

INFORMATION ABOUT MTS¹

Mobile TeleSystems Public Joint Stock Company (MTS PJSC) is a digital ecosystem, leading company in Russia providing mobile and fixed telephony services, data transfer and internet access, cable and satellite TV broadcasting, provider of digital services, including fintech and media within ecosystems and mobile apps; provider of IT solutions in the field of unified communications, the Internet of Things, monitoring, data processing, cloud computing, cybersecurity. About 88 million subscribers in Russia, Belarus and Armenia use mobile communication services delivered by MTS Group. MTS holds a leading position in the Russian mobile business market by servicing the largest subscriber base accounting for 80 million users. MTS fixed services — telephony, Internet access and TV — cover more than 10 million subscribers, OTT and pay-TV

services in various environments — more than 11 million users, the total number of MTS ecosystem customers exceeds 13 million. The company has 14 data centers in Russia and a retail network of more than 5,300 stores. The largest shareholder of MTS is Sistema PJSC. MTS shares are listed on the Moscow Stock Exchange under the code MTSS.

Company website: www.mts.ru.



[Detailed information about MTS — Moscow \(mts.ru\)](http://www.mts.ru)

¹ In this Annual Report, the terms “MTS PJSC”, “MTS” and the “Company” should be understood as Mobile TeleSystems Public Joint Stock Company, and the terms the “MTS Group”. “Group” should be understood as a group of companies consisting of MTS PJSC and its subsidiaries. The figures contained in this Annual Report are as of December 31, 2021, unless other periods or dates are expressly indicated.

WHERE TO FIND THE ANNUAL REPORT

The Annual Report is available online (interactive version) and in PDF format.

In addition, MTS publishes sustainable development reports on an annual basis.



[Annual Statements — Moscow \(mts.ru\)](http://www.mts.ru)



[Sustainability Report — Moscow \(mts.ru\)](http://www.mts.ru)

WELCOME TO THE 2022 MTS PJSC ANNUAL REPORT!

We would like to bring to your attention the Annual Report of MTS PJSC following the results of 2022.

Purpose of the 2022 Annual Report

The MTS Annual Report is a tool of our openness and transparency that allows making investors and shareholders, as well as customers aware of the important solutions and Company operation results. It is also one of our mechanisms for internal evaluation of effectiveness and efficiency of the management processes and product offers, which allows us to maintain a high level of resilience to the arising challenges, competitiveness and market leadership.

The Report provides consolidated information on the main results of the Company's business in accordance with its strategic goals and objectives for the short, medium and long run.

Key topics of the Report

As part of the Annual Report, we inform shareholders, the investment community and all stakeholders about the situation and prospects of our business. We strive to provide comprehensive and unbiased information about the Company, the environment where we operate, a general situation in the markets of our presence and the trends that we observe there. Our primary goal is to help shareholders understand the specifics of our business, our strategic priorities and demonstrate the results of yearly operations in the context of the strategy implementation. Thus, we contribute to correct assessment of the risks and benefits of investing in MTS and, as a result, to informed investment decisions made by the market participants.

In addition to this general mandatory part, in the Annual Report 2022 we focus on the development of MTS as a stable IT company with a large-scale ecosystem of digital products. In 2019, we introduced a new development strategy for the company CLV 2.0 and headed for the formation of a digital ecosystem. We have been actively launching new products for several years now. The rebranding in 2023 was a logical continuation of the big changes in the internal culture, business and philosophy of the brand. Now the basis of the MTS corporate identity is a dynamic and flexible logo that contains all the products and becomes the foundation for the visual system, while its left corner remains free for the logos of individual services. The MTS brand retained its energy, emotionality and desire for change, but became lighter, more empathic and more modern. In the new positioning, there are own distinctive signs for large products, they are all successive to the parent brand, but each has its own unique visual solutions.

The Report has been prepared in accordance with the statutory requirements of the Russian Federation, as well as the regulatory requirements applicable to MTS:

- Federal Law No. 208-FZ "On Joint Stock Companies" dated December 26, 1995;
- Regulations of the Bank of Russia on information disclosure by issuers of equity securities dated March 27, 2020 No. 714-P;
- recommendations of the Corporate Governance Code approved by the Board of Directors of the Bank of Russia on March 21, 2014.

In addition, when preparing the Annual Report, the Company was guided by international standards and best practices in the area of public annual reporting.

MESSAGE FROM THE BOARD OF DIRECTORS CHAIRMAN

Dear shareholders,

In recent years, our key strategic objective has been to transform a telecom operator into a digital ecosystem, into a multidisciplinary group operating in several high-tech areas. However, the telecommunications core is a stabilizing factor for us, since this market demonstrates the least drop in demand, which was already observed in crisis conditions. Such transformation means intensive expansion of the scope of activity and product offering, attraction of new personnel and reconfiguration of the management structure.

Such a significant business transformation in itself is a non-trivial task that requires a clear vision of the future, diligence and great effort in the implementation process. But in addition to this, during the previous three years, and especially in 2022, we had to act in extremely harsh environmental conditions — unprecedented in the entire history of the company. And this is not an element of luck, our inertia or a large margin of safety. This is a completely natural result of the mutual action of many components, among which I would highlight:

- a balanced strategy aimed at the consistent expansion of activities into new digital areas, based on a solid foundation of the telecommunications business;
- a strong, reliable, carefully selected management team ready to jointly withstand difficulties;
- a corporate culture that combines focus on action and overcoming challenges, mutual assistance and healthy pragmatism;

- a balanced HR policy, which allowed not only to retain employees, but also to engage new high-class professionals to work in promising digital areas.

In the current external uncertainty, we saw not only threats, but also opportunities, consisting in accelerating digitalization processes and growing demand for telecommunications and digital services. To unlock the opened potential, we need to work hard, make a high-quality product, and constantly improve it.

Based on this logic and taking into account the increased propensity of business owners to sell or to search for a large stable co-investor, during 2022 we actively invested in digital projects in a number of areas, such as travel, smart home, cybersecurity, advertising technologies, etc. For some areas of our activity, the year turned out to be really ineffective, but thanks to a balanced diversified business portfolio, the Group showed satisfactory results, taking into account the challenges of the external environment, and moreover, with limited investments, we did expand our product footprint and gained access to new technological solutions.

Among the most significant achievements of the company in 2022, I can name the following:

- MTS has certainly transformed into a multiprofile group that conducts business in several high-tech areas. The combination of a solid, sustainable core telecom business, along with new promising digital verticals, once again proved to be a solid foundation for the company's long-term development.
- We have ensured the continuity of our activities, including the implementation of a capital investment program under known restrictions regarding access to high-tech equipment.
- We ensured the accrual of dividends at the rate of 33.85 rubles per share, which is higher than the levels of the previous 5 years, with the exception of 2021.
- We maintained our focus on further development, made tactical and strategic investments in new business areas.
- We maintained a comfortable level of debt with a 1.7 of the net debt to LTM OIBDA ratio.
- We have significantly increased our competencies and expanded technological solutions in the field of AI, Big Data, biometrics and are actively using them in B2B services.
- Complied with regulatory requirements and closed the ADR program on the New York Stock Exchange as correctly as possible.

Regarding the last point, I would like to emphasize in particular, that we do not perceive the delisting as a reason for a general decrease in the level of corporate governance. We continue to meet our usual high standards and the best international practices in this area. We understand that in the conditions of turbulence, it is more important than ever to ensure a sustainable and open business, to be transparent for partners, customers and other stakeholders, and to follow all the rules of business ethics impeccably.

Another confirmation of our commitment to adopt and develop the best world practices is our activity in the field of sustainable development and ESG. We perceive the improvement of the quality and safety of human life and society as one of the fundamental strategic objectives. Systematization and management of our projects and actions in this area at the level of operational management are handled by a dedicated ESG Center. Strategic control is performed by the Corporate Governance, Environmental and Social Responsibility Committee (ESG Committee) of MTS Board of Directors. You will learn more about our activity in this area in the special sections of the report. In my address, I just want to emphasize that as a large stable company, as a supplier of advanced, massively demanded services, we are aware of our direct impact on people's perception of their standard of living, on companies' perception of confidence in current and future economic well-being. We understand our own responsibility in this regard, and in conditions of environmental pressure, uncertainty and stress, we strive to become a stabilizing factor for society, employees, partners and investors.

Circumstances may adjust our plans, but in our case we do not just believe, but quite clearly see that our strategic priorities are aligned correctly. We are confident in what we are doing, we think calmly and pragmatically, we actively respond to threats and use opportunities to ensure the interests of the company and investors.

Difficult times contribute to the formation of strong people: those who do not stop in front of obstacles and are able to win not thanks to, but in spite of. These are the people I see in our team, and I sincerely wish that there are more such people in the business and investment community, in the teams of our partners, in society as a whole. Whatever the circumstances are, we always have the opportunity to focus on action, creation and progress.

**Chairman
of the Board of Directors of MTS**

MESSAGE FROM THE PRESIDENT

Dear friends and colleagues,

The past year was not easy, nevertheless, in the face of uncertainty and a volatile external situation, we managed to achieve stable results, proving the correctness of the chosen strategy in business diversification and building an ecosystem of services on a stable telecom base.

MTS Group's revenue for 2022 increased by 2.6% to 541.7 billion rubles — it did not grow at the usual pace, but we felt much better than most of the market. By the end of 2022, the Group's adjusted OIBDA amounted to 224.3 billion rubles, net profit — to 32.6 billion rubles. These results were influenced by instability in financial markets; at the same time, the OIBDA level was supported by the growth of telecom, fintech and media assets.

I would like to emphasize once again that a stable telecom business as the core of the ecosystem ensures the stability of the entire Group's activities, as well as supports the development of other areas. In 2022, revenue from MTS communication services in Russia increased by 4.6% year-on-year to 435.6 billion rubles, which was a good indicator for the market. We continue to be the largest mobile operator in Russia by the number of subscribers, we are the second in the subscriber base of fixed business and consistently strengthen our leadership positions in the converged services market. For example, last year we launched a large-scale partnership with regional fixed-line operators to promote joint convergent products, and the number of mass-market broadband customers increased by 4%.

In 2022, the rapid growth of our ecosystem business continued, which became successful a year earlier thanks to the launch of the KION online cinema. Ecosystem revenue increased by 67%, amounting to more than 100 billion rubles. Media verticals (OTT platform and TV), entertainment (organization of concerts and entertainment) and fintech contributed here. With the acquisition of the Bronevik Group, we have successfully launched a promising MTS Travel direction for organizing travel and booking hotels. We have also relaunched the MTS Strings e-book service, which is of great interest.

Ecosystem construction is the most promising direction. It is the user of ecosystem services with subscriptions who brings the Company almost 10 times more today than a standard user of communication services. At the end of 2022, the number of MTS ecosystem customers increased to 13.5 million, which is 52.7% higher year-on-year, and the average number of ecosystem products per customer increased to 1.6 from 1.43 at the end of 2021. In general, ecosystem clients are beginning to generate almost half of the Company's B2C revenues, and we expect in 2023 further growth of ecosystem indicators.

Speaking about our fintech business, I would like to assure you that, despite the introduction of restrictive measures by a number of foreign governments, this will not affect the provision of financial services to our clients in any way inside the country. Our fintech vertical demonstrated excellent results last year and continues to launch new digital financial products. At the same time, we are making every effort to mitigate possible negative consequences.

A significant part of our business is solutions and services for business customers in telecom and IT. MTS occupies the largest share in the projects of dedicated technological (Private) LTE in Russia, deploying these networks for enterprises of the mining, energy and metallurgical industries. We continued to develop the area of intelligent communications on the basis of our subsidiary MTT, introducing voice robots into the functionality of virtual PBX. Last year, MTS acquired the Webinar Group, which will allow us to create a single universal communication application for video calls and conferences for B2B. At the beginning of this year, the MTS Evolve cloud platform was launched for the rapid and flexible creation of communication services to

541.7

RUB bln

MTS Group's revenue

+2.6%

ensure their seamless integration into existing IT systems and effective management of omnichannel communications.

The business of our subsidiary infrastructure company and cloud solutions provider, MTS Web Services (MWS), is developing dynamically. In 2022, the MWS product portfolio grew by 30%, and the number of major customers increased by 15%. This company offers customers a wide range of cloud services based on 14 data centers across the country and aims to gain leading positions in Cloud and Edge Cloud technologies.

MTS has long moved away from the model of a classic telecom operator and is consistently transforming into an IT company. Over the past few years, we have been focused on developing and promoting innovative digital projects — in addition to cloud technologies, we are actively developing the areas of the Internet of Things (IoT), Big Data and artificial intelligence.

In 2022, MTS completed the deployment of an energy-efficient NB-IoT mobile network in all regions of its presence, ensuring a 64% increase in revenue from the implementation of intelligent IoT solutions

in the electric power industry, housing and utilities, logistics and other areas. We have strengthened the area for the development of smart home systems by purchasing control from Gulfstream, a provider of security systems.

With a world-class Big Data team, the company uses big data analytics not only in the construction of its telecom infrastructure and the organization of business processes, but also in commercial projects. For example, last year MTS launched Russia's first automated "out-of-the-box" solution for analyzing attendance at cultural events based on geo-analytics.

To accelerate the development of new digital products, at the end of last year we switched to a single technology platform, The Platform, which combined all end-to-end IT solutions of the MTS ecosystem. Thanks to the transition to "this very platform", the Company plans to speed up the launch of new products to the market four times and reduce business downtime due to technological incidents three times.

Building up our IT and Big Data competencies allows MTS to enter new markets and develop an eco-

>100
RUB bln

Ecosystem revenue

+67%



system of digital services for B2B. This is what the AdTech area is becoming for us. We have an MTS Marketer platform for organizing advertising for various audience segments. Last year we became an advertising data operator, and this year we acquired control in the Buzzoola group, which will strengthen our position in the online advertising market.

Another area that we continue to actively explore is MTS Auto. This subsidiary company specializes in the development of automotive multimedia devices and telematics systems. Last year, through MTS Auto, we invested in the Navitel Group, a provider of navigation and mapping solutions. This will give us the opportunity to form our own geoplatform, independent of other mapping systems, for the development of services and solutions for vehicles.

And finally, information security. We have long strengthened this circuit within the Company and provide customer protection services on the basis of our own Security Operations Center (SOC). Last year, we established a subsidiary in the field of cy-

bersecurity, Serenity Cyber Security, which develops commercial products and solutions in the field of cybersecurity. This is a very popular area today — our customers should understand that they are under reliable protection and use safe services.

To emphasize the innovative spirit of our company, this year MTS announced a global rebranding. The MTS brand has a new logo that will organically accommodate all the products of the ecosystem.

Also, the MTS Group continues to actively improve the compliance system. These positive changes concern both the improvement and automation of internal processes, which require compliance controls, and the transfer of experience gained in this area to internal and external stakeholders. The shift in the focus of the compliance system towards proactive support of business units is bearing fruit in the development of the internal corporate ethical culture of the company. Demonstrating ethical leadership at all levels allows maintaining a high level of compliance culture, which is confirmed by its annual

13.5

mln

MTS ecosystem customers

+52.7%

assessment. Maintaining the level of compliance culture and the leadership role of MTS in supporting the best practices of responsible business allows us

to ensure sustainable development and protect the company from emerging risks.

Today, despite the sanctions pressure and uncertainty, we are optimistic about the future. The company, as before, will continue to implement the CLV strategy, focusing on the uninterrupted provision of quality services and the development of the digital ecosystem. In recent years, we have concentrated almost the entire business in Russia, our products and services are in demand by tens of millions of our customers more than ever, the company responds quickly, flexibly and effectively to challenges, strengthening its competitive position. And the most important asset of the company is people. We have formed a strong cohesive team of professionals who contribute to the development of the company, the economy of the country and the whole society with their work.

Yours sincerely,
President of MTS