

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Mobile TeleSystems PJSC and subsidiaries (the “Group”) as of December 31, 2021 and 2020, the related consolidated statements of profit or loss, comprehensive income, changes in shareholders’ equity, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Group’s internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2022 expressed an unqualified opinion on the Group’s internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Group’s management. Our responsibility is to express an opinion on the Group’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition — Refer to Note 7 to the consolidated financial statements

Critical Audit Matter Description

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

How the Critical Audit 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 control procedures for monitoring changes and segregation of duties, as well as testing of these controls;
- We tested the design and operating effectiveness of internal controls over revenue recognition, including the recording and registration of phone calls, call duration, provision of data and value added services; authorization of changes in tariff plans and input of this information into the billing systems; and the accuracy of the application of incentive arrangements and discounts;
- We performed end-to-end testing of the reconciliation of data on the duration and volume of telecommunication services provided from their initial registration by switching equipment to billing and other IT systems and then to accounting records, including testing of certain manual adjustments recorded when transferring data from billing and other IT systems to the general ledger;
- We used test calls to test the accuracy of the details of connections, their duration and the tariff plans applied;

- We tested whether incentive arrangements and discounts were correctly accounted for in accordance with the relevant accounting policies of the Group;
- We agreed the information on active tariffs entered in the billing systems to the approved tariff orders and published tariff plans;
- 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; and
- We assessed the compliance of the disclosures in the consolidated financial statements with the requirements of IFRS 15, Revenue from Contracts with Customers.

Compliance with anti-corruption laws and regulations and associated accounting and disclosure implications — Refer to Note 34 to the consolidated financial statements

Critical Audit Matter Description

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

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

How the Critical Audit Matter Was Addressed in the Audit

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

- We inspected the laws and regulations the Group has to comply with in order to obtain an understanding of the relevance and applicability to the Group and to assess any potential penalties that may arise for non-compliance;
- We read the procedures performed by the Independent Monitor and evaluated the implications of their findings, including discussing these with management of the Group as well as internal and external legal advisors;
- We inquired management regarding their follow up on the results of internal and external investigations and on the design and operational effectiveness of the Group’s compliance programs and internal controls relating to the prevention and detection of fraud and corruption;

- We tested the design and operating effectiveness of internal controls, including, amongst others, the control environment (including whistle-blower and internal fraud management cases) and the controls for the adherence of business partners to the anti-corruption codes;
- We read the minutes of the Board of Directors' meetings;
- We evaluated management's assessment of compliance with anti-corruption laws and regulations as well as an estimation of contingencies related to any potential instances of non-compliance;
- We obtained letters from external and internal legal counsel; and
- We evaluated the Group's accounting policy with respect to the accounting for provisions and disclosure of contingent liabilities to determine if the existing policy continues to be appropriate, and assessed the compliance of the disclosures in the consolidated financial statements against the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

Assessment and measurement of expected credit losses on loans to customers — Refer to Note 4 and Note 30 to the consolidated financial statements

Critical Audit Matter Description

The Group applies an 'expected loss' model to determine the impairment of loans to customers of MTS Bank. As described in Note 30, *Bank financial assets and liabilities*, the Group reported an allowance for expected credit losses of RUB 21,114 million as at December 31, 2021 in respect of loans to customers (2020: RUB 16,446 million), including allowance for expected credit losses in the amount of RUB 17,976 million as at December 31, 2021 in respect of loans to individuals (2020: RUB 12,692 million). Due to the underlying assumptions and estimations, in particular the evaluation of the probability of default for loans assessed on a collective basis, the determination of expected credit losses is one of the most significant management estimates.

We identified this area as a critical 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 auditor 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 customers.

How the Critical Audit Matter Was Addressed in the Audit

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 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 our 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, and the retrospective testing of internally developed models performed by the Group;
- 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.

AO Deloitte & Touche CIS

AO Deloitte & Touche CIS
Moscow, Russia
March 1, 2022

We have served as the Group's auditor since 2002.