

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

**Interim Condensed Consolidated
Financial Statements**
For the Six Months Ended June 30, 2024
(unaudited)

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Mobile TeleSystems Public Joint Stock Company and its subsidiaries (the “Group”) as of June 30, 2024 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in shareholders’ equity and cash flows for the six months ended June 30, 2024, and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

Andrei Shvetsov
Engagement partner



AO “Business Solutions and Technologies”
(ORNZ № 12006020384)

August 26, 2024

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2024 (Amounts in millions of Russian Rubles)

	Notes	June 30, 2024 (unaudited)	December 31, 2023
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	9	321,316	314,270
Investment property		9,329	8,546
Right-of-use assets	12	104,310	111,305
Goodwill	3	62,271	49,229
Other intangible assets	9	134,866	120,470
Investments in associates and joint ventures	7	15,123	22,170
Other investments	8	9,409	43,462
Deferred tax assets		9,670	9,221
Accounts receivable, related parties	17	1,210	1,202
Trade accounts receivable		1,671	1,607
Bank deposits and loans to customers	14	215,368	188,713
Other financial assets		8,246	12,510
Other assets		3,275	3,232
Total non-current assets		896,064	885,937
CURRENT ASSETS:			
Inventories		19,289	19,009
Trade and other receivables		43,945	40,746
Accounts receivable, related parties	17	4,514	4,820
Bank deposits and loans to customers	14	144,932	148,144
Short-term investments	6	85,076	39,791
Advances paid and prepaid expenses		12,202	12,360
VAT receivable		11,998	11,984
Income tax assets		3,695	3,754
Assets held for sale	5	158	19,952
Cash and cash equivalents		71,647	73,752
Other financial assets		49,366	30,481
Other non-financial assets		2,222	815
Total current assets		449,044	405,608
TOTAL ASSETS		1,345,108	1,291,545


PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2024 (CONTINUED) (Amounts in millions of Russian Rubles)

	Notes	June 30, 2024 (unaudited)	December 31, 2023
EQUITY AND LIABILITIES			
EQUITY:			
Common stock	16	200	200
Retained earnings		54,968	66,301
Other reserves	16	<u>(92,840)</u>	<u>(71,599)</u>
Equity attributable to owners of the Company		(37,672)	(5,098)
Non-controlling interests		<u>19,128</u>	<u>6,818</u>
Total equity		<u>(18,544)</u>	<u>1,720</u>
NON-CURRENT LIABILITIES:			
Borrowings	10	300,125	312,868
Lease obligations	12	105,792	113,003
Bank deposits and liabilities	14	19,298	20,774
Deferred tax liabilities		6,438	6,911
Provisions		11,842	10,374
Contract liabilities		1,281	1,102
Other financial liabilities		6,793	5,230
Other liabilities		<u>2,766</u>	<u>2,426</u>
Total non-current liabilities		<u>454,335</u>	<u>472,688</u>
CURRENT LIABILITIES:			
Trade and other payables		152,703	95,951
Accounts payable, related parties	17	793	762
Contract liabilities		31,056	29,614
Borrowings	10	280,031	241,187
Lease obligations	12	21,407	20,509
Bank deposits and liabilities	14	350,490	347,110
Income tax liabilities		877	711
Provisions		37,375	41,780
Other financial liabilities		5,330	6,146
Other liabilities		29,255	30,161
Liabilities directly associated with the assets held for sale		<u>-</u>	<u>3,206</u>
Total current liabilities		<u>909,317</u>	<u>817,137</u>
TOTAL EQUITY AND LIABILITIES		<u>1,345,108</u>	<u>1,291,545</u>

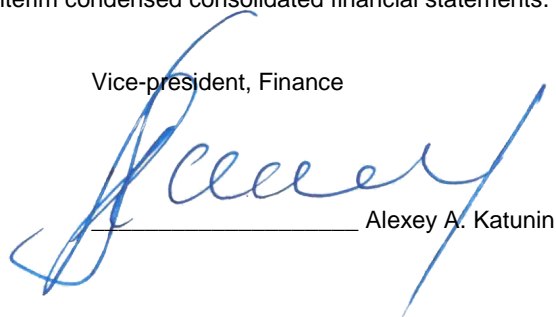
The accompanying notes are an integral part of these interim condensed consolidated financial statements.

President and CEO


Vyacheslav K. Nikolaev

August 26, 2024

Vice-president, Finance


Alexey A. Katunin

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Amounts in millions of Russian Rubles, except per share amounts)

	Notes	Six months ended June 30,	
		2024 (unaudited)	2023 (unaudited)
Service revenue		305,278	260,259
Sales of goods		26,905	21,337
Revenue	4	332,183	281,596
Cost of services		99,969	77,262
Cost of goods		24,917	19,091
Selling, general and administrative expenses		71,531	59,262
Depreciation and amortization		53,596	56,602
Share of losses of associates and joint ventures: extantion of core business		(4,581)	(3,120)
Expected credit losses		16,555	15,216
Other operating income		(732)	(4,826)
Operating profit	4	70,928	62,109
Finance income	11	(2,319)	(1,232)
Finance costs	11	43,321	25,523
Share of losses of associates and joint ventures: other entities		(212)	(160)
Other non-operating (income)/expenses		(4,851)	2,020
Profit before tax from continuing operations		34,989	35,958
Income tax expense from continuing operations	15	7,109	6,832
Profit for the period from continuing operations after tax		27,880	29,126
Profit from discontinued operations, net of tax	5	19,670	840
Profit for the period		47,550	29,966
Profit for the period attributable to:			
Owners of the Company		46,649	29,499
Non-controlling interests		901	467
Earnings per share from continuing operations (basic and diluted), Russian Rubles:		16.00 and 15.89	17.40 and 17.18
Earnings per share from discontinued operations (basic and diluted), Russian Rubles:		11.67 and 11.59	0.08 and 0.08
Earnings per share, total (basic and diluted), Russian Rubles:		27.67 and 27.48	17.48 and 17.27

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

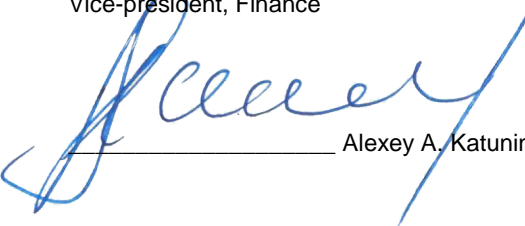
President and CEO



Vyacheslav K. Nikolaev

August 26, 2024

Vice-president, Finance



Alexey A. Katunin


PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Amounts in millions of Russian Rubles)

	Six months ended June 30,	
	2024	2023
	(unaudited)	(unaudited)
Profit for the period	47,550	29,966
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Reclassification to profit and loss due to Disposal of a subsidiary (Note 5)	(17,547)	-
Exchange differences on translating foreign operations	(786)	6,259
Net fair value loss on financial instruments, net of tax	(120)	(73)
Exchange differences on translating foreign operations in associates	275	(662)
Other comprehensive (loss) / income for the period, net of income tax	(18,178)	5,524
Total comprehensive income for the period	29,372	35,490
Total comprehensive income for the year attributable to:		
Owners of the Company	28,471	35,023
Non-controlling interests	901	467

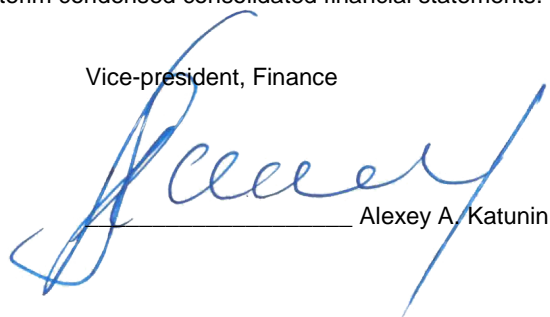
The accompanying notes are an integral part of these interim condensed consolidated financial statements.

President and CEO


Vyacheslav K. Nikolaev

August 26, 2024

Vice-president, Finance


Alexey A. Katunin

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

AS OF JUNE 30, 2024 (UNAUDITED)

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

	Common stock		Retained earnings	Other reserves	Equity attributable owners of the Company	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 period	-	-	29,499	-	29,499	467	29,966
Change in fair value of investments, net of tax of 21 million	-	-	-	(72)	(72)	-	(72)
Currency translation adjustment	-	-	-	5,597	5,597	-	5,597
Total comprehensive income for the period	-	-	29,499	5,525	35,024	467	35,491
Issuance of stock options	-	-	-	376	376	-	376
Exercise of stock options	-	-	-	(3,117)	(3,117)	-	(3,117)
Dividends declared by MTS	-	-	(57,993)	-	(57,993)	-	(57,993)
Other	-	-	-	5,386	5,386	93	5,479
Balances at June 30, 2023	1,998,381,575	200	41,248	(71,139)	(29,691)	6,310	(23,381)
Balances at January 1, 2024	1,998,381,575	200	66,301	(71,599)	(5,098)	6,818	1,720
Profit for the period	-	-	46,649	-	46,649	901	47,550
Disposal of subsidiary, net of tax	-	-	-	(17,548)	(17,548)	-	(17,548)
Change in fair value of investments, net of tax of 28 million	-	-	-	(120)	(120)	-	(120)
Currency translation adjustment	-	-	-	(511)	(511)	-	(511)
Total comprehensive income for the period	-	-	46,649	(18,179)	28,470	901	29,371
Issuance of stock options	-	-	-	(5)	(5)	-	(5)
Issuance of non-controlling interest	-	-	-	86	86	11,632	11,718
Dividends declared by MTS	-	-	(57,982)	-	(57,982)	-	(57,982)
Other	-	-	-	(3,143)	(3,143)	(223)	(3,366)
Balances at June 30, 2024	1,998,381,575	200	54,968	(92,840)	(37,672)	19,128	(18,544)

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

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Amounts in millions of Russian Rubles)

	Notes	Six months ended June 30,	
		2024	2023
		(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the period		47,550	29,966
Adjustments for:			
Depreciation and amortization		53,851	57,933
Expected credit losses		16,553	15,220
Finance income		(2,394)	(1,240)
Finance costs		43,332	25,590
Income tax expense		7,168	7,264
Share of profit of associates and joint ventures		(4,793)	(3,280)
Gain from disposal of Armenia operations		(19,074)	-
Net foreign exchange income / (loss) and change in fair value of financial instruments		(6,980)	1,859
Inventory obsolescence expense		810	968
Change in provisions		(4,967)	3,598
Other non-cash items		(439)	(3,515)
Movements in operating assets and liabilities:			
(Increase)/decrease in trade and other receivables and contract assets		(2,398)	75
Increase in bank deposits and loans to customers		(39,947)	(41,023)
Increase in inventory		(862)	(2,596)
Increase in advances paid, prepaid expenses and other financial assets		(15,800)	(11,958)
Decrease in VAT receivable		705	2,132
Decrease in trade and other payables, contract liabilities and other current liabilities		(2,538)	(1,312)
Increase/(decrease) in bank deposits and liabilities		5,799	(10,676)
Dividends received		2,835	2,591
Income tax paid		(7,549)	(10,913)
Interest received		1,483	902
Interest paid, net of interest capitalized		(40,879)	(25,571)
NET CASH PROVIDED BY OPERATING ACTIVITIES		31,466	36,014
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of subsidiaries, net of cash acquired (Note 3)		(279)	319
Purchases of property, plant and equipment (including capitalized interest in the amount of RUB 485 million and RUB 266 million, respectively)		(29,919)	(14,676)
Purchases of other intangible assets (including capitalized interest in the amount of RUB 498 million and RUB 84 million, respectively)		(30,674)	(22,731)
Purchases of investment property		(61)	(1,190)
Cost to obtain and fulfill contracts, paid		(2,537)	(2,148)
Proceeds from sale of property, plant and equipment and assets held for sale		3,767	2,125
Purchases of short-term and other investments		(17,367)	(3,962)
Proceeds from sale of short-term and other investments		10,795	1,419
Investments in associates and joint ventures		(4,637)	(800)
Cash flows related to swap contracts		(7,972)	388
Proceeds from sale of subsidiaries, net of cash disposed of	5	15,561	-
Other investing activities		-	(36)
NET CASH USED IN INVESTING ACTIVITIES		(63,323)	(41,292)

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (CONTINUED) (Amounts in millions of Russian Rubles)

	Six months ended June 30,	
	2024	2023
	(unaudited)	(unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of notes	(14,612)	(28,344)
Proceeds from issuance of notes	42,331	21,150
Notes and debt issuance cost paid	-	(35)
Lease obligation principal paid	(9,053)	(9,032)
Dividends paid	-	(25,525)
Proceeds from loans	60,875	41,018
Repayment of loans	(61,214)	(36,344)
Acquisition of subsidiaries under common control	-	(84)
Sale of ownership interest in a subsidiary that does not involve loss of control	11,278	482
Acquisition of ownership interest in subsidiaries without change in control	(821)	(1,208)
Proceeds from sales of treasury shares	-	3,370
Other financial activities	(723)	1,198
NET CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES	28,061	(33,354)
Effect of exchange rate changes on cash and cash equivalents	(368)	6,946
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,164)	(31,686)
CASH AND CASH EQUIVALENTS, beginning of the period (including cash and cash equivalents within assets held for sale in amount of RUB 2,058 million and nill, respectively)	75,811	78,292
CASH AND CASH EQUIVALENTS, end of the period	71,647	46,606

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

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

1. GENERAL INFORMATION AND DESCRIPTION OF BUSINESS

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

Business of the Group – MTS PJSC was incorporated on March 1, 2000. MTS CJSC started its operations in the Moscow licence area in 1994. As of June 30, 2024 and December 31, 2023, 42.1% of the Company’s issued shares were held by Sistema Public Joint-Stock Financial Corporation or Sistema and its subsidiary, 50.0% of the issued shares were owned by a significant number of shareholders. As of June 30, 2024 and December 31, 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 June 30, 2024 and December 31, 2023, respectively.

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 depository receipt programs, MTS’ ADSs were delisted from NYSE. The existing ADSs could be converted into MTS’ ordinary shares.

In April 2024 MTS announced a tender offer for the purposes of buying back the Company issued shares from MTS shareholders. Through the tender offer, MTS purchased 1.31% of total issued shares for a total amount of RUB 2.5 bln. Ownership for the shares in question passed to MTS in July 2024.

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 marketing 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

Basis of preparation – These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”) and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2023.

These interim condensed consolidated financial statements are unaudited and do not include all the information and disclosures required in the annual IFRS financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its 2023 audited consolidated financial statements, such as accounting policies and details of accounts which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequently to the issuance of its annual consolidated financial statements of the Group for the year ended December 31, 2023.

Management believes that the disclosures in these interim condensed consolidated financial statements are adequate to make the presented information not misleading if these interim condensed consolidated financial statements are read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2023 and the notes related thereto. In the opinion of management, the financial statements reflect all adjustments necessary to present the Group’s financial position, financial performance and cash flows for the interim reporting period in accordance with IAS 34, *Interim Financial Reporting*. Results for the six months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the year ended December 31, 2024.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

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

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

These interim condensed consolidated financial statements for the six months ended June 30, 2024 were authorized for issue by the Company’s President on August 26, 2024.

As at June 30, 2024, current liabilities exceeded current assets by RUB 460.3 billion. The management believes the Group has sufficient existing and continuing access to liquidity through both operating cash flows and the availability of committed credit facilities of RUB 264.9 billion (Note 10).

Despite the uncertainty in future developments of operation environment the management of the Group is convinced that the Group will continue its operations in the foreseeable future.

Significant accounting policies – The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended December 31, 2023, with exception of income tax calculation performed using the best estimate of the weighted average annual income tax rate expected for 2024.

In the first half of 2024 the Group adopted the following standards, interpretations and amendments:

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 interim condensed consolidated financial statements.

3. BUSINESS ACQUISITIONS

Acquisition of operator of personal mobility devices – 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, through 80.59% ownership interest previously accounted as the investment in joint venture. The acquisition is expected to take the company to a new level by bolstering synergies with the MTS ecosystem. The purchase price constitutes a fair value of previously held interest in amount of RUB 5,403 million. The Group obtained call and issued put options to purchase the remaining 19.4% stake.

Acquisition of developer of tickets sales platform – In April 2024, the Group obtained control over the developer of ticket sales platform for event organization, through 85% ownership interest previously accounted as the investment in joint venture. The Group expects the acquisition to strengthen its position and increase its share in ticket sales market. The purchase price constitutes a fair value of previously held interest in amount of RUB 664 million. The Group obtained call option to purchase the remaining 15% stake and issued put option to the seller to sell the remaining 15% stake.

Acquisition of Adtech platform developer – In May 2024, the Group increased from 67% to 100% its stake in the holding company for Adtech 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 AdTech business and increase its share of the advertising 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 2,910 million.

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

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

	<u>Operator of personal mobility devices</u>	<u>Other subsidiaries acquired</u>
Goodwill	7,649 ⁽¹⁾	5,381 ⁽²⁾
Other intangible assets	221	195
Property, plant and equipment	6,551	3
Other non-current assets	153	3
Trade receivables	1,001	602
Indemnification assets	912	13
Other current assets	494	58
Cash and cash equivalents	1,211	1,009
Current liabilities	(7,292)	(1,259)
Non-current liabilities	(3,687)	-
Total consideration	7,213	6,005
Including:		
Liability to purchase non-controlling interest	1,810	226
Fair value of previously held interest	5,403	3,574
Cash paid	-	2,205

(1) The provisional goodwill is attributable to the expected synergies arising from the acquisition and allocated to the "Personal mobility devices" operating segment, reported as a part of the "Other" category, disclosed in Note 4.

(2) The provisional goodwill is attributable to the expected synergies arising from the acquisitions and allocated to the «Adtech» and «Live» operating segments, reported as a part of the "Other" category, disclosed in Note 4.

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

Since the dates of acquisition the businesses acquired contributed revenue of RUB 2,838 million and net loss of RUB 81 million to the interim condensed consolidated statement of profit or loss for the six months ended June 30, 2024. If the acquisitions had taken place at the beginning of the period, the Group's revenue and net profit would have been RUB 333,264 million and RUB 47,099 million, respectively.

4. SEGMENT INFORMATION

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

The Group identified the following reportable segments:

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

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

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

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

Financial information by reportable segments is presented below:

For the six months ended June 30, 2024:	Telecom	Fintech	Total of reportable segments	Other	HQ and elimination	Consolidated
Revenue						
Connectivity services	227,335	-	227,335	10,862	55	238,252
Sales of goods	26,222	-	26,222	684	-	26,906
Fintech services	-	58,947	58,947	-	-	58,947
Other services	1,464	464	1,928	6,150	-	8,078
External Customers	255,021	59,411	314,432	17,696	55	332,183
Intersegment	6,499	2,588	9,087	43,908	(52,995)	-
Total revenue	261,520	61,999	323,519	61,604	(52,940)	332,183
OIBDA	111,490	9,808	121,298	22,274	(19,047)	124,525
Depreciation and amortization						(53,596)
Operating profit						70,929

For the six months ended June 30, 2023:	Telecom	Fintech	Total of reportable segments	Other	HQ and elimination	Consolidated
Revenue						
Connectivity services	201,468	-	201,468	15,458	48	216,974
Sales of goods	20,547	179	20,726	610	-	21,336
Fintech services	-	38,099	38,099	-	-	38,099
Other services	1,050	393	1,443	3,744	-	5,187
External Customers	223,065	38,671	261,736	19,812	48	281,596
Intersegment	3,408	1,754	5,162	27,533	(32,695)	-
Total revenue	226,473	40,425	266,898	47,345	(32,647)	281,596
OIBDA	106,773	7,489	114,262	25,196	(20,746)	118,712
Depreciation and amortization						(56,602)
Operating profit						62,110

Revenue classification is presented below:

	Six months ended June 30,	
	2024	2023
Revenue recognized over time	287,772	247,725
Revenue recognized at a point in time	44,411	33,871
Total revenue	332,183	281,596
<i>including:</i>		
Interest revenue calculated using the effective interest method	42,181	25,890

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

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5. 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 4), for cash consideration in amount of USD 209.1 million (RUB 18,393 million). 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 interim condensed consolidated statements of profit or loss for the six months ended June 30, 2024 and 2023 . The disposal was completed in January 2024.

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

	Six months ended June 30,	
	2024	2023
Revenue	984	4,973
Expenses	(301)	(3,843)
Profit before tax	683	1,130
Tax expense	(59)	(432)
Profit for the period	624	698
Gain on disposal	19,074	-
Consideration revaluation	(28)	142
Net income attributable to discontinued operations	19,670	840

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

	Six months ended June 30,	
	2024	2023
Net cash provided by operating activities	115	2,158
Net cash provided by/(used in) investing activities	16,400	(632)
Net cash provided by/(used in) financing activities	62	(168)

6. SHORT-TERM INVESTMENTS

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

	Category	June 30,	December 31,
		2024	2023
Investments in securities	At FVTPL	73,819	24,438
Loans	At amortized cost	10,017	14,160
Investments in securities	At amortized cost	1,354	1,484
Deposits	At amortized cost	45	19
Short-term investments, gross		85,235	40,101
Allowance for ECL		(159)	(310)
Total short-term investments		85,076	39,791

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7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

	Country of operations	Operating activity	June 30, 2024	December 31, 2023
Telecommunication operator	Belarus	telecom- munications	6,010	6,246
Operator of personal mobility devices	Russia	Rent of personal mobility devices	-	5,899
Closed-end mutual fund	Russia	asset management	3,616	3,264
Factoring platform developer	Cyprus	IT developer satellite	1,323	1,392
Satellite TV company	Russia	communications	965	814
Adtech platform developer	Russia	digital advertising	-	770
Classifieds company	Russia	classifieds	671	668
Other unquoted companies	Russia and other		2,084	2,663
Total investments in associates and joint ventures			14,669	21,716
Other unquoted companies accounted for at fair value through profit or loss	Russia		454	454
Total investments in associates and joint ventures			15,123	22,170

In April 2024 the Group obtained control of personal mobility devices operator and in May 2024 the Group obtained control of Adtech platform developer (Note 3).

As of the acquisition date, the Group remeasured the previously held equity interest in Adtech platform developer from RUB 858 million to fair value of RUB 2,910 million and recognized the resulting gain of RUB 2,052 million in the operating share of the profit of the associates and joint ventures in the accompanying consolidated statement of profit or loss.

8. OTHER INVESTMENTS

The Group's other investments comprised the following:

	Category	June 30, 2024	December 31, 2023
Investments in securities	FVTPL	6,685	38,207
Loans and unquoted notes	At amortized cost	4,107	5,043
Investments in securities	At amortized cost	275	1,658
Other investments, gross		11,067	44,908
Allowance for ECL		(1,658)	(1,446)
Total other investments		9,409	43,462

9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Six months ended June 30, 2024	2023
Property, Plant and Equipment		
Additions	30,007	18,876
Disposals (net book value)	(1,749)	(688)
Intangible assets		
Additions	36,907	25,810
Disposals (net book value)	(894)	(92)

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Additions mostly consist of equipment and software for the network maintenance and development of ecosystem products and services and include assets acquired as a result of business combinations (Note 3).

10. BORROWINGS

The Group's borrowings comprised the following:

	June 30, 2024	December 31, 2023
Notes	239,280	212,765
Bank and other loans	340,876	341,290
Total borrowings	580,156	554,055
Less: current portion	(280,031)	(241,187)
Total borrowings, non-current	300,125	312,868

Notes – The reconciliation between opening and closing balances of the Group's Notes for the six months ended June 30, 2024 is presented below:

	Currency	Interest rate (actual as of June 30, 2024)	Carrying amount
Balance at December 31, 2023			212,765
New Notes			
MTS PJSC Notes due 2027	RUB	CBR key rate + 1.3%	24,934
MTS PJSC Notes due 2027	RUB	RUONIA + 1.4%	17,000
Repayments			(14,612)
Currency exchange gain			(418)
Other movements			(389)
Balance at June 30, 2024			239,280
Less: current portion			(105,161)
Total notes, non-current			134,119

Bank and other loans – The reconciliation between opening and closing balance of the Group's loans from banks and financial institutions for the six months ended June 30, 2024 is presented below:

	Carrying amount
Balance at December 31, 2023	341,290
New loans	60,875
Repayments	(61,214)
Arising on business acquisitions	3,072
Other movements	(3,147)
Balance at June 30, 2024	340,876
Less: current portion	(174,870)
Total bank and other loans, non-current	166,006

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

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

The Group was in compliance with all existing notes and bank loans covenants as of June 30, 2024.

Available credit facilities – As of June 30, 2024, the Group's total available unused credit facilities amounted to RUB 264,881 million and related to the following credit lines:

Currency	Maturity	Interest rate	Available till	Available amount
RUB	2025	To be agreed	August 2025	70,000
RUB	2031	To be agreed	February 2031	70,000
RUB	2027	To be agreed	December 2027	40,000
USD/EUR/CNY	2028	LIBOR + 1.75% CBR ⁽¹⁾ key rate +	September 2024	25,724
RUB	2024	5.00%	August 2024	20,000
RUB	2028	To be agreed	May 2028	20,000
RUB	2024	To be agreed	November 2024	7,000
RUB	2025	To be agreed	August 2025	6,500
RUB	2028	To be agreed	August 2028	5,000
RUB	2025	To be agreed	July 2025	657
Total				264,881

11. FINANCE INCOME AND COSTS

Finance income and costs for the six months ended June 30, 2024 and 2023 comprised the following:

	June 30, 2024	June 30, 2023
Interest expense:		
– Loans and notes	35,275	19,210
– Amortization of debt issuance costs	144	83
– Lease obligations	6,691	6,164
– Provisions: unwinding of discount	132	109
Total interest expense	42,242	25,566
Other finance costs	1,797	26
Total finance costs	44,039	25,592
Less: amounts capitalized on qualifying assets	(983)	(350)
Debt modification/derecognition and other loss	265	281
Finance costs	43,321	25,523
Finance income on loans and receivables:		
– Interest income on bank deposits	858	810
– Interest income on loans issued	1,259	397
– Other finance income	202	25
Finance income	2,319	1,232
Net finance costs	41,002	24,291

The annual weighted average capitalization rates of 12.4% and 8.2% were used to determine the amount of capitalized interest for the six months ended June 30, 2024 and 2023, respectively.

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12. RIGHTS-OF-USE ASSETS AND LEASE OBLIGATIONS

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

Lease of:	June 30, 2024	December 31, 2023
Sites for network and base station equipment	74,661	78,357
Land and buildings	29,493	32,721
Vehicles and other	156	227
Rights-of-use assets, net	104,310	111,305

Depreciation of the rights-of-use assets for the six months ended June 30, 2024 and 2023 included in depreciation and amortization expense in the accompanying interim condensed consolidated statements of profit or loss was as follows:

Lease of:	Six months ended June 30, 2024	2023
Sites for network and base station equipment	(6,273)	(5,880)
Land and buildings	(3,855)	(3,931)
Vehicles and other	(39)	(42)
Depreciation charge, total	(10,167)	(9,853)

Additions to the assets leased during the six months ended June 30, 2024 and 2023 amounted to RUB 2,741 and RUB 5,380 million, respectively.

Interest expense accrued on lease obligations for the six months ended June 30, 2024 and 2023 amounted to RUB 6,691 million and RUB 6,231 million, respectively, were included in finance costs in the accompanying interim condensed consolidated statements of profit or loss (Note 11).

The following table presents future lease payments under lease arrangements together with the present value of the net lease payments as of June 30, 2024 and 2023:

	June 30, 2024	June 30, 2023
Lease payments, including:		
Current portion (less than 1 year)	33,269	32,418
Between 1 to 5 years	87,331	98,279
Over 5 years	72,012	77,495
Total lease payments	192,612	208,192
Less amount representing interest	(65,413)	(67,941)
Present value of net lease payments	127,199	140,251
Less current portion of lease obligations	(21,407)	(20,564)
Non-current portion of lease obligations	105,792	119,687

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13. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

	<u>Level of inputs</u>	<u>June 30 2024</u>	<u>December 31 2023</u>
Assets			
Securities (notes, shares and other) ⁽⁴⁾ <i>included in</i>	Level 1	71,341	27,525
<i>Other financial assets</i>		46,882	27,525
<i>Short-term investments</i>		22,165	-
<i>Other investments</i>		2,294	-
Securities (notes, shares and other) ⁽³⁾ <i>included in</i>	Level 2	54,388	62,702
<i>Short-term investments</i>		51,212	24,438
<i>Other financial assets</i>		1,596	1,435
<i>Other investments</i>		1,580	36,829
Derivative instruments ⁽¹⁾	Level 2	338	517
<i>Cross-currency swaps</i>		-	517
<i>Currency forwards and swaps</i>		338	-
Embedded derivatives in a lease agreement ⁽¹⁾	Level 2	62	98
Securities (notes, shares and other) <i>included in</i>	Level 3	1,872	1,148
<i>Short-term investments</i>		444	-
<i>Other financial investments</i>		1,428	1,148
Contingent consideration ⁽¹⁾	Level 3	722	754
Liabilities			
Securities (notes, shares and other) ⁽²⁾	Level 2	(3,631)	(3,554)
Derivative instruments ⁽²⁾	Level 2	(1,020)	(1,971)
<i>Interest rate swaps</i>		(1,020)	(1,865)
<i>Currency forwards and swaps</i>		-	(106)
Call and put options ⁽²⁾	Level 3	(5,645)	(4,414)
Contingent consideration and other ⁽²⁾	Level 3	(1,481)	(799)

⁽¹⁾ Included in Other financial assets line of the statement of financial position.

⁽²⁾ Included in the Other financial liabilities line of the statement of financial position.

⁽³⁾ 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 June, 30 2024 and December, 31 2023 was derived from active market prices with discount related to low liquidity level inherent to over-the-counter market.

⁽⁴⁾ The Group holds investments into listed equity shares and notes recognized within Short term investments line of the statement of financial position. As of June 30, 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 30 June 2024.

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.

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The liability under call and put option agreement for non-controlling interests in subsidiaries is measured at fair value using a discounted cash flow technique. The most significant quantitative inputs used to measure its fair value as of June 30, 2024 are presented in the table below:

Unobservable inputs	Operator of personal mobility devices	Equipment monitoring	Management of home devices	Equipment for automobiles
Discount rate	14.8%	10.7%	11.5%	11.5%
Revenue growth rate	14.0 – 41.7% (av. 25.7%)	34.6 - 96.8% (av. 69.5%)	45.2%	-
OIBDA margin	44.9 – 50.4% (av. 48.1%)	10.1-21.2% (av. 17.3%)	21.5-22.2% (av. 21.8%)	-
Cap amount	5,000	-	-	1,150

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

Net realized losses of Level 3 liabilities resulting from fair value measurements were included in other non-operating (income)/expenses in the interim condensed consolidated statements of profit or loss in the following amounts:

	For the six months ended June 30,	
	2024	2023
Net realized losses of Level 3 liabilities	(1,122)	-
	(1,122)	-

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

	For the six months ended June 30,	
	2024	2023
Net unrealized gains of Level 3 assets	692	138
Net unrealized (losses)/gains of Level 3 liabilities	(1,001)	740
	(309)	878

Securities held by MTS Bank, accounted for at fair value, in amount of RUB 210 million and RUB 692 million were transferred in the hierarchy level from Level 1 to Level 2 during the six months ended June 30, 2024 and June 30, 2023 respectively.

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

	Level of inputs	June 30, 2024		December 31, 2023	
		Fair value	Carrying value	Fair value	Carrying value
Bank deposits and loans to customers	Level 3	340,794	360,301	326,420	336,857
Total bank deposits and loans to customers		340,794	360,301	326,420	336,857
Notes	Level 1	(202,514)	(203,133)	(173,908)	(180,182)
Notes	Level 2	(9,099)	(9,099)	(9,516)	(9,516)
Unquoted notes	Level 2	(23,986)	(27,048)	(29,557)	(32,000)
Bank and other loans	Level 3	(317,603)	(340,876)	(339,641)	(341,290)
Total borrowings		(553,202)	(580,156)	(552,622)	(562,988)

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14. BANK FINANCIAL ASSETS AND LIABILITIES

The Group's main approaches to valuation of the level of expected credit losses on bank loans conform with the approaches described in consolidated financial statements for the year ended December 31, 2023.

Bank deposits and loans to customers

The table below represents the structure and amounts of current and non-current bank deposits and loans to customers as of June 30, 2024 and December 31, 2023.

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
Loans to customers	407,112	375,236
Due from banks	1,619	3,246
Allowance for expected credit losses (ECL)	<u>(48,431)</u>	<u>(41,624)</u>
Total bank deposits and loans to customers, net	<u>360,300</u>	<u>336,858</u>
Less: current portion	<u>(144,932)</u>	<u>(148,144)</u>
Bank deposits and loans to customers, non-current	<u><u>215,368</u></u>	<u><u>188,714</u></u>

The structure and amounts of bank deposits and loans to customers as of June 30, 2024 and December 31, 2023 are presented in the table below:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
Loans to legal entities		
Corporate borrowers	34,307	41,203
Medium-sized enterprises and small businesses	<u>1,876</u>	<u>1,557</u>
Total loans to legal entities	<u>36,183</u>	<u>42,760</u>
Loans to individuals		
Consumer loans	252,465	225,945
Credit cards	90,502	82,040
Mortgage loans	<u>27,962</u>	<u>24,491</u>
Total loans to individuals	<u>370,929</u>	<u>332,476</u>
Due from banks		
Obligatory reserves with the CBR	1,572	3,167
Time deposits with banks	<u>47</u>	<u>79</u>
Total due from banks	<u>1,619</u>	<u>3,246</u>
Total bank deposits and loans to customers	<u>408,731</u>	<u>378,482</u>
Less: allowance for impairment losses	<u>(48,431)</u>	<u>(41,624)</u>
Total bank deposits and loans to customers, net	<u><u>360,300</u></u>	<u><u>336,858</u></u>

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Movements in the allowance for expected credit losses attributable to bank deposits and loans to customers for the six months ended June 30, 2024 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	15,366	-	15,366
Recovery of previously written-off assets	581	-	581
Bad debt written-off	(6,996)	-	(6,996)
Sale of loans	(2,103)	-	(2,103)
Other movements	-	(41)	(41)
Balance as at June 30, 2024	48,431	-	48,431

Movements in the allowance for expected credit losses attributable to bank deposits and loans to customers for the six months ended June 30, 2023 are presented in the table below:

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

Bank deposits and liabilities

The table below represents the structure and amounts of current and non-current bank deposits and liabilities as of June 30, 2024 and December 31, 2023.

	June 30, 2024	December 31, 2023
Customer accounts	330,599	312,448
Due to banks and other financial institutions	17,122	34,232
Debt securities issued	17,262	17,386
Other financial liabilities	4,805	3,818
Total bank deposits and liabilities	369,788	367,884
Less: current portion	(350,490)	(347,110)
Total bank deposits and liabilities, non-current	19,298	20,774

The structure and amounts of customer accounts as of June 30, 2024 and December 31, 2023 are presented below:

	June 30, 2024	December 31, 2023
Legal entities		
- Term deposits	92,892	100,152
- Current/settlement accounts	21,656	13,732
Individuals		
- Term deposits	177,834	169,073
- Current/settlement accounts	38,217	29,491
Total customer accounts	330,599	312,448

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The structure and amounts of due to banks and other financial institutions as of June 30, 2024 and December 31, 2023 are presented below:

	June 30, 2024	December 31, 2023
Correspondent accounts of other banks	7,077	8,952
Loans under repurchase agreements	7,006	11,962
Loans and term deposits from banks and other financial institutions	3,039	13,318
Total due to banks and other financial institutions	17,122	34,232

Loans under repurchase agreements were collateralized by securities measured at fair value through other comprehensive income with carrying values of RUB 7,503 million and RUB 13,658 million as of June 30, 2024 and December 31, 2023 respectively.

In November 2015, a subordinated debt of RUB 7,246 million has been received in the form of federal loan bonds (OFZ) from the state corporation «Deposit insurance agency» (DIA). In accordance with the terms of the contract, the securities should be returned to the creditor at the end of the contract period. The Group does not recognize the securities and the obligation to return them to the creditor in the consolidated statement of financial position as of June 30, 2024 and December 31, 2023. In accordance with the contract, the Group should comply with certain covenants with respect to capital and loan portfolio of loans to individuals. If the above conditions are not met, DIA may apply penalties. The contract also includes certain restrictions on sale or repledge of the securities. The securities received from DIA were not pledged as a collateral as of June 30, 2024 and December 31, 2023. As of June 30, 2024 and December 31, 2023 the Group fully complied with the terms of the contract.

15. INCOME TAX

Significant components of income tax expense for the six months ended June 30, 2024 and 2023 were as follows:

	Six months ended June 30,	
	2024	2023
Current income tax charge	7,331	9,427
Adjustments recognised for current tax of prior periods	235	(11)
Total current income tax	7,566	9,416
Deferred tax	(457)	(2,584)
Income tax expense on continuing operations	7,109	6,832

Income tax expense on continuing operations excludes the amounts of tax income from the discontinued operations of RUB 59 million and RUB 432 million for six months ended June 30, 2024 and 2023, respectively, which have been included in (loss)/profit from discontinued operations in the interim condensed consolidated statement of profit or loss (Note 5).

The statutory income tax rates in Russia during six months ended June 30, 2024 did not change in comparison to the statutory income tax rates effective at December 31, 2023. The Russian statutory income tax rate of 20% reconciled to the Group's effective income tax rate for the six months ended June 30, 2024 and 2023 was as follows:

	Six months ended June 30,	
	2024	2023
Statutory income tax rate for the period	20.0%	20.0%
Adjustments:		
Expenses not deductible for tax purposes	1.7	1.2
Settlements with tax authorities on prior period	1.1	0.0
Withholding tax on distributed and undistributed profits	(0.1)	(1.1)
Changes in recognized deferred tax assets	(2.1)	(1.6)
Other	(0.3)	0.5
Effective income tax rate	20.3%	19.0%

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On July 12, 2024, the President of the Russian Federation signed the Law on changes to the tax system in the territory of the Russian Federation, which provides for a change in the basic income tax rate from 20% to 25%, and in the IT company income tax rate up to 5%, effective from January 1, 2025. The proposed changes will not have a significant impact on the Group's financial results. The Group's management is currently conducting a more comprehensive assessment of all the effects of the tax revision. The updated information will be properly disclosed in the consolidated financial statements for the year ending December 31, 2024.

16. SHAREHOLDERS' EQUITY

Common stock (ordinary shares)

The Group had 1,998,381,575 authorized ordinary shares with par value 0.1 RUB as of June 30, 2024 and December 31, 2023. Preferred shares have not been issued.

Shares of common stock repurchased by the Group are recorded at cost as treasury stock and reduce the shareholders' equity in the Group's consolidated financial statements.

Dividends

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

The recommended amount of dividend payments shall be determined by the Board of Directors based on the financial results of the Company's activities, at that, the Company will seek to declare and pay in 2024, 2025 and 2026 dividends of at least 35 (thirty-five) rubles per year per one ordinary share of the Company with the expected regularity of dividend payment – once a year. Based on the recommendation of the Board of Directors, the regularity of dividend payment during the calendar year may be changed.

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

The following table summarizes the Group's declared cash dividends for the six months ended June 30, 2024 and 2023:

	<u>Six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
Dividends declared (including dividends on treasury shares of 6,313 and 9,206 respectively)	68,590	67,199
Dividends, RUB per share	35.00	34.29

As of June 30, 2024 and December 31, 2023, dividends payable were RUB 86,315 million and RUB 27,801 million, respectively, and were included in the trade and other payables within the interim condensed consolidated statement of financial position.

As of June 30, 2024, the Group had a negative balance of equity attributable to owners of the Company, which mainly reflects share repurchases completed by the Group over the 2016-2021 period as well as increased dividend payouts. The Group's management does not consider this issue as creating any significant risk to neither the Group's continued operations nor its ability to pay future dividends. The Group is not subject to any requirements of the regulatory bodies or creditors which set that the Group comply with minimum requirements to the balance of the equity in consolidated financial statements.

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

17. RELATED PARTIES

The related parties of the Group are Public Joint Stock Company “Joint Stock Financial Corporation Sistema” (Sistema), Subsidiaries and associates of Sistema, associates companies of the Group, Key management personnel of the Group and its parent company and other parties that the Group considers related in accordance with IFRS 24.

Terms and conditions of transactions with related parties – Outstanding balances as of June 30, 2024 and December 31, 2023, were unsecured except accounts receivable from Development Company (Development) in amount of RUB 1,362 million, which were secured by buildings pledged as collateral. Settlements with related parties are made on a cash basis. There have been no guarantees provided or received for any related party receivables or payables. As of June 30, 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 six months ended June 30, 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.

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Balances of related parties' transactions were as follows:

	June 30, 2024	December 31, 2023
ASSETS FROM RELATED PARTIES		
NON-CURRENT ASSETS:		
Advances for property, plant and equipment		
Sistema's subsidiaries	478	682
Other related parties	-	11
Advances for intangible assets		
Sistema's subsidiaries	12	250
Other related parties	74	70
Right-of-use assets, Gross Book Value		
Sistema's subsidiaries	3,786	2,346
Other related parties	80	79
Right-of-use assets, Accumulated Depreciation		
Sistema's subsidiaries	(2,099)	(1,998)
Other related parties	(50)	(46)
Other investments		
Sistema's subsidiaries	3,085	3,153
The Group's associates	517	1,687
Accounts receivable, related parties		
Sistema's subsidiaries	1,210	1,202
Bank deposits and loans to customers		
Sistema's subsidiaries	1,852	2,089
Sistema's associates	228	-
Other assets		
Other related parties	38	-
Total non-current assets	9,211	9,525
CURRENT ASSETS:		
Accounts receivable, related parties		
Sistema's subsidiaries	3,193	3,987
The Group's associates	846	773
Other related parties	475	60
Bank deposits and loans to customers		
Sistema's subsidiaries	5,687	3,208
Key management personnel of the Group, its parent and shareholders	79	42
Sistema's associates	3,118	2,390
Short-term investments		
Sistema's subsidiaries	2,952	4,532
Sistema	1,302	2,327
Other related parties	388	474
Cash and cash equivalents		
Sistema	25,045	-
Other financial assets		
Sistema	1,257	1,079
Sistema's subsidiaries	295	409
Other related parties	-	1
Other assets		
Sistema's subsidiaries	817	189
Other related parties	5	132
Total current assets	45,459	19,603
TOTAL ASSETS FROM RELATED PARTIES	54,670	29,128

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LIABILITIES TO RELATED PARTIES	June 30, 2024	December 31, 2023
NON-CURRENT LIABILITIES:		
Borrowings		
The Group's associates	3,683	3,343
Lease obligations		
Sistema's subsidiaries	2,173	2,480
Other related parties	32	35
Bank deposits and liabilities		
The Group's associates	698	1,180
Key management personnel of the Group, its parent and shareholders	-	845
Other financial liabilities		
The Group's associates	1,255	2,075
Total non-current liabilities	7,841	9,958
CURRENT LIABILITIES:		
Accounts payable, related parties		
Sistema's subsidiaries	437	498
Other related parties	356	263
Debt obligations		
The Group's associates	-	751
Other related parties	11	11
Lease obligations		
Sistema's subsidiaries	577	528
Other related parties	9	9
Bank deposits and liabilities		
Key management personnel of the Group, its parent and shareholders	47,919	45,693
Sistema's subsidiaries	10,080	9,455
Sistema's associates	3,405	8,148
Sistema	69	1,735
The Group's associates	534	266
Total current liabilities	63,397	67,357
TOTAL LIABILITIES TO RELATED PARTIES	71,238	77,315

Operating transactions – During the six months ended June 30, 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.

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

	Six months ended June 30,	
	2024	2023
Revenue		
Sistema's subsidiaries	3,054	2,628
Sistema's associates	2,960	844
Other related parties	525	149
Total Revenue	6,539	3,621
Cost of services		
Key management personnel of the Group and Sistema	2,045	1,770
Sistema's subsidiaries	825	504
Sistema's associates	408	-
Other related parties	555	365
Selling, general and administrative expenses		
Key management personnel of the Group and Sistema	2,970	2,236
Other related parties	629	491
Other operating income / (expense)		
Sistema's subsidiaries	219	404
Other related parties	(32)	121
Operating loss	(706)	(1,220)
Finance income / (loss)		
Sistema's subsidiaries	381	273
Other related parties	(66)	(23)
Other non-operating loss		
Other related parties	(60)	(185)
Loss before tax	(451)	(1,155)

During the six months ended June 30, 2024 and 2023, the Group acquired property, plant and equipment, intangible assets and other goods from related parties in the amounts of:

	Six months ended June 30,	
	2024	2023
Sistema's subsidiaries	1,090	4,643
Sistema's associates	77	491
Other related parties	6	83
Total purchases of property, plant and equipment, intangible assets and other good, related parties	1,173	5,217

As of June 30, 2024 and December 31, 2023, the Group had Contingent liabilities on loans and undrawn credit lines from the related parties in the amount of:

	June 30, 2024	December 31, 2023
	Sistema's subsidiaries	123
Other related parties	-	4
Total contingent liabilities on loans and undrawn credit lines	123	1,030

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As of June 30, 2024 and December 31, 2023, the Group provided bank Guarantees to the related parties in the amount of:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
Sistema's subsidiaries	2,701	2,305
Other related parties	875	879
Total guarantees and similar commitments	<u>3,576</u>	<u>3,184</u>

Lease payments

During the six months ended June 30, 2024 and 2023, the Group made lease payments to the related parties in the amount of RUB 337 million and RUB 408 million, respectively.

Digital financial assets

In the reporting period, the Group acquired short-term digital financial assets of the company, which is a related party of the Group, in the amount of RUB 25,000 million.

Remuneration of key management personnel

Key management personnel of the Group are members of the Board of Directors and Management Board. During the six months ended June 30, 2024 and 2023 key management personnel total remuneration amounted to RUB 1,370 million and RUB 1,023 million, respectively, including social contributions of RUB 346 million and RUB 322 million, respectively. These amounts comprised of RUB 600 million and RUB 594 million in base salaries and RUB 770 million and RUB 429 million in bonuses paid pursuant to a bonus plan, respectively (including social contributions).

The management and directors are also entitled to cash-settled and equity-settled share-based payments. Related compensation accrued during the six months ended June 30, 2024 and 2023 amounted to RUB 1,600 million and RUB 1,212 million, respectively, including social contributions of RUB 300 million and RUB 148 million, respectively.

18. COMMITMENTS AND CONTINGENCIES

Capital commitments – As of June 30, 2024 and December 31, 2023, the Group had entered into purchase agreements of approximately RUB 27,112 and RUB 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 interim condensed consolidated financial statements. However, the risk remains that the relevant tax authorities could take different positions with regard to interpretive issues and the effect could be significant.

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

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
Contingent liabilities for additional taxes other than income tax	707	560
Contingent liabilities for additional income taxes	548	487

Licenses – Management believes that as of June 30, 2024 the Group complied with conditions of the licenses used.

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

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

In July 2018, the Group filed a Request for Arbitration against the Sovereign State of Turkmenistan with the World Bank's International Center for Settlement of Investments Disputes ("ICSID") in order to protect its legal rights and investments in Turkmenistan. In June 2023 the ICSID ruled against MTS and obliged the Group to compensate for the Sovereign State of Turkmenistan' legal fees and expenses. Management of the Group believes that as of June 30, 2024 it has adequately provided for the related losses. The Group appeals ICSID ruling in the Court of Appeal of Stockholm.

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 June 30, 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 new sanctions and export controls on Russian and Belarusian persons and entities. These sanctions resulted in reduced access of the Russian businesses to international capital and some export markets, volatility of the Russian ruble, rise of inflation, decline in capitals markets, technology export controls and other negative economic consequences.

On February 28, 2022, the New York Stock Exchange halted trading in the Company's American depositary shares ("ADSs") and those of certain other Russian companies.

Developments relating to these matters are highly unpredictable, occur swiftly and often with little notice and are mostly outside the control of the Group, and the risk that any Group member, or individuals holding positions within the Group as well as its counterparties, may be affected by future sanctions designations cannot be excluded. In 2023 Canada imposed sanctions on MTS PJSC, extending to the subsidiaries controlled by MTS PJSC. The volume of the Group's operations with Canadian entities and individuals is insignificant. Current and future risks to the Group include, among others, the risk of reduced or blocked access to capital markets and ability to obtain financing on commercially reasonable terms (or at all), the risk of restrictions on the import of certain equipment and software, 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 18%).

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

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

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

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

19. SUBSEQUENT EVENTS

Completion of Tender Offer – In July 2024, the Group has completed the Tender Offer for its shareholders. As part of the Tender Offer 26,155,547 shares, representing 1.31% of total issued shares, were purchased by the Group’s wholly owned subsidiary for a total amount of RUB 2.48 billion. As of June 30, 2024 the Group has adequately provided for obligations related to the Tender Offer.

The issue of bonds of the 002P-06 series – In July 2024, the Group issued a bond of 002P-06 series for the amount of RUB 17 billion. The issue is placed with a 4-year maturity and variable coupon rate determined as the key rate set by the Central Bank of Russia plus a rate of 1.3% per annum.

Announcement of additional Tender Offer – In August 2024, the Group has announced the additional Tender Offer for its shareholders. As part of the Tender Offer the Group’s wholly owned subsidiary announced buying back of up to 57,705,102 shares, representing up to 2.89% of total issued shares, for a price of RUB 95 per share. Bids will be accepted until September 6, 2024.