14,325
Contract liabilities	2,101	835	-	-	2,936
Debt modification	(104)	85	-	-	(19)
Other	2,510	(838)	309	23	2,004
Net deferred tax asset/(liability)	2,310	8,558*	309	(453)	10,724

* In the total amount of RUB 8,558 million, RUB 258 million were reported as discontinued operations in the accompanying consolidated statement of profit or loss for the year ended December 31, 2024 (Note 10).

Movements in the deferred tax assets and liabilities for the year ended December 31, 2023 were as follows, detailed to tax effect origins:

	December 31, 2022	Recognised in profit / loss	Recognised in other comprehen- sive income	Effect of acquisitions and held for sale classification	December 31, 2023
Property, plant and equipment	(20,489)	(602)	131	(291)	(21,251)
Other intangible assets	(2,422)	3,038	-	(541)	75
Dividends from/to Group's subsidiaries/ associates/ joint ventures	(3,568)	1,641	-	-	(1,927)
Licenses	(1,596)	171	-	-	(1,425)
Customer base	(810)	106	-	(50)	(754)
Capitalization of cost to obtain and fulfill contracts	(1,916)	(108)	-	-	(2,024)
Accrued expenses for services	8,619	3,950	-	(44)	12,525
Write-down of inventories	507	(152)	-	(27)	328
Allowance for ECL	3,990	(1,605)	-	(8)	2,377
Lease obligations	28,958	(2,128)	-	-	26,830
Right-of-use assets	(23,753)	1,750	-	-	(22,003)
Loss carryforward	3,518	1,534	-	-	5,052
Contract liabilities	1,882	219	-	-	2,101
Debt modification	6	(110)	-	-	(104)
Other	925	1,639	(38)	(16)	2,510
Net deferred tax asset/(liability)	(6,149)	9,343*	93	(977)	2,310

* In the total amount of RUB 9,343 million, RUB (19) million were reported as discontinued operations in the accompanying consolidated statement of profit or loss for the year ended December 31, 2023 (Note 10).

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

The Group recognizes deferred income tax on future dividend distributions from subsidiaries, associates and joint ventures based on the cumulative undistributed earnings of those subsidiaries in accordance with local statutory accounting regulations and applicable withholding tax rates.

The Group recognizes deferred tax assets in respect of tax losses carried forward to the extent that realization of tax losses against future taxable profit is probable. Deferred tax assets related to tax losses of the Group's subsidiaries are recognized according to the fact that certain tax planning opportunities are available to these subsidiaries that will create taxable profit in the period in which the unused tax losses can be utilized. The amount of the deferred tax asset considered realizable, however, could be remeasured if estimates of future taxable income are changed. The time limit of prior periods' tax losses carryforward is perpetual. The federal law 401-FZ specified that for the fiscal years 2017-2024 the utilisation of prior periods' tax losses should not exceed 50% of the taxable profit.

Unused tax losses, for which deferred tax assets were not recognized in the consolidated statements of financial position as of December 31, 2024 and 2023 amounted to RUB 24,259 million and RUB 18,059 million, respectively.

The Group accrued RUB 422 million and RUB 351 million as of December 31, 2024 and 2023, respectively, as a component of income tax payable in relation to uncertain income tax positions. A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable.

12. EARNINGS PER SHARE

The following table sets forth the computation of earnings per share for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Numerator:		
Profit for the year from continuing operations attributable to the owners of the company	29,267	51,652
Profit for the year from discontinued operations attributable to the owners of the company	19,781	2,900
Denominator, in thousands:		
Weighted-average ordinary shares outstanding	1,678,886	1,688,566
Employee stock options	15,032	19,933
Weighted-average diluted shares outstanding	<u>1,693,918</u>	<u>1,708,499</u>
Earnings per share – basic, Russian Rubles	29.21	32.31
Basic EPS from continuing operations	17.43	30.59
Earnings per share – diluted, Russian Rubles	28.96	31.93
Basic EPS from continuing operations	17.28	30.23

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash on hand and in bank accounts, as well as short-term bank deposits, which have original maturities of less than three months. Other short-term highly liquid investments are treated as cash equivalents only if they are held for the purpose of meeting short-term cash commitments, are readily convertible to known amounts of cash and are subject to insignificant risk of change in value. Cash and cash equivalents are placed in banks with a high reliability rating based on the results of independent research.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Cash and cash equivalents comprised the following:

	December 31,	
	2024	2023
Cash and cash equivalents at banks and on hand in:		
Russian Rubles	94,618	27,543
Chinese yuan	5,331	2,746
US Dollars	701	698
Euro	168	352
United Arab Emirates Dirham	37	41,528
Other	1,171	555
Short-term deposits with an original maturity of less than 3 months:		
Russian Rubles	7,750	258
Other	-	72
Total cash and cash equivalents	109,776	73,752

14. SHORT-TERM INVESTMENTS

Short-term investments represent investments in loans, digital financial assets and investment in debt and equity securities. Loans and digital financial assets are carried at amortized cost as they are held to collect contractual cash flows in the form of payments of principal and interest. Investment in equity securities are carried at fair value through profit and loss ("FVTPL"), debt securities are carried either at amortised costs, or at FVTPL if they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Short-term investments, carried at amortized cost, are presented net of allowance for expected credit losses ("ECL").

Loans to customers issued by MTS Bank are presented separately within Bank deposits and loans in the accompanying consolidated statements of financial position.

The Group's short-term investments comprised the following:

	Category	December 31,	
		2024	2023
Investments in securities	At FVTPL	48,502	24,438
Other financial assets	At FVTPL	6,974	10,259
Digital financial assets	At amortized cost	25,613	-
Loans	At amortized cost	3,828	3,901
Investments in securities	At amortized cost	772	1,175
Deposits	At amortized cost	58	19
Short-term investments, gross		85,747	39,792
Allowance for ECL		-	(1)
Total short-term investments		85,747	39,791

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

15. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Associates are those entities where the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not equate to control or joint control over those policies.

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

Investments in associates are accounted for using the equity method are recognized at cost at the time of acquisition and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income. The carrying amount of the investment in such entities may include goodwill as the positive difference between the cost of the investment and Group's proportionate share in the fair-values of the entity's identifiable assets and liabilities.

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement and have rights to the net assets of the arrangement. The Group recognizes its interest in a joint venture where it has joint control of the investment and accounts for that investment using the equity method.

Profits or losses from the operations of most entities accounted for using the equity method are presented within operating profit as the Group considers their operations to be part of the Group's core operations. Shares in profits and losses of other Group's associates and joint ventures are presented as other non-operating income or expense.

The Group's investments in associates and joint ventures accounted for using the equity and fair value methods in the consolidated statements of profit or loss comprised the following:

	Country of operations	Operating activity	December 31, 2024	December 31, 2023
Telecommunication operator	Belarus	telecom- munications	7,557	6,246
Closed-end mutual fund	Russia	asset management satellite	3,638	3,264
Satellite TV company	Russia	communications	1,132	814
Classifieds company	Russia	classifieds	671	668
Operator of personal mobility devices	Russia	Rent of personal mobility devices	-	5,899
Factoring platform developer	Cyprus	IT developer	-	1,392
Adtech platform developer	Russia	digital advertising	-	770
Other unquoted companies	Russia and other		1,241	2,663
Total investments in associates and joint ventures			14,239	21,716
Other unquoted companies accounted for at fair value through profit or loss	Russia		627	454
Total investments in associates and joint ventures			14,866	22,170

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Associates and joint ventures accounted for using the equity method and presented in share of the profit of operating associates and joint ventures in the consolidated statements of profit or loss

Telecom operator in Belarus

The reconciliation of summarized financial information of Telecom operator in Belarus to the carrying amount of the Group's interest in associate is presented as follows:

	December 31, 2024	December 31, 2023
Assets		
Non-current assets	14,599	14,296
Current assets	16,241	15,663
Liabilities		
Non-current liabilities	(5,132)	(4,978)
Current liabilities	(10,286)	(12,234)
Total identifiable net assets	15,422	12,747
The Group's share in associate	49%	49%
The Group's share of identifiable net assets	7,557	6,246
Carrying amount of the Group's interest	7,557	6,246

The composition of the Group's share of income of Telecom operator in Belarus is as follows:

	December 31,	
	2024	2023
Revenue	48,741	45,328
Net profit for the year	12,620	11,664
The Group's share of the profit of the associate for the year	6,184	5,715
Other comprehensive income/(loss) for the year (currency translation adjustment)	515	1,085
Total comprehensive income for the year	13,135	12,749
The Group's share of total comprehensive income of the associate for the year	6,436	6,247
Dividends received	(4,691)	(4,569)

Regional fixed-line operator

In April 2023 the Group performed a step acquisition and obtained control over Regional fixed-line operator (Note 4).

As of the acquisition date the Group remeasured the previously held equity interest in Regional fixed-line operator and recognized the resulting gain of RUB 373 million in the share of the profit in operating associates and joint ventures in the accompanying consolidated statement of profit or loss for the year ended December 31, 2023.

Factoring platform developer

In July 2021 the Group purchased 51% stake in Factoring platform developing company, for RUB 867 million. The company is the developer and owner of blockchain-based platform for trade finance transactions with a focus on supply chain finance and invoice factoring. The purchase of 51% stake was accounted as investment in joint venture based on the terms of the shareholders' agreement.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

In 2023 the Group increased its ownership interest to 88%. As of December 31, 2023 the stake was accounted for as investment in joint venture based on the terms of the shareholders' agreement.

In August 2024 the Group purchased remaining 12% stake in Factoring platform developer for RUB 223 million, increased its ownership interest to 100% and obtained control over Factoring platform developer (Note 4).

Internet advertising company

In February 2023, the Group purchased 67% stake in Internet advertising company for RUB 523 million. The 67% stake was accounted as investment in joint venture based on the terms of the shareholders' agreement. Internet advertising company offers services of automated placement of native advertising.

In May 2024, the Group purchased 33% stake in Internet advertising company for RUB 2,205 million. As a result, the Group received 100% stake in Internet advertising company (Note 4).

As of the acquisition date the Group remeasured the previously held equity interest in Internet advertising company and recognized the resulting gain of RUB 224 million in the share of the profit in operating associates and joint ventures in the accompanying consolidated statement of profit or loss for the year ended December 31, 2024.

Operator of personal mobility devices

In 2023 the Group acquired 80.58% ownership interest in Operator of personal mobility devices for a cash contribution of RUB 5,777 million. The Group had significant influence over the joint venture based on the terms of the shareholders' agreement.

The reconciliation of summarized financial information of Operator of personal mobility devices to the carrying amount of the Group's interest in joint venture is presented as follows:

	December 31, 2023
Assets	
Non-current assets	5,309
Current assets	<u>2,352</u>
Liabilities	
Non-current liabilities	(3,286)
Current liabilities	<u>(2,165)</u>
Total identifiable net assets	<u>2,210</u>
The Group's share in associate	80.6%
The Group's share of identifiable net assets	1,781
Goodwill	<u>4,118</u>
Carrying amount of the Group's interest	<u>5,899</u>

In April 2024 the Group modified the terms of the shareholders' agreement. As a result, the Group obtained control over the Operator of personal mobility devices (Note 4).

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Associates and joint ventures accounted for using the equity method and presented within share of the profit of non-operating associates and joint ventures in the consolidated statements of profit or loss

Closed End Mutual Fund (CEMF)

As of December 31, 2024 and of December 31, 2023 the Group owned 49% in CEMF. The CEMF mainly invests in equity and debt securities of Russian companies. CEMF is accounted for as investment in joint ventures.

The reconciliation of summarized financial information of CEMF to the carrying amount of the Group's interest in CEMF is presented as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Assets		
Non-current assets	7,389	6,593
Current assets	43	73
Liabilities		
Non-current liabilities	-	-
Current liabilities	(6)	(4)
Total identifiable net assets	<u>7,426</u>	<u>6,662</u>
The Group's share in CEMFs	49%	49%
The Group's share of identifiable net assets	<u>3,638</u>	<u>3,264</u>
Carrying amount of the Group's interest	<u>3,638</u>	<u>3,264</u>

The Group's share of profit of the CEMF recognised in the consolidated statement of profit or loss for the year ended December 31, 2024 amounted to 32 million. The Group's share of loss of the CEMF recognised in the consolidated statement of profit or loss for the year ended December 31, 2023 amounted to 263 million.

16. OTHER INVESTMENTS

Other investments consist primarily of debt and equity securities of private companies and corporations. Loans and debt securities are accounted for at amortized cost as they are held to collect contractual cash flows in the form of payments of principal and interest. Equity holdings are carried at fair value through profit and loss ("FVTPL").

Loans to customers issued by MTS Bank are presented separately within Bank deposits and loans in the accompanying consolidated statements of financial position.

Other investments, carried at amortized cost, are presented net of allowance for expected credit losses (ECL).

Other investments of the Group comprised the following:

	<u>Category</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Investments in securities	FVTPL	45,017	39,423
Loans and unquoted notes	At amortized cost	5,261	5,043
Investments in securities	At amortized cost	-	442
Other investments, gross		<u>50,278</u>	<u>44,908</u>
Allowance for ECL		<u>(1,857)</u>	<u>(1,446)</u>
Total other investments		<u>48,421</u>	<u>43,462</u>

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

17. TRADE AND OTHER RECEIVABLES

Trade and other receivables are carried at transaction price. The carrying value of all trade receivables is reduced by appropriate allowances for ECL.

For trade receivables the Group applies a simplified approach and calculates ECL based on lifetime expected credit losses. For receivables from subscribers and dealers and partially for other trade receivables the allowance for ECL is computed using the provision matrix. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome and all reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, receivables from subscribers are written-off if past due for more than 180 days on average based on a category of subscriber. Receivables other than from subscribers are written-off upon the expiration of the limitation period or before based on results of internal investigations.

MTS Group accounts for Receivables from handset sales financing as a part of current trade receivables and other non-current financial assets. These financial assets are measured on a fair value basis which is determined as a nominal value discounted using effective interest rate at initial recognition, after that amortised cost approach applies. Write off of receivables takes place when the Group has no reasonable expectations of recovering the financial asset either entirely or a portion of it.

Trade and other receivables current and non-current comprised the following:

	December 31,	
	2024	2023
Trade accounts receivable	50,886	40,276
Other receivables	4,428	5,251
Allowance for ECL	(4,014)	(3,174)
Trade and other receivables, total	51,300	42,353
Less non-current portion	(1,114)	(1,607)
Trade and other receivables, current	50,186	40,746

The analysis of the age of trade and other receivables and the respective allowance for ECL as of December 31, 2024 is the following:

Receivables estimated based on provision matrix	Weighted-average loss rate	Gross carrying amount	Loss allowance (based on provision matrix)	Credit-impaired
Current	1%	2 527	(16)	No
1 - 30 days past due	5%	11,895	(650)	No
31 - 60 days past due	45%	446	(202)	No
60 - 90 days past due	59%	337	(198)	No
90 - 180 days past due	76%	727	(550)	No
More than 180 days past due	100%	110	(110)	No
Total	11%	16,042	(1,726)	

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Receivables estimated based on individual approach	Weighted-average loss rate	Gross carrying amount	Loss allowance (individually assessed)	Credit-impaired
Current	1%	23,743	(307)	No
1 - 30 days past due	4%	2,641	(109)	No
31 - 60 days past due	0%	1,817	(8)	No
60 - 90 days past due	0%	955	(4)	No
90 - 180 days past due	2%	957	(20)	No
More than 180 days past due	46%	3,112	(1,435)	No
Total	6%	33,225	(1,883)	

Receivables from financing of handset sales	Weighted-average loss rate	Gross carrying amount	Loss allowance (based on provision matrix)	Credit-impaired
Current	1%	5,405	(56)	No
1 - 30 days past due	18%	123	(22)	No
31 - 60 days past due	30%	57	(17)	No
60 - 90 days past due	47%	51	(24)	No
90 - 180 days past due	64%	83	(53)	No
More than 180 days past due	71%	328	(233)	No
Total	7%	6,047	(405)	

The analysis of the age of trade and other accounts receivables and the respective allowance for ECL as of December 31, 2023:

Receivables from subscribers and dealers and other trade receivables assessed for impairment based on provision matrix	Weighted-average loss rate	Gross carrying amount	Loss allowance (based on provision matrix)	Credit-impaired
Current	1%	3,156	(19)	No
1 - 30 days past due	4%	12,526	(504)	No
31 - 60 days past due	44%	477	(212)	No
60 - 90 days past due	55%	399	(219)	No
90 - 180 days past due	49%	856	(424)	No
More than 180 days past due	66%	97	(64)	No
Total	8%	17,511	(1,442)	

Receivables from the sharing agreement, interconnect, integration services and other receivables based on individual approach	Weighted-average loss rate	Gross carrying amount	Loss allowance (individually assessed)	Credit-impaired
Current	4%	12,084	(484)	No
1 - 30 days past due	0%	5,273	(13)	No
31 - 60 days past due	0%	1,139	(3)	No
60 - 90 days past due	2%	487	(9)	No
90 - 180 days past due	3%	1,684	(260)	No
More than 180 days past due	64%	866	(558)	No
Total	6%	21,533	(1,327)	

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Receivables from handset sales financing	Weighted-average loss rate	Gross carrying amount	Loss allowance (based on provision matrix)	Credit-impaired
Current	1%	5,904	(68)	No
1 - 30 days past due	20%	84	(17)	No
31 - 60 days past due	44%	41	(18)	No
60 - 90 days past due	51%	29	(15)	No
90 - 180 days past due	63%	82	(52)	No
More than 180 days past due	69%	343	(235)	No
Total	6%	6,483	(405)	

The following table summarizes changes in the allowance for expected credit losses for the year ended December 31, 2024 and 2023:

	2024	2023
Balance, beginning of the year	(3,174)	(3,245)
Allowance for ECL	(2,199)	(2,674)
Accounts receivable written off	1,359	2,745
Balance, end of the year	(4,014)	(3,174)

18. INVENTORIES

Inventories are stated at the lower of cost or net realizable value. Inventory cost is determined using the weighted average cost method. Handsets and accessories held for sale are expensed when sold. The Group regularly assesses its inventories for obsolete and slow-moving stock.

Inventory and spare parts comprised the following:

	December 31,	
	2024	2023
Handsets and accessories	11,738	14,673
Advertising and other materials	2,088	806
TV equipment for resale	637	454
Software and equipment for installation and resale	607	1,590
SIM cards and prepaid phone cards	392	1,486
Total inventories	15,462	19,009

Spare parts for telecommunication equipment included in the inventory are expected to be utilized within twelve months of the year end.

Expenses for writing inventory down to net realisable value were included in cost of goods in the consolidated statement of profit or loss.

For the years ended December 31, 2024 and 2023, cost of goods comprised the following expenses:

	2024	2023
Amount of inventories recognized as an expense	56,940	46,855
Inventory obsolescence provision	5,310	3,836
Reversal of obsolescence provision	(3,464)	(1,459)
Total cost of goods	58,786	49,232

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

The reversal of the inventory obsolescence provision relates to handsets and accessories sold over the course of the Group's promotion campaigns. Inventories were sold with a positive margin.

19. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including improvements, are stated at historical cost less accumulated depreciation and impairment. Property, plant and equipment with a useful life of more than one year is capitalized at historical cost and depreciated on a straight-line basis over its expected useful life, as follows:

Network and base station equipment:

Network infrastructure	3-50 years
Other	3-20 years

Land and buildings:

Buildings	7-99 years
Leasehold improvements	the term of the lease

Office equipment, vehicles and other:

Office equipment	2-7 years
Vehicles	2-10 years
Other	2-25 years

The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between any sale proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

Construction in progress and equipment held for installation is not depreciated until the constructed or installed asset is ready for its intended use. Maintenance and repair costs are expensed as incurred, while upgrades and improvements are capitalized.

Borrowing costs – Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset during the construction phase that necessarily takes a substantial period of time are capitalized as part of property, plant and equipment until the asset is substantially ready for its intended use. The Group considers a construction period of more than six months to be substantial.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Balances of cost, accumulated depreciation, net book value as of January 1, 2023, and December 31, 2024 and 2023, and movements of property, plant and equipment for the 12 months ended December 31, 2024 and 2023 were as follows:

	Network and base station equipment	Land and buildings	Office equipment, vehicles and other	Construction in progress and equipment for installation	Total
Cost					
January 1, 2023	607,820	43,247	80,352	38,171	769,590
Additions	1,952	64	389	53,538	55,943
Transferred into use	31,192	1,444	14,896	(47,532)	-
Arising on business combinations	366	12	15	4	397
Transfer to assets held for sale	(23,625)	(1,432)	(4,378)	422	(29,013)
Disposal	(13,759)	(456)	(3,351)	(669)	(18,235)
Other	(473)	(129)	(349)	16	(935)
Foreign exchange differences	4,446	278	859	112	5,695
December 31, 2023	607,919	43,028	88,433	44,062	783,442
Additions	3,235	164	1,229	64,975	69,603
Transferred into use	42,910	1,117	13,987	(58,014)	-
Arising on business combinations	131	5	5,695	839	6,670
Impairment losses	(119)	-	-	(1,670)	(1,789)
Disposal	(18,338)	(230)	(3,205)	-	(21,773)
Other	904	(341)	(413)	(999)	(849)
Foreign exchange differences	(4)	16	26	2	40
December 31, 2024	636,638	43,759	105,752	49,195	835,344
Accumulated amortisation and impairment					
January 1, 2023	(397,801)	(12,668)	(46,612)	-	(457,081)
Charge for the year	(38,504)	(1,220)	(10,338)	-	(50,062)
Transfer to assets held for sale	18,413	1,033	3,675	-	23,121
Disposal	15,358	436	3,307	-	19,101
Other	55	352	(172)	-	235
Foreign exchange differences	(3,550)	(212)	(724)	-	(4,486)
December 31, 2023	(406,029)	(12,279)	(50,864)	-	(469,172)
Charge for the year	(32,486)	(1,254)	(11,219)	-	(44,959)
Disposal	15,069	188	3,012	-	18,269
Other	63	58	(64)	-	57
Foreign exchange differences	(2)	(10)	(17)	-	(29)
December 31, 2024	(423,385)	(13,297)	(59,152)	-	(495,834)
Net book value					
December 31, 2023	201,890	30,749	37,569	44,062	314,270
December 31, 2024	213,253	30,462	46,600	49,195	339,510

The amount of the compensation from third parties for items of property, plant and equipment that were accidentally damaged during construction in Moscow for the years ended December 31, 2024 and 2023 totaled RUB 2,120 million and RUB 2,667 million, respectively. This was included in the accompanying consolidated statements of profit or loss as component of other operating income.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

20. GOODWILL

Goodwill represents an excess of consideration transferred plus the fair value of any non-controlling interest (“NCI”) in the acquiree at the acquisition date over the fair values of the identifiable net assets of the acquired entity. Goodwill is not amortized, but is tested for impairment (Note 21).

The change in the net carrying amount of goodwill for the years ended December 31, 2024 and 2023 by reportable segments was as follows:

	<u>Telecom</u>	<u>Other</u>	<u>Total</u>
Balance at January 1, 2023			
Gross amount of goodwill	36,731	22,645	59,376
Accumulated impairment loss	(1,466)	(5,810)	(7,276)
	<u>35,265</u>	<u>16,835</u>	<u>52,100</u>
Acquisitions (Note 4)	1,557	920	2,477
Measurement period adjustment (Note 4)	-	(61)	(61)
Reclassification to “held for sale” (Note 10)	-	(6,553)	(6,553)
Currency translation adjustment	-	1,266	1,266
	<u>-</u>	<u>1,266</u>	<u>1,266</u>
Balance at December 31, 2023			
Gross amount of goodwill	38,288	14,701	52,989
Accumulated impairment loss	(1,466)	(2,294)	(3,760)
	<u>36,822</u>	<u>12,407</u>	<u>49,229</u>
Acquisitions (Note 4)	2,202	10,392	12,594
Measurement period adjustment (Note 4)	-	(87)	(87)
	<u>-</u>	<u>(87)</u>	<u>(87)</u>
Balance at December 31, 2024			
Gross amount of goodwill	40,490	25,006	65,496
Accumulated impairment loss	(1,466)	(2,294)	(3,760)
	<u>38,024</u>	<u>22,712</u>	<u>61,736</u>

21. IMPAIRMENT REVIEW

Goodwill – The management of the Group performs impairment tests with respect to goodwill assigned to the cash-generating units at least annually, and also when there are any indications that the carrying amount of the cash generating unit (“CGU”) is impaired.

Investments in associates and joint ventures – The carrying amount of an investment accounted for under the equity method is tested for impairment provided there are indications of impairment. If the carrying amount of the investment exceeds its recoverable amount, an impairment loss is recognized in the amount of the difference. The recoverable amount is measured at the higher of fair value less costs of disposal and value in use.

Tangible and intangible assets excluding goodwill – At the end of each reporting period, the management of the Group reviews the carrying amounts of its tangible and intangible assets to determine the presence of any indications that those assets may be impaired. If such an indication or a set of indications are identified, the recoverable amount of the assets is estimated.

In the process of identifying the impairment indicators management of the Group considers, among other factors, CGU market and book value and changes in risk premiums in country of operations.

When the carrying amount of the CGU exceeds its recoverable amount, assets allocated to this CGU must be impaired.

For the purpose of the impairment test the recoverable amounts of the CGUs are considered to be equal to their value-in-use or the fair value less costs to sell. While determining value-in-use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. The discount rate applied to measure free cash flow is the weighted average cost of capital according to the finance structure established for each CGU.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Estimation of future cash flows requires assumptions to be made in respect to uncertain factors, including management expectations in relation to OIBDA margin, timing and amount of capital expenditures, terminal growth rates and appropriate discount rates to reflect the risks involved. Therefore, OIBDA margin and capital expenditures used for value in use calculation are primarily derived from internal sources, based on past experience and extended to include management expectations. For the purposes of impairment testing OIBDA calculated as operating profit less depreciation and amortization measured on the basis consistent with IFRS consolidated financial statements.

For the purpose of impairment testing the Group has assessed potential adverse effects of economic volatility and sanctions in Russia on Group's business and financial situation (as disclosed in Note 33) for impairment indicators. The Group took into consideration relevant effects for estimation of future cash flows.

No impairment losses were recognized during the years ended December 31, 2024 and December 31, 2023.

Key assumptions used for value in use calculation:

The table below presents OIBDA margin applied for value in use calculation of related CGUs:

CGU	December 31,	
	2024	2023
Russia Convergent	42.3%-44.3%	42.3%-44.3%
Adtech	14.1%-19.1%	Not applicable
Cloud	25.2%-66.2%	25.2%-66.2%

The table below presents capital expenditure as a percentage of revenue applied for value-in-use calculations of related CGUs:

CGU	December 31,	
	2024	2023
Russia Convergent	18%	18%
Adtech	7%	Not applicable
Cloud	43%	43%

The terminal growth rate into perpetuity has been determined based on the nominal gross domestic product rates for the country of operation, adjusted for specific characteristic of the CGUs.

The table below presents terminal growth rates applied for value-in-use calculations of related CGUs:

CGU	December 31,	
	2024	2023
Russia Convergent	4%	1%
Adtech	4%	Not applicable
Cloud	4%	2%

The table below presents pre-tax rates for the discounting of cash flows in functional currencies of related CGUs:

CGU	December 31,	
	2024	2023
Russia Convergent	24.9%	16.4%
Adtech	30.5%	Not applicable
Cloud	30.5%	21.3%

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ***(Amounts in millions of Russian Rubles unless otherwise stated)***

For the purpose of the impairment test the recoverable amount of the CGU “Artificial intelligence” is considered to be equal to the fair value less costs to sell based on market value approach. The fair value measurement (Level 2) is based on the observable stock market quotations for companies in similar industry.

22. OTHER INTANGIBLE ASSETS

Other intangible assets primarily consist of billing, telecommunication, accounting and office software as well as numbering capacity, customer base and licenses. These assets are assets with finite useful lives. They are initially recognized at cost and amortized on a straight-line basis over their estimated useful lives, or using a mixed units-of-production and straight-line method for content assets.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

Balances of historical cost, accumulated amortization, net book value as of January 1, 2023, and December 31, 2024 and 2023 and movements of other intangible assets for the 12 months ended December 31, 2024 and 2023 were as follows:

	Licenses	Right to use radio frequencies	Billing and other software	Client base	Numbering capacity	Cost to obtain contracts	Content	Other	Total
<i>Useful life, years</i>	<i>1 to 20</i>	<i>1 to 15</i>	<i>1 to 25</i>	<i>4 to 31</i>	<i>2 to 15</i>	<i>2 to 5</i>	<i>1 to 5</i>	<i>1 to 10</i>	
Cost									
January 1, 2023	29,283	5,160	190,426	9,961	2,710	15,588	7,943	10,102	271,173
Additions	926	-	38,426	-	3	4,654	9,359	3,074	56,442
Arising on business combinations	-	-	377	93	-	13	-	65	548
Reclassification into assets for sale	(16,427)	-	(8,127)	-	-	-	-	-	(24,554)
(Impairment)/reversal of previously recognized impairment	-	(38)	(1,069)	-	-	-	(535)	(414)	(2,056)
Disposal	(48)	(237)	(11,012)	(230)	-	(3,295)	(850)	(32)	(15,704)
Other	(10)	10	(368)	-	-	-	13	(608)	(963)
Foreign exchange differences	3,177	-	1,581	-	-	-	-	17	4,775
December 31, 2023	16,901	4,895	210,234	9,824	2,713	16,960	15,930	12,204	289,661
Additions	894	-	57,481	-	552	4,700	13,636	1,343	78,606
Arising on business combinations (Note 4)	-	-	2,041	1,841	-	-	-	1,657	5,539
(Impairment)/reversal of previously recognized impairment	-	-	(1,119)	-	-	-	(7)	(21)	(1,147)
Disposal	(19)	(133)	(512)	-	-	(3,289)	(5,553)	(1,022)	(10,528)
Other	-	(1)	2,167	-	3	-	2,172	(4,380)	(39)
Foreign exchange differences	-	-	35	-	-	-	-	3	38
December 31, 2024	17,776	4,761	270,327	11,665	3,268	18,371	26,178	9,784	362,130
Accumulated amortisation and impairment									
January 1, 2023	(21,034)	(4,545)	(115,285)	(3,557)	(2,365)	(7,080)	(2,137)	(2,027)	(158,030)
Charge for the year	(1,769)	(249)	(30,699)	(886)	(44)	(3,798)	(5,164)	(726)	(43,335)
Reclassification into assets for sale	16,092	-	5,356	-	-	-	-	-	21,448
(Impairment)/(reversal of previously recognized impairment)	-	-	-	-	-	-	-	57	57
Disposal	34	233	9,337	230	-	3,295	688	23	13,840
Other	9	(9)	797	-	(1)	-	3	173	972
Foreign exchange differences	(3,112)	-	(1,020)	-	-	-	-	(11)	(4,143)
December 31, 2023	(9,780)	(4,570)	(131,514)	(4,213)	(2,410)	(7,583)	(6,610)	(2,511)	(169,191)
Charge for the year	(2,044)	(204)	(29,410)	(1,069)	(81)	(3,894)	(6,609)	(804)	(44,115)
Disposal	17	133	37	-	-	3,266	5,006	51	8,510
Other	-	-	(351)	-	-	-	(553)	999	95
Foreign exchange differences	-	-	(18)	-	-	-	-	(3)	(21)
December 31, 2024	(11,807)	(4,641)	(161,256)	(5,282)	(2,491)	(8,211)	(8,766)	(2,268)	(204,722)
Net book value									
December 31, 2023	7,121	325	78,720	5,611	303	9,377	9,320	9,693	120,470
December 31, 2024	5,969	120	109,071	6,383	777	10,160	17,412	7,516	157,408

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

The amounts of additions to other intangible assets that were generated internally, mostly billing and other software, were RUB 36,395 million, RUB 23,883 million for the years ended December 31, 2024 and 2023, respectively.

Net book value of other intangible assets, that were generated internally, as of December 31, 2024 and 2023 were RUB 57,427 million and RUB 35,150 million, respectively.

The Group was granted with GSM licenses by the Russian Ministry of Information Technologies and Communications to provide telecommunication services. In addition to the licenses received directly from the Russian Ministry of Information Technologies and Communications, the Group acquired access to telecommunication licenses through business combinations.

Operating licenses contain conditions specified by legislation which generally include the required date of services provision, territorial coverage and expiration date. Management believes that the Group is in compliance with all material terms of its licenses.

The Group's operating licenses do not provide for automatic renewal. The licenses covering the territories of the Russian Federation expired as of December 31, 2024 were renewed. The cost to renew the licenses was not significant. Weighted-average period until the next renewal of licenses in the Russian Federation is five years.

Contractual obligations to purchase intangible assets are disclosed in the Note 33.

23. BORROWINGS

Group's borrowings represent interest bearing bank loans and bonds issued in the capital markets. Borrowings are initially recorded at fair value plus transaction costs that are directly attributable to the issue of the financial liability and subsequently measured at amortized cost, using the effective interest rate method.

The Group's borrowings comprise the following:

	December 31,	
	2024	2023
Notes	221,257	212,765
Bank and other loans	450,522	341,290
Total borrowings	671,779	554,055
Less: current portion	(401,775)	(241,187)
Total borrowings, non-current	270,004	312,868

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

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

As of the date of the issue of these financial statements, the Group was in compliance with all existing notes and bank loans covenants.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Available credit facilities – As of December 31, 2024, the Group's total available unused credit facilities amounted to RUB 149,334 million and related to the following credit lines:

Currency	Maturity	Interest rate	Available till	Available amount
RUB	2025	CBR ⁽¹⁾ key rate + %	August 2025	66,800
RUB	2027	To be agreed	December 2027	40,000
USD	2028	LIBOR + 1.75%	March 2026	30,504
RUB	2025	To be agreed	November 2025	7,000
RUB	2028	CBR ⁽¹⁾ key rate + %	August 2028	5,000
RUB	2026	CBR ⁽¹⁾ key rate + 4%	May 2026	11
RUB	2025	2/3 CBR ⁽¹⁾ key rate	December 2025	10
RUB	2025	CBR ⁽¹⁾ key rate	July 2025	9
Total				149,334

⁽¹⁾ CBR – The Central Bank of Russia.

The following table presents the aggregated scheduled maturities of principal and interests on notes and bank loans (gross of debt issuance costs) outstanding for the five years ending December 31, 2029 and thereafter:

	December 31, 2024	
	Notes	Bank loans and other debt
Payments due in the year ending December 31,		
2025	96,573	398,804
2026	68,740	73,560
2027	106,542	13,984
2028	24,504	67,084
2029	-	-
Contractual undiscounted cash flows	296,359	553,432
Less: unamortized debt issuance costs	(481)	(342)
Less: interest	(74,621)	(102,656)
Less: debt modification	-	-
Less: subsidized interest rate effect	-	88
Total debt	221,257	450,522

24. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

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

The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements, which conveys the right to control the use of identified assets for a period of time in exchange for consideration, except for short-term leases (with a lease term of 12 months or less). For these leases, the Group recognizes the lease payments as operating expenses over the term of the lease. When identifying the lease, the Group 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.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

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 Group. The incremental borrowing rate of the Group is determined based on the credit spreads of the Group 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 exercise price under a purchase option the Group is reasonably certain to exercise as well as early termination fees unless the Group is reasonably certain not to terminate earlier. Variable payments that depend on external factors (such as sale volume of a particular retail store) are expensed as incurred.

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

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

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

The table below summarises the estimated terms, over which the right-of-use assets are amortized:

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
Retail stores	Up to 8 years
Administrative offices, warehouses, parking garages	not less than 3 years
Vehicles	4 – 5 years

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

	December 31,	
	2024	2023
Sites for network and base station equipment	70,159	78,357
Land and buildings	28,717	32,721
Vehicles and other	156	227
Right-of-use assets, net	99,032	111,305

The following table presents a summary of depreciation charge of the right-of-use assets:

	2024	2023
	Sites for network and base station equipment	12,733
Land and buildings	7,738	7,808
Vehicles and other	60	38
Depreciation charge, total	20,531	19,673

Additions to the assets leased during the years ended December 31, 2024 and 2023 amounted to RUB 11,911 and RUB 13,267 million, respectively.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Interest expense accrued on lease obligations for the years ended December 31, 2024 and 2023 in the amount of RUB 13,690 million and RUB 12,634 million, respectively, were included in finance costs in the accompanying consolidated statements of profit or loss.

For the years ended December 31, 2024 and 2023, expenses recognized in respect of variable lease payments not included on the measurement of lease liabilities and short-term leases amounted to:

	<u>2024</u>	<u>2023</u>
Variable lease payments	17,684	16,423
Short-term leases	<u>77</u>	<u>87</u>
Total	<u>17,761</u>	<u>16,510</u>

The following table presents future lease payments under lease arrangements together with the present value of the net lease payments as of December 31, 2024 and 2023:

	<u>December 31,</u>	
	<u>2024</u>	<u>2023</u>
Lease payments, including:		
Current portion (less than 1 year)	35,765	32,421
More than 1 to 5 years	80,846	92,392
Over 5 years	<u>71,055</u>	<u>75,749</u>
Total lease payments	<u>187,666</u>	<u>200,562</u>
Less amount representing interest	<u>(66,163)</u>	<u>(67,050)</u>
Present value of net lease payments	<u>121,503</u>	<u>133,512</u>
Less current portion of lease obligations	<u>(23,092)</u>	<u>(20,509)</u>
Non-current portion of lease obligations	<u>98,411</u>	<u>113,003</u>

Total cash outflows for leases for the years ended December 31, 2024 and 2023 totaled to RUB 49,518 and RUB 49,141 million, of which RUB 12,832 and RUB 12,846 million was included in interest paid.

A minor part of the Group's lease contracts for retail stores include variable payments that depend on sales volume of the respective store.

The Group's lease contracts include typical restrictions and covenants common for local business practice, such as the responsibility of the Group 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.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCIAL ACTIVITIES

	December 31, 2022	Financing cash flows	Operating cash flows	Acquisitions/ Disposals	Foreign exchange movement	Change in fair value	Change in retained earnings	Other changes ⁽¹⁾	December 31, 2023
Notes (Note 23)	195,929	12,107	-	-	4,537	-	-	192	212,765
Bank and other loans (Note 23)	290,211	53,939	-	619	(2,837)	-	-	(642)	341,290
Lease obligation (Note 24)	143,502	(19,785)	(12,846)	62	963	-	-	21,616	133,512
Dividends payable (Note 32)	16,591	(47,471)	-	-	-	-	57,993	689	27,802
Liability under put option agreement	2,781	(1,204)	-	2,642	-	195	-	-	4,414
Payables related to transactions under common control	-	(84)	-	84	-	-	-	-	-
Other payables	-	619	-	-	-	-	-	(619)	-
Total liabilities arising from financial activities	649,014	(1,879)	(12,846)	3,407	2,663	195	57,993	21,236	719,783
	December 31, 2023	Financing cash flows	Operating cash flows	Acquisitions/ Disposals	Foreign exchange movement	Change in fair value	Change in retained earnings	Other changes¹	December 31, 2024
Notes (Note 23)	212,765	7,772	-	-	1,272	-	-	(552)	221,257
Bank and other loans (Note 23)	341,290	102,075	-	3,540	3,083	-	-	534	450,522
Lease obligation (Note 24)	133,512	(18,924)	(12,832)	(1,068)	409	-	-	20,406	121,503
Dividends payable (Note 32)	27,802	(47,318)	-	-	-	-	58,306	-	38,790
Liability under put option agreement	4,414	(1,019)	-	2,446	-	(776)	-	-	5,065
Payables related to transactions under common control	-	(50)	-	-	-	-	-	50	-
Payable related to repurchase of own shares	-	(2,647)	-	-	-	-	-	2,647	-
Total liabilities arising from financial activities	719,783	39,889	(12,832)	4,918	4,764	(776)	58,306	23,085	837,137

⁽¹⁾ Including accrual of liabilities related to repurchase of common stock, additions under lease agreements, dividends related to non-controlling interest, depreciation of debt issuance cost, modification gain and other changes.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

26. PROVISIONS

Provisions – Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the managements' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. The main provisions the Group holds are in relation to employees' bonuses and other rewards (including retirement benefits and cash-settled share-based payments), decommissioning and restoration obligation, tax provisions as well as legal claims.

Provision for decommissioning and restoration – The Group calculates a provision for decommissioning and restoration when the Group has a legal or constructive obligation in connection with the retirement of tangible long-lived assets. The Group's obligations relate primarily to the cost of removing its equipment from sites. The Group records the present value of provision for decommissioning and restoration as non-current provisions in the consolidated statement of financial position.

Employee bonuses and share-based settlement programs – For employee bonuses and cash-settled share-based payment transactions, the fair value of the obligation is newly determined at each reporting date and at the settlement date, and the changes in the fair value are recognized in profit or loss, until the liability is settled.

The following table summarizes the movement in provisions for the years ended December 31, 2024 and 2023:

	Tax provisions other than for income tax	Provision for decommissioning and restoration	Employee bonuses and other rewards	Litigation and other provisions (Note 33)	Total provisions
January 1, 2023	(303)	(5,096)	(18,325)	(7,321)	(31,045)
Arising during the year	(1,087)	(411)	(41,526)	(5,163)	(48,187)
Utilised	-	68	23,599	505	24,172
Discount rate adjustment and imputed interest (change in estimates)	-	(217)	-	-	(217)
Unused amounts reversed	104	1,864	-	1,085	3,053
Arising due to acquisitions of subsidiaries and reclass to liabilities directly associated with the assets held for sale	(1)	-	(15)	-	(16)
Other	-	(21)	87	20	86
December 31, 2023	(1,287)	(3,813)	(36,180)	(10,874)	(52,154)
Current portion	(1,287)	(152)	(29,468)	(10,874)	(41,781)
Non-current portion	-	(3,661)	(6,712)	-	(10,373)
	Tax provisions other than for income tax	Provision for decommissioning and restoration	Employee bonuses and other rewards	Litigation and other provisions (Note 33)	Total provisions
January 1, 2024	(1,287)	(3,813)	(36,180)	(10,874)	(52,154)
Arising during the year	(2,042)	(1,297)	(43,006)	(5,697)	(52,042)
Utilised	5	16	54,479	943	55,443
Discount rate adjustment and imputed interest (change in estimates)	-	(321)	-	-	(321)
Unused amounts reversed	22	1,330	1,042	1,477	3,871
Arising due to acquisitions of subsidiaries	(812)	-	(143)	(13)	(968)
December 31, 2024	(4,114)	(4,085)	(23,808)	(14,164)	(46,171)
Current portion	(4,114)	(501)	(22,290)	(14,164)	(41,069)
Non-current portion	-	(3,584)	(1,518)	-	(5,102)

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

As of December 31, 2024 and 2023 the Group's financial assets and liabilities are as follows:

	Notes	December 31, 2024	December 31, 2023
FINANCIAL ASSETS			
NON-CURRENT FINANCIAL ASSETS:			
Other investments	16	48,421	43,462
Accounts receivable, related parties	30	1,099	1,202
Bank deposits and loans to customers	29	218,228	188,713
Other financial assets		11,697	14,116
Total non-current financial assets		279,445	247,493
CURRENT FINANCIAL ASSETS:			
Trade and other receivables	17	50,186	40,746
Accounts receivable, related parties	30	3,929	4,820
Bank deposits and loans to customers	29	162,335	148,144
Short-term investments	14	85,747	39,791
Cash and cash equivalents	13	109,776	73,752
Other financial assets		79,581	30,520
Total current financial assets		491,554	337,773
TOTAL FINANCIAL ASSETS		770,999	585,266
FINANCIAL LIABILITIES			
NON-CURRENT FINANCIAL LIABILITIES:			
Borrowings	23	270,004	312,868
Lease obligations	24	98,411	113,003
Bank deposits and liabilities	29	11,440	20,774
Other financial liabilities		5,299	5,230
Total non-current financial liabilities		385,154	451,875
CURRENT FINANCIAL LIABILITIES:			
Trade and other payables		128,562	95,951
Accounts payable, related parties	30	750	762
Borrowings	23	401,775	241,187
Lease obligations	24	23,092	20,509
Bank deposits and liabilities	29	460,067	347,110
Other financial liabilities		5,202	6,146
Total current financial liabilities		1,019,448	711,665
TOTAL FINANCIAL LIABILITIES		1,404,602	1,163,540

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

The Group's other financial assets comprised the following:

	Category	December 31,	
		2024	2023
Investments in securities	At FVTOCI	78,340	28,248
Investments in securities	At FVTPL	1,453	712
Contingent consideration	At FVTPL	852	754
Derivative instruments	At FVTPL	255	615
Accounts receivable	At amortized cost	1,114	1,606
Other financial assets	At amortized cost	9,264	12,701
Total other financial assets		91,278	44,636

The Group's other financial liabilities comprised the following:

	Category	December 31,	
		2024	2023
Call and put options	At FVTPL	5,065	4,414
Securities	At FVTPL	3,877	3,554
Derivative instruments	At FVTPL	729	1,971
Contingent consideration	At FVTPL	448	1,153
Other financial liabilities	At amortized cost	382	284
Total other financial liabilities		10,501	11,376

Financial instruments at fair value

The three-tier hierarchy for inputs used in measuring fair value, which prioritizes the inputs used in the methodologies of measuring fair value for assets and liabilities, is as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities;
- Level 3 – No observable pricing inputs in the market.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

As of December 31, 2024 and 2023 the Group's financial assets and liabilities are classified with three-tier hierarchy of fair value as follows:

	<u>Level of inputs</u>	<u>December 31 2024</u>	<u>December 31 2023</u>
FINANCIAL ASSETS			
Other investments		43,210	37,977
Investments in securities	Level 2	38,664	36,540
Investments in securities	Level 3	4,546	1,437
Short-term investments		55,476	34,697
Investments in securities	Level 1	30,345	-
Investments in securities	Level 2	18,157	24,438
Other financial assets	Level 3	6,974	10,259
Other financial assets		80,900	30,329
Investments in securities	Level 1	76,066	27,525
Investments in securities	Level 2	3,727	1,435
Derivative instruments	Level 2	255	615
Contingent consideration	Level 3	852	754
Total financial assets		<u>179,586</u>	<u>103,003</u>
FINANCIAL LIABILITIES			
Other financial liabilities		10,119	11,092
Investments in securities	Level 2	3,877	3,554
Derivative instruments	Level 2	729	1,971
Call and put options	Level 3	5,065	4,414
Contingent consideration	Level 3	448	1,153
Total financial liabilities		<u>10,119</u>	<u>11,092</u>

The Group invested in equity shares and notes of companies, which fair value was categorised as Level 2 resulted from the fact that these shares and notes were acquired on over-the-counter market. The value as at December 31, 2024 and December 31, 2023 was derived from active market prices with discount related to low liquidity level inherent to over-the-counter market.

The Group holds investments into listed equity shares and notes recognized within Short term investments and Other investments lines of the statement of financial position. As of December 31, 2024 the value of equity shares and notes was determined using its published price quotation in active market. As of December 31, 2023 the value was provided by asset trust management companies. Thus the fair value of similar assets was transferred from Level 2 to Level 1 of the fair value hierarchy at December 31, 2024.

Securities held by MTS Bank, accounted for at fair value, in amount of RUB 1,109 million and RUB 692 million were transferred in the hierarchy level from Level 1 to Level 2 during the twelve months ended December 31, 2024 and December 31, 2023 respectively.

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

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

The liability under call and put option agreement for non-controlling interests in subsidiaries is measured at fair value using a discounted cash flow technique. The most significant quantitative inputs used to measure its fair value as of December 31, 2024 are presented in the table below:

Unobservable inputs	Operator of personal mobility devices, options to purchase the 8.4% and 11% stakes	Operator of personal mobility devices, option to purchase the 4.9% stake	Equipment monitoring	Security systems developer	Equipment for automobiles
Discount rate	21% и 14%	23,1% – 23,5%	10.7%	23%	11.5%
Revenue growth rate	25.6 – 93.0% (av. 51.6%)	25.6 – 36.1% (av. 30.9%)	34.6 – 96.8% (av. 69.5%)	17.0 – 17.6% (av. 17.3%)	-
OIBDA margin	44.6 – 47.6% (av. 46.1%)	46.1 – 47.6% (av. 46.9%)	10.1 – 21.2% (av. 17.3%)	14.6 – 30.0% (av. 23.2%)	-
Cap amount	5,000 и 1,108	1,400	-	5,000	1,150

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

Changes in fair value of the financial instruments classified in Level 3 assets and liabilities consequences as a result of the following events:

	December 31 2024	Issue	Repayment	Revaluation	December 31 2023
Financial assets					
Other financial assets	6,974	26,910	(30,793)	598	10,259
Investments in securities	4,546	784	(532)	2,857	1,437
Contingent consideration	852	-	-	98	754
Financial liabilities					
Call and put options	5,065	2,446	(1,019)	(776)	4,414
Contingent consideration	448	-	(658)	(47)	1,153

Changes in fair value of the financial instruments classified in Level 3 assets and liabilities were included in other non-operating (income)/loss in the consolidated statements of profit or loss.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Financial instruments at amortised cost

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

	Level of inputs	December 31, 2024		December 31, 2023	
		Fair value	Carrying value	Fair value	Carrying value
FINANCIAL ASSETS					
Bank deposits and loans to customers (Note 29)	Level 3	353,177	380,563	326,420	336,857
Total bank deposits and loans to customers		353,177	380,563	326,420	336,857
FINANCIAL LIABILITIES					
Borrowings					
Notes	Level 1	(171,648)	(183,060)	(173,908)	(180,182)
Notes	Level 2	(10,789)	(10,789)	(9,516)	(9,516)
Unquoted notes	Level 2	(23,853)	(27,408)	(29,557)	(32,000)
Bank and other loans (Note 23)	Level 3	(450,338)	(450,522)	(339,641)	(341,290)
Total borrowings		(656,628)	(671,779)	(552,622)	(562,988)

28. FINANCIAL RISK MANAGEMENT

As part of its business the Group is exposed to several types of financial risks: capital risk (mainly by MTS Bank), market risks, credit (or counterparty) risks, and liquidity risks. Risks mitigating activities are mainly performed at the Group headquarters by the corporate finance personnel and are subject to the approval of the Group's supervisory bodies – the Board of Directors and its Budget Committee.

Capital risk

MTS Bank, a subsidiary of the Group, is subject to regulations of the Central Bank of Russia ("CBR") which require that banks comply with minimum capital adequacy ratios calculated on the basis of statutory standalone financial statements as follows:

- 8.00% for own capital;
- 4.50% for base capital;
- 6.00% for main capital.

MTS Bank meets the requirements established by the CBR. As of December 31, 2024 and 2023, the capital adequacy ratio of MTS Bank in accordance with CBR requirements were:

- 10.47% and 9.99% % for own capital;
- 7.32% and 7.48% for base capital;
- 9.38% and 8.20% for main capital, respectively.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. The Group is primarily exposed to the following types of market risks: interest rate risk and currency exchange rates fluctuations. Financial instruments affected by market risk include loans and borrowings, deposits, accounts payable and accounts receivables denominated in foreign currencies and derivative financial instruments. The sensitivity analyses in the following sections relate to the financial position as of December 31, 2024 and 2023.

Interest rate risks

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

A part of the Group's notes bear fixed interest rates. To eliminate the exposure of changes in the value of debt obligations, the Group enters into fixed-to-variable cross-currency and interest rate swap agreements. In aggregate, the Group entered into fixed-to-variable cross-currency and interest rate swap agreements designated to manage the exposure of changes in value of the debt related to 4.5% and 11.7% of the Group's notes and bank loans with fixed rates outstanding as of December 31, 2024 and 2023.

The notional amounts of interest rate derivative instruments outstanding amounted to RUB 10,000 million and RUB 35,000 million as of December 31, 2024 and 2023, respectively.

Sensitivity analysis

A possible increase of 1000 basis points in short term interest rates may lead to a future increase in interest expenses by RUB 34,194 million and RUB 27,073 million within the 12 months after the end of 2024 and 2023, respectively. The same decrease in short term interest rates may lead a future decrease in interest expenses by RUB 34,194 million and RUB 27,073 million within the 12 months after the end of 2024 and 2023, respectively.

The interest rate sensitivity analysis was performed based on a constant level of fixed and floating rate debt.

Foreign currency risks

The Group's exposure to these changes in foreign exchange rates relates primarily to the Group's financing activities. The Group manages its currency risk by operation derivatives and by using money market instruments.

The Group has entered into currency swaps agreements to minimize the foreign currency risk. The contracts assumed the purchase or sale of the agreed amount of currency at a specified exchange rate and on a specific date. The rate was determined by the market spot rate upon issuance.

The notional amounts of currency forward instruments, unfulfilled as of December 31, 2024 and 2023, amounted to RUB 67,356 million and RUB 80,091 million, respectively. As the result of currency forward agreements, unfulfilled as of December 31, 2024 and 2023, the Group recognized RUB 602 million loss and RUB 470 million loss the consolidated statement of profit and loss for the years ended December 31, 2024 and 2023, respectively.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

As of December 31, 2024 and 2023 the carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are as follows:

	December 31, 2024		December 31, 2023	
	Assets, RUB mln	Liabilities, RUB mln	Assets, RUB mln	Liabilities, RUB mln
CNY	67,073	64,389	21,749	91,100
USD	108,573	29,021	66,759	27,404
AED	2,127	8,815	43,222	10,207
EUR	6,811	4,044	1,141	1,361
Total	184,584	106,269	132,871	130,072

The following tables demonstrate the sensitivity of profit before tax to a reasonably possible change in foreign currency exchange rates, with all other variables held constant.

	2024		2023	
	Change in rate	Effect on profit before tax RUB mln	Change in rate	Effect on profit before tax RUB mln
CNY	+15%	415	+15%	(10,403)
	-15%	(415)	-15%	10,403
USD	+15%	11,933	+15%	5,903
	-15%	(11,933)	-15%	(5,903)
AED	+15%	403	+15%	4,925
	-15%	(403)	-15%	(4,925)
EUR	+15%	(1,003)	+15%	(33)
	-15%	1,003	-15%	33

MTS Bank credit limits committee determines stop-loss limits related to security portfolio and to foreign exchange transactions, as well as limits for net foreign exchange position. The limits for net foreign exchange position conform fully to CBRF requirements. Monitoring of adherence to the limits restricting the amount of MTS Bank's market risk is performed day-to-day.

Liquidity risk

Liquidity risk is the risk of a shortage of funds. The Group's policy is to borrow centrally using a mixture of long-term and short-term borrowing facilities. These borrowings, together with cash generated from operations are utilized to meet anticipated funding requirements.

The Group manages liquidity risk on long-term borrowings by maintaining a varied maturity profile and a required net debt position, therefore minimizing the refinancing risk. Long-term borrowings mature between one and five years (Note 23).

Securities held by MTS Bank which are accounted for at fair value through other comprehensive income and investments at amortized cost are included in liquidity analysis on the basis of remaining maturity. Most of these securities are included in the CBR Lombard list and if required may be used to obtain Repurchase Agreement (REPO) financing from the CBR. MTS Bank's demand for medium-term liquidity is fully satisfied by the availability of interbank loans and customer deposits (obtaining new and prolongating existing deposits), secured loans and conclusion of REPO agreements. Analysis of the liquidity and interest rate risks of MTS Bank is presented in Note 29.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Credit risk

Credit risk is the risk that the counterparty will not meet its obligations arising from entering into financial instrument, leading to a financial loss.

In accordance with IFRS 9 the Group records an allowance for expected credit losses (ECL) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due under the contract and all cash flows that the Group expects to receive. The shortfall is discounted at an approximation to the asset's original effective interest rate.

The expected credit-loss approach uses three stages for allocating impairment losses:

Stage 1: expected credit losses within the next twelve months

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition and usually contains new contracts that are fewer than 30 days past due date. The portion of the lifetime expected credit losses resulting from default events possible within the next 12 months is recognized.

Stage 2: expected lifetime credit losses – not credit impaired

If a financial asset has a significant increase in credit risk since initial recognition but is not yet credit impaired, it is moved to stage 2 and measured at lifetime expected credit loss. This is defined as the expected credit loss that results from all possible default events over the expected life of the financial instrument.

In all cases, the Group considers that there has been a significant increase in credit risk when the contractual payment is more than 30 days past due.

Stage 3: expected lifetime credit losses – credit impaired

If a financial asset is defined as credit impaired or in default, it is transferred to stage 3 and measured at lifetime expected credit loss. Objective evidence for a credit-impaired financial asset includes 91 days past due date as well as other information indicating significant financial difficulties of the borrower. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held).

The determination of whether a financial asset has experienced a significant increase in credit risk is based on an assessment of the probability of default, which is made at least quarterly, incorporating external credit rating information as well as internal information on the credit quality of the financial asset. For debt instruments that are not receivables from financial services, a significant increase in credit risk is assessed mainly based on past-due information.

For contract assets, trade and other receivables, a simplified approach is applied whereby ECL are initially measured over the lifetime of the instrument.

The Group considers its exposure to credit risk as of December 31, 2024 and 2023 to be as follows:

	December 31,	
	2024	2023
Bank deposits and loans to customers	380,563	336,857
Cash and cash equivalents	109,776	73,752
Other financial assets	91,278	44,636
Short-term investments	85,747	39,791
Trade and other receivables	50,186	40,746
Other investments	48,421	43,462
	765,971	579,244

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Information on the Group's exposure to credit risk on guarantees issued and commitments on loans of MTS Bank is presented in Note 29.

In accordance with the provisions of the internal Group regulations on allocate of free funds, the aggregate credit risk exposure the Group may have to one counterparty is limited. The Group maintains a mixture of cash and cash equivalents, investments, derivatives and certain other financial instruments within various financial institutions. Those are approved as required by internal procedure related to selection of financial institutions to allocate funds.

MTS Bank performs daily monitoring of future expected cash flows on the operations of both clients and banks, which is a part of the management process of assets and liabilities. The credit risk exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the MTS Bank's risk management policy are not breached.

Concentrations of credit risk with respect to trade receivables are limited given that the Group's customer base is large and unrelated. Therefore, management believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful receivables.

29. BANK FINANCIAL ASSETS AND LIABILITIES

Bank deposits and loans to customers

The table below represents the structure and amounts of current and non-current bank deposits and loans to customers as of December 31, 2024 and 2023.

	December 31,	
	2024	2023
Loans to customers	426,712	375,235
Due from banks	2,662	3,246
Allowance for expected credit losses (ECL)	(48,811)	(41,624)
Total bank deposits and loans to customers, net	380,563	336,857
Less: current portion	(162,335)	(148,144)
Bank deposits and loans to customers, non-current	218,228	188,713

The structure and amounts of bank deposits loans to customers as of December 31, 2024 and 2023 are presented in the table below:

	December 31,	
	2024	2023
Loans to legal entities		
Corporate borrowers	43,848	41,203
Medium-sized enterprises and small businesses	2,097	1,557
Total loans to legal entities	45,945	42,760
Loans to individuals		
Consumer loans	251,375	225,945
Credit cards	101,249	82,040
Mortgage loans	28,143	24,491
Total loans to individuals	380,767	332,476
Due from banks		
Obligatory reserves with the CBR	1,573	3,167
Time deposits with banks	1,089	79
Total due from banks	2,662	3,246
Total bank deposits and loans to customers	429,374	378,482
Less: allowance for expected credit losses	(48,811)	(41,624)
Total bank deposits and loans to customers, net	380,563	336,858

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

The table below summarizes carrying value of loans to customers aggregated by types of collateral obtained by the Group:

	December 31,	
	2024	2023
Pledge of real estate	32,323	28,048
Guaranties	25,598	18,839
Pledge of equipment	112	171
Rights of claim, pledge of inventories or own promissory notes and by other collateral	35	504
Unsecured loans	368,644	327,674
Allowance for expected credit losses	(48,811)	(41,583)
Total loans to customers, net	377,901	333,653

The balances above do not necessarily reflect the fair value of collateral received.

Movements in the allowance for expected credit losses attributable to bank deposits and loans to customers for the year ended December 31, 2024 and December 31, 2023 are presented in the table below:

	Loans to customers	Due from banks	Total
Balance as at December 31, 2023	41,583	41	41,624
Provision charge / (release)	30,559	-	30,559
Sale of loans	(7,319)	-	(7,319)
Bad debt written-off	(17,247)	-	(17,247)
Recovery of previously written-off assets	1,235	-	1,235
Other movements	-	(41)	(41)
Balance as at December 31, 2024	48,811	-	48,811

	Loans to customers	Due from banks	Total
Balance as at December 31, 2022	36,654	144	36,798
Provision charge / (release)	25,556	-	25,556
Sale of loans	(11,199)	-	(11,199)
Bad debt written-off	(10,569)	-	(10,569)
Recovery of previously written-off assets	1,018	-	1,018
Other movements	123	(103)	20
Balance as at December 31, 2023	41,583	41	41,624

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Movements in the allowance for expected credit losses attributable to loans to legal entities for the year ended December 31, 2024 and December 31, 2023 are presented in the table below:

	Stage 1	Stage 2	Stage 3	Total
Balance as at December 31, 2023	443	127	2,442	3,012
- Transfer to stage 1	93	(93)	-	-
- Transfer to stage 2	(178)	186	(8)	-
- Transfer to stage 3	(473)	(22)	495	-
New financial assets originated or purchased	1,083	89	36	1,208
Change due to change of credit risk and other changes	(487)	(143)	(449)	(1,079)
Sale of loans	-	(9)	-	(9)
Write-offs	-	-	(261)	(261)
Recovery of previously written-off assets	-	-	279	279
Balance as at December 31, 2024	481	135	2,534	3,150

	Stage 1	Stage 2	Stage 3	Total
Balance as at December 31, 2022	214	90	2,536	2,840
- Transfer to stage 1	51	(49)	(2)	-
- Transfer to stage 2	(201)	201	-	-
- Transfer to stage 3	(455)	(182)	637	-
New financial assets originated or purchased	932	-	-	932
Change due to change of credit risk and other changes	(98)	67	(139)	(170)
Write-offs	-	-	(912)	(912)
Recovery of previously written-off assets	-	-	202	202
Other movements	-	-	120	120
Balance as at December 31, 2023	443	127	2,442	3,012

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Movements in the allowance for expected credit losses attributable to loans to individuals for the year ended December 31, 2024 and December 31, 2023 are presented in the table below:

	Stage 1	Stage 2	Stage 3	Total
Balance as at December 31, 2023	8,065	6,504	24,002	38,571
- Transfer to stage 1	5,582	(5,257)	(325)	-
- Transfer to stage 2	(2,181)	4,056	(1,875)	-
- Transfer to stage 3	(98)	(12,914)	13,012	-
New financial assets originated or purchased	5,747	-	-	5,747
Change due to change of credit risk and other changes	(9,145)	16,521	17,209	24,585
Write-offs	-	-	(16,887)	(16,887)
Sales	-	-	(7,310)	(7,310)
Recovery of previously written-off assets	-	-	956	956
Balance as at December 31, 2024	7,970	8,910	28,782	45,662
	Stage 1	Stage 2	Stage 3	Total
Balance as at December 31, 2022	6,053	6,991	20,770	33,814
- Transfer to stage 1	4,633	(4,273)	(360)	-
- Transfer to stage 2	(1,657)	2,627	(970)	-
- Transfer to stage 3	(102)	(12,201)	12,303	-
New financial assets originated or purchased	7,491	-	-	7,491
Change due to change of credit risk and other changes	(8,353)	13,360	12,296	17,303
Write-offs	-	-	(9,657)	(9,657)
Sales	-	-	(11,199)	(11,199)
Recovery of previously written-off assets	-	-	816	816
Other movements	-	-	3	3
Balance as at December 31, 2023	8,065	6,504	24,002	38,571

The following valuation categories represent the Group's classification of credit quality of the loans:

- *Low to fair risk* – loans of high credit quality and low probability of default, not past due or immaterially overdue;
- *Monitoring* – loans with increased probability of default including restructured loans;
- *Impaired* – impaired loans including more than 90 days overdue.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

The table below summarizes information regarding the quality of loans to individuals:

As of December 31, 2024	Stage 1	Stage 2	Stage 3	Total
Low to fair risk	310,450	11,790	-	322,240
Monitoring	-	19,027	3,571	22,598
Impaired	-	-	35,930	35,930
Loss allowance	(7,970)	(8,693)	(28,998)	(45,661)
Total	302,480	22,124	10,503	335,107

As of December 31, 2023	Stage 1	Stage 2	Stage 3	Total
Low to fair risk	279,786	7,662	-	287,448
Monitoring	-	11,214	2,270	13,484
Impaired	-	-	31,544	31,544
Loss allowance	(8,065)	(6,504)	(24,002)	(38,571)
Total	271,721	12,372	9,812	293,905

The table below summarizes information regarding the quality of loans to legal entities:

As of December 31, 2024	Stage 1	Stage 2	Stage 3	Total
Low to fair risk	34,796	8,491	-	43,287
Monitoring	69	15	95	179
Impaired	-	-	2,479	2,479
Loss allowance	(481)	(135)	(2,534)	(3,150)
Total	34,384	8,371	40	42,795

As of December 31, 2023	Stage 1	Stage 2	Stage 3	Total
Low to fair risk	29,014	10,365	-	39,379
Monitoring	594	11	139	744
Impaired	-	-	2,637	2,637
Loss allowance	(443)	(127)	(2,442)	(3,012)
Total	29,165	10,249	334	39,748

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Analysis by credit quality of loans to individuals outstanding as of December 31, 2024 is as follows:

As of December 31, 2024	Gross loans	Provision for ECL	Net loans	Provision for ECL to gross loans
Collectively assessed				
Not past due	322,240	(10,424)	311,816	3%
Overdue:				
up to 30 days	10,507	(2,232)	8,275	21%
31 to 60 days	5,262	(2,078)	3,184	39%
61 to 90 days	4,423	(2,425)	1,998	55%
91 to 180 days	6,948	(4,982)	1,966	72%
over 180 days	28,839	(21,865)	6,974	76%
Total collectively assessed loans	378,219	(44,006)	334,213	12%
Individually impaired				
Not past due	1,124	(299)	825	27%
Overdue:				
up to 30 days	623	(605)	18	97%
31 to 60 days	511	(511)	-	100%
61 to 90 days	148	(148)	-	100%
91 to 180 days	10	(5)	5	50%
over 180 days	132	(87)	45	66%
Total individually impaired loans	2,548	(1,655)	893	65%
Total	380,767	(45,661)	335,106	12%

Analysis by credit quality of loans to medium-sized enterprises and small businesses outstanding as of December 31, 2024 is as follows:

As of December 31, 2024	Gross loans	Provision for ECL	Net loans	Provision for ECL to gross loans
Collectively assessed				
Not past due	810	(11)	799	1%
Overdue:				
up to 30 days	45	(40)	5	89%
31 to 60 days	39	(36)	3	92%
61 to 90 days	25	(24)	1	95%
91 to 180 days	92	(82)	10	89%
over 180 days	1,076	(964)	112	90%
Total collectively assessed loans	2,087	(1,157)	930	55%

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Analysis by credit quality of loans to individuals outstanding as of December 31, 2023 is as follows:

As of December 31, 2023	Gross loans	Provision for ECL	Net loans	Provision for ECL to gross loans
Collectively assessed				
Not past due	287,446	(9,945)	277,501	3%
Overdue:				
up to 30 days	6,360	(1,672)	4,688	26%
31 to 60 days	3,950	(2,110)	1,840	53%
61 to 90 days	2,923	(1,808)	1,115	62%
91 to 180 days	7,361	(5,036)	2,325	68%
over 180 days	24,042	(17,911)	6,131	74%
Total collectively assessed loans	332,082	(38,482)	293,600	12%
Individually impaired				
Not past due	250	(18)	232	7%
Overdue:				
up to 30 days	-	-	-	0%
31 to 60 days	1	-	1	0%
61 to 90 days	2	-	2	0%
91 to 180 days	6	(1)	5	17%
over 180 days	135	(70)	65	52%
Total individually impaired loans	394	(89)	305	23%
Total	332,476	(38,571)	293,905	12%

Analysis by credit quality of loans to medium-sized enterprises and small businesses outstanding as of December 31, 2023 is as follows:

As of December 31, 2023	Gross loans	Provision for ECL	Net loans	Provision for ECL to gross loans
Collectively assessed				
Not past due	685	(11)	674	2%
Overdue:				
up to 30 days	75	(69)	6	91%
31 to 60 days	43	(42)	1	97%
61 to 90 days	31	(30)	1	97%
91 to 180 days	119	(118)	1	99%
over 180 days	604	(465)	139	78%
Total collectively assessed loans	1,557	(735)	822	47%

Bank deposits and liabilities

The table below represents the structure and amounts of current and non-current bank deposits and liabilities as of December 31, 2024 and 2023.

	December 31,	
	2024	2023
Customer accounts	353,176	312,448
Due to banks and other financial institutions	98,040	34,232
Debt securities issued	16,297	17,386
Derivative financial instruments	125	-
Other financial liabilities	3,869	3,818
Total bank deposits and liabilities	471,507	367,884
Less: current portion	(460,067)	(347,110)
Total bank deposits and liabilities, non-current	11,440	20,774

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

The structure and amounts of customer accounts of December 31, 2024 and 2023 are presented below:

	December 31,	
	2024	2023
Legal entities		
- Term deposits	110,433	100,152
- Current/settlement accounts	16,865	13,732
Individuals		
- Term deposits	182,209	169,073
- Current/settlement accounts	43,669	29,491
Total customer accounts	353,176	312,448

The structure and amounts of due to banks and other financial institutions as of December 31, 2024 and 2023 are presented below:

	December 31,	
	2024	2023
Loans under repurchase agreements	61,304	11,962
Loans and term deposits from banks and other financial institutions	32,168	13,318
Correspondent accounts of other banks	4,568	8,952
Total due to banks and other financial institutions	98,040	34,232

Loans under repurchase agreements were secured by:

- Securities measured at fair value through other comprehensive income with the value of RUB 28,674 million and securities received through loans under reverse repurchase agreements with the value of RUB 36,032 million as of December 31, 2024 and securities measured at fair value through other comprehensive income with the value of RUB 13,658 million as of December 31, 2023.

The subordinated loan obtained in November, 2015 in the form of OFZ from the state corporation DIA within a state program on recapitalization of a banking system in amount of RUB 7,246 million is a part of the additional capital.

According to the requirements of the Position of the Bank of Russia subordinated instruments are subject to annual discounting and in the last 5 years before full execution of the obligations under the contract are included in equity at carrying value.

Terms of granting a loan satisfy criteria of the Bank of Russia for inclusion of a loan in the additional capital. At the same time the instrument is convertible and can be included in basic capital. The conversion may be full or partial and carried out at a market value of securities.

Conditions that can lead to conversion of the instrument are:

- The value of the sufficiency of the basic capital (H1.1) calculated in accordance with the instruction of the Bank of Russia decreased below the level determined by the Bank of Russia for an exchange of the subordinated loan which as of the date of the conclusion of the Contract makes 2% for the period determined by the Bank of Russia, or
- The approval by the Committee of banking supervision of the Bank of Russia of the plan of participation of the Lessor in implementation of measures for preventing a bankruptcy of Borrower providing rendering by the Lessor the financial aid provided by the Federal law on insolvency (bankruptcy).

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

An analysis of liquidity and interest rate risk inherent to bank assets as of December 31, 2024 and 2023 is presented in the following table.

The following tables, based on the information provided to the management of the Group, reflect the structure of assets and liabilities in accordance with the contractual maturity, with the exception of trading securities at fair value through other comprehensive income.

In the liquidity analysis, the deposits of individuals are disclosed by maturities in accordance with the agreement. According to Russian legislation these deposits can be withdrawn upon a request within 1 month. However, on the basis of the analysis of the Group's history and experience, such deposits are extended rather than withdrawn. Additionally, on the ground of the Group's forecasts based on different behaviour of deposit holders, the scenario of withdrawing all deposits within a horizon up to 1 month is considered as extremely stressed and is not used for liquidity management and, thus, for financial statements disclosure.

The Group stable sources of funding are:

- OFZ received from the SC DIA (The State Corporation "Deposit Insurance Agency"), reflected on off-balance accounts, but recorded in the report as stable sources of financing with a maturity of up to 1 month (5% discount from the current market price was also applied to them);
- Investments into debt securities measured at fair value through profit and loss. The amount of investments attributed in the table for a period of up to 30 days is adjusted, based on the following approach: for OFZ and securities included in the Lombard List of the CBR, 95% and 85% of the investments amount respectively (85% for all securities as at 31 December 2023) is assigned for a period of up to 30 days; all others – to maturity. The possibility of attracting liquidity for direct REPO transactions with an effective discount of 5 % for OFZ and 15% for other securities is simulated (15% for all securities as at 31 December 2023);
- Investments into securities measured at amortized cost and fair value through other comprehensive income: for investments included in the CBR Lombard List, which are adjusted for a 15% discount for other securities (5% for OFZ), are recognized as stable sources of financing (15% discount for all securities as at 31 December 2023). These securities are classified as measured at amortized cost. The Group does not plan to dispose of these securities under the current business model, but can sell them with a repurchase obligation (under a direct REPO transaction) to satisfy liquidity needs in times of stress;
- Time deposits of individuals: a part of the planned deposits amounts is reflected within stable sources of funding, as the Group expects that they will be either prolonged or replaced. Shares are determined in accordance with the conservative estimate based on scenario modeling, which does not contradict current historical statistics;
- Settlement accounts of individuals and legal entities: a part of small account amounts in accordance with the conservative estimate of the level of settling balances are reflected under stable sources of funding, as the Group expects that they will be either prolonged or replaced. Shares are determined in accordance with the conservative estimate based on scenario modeling, which does not contradict current historical statistics;
- Short-term deposits legal entities: a part of the planned deposits amounts is reflected within stable sources of funding, as the Group expects that there will be neither movement nor replacement among these amounts. Shares are determined in accordance with the conservative estimate based on scenario modeling, which does not contradict current historical statistics;
- Other deposits subportfolios of legal entities that have persistent business relationships with the Group.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

As of December 31, 2024	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
Financial assets							
Cash and cash equivalents	95,485	-	-	-	-	-	95,485
Financial assets at fair value through other comprehensive income	3,611	658	1,644	34,680	36,671	-	77,264
Loans to customers	24,050	34,044	101,618	179,886	28,167	10,136	377,901
Investments in securities	-	-	445	-	-	-	445
Derivative financial instruments	126	-	-	-	-	-	126
Due from financial institutions	-	-	-	-	-	2,662	2,662
Other financial assets	1,717	1,330	43	-	-	9,294	12,384
Total financial assets	124,989	36,032	103,750	214,566	64,838	22,092	566,267
Financial liabilities							
Due to banks and other financial institutions	(98,019)	(4)	(17)	-	-	-	(98,040)
Customer accounts	(148,317)	(91,843)	(109,478)	(2,943)	-	(595)	(353,176)
Debt securities issued	(793)	(1)	(5,503)	(10,000)	-	-	(16,297)
Derivative financial instruments	(125)	-	-	-	-	-	(125)
Lease obligations	(15)	(52)	(245)	(477)	-	-	(789)
Other financial liabilities	(4,144)	(1,176)	(1,183)	(325)	-	(205)	(7,033)
Total financial liabilities	(251,413)	(93,076)	(116,426)	(13,745)	-	(800)	(475,460)
Liquidity gap	(126,424)	(57,044)	(12,676)	200,821	64,838		
Reclassification of financial assets and liabilities based on expected maturity	149,827	29,330	61,601	(41,647)	(199,111)		
Net liquidity gap	23,403	(27,714)	48,925	159,174	(134,273)		
Cumulative liquidity gap	23,403	(4,311)	44,614	203,788	69,515		

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

Table below represents book value of financial assets and liabilities of the Group that are sensitive to the change of interest rate in accordance with contractual repayment terms.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
Total financial assets	94,936	34,702	103,707	214,566	64,838	10,136	522,885
Total financial liabilities	(203,995)	(91,900)	(115,243)	(13,420)	-	-	(424,558)
Net interest rate gap as of December 31, 2024	(109,059)	(57,198)	(11,536)	201,146	64,838	10,136	98,327
Total financial assets	50,880	41,755	92,491	170,095	36,234	9,238	400,693
Total financial liabilities	(112,925)	(58,286)	(128,628)	(21,710)	-	-	(321,549)
Net interest rate gap as of December 31, 2023	(62,045)	(16,531)	(36,137)	148,385	36,234	9,238	79,144

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

As of December 31, 2023	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
Financial assets							
Cash and cash equivalents	58,565	-	-	-	-	-	58,565
Financial assets at fair value through other comprehensive income	314	154	1,079	14,359	12,036	-	27,942
Loans to customers	12,775	41,601	90,546	155,295	24,198	9,238	333,653
Investments in securities	-	-	866	441	-	-	1,307
Derivative financial instruments	162	-	-	-	-	-	162
Due from financial institutions	-	-	-	-	-	3,205	3,205
Other financial assets	3,862	3	15	95	478	11,081	15,534
Total financial assets	75,678	41,758	92,506	170,190	36,712	23,524	440,368
Financial liabilities							
Due to banks and other financial institutions	(35,112)	-	(19)	(21)	-	-	(35,152)
Customer accounts	(120,878)	(57,669)	(128,345)	(5,036)	-	(520)	(312,448)
Debt securities issued	(584)	(564)	(34)	(16,204)	-	-	(17,386)
Lease obligations	(29)	(53)	(230)	(449)	-	-	(761)
Other financial liabilities	(4,327)	(2,729)	(2,734)	-	-	(139)	(9,929)
Total financial liabilities	(160,930)	(61,015)	(131,362)	(21,710)	-	(659)	(375,676)
Liquidity gap	(85,252)	(19,257)	(38,856)	148,480	36,712		
Reclassification of financial assets and liabilities based on expected maturity	88,393	6,516	73,524	(20,113)	(148,320)		
Net liquidity gap	3,141	(12,741)	34,668	128,367	(111,608)		
Cumulative liquidity gap	3,141	(9,600)	25,068	153,435	41,827		

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

Analysis of the liquidity and interest rate risks as of December 31, 2024 and 2023 is presented in the following table. The amounts in the table below represent future aggregate undiscounted cash flows.

As of December 31, 2024	Weighted average rate on interest-bearing liabilities	Up to	1 month to	3 months to	1 year to	Over	Maturity	Total
		1 month	3 months	1 year	5 years	5 years	undefined	
Financial liabilities								
Due to banks and other financial institutions	20.7%	(98,488)	(4)	(18)	-	-	-	(98,510)
Customer accounts	17.5%	(149,798)	(93,924)	(118,558)	(3,816)	-	(595)	(366,691)
Debt securities issued	17.4%	(954)	(1)	(7,490)	(12,267)	-	-	(20,712)
Lease obligations	11.2%	(16)	(52)	(246)	(477)	-	-	(791)
Other financial liabilities		(4,144)	(1,176)	(1,183)	(325)	-	(205)	(7,033)
Derivative financial instruments		(125)	-	-	-	-	-	(125)
Total potential future payments on financial liabilities		(253,525)	(95,157)	(127,495)	(16,885)	-	(800)	(493,862)

As of December 31, 2023	Weighted average rate on interest-bearing liabilities	Up to	1 month to	3 months to	1 year to	Over	Maturity	Total
		1 month	3 months	1 year	5 years	5 years	undefined	
Interest bearing financial liabilities								
Due to banks and other financial institutions	11.0%	(35,727)	-	(20)	(23)	-	-	(35,770)
Customer accounts	11.9%	(121,392)	(59,017)	(134,851)	(5,769)	-	(520)	(321,549)
Debt securities issued	14.0%	(679)	(620)	(1,721)	(19,908)	-	-	(22,928)
Lease obligations	8.3%	(29)	(54)	(250)	(557)	(3)	-	(893)
Other financial liabilities		(4,327)	(2,729)	(2,734)	-	-	(139)	(9,929)
Total potential future payments on financial liabilities		(162,154)	(62,420)	(139,576)	(26,257)	(3)	(659)	(391,069)

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Information on the maximum amount of credit risk on guarantees issued and commitments on loans is presented below:

As of December 31, 2024	Stage 1	Stage 2	Stage 3	Total
Commitments on loans	61,316	1,989	67	63,372
Guarantees issued	48,943	1,810	2	50,755
Less provision	(885)	(35)	(2)	(922)
Total commitments on loans and guarantees issued	109,374	3,764	67	113,205
As of December 31, 2023	Stage 1	Stage 2	Stage 3	Total
Commitments on loans	96,944	783	163	97,890
Guarantees issued	61,731	2,161	20	63,912
Less provision	(1,112)	(11)	(7)	(1,130)
Total commitments on loans and guarantees issued	157,563	2,933	176	160,672

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

30. RELATED PARTIES

The related parties of the Group are PJSFC "Sistema" or Sistema, Subsidiaries and associates of Sistema, associates of the Group, Key management personnel of the Group and its parent company and other parties that the Group considers related in accordance with IAS 24.

Terms and conditions of transactions with related parties – Outstanding balances as of December 31, 2024 and 2023, were unsecured except accounts receivable from Development Company (Development) in amount of RUB 1,313 million and RUB 1,310 million respectively, which were secured by buildings pledged as collateral. Settlements with related parties are made on a cash basis. There have been no guarantees provided or received for any related party receivables or payables. As of December 31, 2024, the Group had no significant amounts of credit impairment relating to the receivables owed by related parties as well as impairment expenses recognized during the years ended December 31, 2024 and 2023.

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

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Balances of related parties' transactions were as follows:

ASSETS FROM RELATED PARTIES	December 31,	
	2024	2023
NON-CURRENT ASSETS:		
Advances for property, plant and equipment		
<i>Sistema's subsidiaries</i>	420	682
<i>The Group's associates</i>	546	-
<i>Other related parties</i>	-	11
Advances for intangible assets		
<i>Sistema's subsidiaries</i>	-	250
<i>The Group's associates</i>	13	70
Right-of-use assets, Gross Book Value		
<i>Sistema's subsidiaries</i>	4,466	2,346
<i>Other related parties</i>	87	79
Right-of-use assets, Accumulated Depreciation		
<i>Sistema's subsidiaries</i>	(2,252)	(1,998)
<i>Other related parties</i>	(52)	(46)
Other investments		
<i>Sistema's subsidiaries</i>	2,978	3,153
<i>The Group's associates</i>	375	1,687
Accounts receivable, related parties		
<i>Sistema's subsidiaries</i>	1,099	1,202
Bank deposits and loans to customers		
<i>Sistema's subsidiaries</i>	3,364	2,089
<i>Sistema's associates</i>	207	-
Other assets		
<i>Sistema's subsidiaries</i>	39	-
Total non-current assets	11,290	9,525
CURRENT ASSETS:		
Accounts receivable, related parties		
<i>Sistema's subsidiaries</i>	3,255	3,987
<i>The Group's associates</i>	437	773
<i>Other related parties</i>	237	60
Bank deposits and loans to customers		
<i>Sistema's subsidiaries</i>	5,173	3,208
<i>Key management personnel of the Group, its parent and shareholders</i>	73	42
<i>Sistema's associates</i>	5,105	2,390
Short-term investments		
<i>Sistema's subsidiaries</i>	3,856	4,532
<i>Sistema</i>	27,591	2,327
<i>The Group's associates</i>	417	474
Other financial assets		
<i>Sistema</i>	1,042	1,079
<i>Sistema's subsidiaries</i>	106	409
<i>Other related parties</i>	-	1
Other assets		
<i>Sistema's subsidiaries</i>	947	189
<i>Other related parties</i>	114	132
Total current assets	48,353	19,603
TOTAL ASSETS FROM RELATED PARTIES	59,643	29,128

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

LIABILITIES TO RELATED PARTIES	December 31,	
	2024	2023
NON-CURRENT LIABILITIES:		
Borrowings		
<i>The Group's associates</i>	-	3,343
Lease obligations		
<i>Sistema's subsidiaries</i>	1,973	2,480
<i>Other related parties</i>	26	35
Bank deposits and liabilities		
<i>The Group's associates</i>	-	1,180
<i>Key management personnel of the Group, its parent and shareholders</i>	-	845
Other financial liabilities		
<i>The Group's associates</i>	-	2,075
Total non-current liabilities	1,999	9,958
CURRENT LIABILITIES:		
Accounts payable, related parties		
<i>Sistema's subsidiaries</i>	438	498
<i>The Group's associates</i>	244	185
<i>Sistema's associates</i>	68	78
Borrowings		
<i>The Group's associates</i>	5,391	751
<i>Other related parties</i>	-	11
Lease obligations		
<i>Sistema's subsidiaries</i>	563	528
<i>Other related parties</i>	19	9
Bank deposits and liabilities		
<i>Key management personnel of the Group, its parent and shareholders</i>	50,394	45,693
<i>Sistema's subsidiaries</i>	8,984	9,455
<i>Sistema's associates</i>	5,593	8,148
<i>Sistema</i>	344	1,735
<i>Other related parties</i>	877	266
Total current liabilities	72,915	67,357
TOTAL LIABILITIES TO RELATED PARTIES	74,914	77,315

Operating transactions – During the year ended December 31, 2024 and 2023 the Group provided the following services to related parties – electricity supply, Internet and video/image transmission services, integration services, roaming, interconnect and other telecommunication services, banking services.

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

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

The following table provides the total amount of transactions that have been entered into with related parties during the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Revenue		
<i>Sistema's subsidiaries</i>	7,106	5,596
<i>Sistema's associates</i>	2,490	1,776
<i>The Group's associates</i>	676	244
<i>Sistema</i>	616	-
<i>Other related parties</i>	-	121
TOTAL REVENUE	<u>10,888</u>	<u>7,737</u>
Cost of services		
<i>Key management personnel of the Group, its parent and shareholders</i>	4,500	3,317
<i>Sistema's subsidiaries</i>	1,851	2,011
<i>Sistema</i>	144	102
<i>Other related parties</i>	1,535	951
Selling, general and administrative expenses		
<i>Key management personnel of the Group, its parent and shareholders</i>	5,460	5,509
<i>Other related parties</i>	1,425	1,122
Other operating income / (expense)		
<i>Sistema's subsidiaries</i>	233	572
<i>Other related parties</i>	(60)	107
OPERATING PROFIT / (LOSS)	<u>(3,854)</u>	<u>(4,596)</u>
Finance income / (loss)		
<i>Sistema</i>	2,329	-
<i>Sistema's subsidiaries</i>	757	576
<i>Other related parties</i>	(508)	(102)
Other non-operating income / (expense)		
<i>Other related parties</i>	(79)	(28)
PROFIT BEFORE TAX	<u>(1,355)</u>	<u>(4,150)</u>

During the years ended December 31, 2024 and 2023, the Group acquired property, plant and equipment and intangible assets from the related parties in the amount of:

	<u>2024</u>	<u>2023</u>
<i>Sistema's subsidiaries</i>	1,796	6,832
<i>Sistema's associates</i>	2	511
<i>Other related parties</i>	801	94
Total purchases of property, plant and equipment, intangible assets and other assets, related parties	<u>2,599</u>	<u>7,437</u>

As of December 31, 2024 and 2023, the Group had contingent liabilities on loans and undrawn credit lines to the related parties in the amount of:

	<u>December 31,</u>	
	<u>2024</u>	<u>2023</u>
<i>Sistema's subsidiaries</i>	600	1,026
<i>Other related parties</i>	-	4
Total contingent liabilities on loans and undrawn credit lines	<u>600</u>	<u>1,030</u>

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under the performance guarantee contract represents the possibility that an insured event will occur (i.e. another party to the contract fails to perform a contractual obligation). Warranty claims must be made prior to the expiration of the contract. As of December 31, 2024 and 2023, the Group provided guarantees and similar commitments to the related parties in the amount of:

	December 31,	
	2024	2023
<i>Sistema's subsidiaries</i>	2,669	2,305
<i>Sistema's associates</i>	1,070	879
Total guarantees and similar commitments	3,739	3,184

Lease payments

During the years ended December 31, 2024 and 2023, the Group made lease payments in the amount of RUB 767 million and RUB 512 million, respectively, to the related parties.

Development

In December 2021, the Group purchased 5-year 10.8% coupon notes of Development, Sistema's subsidiary operating in the development business, in the amount of RUB 2,100 million. The notes were accounted as financial assets at fair value through profit and loss and disclosed within short-term investments in the accompanying consolidated statements of financial position. As of December 31, 2024 and 2023, the investment amounted to RUB 2,107 million and RUB 2,106 million respectively.

In April 2022, the Group entered into a novation agreement in respect to the disposal of property to Development in 2019. Under the terms of new agreement part of the receivables were converted to a loan with a similar repayment schedule and interest rate. The loan is payable by Investment company, Sistema's subsidiary. As of December 31, 2024 and 2023, the amount of the loan was recognized as part of other investments in the accompanying consolidated statements of financial position totaled to RUB 2,985 million and RUB 3,037 million, respectively.

Remuneration of key management personnel

Key management personnel of the Group are members of the Board of Directors and Management Board. During the years ended December 31, 2024 and 2023, their total remuneration amounted to RUB 2,665 million and RUB 2,364 million, respectively, including social contributions of RUB 702 million and RUB 438 million, respectively. These amounts comprised of RUB 1,511 million and RUB 919 million in base salaries and 1,154 RUB million and RUB 1,445 million in bonuses paid pursuant to a bonus plan, respectively (including social contributions).

The management and directors are also entitled to cash-settled and equity-settled share-based payments. Related compensation accrued during the years ended December 31, 2024 and 2023, amounted to RUB 2,795 million and RUB 3,145 million, respectively, including social contributions amounted to RUB 408 million and RUB 321 million, respectively. For more details, see Note 31.

Capital commitments

As of December 31, 2024 and 2023, the Group had entered into purchase agreements with related parties in amount of approximately RUB 6,155 million and 3,507 million, respectively, to acquire property, plant and equipment, intangible assets and costs related thereto.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

31. STOCK-BASED COMPENSATIONS

The Group has a number of share plans used to award shares to directors, executive officers and employees as part of their remuneration package. The Group share plans include both equity-settled and cash-settled compensations.

Equity-settled share based awards are measured at fair value (excluding the effect on non-market-based conditions) at the date of grant. The fair value determined at the grant date of equity-settled share-based award is based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market based conditions.

For cash-settled based awards the fair value is newly determined at each reporting date and at the settlement date, the changes in the fair value are recognized in profit or loss, until the liability under the share plan is settled.

The fair value of share awards is based on the observed market price of the Group's ordinary shares, adjusted for expected dividends reduced to the current value using a risk-free interest rate.

The equity-settled share based awards displayed the following development in the financial years 2024 and 2023:

	2024		2023	
	Shares (in thousands)	Weighted- average fair value per share (in RUB)	Shares (in thousands)	Weighted- average fair value per share (in RUB)
Outstanding at the beginning of the period	16,530	339	24,092	339
Granted during the period	19,643	264	8,619	303
Forfeited during the period	(4,341)	260	(4,304)	333
Exercised during the period	(21,452) ⁽¹⁾	257	(11,876) ⁽²⁾	385
Outstanding at the end of the period	10,380	258	16,530	339
Exercisable at the end of the period	-	-	11,018	362

⁽¹⁾ The weighted-average exercise price of shares was RUB 227.

⁽²⁾ The weighted-average exercise price of shares was RUB 251.

The equity-settled share based awards were estimated using the following range of exercise prices and the weighted-average remaining contractual terms:

	December 31, 2024		
	Shares (in thousands)	Range of exercise prices (in RUB)	Weighted- average remaining contractual term (in month)
Outstanding shares	10,380		
Incl. to be exercised in 2026	6,007	230-260	15
to be exercised in 2027	4,373	230-520	27

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

The cash-settled share based awards displayed the following development in the financial years 2024 and 2023:

	2024		2023	
	Shares (in thousands)	Weighted- average fair value per share (in RUB)	Shares (in thousands)	Weighted- average fair value per share (in RUB)
Outstanding at the beginning of the period	8,316	305	6,496	333
Granted during the period	3,428	231	4,790	297
Forfeited during the period	(1,428)	287	(861)	322
Exercised during the period	(6,674) ⁽¹⁾	260	(2,109) ⁽¹⁾	320
Outstanding at the end of the period	3,641	259	8,316	305
Exercisable at the end of the period	-	-	2,972	286

⁽¹⁾ The weighted-average exercise price of shares is equal weighted-average fair value.

The liability under cash-settled awards was estimated using the following range of exercise prices and the weighted-average remaining contractual terms:

	December 31, 2024		
	Shares (in thousands)	Range of exercise prices (in RUB)	Weighted- average remaining contractual term (in month)
Outstanding shares, Incl.	3,641		
to be exercised in 2026	2,630	230-260	15
to be exercised in 2027	1,011	230-345	27

Total expense in respect of Group's share plans included in the consolidated statement of profit or loss in the financial year 2024 and 2023 totaled to RUB 4,523 million and RUB 4,095 million, respectively, thereof RUB 4,039 million and RUB 3,025 million related to equity-settled share based awards.

As of December 31, 2024 and 2023, total liabilities recorded for share-based awards amounted to RUB 3,654 million and RUB 9,425 million, respectively. The fair value of share-based awards vested at December 31, 2024 and December 31, 2023 was RUB 0 million and RUB 1,742 million, respectively.

32. SHAREHOLDERS' EQUITY

Common stock (ordinary shares) – The Group had 1,998,381,575 authorized and issued ordinary shares with par value 0.1 RUB as of December 31, 2024 and 2023. Preferred shares have not been authorized and issued.

Nature and purpose of reserves

Additional paid in capital is used to recognize equity-settled share-based payment transactions, results of capital transactions under common control; changes in ownership interest in subsidiaries that do not result in gain/loss of control and the excess of cash received over the acquisition cost of treasury shares.

Expenses related to share-based compensation transactions settled using equity instruments are determined at fair value at the grant date and are recorded as staff costs during the option program period with a simultaneous increase in additional capital.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Foreign currency translation reserve is used to record exchange differences arising from the translation of foreign subsidiaries financial statements from their functional to the presentation currency.

Financial instruments revaluation reserve is used to record the accumulated impact of derivatives designated as cash flow hedges and revaluation of investments available for sale.

Non-controlling interests

As of December 31, 2024 and 2023, MGTS and MTS Bank were the only subsidiaries of the Group, which had material non-controlling interests.

The summarized financial information of MGTS and MTS Bank is presented as follows:

MGTS	2024	2023
Non-controlling interests opening balance	(6,805)	(5,830)
Profit for the year attributable to non-controlling interests	(1,261)	(975)
Non-controlling interests closing balance	(8,066)	(6,805)
	December 31,	
	2024	2023
Current assets	53,757	20,002
Non-current assets	98,989	106,088
Current liabilities	(19,244)	(15,288)
Non-current liabilities	(13,655)	(14,900)
	2024	2023
Revenue, gross of intercompany	(45,191)	(43,971)
Profit for the year, gross of intercompany	(22,423)	(17,324)
	2024	2023
MTS Bank		
Non-controlling interests opening balance	(5)	(3)
IPO	(12,296)	(2)
Profit for the year attributable to non-controlling interests	(870)	-
Issuance of bonds	(2,037)	-
Sale of shares	(1,510)	-
Other	(88)	-
Non-controlling interests closing balance	(16,806)	(5)
	December 31,	
	2024	2023
Current assets	353,754	256,231
Non-current assets	199,657	169,443
Current liabilities	(482,026)	(381,702)
Non-current liabilities	(13,843)	(22,689)
	2024	2023
Revenue, gross of intercompany	(127,278)	(91,342)
Profit for the year, gross of intercompany	(11,101)	(11,391)

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Dividends

As a leading telecommunications group with a home base in developing markets, the primary need of the Group is to maintain sufficient resources and flexibility to meet financial and operational requirements. At the same time, the Group continually seeks ways to create shareholder value through both its commercial and financial strategies, including organic and non-organic development as well as the Group's capital management practices.

The Group continues to include dividend payments as part of its commitment to maximizing shareholder value. Decisions on dividends are proposed by the Board of Directors and voted upon thereafter at a General Meeting of Shareholders. In determining the Company's dividend payout, the Board of Directors considers a number of factors, including cash flow from operations, capital expenditures, and the Group's debt position.

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

In accordance with Russian laws, earnings available for dividends are limited to profits determined under Russian Accounting Standards (RAS), denominated in Russian Rubles, after certain deductions.

The following table summarizes the Group's declared cash dividends for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Dividends declared	68,590	67,198
Dividends, RUB per ADS	70,00	68,58
Dividends, RUB per share	35,00	34,29

As of December 31, 2024 and 2023, dividends payable were RUB 38,790 million and RUB 27,801 million, respectively, and included in the trade and other payables within the consolidated statement of financial position.

33. COMMITMENTS AND CONTINGENCIES

Capital commitments – As of December 31, 2024 and 2023, the Group had entered into purchase agreements of approximately RUB 39,784 and 26,097 million to acquire property, plant and equipment, intangible assets and costs related thereto.

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

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

	<u>December 31,</u>	
	<u>2024</u>	<u>2023</u>
Contingent liabilities for additional taxes other than income tax	1,303	560
Contingent liabilities for additional income taxes	547	487

Licenses – Management believes that as of December 31, 2024 the Group complied with conditions of the licenses used.

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

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

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

In July 2018, the Group filed a Request for Arbitration against the Sovereign State of Turkmenistan with the World Bank's International Center for Settlement of Investments Disputes ("ICSID") in order to protect its legal rights and investments in Turkmenistan. In June 2023 the ICSID ruled against MTS and obliged the Group to compensate for the Sovereign State of Turkmenistan' legal fees and expenses. Management of the Group believes that as of December 31, 2024 it has adequately provided for the related losses. The Group considers further legal opportunities for protection of its rights and interests.

Antimonopoly proceedings – In the ordinary course of business, the Group is subject to various antimonopoly claims and investigations. Management of the Group believes that as of December 31, 2024 it has adequately provided for claims related to antimonopoly proceedings and other claims from Federal Antimonopoly Service of Russia.

Potential adverse effects of economic volatility and sanctions in Russia – In February 2022, following the conflict between Russia and Ukraine, the EU, US, UK and certain other countries have imposed significant sanctions and export controls on Russian and Belarusian persons and entities. These sanctions resulted in reduced access of the Russian businesses to international capital and some export markets, volatility of the Russian ruble, rise of inflation, tightening of technology export controls and other negative economic consequences.

In 2022 the New York Stock Exchange halted trading in the Company's American depository shares ("ADSs") and those of certain other Russian companies. The Group initiated termination of its depository receipt program, and the New York Stock Exchange delisted MTS' ADSs. The existing ADSs could have been converted into MTS' ordinary shares at the ratio of 1:2. The guaranteed conversion period expired on January 12, 2023.

In 2023 Canada imposed sanctions on MTS PJSC, extending to the subsidiaries controlled by MTS PJSC. The volume of the Group's operations with Canadian entities and individuals is insignificant.

In 2023 the US Office of Foreign Assets Control (OFAC) and the UK Office of Financial Sanctions Implementation (OFSI) designated MTS Bank as a sanctioned person pursuant to applicable sanctions regulations adopted by the US and the UK, respectively. Accordingly, MTS Bank became subject to so-called "blocking" (asset-freeze) sanctions maintained by the US and the UK. At present the impact of the imposed sanctions on MTS Bank on the Group's operations, assets and liabilities is accessed as not significant.

The risk that any Group member, or individuals holding positions within the Group as well as its counterparties, may be affected by future sanctions designations cannot be excluded. Current and future risks to the Group include, among others, the risk of reduced or blocked access to capital markets and ability to obtain financing on commercially reasonable terms, the risk of restrictions on the import of certain equipment and software, the risk deviations of the conversion rate of Russian ruble against other currencies, and risks related to the higher costs of capital (with the Central Bank of Russia key rate currently equal to 21%).

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