ANNUAL REPORT 2022

LEGAL WARNING

This Annual Report has been prepared by "MTS Armenia" CJSC (the "Company") for informational purposes only and may contain statements based on forecast data or the forecasts themselves. Such statements or forecasts relate to matters that do not present historical facts or statements and reflect the intentions of the Company, its beliefs or current expectations, regarding, among others, the results of operations, financial condition, liquidity, efficiency, prospects, growth rates, strategies of the Company and the industry in which it operates. The nature of the forward-looking statements and projections is such that they contain risk and uncertainty as they relate to events and depend on circumstances that may or may not arise in the future. The Company warns that the forward–looking statements and projections are not a guarantee of future results, that the actual results of operation, financial condition and liquidity of the Company, as well as changes in the industry in which the Company operates, may differ materially from those declared or assumed in statements based on forward-looking data or projections contained in this report.

The factors that could cause a material difference between actual results and the assumptions made in forward–looking statements or projections may include the general economic conditions prevailing in the markets in which the Company operates, the competitive environment and risks associated with operation in such markets, market changes in the industry and related industries, as well as other risks affecting the Company and its activities. Moreover, even if the results of operations, financial condition and liquidity of the Company and changes in the industry in which the Company operates are consistent with the statements based on the forward-looking data or projections presented in this report, such results and changes may not represent results or changes for the further periods. The Company assumes no obligation to revise or confirm expectations, estimates, or to update any forward-looking statements or projections in order to reflect events or circumstances that occur or arise upon the date of this report.

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## ABOUT **MTS ARMENIA**

"MTS Armenia" CJSC, the largest of Armenia's three mobile communication providers, is a wholly owned subsidiary of "MTS" PJSC. The Company ("MTS Armenia" CJSC) ("VivaCell" at founding) obtained a license on implementation of activities in 2004.

Viva-MTS offers mobile and fixed communication services, as well as cloud and financial services to its subscribers under the trademark Viva-MTS (payments and transfers are handled by the Company's subsidiary "MobiDram" CJSC).

The first on-net call of Viva-MTS was made on July 1, 2005, marking the beginning of a new era in Armenia's telecommunications field. The arrival of the Company into Armenian mobile telecommunications market put an end to the monopoly in the field. Competition completely changed the situation in the field. Thanks to the high quality, affordable tariffs, reliability and extensive network coverage offered by Viva-MTS, GSM services shortly became widely available to the population of Armenia.

#### × JAN 2006

As of January 2006, the Company managed to attract 50% of the market share (over 350,000 subscribers). In September of the same year, the Company's mobile network was available in 90% of the country's populated areas.

#### **X SEP 2007**

In September 2007, after the sale of 80% of the shares, the Company became a subsidiary of "Mobile TeleSystems" PJSC ("MTS"), the largest Russian mobile operator and a leading provider of digital and media services.

In 2007, the number of users of Viva-MTS services exceeded 1 million people. In parallel, the number of employees was increasing.

As a result of co-branding carried out in 2008, the Company's brand changed. Viva changed into Viva-MTS. During the same year, the Company also managed to gain a significant market share, exceeding 78%. In April 2009, Viva-MTS announced the commercial launch of its third generation (3G) network. For the first time in Armenia, 3G network was launched in the regions; besides, for the first time, network coverage was provided in the territory of the Yerevan metro.

Thanks to roaming partnerships with foreign operators, Viva-MTS provides its subscribers with the opportunity to keep in touch with their homeland, regardless of their location. Viva-MTS has 513 roaming partners in 199 countries of the world.



## × 2010

In 2010, Viva-MTS launched 4G/LTE network for the first time in Armenia. This gave the subscribers an opportunity to enjoy much faster Internet speeds and work with higher efficiency.

For Viva–MTS, ensuring a reliable communication infrastructure even in the most remote areas with a small population and insignificant prospects for the consumption of services is a target equally both from social and security points of view.

Upon the day of its foundation, corporate social responsibility (CSR) has remained not only a concept, but also a daily practice for all Viva–MTS employees. Viva–MTS is the first company in Armenia to introduce and apply CSR as a management model and is the first operator to be guided by the international principles of social responsibility ISO 26000.

In the course of its activities, within the framework of the CSR strategy, Viva–MTS has allocated over AMD 27.8 billion for social investments in Armenia for the improvement and sustainable development in different areas of the society.

#### × 2012

In 2012, Viva–MTS strengthened its position in the financial services market, as well. With the release of the "MobiDram" e–wallet, and in 2016 with the release of the "MobiDram" mobile application, customers were given the opportunity to make secure payments with only one touch, using smartphones.

Attaching great importance to information security, the Company became the first operator to implement the international standard ISO/IEC 27001:2013 on information security management (in 2015). This standard remains an important part of the Company's management system.

### × 2017

In 2017, Viva–MTS entered the B2B fixed–line market. Currently, the Company provides fixed VoIP services, fixed broadband Internet and data transmission, and provision of international communication channels.

The acquisition by Viva–MTS of the assets of "ADC", a broadband Internet provider with its own fiber–optical network and technological capacities having a significant subscriber base, was one of the largest transactions in the telecommunications sector in Armenia. As a result, Viva–MTS has significantly expanded its subscriber base, which uses broadband fixed Internet and related services, including legal entities, such as private/corporate sector companies, state and community structures.

The digital transformation of Viva–MTS is in process, as a result of which the Company is taking significant steps aimed at simplifying the daily life of its subscribers. So, in 2017, Viva–MTS released the mobile application "My Viva–MTS", which is an easy–to–use solution to the needs of subscribers and allows the subscriber to control the balance through a mobile phone, choose tariff plans and services that best meet individual communication needs, activate/deactivate the services used, etc.



Over the years, Viva-MTS has received a number of awards and prizes.

Viva-MTS became the first operator in Armenia to obtain a certificate of compliance with the international standards of anti-corruption and compliance systems, ISO 37001 and ISO 19600.

Attaching great importance to information security, the Company became the first operator to implement the international standard ISO/IEC 27001:2013 on information security management (in 2015). This standard remains an important part of the Company's management system. In August 2019, MTS acquired the remaining 20% of Viva–MTS shares.

## **X TILL DATE, VIVA-MTS REMAINS** THE LEADER OF THE ARMENIAN MOBILE COMMUNICATIONS MARKET IN TERMS OF SUBSCRIBERS AND REVENUE SHARE.

The revenue for financial year (FY) 2022 reached AMD 51.0 billion (a 4.1% increase over FY2021), owing primarily to an increase in revenue from the supply of communication services. For the fiscal year 2022, the OIBDA reached AMD 27.5 billion (a 6.4% increase over fiscal year 2021). By the end of the FY2022, the number of subscribers reached 2.3 million, which is 1.6% more than the estimated number of subscribers in the FY2021.

Viva–MTS concluded the FY2022 with a market share of 58.45% of subscribers in the fourth quarter of FY2022, and a market share of 57.25% of revenues in 2022. In the fourth quarter of FY2022, the market share of subscribers to package tariff plans reached 86% (+4 p.p. year on year), while the share of customers using data transfer services made 79%. In FY2022, the average call duration per "MTS Armenia" subscriber was 641 minutes per month, while data consumption was 8.8 gigabytes per month (+31% year on year).

Viva–MTS continued making heavy investments in FY2022. The amount of investments reached AMD 10.4 billion (20.3% of revenue).

Telecom, development of content, as well as digital products, specifically, applications, cloud services, financial services, and other areas, are the top priorities for the Company. A strategic direction is the creation of a business ecosystem based on the Company's own and partners' advancements. The integration of convergent solutions in collaboration with local partners is evolving at a rapid pace. Viva–MTS' strategy envisions establishment of a new partnership ecosystem that facilitates the development of new business models and the exploration of new sources of income. With the digital products, such as financial management, entertainment, education, and lifestyle apps at hand, the revenue share of non-traditional phone and data services has increased in comparison to digital services. One of Company's successful ventures is the partnership with "Yandex", which involves providing the "Yandex Plus" package to customers who activate the "+Premium" package. Within the "Yandex Plus", the subscribers get 10% more affordable prices on "Yandex Go" taxi rides for some car categories, and get access to the "KinoPoisk" and "Yandex Music" streamers and "Bookmate" online library.

The market recovery continued in FY2022, but the key event in the Armenian economy in FY2022 was, of course, the unplanned tourist inflow from Russia, which caused a rise in new activations compared to FY2021. MTS Armenia was able to stop the decline in income generated by roaming services in FY2022. The low dollar exchange rate reduced interconnection revenues. To reduce the risks posed by exchange rate changes, the Central Bank of Armenia implemented a number of measures at the end of September, including a prohibition on using wallets without attaching bank cards, making it tougher to recruit new fintech consumers.

Viva-MTS is an uncontended market leader in terms of Net Promoter Score (NPS). In FY2022, cloud service usage rose by 58% over the previous year; B2B service consumption increased by 7%.



The #CloudMTS cloud infrastructure offers IT services such as VMWare Cloud Director based Infrastructure as a Service, co-location in datacenters, backup solutions that are built on cutting-edge software and technology. The Company offers VoIP, Virtual PBX, fixed broadband Internet, and data exchange services, as well as international communication channels.

More than 400 km of fiber-optic line was constructed for Viva-MTS transmission network protection and capacity increase rage offered by Viva-MTS, GSM services shortly became widely available to the population of Armenia.

Viva–MTS 2G network covers 69.4% of Armenia's territory and 99.3% of the country's population; the Company's 3G communication covers 71.3% of Armenia's territory and 99.8% of the country's population. The MTS 4G–LTE network covers 69.4% of Armenia's territory and reaches 99.3% of the country's population. Viva–MTS continues to build its LTE network in FY2022, with over 1350 base stations supporting 4G/LTE

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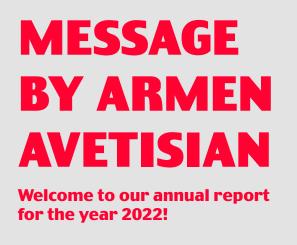
58 new sites were constructed during FY2022 intended to improve the quality and coverage of services in the network improve the coverage in densely populated areas of Yerevan and RA regions. Implementation of 58 new base stations for 2G, 70 – for 3G, and another 219 for the 4G networks is intended to improve the quality and coverage of services in the network.

Viva–MTS has 13 base stations located in hard-to-reach places, where energy is supplied through a photovoltaic solar system. In locations deprived of centralized electricity supply, Viva–MTS mainly uses a hybrid method of providing electric power.

New Google and Facebook cache servers were deployed in Armenia to boost the performance of offered services. Major upgrade was made to the data center to ensure its correspondence to the latest networking technologies. Viva–MTS remains one of the largest tax payers in the country.

In FY2022 all 79 service centers were finally switched to CIS/MRZ (Customer Identification Service/Machine Readable Zone scanners) mode. Now new line provision/activation (for both prepaid and postpaid subscriptions) are passing through MRZ readers and undergo checks/verifications with the data provided by the State Population Register (SPR).

In early FY2022, Viva–MTS call center launched an SIVR (Situational Interactive Voice Response). In the result of the call center's integration with other internal systems of the Company and with the deployed scenarios, the SIVR now provides self–service options for the callers/customers in a smarter way by simply predefining a customer's potential service needs. In FY2022, more than 11,640,000 customer calls were attended through the SIVR system alone via automated self–serving mode.

During FY2022, the SIM-cards presence was added in POS. Viva-MTS' SIM-cards are being sold by dealer chain in Yerevan and in the regions (border check points included). 



Our strong focus on value-creation across our operations and targeted investments brought in outstanding results in 2022. Armenia's ICT leader Viva-MTS demonstrated its strengths in 2022 across all business directions, as well. Given fierce competition in Armenia's telecom sector, Viva-MTS' achievements were all remarkable – the Company has shown strong financial and operational performance again.

Viva–MTS' fast pace of transforming into a digital technology Company, ability to adapt and drive progress in the ICT sector symbolizes its prime objective to stay at the forefront of any development in the ever–changing market and provide innovative solutions to the vast and diversified army of its customers.

Further deployment of 4G network, widespread use of premium services and competition among operators have contributed to demand for better data services. In addition, in 2022 the telecommunication sector demonstrated strong growth owing to new wave of tourism.

Technology evolution creates new growth perspectives for the telecom sector, and the year was successful for Viva–MTS; the Company utilized all opportunities by introducing innovative products, services and solutions and enhancing customer experience, by driving digitization further across all its operational systems. By doing so, Viva–MTS continues to maintain its subscriber leadership and market share position in mobile communication services, by providing comprehensive telecom solutions relying on the advantages of Armenia's largest cellular network.

As a data-driven Company, in 2022 Viva-MTS expanded and enriched its portfolio of services for consumers, businesses and government entities in Armenia.

For individual customers, Viva–MTS offered all one may need in the digital age for cost–effective communication, healthy lifestyles, entertainment, health, and education.

Apart from core mobile and fixed communication services, Viva–MTS provides small, middle, and large businesses with advanced innovative B2B solutions such as cloud, colocation, hosting, opportunities for remote work, and many more for running business operations effectively.



Partnership with leading global technology leaders delivers additional value for our customers.

Diligence in implementation of Viva–MTS' digital agenda shown by our talented and competent team delivers sustainable growth and adds value to all our stakeholders and also plays a key role in our historically strong position. Competitive salaries coupled with effective working models including hybrid policy, adds to the attractiveness of Company for the Armenian youth.

Viva–MTS' commitment toward CSR as an institutional part of the Company systems and a corporate governance model reflects the desire to enhance people's lives through innovation and cost–efficiency. The core of social investments is to empower communities through sustainable development, by providing them with the latest advances of technologies and to maximize the social impact of technical progress. In addition to supporting rural infrastructure with LED technology, and house–building for needy people in border regions, Viva–MTS also supported and implemented projects aimed at developing ICT sector in Armenia and increasing start–ups capacity, as well as projects aimed at children's health, dental services and rehabilitation of soldiers.

Viva–MTS has been doing active steps toward reducing carbon dioxide emissions, by deploying the latest generation solar energy–based solutions in the infrastructure of base stations an essential move toward promoting increased use of renewable energy sources.

Viva–MTS will continue investing into both telecom and non–telecom businesses as part of its digital strategy. The Company will also continue using the power of data to digitize, automate, and transform all its operational systems in order to become even more productive and customer–centric.

#### We love our country and work hand-in-hand toward better future for the generations to come.

#### Armen Avetisian Viva–MTS General Director



## **OUR SHAREHOLDERS** Aramayo Investments Limited



## VIVA-MTS MISSION AND VISION



### X MISSION

Since its inception, Viva–MTS entered the Armenian market with a clearly defined mission to bring the world to Armenia and Armenia to the world. With a full–scale commitment and drive, the Company continues to believe in this vision in everything it accomplishes, including the

development and implementation of new services, features and products.

With the onset of the global digital transformation, Viva-MTS has embarked on streamlining itself as a comprehensive entity, increasingly evolving from telecommunications to digital services to meet the needs and requirements of its stakeholders, and namely, its subscribers.

### X VISION

Our vision is to act in a socially responsible way. We conduct our business, attending to our stakeholders' interests, aligning with business ethics, and directing all efforts towards sustainable development. It is our ambition to be accepted as a leading socially responsible company in Armenia by addressing the expectations of our

stakeholders. We strive to connect Armenia with the future. We are dedicated to create, lead, and open the window towards the future.

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## HODS AND THEIR RESPONSIBILITIES

#### Customer Service Department Manager: ALEXANDER FEDYUNIN Tenure: 7 years (as of August 2015)

Alexander Fedyunin is responsible for defining and driving the Company sales and customer service strategy and its implementation in all touch points with the subscribers, as well as driving the quality of service of customer care and service centers, directing and controlling development and implementation of Company's commercial strategy to achieve results, ensuring the efficient provision of all activities of the Customer Service Department operations in compliance with the Company's mission, values, and strategic objectives.

Finance and Administration Department Manager: ARTUR YERMALIONAK Tenure: 2 years (as of February 2020)

Artur Yermalionak is responsible for ensuring the processes of budget planning and controlling, investment and commercial initiatives analysis, management of accounts receivable, revenue assurance and fraud management, SOX controls, treasury and accounting, as well as ensures the process of provision of professional, efficient and fruitful service to any functional area requiring relevant assistance. His role is to enhance the efficiency of processes to guarantee alignment with the Company's strategy.

#### Finance and Administration Department Deputy Manager: ANETA EPRIKYAN Tenure: 2 years (as of April 2020)

Aneta Eprikyan is responsible for the assessment of the strategic projects, coordination of the strategy, business planning, budgeting and investment programs, as well as for the overall administration and control of financial and administrative processes to guarantee alignment with the Company's strategy.









#### Technical Department Manager: GRIGOR GRIGORYAN Tenure: 3 years (as of May 2019)

Grigor Grigoryan manages and controls the Technical Department overall activities ensuring the efficiency and timeliness of the technical operations. He is responsible for the network development, quality network construction, ensuring its stable and uninterrupted operation, as well as effective exploitation and maintenance of Technical Department systems/platforms and BTSs.

Internal Control and Audit Department Manager, General Manager of "MobiDram": KIM AVANESYAN Tenure: 12 years (as of June 2010)

Kim Avanesyan is responsible for the strategy of quality improvement and improvement of business processes, quality management system, implementation of strategic functions of the Company business management, as well as management of internal controls, risk and fraud assessments, implementation of security information system processes, direct and control development and Company's quality strategy. As "MobiDram" General Manager, he directs the strategy and manages long-term development plans of "MobiDram", controls all the aspects of its business operations to lead "MobiDram" to the development and organizational growth and achievement of the set goals.



#### Information Systems Department Manager: THOMAS MAZEJIAN Tenure: 12 years (as of August 2010)

Thomas Mazejian is responsible for linking technology with business by aligning the IS Department strategy with the Company's mission, values and strategic objectives, ensuring administration and support of billing and charging systems, proper support for satisfying users' requirements in the Company. He is also responsible for shaping Viva–MTS' role in digital technologies.



#### Marketing and Communication Department Manager: DAVIT GEVORGYAN Tenure: 5 years (as of August 2017)

Davit Gevorgyan is responsible for developing and implementing the Company's marketing and communication strategy, as well as for ensuring the efficient provision of all activities of the Marketing and Communication Department operations such as Products Development, Business Solutions and B2B Sales, PR, CSR, etc., in compliance with the Company's mission, values, strategic objectives and policies.

#### Corporate Governance and Legal Department Manager: ARMINE SARGSYAN Tenure: 6 years (as of August 2016)

Armine Sargsyan is responsible for ensuring legal support and legal protection of the Company's business, managing regulatory risks and Corporate Governance issues, as well as prevention and termination of potential legal risks, endangering the Company's business development, as well as ensuring the due organization of contractual work of the Company. These also include the protection of both the legal and the material rights and interests of the Company.

#### Security Unit Manager: ASHOT AVETISYAN Tenure: 6 years (as of September 2016)

Ashot Avetisyan is responsible for the planning, coordination, and supervision of the Company's security functions, organizing and ensuring that suitable security procedures are in place and operate effectively. He is responsible for the risk assessment and provides recommendations to mitigate the identified risks.







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Compliance Unit Manager: Zaruhi Petrosyan Tenure: up to 1 year (as of July 2022)

Zaruhi Petrosyan is responsible for the monitoring of the compliance management system in the Company. She ensures proper implementation and effective operation of compliance controls and procedures, as well as initiates measures to raise the awareness of the staff on compliance requirements.



Procurement Unit Manager: Ruzan Apoyan Tenure: up to 1 year (as of July 2022)

Ruzan Apoyan is responsible for the Company's procurement strategic planning, organizing and managing, as well as ensuring that the highest professional standards of procurement practice are maintained to deliver the best value for money.

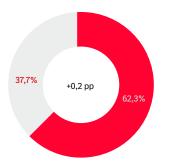




## OUR BUSINESS AT A GLANCE

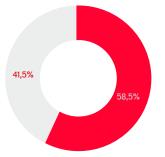
Telecom, development of content, as well as digital products, specifically, applications, cloud services, financial services, and other areas are the top priorities for the Company. A strategic direction is the creation of a business ecosystem based on our own and partner advancements. The integration of convergent solutions in collaboration with local partners is evolving at a rapid pace. The Viva–MTS strategy envisions establishment of a new partnership ecosystem that facilitates the development of new business models and the exploration of new sources of income.

#### **X LEADERSHIP IN TELECOMMUNICATIONS**



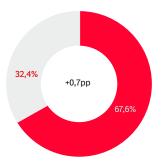
#### Revenues Market Share W/O Retail Business and Interconnection

The market recovery continued in 2022. The unexpected tourist inflow relocating from Russia caused telecom market revenues and other indicators to increase compared to 2021. MTS Armenia was able to stop the decline in income generated by roaming services in 2022. The low dollar exchange rate reduced interconnection revenues. To reduce the risks posed by exchange rate changes, the Central Bank of Armenia implemented a number of measures at the end of September, including a prohibition on the use of electronic wallets without attaching bank cards, making it tougher to recruit new fintech consumers.



#### 3M Subscriber Market Share

Viva–MTS is keeping the leadership of 3M subscribers' base in mobile telecommunication market and concluded the year 2022 with a market share of 58.5% in the fourth quarter of 2022.



#### Data Revenues market share

Viva-MTS continues to be the Mobile data leader in the market with 67.6% data revenues market share. As the demand on data products are increasing day by day, Viva-MTS launched new data services with affordable prices: "+20GB" and "+Premium" with 30 GB internet and "Yandex Plus" package.

With the digital products, such as financial management, entertainment, education, and lifestyle apps at hand, the revenue share of non-traditional phone and data services has increased in comparison to digital services. One of Company's successful ventures is the partnership with "Yandex", which involves providing the "Yandex Plus" package to customers who activate the "+Premium" package. Within the "Yandex Plus", the subscribers get 10% more affordable tariffs on "Yandex Go" taxi rides, and get access to the KinoPoisk video content and Yandex Music.

## **SERVICE CENTERS**

### **X CUSTOMER SERVICE** AND RETAIL NETWORK

Service centers are the main stream of direct customer service and customers retention of Viva–MTS. We provide high–quality customer service in the territory of RA, perform communication technology sales and mobile devices sales, offering customers most actual products and services.

In total, 73 service centers fully equipped with digital tools operate in the Republic of Armenia, which geographically cover the entire territory.

There are 52 service centers in 10 Regions of RA and 21 service centers in Yerevan.

In 2022, more than 4,9 mln customers' entry to our service centers was fixed.

Viva-MTS uses an innovative format of customer service in RA – mobile service centers which ensure availability and essential services for people living in remote areas, with less developed infrastructure of transportation services.

Mobile service centers, packed with all the necessary and modern equipment, are a major competitive advantage of Viva–MTS in the local telecommunication market. At the same time, Company ensures employees' comfortable environment due to which customers get a high–quality service, as they would receive when visiting a service center. Mobile SCs serve as a factor of increasing customers' loyalty and satisfaction towards our brand.





4,9MLN customers' entry to our service centers was fixed.



### **CUSTOMER SUPPORT**

The most classic direction of the Customer Support of Viva–MTS is the Call Center (basic support & commercial support) which operates in the 24/7/365 mode providing high–quality customer service via the Call Center's hotline and serving subscribers of the mobile business and customers in general, providing both generic basic support and different kinds of commercial support services.

The subscribers of Viva–MTS can reach out to our Call Center from Viva–MTS phone numbers by dialing 111 (free of charge); callers from other networks of Armenia – by dialing 093297111 (charges are based on their operator's charging). When in roaming, Viva–MTS subscribers can contact the hotline by dialing 111 (free of charge) from MTS Russia network and by dialing +37493297111 (free of charge) from other networks. The Call Center consists of both the IVR/SIVR (Situational Interactive Voice Response) system for customers' automated voice–based self–service and connection to operators to be served by specialists.

In 2022, the generic statistics related to Contact Center is the following:

- more than 11,640,000 customer calls served purely in IVR/SIVR system via automated self-service,
- more than 2,000,000 customer calls served by agents and specialists of Call Center.

#### X DIGITAL SUPPORT

Digital Support is an important and dynamically advancing direction of the holistic Customer Support of Viva–MTS, which provides the high quality of customer services on electronic inquiries of customers received through different electronic channels and served in those channels, accordingly:

- customers' e-mails received via 111@mts.am e-mail address,
- online chat via "Internet Assistant" (cabinet.mts.am) and Online shop,
- social media accounts of Viva–MTS and their messengers.

In 2022, more than 68,000 customer electronic inquiries were served by the Digital Support.

### **CUSTOMER RELATIONSHIP & SPECIAL SUPPORT**

Another important direction of the holistic Customer Support of Viva–MTS is the generic Customer Relationship and its Retention and Special Support functions.

Retention supports to advance the level and proficiency of the Customer Support via the gained expertise, analysis, cross-functional collaboration by permanently enhancing knowledge curve of the Customer Support Front line for getting better customer experience, quality and also by supporting to enhance the services/products.

Special Support implements the handling of more complex customer inquiries and complaints submitted in written form.

In 2022, more than 1,400 such written requests were handled by the Special Support.



#### **ADVANCEMENT OF CUSTOMER SUPPORT** (TOWARDS DIGITALIZATION & OMNI-CHANNEL)

#### **Projects and Initiatives:**

Several important projects and initiatives of the Customer Support of Viva–MTS implemented in 2022 were towards the systems advancements and corresponding post–projects functional and operational advancements, intended to achieve the following goals:

• In the short and middle terms, advancing the systems and processes of digitalization (both internal

and external) of the front line by shifting to and operating the multi-channel Customer Support. • In the middle and long terms, to implement the sequential shift from the multi-channel into the omni-channel Customer Support for advancing a far superior/a higher level of the unified customer experience via the integrations of all offline and online/digital channels.

• By permanently increasing the level and quality of the Customer Support and experience in all terms (from the short to long terms) by using and aligning all the capabilities effectively.

## **E-COMMERCE**

E-commerce is a relatively young and advancing direction of Viva-MTS. E-shop or online-shop (https://shop.mts.am) is the hybrid of online retail and customer support/service (24/7/365 support via +37493298700 special hotline number and online chat) for achieving higher levels of customer satisfaction, better experience, and covering customers online retail purchases and e-commerce needs.

Due to the COVID-19 conditions, in the existing classic online retail sales part of e-shop (for online purchase of mobile handsets, accessories, etc.), the pure telecom block was added in the online-shop of Viva-MTS for covering customer needs for online ordering of telecom services. Currently, MNP can be proceeded via an online request.

Online payment methods diversification via e-shop is one of the priorities of Viva–MTS's e-commerce function. Currently, the clients of e-shop can proceed their online payments for online purchases through the e-shop both via domestic and international bank cards and Armenian e-wallet, such as "MobiDram" and "Telcell". For online purchases proceeded via online payments, the free domestic delivery is organized in the territory of Armenia in the shortest possible time.

The advancement process of the e-commerce is permanent, dynamic, and multi-dimensional at Viva-MTS, in accordance with the customer needs and based on the market and global opportunities.





## MOBILE APPS

## X MY VIVA-MTS

"My Viva-MTS" mobile application offers convenient self-care solutions to "My Viva-MTS" subscribers, such as:

- Account balance control;
- Selection of tariff plans and services, best fitting subscriber needs;
- Activation/deactivation of services;
- Control over Internet, airtime, and SMS packages' usage;
- Payments for services via bank card or other means;
- Location of the nearest service centers;
- Contact to the Hotline;
- Exchange of bonus points to gifts;
- Access to diverse partner programs, etc.

### X MOBIDRAM

"MobiDram" payment system is a mobile and online financial solution in the Armenian market that gives opportunity to:

- make easy and fast money transfers anywhere, anytime;
- perform a variety of instant online payments.

"MobiDram" also offers performing payments via branches and terminals.

#### × IVI

"IVI" is an online cinema, offering exclusive content. Viva–MTS subscribers have the opportunity to apply for a daily or monthly subscription. Subscribers of "Start", "X", and "Y" have "IVI" service included in their plans.

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### **X FITNESS CLUB**

"Fitness Club" is a fully functional fitness and healthy lifestyle application for a variety of activities, such as:

- Sport and body health;
- Healthy eating;
- Emotional and mental health;
- Brain training and development.

Viva–MTS subscribers have the opportunity to apply for a daily, weekly, or monthly subscription.

### X APPS CLUB

"Apps Club" application offers more than 700 premium applications and games for adults and kids. Viva-MTS subscribers have the opportunity to apply for a daily,

weekly, or monthly subscription.

### X KIDS CLUB

"Kids Club" application offers hundreds of premium games specially designed for kids.

Viva–MTS subscribers have the opportunity to apply for a daily, weekly, or monthly subscription.

### **FANTASY LEAGUE**

"Fantasy League" mobile application is a kind of online football league. It gives an opportunity to create teams from your favorite players, compete in real matches of the past, and get a chance to win 5 to 25 GB Internet packages.

Viva-MTS subscribers can apply for a daily subscription.













"IMUSIC" app enables users to enjoy listening to their favorite music of all genres, create their own list of musical preferences and share them with other users, create music playlists on their personal profile, invite their friends to co-create playlists, like, comment and share the music in the feed and many more. The users can listen to branded "InstoRadio" of various companies, as well.

While listening to music with "IMUSIC" application, the MBs of the Internet package provided within prepaid "X", "Y", "Z", "START", and postpaid "X", "Y" are not consumed, if the subscriber is logged in to his/her "IMUSIC" account with own mobile phone number and has active packages within their tariff plan.





The "BUSUU" app is the largest language learning community in the world, offering up to 13 language courses both on mobile and web platforms.

#### X "Yandex Plus"

Launched in December 2022

Subscribers who activate "+Premium" 30GB internet package can also activate "Yandex Plus" package for 30 days. "Yandex Plus" is a bundle of Yandex services consisting of "KinoPoisk", "Yandex Music" and 10% discount to some fares of "Yandex Go" taxi service. Subscribers of X and Y price plans have "Yandex Plus" service embedded in their price plans without an additional fee.



Launched in 2022

Web application "Smart Kids" is a modern educational and entertainment service for children of all ages and their parents.



## **KEY EVENTS**

The telecommunication industry has undergone significant changes and developments in recent years. With the increasing demand for better and faster communication, the industry has had to adapt and evolve to meet the needs of customers. The industry has experienced a significant growth in the number of subscribers and in the introduction of new technologies and services.

MTS Armenia is remaining the leader of the Armenian mobile communications market in terms of subscribers and revenue share. The key event in the Armenian economy in 2022 was, of course, the tourist inflow relocating from Russia, which caused telecom market revenues and other indicators to increase compared to 2021.

In 2022, Viva-MTS continued to expand and strengthen the entire mobile infrastructure for the development of the 5G network.

Businesses and consumers are increasingly moving away from using their own hardware and device-specific software and instead using more efficient, shared capacity and services over the cloud. Viva-MTS is continuously improving its cloud services and virtual infrastructure, which is a response to very high demand of such services.

We also faced an increased demand for content services usage and mobile/online payments in 2022. The increased demand for content was met by diverse applications such as "Apps Club" and "Kids Club" (games and entertainment), "Fitness Club" (sport), "#LikeU" (dating), "IVI" online cinema, "Fantasy League" (Football games), "E-Teacher" (English course), "IMUSIC" (music app), etc. Via "MobiDram" payment application, subscribers were offered the opportunity to perform diverse online payments.

In 2022, Viva–MTS launched several bundles for data and voice services such as "+20GB", "+Premium" service with 30GB internet bundle and "Yandex Plus" package, "+300 minutes" in addition to "+100 minutes" service, and "START" tariff plan with 5GB internet, 300 all-net minutes, unlimited "TikTok", "Instagram", "IVI", "Viber", "Whatsapp", "Telegram", "Messenger", and other top applications.





## FINANCIAL

In mln. AMD

| Revenue                         | 50,982  |
|---------------------------------|---------|
| Revenue from Mobile Business    | 48,696  |
| V&D (Voice, Data, SMS)          | 38,367  |
| Interconnection                 | 5,011   |
| Roaming, incl. VAS              | 1,132   |
| VAS & content revenue           | 1,081   |
| Other mobile services           | 3,105   |
| Revenue from Fixed services     | 1,287   |
| Retail                          | 828     |
| Other Revenue                   | 171     |
| COS (Cost of Sales)             | -13,849 |
| Gross Margin                    | 37,133  |
| Gross Margin, %                 | 73%     |
| Commercial Expenses             | -5,657  |
| Overheads                       | -6,403  |
| OIBDA before capitalization     | 25,073  |
| OIBDA before capitalization, %  | 49%     |
| Capitalization*                 | 2,417   |
| OIBDA                           | 27,490  |
| OIBDA, %                        | 54%     |
| Amortization                    | -12,991 |
| Revenue/expenses from financing | 709     |
| Foreign exchange effect         | -5,321  |
| Other Revenue and Expenses      | 910     |
| PBT                             | 8,977   |
| Tax                             | -3,358  |
| Net Profit                      | 5,619   |
| Net Profit, %                   | 11%     |
| CAPEX cash                      | 10,339  |
| CAPEX exploitation              | 11,117  |

\*Note: As per IFRS15, IFRS16.



In 2022, Viva–MTS Revenues totaled AMD 50.9 bln..

Revenues increased by 4%, compared to the previous year. The increase in revenue is mainly due to the revenue growth from data transfer services, mainly due to VnD penetration rate increase on average by 5 pp. and high level of touristic activity in the country. Other revenue streams have also contributed to total revenues increase, such as SMS, value added services, "MobiDram" revenues, and others. Viva-MTS has achieved OIBDA margin of 54%. The increase compared to the previous year is due to revenue growth with a stable level of total operating expenses.

Capital expenses have totaled AMD 10.3 bln., comprising 20.3% of revenue.

| Voice revenue                  | 11,055<br>1,132 | 11,403<br>955 | -348  |
|--------------------------------|-----------------|---------------|-------|
| Roaming revenue                |                 |               | -232  |
| Subscriber revenue             | 1,013           | 1,245         |       |
| Activation revenue             | 63              | 56            | 6     |
| VAS (including VAS in roaming) | 27,697          | 25,530        | 2,168 |
| Other revenue-business segment | 2,528           | 2,093         | 435   |
| Interconnection revenue        | 5,011           | 5,583         | -571  |
| Mobile commerce                | 514             | 205           | 309   |
| Total Mobile Revenue           | 48,696          | 46,881        | 1,815 |
| Mass segment                   | 38,310          | 36,581        | 1,729 |
| Business segment               | 4,479           | 4,152         | 328   |
| Other revenue                  | 171             | 117           | 54    |
| Retail revenue                 | 828             | 739           | 89    |
| FB revenue                     |                 |               |       |
| FB revenue – Physical segment  | 61              | 57            | 4     |
| FB revenue – Business segment  | 850             | 883           | -33   |
| FB revenue – Other operators   | 293             | 213           | 80    |
| FB Complex Business Solutions  | 83              | 83            | 66    |
| Total Fixed Business Revenue   | 1,287           | 1,219         | 68    |
| Total Revenue                  | 50,982          | 48,956        | 2,026 |

In 2022, total revenues of Viva–MTS increased by AMD 2,026 mln. compared to 2021.

x

The increase was mainly due to the growth of value–added services revenue, particularly from data transfer services.

MTS Armenia follows the global trend of expanding data services, thus continuously improving the network and introducing competitive price plans to the market.

Revenues from other value-added services also contributed to the increase in revenues due to increased usage of mobile applications and growth in SMS revenues.

Retail sales revenue increased as a result of higher tourist inflow to the country.

In the field of fixed business communications, Viva–MTS is mainly represented by services for B2B subscribers. Services for B2C subscribers are available in 3 districts. The geography of the B2B network is expanding in the RA regions.

## STATEMENT OF FINANCIAL POSITION

As of 31 December 2022

76,418

In mln. AMD

#### Assets

Non-current assets

|                             | 45,945 |
|-----------------------------|--------|
| Trade and other receivables | 900    |
| Deferred income tax assets  | 2,289  |
| Right–of–use assets         | 4,323  |
| Intangible assets           | 11,872 |
| Property and equipment      | 26,561 |

| Current assets                |        |
|-------------------------------|--------|
| Inventories                   | 740    |
| Trade and other receivable    | 3,516  |
| Unsecured borrowings          | 15,712 |
| Short-term loans to employees | 276    |
| Bank deposits                 | 0      |
| Cash and bank balances        | 10,228 |
|                               | 30,473 |

#### **Total assets**

#### **Equity and liabilities**

| Capital and reserves |        |
|----------------------|--------|
| Share capital        | 550    |
| Reserve capital      | 83     |
| Accumulated profit   | 60,490 |
|                      | 61,122 |

| Non-Current liabilities  |       |
|--------------------------|-------|
| Lease obligations        | 3,950 |
| Contract liabilities     | 54    |
|                          | 4,003 |
| Current liabilities      |       |
| Lease obligations        | 1,625 |
| Current liabilities      | 1,951 |
| Trade and other payables | 6,207 |
| Income tax payable       | 1.509 |

## Income tax payable1,50911,292Total equity and liabilities76,418



As of the end of 2022, the financial position of Viva–MTS showed a positive balance of cash and equivalents. Current assets are 2.7 times more than current liabilities.

Property and equipment (cost of AMD 156 bln. and accumulated depreciation of AMD 129 bln., resulting in carrying an amount of AMD 27 bln.) comprise the biggest portion of non–current assets, consisting mostly of telecom equipment.

Intangible assets (AMD 35 bln. and accumulated depreciation of AMD 22 bln., resulting in carrying an amount of AMD 12 bln.) mainly consist of rights and licenses.

Right-of-use assets (AMD 11.8 bln. and accumulated depreciation of AMD 7.4 bln., resulting in carrying an amount of AMD 4 bln.) mostly relate to the rights for placement of network equipment.

Unsecured borrowings include borrowings to Mobile Telesystems OJSC.

The Company holds 550 000 ordinary shares, each with a value of AMD 1000. The accumulated profit was AMD 60 bln., after paying dividends of AMD 15 bln..

## THE COMPANY HAS 550,000 ORDINARY SHARES, EACH WORTH AMD 1,000.

## ACCUMULATED PROFIT -AMD 60 BLN, AFTER PAYING DIVIDENDS OF AMD 15 BLN.

## HUMAN RESOURCES

## **X HR MISSION**

The key mission of HR at Viva–MTS is to consistently maintain a leadership position in the market by being the employer of choice. With the constant digital evolution, HR seeks to regularly maximize employee performance by consistently driving the right culture, warranting engagement to ensure that it attracts, recruits, retains, and efficiently develops the right people to fulfill the Company's strategy.

## X OUR PURPOSE

We believe in leading digital innovation to improve the lives of millions of people. Always loyal to the customers and forever loyal to the country: this is the slogan that helps us develop a healthy strategy and guide our vision for the future. IT and telecommunications are among the most dynamic areas of our economy, and it gives us great pride to contribute to this sphere, by meeting the expectation of our customers, our stakeholders, and our shareholders, and by ensuring that we develop an agile state of mind, always ready for new transformations and challenges. This is possible thanks to the loyal efforts of our family members.

## X OUR CORE VALUES

Viva-MTS mission is to offer innovative and high-quality telecommunication services. Throughout its operations and in every sphere, the Company adheres to the following core values.

#### Innovation

We develop state-of-the-art solutions and put them into practice successfully.

#### **X** Responsibility

We care and we are accountable for what we do.

#### **Respect**

Ve put ethics and human values at the core of everything we do.

#### I Teamwork

We work with integrity and together celebrate our mutual success.

#### Loyalty

We believe and we are faithful







#### X OUR PEOPLE AND CULTURE ARE THE PILLARS OF OUR SUCCESS

Our family is composed of approximately 1300 employees, a valuable team of highly committed and engaged individuals, and even though each of us has very unique talents, stories, and capacities, we always ensure that our collective spirit is alive through our core values: Innovation, Responsibility, Respect, Loyalty, and Teamwork. We live and breathe by these values, because they are the pillars of our truth, our passion, and our strength, both for our family members and for our Armenian society at large. Our key to success has been primarily due to consistently treating our team members like family ensuring that they are personally and professionally fulfilled.

Overall, we believe that the loyalty of our employees is primarily due to the positive, encouraging, and supportive work environment. Psychological safety has been a vital objective for the Company management, to ensure that the staff members feel safe to express themselves and feel respected, appreciated, and supported. It is our firm belief that when people feel safe and trusted at the workplace, they will energetically engage themselves to take initiatives on new projects, new developments, and future prospects. With this in mind, we have launched several internal projects to help employees feel appreciated not only by their leaders but also among their peers.

The "Lucky Carrot" program helps employees recognize and appreciate the success of other colleagues by granting them thank-you messages and gifting them with virtual carrots based on the Company's core values by which the recipient has acted. In addition, the internal portal – Our Planet, enables employees to be consistently informed on all company–related decisions or news so that they always are an integral part of the Company's plans, actions and recommendations, regardless of whether the individual works from home or from the office.

### X OUR SOCIETY

We approach our customers and our community members in Armenia with the same care as we do to our own employees, namely through our pioneering efforts in corporate responsibility. Since the day we were born, seventeen years ago, Viva–MTS has not fallen short in becoming a key responsible player namely due to its authentic and honest value system.

#### **HUMAN AND EMPLOYEE RIGHTS**

Viva–MTS is an equal opportunity employer which provides diverse and inclusive work opportunities to all employees. Our Company prioritizes the respect of all human beings and employee interests. Our employees have the right to work in a safe and healthy environment. They have the right to be treated fairly and equitably. Viva–MTS does not tolerate discrimination of any kind, namely related to gender, child and forced labor, race, skin color, ethnicity, language, origin, social/economic status, age, place of residence, religion, or political belief. This relates to all Company processes and procedures, including recruitment, staff development, promotion, and disciplinary measures. All discriminatory behavior, negligence reprimands or forms of oppression are strictly prohibited. Finally, Viva–MTS strictly prohibits harassment and bullying, including hints of sexual or physical proximity, hindering the work of another person or creating an atmosphere of fear, animosity or tension. The Company commits to providing its employees and any person who works or collaborates with the Company with the utmost safe and reliable conditions. To ensure that all employee or human rights–related principles are held at the highest standards, Viva–MTS regularly updates and communicates its Code of Ethics which highlights the above–mentioned principles as well as the following:

Legal compliance in various fields: anti-corruption legislation, law on competition, protection of trade secret, respect of corporate values, avoidance of conflict of interests when personal interests are in contradiction with Company's interests, fraud prevention, as well as honest and reliable business conduct.
Employees are required to be honest and transparent in sharing knowledge, experience, and expertise with others, behave respectfully towards one another, value each other's views and opinions.



## **STRUCTURE OF THE COMPANY**

The Company structure of Viva–MTS is a living organism that changes with the needs of the business and relevant required functions. It helps visualize the direction in which the Company is heading with more clarity to ensure agile decision–making and consistency. The structure has been modified over time to try to minimize the span of control, manage expectations, organize workflow, and support engagement and productivity.

Currently, Viva–MTS integrates the following departments:

- Customer Service Department
- Finance & Administration Department
- Human Resources Department
- × Technical Department
- × Information Systems Department
- × Internal Control and Audit Department
- Marketing and Communication Department
- × Corporate Governance and Legal Department
- 🙁 Security Unit
- 🛛 Compliance Unit
- × Procurement Unit

### **X PERFORMANCE MEASURES AND TARGETS**

We strive to ensure our performance management and reward processes are aligned with the Company's strategy, business objectives, and culture. A key part of embedding our culture is ensuring we reward our employees based on their performance, potential, and contribution to our values and success.

Performance assessment processes at Viva–MTS include a corporate indicator (general business–related performances) and individual targets (tailored more to the individual and her/his function).



## **COMPENSATION AND BENEFITS**

Apart from the general performance–based bonuses or rewards, we also strive to offer a competitive compensation package to all staff. Times are tough and we understand that our employees have families of their own to care for. As such, we try to appease staff concerns by offering certain benefits that can help to meet day–to–day issues, to extend a hand from the Company to the hearts of people.

#### **\* REMUNERATION SYSTEM**

Combined with a work environment that genuinely cares for its people and their respective needs, Viva–MTS has developed a remuneration policy that will also meet the critical needs of attracting and retaining key talent in the competitive local marketplace. Guided by the principle of equity and fairness, Viva–MTS always assesses and modifies its remuneration system to ensure that its people are compensated fairly and equitably, not only within the Company but also within the market.

#### 🛪 Benefit

(Company Compensation plan, other compensation as per Law) 3%

#### 🗷 Bonus

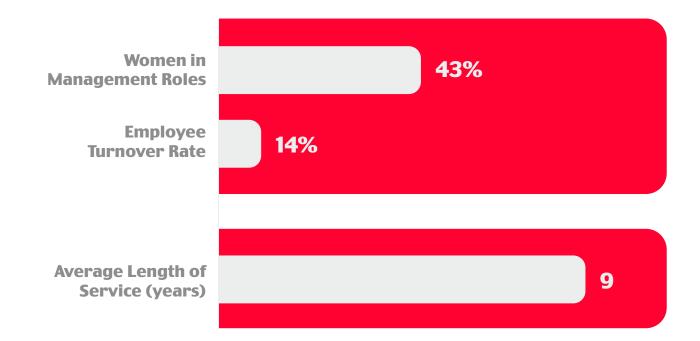
(Variable bonuses according to the Company policies) 25%

#### 🗷 Salary

(Base salary, night work pay, vacations, Social tax by Employer) 72%

#### **STAFF DEVELOPMENT**

Since our family members – our staff – are the heart and soul of Viva–MTS, individuals have the opportunity to consistently acquire new knowledge, both technical and soft–skill related, to ensure that their levels of engagement and productivity are consistently high and healthy. With the impact of Covid–19, the company re–engineered its development programs to help the staff to maintain its dynamism and vitality by transitioning its development programs online, offering flexible e–learning courses.



## RISK MANAGEMENT / ANTICORRUPTION COMPLIANCE

### **HOW WE ARE GOVERNED**

Our Company operates in strict accordance with the Law of the Republic of Armenia on protection of economic competition. This law prohibits any activities that can lead to the violation of competition principles and monopolization of the market. Top management is following up on the compliance of legal requirements on the products and services.

Employees of Viva–MTS are aware of and obliged to act in compliance with the existing laws, rules, and regulations as well as policies and procedures of Viva–MTS. Viva–MTS employees are not allowed to take part in any action or encourage any other third party to violate the laws, rules, and regulations, as well as policies and procedures of the Company.

Along with compliance to the national laws and legislation, the Company has added internal principles to comply with, which are also our priorities under Corporate Governance:

- Anticorruption norms and regulations
- Fraud prevention
- Fair business practices
- Risk management
- Responsible supply chain

We have our anti–corruption program with an aim to provide requirements of anti–corruption legislation applied to the Company.

### **X ANTICORRUPTION NORMS AND REGULATIONS**

It is ensuring the observance of legality, transparency, and social responsibility principles by the Company, upholding its reputation in front of the state, its customers, partners, competitors, and the entire society. It defines principles of preventing corruption by or towards the Company and/or its employees, as well as principles of observance of anti–corruption legislation and prevention of any expression of corruption by the Company during its economic activities in any country.

Our Anti-Corruption legislation compliance goes beyond the already stringent Armenian anti-corruption legislation as we also use it to comply with the main requirements of FCPA and UKBA legislations. The Anti-Corruption Legislation applies to the Board of Directors as well as all employees, representatives, affiliate and subsidiary companies, their management bodies and employees and counterparties.

Furthermore, it also applies to all normative documents and processes regulating sponsorships and philanthropic activities of the Company. All financial transactions regarding the above-mentioned activities are explicitly reflected in accounting reports, and the implemented programs are additionally coordinated. The monitoring of philanthropic investments gives the opportunity to make sure that the invested sums do not appear to be a concealed bribe or commercial bribery. Company management takes necessary safety measures to ensure all political contributions and charitable donations are legal in accordance with applicable anti-corruption legislations.

All staff of the Company has been trained to ensure compliance with the anti-corruption program; a special Anti-Corruption Guideline highlights all the corruption vulnerable areas and how to mitigate them. The Company also has its below Policies for the Company as well as for its stakeholders and counterparties:

- Anti-Corruption Compliance
- Managing the Conflict of Interest
- Code of Business Conduct and Ethics
- Supplier Code of Business Conduct

All the mentioned Policies are available on the Company's website.

Our Conflicts of Interest Policy has been developed to secure that no employee will personally benefit from or at the expense of the Company's interest. It has been implemented to assure the highest level of ethical conduct of employees at all levels. It applies to any situation in which employees happen to be in a position to exploit a professional or official capacity in some way for personal benefit as well as all proprietorships, partnerships, associations, joint ventures, corporations, firms, foundations, or other organizations or entities used in carrying on a trade or business, including parent organizations of such entities or any other arrangement in which an entity operates through a subsidiary. The Conflicts of Interest Policy applies to the Board of Directors as well as all employees, and counterparties. Our Conflicts of Interest Policy refers to money, non-pecuniary and excessive gifts as well as ideas, inventions, technology, creative expression in which a proprietary interest may be claimed, including but not limited to patents, copyrights, trademarks, "know-how", telecom products, and IT-related products. Each employee of "MTS Armenia" signs a statement, which affirms that a copy of the Conflicts of Interest Policy has been received, read, and understood. Employees declare their agreement to comply with the policy and that they will declare any actual or potential case during the whole employment period that might be considered as a conflict of interest.

### **\* FRAUD PREVENTION**

To keep fraud out of the Company, we have set numerous activities, as we regard this as a threat to our long-term business success. We consider fraud to be a deliberate act or act of omission of physical and/or legal entities with a view to gain benefit at the expense of the Company and/or cause material and/or non-pecuniary damage. Examples of fraud can be misrepresentation of financial statements, cloning of SIM cards, theft of company property, etc. Fraud can also relate to deliberate activity of the entities on the communication networks, including fraudulent, illegal access to receive services and the use of resources of the operator without proper payment, unlawful access to any confidential information of the Operator, including for the purpose of gaining benefit, as well as other actions aimed at causing damage and other harm to the Operator. At Viva-MTS, we have set activities to prevent, reveal, evaluate, investigate, and minimize consequences of fraud, to keep our business reliable, clean, and successful. This includes, among others, the implementation of a "Fraud Prevention Policy" and strict guidelines on behavior in case of conflicts of interest or a "Fraud database". This automated system is intended for systematization, storage, and analysis and is determined for group use of knowledge and sharing experience to several business units:

- Security Unit
- Commercial Department
- Finance and Accounting Department
- Internal Control and Audit Department
- Administration Services Department
- Information Systems Department
- Technical Department

It collects or analyzes information on the activity of the best business partners and competitors, on the management methods applied by them, like research of best technologies, industrial processes and methods of organization and marketing of production and services. All Viva–MTS employees are required to perform their work most effectively, and as such, the Company prohibits all conflicts of interest. A conflict of interest may arise when personal interests are involved or at stake, and when relevant decisions may negatively affect the Company's interests.

The interests of the Company and its brand must be the first priority in all decisions and actions taken by Viva–MTS employees. Even the appearance of a Conflict of Interest can damage an important company interest.

Individuals working in Viva–MTS shall at all times act in a manner consistent with their fiduciary responsibilities to the Company and shall exercise particular care that is no detriment to the Company results from conflicts between their interests and those of the Company.



## **× FAIR BUSINESS PRACTICES**

We are committed to conduct our business in a highly ethical manner. This is why we have developed a Code of Ethics based on our core values, which can also be found on our website. Code of Ethics sets forth the principles and ethical standards for the professional conduct and responsibilities of Viva–MTS staff members. These principles and standards should be used as guidelines during our daily professional activities. They constitute normative statements for all of us and provide guidance on issues that we may encounter in our professional work.

At Viva–MTS, we always strive to observe legality, act honestly, and meet our professionals for the good of our operation and the society in which we work. Commitment to ethical professional conduct is expected and mandatory for each member of Viva–MTS.

The Code of Ethics is available to all Viva–MTS employees via internal portal and is being presented to each new employee during the orientation sessions. HR Department employees can be contacted at any time for guidance on it and in case of uncertainties.

Confidentiality of information and fulfillment of obligations of the law are guaranteed. Viva–MTS has also created a Hotline to ensure respectful and open working environment. It is particularly important that the employees are treated fairly and that they receive prompt responses to their concerns and problems. At the same time, the Hotline of Viva–MTS is created to enhance the effectiveness of prevention, fight against the corresponding risks and detection of the potential facts of fraud, violations, and infringements in the fields of finance and accounting, internal control, sales, procurement, and customer service, as well as contract relations and in many other processes that have a significant value for the business. All appropriate actions will be taken to investigate any violation reported.

## **X RISK MANAGEMENT**

We use an Integrated Risk Management process, aimed at coordination of structural subdivisions of Viva–MTS with regard to the management of the most significant risks. Its objective is to provide the management of the Company with adequate information on significant risks, to take timely preventive measures to respond and to provide the management and concerned subdivisions of the Company with analytics on the most significant risks concerning our economical, ecological, and social performance.

Each risk has its detailed analysis which contains the actual information on the risk including the description of the risk, risk assessment, the list of regular procedures, additional measures, response plans, cases of risk realization, a quarterly summary on the monitoring results. Measures are aimed at reducing the consequences of risk realization and extend them to Response and Contingency Plans.

Risk-based planned and unplanned internal audit and consulting engagements are being conducted and reported to the board of directors and improvement action plans are being monitored continuously by internal audit team.

### **SUPPLIER RELATIONSHIP MANAGEMENT**

All suppliers of Viva–MTS are treated treated with fair competition or bidding. There is an inclusive, independent, objective, and fair consideration of the supplier qualification, product/service quality, reputation through a tender or other fair/reasonable means based on Viva–MTS Purchasing Policy. In 2022, 82% of the selected suppliers were local.

We abide by the laws and regulations against unfair competition or monopoly, corruption and bribery. We protect the legal interests of the Company and reject bribes, discounts through unauthorized repayments, or material benefits that could be offered by a supplier. We comply with Viva–MTS corporate culture and respect the corporate culture of the supplier, treat suppliers and their representatives in an accepted etiquette and strictly keep the confidentiality of supplier information in accordance with mutual agreement and legislation.

# SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY

CSR reflects the commitments of any business and organization, whether in the private or the public sector, towards the society in which they operate. The fact is that companies have an impact on the society and the environment through their operations, products, and services and through their interaction with key stakeholders such as employees, customers, investors, local communities, suppliers, and others. CSR means understanding such impacts and managing business processes in a way to add social, environmental, and economic value for producing a positive sustainable outcome for both the society and the business. In other words, it's a living managerial language, which penetrates into each function and

cannot be confined to random programs conducted by few departments in isolation from one another.

### **X CSR FOR VIVA-MTS**

For Viva–MTS. CSR is to work and build a business and social relationships based on respect. ethics, dedication, responsibility, and trust, to maintain a healthy and safe workplace for all our employees, to provide conditions that are conducive to the development of the professional strengths and a sense of individual accountability, to strive for an equal approach in employee hiring and promotion, to keep honest relationships with suppliers, to deliver quality service for all our citizens. Viva-MTS' CSR vision is to better enhance the status of the Company, position and develop itself as a pre-eminent local financial and business center working for the benefits of Armenians, Armenia, and its nation at large. Viva-MTS believes in its capacity to contribute in promoting the understanding of multidimensional and evolving nature of CSR, hoping to set an example for other local institutions to follow the same steps.

Prosperity cannot be maximized in isolation, we must build it hand in hand, and it is hand in hand that we should walk towards future Armenia.

### X OUR PARTNERS

In the frames of CSR activities through 2020, Viva–MTS has partnered with the following organizations:

- 🕱 "Hayastan" All–Armenian Fund
- ➤ "Catalyst" High-Tech and Entrepreneurship Development Foundation
- Union of Employers of Information and Communication Technologies (UEICT)
- ► Foundation for the Preservation of Wildlife and Cultural Assets (FPWC)
- Source" Fund
- "International Child Development Center" NGO
- 🗶 "My Forest Armenia"
- Soldier's House"
- 🕱 "Athena" Foundation

# SOCIAL INVESTMENTS

Within 2022, Viva–MTS has implemented social investments in the areas of:

- Education
- Environmental protection
- Healthcare
- Regional development



Investments in education sector involved sponsorship in the Global IT Award, the International Microelectronics Olympiad, the Armenia Startup academy program, Digital courses of the high schools, the Smart Solutions Center at Polytechnic University.

Investments in the field of environmental protection are directed to the environmental protection projects partnered with FPWC and tree planting with "My Forest Armenia".

Healthcare sector includes investments in the "Source" Fund, the "International Child Development Center", "Soldier's House" NGO.

Regional development involves investments in the Alternative energy in the rural areas of Armenia.



## SUSTAINABILITY REPORT



MTS Armenia – the main business achievements of the company that affect the sustainable development of the territory of presence and improve the quality of life of the population.

"MTS Armenia" CJSC, the largest of the three mobile operators existing in the Armenian market, is a 100% subsidiary of "MTS" PJSC.

Under the trademark Viva–MTS, the company provides mobile and fixed communication services, as well as offers cloud and financial services to its subscribers (payments and transfers are carried out by the subsidiary "Mobidram" CJSC).

MTS Armenia is the leader of the Armenian mobile communications market in terms of the number of subscribers and revenue.

MTS Armenia ended 2022 with a market share by subscribers in the fourth quarter of 2022 of 58.45%, and a market share by revenue in 2022 of 57.25%. The market share of subscribers of package tariff plans reached 86% (+4 percentage points year to year), and the share of subscribers using data transmission in the fourth quarter of 2022 is 79%. The average volume of calls per MTS Armenia subscriber in 2022 was 641 minutes per month, while data usage was 8.8 gigabytes per month (+31% year to year).

MTS Armenia is confidently leading the market in terms of loyalty index (NPS).

In 2022, the market recovery continued, but the main event in the Armenian economy in 2022, of course, was the unplanned tourist flow from Russia, which led to an increase in new activations compared to 2021. In 2022, MTS Armenia managed to stop the fall in roaming revenues. The low dollar exchange rate had a negative impact on interconnect revenues. In order to minimize the risks from exchange rate fluctuations, at the end of September the Central Bank adopted a number of amendments, and a ban on the use of electronic wallets without attaching bank cards was adopted, which made it difficult to attract new Fintech customers.

The integration of converged solutions in cooperation with local partners is developing rapidly. Viva–MTS strategy aims at creating a new partnership ecosystem that helps to develop new business models and identify new sources of income.

The share of revenue from non-traditional voice and data services compared to digital services has increased due to digital products such as mobile applications for financial management, entertainment, education and healthy lifestyle. One of the successful projects is the cooperation with Yandex, which consists of providing the "Yandex Plus" package to those who activate the "+ Premium" package. "Yandex Plus" offers a 10% discount on "Yandex Go" taxis, "KinoPoisk" and "Yandex Music" applications.

Compared to the previous year, in 2022, the consumption of cloud services increased by 50%, the consumption of B2B services – by 12%, and the consumption of mobile services within B2B increased by 23%.

#CloudMTS cloud infrastructure includes IT services, including collocation, virtual infrastructure, and back-up solutions, based on modern software and hardware technologies.

The company provides services of fixed VoIP, fixed broadband Internet and data transmission, as well as international communication channels.

In Armenia, revenue for the period FY2022 reached AMD 51.0 billion (an increase of 4.1% compared to FY2021), which is mainly due to an increase in revenue from the provision of communication services. OIBDA for the period FY2022 reached AMD 27.5 billion (an increase of 6.4% compared to FY2021). The volume of the subscriber base at the end of the period Y2022 amounted to 2.3 million users, which is 1.6% more than the volume of FY2021.

MTS 2G communication covers 69.4% of the territory of Armenia, where 99.3% of the country's population lives. MTS 3G communication covers 71.3% of the territory of Armenia, where 99.8% of the country's population lives. The MTS 4G–LTE network is available on 69.4% of the territory of Armenia and is available to 99.3% of the country's residents.

Infrastructure: indicate the main directions of infrastructure development in 2022: 3G, LTE, fixed connection, Internet.

Viva-MTS has 13 base stations located in hard-to-reach places, where energy is supplied through a photovoltaic solar system. In places where there is no centralized electricity supply, Viva-MTS mainly uses a hybrid method of providing electricity.

In 2022, MTS Armenia continued to expand its LTE network – more than 1,350 base stations support 4G/LTE.

Describe, if available, the key aspects of the ESG transformation in the vertical (changes in IND, new divisions / collegial bodies, strategies, etc.)

Describe measures to improve customer service in 2022 (description, results).

SIVR (Situational Interactive Voice Response System)

The launch of a new system for prepaid, postpaid, and corporate clients was carried out in 2022.

SIVR gives opportunity to receive information according to established methods from various internal systems and, based on this information, report relevant SIVR records to customers calling the call center based on certain scenarios (set jointly by the customer service team and the marketing and communications department).

Situational IVR allows you to create an individual menu or a menu depending on a number of conditions (SIM card type, debt, balance, credit limit, etc.) for a specific client, which leads to personalization of the automated service and increased customer popularity, self-service through SIVR without the need for further connection and maintenance by call center operators.

The IVR/SIVR gross (% of call center callers who were served through SIVR without the need to further connect to call center operators) was 77% in December 2022 compared to 61% in December 2020. Thus, there is a positive trend in the growth of SIVR.

The dynamics of T–NPS (Promoter Sensor Network Score) for the call center on a year–on–year basis was as follows: 66 for 2022 compared to 55 for 2020. So overall, customer satisfaction and call center experience have a positive upward trend.

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#### **Knowledge Base portal**

The Knowledge Base Portal (Information Portal CC KB) based on Wiki technology was implemented in 2022 with a further regular approach to online updates and maintenance through internal resources. The Knowledge Base Portal provides a unified knowledge base and information portal for support service employees (Call Center & Digital Support), a user-friendly interface and quick search capability, making it easier for staff to access information. As a result, employees will provide the necessary information to customers faster and serve customers more effectively and efficiently.

#### **Digital Support: Online chat**

The launch of the beta version of the online chat and the transition to the new Genesys contact center system were in 2022.

Online chat is an effective tool for communicating with customers and, from the customer's point of view, a more convenient and understandable interface. Employees answer all the questions of customers in a short time. Online chat is a matter of further expansion in 2023 with other digital customer interaction points, such as the online store and "My Viva–MTS" mobile application.

#### Extension of online payment types for an online store

Expanding the variety of online payment types for the customers of the Online Store (E–Shop) was one of the e-commerce priorities: the integration of the Online Store with Armenian e-wallets was completed in 2022. Another priority for 2022 was the implementation of express delivery for online store customers in order to improve the customer service quality. As a result, in Yerevan, for most requests, delivery within the capital city Yerevan is carried out within a day in a few hours. For 2023, a similar approach is planned to be applied for the regions within the existing capabilities of the Company.

### Corporate social responsibility of the company (ESG-projects): with quantitative and qualitative results, dynamics and its explanation

- social projects for users (separate file with photos)
- business support projects
- inclusive projects
- environmental projects, including environmental education
- volunteer projects
- projects in support of employees (care for employees)

#### **ESG Achievements and Awards in 2022**

Measures to improve customer service in 2022

#### Paid income tax of MTS Group, thousand rubles

|         | 2019    | 2020    | 2021    | 2022          |
|---------|---------|---------|---------|---------------|
| Armenia | 445 967 | 475 274 | 576,661 | 2,340,786.728 |
| Total   | 445 967 | 475 274 | 576,661 | 2,340,786.728 |

#### Procurement Share of local suppliers, %

|                    | 2019   | 2020   | 2021   | 2022   |
|--------------------|--------|--------|--------|--------|
| "MTS Armenia" CJSC | 82.35% | 75.36% | 82.08% | 80.21% |

### The share of medium and small entrepreneurs in procurement

| The share of medium and small | 2019   | 2020   | 2021   | 2022   |
|-------------------------------|--------|--------|--------|--------|
| entrepreneurs in procurement  | 70.36% | 69.32% | 69.04% | 64.75% |

On a regular basis, the procurement department of MTS Armenia (simple procurement group) conducts procurement procedures for the selection of suppliers providing waste disposal and recycling services. In order to minimize the environmental impact of the organization, the requirements for the selection of certified suppliers and certification of products are included in the Procurement Documentation and in PR-ARM-233 "Supplier selection process in "MTS Armenia" CJSC".

For the needs of the site implementation unit of the Company's Technical department, in 2021, the procurement procedure "Indoor power systems to be used in Solar Systems" was carried out, as a result of which 5 units of "Indoor power systems" were purchased; in 2022, it is planned to purchase 3 units of "Indoor power systems"

And CAPEX for 2022 equals to 11 bln. AMD



### **X** Using solar energy to power base stations

In 2022, were there any panel installations?

In 2022, there were no installations and purchases of solar panels.

#### **Certified Suppliers**

| Organization<br>name     | In 2021, inclusion of the requirement for the supplier to have an environmental certificate indicating the type of purchase                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | In 2022, inclusion of the requirement for the supplier to have an environmental certificate indicating the type of purchase                                                                                                                                                                                 | Plans for 2023                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| "MTS<br>Armenia"<br>CJSC | <ul> <li>RFQ for the supply of office paper: copies of documents confirming the quality of the offered office paper; requirements for recycled office paper; the selected supplier must provide a certificate of origin for each batch of imported goods for the entire order</li> <li>RFQ for the provision of cleaning services: cleaning products used in the performance of cleaning services must be non-chlorinated and non-allergic. The selected supplier must provide a certificate of origin for each batch of imported goods for the entire order</li> <li>RFQ for the supply of arconditioning and heating systems</li> </ul> | It is planned during the<br>following PPs:<br>1.RFQ for the supply of batteries<br>2.RFQ for the supply of<br>consumables for printers<br>3. RFQ for the supply of office<br>paper<br>4.RFQ for the provision of<br>cleaning services<br>5.RFQ for the supply of air<br>conditioning and heating<br>systems | It is planned during the following PPs:<br>1. RFQ for the supply of batteries<br>2. RFQ for the supply (HVAC) of air conditioning, heating, ventilation systems<br>3. RFQ for the supply of photovoltaic systems<br>4. RFQ for the supply of office paper<br>5. PP for the supply of cash register paper<br>6. PP for the supply of paper for queue management systems equipment<br>7. RFQ for the provision of cleaning services |

## X Innovations, key infrastructure projects

The priority areas for development are Telecom, Content, digital products – application development, Cloud, financial services, etc. The development of a business ecosystem based on our own and partner developments is a strategic direction.

#### Infrastructure development in 2022: 3G, LTE, fixed connection, internet.

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Number of calls to the hotline (including employees), number of resolved calls

|                                         | 2019 | 2020 | 2021 | 2022 |
|-----------------------------------------|------|------|------|------|
| Number of employee calls to the hotline |      |      |      |      |
| "MTS Armenia" CJSC                      |      |      |      | 16   |
| Number of resolved calls                |      |      |      |      |
| "MTS Armenia" CJSC                      |      |      |      | 16   |

### 🗶 Training

Number of training days per employee of "MTS Armenia" CJSC

| Organization name  | 2019 | 2020 | 2021 | 2022 |
|--------------------|------|------|------|------|
| "MTS Armenia" CJSC | 2    | 2    | 2    | 2    |

Number of trained employees of "MTS Armenia" CJSC, broken down by external, internal, and distance learning, persons/courses.

| Year | Type of training     | "MTS Armenia" CJSC |
|------|----------------------|--------------------|
| 2019 | Internal (full-time) | 599                |
|      | External (full-time) | 433                |
|      | Distance             | 691                |
| 2020 | Internal (full-time) | 292                |
|      | External (full-time) | 179                |
|      | Distance             | 77                 |
| 2021 | Internal (full-time) | 175                |
|      | External (full-time) | 241                |
|      | Distance             | 113                |
| 2022 | Internal (full-time) | 441                |
|      | External (full-time) | 924                |
|      | Distance             | 171                |

The number of students who have completed internships at "MTS Armenia" CJSC.

| Organization name  | 2019 | 2020 | 2021 | 2022 |
|--------------------|------|------|------|------|
| "MTS Armenia" CJSC | 146  | 10   | 2    | 5    |

Labor protection

Labor protection: management system; main risks/causes of employee injuries; what is being done to minimize them.

Number of employees who have completed internal and external trainings in labor protection, pers.

| Organization name  | 2019 | 2020 | 2021 | 2022 |
|--------------------|------|------|------|------|
| "MTS Armenia" CJSC | 345  | 56   | 196  | 321  |

Injury rates of employees of "MTS Armenia" CJSC in 2022

| Name                                 | <b>"MTS Ar</b> r | nenia" CJSC |
|--------------------------------------|------------------|-------------|
|                                      | male             | female      |
| The number of occupational injuries, |                  |             |
| Including:                           | 0                | 0           |
| Resulting in death                   | 0                | 0           |
| Occupational injury frequency        | 0                | 0           |
| Occupational injury rate (OIR)       | 0                | 0           |
| Occupational disease rate (ODR)      | 0                | 0           |
| Workplace absence rate (AR)          | 0                | 0           |
| Lost workday rate (LWR)              | 0                | 0           |
| LTIFR                                |                  |             |

# ADDITIONAL INFORMATION

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