

## Strategic risks

Risks	Mitigation Measures	Impact on Objectives
<p><b>Depreciation of services provided by the Company and loss of competitiveness, difficulties in developing additional sources of income</b></p> <p>Continuous improvement of technology, development of new products and services, increased competition associated with the emergence of new players in the market, in particular, new mobile operators, government-backed operators, mobile virtual network operators, alternative fixed-line and satellite TV operators, as well as strengthening of existing companies and increased use of IP-telephony and other services provided via the internet, may adversely affect the ability to maintain subscriber base, lead to a reduction in market share and operating margin.</p> <p>Besides, in September 2021 the extraordinary general meeting of shareholders resolved to separate the tower infrastructure of MTS PJSC and a considerable part of the network and digital infrastructure of MTS PJSC into 100% subsidiaries of MTS PJSC. Inability to realize the expected benefits of this separation may have unfavorable impact on the business, financial position, business results and prospects of MTS PJSC</p>	<p>To ensure the highest level of quality of our basic communication services, MTS is systematically increasing the capacity and bandwidth throughput of the network, which is extremely important in the context of the observed continuous increase in the volume of data traffic consumption. The company is comprehensively approaching the issue of network development, making the necessary investments in 3G and 4G infrastructure, ensuring the possibility of further network evolution in the direction of the fifth generation, including deployment and operation of 5G test zones, and carrying out pilot projects in the NB-IoT area. From the point of view of marketing activity, an effective method for leveling the adverse impact of VOIP-solutions are integrated V&amp;D rates that combine voice and data services.</p> <p>The key tool to maintain direct contact with the end user and increase the average level of income from the subscriber in the near future will be a gradually developing portfolio of high-level digital services aimed at meeting various customer needs. Both our own developments and high-quality partner products will participate in the formation of such a digital environment.</p>	<ul style="list-style-type: none"> <li>&gt; Retention of basic mobile revenue</li> <li>&gt; Compensation for traditional telecoms revenues decrease caused by active development of digital products portfolio</li> <li>&gt; Leadership in the mobile internet and data services segment</li> </ul>
<p><b>Loss of control over activities and assets in the countries of operation</b></p> <p>The risk of termination, suspension of operation or claims by regulators may adversely affect business, financial state and results of operations</p>	<p>MTS is monitoring the political situation in the markets of operation of the Group of Companies, striving to respond quickly to changing conditions in the markets</p>	<ul style="list-style-type: none"> <li>&gt; Achievement of sustainable business development</li> </ul>
<p><b>Risks of acquisitions, investments and mergers with other companies</b></p> <p>New acquisitions make it possible to diversify the business of MTS PJSC.</p> <p>At the same time, there may be additional risks associated with the obligations of the acquired companies, as well as risks of failure to achieve the initial financial and operational goals, problems with the integration of acquired assets, risks associated with a lack of experience in new markets, including political, economic, social, legal and regulatory risks, competition risks, etc.</p>	<p>MTS sees opportunities for growth through the participation in promising new businesses in the digital economy, which enables the company to significantly expand the range of services provided and to enter new markets. When closing transactions in the field of M&amp;A, MTS conducts a thorough audit of companies, where the company plans to participate as a shareholder. Assessment of the feasibility of investments occurs with the involvement of independent consulting companies and takes into account the strategic position, financial results and features of the operating activities of such companies. Further implementation of MTS rights as a shareholder in them corresponds to the best practices of corporate governance. Integration of the acquired business into the management structure of MTS (if such decision is made) is carried out by a special unit with a wealth of experience of this kind</p>	<ul style="list-style-type: none"> <li>&gt; Expansion of the Company's business and faster entrance into new markets;</li> <li>&gt; Product line expansion</li> <li>&gt; Achieving operational synergies between different business areas</li> <li>&gt; Mutual exchange of best practices in management and operations</li> </ul>

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<p><b>Inability to successfully develop the network</b></p> <p>Due to the development, construction and maintenance of the communications network, MTS needs to make purchases of equipment and software, which is associated with significant capital investments.</p> <p>In addition, limitation of the frequency spectrum available for the development may prevent gaining all the expected benefits from network construction and weaken expansion effect.</p> <p>Network deployment may be connected with difficulties to obtain sites for base stations on commercially viable terms, to collect permits and certificates for telecommunications equipment and/or import and export permits for certain network equipment, which may delay procurement and interfere with network development plans.</p> <p>Starting from 2017, the issue of frequency resource allocation for the deployment of next-generation (5G) networks has been actively discussed in the telecommunications environment of Russia (including the relevant state authorities). The regulator's final decisions on spectrum distribution paths for 5G networks will significantly affect the development of the entire mobile communications market and may lead to a number of risks, including (but not limited to) increasing the time required for putting 5G networks into operation, increasing the level of capital and operating costs, the inability to exploit all the technological advantages of 5G due to the separation of 5G infrastructure and networks of earlier generations, the exploitation of market advantages by individual players due to the non-equal distribution of frequency resource or receiving other technological advantages associated with its distribution</p>	<p>While further investing into the development of infrastructure, the Company sees the opportunity for gradual reduction of our capital expenditures with maintained quality of the services provided. MTS with a number of partners conducts joint procurement procedures, as well as carries out joint construction and operation of network infrastructure elements. In addition to the economic benefits, within the framework of cooperation, technical and functional requirements, approaches and methods are unified.</p> <p>The company maintains ongoing contacts and closely interacts with representatives of regulatory bodies, industry associations, manufacturers of network equipment and other participants in the telecommunications market. Such interaction on the part of MTS is aimed at upholding the interests of the Company, maintaining an atmosphere of healthy market competition, dynamic and timely development of the state-of-the-art technological solutions and, as a result, at the formation of advanced and diverse customer experience. MTS PJSC is confident that all actions of the regulating authorities, in particular making decisions on the mechanism for deployment of 5G networks, shall be aimed at maintaining the long-term sustainability of the industry and take into account the interests of all parties, including consumers of services and operators.</p>	<ul style="list-style-type: none"> <li>&gt; Increasing network capacity and data rates to meet growing demand;</li> <li>&gt; Effective network planning and investment optimization</li> <li>&gt; Upholding the interests of the Company in matters of frequency resource allocation</li> </ul>
<p><b>Inability to realize the benefits of investing in radio communications systems</b></p> <p>Key risks:</p> <ul style="list-style-type: none"> <li>&gt; impossibility to build 4G networks (including NB-IoT) and 5G networks in accordance with the planned terms or in accordance with the terms stipulated by the license conditions;</li> <li>&gt; difficulties in ensuring quality and required level of service;</li> <li>&gt; demand for 4G services (including NB-IoT) and 5G services in the markets of operation of MTS PJSC and its subsidiaries will be lower than expected.</li> </ul>	<p>MTS has significant experience in dealing with hardware and software vendors, as well as with regulatory authorities. This enables us to reach agreements under the most comfortable conditions for us, including in terms of delivery times and construction. The Company takes all necessary measures to comply with licensing conditions and other regulatory requirements, as well as carry out timely renewal of licenses and permits.</p> <p>MTS conducts regular monitoring of communication quality parameters and promptly reacts in case of identifying the need for additional capacity and bandwidth throughput in local areas of the network, which enables the company to maintain a consistently high level of service quality. With the help of marketing tools, MTS stimulates usage of data transfer services, thus increasing the degree of network resource utilization</p>	<ul style="list-style-type: none"> <li>&gt; Ensuring the best compliance with IoT technology requirements and infrastructure readiness for 5G implementation</li> <li>&gt; Efficient capital expenditures planning</li> <li>&gt; Increased operational efficiency by optimizing the operating costs associated with network operation</li> </ul>

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<p>In August 2021 the State Committee of Radio Frequencies extended for 10 years the duration of the decision on allocation of radio frequency bands in the ranges of 700, 800 and 2600 MHz for construction of LTE networks. The main conditions of the extension were the following:</p> <ul style="list-style-type: none"> <li>&gt; for the bands in the ranges of 800 and 2600 MHz: ensuring coverage of settlements with population of 1000 and more people and public motor roads of federal importance until September 2031 with the time schedule;</li> <li>&gt; for the bands in the range of 700 MHz in case of their redistribution for mobile communications: ensuring coverage of settlements with population of 500 and more people and regional motor roads until the end of 2031 with the time schedule;</li> <li>&gt; obligation to use domestic equipment since 2023.</li> </ul> <p>In March 2022 the State Committee of Radio Frequencies moved the established time schedules for compliance with the conditions in part of ensuring coverage of settlements a year forward.</p> <p>The combination of the above changes, on the one hand, makes it possible to continue using the necessary radio frequency resource, and on the other hand, may result in additional costs for construction of the network infrastructure.</p>		

## External environment risks

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<p><b>Economic and social instability</b></p> <p>Economic and social instability, just like possible future downturns or a slowdown of economic growth in the countries where we operate may lead to a decrease in demand for the provided services, and have a negative impact on the financial condition of our corporate customers and partners, including financial institutions, which could lead to a decrease in our revenues and performance indicators and adversely affect the security of our assets.</p> <p>For example, an outbreak of a previously unknown strain of coronavirus (COVID-19) negatively affected the global economy, disrupted supply chains, created significant volatility in the financial markets and destabilized them. A coronavirus pandemic, among other things, can lead to a decrease in demand for MTS PJSC products and services, including international roaming services, higher prices from suppliers, as well as their refusal to finance purchases</p>	<p>MTS is monitoring the macroeconomic situation in the markets of operation of the Group companies, promptly and effectively responding to changes in the general economic background with the help of, first and foremost, rate tools. The Company is aimed at ongoing expansion of the range of services provided and is stimulating consumption, increasing the level of satisfaction of our customers in the corporate and mass segments. MTS pays great attention to ensuring optimal conditions for raising outside financing for the company, controlling the level, cost and structure of debentures, which makes it possible, in particular, to neutralize the negative effects of currency exchange rates variations under conditions of high volatility of foreign exchange markets.</p>	<ul style="list-style-type: none"> <li>&gt; Achievement of sustainable business development</li> </ul>

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<p>, reduction in production or untimely supplies of equipment, subscriber devices and the delays in provision of services. Given the high uncertainty due to the current epidemiological situation, including measures to counter the spread of the virus, we are not able to reliably and fully assess its potential impact on business of MTS PJSC, however, we admit that the current situation may negatively affect business, financial standing and performance of MTS PJSC.</p> <p>Besides, at the beginning of 2022, as a result of the continuing geopolitical conflict in Ukraine, the European Union, USA, UK and some other countries introduced new significant sanctions and export control in respect to Russia (territorial sanctions), certain economic sectors of Russia and some Russian and Belorussian individuals and entities. Continuation or expansion of such restrictions, as well as factors of uncertainty in connection with the regulatory environment change in Russia may put the additional compliance and operating tasks before the Company and adversely impact the business of the Company and its customers.</p> <p>Besides, some Western companies and stock exchanges suspended, stopped or limited their business in Russia not because of the laws applicable thereto, but at their own initiative. On February 28 the trading in all issuable securities (including ordinary shares of the Company) at the Moscow Stock Exchange were suspended until partial recovery of trading in shares on March 24, 2022 and complete recovery of trading at the Moscow Stock Exchange on March 28, 2022. Besides, on February 28 the New York Stock Exchange suspended trading in American Depositary Receipts (ADR) of the Company and some other Russian companies.</p> <p>It is difficult to predict further development of the above events, the circumstances may change very fast and often without a prior notice. In general the situation development is beyond the control of the Group. Besides, the risk that any member of the Group or individuals holding positions in the Group, or contractors of the Group are impacted by the future sanctions may not be excluded as well. Risks also include the risk of restriction and complete closure of access to the capital markets and the opportunity to obtain financing under the commercially justified terms (or to obtain any financing at all), risk of restrictions to import of certain equipment and software, and risk of RUB devaluation vs. other currencies, which may impact the Company. Besides, increase of the interest rate by the Central Bank of Russia will increase and may further continue increasing the cost of financing for the Company because of impact at credit facilities with the floating interest rate</p>		

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<p><b>Regulatory risks</b></p> <p>Our business in the countries where we operate is regulated by governments; in particular, through licensing and laws. Legislation in the field of communication services is constantly changing.</p> <p>For example, the Ministry of Communications of the Russian Federation is currently considering the possibility of changing the concept and regulation of inter-operator interaction. In addition, an issue on changes in the existing approaches and rules in the field of regulating prices for the services of interconnection and traffic transit is being considered.</p> <p>In July 2021 the President of the Russian Federation signed the Law on implementation of Affordable Internet project (Federal Law No.319-FZ). According to the Law, since December 2021 free access shall be provided to socially important Internet resources, including websites of state authorities, non-budgetary foundations, portals of state and municipal services, and to other websites that will be determined by the Governmental Commission. To fulfil the above Federal Law, the Government of the Russian Federation made Resolutions No.2531 dated December 29, 2021 and No.2469 dated December 25, 2021, which contain the Rules for keeping</p> <p>a list of domestic socially important information resources and establish the Government Commission, also defining its objectives, rights and procedure for resolution adoption. The terms for the operator to provide free access are established by the rules for communication services provision. In January 2022 the Government Commission formed a List of domestic socially important resources, having included VKontakte social network and Unified Portal of State Services therein. In accordance with the legislation, MTS PJSC provides free access to such resources in the mobile network. This may significantly impact our business, financial position and the results of our activities, consequences for our business, financial position and the results of our activities.</p> <p>Federal Law dated December 30, 2020 No. 533-FZ (effective since June 1, 2021) amended Federal Law "On Communication", including by establishing a list of requirements to check personal data of subscribers for the cellular communication providers</p>	<p>MTS conducts regular monitoring of the legislation in order to meet the requirements set.</p> <p>As market representatives, the Company participates together with the regulatory authorities in working groups on the optimization of the regulatory framework in the communication industry.</p> <p>Regulatory risks are given special attention within the framework of strategic planning.</p>	<p>&gt; Achievement of good operating indicators</p> <p>&gt; Ensuring compliance with regulatory requirements</p>

## Operational risks

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<p><b>Financial risks</b></p> <p>A considerable part of the Company's expenses, including capital expenses, may be denominated in USD and/or EUR, while a large portion of income is denominated in the local currency of the countries where the Company operates.</p> <p>The situation in the Company's markets, including stability of the banking system, inflation, changes in the exchange rates of local currencies against USD and/or EUR, and the possibility for free conversion of currencies and making currency payments impacts the Company's operating performance and business results. Additional information is specified in the external environment risks — "Economic and Social Insecurity".</p> <p>The rate of the Company's development and its financial standing, among other factors depend on debt financing. Crises on financial markets, external limitations and sanction may restrict the ability of the Company to raise debt financing.</p>	<p>A number of portfolio structuring measures have been taken in order to reduce dependence on exchange rate fluctuations, including implementation of currency risk hedging program with the use of swaps (Eurobonds) as instruments</p>	<p>&gt; Maintaining investment attractiveness by ensuring investment and operational efficiency growth</p>
<p>The contracts related to certain issues of MTS bonds, and also some loan agreements include restrictive provisions that limit the opportunities to raise loans and engage in various activities. Failure to comply with these contractual provisions could have resulted in default and, as a result, in a request to immediately repay the debt, which could have negative effects on business of the Company.</p>	<p>MTS is monitoring the implementation of the provisions of contracts and agreements for granting loans in order to comply with the financial covenants contained in the loan documentation.</p>	<p>&gt; Maintaining investment attractiveness by maintaining an optimal level of debt</p>
<p><b>Risks of technological failures</b></p> <p>The ability to continuously provide communications services is one of the basic conditions of licenses and subscription contracts. An occurrence of process failures on our network and information resources due to a system malfunction, accident, or a violation of the network's security or information systems can adversely affect the ability to provide services to subscribers or affect other business processes, which can lead to significant negative consequences for the business, performance results and reputation of MTS PJSC.</p>	<p>In order to ensure stability of the network and continuity of communication services rendering, the network management system is centralized, and the telecommunication network operation system provides for regular maintenance and use of the backup telecommunications equipment.</p> <p>In order to protect and be able to restore data from information resources for critical facilities, the use of backup equipment is ensured, including that with a geographical distribution, and procedures for data recovery testing.</p> <p>Processes and systems for ensuring quality of information systems, as well as change monitoring and control are used on a regular basis in order to protect integrated information systems under the conditions of continuous changes.</p> <p>Information security in network management is provided by a complex system of technical and organizational information security measures.</p>	<p>&gt; Achievement of good operating indicators</p> <p>&gt; Achievement of sustainable business development</p> <p>&gt; Ensuring compliance with the requirements of FZ-126, FZ-152 and other.</p>



## Compliance with requirements

Risks	Mitigation Measures	Impact on Objectives
<p><b>Compliance risks</b></p> <p>MTS securities are traded on the U.S. stock market, and we are subject not only to Russian, but also to American anti-corruption legislation (US Foreign Corrupt Practices Act), and potentially to the anti-corruption law of the UK (UK Bribery Act). If an inconsistency of our actions or actions of third parties acting on behalf of or in our interests with these requirements is revealed, this may result in criminal and/or civil law sanctions against us.</p> <p>In March 2014, MTS PJSC received a request for information from the US Securities and Exchange Commission and the US Department of Justice regarding the investigation of the former subsidiary in Uzbekistan.</p> <p>In February 2019, the MTS Group reached a settlement with the US Department of Justice (DOJ) and Securities and Exchange Commission (SEC) in relation to the previously initiated investigation into the activities of the former subsidiary of the Group in Uzbekistan.</p> <p>The Group agreed with a restraint order issued by the US Securities and Exchange Commission ("Order").</p> <p>The district court of the Southern District of New York, USA, approved the deferred prosecution agreement (the "Agreement") concluded by the Group and the agreement on admission of guilt concluded by the Group subsidiary company in Uzbekistan. According to the terms of the agreements with the US Department of Justice, we agreed to pay the United States a fine of \$ 850 million (59,1 billion rubles as of December 31, 2018). The Group has accrued a provision for payment of the fine in the amount of USD 850 million (55,8 billion rubles as of the date of accrual) reflecting it as a loss caused by ceased operations in the consolidated profit and loss statement for the year ending on December 2018, 2018.</p> <p>In accordance with the terms of the Agreement and the Order, the Group agreed to introduction of independent supervision (monitoring) over compliance with their requirements. According to the terms of the Agreement and the Order, monitoring had to be first conducted for three years from the date of its establishment and the monitoring period could have been reduced or extended depending on certain circumstances. The final decision in this regard shall be made by the United States Department of Justice and the United States Securities and Exchange Commission. We received no notice about any violations of the Order or the Agreement from the US Department of Justice or the US Securities and Exchange Commission or the third-party compliance Monitor. Nevertheless, with account of some factors, including the COVID-19 pandemic, we agreed with the US Securities and Exchange Commission and the US Department of Justice to extend the duration of monitoring for one year, in order to provide (i) the Group with sufficient time for introduction of the</p>	<p>Starting from 2012, when a separate compliance division was established at MTS, the Company has been systematically developing a system for anti-corruption compliance in accordance with the best international practices.</p> <p>The Company has special rules and procedures in place for the prevention of corrupt practices, both on the part of employees and with respect to contractors<sup>1</sup>.</p> <p>The main documents governing anti-corruption requirements within MTS are the Code of Business Conduct and Ethics, 2Policy "Compliance with anti-corruption legislation"<sup>3</sup>. Besides, procedures for assuring compliance with anti-corruption legislation are fixed in the regulations of the company's business processes.</p>	<p>&gt; Support of fair and ethical business conduct and abuse prevention</p>

<sup>1</sup> For more information, see the section "Compliance and Ethical Culture".

<sup>2</sup> [https://static.ssl.mts.ru/uploadmsk/contents/1655/Code\\_of\\_Business\\_Conduct\\_and\\_Ethics\\_illustrated.pdf](https://static.ssl.mts.ru/uploadmsk/contents/1655/Code_of_Business_Conduct_and_Ethics_illustrated.pdf)

<sup>3</sup> [https://static.ssl.mts.ru/mts\\_rf/contents/537/Anti\\_Corruption\\_Laws\\_Compliance\\_Policy\\_rus.pdf](https://static.ssl.mts.ru/mts_rf/contents/537/Anti_Corruption_Laws_Compliance_Policy_rus.pdf)

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<p>necessary improvements into certain important elements of the business ethics and anti-corruption compliance program, (ii) the opportunity to complete the inspection of the Group actions, including introduction of the Monitor's recommendations and assessment of the resistance of actions taken by the Group. Therefore, the duration of the third-party compliance monitoring will last until September 2023</p>		
<p><b>Tax risks</b></p> <p>The system of taxation in the countries where MTS operates is undergoing constant changes; legislation in this area may be interpreted ambiguously. For example, poorly drafted Russian transfer pricing rules may increase the risk of price adjustment by tax authorities and lead to additional tax burden within transfer pricing control. This may complicate tax planning and related business processes, and may also have adverse material impact on MTS PJSC business, financial standing and operating results.</p>	<p>MTS meets the requirements of tax legislation in the countries of the Group's presence, is responding quickly to any changes and following the current trends in law-making, as well as the tax laws of Russia and foreign jurisdictions, which allows us to make timely integrated decisions in the field of tax planning and customs regulation. The Company regularly uses the experience of qualified consultants</p>	<p>&gt; Achievement of sustainable business development</p> <p>&gt; Compliance with requirements</p>