PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

Consolidated Financial Statements

As of December 31, 2022, 2021 and
for the Years Ended December 31, 2022,
2021 and 2020

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Mobile TeleSystems PJSC and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at 31 December 2022 and 2021, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Auditor's Independence Rules and the Auditor's Professional Ethics Code*, that are relevant to our audit of the financial statements in the Russian Federation together with the ethical requirements of the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Revenue recognition The Group's revenue from telecommunication services consists of a significant volume of low-value transactions, sourced from multiple systems, databases, and other tools, including billing systems. The processing and recording of revenue is highly automated and is based on established tariff plans. We identified this matter as a key audit matter due to the complexity of information systems involved in the revenue recognition process and the risks associated with recognition and measurement of revenue, arising from the diversity and constant evolution of tariff plans, marketing offers and discounts provided to customers. The auditing of revenue required an increased extent of audit effort, including the need for us to involve professionals with expertise in information technology (IT) to identify, test, and evaluate the Group's systems, software applications, and automated controls. See Note 6 to the consolidated financial statements.	Our audit procedures related to the Group's revenue recognition for telecommunication services included the following, among others: • We evaluated the IT environment that secures proper functioning of billing and other IT systems related to accounting, including control procedures for monitoring changes and segregation of duties, as well as testing of these controls; • We tested the design and operating effectiveness of internal controls over revenue recognition, including the recording and registration of phone calls, call duration, provision of data and value added services; authorization of changes in tariff plans and input of this information into the billing systems; and the accuracy of the application of incentive arrangements and discounts; • We performed end-to-end testing of the reconciliation of data on the duration and volume of telecommunication services provided from their initial registration by switching equipment to billing and other IT systems and then to accounting records, including testing of certain manual adjustments recorded when transferring data from billing and other IT systems to the general ledger; • We used test calls to test the accuracy of the details of connections, their duration and the tariff plans applied; • We tested whether incentive arrangements and discounts were correctly accounted for in accordance with the relevant accounting policies of the Group; • We agreed the information on active tariffs entered in the billing systems to the approved tariff orders and published tariff plans; • We evaluated the Group's accounting policy with respect to the recognition of revenue from the provision of services to subscribers to determine if the existing policy continues to be appropriate; and • We assessed the compliance of the disclosures in the consolidated financial statements with the requirements of IFRS 15, Revenue from Contracts with Customers.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Compliance with anti-bribery laws and regulations and associated accounting and disclosure implications In March 2019, the Group reached a resolution with the United States Securities and Exchange Commission (“SEC”) and the United States Department of Justice (“DOJ”) relating to the investigation concerning the Group’s former subsidiary in Uzbekistan. The Group consented to the commencement of an administrative cease-and-desist order (the “Order”) by the SEC and entered into a deferred prosecution agreement (“DPA“). Under the DPA and the Order in September 2019 the Group appointed an independent compliance monitor (“Independent Monitor”) for, inter alia, review, testing and improving MTS’ anti-corruption compliance code, policies, and procedures for a period of three years. In 2021, the DOJ and SEC approved a one year extension of the monitorship, which is permitted by the terms of the DPA and the Order. The audit procedures necessary to evaluate management's judgments in area of potential instance of non-compliance with anti-corruption laws and regulations as of December 31, 2022 required a high degree of auditor judgment in evaluating whether the audit evidence obtained supports management's estimate. See Note 33 to the consolidated financial statements.	Our audit procedures related to the Group’s estimation of any contingencies related to any potential instance of non-compliance with anti-corruption laws and regulations included the following, among others: • We inspected the laws and regulations the Group has to comply with in order to obtain an understanding of the relevance and applicability to the Group and to assess any potential penalties that may arise for non-compliance; • We read the procedures performed by the Independent Monitor and evaluated the implications of their findings, including discussing these with management of the Group as well as internal and external legal advisors; • We inquired management regarding their follow up on the results of internal and external investigations and on the design and operational effectiveness of the Group’s compliance programs and internal controls relating to the prevention and detection of fraud and corruption; • We tested the design and operating effectiveness of internal controls, including, amongst others, the control environment (including whistle-blower and internal fraud management cases) and the controls for the adherence of business partners to the anti-corruption codes; • We read the minutes of the Board of Directors’ meetings; • We evaluated management’s assessment of compliance with anti-corruption laws and regulations as well as an estimation of contingencies related to any potential instances of non-compliance; • We obtained letters from external and internal legal counsel; and • We evaluated the Group's accounting policy with respect to the accounting for provisions and disclosure of contingent liabilities to determine if the existing policy continues to be appropriate, and assessed the compliance of the disclosures in the consolidated financial statements against the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets.*
Assessment and measurement of expected credit losses on loans to customers The Group applies an ‘expected loss’ model to determine the impairment of loans to customers of MTS Bank. As described in Note 29, *MTS Bank financial assets and liabilities*, the Group reported an allowance	Our audit procedures related to the assessment and measurement of expected credit losses of loans to customers assessed on a collective basis included the following, among others: • We tested the design and the effectiveness of internal controls over key assumptions in the assessment of probability of default of customers;

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
for expected credit losses of RUB 36,798 million as at December 31, 2022 in respect of loans to customers (2021: RUB 21,144 million), including allowance for expected credit losses in the amount of RUB 33,814 million as at December 31, 2022 in respect of loans to individuals (2021: RUB 17,976 million). Due to the underlying assumptions and estimations, in particular the evaluation of the probability of default for loans assessed on a collective basis, the determination of expected credit losses is one of the most significant management estimates. We identified this area as a key audit matter because models and techniques applied in calculating of expected credit losses requires the use of statistical data as well as the application of complex and subjective judgments by management. Therefore, a high degree of auditor judgment and an increased extent of audit effort was required in this area, including the need to involve our actuarial specialists and to perform focused audit procedures to evaluate management judgements made in estimating the allowance for expected credit loses to customers. See Note 3 and Note 29 to the consolidated financial statements.	• We evaluated compliance of the methodology, models and techniques, used by the Group's management to determine the expected credit losses, with the requirements of IFRS 9, *Financial Instruments*; • With the assistance of our actuarial specialists, we performed an analysis of the integrity and logic of the models and assessed the most critical underlying assumptions against historical data and recent trends of default ratios, the retrospective testing of internally developed models performed by the Group, and assessed the Group managements' judgments regarding the impact of restructuring loans to customers and other external factors on expected credit losses; • We tested the completeness and accuracy of statistical historical data used in the estimation of expected credit losses; and • We evaluated the compliance of the disclosures in the consolidated financial statements with the requirements of IFRS 9, *Financial Instruments.*

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report for 2022 (the "Annual report") and the Issuer's report for 12 months of 2022 (the "Issuer's report"), but does not include the consolidated financial statements and our auditor's report thereon. The Annual report and Issuer's report are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual report and Issuer's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Andrei Shvetsov
(ORNZ №21906101417)
Engagement partner
Acting based on the power of attorney issued by the General Director on 10.06.2022 authorizing to sign off the audit report on behalf of AO “Business Solutions and Technologies” (ORNZ № 12006020384)

1 March 2023

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021
(Amounts in millions of Russian Rubles)

	Notes	December 31, 2022	December 31, 2021
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	19	312,509	311,250
Investment property		4,925	2,498
Right-of-use assets	24	120,192	132,343
Goodwill	20	55,694	42,819
Other intangible assets	22	109,549	100,132
Investments in associates and joint ventures	15	9,752	8,735
Other investments	16	7,539	4,591
Deferred tax assets	11	11,610	11,683
Accounts receivable, related parties	30	1,767	5,000
Trade accounts receivable	17	882	1,898
Bank deposits and loans to customers	29	138,199	118,342
Other financial assets	27	5,383	7,437
Other assets		4,046	5,790
Total non-current assets		**782,047**	**752,518**
CURRENT ASSETS:			
Inventories	18	14,199	18,981
Trade and other receivables	17	37,176	37,897
Accounts receivable, related parties	30	2,643	2,287
Bank deposits and loans to customers	29	96,135	87,594
Short-term investments	14	24,422	28,972
Advances paid and prepaid expenses		8,160	3,452
VAT receivable		10,867	11,746
Income tax assets		785	2,021
Assets held for sale		273	549
Cash and cash equivalents	13	78,292	40,590
Other financial assets	27	24,015	27,349
Other assets		3,916	1,862
Total current assets		**300,883**	**263,300**
TOTAL ASSETS		**1,082,930**	**1,015,818**

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021 (CONTINUED)
(Amounts in millions of Russian Rubles)

	Notes	December 31, 2022	December 31, 2021
EQUITY AND LIABILITIES			
EQUITY:			
Common stock	32	200	200
Treasury stock	32	(92,307)	(96,195)
Additional paid-in capital		895	619
Retained earnings		69,742	94,935
Accumulated other comprehensive income	32	12,103	10,207
Equity attributable to owners of the Company		(9,367)	9,766
Non-controlling interests		5,750	4,838
Total equity		**(3,617)**	**14,604**
NON-CURRENT LIABILITIES:			
Borrowings	23	368,393	350,300
Lease obligations	24	123,894	135,800
Bank deposits and liabilities	29	12,397	14,313
Deferred tax liabilities	11	17,759	17,901
Provisions	26	7,288	7,288
Contract liabilities	6	1,124	977
Other financial liabilities	27	3,464	180
Other liabilities		883	1,035
Total non-current liabilities		**535,202**	**527,794**
CURRENT LIABILITIES:			
Trade and other payables		67,166	72,078
Accounts payable, related parties	30	1,451	4,107
Contract liabilities	6	26,082	22,621
Borrowings	23	117,747	111,839
Lease obligations	24	19,608	18,709
Bank deposits and liabilities	29	260,744	207,055
Income tax liabilities		3,150	768
Provisions	26	23,757	17,479
Other financial liabilities	27	2,985	202
Other liabilities		28,655	18,562
Total current liabilities		**551,345**	**473,420**
TOTAL EQUITY AND LIABILITIES		**1,082,930**	**1,015,818**

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

President and CEO

______________________ Vyacheslav K. Nikolaev

March 1, 2023

Vice-president, Finance

______________________ Andrey M. Kamensky

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in millions of Russian Rubles, except per share amounts)

	Notes	**2022**	**2021**	**2020**
Service revenue		496,669	457,668	425,433
Sales of goods		45,080	70,253	64,398
Revenue	5,6	**541,749**	**527,921**	**489,831**
Cost of services		151,780	132,613	121,317
Cost of goods	18	41,153	67,274	59,572
Selling, general and administrative expenses	7	109,401	96,035	87,802
Depreciation and amortization	5	114,393	110,962	100,143
Share of the profit of operating associates and joint ventures	15	(4,596)	(5,565)	(5,048)
Impairment of non-current assets	21	489	(10)	2,023
Expected credit losses	17	26,366	13,001	11,912
Other operating income		(6,674)	(4,394)	(493)
Operating profit	5	**109,437**	**118,005**	**112,603**
Finance income	8	(1,774)	(2,518)	(3,437)
Finance costs	8	58,378	41,342	42,078
Share of the profit of non-operating associates and joint ventures	15	(209)	(181)	(273)
Other non-operating expenses/(income)	9	3,041	525	(3,097)
Profit before tax		**50,001**	**78,837**	**77,332**
Income tax expense	11	13,648	15,360	16,055
Profit for the year from continuing operations		**36,353**	**63,477**	**61,277**
Loss/(Profit) from discontinued operations	10	2,918	(792)	(796)
Profit for the year		**33,435**	**64,269**	**62,073**
Profit for the year attributable to:				
Owners of the Company		32,574	63,473	61,412
Non-controlling interests		861	796	661
Earnings per share from continuing operations (basic and diluted), Russian Rubles:	12	21.13 and 20.81	37.02 and 36.83	34.43 and 34.41
Earnings per share from discontinued operations (basic and diluted), Russian Rubles:	12	(1.74) and (1.71)	0.47 and 0.47	0.45 and 0.45
Earnings per share, total (basic and diluted), Russian Rubles:	12	19.39 and 19.10	37.49 and 37.30	34.88 and 34.86

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

President and CEO

____________________ Vyacheslav K. Nikolaev

March 1, 2023

Vice-president, Finance

____________________ Andrey M. Kamensky

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in millions of Russian Rubles)

	2022	2021	2020
Profit for the year	**33,435**	**64,269**	**62,073**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Reclassification to profit and loss due to Disposal of Nvision Czech Republic a.s., (Note 10)	794	-	-
Exchange differences on translating foreign operations	2,026	1,102	1,840
Net fair value (loss) on financial instruments	(134)	-	-
Share of other comprehensive (loss) / income of associates			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations in associates	(790)	95	(196)
Other comprehensive income for the year, net of income tax	**1,896**	**1,197**	**1,644**
Total comprehensive income for the year	**35,331**	**65,466**	**63,717**
Total comprehensive income for the year attributable to:			
Owners of the Company	34,470	64,670	63,056
Non-controlling interests	861	796	661

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

President and CEO

_____________________ Vyacheslav K. Nikolaev

March 1, 2023

Vice-president, Finance

_____________________ Andrey M. Kamensky

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in millions of Russian Rubles, except share amounts)

	Common stock		Treasury stock			Accumulated other comprehensive income / (loss)					
	Shares	**Amount**	**Shares**	**Amount**	**Additional paid-in capital**	**Foreign currency translation reserve**	**Remeasure-ments of the net defined benefit liability**	**Retained earnings**	**Equity attributable to equity holders**	**Non-controlling interests**	**Total equity**
Balances at January 1, 2020	**1,998,381,575**	**200**	**(225,547,422)**	**(59,748)**	**-**	**6,697**	**670**	**85,249**	**33,068**	**3,326**	**36,394**
Profit for the year	-	-	-	-	-	-	-	61,412	61,412	661	62,073
Currency translation adjustment	-	-	-	-	-	1,644	-	-	1,644	-	1,644
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**1,644**	-	**61,412**	**63,056**	**661**	**63,717**
Issuance of stock options	-	-	-	-	560	-	-	-	560	-	560
Exercise of stock options	-	-	2,865,735	768	(767)	-	-	-	-	-	-
Dividends declared by MTS	-	-	-	-	-	-	-	(52,012)	(52,012)	-	(52,012)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	52	52
Purchase of own stock (Note 31)	-	-	(48,797,719)	(16,010)	-	-	-	-	(16,010)	-	(16,010)
Reclass to retained earnings	-	-	-	-	296	-	-	(258)	38	(49)	(11)
Balances at December 31, 2020	**1,998,381,575**	**200**	**(271,479,406)**	**(74,990)**	**89**	**8,341**	**670**	**94,391**	**28,700**	**3,990**	**32,690**
Profit for the year	-	-	-	-	-	-	-	63,473	63,473	796	64,269
Currency translation adjustment	-	-	-	-	-	1,197	-	-	1,197	-	1,197
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**1,197**	-	**63,473**	**64,670**	**796**	**65,466**
Issuance of stock options	-	-	-	-	2,796	-	-	-	2,796	-	2,796
Exercise of stock options	-	-	1,030,559	279	(263)	-	-	-	16	-	16
Dividends declared by MTS	-	-	-	-	-	-	-	(61,967)	(61,967)	-	(61,967)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	52	52
Purchase of own stock (Note 31)	-	-	(65,308,610)	(21,484)	-	-	-	-	(21,484)	-	(21,484)
Purchase of non-controlling interests	-	-	-	-	(143)	-	-	-	(143)	-	(143)
Acquisitions under common control (Note 4)	-	-	-	-	(2,794)	-	-	-	(2,794)	-	(2,794)
Reclass to retained earnings and other	-	-	-	-	934	-	-	(962)	(28)	-	(28)
Balances at December 31, 2021	**1,998,381,575**	**200**	**(335,757,457)**	**(96,195)**	**619**	**9,537**	**670**	**94,935**	**9,766**	**4,838**	**14,604**

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020 (CONTINUED)

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

	Common stock		Treasury stock			Accumulated other comprehensive income / (loss)						
	Shares	Amount	Shares	Amount	Additional paid-in capital	Investment revaluation reserve	Foreign currency translation reserve	Remeasure-ments of the net defined benefit liability	Retained earnings	Equity attributable to equity holders	Non-controlling interests	Total equity
Balances at December 31, 2021	**1,998,381,575**	**200**	**(335,757,457)**	**(96,195)**	**619**	**-**	**9,537**	**670**	**94,935**	**9,766**	**4,838**	**14,604**
Profit for the year	-	-	-	-	-	-	-	-	32,574	32,574	861	33,435
Disposal of subsidiary, net of tax	-	-	-	-	-	-	794	-	-	794	-	794
Currency translation adjustment			-	-	-		1,236	-	-	1,236	-	1,236
Change in fair value of investments, net of tax	-	-	-	-	-	(134)	-	-	-	(134)	-	(134)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(134)**	**2,030**	**-**	**32,574**	**34,470**	**861**	**35,331**
Issuance of stock options	-	-	-	-	863	-	-	-	-	863	-	863
Exercise of stock options	-	-	20,329,732	3,888	(1,579)	-	-	-	-	2,309	-	2,309
Dividends declared by MTS	-	-	-	-	-	-	-	-	(56,573)	(56,573)	-	(56,573)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	51	51
Disposal of subsidiary	-	-	-	-	(202)	-	-	-	-	(202)	-	(202)
Reclass to retained earnings	-	-	-	-	1,194	-	-	-	(1,194)	-	-	-
Balances at December 31, 2022	**1,998,381,575**	**200**	**(315,427,725)**	**(92,307)**	**895**	**(134)**	**11,567**	**670**	**69,742**	**(9,367)**	**5,750**	**(3,617)**

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

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in millions of Russian Rubles)

	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year	33,434	64,269	62,073
Adjustments for:			
Depreciation and amortization	114,491	111,088	100,205
Impairment of non-current assets	489	(10)	2,023
Expected credit loss	26,359	12,983	11,936
Loss/(gain) from sale of Czech/Ukraine operations (Note 10)	1,367	54	(2,101)
Finance income	(1,774)	(2,518)	(3,439)
Finance costs	58,393	41,352	42,085
Income tax expense	13,616	15,403	17,191
Share of profit of associates and joint ventures	(4,805)	(5,746)	(5,321)
Net foreign exchange loss / (gain) and change in fair value of financial instruments	4,371	186	(4,330)
Inventory obsolescence expense	2,920	1,456	891
Change in provisions	6,468	3,620	1,492
Other non-cash items	(1,405)	(4,360)	(4,393)
Movements in operating assets and liabilities:			
(Increase)/Decrease in trade and other receivables and contract assets	(1,528)	(2,608)	1,904
Increase in bank deposits and loans to customers	(57,027)	(101,897)	(33,570)
Decrease / (Increase) in inventory	810	(5,206)	(630)
Increase in advances paid and prepaid expenses	(4,009)	(2,526)	(6,507)
Decrease / (Increase) in VAT receivable	876	(2,821)	482
Increase / (Decrease) in trade and other payables, contract liabilities and other current liabilities	7,036	16,544	(1,104)
Increase in bank deposits and liabilities	50,464	53,765	27,172
Dividends received	4,614	4,794	3,676
Income tax paid	(11,255)	(17,494)	(15,193)
Interest received	1,914	3,150	2,727
Interest paid, net of interest capitalized	(55,227)	(40,632)	(41,762)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**190,592**	**142,846**	**155,507**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of subsidiaries, net of cash acquired (Note 4)	(13,948)	(10,186)	(262)
Purchases of property, plant and equipment (including capitalized interest in the amount of RUB 841 million, RUB 533 million and RUB 550 million, respectively)	(70,624)	(73,081)	(66,256)
Purchases of other intangible assets	(41,957)	(38,602)	(31,153)
Purchase of Avantage	-	-	(429)
Cost to obtain and fulfill contracts, paid	(4,358)	(4,218)	(5,442)
Proceeds from sale of property, plant and equipment and assets held for sale	5,938	5,082	6,678
Purchases of short-term and other investments	(2,567)	(13,765)	(10,054)
Proceeds from sale of short-term and other investments	10,602	13,085	16,012
Investments in associates and joint ventures (Note 15)	(1,587)	(1,087)	(1,460)
Cash (payments) and proceeds related to swap contracts	(242)	(657)	5,322
Proceeds from sale of subsidiaries, net of cash disposed (Notes 10 and 30)	(149)	3,891	3,461
Proceeds from sale/liquidation of associates (Note 15)	-	3,014	2,450
Other investing activities	654	92	-
NET CASH USED IN INVESTING ACTIVITIES	**(118,238)**	**(116,432)**	**(81,133)**

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020 (CONTINUED)
(Amounts in millions of Russian Rubles)

	2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of notes	(56,767)	(20,813)	(28,167)
Proceeds from issuance of notes	63,970	4,350	46,757
Notes and debt issuance cost paid	(263)	(96)	(107)
Lease obligation principal paid	(16,443)	(16,516)	(15,054)
Dividends paid	(40,959)	(61,955)	(74,923)
Acquisition of entities under common control, net of cash acquired (Note 4)	-	(3,474)	-
Proceeds from loans	80,152	64,311	194,645
Repayment of loans	(62,412)	(15,538)	(134,483)
Repurchase of common stock	-	(21,483)	(16,028)
Other financing activities	(1,900)	-	-
NET CASH USED IN FINANCING ACTIVITIES	**(34,622)**	**(71,214)**	**(27,360)**
Effect of exchange rate changes on cash and cash equivalents	(30)	(79)	385
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**37,702**	**(44,879)**	**47,399**
CASH AND CASH EQUIVALENTS, beginning of the year	**40,590**	**85,469**	**38,070**
CASH AND CASH EQUIVALENTS, end of the year	**78,292**	**40,590**	**85,469**
Less cash and cash equivalents within held for sale	-	-	(64)
CASH AND CASH EQUIVALENTS, end of the year	**78,292**	**40,590**	**85,405**

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

1. GENERAL INFORMATION AND DESCRIPTION OF BUSINESS

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

The consolidated financial statements of the Company and its subsidiaries ("the Group" or "MTS") as of December 31, 2022 and 2021, and for the years ended 31 December 2022, 2021 and 2020 were authorized for issue by the President of the Company on March 1, 2023.

Business of the Group – MTS PJSC was incorporated on March 1, 2000, through the merger of MTS CJSC and Rosico TC CJSC, its wholly-owned subsidiary. MTS CJSC started its operations in the Moscow licence area in 1994, before expanding through Russia and the CIS. As of December 31, 2022 and 2021, 42.1% and 42.1% of the Company's issued shares were held by Sistema Public Joint-Stock Financial Corporation or Sistema and its subsidiary, 42.2% and 41.1% of the issued shares were owned by a significant number of shareholders. As of December 31, 2022 and 2021, Vladimir P. Yevtushenkov held 49.2% and 59.2% of Sistema's issued shares, in the financial year 2022 he transferred 10% of his shares and thus ceased to be a majority shareholder of Sistema. 50.8% and 40.8% of Sistema's shares were held by a significant number of shareholders as of December 31, 2022 and 2021, recpectively.

MTS completed its initial public offering in 2000 and listed its shares of common stock, represented by American Depositary Shares, or ADSs, on the New York Stock Exchange (NYSE) under the symbol "MBT". Since 2003 common shares of MTS PJSC have been traded on the Public Joint-Stock Company "Moscow Exchange MICEX-RTS" (the "Moscow Exchange"). In April 2022, Russian Federal Law No. 114-FZ, requiring Russian companies to terminate their depositary receipt programs, came into force. Following the requirements of the law the Group terminated its depository receipt program. MTS' ADSs were delisted from NYSE. The existing ADSs could be converted into MTS' ordinary shares at the ratio of 1:2. The guaranteed period for depositary receipts conversion was completed on January 12, 2023 (inclusive).

The Group provides a wide range of telecommunications and digital services including voice and data transmission, internet access, pay TV, various value added services ("VAS") through wireless and fixed lines, fintech services, B2B Cloud and digital solutions as well as the sale of equipment, accessories and software. The Group primarily operates in Russia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

Basis of preparation – The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

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

The consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future (Note 28).

(Amounts in millions of Russian Rubles unless otherwise stated)

Basis of consolidation – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved only where the Company has power over the entity, is exposed and has rights to variable returns, and is able to use the power to affect its amount of variable returns. The results of the controlled entities acquired or disposed of during the reporting period are included in the consolidated financial statements from the date the Group achieves control over the entity, or until the date on which the Company ceases to control the entity. If necessary, the accounting policies of controlled entities are aligned with the accounting policy applied by the Group. All intra-group balances, income, expenses and cash flows are eliminated on consolidation.

Effective ownership interests in the Group's significant subsidiaries were the following:

	Accounting method	December 31, 2022	December 31, 2021
RTC	Consolidated	100.0%	100.0%
MTS Bank	Consolidated	99.9%	99.9%
MGTS Group	Consolidated	94.7%	94.7%
Multiregional TransitTelecom (Note 4)	Consolidated	100.0%	100.0%
MTS Armenia	Consolidated	100.0%	100.0%
Nvision Czech Republic[1)]	Consolidated	100.0%	100.0%
VisionLabs Group (Note 4)	Consolidated	100.0%	-
Gulfstream Group (Note 4)	Consolidated	58.4%	-
Bronevik (Note 4)	Consolidated	100.0%	-
Webinar (Note 4)	Consolidated	84.3%	-
BIC (Tower infrastructure Company)[2)]	Consolidated	100.0%	-
MDTZK LLC (Ticketland)	Consolidated	100.0%	100.0%
Kulturnaya Sluzhba (Ponominalu)	Consolidated	100.0%	100.0%
Sputnikovoe TV[3)]	Consolidated	-	100.0%
IT-Grad (Note 4)	Consolidated	100.0%	100.0%
MTS Avto (former Stopol) (Note 4)	Consolidated	100.0%	100.0%
"Zelenaya Tochka" Group – Achemar Holdings Ltd (Note 4)	Consolidated	100.0%	100.0%
Oblachny Retail LLC[3)]	Consolidated	-	100.0%
MTS Media	Consolidated	100.0%	100.0%
Navigation Information Systems Group	Consolidated	100.0%	94.7%
MTS Didgital (former MTS IT)	Consolidated	100.0%	100.0%
Kinopolis (Note 4)	Consolidated	100.0%	100.0%
Sistema Capital (Note 4)	Consolidated	100.0%	100.0%
Stream	Consolidated	100.0%	100.0%
MTS Turkmenistan	Consolidated	100.0%	100.0%
MTS Artificial Intelligence	Consolidated	100.0%	100.0%
Energy Group (Note 4)	Consolidated	100.0%	100.0%
Dega	Consolidated	100.0%	100.0%
Stream Digital	Consolidated	100.0%	100.0%
Bastion	Consolidated	100.0%	100.0%
MTS International Funding Limited [4)] ("MTS International")	Consolidated	SE	SE
MTS Belarus (Note 15)	Equity	49.0%	49.0%

1) Part of Nvision Czech Republic Group – NVision Czech Republic a.s.- was sold in October 2022, the results of the disposed subsidiary are presented as discontinued operations (Note 10) in the accompanying audited consolidated statements of profit or loss for the year ended December 31, 2022

2) Spinned of from PJSC MTS

3) Merged with PJSC MTS in 2022

4) A company organized and existing as a private limited company under the laws of Ireland. The Group does not have any equity in MTS International. It was established for the purpose of raising capital through the issuance of debt securities on the Irish Stock Exchange followed by transferring the proceeds through a loan facility to the Group. In 2010 and 2013, MTS International issued USD 750 million 8.625% notes due in 2020 (fully repaid in June 2020) and USD 500 million 5.0% notes due in 2023, respectively (Note 23). The notes are guaranteed by MTS PJSC in the event of default. MTS International does not perform any other activities except those required for notes servicing. The Group bears all costs incurred by MTS International in connection with the notes' maintenance activities. Accordingly, the Group concluded that it exercises control over the entity.

Acquisitions from entities under common control – Business combinations arising from transfers of interests in entities that are under common control with the Group are consolidated prospectively starting from the date that the control over those entities is passed to the Group. The assets and liabilities acquired are recognized at the carrying values recorded previously in the counterparty's financial statements, with the resulting gain or loss recognized directly in equity.

Joint operations – The Group has joint operations with Megafon and Vimpelcom, relating to the construction of LTE base stations. Joint operations are characterized by the fact that the operators that have joint control over the arrangement each have both a right to the assets, and obligations for the liabilities, according to the arrangement. Respectively, each operator accounts for its share of the joint assets and its agreed share of any liabilities, and recognizes its share of the output, revenues and expenses incurred under the arrangement. The result of joint operations does not influence the consolidated financial statements significantly.

Non-current assets held for sale and discontinued operations – The Group classifies assets and disposal groups as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the assets (or disposal group) are available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and their sale is highly probable to occur within a year. Held for sale assets and disposal groups are measured at the lower of carrying amount or fair value less cost to sell. Assets and liabilities classifies as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of the entity that either has been disposed of or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations;
- Or is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Group’s statement of cash flows include both cash flows from continuing and discontinued operations, amounts related to discontinued operations by operating, investing and financing activities are presented in Note 10.

Vendor financing arrangemets – The Group has factoring arrangements under which banks pay the amounts due to the identified suppliers on behalf of the Group for a fixed fee. No additional collateral or guarantee are provided by the Group in respect of factored payables. Based on the Group’s assessment the liabilities under the factoring arrangements are closely related to its operating purchases and the arrangements do not lead to any significant change in the nature or function of the related liabilities. These liabilities are therefore classified as accounts payables. As of December 31, 2022 and 2021 accounts payables under the factoring arrangements totaled to RUB 7,867 million and RUB 9,343 million.

Functional currency translation methodology – As of December 31, 2022, the functional currencies of Group entities were as follows:

- For entities incorporated in the Russian Federation and MTS International – the Russian Ruble (“RUB”);
- For MTS Armenia – the Armenian Dram;
- For MTS Turkmenistan – the Turkmenian Manat;
- For MTS Belarus – the Belarusian Ruble;
- For Nvision Czech Republic – the Czech Crown.

Foreign-currency transactions are translated into the functional currency at the exchange rates at the dates of the transactions. At the reporting date, monetary items denominated in foreign currencies are translated at the closing rate, whereas non-monetary items are stated at the exchange rate at the date of their recognition. Exchange rate differences are recognized in profit or loss.

(Amounts in millions of Russian Rubles unless otherwise stated)

For entities whose records are maintained in their functional currency, which is other than the reporting currency, all year-end assets and liabilities have been translated into U.S. Dollars ("USD") at the period-end exchange rate set by local central banks. Subsequently, U.S. Dollars balances have been translated into Russian Rubles at the period-end exchange rate set by the Central Bank of Russia. Revenues and expenses have been translated at the average exchange rate for the period using the cross-currency exchange rate via the U.S. Dollar as described above. Translation differences resulting from the use of these rates are reported as a component of other comprehensive income.

Standards, interpretations and amendments adopted in the financial year 2022

Amendments to IAS 37	*Onerous contracts – Cost of fulfilling a contract*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IFRS 3	*Reference to Conceptual Framework*
Amendments to IFRS	*Annual Improvements to IFRSs (2018-2020 Cycle)*

None of these interpretations and amendments had material effect on the Group's consolidated financial statements.

Standards, interpretations and amendments in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 17 and amendments to IFRS17	*Insurance Contracts* [1)]
Amendments to IAS 8	*Definition of Accounting Estimate* [1)]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policy* [1)]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [2)]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-Current* [3)] *Non current Liabilities with Covenants* [3)]
Amendments to IFRS 16	*Lease Liability in a Sale ans Leaseback* [3)]

(1) Effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

(2) The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.

(3) Effective for annual periods beginning on or after January 1, 2024, with earlier application permitted.

These IFRS pronouncements are not expected to have a material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

A critical accounting estimate is an estimate that is both important to the presentation of the Group's financial position and requires management's most difficult, subjective or complex judgments, often as a result of the need to determine estimates and develop assumptions about the outcome of matters that are inherently uncertain.

Management evaluates such estimates on an on-going basis, based upon historical results, historical experience, trends, consultations with experts, forecasts of the future, and other methods which management considers reasonable under the circumstances. Management considers the accounting estimates discussed below to be its critical accounting estimates, and, accordingly, provides an explanation of each.

1. Depreciation and amortization of non-current assets

Depreciation and amortization expenses are based on management estimates of useful life, residual value and amortization method of property and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortization or depreciation charges. Technological developments are difficult to predict and management views on the trends and pace of development may change over time. Some of the assets and technologies, in which the Group invested several years ago, are still in use and provide the basis for new technologies. Critical estimates in the evaluations of useful lives for intangible assets include, but are not limited to, the estimated average customer relationship based on churn, the remaining licence period and the expected developments in technology and markets.

The useful lives of property and equipment and intangible assets are reviewed at least annually, taking into consideration the factors mentioned above and all other important relevant factors. The actual economic lives of intangible assets may be different from useful lives estimated by management, thereby resulting in a different carrying value of intangible assets with finite lives.

The Group continues to evaluate the amortization period for intangible assets with finite lives to determine whether events or circumstances warrant revised amortization periods. A change in estimated useful lives is a change in accounting estimate, and depreciation and amortization charges are adjusted prospectively. See Notes 19 and 22 for further information.

2. Impairment of non-current assets

The Group made significant investments including in property, plant and equipment, intangible assets, goodwill, right-of-use assets, acquiring and fulfilling of contracts.

Pursuant to IAS 36, goodwill and other intangible assets with indefinite useful lives and intangible assets not yet brought into use must be tested for impairment annually or more often if indicators of impairment exist. Other assets are tested for impairment when circumstances indicate that there may be a potential impairment.

Recoverable amounts of assets and cash generating units (“CGUs”) are based on evaluations, including the determination of the appropriate CGUs, the discount rate, estimates of future performance, the revenue generating capacity of the assets, timing and amount of future purchases of property and equipment, assumptions of the future market conditions and the long-term growth rate into perpetuity (terminal value). A change of assumptions, particularly in relation to the discount rate and growth rate used to estimate the recoverable amounts of assets, could significantly impact results of the Group’s impairment evaluation.

See Note 21 for further information.

3. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but when this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 27 for further information.

4. Provisions and contingencies

The Group is subject to various legal proceedings, disputes and claims, including regulatory discussions related to the Group's business, licences, tax positions and investments, where the outcomes are subject to significant uncertainty. In addition, significant uncertainty exists in relation to employee bonuses and other rewards, which depend on their individual performance and Group's results. The management evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss or related expense. Unanticipated events or changes in these factors may require the Group to increase or decrease the amount recorded or to be recorded for a matter that has not been previously recorded because it was not considered probable. See Notes 26 and Note 33 for further information.

5. Right-of-use assets and lease liabilities

The value of right-of-use assets and lease liabilities is based on management estimates of lease terms as well as an incremental borrowing rate used to discount lease payments. The lease term corresponds to the non-cancellable period of each contract except in cases where the Group is reasonably certain of exercising renewal options. When assessing the lease term the management considers all facts and circumstances that create the economic incentive for the Group to exercise the option to extend the lease, such as the useful life of the asset located on the leased site, statistics on sites replacement, sequence of technology change, profitability of the Group's retail stores as well as costs to terminate or enter into lease contracts. The incremental borrowing rate of the Group is determined based on the credit spreads of the Group's debt instruments in relation to zero-coupon yield curve for government securities.

Changes in these factors could affect the estimated lease term and the reported value of right-of-use assets and lease liabilities.

See Note 24 for further information.

6. Impairment of financial assets

The Group uses management's judgement to estimate allowance for expected credit losses (ECL) for financial assets at amortized costs. ECL are measured in a way that reflects the unbiased and probability-weighted amount, the time-value of money and reasonable and supportable information at the reporting date pertaining to past events, current conditions and forecasts of future economic conditions.

ECL are measured as probability-weighted present value of all cash shortfalls over the expected life of each financial asset. For receivables from financial services, ECL are mainly calculated using a statistical model based on three major risk parameters: probability of default, loss given default and exposure at default.

The estimation of these risk parameters incorporates all available relevant information, not only historical and current loss data, but also reasonable and supportable forward-looking information reflected by the future expectation factors. This information includes macroeconomic factors (unemployment rate, inflation rate) and forecasts of future economic conditions.

Significant changes in risk parameters could affect the estimated amount of ECL.

See Notes 17 and 29 for further information.

4. BUSINESS ACQUISITIONS

Unless stated otherwise, all business combinations disclosed were accounted for by applying the acquisition method. Goodwill recognized as a result of the acquisitions is not expected to be deductible for income tax purposes.

Acquisitions and disposal in 2022

Acquisition of VisionLabs – In February 2022, the Group acquired a 100% ownership interest in VisionLabs B.V. (“VisionLabs”), leading provider of computer vision and machine learning solutions, for total consideration of RUB 6,556 million. The acquisition was aimed at reinforcement of the Group’s artificial intelligence product portfolio in the computer vision space, and enhancing the potential of the Group’s digital ecosystem. The purchase price constitutes a cash payment of RUB 5,276 million, deferred payment of RUB 659 million paid later in 2022 and contingent consideration of RUB 621 million. Contingent consideration was based on certain performance criteria for the periods starting 2022 and ending 2024.

Acquisition of Gulfstream – In April 2022, the Group acquired a 58.38% ownership interest in Gulfstream Security Systems JSC (“Gulfstream”), one of Russia’s leading providers of digital safeguard systems for residential households, automobiles, and commercial real estate, for total consideration of RUB 1,999 million in cash. The acquisition was aimed at expanding the Group’s Smart Home business vertical. The Group has acquired call and written put options to purchase the remaining 41.62% stake, exercisable starting 2025 based on the financial results of Gulfstream.

Acquisition of Bronevik – In July 2022, the Group acquired a 100% ownership interest in LLC “Company Bronevik” and LLC “Bronevik Online” (together – “Bronevik”), one of the market leaders in online hotels booking. The acquisition was aimed at developing the Group's new business line, MTS Travel, in the tourism industry. Total consideration of RUB 4,000 million was paid in cash.

Acquisition of Webinar – In July 2022, the Group acquired a 75.5% ownership interest in LLC “Webinar” and LLC “Webinar Technologies” (together – “Webinar”), developer and provider of videoconferencing solutions and video services for corporations, for total consideration of RUB 2,095 million in cash. The acquisition was aimed at complementing the Group’s ecosystem of B2B services and development of a single universal application for video calls and conferences further integrated with videoconferencing services. The Group has acquired call and written put options to purchase the remaining 24.5% stake. In September 2022, options were partly excercised for RUB 328 million and the Group’s ownership interest in Webinar increased to 84.25%. The remaining put and call options are exercisable in 2024 and 2025 based on the financial results of Webinar.

(Amounts in millions of Russian Rubles unless otherwise stated)

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

	VisionLabs final	Gulfstream preliminary	Bronevik preliminary	Webinar preliminary
Goodwill	**4,320** (1)	**1,889** (3)	**3,898** (5)	**2,609** (6)
Customer base	2,333 (2)	2,114 (4)	-	-
Other intangible assets	736	332	38	452
Property, plant and equipment	81	279	8	12
Other non-current assets	31	289	41	84
Current assets	319	2,609	1,266	57
Cash and cash equivalents	326	24	197	58
Current liabilities	(816)	(3,055)	(1,416)	(187)
Put option to purchase NCI	-	(1,877)	-	(986)
Non-current liabilities	(774)	(605)	(32)	(4)
Total consideration	**6,556**	**1,999**	**4,000**	**2,095**
Including:				
Fair value of contingent consideration	621	-	-	-
Deferred payment	659	-	-	-
Cash paid	5,276	1,999	4,000	2,095

(1) The goodwill is attributable to the expected synergies arising from the acquisition and allocated to the “Artificial Intelligence” operating segment (Note 5).
(2) Amortized over the term of up to 7 years.
(3) The provisional goodwill is attributable to the expected synergies arising from the acquisition and allocated to the “Gulfstream” operating segment (Note 5).
(4) Amortized over the term of 5 to 8 years.
(5) The provisional goodwill is attributable to the expected synergies arising from the acquisition and allocated to the “Travel” operating segment (Note 5).
(6) The provisional goodwill is attributable to the expected synergies arising from the acquisition and allocated to the “Telecom” operating segment (Note5).

Disposal of NVision Czech Republic a.s. – In October 2022, the Group disposed of 100% in NVision Czech Republic a.s., which constituted the part of “Other” reportable segment (Note 5). The details of the disposal are disclosed in Note 10.

Acquisitions in 2021

Acquisition of Zelenaya Tochka – In April 2021, the Group increased its stake in Achemar Holdings Limited, owner of the operational companies of “Zelenaya Tochka” Group, to 100% and obtained control over the entity to expand its regional footprint. Prior to the acquisition, the Group owned 51% in Achemar Holdings Limited and accounted for the investment as the investment in joint venture (Note 15). “Zelenaya Tochka” Group includes fixed-line operators in Stavropol and Tambov regions. The purchase price constituted a cash payment of RUB 1,512 million paid in April 2021 and deferred payment of RUB 7 million.

Acquisition of Credit Consulting – In April 2021, the Group acquired a 100% ownership interest in LLC “Credit Consulting”, a credit broker. The purchase price constituted a cash payment of RUB 10 thousand paid in May 2021 and contingent consideration at fair value of RUB 60 million, payable in 5-year period based on operating performance targets.

Acquisition of MTT – In June 2021, the Group acquired a 100% ownership interest in OJSC “Multiregional TransitTelecom” (“MTT”), a provider of intelligent connectivity solutions for businesses, to expand its connectivity services portfolio. The purchase price constituted a cash payment of RUB 3,680 million paid in June 2021, transfer of receivables from former owners offset against the purchase price for RUB 1,958 million and deferred payment of RUB 160 million.

Acquisition of Energy Group – In June 2021, the Group acquired a 100% ownership interest in LLC “GDTs Energy Group” (“GreenBush”), the operator of the GreenBush data center in Tehnopolis special economic area, to use the facility’s additional capacity to offer colocation and cloud solutions to customers as well as to facilitate the Group’s own compute and storage needs. The purchase price constituted a cash payment of RUB 5,200 million paid in July 2021.

(Amounts in millions of Russian Rubles unless otherwise stated)

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

	Zelenaya Tochka	**GreenBush**	**Credit Consulting**
Goodwill	**1,353** [(1)]	**-**	**46** [(2)]
Customer base	320 [(3)]	-	-
Trademark	12	-	-
Other intangible assets	24	1	4
Property, plant and equipment	623	5,171	-
Other non-current assets	43	17	-
Current assets	1,417	84	18
Cash and cash equivalents	152	9	3
Current liabilities	(725)	(26)	(11)
Non-current liabilities	(118)	(56)	-
Total consideration	**3,101**	**5,200**	**60**
Including:			
Fair value of contingent consideration	-	-	60
Fair value of previously held interest	1,582	-	-
Deferred payment	7	-	-
Cash paid or payable	1,512	5,200	-

[(1)] The goodwill is attributable to the expected synergies arising from the acquisition and allocated to the “Telecom” operating segment (Note 5).
[(2)] The goodwill is attributable to the expected synergies arising from the acquisition and allocated to the “Fintech” operating segment (Note 5).
[(3)] Amortized over the term of 5 years.

The purchase price allocation of MTT was not finalized as of the date the 2021 financial statements were authorised for issue as the Group had not completed the valuation of the individual assets of the company acquired. The Group’s consolidated financial statements as of December 31, 2021 reflected the allocation of the purchase price based on a preliminary fair value assessment of the assets acquired and liabilities assumed. In 2022 the Group finalized the valuation of assets of MTT and the acquisition date fair value of the assets changed since the preliminary calculations. The following table summarizes the purchase price allocation for MTT as of December 31, 2022:

	Preliminary amounts	**Measurement period adjustments**	**Final amounts**
Goodwill	**2,984** [(1)]	(61)	**2,923** [(1)]
Customer base	827 [(2)]	(539)	288 [(2)]
Trademark	530	(436)	94
Other intangible assets	590	238	828
Property, plant and equipment	588	821	1,409
Other non-current assets	254	-	254
Current assets	3,056	-	3,056
Cash and cash equivalents	340	-	340
Current liabilities	(2,656)	-	(2,656)
Non-current liabilities	(715)	(23)	(738)
Total consideration	**5,798**	-	**5,798**
Including:			
Fair value of offset financial assets	1,958	-	1,958
Deferred payment	160	-	160
Cash paid or payable	3,680	-	3,680

[(1)] The goodwill is attributable to the expected synergies arising from the acquisition and allocated to the “Telecom” operating segment.
[(2)] Amortized over the term of up to 4 years.

(Amounts in millions of Russian Rubles unless otherwise stated)

Acquisitions under common control, accounted for directly in equity

Acquisition of LLC Sistema Capital ("Sistema Capital") – In September 2021, the Group acquired the remaining 70% stake in the investment services company Sistema Capital from subsidiaries of Sistema, for total consideration of RUB 3,500 million. Acquisition of Sistema Capital enables the Group to enhance its retail financial services portfolio, adding a comprehensive set of investment services.

The following table summarizes the details of acquisition of subsidiary under common control finalized in 2021:

Acquired company	Consideration paid net of cash acquired*	Cash acquired	Assets acquired other than cash	Liabilities assumed
Sistema Capital	3,474	26	1,185	90

* Included in consolidated statement of cash flows within cash flows from financing activities as transactions with entities under common control

Disposal of STS-Ukraine

In February 2021, the Group sold its 100% stake in LLC "Sitronics Telecom Solutions Ukraine" ("STS-Ukraine") for RUB 52 million.

As of the date of disposal, the carrying amounts of assets and liabilities pertaining to the disposal group and reconciliation of the loss on disposal were as follows:

Current assents	282
Non-current assets	51
Total assets	**333**
Current liabilities	(275)
Non-current liabilities	(36)
Total liabilities	**(311)**
Accumulated other comprehensive income	83
Total consideration	**(52)**
Loss on disposal	**53**

Acquisition in 2020

Acquisition of Stopol – In June 2020, the Group acquired a 100% ownership interest in LLC "Stopol Auto" and LLC "Koagent Rus" (jointly referred as "Stopol", later renamed to "MTS Auto"), wholesalers of auto parts and multimedia devices. The purchase price constituted a cash payment of RUB 312 million paid in July 2020 and a contingent consideration. This acquisition allowed the Group to enter into the market of the smart multimedia systems for cars.

(Amounts in millions of Russian Rubles unless otherwise stated)

The purchase price allocation for Stopol as at the date of acquisition was presented as follows:

	Stopol
Goodwill [(1)]	**282**
Other non-current assets	2
Current assets	230
Cash and cash equivalents	69
Current liabilities	(262)
Total consideration	**321**
Including:	
Fair value of contingent consideration	9
Cash paid	312

(1) The goodwill is attributable to the expected synergies resulted from the acquisition and allocated to the “MTS Auto” operating segment within “Other” category in reportable segments.

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

According to the terms of the purchase agreements, deferred payments and contingent consideration payable by the Group could be reduced by the amount of any losses incurred by the Group in respect of any tax or other claims relating to the pre-acquisition period. In case the amount of the losses incurred exceeds the amount of deferred payment, the seller has indemnified the Group for the amounts in excess. The following table summarizes the movement in deferred payment and contingent consideration liabilities and related indemnification assets for the years ended December 31, 2022, 2021 and 2020:

Indemnification asset/ (Liability on deferred payment/ contingent consideration)	**VisionLabs contingent considera-tion**	**IT-Grad contingent considera-tion**	**Stopol contingent considera-tion**	**Zelenaya Tochka deferred payment**	**Credit Consulting contingent considera-tion**	**MTT deferred payment**
January 1, 2020	**-**	**(907)**	**-**	**-**	**-**	**-**
Initial recognition of deferred payment/contingent consideration	-	-	(40)	-	-	-
Less: Provision for tax liabilities related to pre-acquisition period	-	-	26	-	-	-
Reversal of tax provision	-	-	(10)	-	-	-
December 31, 2020	**-**	**(907)**	**(24)**	**-**	**-**	**-**
Initial recognition of deferred payment/contingent consideration	-	-	-	(7)	(60)	(160)
Less: Provision for tax liabilities related to pre-acquisition period	-	-	3	-	-	-
Revaluation	-	542	-	-	(1)	-
Payment	-	365	-	7	-	-
December 31, 2021	**-**	**-**	**(21)**	**-**	**(61)**	**(160)**
Initial recognition of deferred payment/contingent consideration	(621)	-	-	-	-	-
Reversal of tax provision			(8)			
Revaluation	(54)	-	(11)	-	(4)	-
Payment	-	-	40	-	-	160
December 31, 2022	**(675)**	**-**	**-**	**-**	**(65)**	**-**

(Amounts in millions of Russian Rubles unless otherwise stated)

Pro forma results of operations – The following pro forma financial data for the years ended December 31, 2022, 2021 and 2020 give effect to the business combinations as if they had been completed at the beginning of the year.

	2022	2021	2020
Pro forma:	**VisionLabs, Webinar, Bronevik, Gulfstream**	**MTT, Zelenaya Tochka, GreenBush, Credit Consulting, Sistema Capital**	**STOPOL**
Revenue	543,321	537,867	495,273
Profit for the year	33,584	64,399	62,079

The pro forma information is based on various assumptions and estimates. The pro forma information is neither necessarily indicative of the operating results that would have occurred if the Group acquisitions had been consummated as of January 1, 2020, 2021 or 2022, nor is it necessarily indicative of future operating results. The pro forma information does not give effect to any potential revenue enhancements or cost synergies or other operating efficiencies that could result from the acquisitions. The actual results of operations of these companies are included into the consolidated financial statements of the Group only from the respective dates of acquisition and are presented as follows:

	2022	2021	2020
	VisionLabs, Webinar, Bronevik, Gulfstream	**MTT, Zelenaya Tochka, GreenBush, Credit Consulting, Sistema Capital**	**STOPOL**
Revenue	4,707	5,341	355
(Loss)/profit for the year	(489)	25	25

5. SEGMENT INFORMATION

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

The Group identified the following reportable segments:

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

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

(Amounts in millions of Russian Rubles unless otherwise stated)

In 2021 management of the Group has changed the composition of operating segments, by dividing operations of the Group's subsidiary MGTS (previously constituted Moscow Fixed Line reportable segment) into two operating segments. Operations of the established "MGTS service" operating segment comprised primarily maintenance and development of fixed-line network infrastructure. The segment generates revenues mainly from granting own network infrastructure in rent. Operations of the established component "MGTS commercial" include client relationships and related fixed-line services, generating revenue from existing subscribers. The operating and financial results of "MGTS commercial" are reviewed jointly with "Russia convergent" segment, in line with focus on convergent products development, while the results of "MGTS service" are monitored separately. Consequently, "MGTS service" represents a separate operating segment. "MGTS commercial" and "Russia convergent" are presented as one operating segment – "Telecom".

Financial results of operating segment "MTS Bank" were supplemented with operations of investment management and credit broker services in connection with acquisition of LLC Sistema Capital and acquisition of Credit Consulting. New operating segment was called "Fintech".

At the end of 2020 the management's change of approach for reviewing of Group's operational results led to separation of two new segments – Cloud and WASD. Cloud represents operational results of Group MTS business aimed at cloud services. WASD is the MTS streaming platform. Cloud and WASD were moved from "Telecom" operating segment to the "Other" category.

On October 30, 2020, the Group disposed of 100% share in JSC "Nvision Group", which provided integration services, as well as the sales of software, and constituted "System Integrator" operating segment included in "Other" reportable segment.

On October 24, 2022, MTS disposed of a plant that produces and supplies Tier 2 electronic components for the automotive industry as well as microelectronic components. NVision Czech Republic a.s. was part of "Czech Republic" operating segment included in "Other" reportable segment.

In order to reflect changes in segments' composition, segment disclosures for 2021 and 2020 were retrospectively restated.

"Bronevik", "Gulfstream" and "VisionLabs" – groups of companies acquired in 2022 (see Note 4) constituted new operating segments "Travel", "Gulfstream" and "Artificial intelligence", respectively. Operating segment "Artificial intelligence" includes financial results of MTS Artificial Intelligence, the Group's subsidiary.

The "Other" category does not constitute a reportable segment. It includes the results of a number of other operating segments that do not meet the quantitative thresholds for separate reporting, such as Travel, Gulfstream, Artificial intelligence, Armenia, MGTS Service, Cloud and others.

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

Financial information by reportable segments is presented below:

Year ended December 31, 2022:

	Telecom	Fintech	Total of reportable segments	Other	HQ and elimination	Consolidated
Revenue						
External customers	432,766	64,676	497,442	44,220	87	541,749
Intersegment	5,596	3,763	9,359	21,559	(30,918)	-
Total revenue	**438,362**	**68,439**	**506,801**	**65,779**	**(30,831)**	**541,749**
OIBDA	199,010	6,355	205,365	28,062	(9,108)	224,319
Depreciation and amortization						(114,393)
Impairment of non-current assets						(489)
Operating profit						109,437

(Amounts in millions of Russian Rubles unless otherwise stated)

Year ended December 31, 2021:

	Telecom	Fintech	Total of reportable segments	Other	HQ and elimination	Consolidated
Revenue						
External customers	444,201	47,545	491,746	36,079	96	527,921
Intersegment	4,138	2,770	6,908	19,623	(26,531)	-
Total revenue	**448,339**	**50,315**	**498,654**	**55,702**	**(26,435)**	**527,921**
OIBDA	204,125	8,593	212,718	24,700	(8,461)	228,957
Depreciation and amortization						(110,962)
Impairment of non-current assets						10
Operating profit						118,005

Year ended December 31, 2020:

	Telecom	Fintech	Total of reportable segments	Other	HQ and elimination	Consolidated
Revenue						
External customers	425,059	34,308	459,367	30,372	,92	489,831
Intersegment	4,260	2,463	6,723	13,079	(19,802)	-
Total revenue	**429,319**	**36,771**	**466,090**	**43,451**	**(19,710)**	**489,831**
OIBDA	200,908	3,356	204,264	18,116	(7,611)	214,769
Depreciation and amortization						(100,143)
Impairment of non-current assets						(2,023)
Operating profit						112,603

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

Financial information by geographic area is presented below:

Revenue	**2022**	**2021**	**2020**
Russia	533,794	520,671	481,536
Other	7,955	7,250	8,295
Total revenue	**541,749**	**527,921**	**489,831**

	December 31,	
Non-current assets [(1)]	**2022**	**2021**
Russia	464,979	443,023
Other	12,773	11,178
Total non-current assets:	**477,752**	**454,201**

(1) Comprises property, plant and equipment, goodwill and other intangible assets.

Revenues from external customers and non-current assets are allocated to individual countries based on location of operations. No single customer represents 10% or more of the consolidated revenue.

(Amounts in millions of Russian Rubles unless otherwise stated)

Disaggregation of revenue:

Year ended December 31, 2022:	Telecom	Fintech	Total of reportable segments	Other	HQ and elimination	Consolidated
Revenue						
Connectivity services	387,598	269	387,866	36,417	87	424,370
Sales of goods	42,809	-	42,809	922	-	43,731
Fintech services	-	63,543	63,543	-	-	63,543
Other services	2,359	864	3,223	6,882	-	10,105
External Customers	432,766	64,676	497,441	44,221	87	541,749
Intersegment	5,596	3,763	9,359	21,559	(30,918)	-
Total revenue	**438,362**	**68,439**	**506,800**	**65,780**	**(30,831)**	**541,749**
Thereof:						
Recognised over time	389,957	42,990	454,632	43,299	87	498,018
Recognised at point of time	42,809	21,686	42,809	922	-	43,731
	432,765	**64,676**	**497,441**	**44,221**	**87**	**541,749**

Year ended December 31, 2021:	Telecom	Fintech	Total of reportable segments	Other	HQ and elimination	Consolidated
Revenue						
Connectivity services	375,719	198	375,917	29,612	96	405,625
Sales of goods	67,290	-	67,290	1,683	-	68,973
Fintech services	-	46,632	46,632	-	-	46,632
Other services	1,192	715	1,907	4,784	-	6,691
External Customers	444,201	47,545	491,746	36,079	96	527,921
Intersegment	4,138	2,770	6,908	19,623	(26,531)	-
Total revenue	**448,339**	**50,315**	**498,654**	**55,702**	**(26,435)**	**527,921**
Thereof:						
Recognised over time	376,911	28,225	424,456	34,396	96	458,948
Recognised at point of time	67,290	19,320	67,290	1,683	-	68,973
	444,201	**47,545**	**491,746**	**36,079**	**96**	**527,921**

Year ended December 31, 2020:	Telecom	Fintech	Total of reportable segments	Other	HQ and elimination	Consolidated
Revenue						
Connectivity services	363,131	166	363,297	24,705	92	388,094
Sales of goods	61,230	-	61,230	1,593	-	62,823
Fintech services	-	33,773	33,773	23	-	33,796
Other services	698	369	1,067	4,051	-	5,118
External Customers	425,059	34,308	459,367	30,372	92	489,831
Intersegment	4,260	2,463	6,723	13,079	(19,802)	-
Total revenue	**429,319**	**36,771**	**466,090**	**43,451**	**(19,710)**	**489,831**
Thereof:						
Recognised over time	363,829	24,902	398,137	28,779	92	427,008
Recognised at point of time	61,230	9,406	61,230	1,593	-	62,823
	425,059	**34,308**	**459,367**	**30,372**	**92**	**489,831**

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognized to the extent that the Group has delivered goods or rendered services under an agreement, the amount of revenue can be reliably measured and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is measured at the fair value of the consideration receivable, exclusive of value added taxes and discounts.

The Group obtains revenue from providing mobile and fixed telecommunication services (access charges, voice and video calls, messaging, interconnect fees, fixed and mobile broadband, tv and musical content and connection fees), financial services, integration services, cloud services, tickets distribution, as well as selling equipment, accessories and software. Products and services may be sold separately or in bundle packages. The most significant part of revenue relates to prepaid contracts.

Revenue for access charges, voice and video calls, rendering of cloud services, messaging, interconnect fees and fixed and mobile broadband is recognized as services are rendered. This is based upon either usage (minutes of traffic processed, volume of data transmitted) or passage of time (monthly subscription fees). Revenue from the sale of prepaid credit is deferred until such time as the customer consumes the services or the credit expires.

Revenue from the provision of TV and music content is recognized as the Group renders the service and is recorded either at the gross amount billed to the customers or in the amount of commission fee receivable by the Group.

Revenue from commission services for tickets distribution is recognized immediately when the related entertainment event has occurred.

Revenue from sales of goods (mainly mobile handsets, other mobile devices, software licences) is recognized when the significant risks and rewards of ownership have been transferred to the customer.

For bundled packages, the Group accounts for individual products and services separately if they are distinct, which means that a product or service, as well as the customer benefit, is separately identifiable from other items in the bundled package and a customer can benefit from it. The arrangement consideration is allocated to each separate product and service, based on its relative fair value. The determined fair value of individual elements is generally based on prices at which the deliverable is regularly sold on a stand-alone basis after considering any appropriate volume discounts.

The Group provides retrospective volume discounts under roaming agreements with international and local mobile operators. To estimate the variable consideration in relation to these discounts, the Group uses original data traffic adjusted on a monthly basis to reflect newly-available information. The resulting liability for the expected future discounts is recognized as a reduction of revenue within trade and other payables in the accompanying consolidated statement of financial position.

For contracts that permit customers to return acquired mobile devices, the amount of recognized revenue is adjusted for expected product return or refunds, which are estimated based on the basis of historical data. The respective refund liability is recorded as provision in the accompanying consolidated statement of financial position.

Revenue from the provision of financial services mainly relates to interest bearing assets of MTS Bank. Such revenue is recognized on an accrual basis using the effective interest method. Loan origination fees are deferred together with the related direct costs and are recognised as an adjustment to the effective interest rate of the loan. Comission revenue which is also a significant part of MTS Bank revenue is either recognized at the moment the related operation occurs, or during the period of customer contract duration.

Revenue from construction services mainly relates to project type contracts and is determined by reference to the stage of completion of each respective projects. The stage of completion is calculated using the input method – based on the proportion of costs incurred for work performed to date to the estimated total contract costs. Revenue is recognized cumulatively as total revenue under the project multiplied by percentage of completion as at reporting date. When it is probable that total contract costs will exceed the total contract revenue, the expected loss is recognized as an expense immediately.

(Amounts in millions of Russian Rubles unless otherwise stated)

Contract balances

Contract balances include trade receivables related to the recognized revenue, contract assets and contract liabilities.

Trade receivables represent an unconditional right to receive consideration (primarily in cash).

Contract assets represent accrued revenues that have not yet been billed to customers due to certain contractual terms other than the passage of time. This is the case in a bundled offering which combines the sale of a mobile device and the provision of mobile services for a fixed-period, where the mobile device is invoiced at a reduced price leading to the reallocation of a portion of amounts invoiced for mobile communication services to the supply of the mobile phone. The excess of the amount allocated to the mobile phone over the price invoiced is recognized as a contract asset and is thus transferred to trade receivables as the service is invoiced. The other part of contract assets relates to the Group’s rights to consideration for work completed but not yet billed for construction services projects.

Contract liabilities represent amounts paid by customers to the Group before receiving the goods and/or services promised in the contract. This is the case for advances received from customers or amounts invoiced or amounts invoiced and paid for goods or services that are yet to be transferred.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	December 31,	
	2022	**2021**
Receivables	30,012	32,361
Contract assets	96	189
Total assets	**30,108**	**32,550**
Less current portion	(29,213)	(20,638)
Total non-current assets	**895**	**11,912**
Contract liabilities:		
Mobile and fixed telecommunication services	(25,499)	(22,064)
Other services	(1,252)	(1,056)
Loyalty programme	(455)	(451)
Total liabilities	**(27,206)**	**(23,571)**
Less current portion	26,082	22,594
Total non-current liabilities	**(1,124)**	**(977)**

Changes in the contract liabilities balances during the period are as follows:

	2022	**2021**
Balance as of January 1	**(23,571)**	**(21,842)**
Revenue recognised that was included in the contract liability balance at the beginning of the period	22,687	18,712
Increase due to cash received, excluding amount recognised as revenue during the period	(25,657)	(20,441)
Aquisition of Gulfstream, Bronevik and Webinar	(665)	-
Balance as of December 31	**(27,206)**	**(23,571)**

(Amounts in millions of Russian Rubles unless otherwise stated)

The Group expects to recognize revenue related to performance obligations that were unsatisfied (or partially unsatisfied) as of December 31, 2022 as follows:

	2023	2024-2028	2029-2033	Total
Connectivity services	24,375	1,097	27	25,499
Other services	1,252	-	-	1,252
Loyalty programme	455	-	-	455

The total transaction price assigned to unsatisfied performance obligations is presented below:

	2023	2024-2028	2029-2033	After 2033	Total
Connectivity services	812	2,130	210	112	3,264

Cost to obtain and fulfill a contract

The Group capitalizes certain incremental costs incurred in acquiring or fullfilling a contract with a customer if the management expects these costs to be recoverable.

The Group uses a practical expedient from IFRS 15 which allows to expense contract costs as incurred when the expected contract duration is one year or less.

Costs of acquiring a contract include commissions paid to a third-party distributors as well as the associated remuneration of the Group’s commercial employees for obtaining a contract with a customer with the expected duration of more than twelve months. These costs are amortized on a straight-line basis over the average life of a long-lived subscriber.

Costs to fulfill a contract mainly relate to costs of equipment transferred to the subscribers required for the provision of services. These costs are amortized on a straight-line basis generally for the period of average subscriber life.

As of December 31, 2022 and 2021 the balances of cost to obtain and fulfill contracts capitalized by the Group amounted to:

	December 31,	
	2022	2021
Cost to obtain contracts		
Gross book value	15,589	14,633
Accumulated amortization	(7,080)	(6,736)
Cost to fulfill contracts		
Gross book value	4,967	5,240
Accumulated amortization	(2,686)	(2,279)

Amortization expense related to cost to obtain and fulfill contracts recognized for the years ended December 31, 2022, 2021 and 2020 amounted RUB 4,457 million, RUB 4,076 million and RUB 3,819 million, respectivly. There was no impairment loss relating to the costs capitalized.

(Amounts in millions of Russian Rubles unless otherwise stated)

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended December 31, 2022, 2021 and 2020 comprised the following:

	2022	2021	2020
Salaries and social contributions	63,181	54,149	48,737
Advertising and marketing expenses	14,145	12,539	10,652
General and administrative expenses	8,961	8,050	7,498
Dealers commission	4,434	3,434	3,385
Universal service fund	3,887	3,813	3,670
Consulting expenses	3,464	3,614	3,409
Cash collection commission	3,130	3,533	3,645
Taxes other than income tax	2,492	1,062	1,844
Other personnel expenses	2,431	1,845	1,539
Utilities and maintenance	1,885	2,550	2,255
Other	1,391	1,446	1,168
Total	**109,401**	**96,035**	**87,802**

8. FINANCE INCOME AND COSTS

Finance income and costs for the years ended December 31, 2022, 2021 and 2020 comprised the following:

	2022	2021	2020
Interest expense:			
– Loans and notes	45,838	29,430	28,174
– Amortization of debt issuance costs	125	109	97
– Lease obligations	12,791	11,816	12,272
– Provisions: unwinding of discount	152	165	138
Total interest expense	**58,906**	**41,520**	**40,681**
(Gain) loss on financial instruments	-	-	373
Other finance costs	(72)	140	84
Total finance costs	**58,834**	**41,660**	**41,138**
Less: amounts capitalized on qualifying assets(1)	(850)	(534)	(426)
Debt modification/derecognition and other loss/(gain)	394	216	1,366
Finance costs	**58,378**	**41,342**	**42,078**
Finance income on loans and receivables:			
– Interest income on bank deposits	1,341	1,468	2,282
– Interest income on loans issued	349	52	17
– Other finance income	84	998	1,138
Finance income	**1,774**	**2,518**	**3,437**
Net finance costs	**56,604**	**38,824**	**38,641**

(1) The annual weighted average capitalization rates of 9.2%, 6.8% and 6.9% were used to determine the amount of capitalized interest for the years ended December 31, 2022, 2021 and 2020, respectively.

(Amounts in millions of Russian Rubles unless otherwise stated)

9. OTHER NON-OPERATING (INCOME)/EXPENSES

Other non-operating (income)/expenses for the years ended December 31, 2022, 2021 and 2020 comprised the following:

	2022	2021	2020
Net forex exchange (gain) / loss	(3,404)	560	10,347
Loss/(gain) arising on derivatives	3,616	345	(13,443)
Net gain/(loss) arising on financial assets measured at FVTPL	2,287	(139)	(1,893)
Net gain/(loss) arising on financial liabilities measured at FVTPL	204	-	(53)
Impairment of investments and loans given	-	-	1,392
Other	338	(241)	553
Total	**3,041**	**525**	**(3,097)**

10. DISCONTINUED OPERATIONS

Vodafone Ukraine – on November 22, 2019, the Group entered into a sale agreement to dispose of Preludium B.V., 100% owner of PJSC “Vodafone Ukraine” and its subsidiaries, which carried out the Group’s operations in Ukraine and constituted “Ukraine” reporting segment. The disposal was completed on December 3, 2019, and the results of operations in Ukraine were reported as discontinued operations in the consolidated statements of profit or loss.

According to the terms of the sale agreement, an additional consideration based on the performance of the discontinued operations in Ukraine was receivable. The Group received the first part of the additional contingent consideration in the amount of RUB 1,234 million in March 2021. The Group recognized contingent consideration receivable of RUB 1,867 million as of December 31, 2021. In 2022 following uncertainty over the receipt of the consideration and economic volatility and sanctions in Russia as disclosed in Note 33, the Group created expected credit allowance for the total amount of receivable and its value decreased to nil.

The results of the discontinued operation in Ukraine, which have been included in the profit for the year, were as follows:

	For the year ended December 31,		
	2022	**2021**	**2020**
Profit on disposal	-	-	2,101
Currency revaluation gain/(loss) on deferred consideration	-	-	154
Earn-out revaluation – fair value measurement	(1,867)	377	645
Earn-out revaluation – Currency revaluation gain/(loss)	-	93	(27)
Net (loss)/income attributable to discontinued operations	**(1,867)**	**470**	**2,873**

Cash flows from discontinued operation were presented as follows:

	For the year ended December 31,	
	2021	**2020**
Net cash provided by investing activities	1,234	2,998

(Amounts in millions of Russian Rubles unless otherwise stated)

Nvision Group – In October 2020, the Group disposed to Sistema 100% share in JSC "Nvision Group", which provided integration services, as well as the sales of software, and was included in "Other" reportable segment. The disposal was completed on October 30, 2020, the results of operations of "System Integrator" operating segment were reported as discontinued operations in the accompanying consolidated statements of profit or loss. The consolidated statements of financial position and consolidated statements of cash flows for all periods presented were not retrospectively restated on discontinued operations. Cash consideration in amount of RUB 369 million was settled in late 2020.

As of October 30, 2020, the carrying amounts of discontinued operation net assets and reconciliation of the loss on disposal were as follows:

Property, plant and equipment	95
Intangible assets	245
Other non-current assets	220
Other current assets	2,912
Cash and cash equivalents	285
Non-current liabilities	(98)
Current liabilities	(3,281)
Accumulated other comprehensive loss	3
Total consideration	**(369)**
Satisfied by:	
Cash and cash equivalents	(369)
Loss on disposal	**11**
Net cash inflow arising on disposal:	**84**
Cash consideration received	369
Less: cash and cash equivalents disposed of	(285)

NVision Czech Republic a.s. – In October 2022, the Group disposed of 100% in NVision Czech Republic a.s., which was included in "Other" reportable segment. The disposal was completed on October 24, 2022, and the results of operations of NVision Czech Republic a.s. were reported as discontinued operations in the accompanying consolidated statements of profit or loss for the years ended December 31, 2022, 2021 and 2020. The accompanying statements of financial position and statements of cash flows were not retrospectively restated. The fair value of consideration, receivable in five-year term, amounted to RUB 453 million, of which RUB 50 million were received in 2022.

As of October 24, 2022, the carrying amounts of discontinued operation net assets and reconciliation of the loss on disposal were as follows:

Property, plant and equipment	225
Intangible assets	32
Other non-current assets	371
Other current assets	2,170
Cash and cash equivalents	80
Non-current liabilities	(103)
Current liabilities	(1,547)
Accumulated other comprehensive loss	794
Other	(202)
Less: Fair value of consideration	**(453)**
Loss on disposal	**1,367**
Net cash outflow arising on disposal:	**(30)**
Cash consideration received	50
Less: cash and cash equivalents disposed of	(80)

(Amounts in millions of Russian Rubles unless otherwise stated)

The results of the discontinued operations of Nvision Group and NVision Czech Republic a.s. were included in the (loss)/profit from discontinued operations in the consolidated statements of profit or loss as follows:

	For the year ended December 31,				
	2022	*2021*	*2020*		
	NVision Czech Republic a.s.	*NVision Czech Republic a.s.*	*NVision Czech Republic a.s.*	*Nvision Group*	**Total**
Revenue	6,004	6,482	5,096	10,051	15,147
Expenses	(5,802)	(6,117)	(4,845)	(11,293)	(16,138)
Profit/(Loss) before tax	**202**	**365**	**251**	**(1,242)**	**(991)**
Attributable tax income/(expense)	32	(43)	(72)	(1,003)	(1,075)
Profit/(Loss) for the period	**234**	**322**	**179**	**(2,245)**	**(2,066)**
Loss on disposal	(1,367)	-	-	(11)	(11)
Consideration revaluation – fair value measurement	4	-	-	-	-
Consideration revaluation – Currency revaluation gain/(loss)	78	-	-	-	-
Net (loss)/income attributable to discontinued operations	**(1,051)**	**322**	**179**	**(2,256)**	**(2,077)**

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

	For the year ended December 31,				
	2022	*2021*	*2020*		
	NVision Czech Republic a.s.	*NVision Czech Republic a.s.*	*NVision Czech Republic a.s.*	*Nvision Group*	**Total**
Net cash provided by/(used in) operating activities	61	(204)	73	(1,466)	(1,393)
Net cash provided by/(used in) investing activities	(69)	356	(81)	664	583
Net cash provided by/(used in) financing activities	31	(154)	(75)	748	673

11. INCOME TAX

Income taxes of the Group’s Russia-incorporated entities have been calculated in accordance with Russian legislation and are based on the taxable profit for the period. The corporate income tax rate in Russia is 20%. The withholding tax rate on dividends paid within Russia is 13%. The foreign subsidiaries of the Group pay withholding taxes in their respective jurisdictions. Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases of assets and liabilities that will result in future taxable or deductible amounts. The deferred tax assets and liabilities are measured using the enacted or substantially enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income.

Significant components of income tax expense were as follows:

	2022	**2021**	**2020**
Current income tax charge	14,480	20,089	15,151
Prior period tax adjustments	159	(173)	(490)
Total current income tax	**14,639**	**19,916**	**14,661**
Deferred tax	(991)	(4,556)	1,394
Income tax expense on continuing operations	**13,648**	**15,360**	**16,055**

(Amounts in millions of Russian Rubles unless otherwise stated)

Income tax expense on continuing operations excludes the amounts from the discontinued operations of RUB 32 million, RUB (43) million and RUB (1,075) million for the years ended December 31, 2022, 2021 and 2020, respectively, which have been included in profit / (loss) from discontinued operations in the accompanying consolidated statements of profit or loss (Note 10).

The statutory income tax rates in jurisdictions in which the Group operates for 2022, 2021 and 2020 were as follows: Russia – 20%, Armenia – 18%. Since 2022, special tax regime was applicable to some of the Group's software development subsidiaries in Russia, reducing income tax rate to nil. The Russian statutory income tax rate of 20% reconciled to the Group's effective income tax rate for the years ended December 31, 2022, 2021 and 2020 is as follows:

	2022	2021	2020
Statutory income tax rate for the year	**20.0%**	**20.0%**	**20.0%**
Adjustments:			
Expenses not deductible for tax purposes	2.5	0.1	1.3
Prior periods tax effects	0.3	(0.2)	(0.7)
Different tax rate of subsidiaries	(0.6)	(0.8)	(0.8)
Withholding tax on distributed and undistributed profits	4.1	1.6	1.5
Change in fair value of derivative financial instruments	0.5	-	-
Changes in recognized deferred tax assets	-	(0.9)	(0.1)
Other	0.5	(0.3)	(0.4)
Effective income tax rate	**27.3%**	**19.5%**	**20.8%**

The Group reported the following deferred income tax assets and liabilities in the consolidated statement of financial position:

	2022	2021
Deferred tax assets	11,610	11,683
Deferred tax liabilities	(17,759)	(17,901)
Net deferred tax liabilities	**(6,149)**	**(6,218)**

Movements in the deferred tax assets and liabilities for the year ended December 31, 2022 were as follows:

	December 31, 2021	Recognised in profit / loss	Recognised in other compre-hensive income	Effect of acquisitions and disposal	December 31, 2022
Assets / (liabilities) arising from tax effect of:					
Property, plant and equipment	(19,680)	(871)	62	-	(20,489)
Other intangible assets	(5,458)	3,296	-	(260)	(2,422)
Potential distributions from/ to Group's subsidiaries/ associates and joint ventures	(2,426)	(1,240)	98	-	(3,568)
Licenses	(1,675)	79	-	-	(1,596)
Customer base	(592)	550	-	(768)	(810)
Capitalization of cost to obtain and fulfill contracts	(1,830)	(86)	-	-	(1,916)
Accrued expenses for services	7,814	872	(8)	(59)	8,619
Write-down of inventories	238	266	3	-	507
Allowance for ECL	3,254	731	5	-	3,990
Lease obligations	31,093	(2,130)	(5)	-	28,958
Right-of-use assets	(26,076)	2,317	7	(1)	(23,753)
Loss carryforward	5,857	(2,379)	2	38	3,518
Contract liabilities	1,606	276	-	-	1,882
Debt modification	(73)	79	-	-	6
Other	1,730	(769)	16	(52)	925
Net deferred tax liability	**(6,218)**	**991**	**180**	**(1,102)**	**(6,149)**

(Amounts in millions of Russian Rubles unless otherwise stated)

Movements in the deferred tax assets and liabilities for the year ended December 31, 2021 were as follows:

	December 31, 2020	Recognised in profit / loss	Recognised in other compre-hensive income	Effect of acquisitions	December 31, 2021
Assets / (liabilities) arising from tax effect of:					
Property, plant and equipment	(18,250)	(1,352)	32	(110)	(19,680)
Other intangible assets	(6,314)	998	-	(142)	(5,458)
Potential distributions from/ to Group's subsidiaries/ associates and joint ventures	(2,506)	166	(86)	-	(2,426)
Licenses	(1,699)	24	-	-	(1,675)
Customer base	(470)	107	-	(229)	(592)
Capitalization of cost to obtain and fulfill contracts	(1,668)	(162)	-	-	(1,830)
Accrued expenses for services	7,158	588	(1)	69	7,814
Write-down of inventories	413	(178)	-	3	238
Allowance for ECL	2,713	533	3	5	3,254
Lease obligations	29,910	1,181	(1)	3	31,093
Right-of-use assets	(25,686)	(392)	2		(26,076)
Loss carryforward	3,961	1,801	-	95	5,857
Contract liabilities	1,430	176	-	-	1,606
Debt modification	(123)	50	-	-	(73)
Other	718	981	31	-	1,730
Net deferred tax liability	**(10,413)**	**4,521***	**(20)**	**(306)**	**(6,218)**

* In the total amount of RUB 4,521 million, RUB (35) million were reported as discontinued operations in the accompanying consolidated statement of profit or loss for the year ended December 31, 2021.

The Group recognizes deferred income tax on future dividend distributions from subsidiaries associates and joint ventures which are based on the cumulative undistributed earnings of those subsidiaries in accordance with local statutory accounting regulations.

The Group recognizes deferred tax assets in respect of tax losses carried forward to the extent that realization of tax losses against future taxable profit is probable. Deferred tax assets related to tax losses of the Group's subsidiaries are recognized according to the fact that certain tax planning opportunities are available to these subsidiaries that will create taxable profit in the period in which the unused tax losses can be utilized. The amount of the deferred tax asset considered realizable, however, could be remeasured if estimates of future taxable income are changed.

Since 2016 the time limit of prior periods' tax losses carryforward was amended to become perpetual. The federal law 401-FZ also specified that for the fiscal years 2017-2024 the utliisation of prior periods' tax losses should not exceed 50% of the taxable profit.

Unused tax losses, for which deferred tax assets were not recognized in the consolidated statements of financial position as of December 31, 2022 and 2021 amounted to RUB 35,100 million and RUB 40,898 million, respectively.

The Group accrued RUB 109 million and RUB 160 million as of December 31, 2022 and 2021, respectively, as a component of income tax payable in relation to uncertain income tax positions.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable.

The IAS 12 amendments related to assets and liabilities arising from a single transaction were early adopted for the years ended December 31, 2022, 2021 and 2020.

12. EARNINGS PER SHARE

The following table sets forth the computation of earnings per share for the years ended December 31:

	2022	2021	2020
Numerator:			
Profit for the year from continuing operations attributable to the owners of the company	35,492	62,681	60,616
Profit / (loss) for the year from discontinued operations attributable to the owners of the company	(2,918)	792	796
Denominator, in thousands:			
Weighted-average ordinary shares outstanding	1,679,533	1,693,244	1,760,468
Employee stock options	25,883	8,541	1,310
Weighted-average diluted shares outstanding	**1,705,416**	**1,701,785**	**1,761,778**
Earnings per share – basic, Russian Rubles	**19.39**	**37.49**	**34.88**
Basic EPS from continuing operations	21.13	37.02	34.43
Basic EPS from discontinued operations	(1.74)	0.47	0.45
Earnings per share – diluted, Russian Rubles	19.10	**37.30**	**34.86**
Diluted EPS from continuing operations	20.81	36.83	34.41
Diluted EPS from discontinued operations	(1.71)	0.47	0.45

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash on hand and in bank accounts, as well as short-term bank deposits, which have original maturities of less than three months. Other short-term highly liquid investments are treated as cash equivalents only if they are held for the purpose of meeting short-term cash commitments, are readily convertible to known amounts of cash and are subject to insignificant risk of change in value. Cash and cash equivalents are placed in banks with credit ratings from AAA to B+ according to an independent credit rating agency Expert RA.

Cash and cash equivalents comprised the following:

	December 31,	
	2022	**2021**
Cash and cash equivalents at banks and on hand in:		
Russian Rubles	33,912	17,911
Chinese yuan	12,404	15
US Dollars	11,902	1,766
Euro	7,516	2,899
Turkmenian Manat	314	367
Other	2,031	801
Short-term deposits with an original maturity of less than 92 days:		
Russian Rubles	10,213	16,594
Other	-	237
Total cash and cash equivalents	**78,292**	**40,590**

(Amounts in millions of Russian Rubles unless otherwise stated)

14. SHORT-TERM INVESTMENTS

Short-term investments represent investments in loans and time deposits, which have original maturities of longer than 92 days and are repayable in less than twelve months, as well as investment in debt and equity securities. Deposits, loans and debt securities are carried at amortized cost as they are held to collect contractual cash flows in the form of payments of principal and interest. Assets in Sistema Capital trust management as well as mutual funds are carried at fair value through profit and loss ("FVTPL"), as this portfolio of assets is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Short-term investments, carried at amortized cost, are presented net of allowance for expected credit losses ("ECL").

Loans to customers issued by MTS Bank are presented separately within Bank deposits and loans in the accompanying consolidated statements of financial position.

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

		December 31,	
	Category	**2022**	**2021**
Investments in mutual funds (Notes 27)	At FVTPL	12,749	10,719
Assets in Sistema Capital trust management (Notes 27)	At FVTPL	9,426	10,374
Notes / loans	At amortized cost	2,235	6,383
Deposits	At amortized cost	9	1,499
Short-term investments, gross		**24,419**	**28,975**
Allowance for ECL		3	(3)
Total short-term investments		**24,422**	**28,972**

15. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Associates are those entities where the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not equate to control or joint control over those policies.

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

Investments in associates are accounted for using the equity method are recognized at cost at the time of acquisition and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income. The carrying amount of the investment in such entities may include goodwill as the positive difference between the cost of the investment and Group's proportionate share in the fair-values of the entity's identifiable assets and liabilities.

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement and have rights to the net assets of the arrangement. The Group recognizes its interest in a joint venture where it has joint control of the investment and accounts for that investment using the equity method.

The Group presents its share in profits or losses in associates and joint ventures accounted for using the equity method within operating profit if those interests are viewed as part of Group's core operations. As of December 31, 2022, MTS Belarus, Zelenaya Tochka, Factorin and Monumental Vision were considered as part of the Group's core operating activity. Shares in profits and losses of other Group's associates and joint ventures were presented as non-operating items.

(Amounts in millions of Russian Rubles unless otherwise stated)

The Group's investments in associates and joint ventures accounted for using the equity and fair value methods in the consolidated statements of profit or loss comprised the following:

	Country of operations	Operating activity	December 31, 2022	December 31, 2021
MTS Belarus	Belarus	telecom-munications	5,798	6,265
Zelenaya Tochka	Russia	telecom-munications	199	141
YouDo	Russia	classifieds	667	705
Other unquoted companies	Russia		2,611	1,319
Total investments in associates and joint ventures accounted for using the equity method			**9,275**	**8,430**
Other unquoted companies accounted for at fair value through profit or loss	Russia		477	305
Total investments in associates			**9,752**	**8,735**

Associates and joint ventures accounted for using the equity method and presented in share of the profit of operating associates and joint ventures in the consolidated statements of profit or loss

MTS Belarus

The reconciliation of summarized financial information of MTS Belarus to the carrying amount of the Group's interest in associate is presented as follows:

	December 31, 2022	December 31, 2021
Assets		
Non-current assets	14,743	19,030
Current assets	11,940	15,386
Liabilities		
Non-current liabilities	(4,497)	(9,062)
Current liabilities	(10,354)	(12,568)
Total identifiable net assets	**11,832**	**12,786**
The Group's share in associate	49%	49%
The Group's share of identifiable net assets	5,798	6,265
Carrying amount of the Group's interest	**5,798**	**6,265**

The composition of the Group's share of income of MTS Belarus is as follows:

	Year ended December 31,		
	2022	**2021**	**2020**
Revenue	37,444	39,383	36,121
Net profit for the year	9,863	10,379	10,267
The Group's share of the profit of the associate for the year	**4,833**	**5,086**	**5,031**
Other comprehensive income/(loss) for the year (currency translation adjustment)	(1,541)	183	(397)
Total comprehensive income for the year	8,322	10,562	9,870
The Group's share of total comprehensive income of the associate for the year	**4,078**	**5,175**	**4,836**
Dividends received	**(4,545)**	**(4,034)**	**(4,212)**

(Amounts in millions of Russian Rubles unless otherwise stated)

Zelenaya Tochka

In February 2020, the Group purchased 51% stakes in Achemar Holdings Limited and Clarkia Holdings Limited, owners of the operational companies of "Zelenaya Tochka" Group, fixed-line operator in multiple regions of Russia. Purchase price comprised of cash payment in total amount of RUB 1,370 million. Purchase conditions included call and put options for the remaining stakes in Achemar Holdings Limited and Clarkia Holdings Limited, and share of purchase price in amount of RUB 166 million related to the fair value of call and put options acquired. The purchase of 51% stake was accounted as investment in joint venture based on the terms of the shareholders' agreement.

In April 2021 the Group performed a step acquisition and obtained control over Achemar Holdings Limited, owner of Stavropol and Tambov subsidiaries of Zelenaya Tochka (Note 4).

As of the acquisition date the Group remeasured the previously held equity interest in Achemar Holdings Limited from RUB 1,166 million to fair value of RUB 1,582 million and recognized the resulting gain of RUB 415 million in the share of the profit in operating associates and joint ventures in the accompanying consolidated statement of profit or loss.

The Group continued to account for its investment in other operational companies of Zelenaya Tochka, owned by Clarkia Holdings Limited, as investment in joint venture.

Factorin

In July 2021 the Group purchased 51% stake in Amaran Limited, 100% owner of LLC Factorin ("Factorin"), for RUB 867 million. Factorin is the developer and owner of blockchain-based platform for trade finance transactions with a focus on supply chain finance and invoice factoring. The purchase of 51% stake was accounted as investment in joint venture based on the terms of the shareholders' agreement.

The following table is the aggregate financial information of investments in individually insignificant joint ventures, held by the Group and presented within operating profit in the consolidated statements of profit or loss:

	Year ended December 31,	
	2022	**2021**
Net (income)/loss for the year	1,362	114
The Group's share of the (income)/loss of the joint venture for the year	**260**	**32**
Total comprehensive income for the year	1,362	114
Gain on remeasurement of previously held interest upon acquisition	-	(415)
Compensation of losses	-	(96)
The Group's share of total comprehensive (income)/loss of the joint venture for the year	**260**	**(479)**

Associates and joint ventures accounted for using the equity method and presented within share of the profit of non-operating associates and joint ventures in the consolidated statements of profit or loss

YouDo

In September 2018, the Group acquired a 13.68% ownership interest in Youdo Web Technologies Limited (YouDo), a Russian online service provider matching freelance labor supply to demand for everyday and business tasks, for a cash contribution of RUB 824 million. In November 2021, the Group increased its share to 14.39%. Though the Group holds less than 20% of the equity interests in YouDo, nevertheless it has significant influence over the investee by means of representation on the investee's Board of Directors and certain additional rights related to the decision-making process on key issues.

(Amounts in millions of Russian Rubles unless otherwise stated)

Navitel

In September 2022, the Group acquired a 50.85% ownership interest in Navitel for a cash contribution of RUB 690 million. Navitel is a leading digital navigation solution provider for automotive industries around the world. The Group holds more than 50% of the equity interests in Navitel, it has significant influence over the investee based on its ownership of equity shares, representation on the investee’s Board of Directors.

The following table is the aggregate financial information of investments in individually insignificant associates and joint ventures, held by the Group and presented within non-operating items in the consolidated statements of profit or loss:

	Year ended December 31,		
	2022	2021	2020
Net (income) for the year	(1,035)	(856)	(1,048)
The Group’s share of the (income)/loss of the associate for the year	**(209)**	**(181)**	**(273)**
Other comprehensive income for the year	-	-	-
Total comprehensive (income) for the year	(1,035)	(856)	(1,048)
The Group’s share of total comprehensive (income)/loss of the associate for the year	**(209)**	**(181)**	**(273)**

Investments in venture capital associates

The following table is the aggregate financial information of investments in individually insignificant associates measured at fair value through profit or loss in accordance with IFRS 9:

	December 31, 2022	Fair value adjustment	Investment	December 31, 2021
Total investments in associates measured at fair value through profit or loss	477	-	172	305

16. OTHER INVESTMENTS

Other investments consist primarily of long-term deposits, which are repayable in more than a year, loans, debt securities and equity holdings in private companies. Deposits, loans and notes are carried at amortized cost as they are held to collect contractual cash flows in the form of payments of principal and interest.

Loans to customers issued by MTS Bank are presented separately within Bank deposits and loans to customers.

Other investments, carried at amortized cost, are presented net of allowance for expected credit losses (ECL).

Other investments of the Group comprised the following:

		December 31,	
	Category	2022	2021
Debt securities	At amortized cost	1,299	2,810
Investments in equity	FVPL	2,000	1,228
Loans and unquoted notes	At amortized cost	4,239	555
Other investments (Gross)		**7,538**	**4,593**
Allowance for ECL		1	(2)
Total other investments		**7,539**	**4,591**

(Amounts in millions of Russian Rubles unless otherwise stated)

The main change in the amount of other investments relates to the Business Nedvizhimost receivables novation agreement under which receivables were converted into the loan.

17. TRADE AND OTHER RECEIVABLES

Trade and other receivables are carried at transaction price. The carrying value of all trade receivables is reduced by appropriate allowances for ECL.

For trade receivables the Group applies a simplified approach and calculates ECL based on lifetime expected credit losses. For receivables from subscribers and dealers and partially for other trade receivables the allowance for ECL is computed using the provision matrix. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome and all reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, receivables from subscribers are written-off if past due for more than 180 days on average based on category of subscriber. Receivables other than from subscribers are written-off upon the expiration of the limitation period or before based on results of internal investigations.

MTS Group accounts for Receivables from handset sales financing as a part of current trade and other receivables and non-current other non-financial assets. These financial assets are measured based on fair value basis using effective rate approach at recognition and then amortised cost approach applies. Receivables from handset sales financing are written off against the allowance when deemed uncollectible, including by means of foreclosure on the provision. Write off of receivables takes place when the Group has no reasonable expectations of recovering the financial asset either entirely or a portion of it.

Trade and other receivables current and non-current comprised the following:

	December 31,	
	2022	**2021**
Subscribers	16,689	15,240
Handset sales financing	5,630	12,161
Property	2,607	683
Bank commission	2,512	1,208
Bonuses from suppliers	2,467	892
Interconnect	1,658	1,640
Sharing	1,474	2,164
Integration services	1,070	1,584
Roaming	686	800
Dealers	267	161
Factoring	64	282
Other receivables	6,179	6,516
Allowance for ECL	(3,245)	(3,536)
Trade and other receivables, total	**38,058**	**39,795**
Less non-current portion	(882)	(1,898)
Trade and other receivables, current	**37,176**	**37,897**

(Amounts in millions of Russian Rubles unless otherwise stated)

The analysis of the age of trade and other accounts receivables and the respective allowance for ECL as of December 31, 2022:

Receivables from subscribers and dealers and other trade receivables assessed for impairement based on provision matrix	**Weighted-average loss rate**	**Gross carrying amount**	**Loss allowance (based on provision matrix)**	**Credit-impaired**
Current	1%	2,602	(29)	No
1 - 30 days past due	3%	12,490	(390)	No
31 - 60 days past due	38%	506	(195)	No
60 - 90 days past due	58%	392	(228)	No
More than 90 days past due	78%	966	(755)	Yes
Total	**9%**	**16,956**	**(1,597)**	

Receivables from the sharing agreement, interconnect, integration services and other receivables based on individual approach	**Weighted-average loss rate**	**Gross carrying amount**	**Loss allowance (individually assessed)**	**Credit-impaired**
Current	2%	11,158	(187)	No
1 - 30 days past due	0%	2,956	(11)	No
31 - 60 days past due	2%	785	(19)	No
60 - 90 days past due	2%	586	(12)	No
More than 90 days past due	22%	3,231	(713)	Yes
Total	**5%**	**18,716**	**(942)**	

Receivables from handset sales financing	**Weighted-average loss rate**	**Gross carrying amount**	**Loss allowance (based on provision matrix)**	**Credit-impaired**
Current	1%	4,628	(68)	No
1 - 30 days past due	21%	123	(25)	No
31 - 60 days past due	41%	63	(25)	No
60 - 90 days past due	52%	58	(30)	No
More than 90 days past due	74%	759	(558)	Yes
Total	**13%**	**5,631**	**(706)**	

(Amounts in millions of Russian Rubles unless otherwise stated)

The analysis of the age of trade and other accounts receivables and the respective allowance for ECL as of December 31, 2021:

Receivables from subscribers and dealers and other trade receivables assessed for impairement based on provision matrix	Weighted-average loss rate	Gross carrying amount	Loss allowance (based on provision matrix)	Credit-impaired
Current	1%	2,560	(27)	No
1 - 30 days past due	3%	10,848	(332)	No
31 - 60 days past due	32%	583	(189)	No
60 - 90 days past due	45%	355	(161)	No
More than 90 days past due	78%	1,055	(818)	Yes
Total	**10%**	**15,401**	**(1,527)**	

Receivables from the sharing agreement, interconnect, integration services and other receivables based on individual approach	Weighted-average loss rate	Gross carrying amount	Loss allowance (individually assessed)	Credit-impaired
Current	2%	9,407	(193)	No
1 - 30 days past due	1%	2,219	(8)	No
31 - 60 days past due	1%	1,119	(16)	No
60 - 90 days past due	5%	624	(31)	No
More than 90 days past due	36%	2,400	(865)	Yes
Total	**7%**	**15,769**	**(1,113)**	

Receivables from handset sales financing	Weighted-average loss rate	Gross carrying amount	Loss allowance (based on provision matrix)	Credit-impaired
Current	2%	10,948	(180)	No
1 - 30 days past due	12%	289	(34)	No
31 - 60 days past due	47%	94	(45)	No
60 - 90 days past due	58%	74	(43)	No
More than 90 days past due	78%	756	(594)	Yes
Total	**7%**	**12,161**	**(896)**	

The following table summarizes changes in the allowance for expected credit losses for the year ended December 31, 2022, 2021 and 2020:

	2022	2021	2020
Balance, beginning of the year	**(3,536)**	**(4,623)**	**(4,203)**
Allowance for ECL	(2,203)	(1,135)	(3,382)
Accounts receivable written off	2,522	2,232	2,719
Disposal/(Acquisition) of subsidiaries	(28)	(10)	243
Balance, end of the year	**(3,245)**	**(3,536)**	**(4,623)**

(Amounts in millions of Russian Rubles unless otherwise stated)

18. INVENTORIES

Inventories are stated at the lower of cost or net realizable value. Inventory cost is determined using the weighted average cost method. Handsets and accessories held for sale are expensed when sold. The Group regularly assesses its inventories for obsolete and slow-moving stock.

Inventory and spare parts comprised the following:

	December 31, 2022	December 31, 2021
Handsets and accessories	10,290	15,201
SIM cards and prepaid phone cards	1,495	853
Software and equipment for installation and resale	1,433	364
Advertising and other materials	630	1,934
TV equipment for resale	305	449
Spare parts for telecommunication equipment	46	180
Total inventories	**14,199**	**18,981**

Spare parts for telecommunication equipment included in the inventory are expected to be utilized within twelve months of the year end.

Expenses for writing inventory down to net realisable value were included in cost of goods in the consolidated statement of profit or loss.

For the years ended December 31, 2022, 2021 and 2020, cost of goods comprised the following expenses:

	2022	2021	2020
Amount of inventories recognized as an expense	38,233	65,818	58,677
Inventory obsolescence provision	3,833	1,625	1,465
Reversal of obsolescence provision	(913)	(169)	(570)
Total cost of goods	**41,153**	**67,274**	**59,572**

The reversal of the inventory obsolescence provision relates to handsets and accessories sold over the course of the Group’s promotion campaigns. Inventories were sold with a positive margin.

19. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including improvements, are stated at cost. Property, plant and equipment with a useful life of more than one year is capitalized at historical cost and depreciated on a straight-line basis over its expected useful life, as follows:

Network and base station equipment:	
Network infrastructure	3-50 years
Other	3-20 years
Land and buildings:	
Buildings	7-99 years
Leasehold improvements	the term of the lease
Office equipment, vehicles and other:	
Office equipment	2-7 years
Vehicles	2-10 years
Other	2-25 years

The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between any sale proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

Construction in progress and equipment held for installation is not depreciated until the constructed or installed asset is ready for its intended use. Maintenance and repair costs are expensed as incurred, while upgrades and improvements are capitalized.

Borrowing costs – Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset during the construction phase that necessarily takes a substantial period of time are capitalized as part of property, plant and equipment until the asset is substantially ready for its intended use. The Group considers a construction period of more than six months to be substantial.

(Amounts in millions of Russian Rubles unless otherwise stated)

Balances of cost, accumulated depreciation, net book value as of December 31, 2022, 2021 and 2020 and movements of property, plant and equipment for the year ended December 31, 2022, 2021 and 2020 were as follows:

	Network and base station equipment	Land and buildings	Office equipment, vehicles and other	Construction in progress and equipment for installation	Total
Cost					
January 1, 2020	**560,599**	**34,556**	**57,269**	**21,896**	**674,320**
Additions	(173)	434	729	74,032	75,022
Transferred into use	53,005	1,317	12,286	(66,608)	-
Arising on business combinations	578	4	6	-	588
Disposal of NVISION GROUP (Note 10)	-	-	(314)	(18)	(332)
Transfer to assets held for sale	(2,890)	(475)	(34)	(3)	(3,402)
Disposal	(38,293)	(447)	(4,405)	(255)	(43,400)
Other	(4)	675	30	35	736
Foreign exchange differences	2,286	495	520	74	3,375
December 31, 2020	**575,108**	**36,559**	**66,087**	**29,153**	**706,907**
Additions	2,432	38	801	75,450	78,721
Transferred into use	57,666	748	11,499	(69,913)	-
Arising on business combinations	973	4,601	605	204	6,383
Transfer to assets held for sale	(992)	(1)	(24)	(27)	(1,044)
Disposal	(44,394)	(559)	(5,542)	334	(50,161)
Other	(341)	482	159	(137)	163
Foreign exchange differences	1,306	10	170	12	1,498
December 31, 2021	**591,758**	**41,878**	**73,755**	**35,076**	**742,467**
Additions	1,748	68	419	53,630	55,865
Transferred into use	39,096	1,965	9,426	(50,487)	-
Arising on business combinations	289	-	91	14	394
Transfer to assets held for sale	(978)	-	(26)	-	(1,004)
Disposal of Nvision CR a.s. (Note 10)	-	(840)	(953)	-	(1,793)
Disposal	(22,082)	74	(3,267)	(127)	(25,402)
Other	(2,948)	540	1,280	66	(1,062)
Foreign exchange differences	937	(438)	(373)	(1)	125
December 31, 2022	**607,820**	**43,247**	**80,352**	**38,171**	**769,590**
Accumulated amortisation and impairment					
January 1, 2020	**(362,006)**	**(10,571)**	**(36,264)**	**-**	**(408,841)**
Charge for the year	(43,220)	(1,153)	(5,696)	-	(50,069)
Disposal of NVISION GROUP (Note 10)	-	-	236	-	236
Transfer to assets held for sale	1,899	146	(7)	-	2,038
Disposal	33,058	343	4,165	-	37,566
Other	(5)	(133)	(34)	-	(172)
Foreign exchange differences	(1,968)	(397)	(496)	-	(2,861)
December 31, 2020	**(372,242)**	**(11,765)**	**(38,096)**	**-**	**(422,103)**
Charge for the year	(44,387)	(1,204)	(7,548)	-	(53,139)
Transfer to assets held for sale	1,247	1	15	-	1,263
Disposal	38,225	435	5,062	-	43,722
Other	277	(99)	(4)	-	174
Foreign exchange differences	(1,016)	(6)	(112)	-	(1,134)
December 31, 2021	**(377,896)**	**(12,638)**	**(40,683)**	**-**	**(431,217)**
Charge for the year	(43,211)	(1,167)	(9,550)	-	(53,928)
Transfer to assets held for sale	899	-	23	-	922
Disposal of Nvision CR a.s. (Note 10)	-	794	775	-	1,569
Disposal	21,957	(111)	3,362	-	25,208
Other	210	(20)	(1,163)	-	(973)
Foreign exchange differences	240	474	624	-	1,338
December 31, 2022	**(397,801)**	**(12,668)**	**(46,612)**	**-**	**(457,081)**
Net book value					
December 31, 2021	**213,862**	**29,240**	**33,072**	**35,076**	**311,250**
December 31, 2022	**210,019**	**30,579**	**33,740**	**38,171**	**312,509**

The amount of the compensation from third parties for items of property, plant and equipment that were accidentally damaged during construction in Moscow for the years ended December 31, 2022, 2021 and 2020 totaled RUB 2,927 million, RUB 2,403 million and RUB 1,510 million, respectively. This was included in the accompanying consolidated statements of profit or loss as component of other operating income.

(Amounts in millions of Russian Rubles unless otherwise stated)

20. GOODWILL

Goodwill represents an excess of consideration transferred plus the fair value of any non-controlling interest ("NCI") in the acquiree at the acquisition date over the fair values of the identifiable net assets of the acquired entity. Goodwill is not amortized, but is tested for impairment (Note 21).

The change in the net carrying amount of goodwill for the years ended December 31, 2022 and 2021 by reportable segments was as follows:

	Telecom	Other	Total
Balance at January 1, 2021			
Gross amount of goodwill	30,924	13,904	44,828
Accumulated impairment loss	(1,466)	(5,321)	(6,787)
	29,458	**8,583**	**38,041**
Acquisitions (Note 4)	4,337	46	4,383
Reclassification (Note 5)	253	(253)	-
Currency translation adjustment	-	395	395
Balance at December 31, 2021			
Gross amount of goodwill	35,514	14,092	49,606
Accumulated impairment loss[1]	(1,466)	(5,321)	(6,787)
	34,048	**8,771**	**42,819**
Acquisitions (Note 4)	2,609	10,107	12,716
Measurement period adjustment (Note 4)	(61)	-	(61)
Impairment (Note 21)	-	(489)	(489)
Currency translation adjustment	-	709	709
Balance at December 31, 2022			
Gross amount of goodwill	38,062	24,908	62,970
Accumulated impairment loss[1]	(1,466)	(5,810)	(7,276)
	36,596	**19,098**	**55,694**

(1) Accumulated impairment loss of Other segments as of December 31, 2021 consists of impairment loss of CGU "Armenia" (RUB 3,516 million), impairment loss of CGU "Oblachnyi retail" (RUB 524 million) and impairment loss of CGU "Entertainment" (RUB 1,281 million). As of December 31, 2022 impairment loss of CGU "MTS Auto" (RUB 282 million) and impairment loss of CGU "Gambit" (RUB 207 million) were also recognised within accumulated impairment loss of Other segments.

21. IMPAIRMENT REVIEW

Goodwill – The management of the Group performs impairment tests with respect to goodwill assigned to the cash-generating units at least annually, and also when there are any indications that the carrying amount of the cash generating unit ("CGU") is impaired.

Investments in associates and joint ventures – The carrying amount of an investment accounted for under the equity method is tested for impairment provided there are indications of impairment. If the carrying amount of the investment exceeds its recoverable amount, an impairment loss is recognized in the amount of the difference. The recoverable amount is measured at the higher of fair value less costs of disposal and value in use.

Tangible and intangible assets excluding goodwill – At the end of each reporting period, the management of the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If such an indication exists, the recoverable amount of the assets is estimated in order to determine the amount of impairment loss.

In the process of identifying the impairment indicators management of the Group considers, among other factors, CGU market and book value and changes in risk premiums in country of operations.

When the carrying amount of the CGU exceeds its recoverable amount, assets allocated to this CGU must be impaired.

For the purpose of the impairment test the recoverable amounts of the CGUs are considered to be equal to their value-in-use. While determining value-in-use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. The discount rate applied to measure free cash flow is the weighted average cost of capital according to the finance structure established for each CGU.

Estimation of future cash flows requires assumptions to be made in respect to uncertain factors, including management expectations in relation to OIBDA margin, timing and amount of capital expenditures, terminal growth rates and appropriate discount rates to reflect the risks involved. Therefore, OIBDA margin and capital expenditures used for value in use calculation are primarily derived from internal sources, based on past experience and extended to include management expectations. For the purposes of impairment testing OIBDA calculated as operating profit less depreciation and amortization measured on the basis consistent with IFRS consolidated financial statements.

For the purpose of impairment testing the Group has assessed potential adverse effects of economic volatility and sanctions in Russia on Group’s business and financial situation (as disclosed in Note 33) for impairment indicators. The Group took into consideration relevant effects for estimation of future cash flows.

Moscow Fixed Line

In 2021 management of the Group has changed the composition of operating segments, by dividing operations of the Group’s subsidiary MGTS (previously constituted “Moscow Fixed Line” reportable segment) into two operating segments, as disclosed in Note 5. The described change in composition of operating segments led to separation of “Moscow fixed line” into two CGU – “MGTS commercial” and “MGTS service”.

Entertainment

Due to restrictive measures implemented by government in respect to mass events and gatherings ticket sales dropped significantly in 2020. Group management adjusted its expectations of Ticketland and Ponominalu operating performance to reflect significant reduction of business activities and time needed for recovery. The recoverable amount was in total equal to RUB 2,658 million as of June 30, 2020.

As a result of impairment test the Group recognized impairment of goodwill related to Ticketland and Ponominalu in the aggregate amount of RUB 1,281 million for the year ended December 31, 2020.

Kinopolis

Kinopolis provides services of movie sites rental and movie production. The sites and related infrastructure for rent are presented in the statement of financial position as investment property.

Overall slowdown of movie production and pandemic restrictions lead to decrease in demand for movie site rental. Operating results of Kinopolis dropped below expectations.

As of December 31, 2020 the recoverable amount of Kinopolis’s assets was assessed as being lower than its carrying amount, and hence the impairment charge of RUB 807 million was recognized in respect to Kinopolis CGU.

Gambit

Due to the political and economic sanctions, Esports teams under the brand “Gambit” has been unable to participate in most of major worldwide championships and lost significant part of cash inflows from advertising contracts and prizes. The Group recognized impairment of goodwill relating to CGU “Gambit” in the amount of RUB 207 million for the year ended December 31, 2022.

(Amounts in millions of Russian Rubles unless otherwise stated)

MTS Auto

As a result of decline in Russia's automotive market MTS Auto's revenue from sale of multimedia platforms for cars was significantly reduced. The Group recognized impairment of goodwill relating to CGU "MTS Auto" in the amount of RUB 282 million for the year ended December 31, 2022.

Impairment losses and reversal of the impairment charges recognized during year ended December 31, 2022, 2021 and 2020 are attributable to operating segments, reported as a part of the "Other" category (Note 4).

MTS Turkmenistan

During the years ended December 31, 2021 and 2020 MTS Turkmenistan sold a number of long-lived assets impaired in prior periods, hence the reversal of the impairment in the amount of gain from disposal of RUB 10 million and RUB 66 million, respectively, was recognized in the accompanying consolidated statements of profit or loss.

Impairment losses and reversal of the impairment charges recognized during the years ended December 31, 2022, 2021 and 2020 are attributable to operating segments, reported as a part of the "Other" category (Note 5).

The total amount of impairment loss and reversal of impairment charges for the year ended December 31, 2022, 2021 and 2020 was allocated to the long-lived assets carrying amounts as follows:

	2022		2021		2020	
	Gambit	**MTS Auto**	**MTS Turkmeni-stan**	**Entertain-ment**	**Kinopolis**	**MTS Turkmeni-stan**
Goodwill	207	282	-	1,281	-	-
Property, plant and equipment	-	-	(10)	-	-	(66)
Investment property	-	-	-	-	807	-
Total	**207**	**282**	**(10)**	**1,281**	**807**	**(66)**

Key assumptions used for value in use calculation:

The table below presents OIBDA margin applied for value in use calculation of related CGUs:

	December 31,	
CGU	**2022**	**2021**
Russia Convergent	37.5%-37.9%	41.3%-46.9%
Armenia	50.6%-54.2%	53.5%-60.3%
MGTS Commercial	50.6%-54.2%	59.9%-63.0%
MGTS Service	31.4%-33.9%	42.5%-51.8%
Entertainment	2.1%-11,9%	4.8%-12%
Cloud	39.8%-59.1%	37.7%-67.3%

The table below presents capital expenditure as a percentage of revenue applied for value-in-use calculations of related CGUs:

	December 31,	
CGU	**2022**	**2021**
Russia Convergent	22%	18%
Armenia	22%	22%
MGTS Commercial	19%	16%
MGTS Service	15%	16%
Entertainment	10%	3%
Cloud	61%	17%

(Amounts in millions of Russian Rubles unless otherwise stated)

The terminal growth rate into perpetuity has been determined based on the nominal gross domestic product rates for the country of operation, adjusted for specific characteristic of the CGUs.

The table below presents terminal growth rates applied for value-in-use calculations of related CGUs:

	December 31,	
CGU	**2022**	**2021**
Russia Convergent	1%	1%
Armenia	nil	nil
MGTS Commercial	1%	1%
MGTS Service	1%	1%
Entertainment	1.5%	1.5%
Cloud	1%	1%

The table below presents pre-tax rates for the discounting of cash flows in functional currencies of related CGUs:

	December 31,	
CGU	**2022**	**2021**
Russia Convergent	16.9%	10.1%
Armenia	12.3%	11.2%
MGTS Commercial	17.3%	12.7%
MGTS Service	16.5%	9.9%
Entertainment	20.4%	13.1%
Cloud	18.8%	13.6%

22. OTHER INTANGIBLE ASSETS

Other intangible assets primarily consist of billing, telecommunication, accounting and office software as well as numbering capacity, customer base and licenses. These assets are assets with finite useful lives. They are initially recognized at cost and amortized on a straight-line basis over their estimated useful lives.

Balances of historical cost, accumulated amortization, net book value as of December 31, 2022 and 2021 and movements of other intangible assets for the year ended December 31, 2022, 2021 and 2020 were as follows:

(Amounts in millions of Russian Rubles unless otherwise stated)

	Licenses	Right to use radio frequencies	Billing and other software	Client base	Numbering capacity	Cost to obtain contracts	Content	Other	Total
Useful life, years	***1 to 20***	***1 to 15***	***1 to 25***	***4 to 31***	***2 to 15***	***2 to 5***	***1 to 5***	***1 to 10***	
Cost									
January 1, 2020	**21,705**	**5,689**	**139,968**	**5,930**	**2,677**	**13,635**	**-**	**3,096**	**192,700**
Additions	1,466	(11)	35,277	-	15	10,390	-	1,941	49,078
Disposal of NVISION GROUP (Note 10)	-	-	(311)	-	-	-	-	-	(311)
Reclassification into assets for sale	-	-	(184)	-	-	-	-	-	(184)
Impairment	-	43	(167)	-	-	-	-	(2)	(126)
Disposal	(108)	(172)	(28,035)	(73)	(24)	(9,758)	-	(1,033)	(39,203)
Other	25	30	(83)	-	-	-	-	(1)	(29)
Foreign exchange differences	913	-	386	-	-	-	-	4	1,303
December 31, 2020	**24,001**	**5,579**	**146,851**	**5,857**	**2,668**	**14,267**	**-**	**4,005**	**203,228**
Additions	1,350	-	34,421	-	75	3,653	-	5,494	44,993
Arising on business combinations	-	-	571	1,147	174	-	-	576	2,468
Reclassification into assets for sale	-	-	(17)	-	-	-	-	-	(17)
Impairment	(1)	21	-	-	-	-	-	-	20
Disposal	(39)	(233)	(14,783)	(680)	(251)	(3,287)	-	(1,064)	(20,337)
Other	-	1	(97)	-	-	-	-	(9)	(105)
Foreign exchange differences	992	-	381	-	-	-	-	(1)	1,372
December 31, 2021	**26,303**	**5,368**	**167,327**	**6,324**	**2,666**	**14,633**	**-**	**9,001**	**231,622**
Additions	1,231	-	31,934	-	134	3,945	7,952	205	45,402
Arising on business combinations (Note 4)	-	-	713	4,447	-	260	-	619	6,039
Disposal of Nvision CR a.s. (Note 10)	-	-	(89)	-	-	-	-	-	(89)
Disposal	(63)	(174)	(11,810)	(619)	(24)	(3,250)	-	(465)	(16,405)
Other	34	(34)	52	-	-	-	(9)	(35)	8
Foreign exchange differences	1,778	-	298	(539)	(66)	-	-	(468)	1,003
December 31, 2022	**29,283**	**5,160**	**188,425**	**9,613**	**2,710**	**15,588**	**7,943**	**8,857**	**267,579**
Accumulated amortisation and impairment									
January 1, 2020	**(13,182)**	**(4,098)**	**(82,096)**	**(3,048)**	**(2,611)**	**(6,394)**	**-**	**(1,542)**	**(112,971)**
Charge for the year	(1,266)	(367)	(25,146)	(431)	(27)	(9,964)	-	(345)	(37,546)
Disposal of NVISION GROUP (Note 10)	-	-	77	-	-	-	-	-	77
Disposal	71	160	27,953	72	24	9,758	-	402	38,440
Other	(10)	(31)	81	-	-	-	-	2	42
Foreign exchange differences	(894)	-	(275)	-	-	-	-	2	(1,167)
December 31, 2020	**(15,281)**	**(4,336)**	**(79,406)**	**(3,407)**	**(2,614)**	**(6,600)**	**-**	**(1,481)**	**(113,125)**
Charge for the year	(1,443)	(349)	(29,737)	(631)	(35)	(3,424)	-	(1,867)	(37,486)
Disposal	3	228	14,716	679	249	3,288	-	920	20,083
Other	-	-	204	-	-	-	-	16	220
Foreign exchange differences	(971)	-	(211)	-	-	-	-	-	(1,182)
December 31, 2021	**(17,692)**	**(4,457)**	**(94,434)**	**(3,359)**	**(2,400)**	**(6,736)**	**-**	**(2,412)**	**(131,490)**
Charge for the year	(1,607)	(312)	(31,702)	(820)	(55)	(3,596)	(2,144)	(89)	(40,325)
Disposal of Nvision CR a.s. (Note 10)	-	-	57	-	-	-	-	-	57
Impairment	-	-	(1,150)	-	-	-	-	(18)	(1,168)
Disposal	38	193	11,792	619	24	3,250	-	439	16,355
Other	(31)	31	(39)	3	-	3	7	22	(5)
Foreign exchange differences	(1,742)	-	191	-	66	-	-	31	(1,454)
December 31, 2022	**(21,034)**	**(4,545)**	**(115,285)**	**(3,557)**	**(2,365)**	**(7,080)**	**(2,137)**	**(2,027)**	**(158,030)**
Net book value									
December 31, 2021	**8,611**	**911**	**72,893**	**2,965**	**266**	**7,897**	**-**	**6,589**	**100,132**
December 31, 2022	**8,249**	**615**	**73,140**	**6,056**	**345**	**8,509**	**5,806**	**6,830**	**109,549**

The Group was granted with GSM licenses by the Russian Ministry of Information Technologies and Communications to provide telecommunication services. In addition to the licenses received directly from the Russian Ministry of Information Technologies and Communications, the Group acquired access to telecommunication licenses through business combinations.

Operating licenses contain conditions specified by legislation which generally include the required date of services provision, territorial coverage and expiration date. Management believes that the Group is in compliance with all material terms of its licenses.

(Amounts in millions of Russian Rubles unless otherwise stated)

The Group's operating licenses do not provide for automatic renewal. All licenses covering the territories of the Russian Federation expired as of December 31, 2022 were renewed. The cost to renew the licenses was not significant. Weighted-average period until the next renewal of licenses in the Russian Federation is five years.

The license for the provision of telecommunication services in Armenia is valid until 2034.

Contractual obligations to purchase intangible assets are disclosed in the Note 33.

23. BORROWINGS

Group's borrowings represent interest bearing bank loans and bonds issued in the capital markets. Borrowings are initially recorded at fair value plus transaction costs that are directly attributable to the issue of the financial liability and subsequently measured at amortized cost, using the effective interest rate method.

The Group's borrowings comprise the following:

	December 31,	
	2022	**2021**
Notes	195,929	191,996
Bank and other loans	290,211	270,143
Total borrowings	**486,140**	**462,139**
Less: current portion	(117,747)	(111,839)
Total borrowings, non-current	**368,393**	**350,300**

On 21 November 2022, the Group announced a consent solicitation in relation to the MTS International Notes due 2023 on the terms and subject to the conditions set forth in the Consent Solicitation Memorandum dated 21 November 2022.

On December 13, 2022 in connection with the Consent Solicitation, the Extraordinary Resolution was duly passed and became effective.

Pursuant to the terms of the Extraordinary Resolution, amongst other things, the 30 November 2022 coupon payment under the Notes were to be paid by the Group in accordance with the Amended Payment Mechanics within sixty (60) calendar days from 30 November 2022 by January 30, 2023. The Group paid Notes coupon due on January 16, 2023.

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

The noteholders of MTS International Notes due in 2023 have the right to require the Group to redeem the notes at 101% of their principal amount and related interest, if the Group experiences a change in control.

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

The Group was in compliance with all existing notes and bank loans covenants as of December 31, 2022.

Available credit facilities – As of December 31, 2022, the Group's total available unused credit facilities amounted to RUB 206,099 million.

(Amounts in millions of Russian Rubles unless otherwise stated)

The following table presents the aggregated scheduled maturities of principal and interests on notes and bank loans (gross of debt issuance costs) outstanding for the five years ending December 31, 2027 and thereafter:

	December 31, 2022	
	Notes	**Bank loans and other debt**
Payments due in the year ending December 31,		
2023	63,963	90,636
2024	67,213	76,944
2025	41,246	150,222
2026	38,415	15,242
2027	22,477	-
Contractual undiscounted cash flows	**233,314**	**333,044**
Less: unamortized debt issuance costs	(321)	-
Less: interest	(37,064)	(41,762)
Less: debt modification	-	(459)
Less: subsidized interest rate effect	-	(612)
Total debt	**195,929**	**290,211**

24. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

The Group’s lease contracts largely relate to leases of cellular sites (i.e. land, space in cell towers or rooftop surface areas), network infrastructure, and retail stores as well as buildings used for administrative or technical purposes.

The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements (including sub-lease and lease of intangible assets), which conveys the right to control the use of identified assets for a period of time in exchange for consideration, except for short-term leases (with a lease term of 12 months or less). For these leases, the Group recognizes the lease payments as operating expenses over the term of the lease. When identifying the lease, the Group uses practical expedient of IFRS 16 permitting the lessee not to separate the non-lease components of the contract and, instead, to account for any lease and associated non-lease components as a single arrangements.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate of the Group. The incremental borrowing rate of the Group is determined based on the credit spreads of the Group debt instruments in relation to the zero-coupon yield curve for government securities. The lease payments include fixed payments, variable payments that depend on index or rate, amounts expected to be paid under residual value guarantee, the exercise price under a purchase option the Group is reasonably certain to exercise as well as early termination fees unless the Group is reasonably certain not to terminate earlier. Variable payments that depend on external factors (such as sale volume of a particular retail store) are expensed as incurred.

Lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of right-of-use asset had been reduced to zero.

Right-of-use assets are initially measured at cost, which is the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any direct costs incurred and an estimate of costs to dismantle, remove or restore the underlying asset less any lease incentives received.

(Amounts in millions of Russian Rubles unless otherwise stated)

Right-of-use assets are subsequently amortized on a straight-line basis over the expected lease term. The lease term corresponds to the non-cancellable period of each contract except in cases where the Group is reasonably certain of exercising renewal or termination options. When assessing the lease term, the Group considers all facts and circumstances that create an economic incentive for the Group to exercise the option to extend the lease, such as useful life of the asset located on the leased site, sites replacement statistics, sequence of technology change, profitability of our retail stores as well as costs to terminate or enter into lease contracts.

The table below summarises the estimated terms, over which the right-of-use assets are amortized:

Sites for placement of network equipment and base stations inside the buildings	10 years
Sites for placement of network equipment and base stations on land	20 years
Retail stores	Up to 8 years
Administrative offices, warehouses, parking garages	not less than 3 years
Vehicles	4 – 5 years

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

	December 31,	
	2022	**2021**
Sites for network and base station equipment	83,795	91,566
Land and buildings	36,005	40,572
Vehicles and other	392	205
Right-of-use assets, net	**120,192**	**132,343**

The following table presents a summary of depreciation charge of the right-of-use assets:

	2022	**2021**	**2020**
Sites for network and base station equipment	11,600	11,448	6,903
Land and buildings	7,585	8,274	11,858
Vehicles and other	155	103	43
Depreciation charge, total	**19,340**	**19,825**	**18,804**

Depreciation of the right-of-use assets was insignificant for the years ended December 31, 2022, 2021 and 2020.

Additions to the assets leased during the years ended December 31, 2022, 2021 and 2020 amounted to RUB 13,425, RUB 17,510 and RUB 13,102 million, respectively.

Interest expense accrued on lease obligations for the years ended December 31, 2022, 2021 and 2020 in the amount of RUB 12,791, RUB 11,816 and RUB 12,272 million, respectively, were included in finance costs in the accompanying consolidated statements of profit or loss.

For the years ended December 31, 2022, 2021 and 2020, expenses recognized in respect of variable lease payments not included on the measurement of lease liabilities and short-term leases amounted to:

	2022	**2021**	**2020**
Variable lease payments	11,349	10,623	9,542
Short-term leases	130	310	195
Total	**11,479**	**10,933**	**9,737**

(Amounts in millions of Russian Rubles unless otherwise stated)

The following table presents future lease payments under lease arrangements together with the present value of the net lease payments as of December 31, 2022 and 2021:

	December 31,	
	2022	**2021**
Lease payments, including:		
Current portion (less than 1 year)	31,450	29,758
More than 1 to 5 years	96,822	101,965
Over 5 years	84,646	91,031
Total lease payments	**212,918**	**222,754**
Less amount representing interest	(69,416)	(68,245)
Present value of net lease payments	**143,502**	**154,509**
Less current portion of lease obligations	(19,608)	(18,709)
Non-current portion of lease obligations	**123,894**	**135,800**

Total cash outflows for leases for the years ended December 31, 2022, 2021 and 2020 totaled to RUB 40,963, RUB 38,996 and RUB 36,963 million, of which RUB 13,040, RUB 11,548 and RUB 12,173 million was included in interest paid.

A minor part of the Group's lease contracts for retail stores include variable payments that depend on sales volume of the respective store.

The Group's lease contracts include typical restrictions and covenants common for local business practice, such as the responsibility of the Group for regular maintenance and repair of the lease assets and their insurance, redesign and conduction of permanent improvements only with the consent of the lessor, and use of the leased asset in accordance with current legislation.

For the year ended December 31, 2020 the Group recognized gain related to termination of lease agreements and rent holidays for retail outlets in the amount of RUB 464 and RUB 286 million, respectively. The amounts for the years ended December 31, 2022 and 2021 were not significant.

(Amounts in millions of Russian Rubles unless otherwise stated)

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCIAL ACTIVITIES

	December 31, 2021	Financing cash flows	Operating cash flows	Acquisitions/ Disposals	Foreign exchange movement	Other comprehensive income	Change in fair value	Change in retained earnings	Other changes[1]	December 31, 2022
Notes (Note 23)	191,996	6,941	-	-	(2,768)	-	-	-	(240)	195,929
Bank and other loans (Note 23)	270,143	15,840	-	1,970	(82)	-	-	-	2,340	290,211
Lease obligation (Note 24)	154,509	(16,443)	(13,040)	252	(335)	-	-	-	18,559	143,502
Dividends payable (Note 32)	68	(40,959)	-	220	-	-	-	57,015	247	16,591
Liability under put option agreement	-	-	-	2,577	-	-	204	-	-	2,781
Hedge asset (net)	(3,290)	-	-	-	3,805	-	-	-	(515)	-
Total liabilities arising from financial activities	**613,426**	**(34,621)**	**(13,040)**	**5,019**	**620**	**-**	**204**	**57,015**	**20,391**	**649,014**

[1] Including accrual of liabilities related to repurchase of common stock, additions under lease agreements, dividends related to non-controlling interest, depreciation of debt issuance cost, modification gain and other changes.

(Amounts in millions of Russian Rubles unless otherwise stated)

	December 31, 2020	Financing cash flows	Operating cash flows	Acquisitions/ Disposals	Foreign exchange movement	Other comprehensive income	Change in fair value	Change in retained earnings	Other changes[1]	December 31, 2021
Notes (Note 23)	208,155	(16,504)	-	-	187	-	-	-	158	191,996
Bank and other loans (Note 23)	221,113	48,718	-	1,735	-	(10)	-	-	(1,413)	270,143
Lease obligation (Note 24)	150,814	(16,515)	(11,548)	146	45	72	-	-	31,495	154,509
Payables related to repurchase of common stock (Note 32)	-	(21,483)	-	-	-	-	-	-	21,483	-
Dividends payable (Note 32)	109	(61,955)	-	-	-	-	-	61,967	(53)	68
Payables related to transactions under common control	-	(3,474)	-	-	-	-	-	-	3,474	-
Liability under put option agreement	62	-	-	-	-	-	(62)	-	-	-
Hedge asset (net)	(3,591)	-	-	-	(125)	-	-	-	426	(3,290)
Total liabilities arising from financial activities	**576,662**	**(71,213)**	**(11,548)**	**1,881**	**107**	**62**	**(62)**	**61,967**	**55,570**	**613,426**

1) Including accrual of liabilities related to repurchase of common stock, additions under lease agreements, dividends related to non-controlling interest, depreciation of debt issuance cost, modification gain and other changes.

26. PROVISIONS

Provisions – Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the managements' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. The main provisions the Group holds are in relation to employees' bonuses and other rewards (including retirement benefits and cash-settled share-based payments), decommissioning and restoration obligation, tax provisions as well as legal claims.

Provision for decommissioning and restoration – The Group calculates a provision for decommissioning and restoration when the Group has a legal or constructive obligation in connection with the retirement of tangible long-lived assets. The Group's obligations relate primarily to the cost of removing its equipment from sites. The Group records the present value of provision for decommissioning and restoration as non-current provisions in the consolidated statement of financial position.

Employee bonuses and share-based settlement programs – For employee bonuses and cash-settled share-based payment transactions, the fair value of the obligation is newly determined at each reporting date and at the settlement date, and the changes in the fair value are recognized in profit or loss, until the liability is settled.

(Amounts in millions of Russian Rubles unless otherwise stated)

The following table summarizes the movement in provisions for the years ended December 31, 2022, 2021 and 2020:

	Tax provisions other than for income tax	Provision for decommis-sioning and restoration	Employee bonuses and other rewards	Litigation and Other provisions (Note 33)	Total provisions
January 1, 2020	**(563)**	**(4,788)**	**(10,043)**	**(893)**	**(16,287)**
Arising during the year	(211)	(914)	(14,770)	(3,860)	(19,755)
Utilised	29	54	16,489	137	16,709
Discount rate adjustment and imputed interest (change in estimates)	1	(138)	67	-	(70)
Unused amounts reversed	8	513	(125)	114	510
Arising due to acquisitions of subsidiaries	-	-	-	-	-
Disposal of Nvision Group	115	-	245	9	369
Other	-	-	(62)	(2)	(64)
December 31, 2020	**(621)**	**(5,273)**	**(8,199)**	**(4,495)**	**(18,588)**
Current portion	(621)	(229)	(8,115)	(4,495)	(13,460)
Non-current portion	-	(5,044)	(84)	-	(5,128)
January 1, 2021	**(621)**	**(5,273)**	**(8,199)**	**(4,495)**	**(18,588)**
Arising during the year	(74)	(2,329)	(17,860)	(1,862)	(22,125)
Utilised	161	31	13.258	1,736	15,186
Discount rate adjustment and imputed interest (change in estimates)	-	(145)	4	-	(141)
Unused amounts reversed	488	226	580	(2)	1 292
Arising due to acquisitions of subsidiaries	(207)	-	(159)	(3)	(369)
Other	(1)	-	(18)	(3)	(22)
December 31, 2021	**(254)**	**(7,490)**	**(12,394)**	**(4,629)**	**(24,767)**
Current portion	(254)	(284)	(12,312)	(4,629)	(17,479)
Non-current portion	-	(7,206)	(82)	-	(7,288)
January 1, 2022	**(254)**	**(7,490)**	**(12,394)**	**(4,629)**	**(24,767)**
Arising during the year	(88)	(2,118)	(23,513)	(5,766)	(31,485)
Utilised	24	68	17,537	3,069	20,698
Discount rate adjustment and imputed interest (change in estimates)	-	(173)	-	-	(173)
Unused amounts reversed	132	4,597	205	6	4,940
Arising due to acquisitions of subsidiaries	(117)	-	(160)	(7)	(284)
Other	-	20	-	6	26
December 31, 2022	**(303)**	**(5,096)**	**(18,325)**	**(7,321)**	**(31,045)**
Current portion	(303)	(133)	(16,000)	(7,321)	(23,757)
Non-current portion	-	(4,963)	(2,325)	-	(7,288)

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include, in particular, cash and cash equivalents, trade and other receivables, bank loans to customers, investments (mainly deposits with original maturity of more than three months, originated loans other than bank loans to customers as well as debt securities) and derivative financial assets. Financial liabilities generally substantiate claims for repayment in cash or another financial asset. In particular, this includes bonds, trade and other payables, bank loans, lease obligations and derivative financial liabilities. Financial instruments are recognized as soon as the Group becomes a party to the contractual provision of the instrument.

Financial assets and financial liabilities are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for a financial asset or liability accounted for at fair value through profit or loss, in which case transaction costs are expensed. Subsequently they are measured either at amortized cost or fair value depending on the classification of those assets and liabilities.

Financial assets can be classified as 1) financial assets at amortized cost; 2) financial assets at fair value through other comprehensive income; 3) financial assets at fair value through profit or loss. If the financial assets are held for collecting contractual cash flows in the form of principal and interest on the specified dates, it is classified as carried at amortized cost. If the financial assets are held not only for collecting contractual cash flows in the form of principal and interest on the specified dates, but also for potential sale, they are classified as measured at fair value through other comprehensive income. All other financial assets are classified as measured at fair value through profit or loss.

Financial liabilities can be classified as measured at fair value or at amortized costs. The Group measures its derivative instruments, contingent consideration recognized in business combination as well as liability under put option agreement at fair value. All other financial liabilities of the Group are measured at amortized cost.

Derivative instruments activities – The Group uses derivative instruments, including interest rate and foreign currency swaps, to manage foreign currency and interest rate risk exposures. The Group measures derivatives at fair value and recognizes them as either other current or other non-current financial assets or liabilities in the consolidated statement of financial position. Cash flows from derivatives are classified according to their nature. The Group reviews related fair value hierarchy classifications on a quarterly basis. The fair value measurement of the Group’s derivative instruments is based on the observable yield curves for similar instruments.

Gains and losses from changes in the fair value of derivative instruments are recorded immediately in profit or loss.

Assets and liabilities related to multiple derivative contracts with one counterparty are not offset by the Group.

Liability under put option agreement – To optimize the structure of business acquisitions and to defer payment of the purchase price, the Group enters into put and call option agreements to acquire the remaining non-controlling stakes in newly acquired subsidiaries. Upon initial recognition, the commitment to purchase non-controlling interests is recognized as a financial liability for the present value of the redemption amount, which approximates its fair value. Subsequent changes in the value of the commitment are recognized in profit or loss for the reporting period.

Netting – The Group offsets its financial assets and financial liabilities only if it has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(Amounts in millions of Russian Rubles unless otherwise stated)

Fair value of financial instruments – Fair value of financial assets and liabilities is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The three-tier hierarchy for inputs used in measuring fair value, which prioritizes the inputs used in the methodologies of measuring fair value for assets and liabilities, is as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities;

Level 3 – No observable pricing inputs in the market.

Financial assets and financial liabilities are classified in the three-tier hierarchy based on the lowest level of input that is significant to the fair value measurements. The Group's assessment of the significance of a particular input to the fair value measurements requires judgment which may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

1. Financial assets of the Group

	December 31,	
	2022	**2021**
Cash and cash equivalents (Note 13)	**78,292**	**40,590**
Trade and other receivables (Note 17)	**38,058**	**39,795**
Accounts receivable, related parties (Note 30)	**4,410**	**7,287**
Other financial assets:		
Financial assets at amortized cost:		
Deposits and loans issued	238,816	208,018
Notes	3,096	9,158
Other	4,031	2,138
Total financial assets at amortized cost	**245,943**	**219,314**
Financial assets at fair value through profit or loss:		
Securities (notes, shares and other)	23,815	46,780
Investments in equity	2,208	1,228
Derivative instruments	761	4,627
Contingent consideration (Note 10)	473	1,867
Call and put options	112	112
Embedded derivatives in a lease agreement	82	434
Currency forwards, swaps and options not designated as hedges	-	110
Total financial assets at fair value through profit or loss	**27,451**	**55,158**
Financial assets at fair value through other comprehensive income:		
Notes	22,394	-
Total financial assets at fair value through other comprehensive income	**22,394**	-
Total other financial assets	**295,788**	**274,472**
Total financial assets	416,548	362,144
Less current portion	(262,767)	(224,862)
Total financial assets, non-current	**153,781**	**137,282**

(Amounts in millions of Russian Rubles unless otherwise stated)

2. Financial liabilities of the Group

	December 31, 2022	December 31, 2021
Trade and other payables	**67,166**	**72,078**
Accounts payable, related parties (Note 30)	**1,451**	**4,107**
Other financial liabilities:		
Financial liabilities at amortized cost:		
Bank and other loans (Note 23)	290,211	270,143
Bank deposits and liabilities (Note 29)	273,141	221,368
Notes (Note 23)	195,929	191,996
Lease obligations (Note 24)	143,502	154,509
Total financial liabilities at amortized cost	**902,783**	**838,016**
Financial liabilities at fair value through profit or loss:		
Call and put ptions (Note 4)	2,780	-
Securities (notes, shares and other)	2,450	-
Contingent consideration and other	1,220	383
Total financial liabilities at fair value through profit or loss	**6,450**	**383**
Total other financial liabilities	**909,233**	**838,399**
Total financial liabilities	977,850	914,584
Less current portion	(469,701)	(413,990)
Total financial liabilities, non-current	**508,149**	**500,594**

The fair value measurement of the Group’s derivative instruments and securities (Level 2 assets and liabilities) is based on the observable yield curves for similar instruments and represents the estimated amount the Group would receive or pay to terminate these agreements at the reporting date, taking into account current interest rates, foreign exchange spot and forward rates.

The fair value measurement of the Group’s Level 3 assets and liabilities is based on the construction of business models using forecasts and assumptions based on the Group's internal estimates.

The liability under put option agreement for redeemable non-controlling interests in Gulfstream in the amount of RUB 2,081 million as of December 31, 2022 is measured at fair value using a discounted cash flow technique. The most significant quantitative inputs used to measure its fair value are presented in the table below:

Unobservable inputs	**December 31, 2022**
Discount rate	15%
Revenue growth rate	20.7 – 22.4% (av. 21.5%)
OIBDA margin	7.0-10.5% (av. 8.7%)

The liability under put option agreement for redeemable non-controlling interests in Webinar in the amount of RUB 700 million as of December 31, 2022 is measured at fair value using a discounted cash flow technique. The most significant quantitative inputs used to measure its fair value are presented in the table below:

Unobservable inputs	**December 31, 2022**
Discount rate	14,4%
Revenue growth rate	29.3 – 24.9% (av. 27.1%)

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

(Amounts in millions of Russian Rubles unless otherwise stated)

The table below presents the fair value of financial instruments carried at fair value within the statement of financial position:

		December 31,	
	Level of inputs	**2022**	**2021**
Assets			
Notes	Level 1	21,715	25,687
Securities (notes, shares and other)	Level 2	24,494	21,093
Derivative instruments	Level 2	761	4,737
Cross-currency swaps		*719*	*4,627*
interest rate swaps		*42*	
Currency forwards, swaps and options		-	*110*
Embedded derivatives in a lease agreement	Level 2	82	434
Investments in equity	Level 3	2,208	1,228
Contingent consideration	Level 3	473	1,867
Call and put options	Level 3	112	112
Liabilities			
Securities (notes, shares and other)	Level 2	(2,450)	-
Call and put options (Note 4)	Level 3	(2,780)	-
Contingent consideration and other	Level 3	(1,220)	(383)

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

	For the years ended December 31,		
	2022	**2021**	**2020**
Net realized gains of Level 3 assets	1,032	2,263	3,083
Net realized losses of Level 3 liabilities	(40)	(420)	(20)
	992	**1,843**	**3,063**

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

	For the years ended December 31,		
	2022	**2021**	**2020**
Net unrealized (losses)/gains of Level 3 assets	(1,446)	385	1,130
Net unrealized (losses)/gains of Level 3 liabilities	(3,657)	391	(39)
	(5,103)	**776**	**1,091**

(Amounts in millions of Russian Rubles unless otherwise stated)

Financial instruments at amortised cost

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

		December 31, 2022		December 31, 2021	
	Level of inputs	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**
Bank deposits and loans to customers	Level 3	236,485	234,334	210,623	205,936
Total bank deposits and loans to customers		**236,485**	**234,334**	**210,623**	**205,936**
Notes	Level 1	(145,143)	(145,565)	(173,903)	(174,984)
Notes	Level 2	(22,203)	(23,365)	-	-
Unquoted notes	Level 3	(27,000)	(27,000)	(17,012)	(17,012)
Bank and other loans (Note 23)	Level 3	(289,735)	(290,211)	(267,405)	(270,143)
Total borrowings		**(484,081)**	**(486,141)**	**(458,320)**	**(462,139)**

During the year ended December 31, 2022, Eurobonds of Russian issuers held by MTS Bank, accounted for at fair value, in amount of RUB 2,233 million were transferred in the hierarchy level from Level 1 to Level 2 due to the Moscow Exchange suspension of main trading mode for these securities. There were no transfers between levels of inputs within the hierarchy for the years ended December 31, 2021 and 2020.

During the year ended December 31, 2022, corporate, bank and government debt securities held by MTS Bank, accounted for at fair value, in amount of RUB 24,770 million as of December 31, 2021, were transferred from the category "financial assets at fair value through profit or loss" to the "financial assets at fair value through other comprehensive income" due to the change in investment policy, reviewed to include both sale and receipt of contractual cash flows for the reclassified securities. At the date of reclassification, the fair value of the securities remained unchanged. As of December 31, 2022, the fair value of reclassified securities amounted to RUB 22,394 million. Interest income on reclassified securities for the year ended December 31, 2022 amounted to RUB 1,663 million. There were no transfers between the accounting categories of financial instruments for the years ended December 31, 2021 and 2020.

28. FINANCIAL RISK MANAGEMENT

As part of its business the Group is exposed to several types of financial risks: capital risk (mainly by MTS Bank), market risks, credit (or counterparty) risks, and liquidity risks. Risks mitigating activities are mainly performed at the Group headquarters by the corporate finance personnel and are subject to the approval of the Group's supervisory bodies – the Board of Directors and its Budget Committee.

Capital risk

MTS Bank, a subsidiary of the Group, is subject to regulations of the Central Bank of Russia which require that banks comply with minimum capital adequacy ratios calculated on the basis of statutory standalone financial statements as follows:

- 8.00% for own capital;
- 4.50% for base capital;
- 6.00% for main capital.

MTS Bank meets the requirements established by the CBR. As of December 31, 2022 and 2021, the capital adequacy ratio of MTS Bank in accordance with CBR requirements were:

- 16.07% and 12.54% for own capital;
- 12.55% and 9.65% for base capital;
- 13.78% and 10.83% for main capital, respectively.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. The Group is primarily exposed to the following types of market risks: interest rate risk and currency exchange rates fluctuations. Financial instruments affected by market risk include loans and borrowings, deposits, accounts payable and accounts receivables denominated in foreign currencies and derivative financial instruments. The sensitivity analyses in the following sections relate to the financial position as of December 31, 2022 and 2021.

Interest rate risks

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

Fixed interest rate risk

A part of the Group’s notes denominated US Dollars and Rubles bear fixed interest rates. To eliminate the exposure of changes in the value of debt obligations, the Group enters into fixed-to-variable cross-currency and interest rate swap agreements. In aggregate, the Group entered into fixed-to-variable cross-currency and interest rate swap agreements designated to manage the exposure of changes in value of the debt related to 10.6% and 8.3% of the Group’s notes and bank loans with fixed rates outstanding as of December 31, 2022 and 2021.

The notional amounts of interest rate derivative instruments outstanding amounted to RUB 25,000 million and RUB 22,288 million as of December 31, 2022 and 2021, respectively.

Sensitivity analysis

A reasonably possible increase of 100 basis points in short term interest rates would have resulted in RUB 2,157 million, RUB 1,523 million and RUB 1,166 million future increases of interest expense for the years ended December 31, 2022, 2021 and 2020, respectively. The same decrease in short term interest rates would have resulted in RUB 2,157 million, RUB 1,523 million and RUB 1,166 million future decreases of interest expenses for the years ended December 31, 2022, 2021 and 2020, respectively. There will be no material impact on equity.

The interest rate sensitivity analysis was performed based on a constant level of fixed and floating rate debt.

Foreign currency risks

Foreign currency risk is the risk that the fair value of financial instruments will fluctuate because of changes in foreign exchange rates. The Group’s exposure to these changes in foreign exchange rates relates primarily to the Group’s financing activities. The Group manages its currency risk by operation derivatives and by using money market instruments.

The Group has entered into several cross-currency swap agreements. These contracts are mainly designated to manage the exposure of changes in currency exchange rate. The contracts assumed periodic exchange of principal and interest payments from RUB-denominated amounts to USD-denominated amounts at a specified exchange rate. The exchange rate was determined by the market spot rate upon issuance. Cross-currency interest rate swap contracts mature in 2023-2024.

(Amounts in millions of Russian Rubles unless otherwise stated)

In aggregate the Group entered into cross-currency interest rate swap agreements designated to manage the exposure of changes in currency exchange rate for nil and 66.8% of its USD-denominated notes and bank loans outstanding as of December 31, 2022 and 2021 respectively.

The notional amounts of currency derivative instruments amounted to nil and RUB 22,288 million as of December 31, 2022 and 2021 respectively.

The Group has entered into currency forward and swaps agreements to minimize the foreign currency risk. The contracts assumed the purchase or sale of the agreed amount of currency at a specified exchange rate and on a specific date. The rate was determined by the market spot rate upon issuance. As the result of currency forward and swap agreements, unfulfilled as of December 31, 2022, 2021 and 2020, the Group recognized RUB 617 million loss, RUB 83 million loss and RUB 1,136 million gain the consolidated statement of profit and loss for the years ended December 31, 2022, 2021 and 2020, respectively.

The notional amounts of currency forward and swap instruments, unfulfilled as of December 31, 2022 and 2021, amounted to RUB 3,145 million and RUB 9,993 million, respectively.

As of December 31, 2022 and 2021 the carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are as follows:

	December 31, 2022		**December 31, 2021**	
	Assets, RUB mln	**Liabilities, RUB mln**	**Assets, RUB mln**	**Liabilities, RUB mln**
USD	24,720	48,917	44,251	49,960
EUR	7,880	14,315	3,359	10,106

The following tables demonstrate the sensitivity of profit before tax to a reasonably possible change in USD and EUR exchange rates, with all other variables held constant.

	Change in rate, USD	**USD - effect on profit before tax RUB mln**	**Change in rate, EUR**	**EUR - effect on profit before tax RUB mln**
2022	+15%	(3,630)	+15%	(965)
	-15%	3,630	-15%	965
2021	+15%	(856)	+15%	(1,012)
	-15%	856	-15%	1,012
2020	+10%	786	+10%	(682)
	-10%	(1,291)	-10%	682

The movement in the pre-tax effect is a result of a change in monetary assets and liabilities denominated in US dollars and Euro, where the functional currency of the entity is a currency other than US dollars and Euro.

There will be no material impact on equity.

The Group's exposure to foreign currency changes for all other currencies is not material.

MTS Bank credit limits committee determines stop-loss limits related to security portfolio and to foreign exchange transactions, as well as limits for net foreign exchange position. The limits for net foreign exchange position conform fully to CBRF requirements. Monitoring of adherence to the limits restricting the amount of MTS Bank's market risk is performed day-to-day.

Liquidity risk

Liquidity risk is the risk of a shortage of funds. The Group's policy is to borrow centrally using a mixture of long-term and short-term borrowing facilities. These borrowings, together with cash generated from operations are utilized to meet anticipated funding requirements. The Group assessed the concentration of risk with respect to refinancing its debt and determined it to be of low level.

The Group manages liquidity risk on long-term borrowings by maintaining a varied maturity profile and a required net debt position, therefore minimizing the refinancing risk. Long-term borrowings mature between one and 5 years.

Securities held by MTS Bank which are accounted for at fair value through other comprehensive income and investments at amortized cost are included in liquidity analysis on the basis of remaining maturity. Most of these securities are included in the CBR Lombard list and if required may be used to obtain Repurchase Agreement (REPO) financing from the CBR. MTS Bank's demand for medium-term liquidity is fully satisfied by the availability of interbank loans and customer deposits (obtaining new and prolongating existing deposits), secured loans and conclusion of REPO agreements. Analysis of the liquidity and interest rate risks of MTS Bank is presented in Note 29.

As at December 31, 2022, the Group's consolidated current liabilities exceeded current assets by RUB 250,461 million. The management believes the Group has sufficient existing and continuing access to liquidity through both operating cash flows and the availability of committed credit facilities of RUB 206,099 million (Note 23).

Credit risk

Credit risk is the risk that the counterparty will not meet its obligations arising from entering into financial instrument, leading to a financial loss.

In accordance with IFRS 9 the Group records an allowance for expected credit losses (ECL) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due under the contract and all cash flows that the Group expects to receive. The shortfall is discounted at an approximation to the asset's original effective interest rate.

The expected credit-loss approach uses three stages for allocating impairment losses:

Stage 1: expected credit losses within the next twelve months

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition and usually contains new contracts that are fewer than 31 days past due date. The portion of the lifetime expected credit losses resulting from default events possible within the next 12 months is recognized.

Stage 2: expected lifetime credit losses – not credit impaired

If a financial asset has a significant increase in credit risk since initial recognition but is not yet credit impaired, it is moved to stage 2 and measured at lifetime expected credit loss. This is defined as the expected credit loss that results from all possible default events over the expected life of the financial instrument.

In all cases, the Group considers that there has been a significant increase in credit risk when the contractual payment is more than 30 days past due.

Stage 3: expected lifetime credit losses – credit impaired

(Amounts in millions of Russian Rubles unless otherwise stated)

If a financial asset is defined as credit impaired or in default, it is transferred to stage 3 and measured at lifetime expected credit loss. Objective evidence for a credit-impaired financial asset includes 91 days past due date as well as other information indicating significant financial difficulties of the borrower. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held).

The determination of whether a financial asset has experienced a significant increase in credit risk is based on an assessment of the probability of default, which is made at least quarterly, incorporating external credit rating information as well as internal information on the credit quality of the financial asset. For debt instruments that are not receivables from financial services, a significant increase in credit risk is assessed mainly based on past-due information.

For contract assets, trade and other receivables, a simplified approach is applied whereby ECL are initially measured over the lifetime of the instrument.

The Group considers its exposure to credit risk as of December 31, 2022, and 2021 to be as follows:

	December 31,	
	2022	**2021**
Deposits and loans issued	238,816	208,018
Cash and cash equivalents	78,292	40,590
Securities (notes, shares and other)	49,305	54,988
Trade and other receivables	38,058	39,795
Derivative financial instruments	2,208	5,171
Contingent consideration	843	1,867
Investments in equity	473	1,228
Call and put options	112	112
Other	4,031	3,088
	412,138	**354,857**

Information on the Group's exposure to credit risk on guarantees issued and commitments on loans of MTS Bank is presented in Note 29.

In accordance with the provisions of the internal Group regulations on allocate of free funds, the aggregate credit risk exposure the Group may have to one counterparty is limited. The Group maintains a mixture of cash and cash equivalents, investments, derivatives and certain other financial instruments within various financial institutions. Those are approved as required by internal procedure related to selection of financial institutions to allocate funds.

MTS Bank performs daily monitoring of future expected cash flows on the operations of both clients and banks, which is a part of the management process of assets and liabilities. The credit risk exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the MTS Bank's risk management policy are not breached.

Concentrations of credit risk with respect to trade receivables are limited given that the Group's customer base is large and unrelated. Therefore, management believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful receivables.

(Amounts in millions of Russian Rubles unless otherwise stated)

29. MTS BANK FINANCIAL ASSETS AND LIABILITIES

To present the influence of current macroeconomic conditions the Group refined main approaches, which have the most significant influence on the amounts reflected in consolidated financial statements, to valuation of the level of expected credit losses on bank loans.

Loans to corporate customers:

1. As of December 31, 2022 the Group has updated macroeconomic scenarios for Probability of default (PD) model using the updated macroeconomic forecasts by the Central Bank of Russian Federation and World Bank;
2. Decrease of risk appetite caused by:
   - Enhancement of authorization procedures for new loans and tranches for existing lines of credit;
   - Review of new loan applications in light of stressful scenario of economic development according to budget and business plan;
   - Tendency to replace revolving and non-revolving lines of credit with products that have more preferable risk profile, like overdrafts and factoring;
   - Launch of enhanced monitoring of existing borrowers.

Loans to individuals, small and medium businesses:

1. As of December 31, 2022 the PD model considered the effect of macroeconomic situation and its impact on the portfolio behavior;
2. Decrease of risk appetite caused by:
   - Review of new loan applications in light of stressful scenario of economic development;
   - Launch of enhanced monitoring of existing borrowers;
   - Launch of restructuring programs for troubled borrowers.

Bank deposits and loans to customers

The table below represents the structure and amounts of current and non-current bank deposits and loans to customers as of December 31, 2022 and 2021.

	December 31,	
	2022	**2021**
Loans to customers	267,700	223,566
Due from banks	3,432	3,514
Allowance for ECL	(36,798)	(21,144)
Total bank deposits and loans to customers, net	**234,334**	**205,936**
Less: current portion	(96,135)	(87,594)
Bank deposits and loans to customers, non-current	**138,199**	**118,342**

(Amounts in millions of Russian Rubles unless otherwise stated)

The structure and amounts of bank loans to customers as of December 31, 2022 and 2021 is presented in the table below:

	December 31, 2022	December 31, 2021
Loans to legal entities		
Corporate borrowers	16,132	28,409
Medium-sized enterprises and small businesses	1,454	1,706
Total loans to legal entities	**17,586**	**30,115**
Loans to individuals		
Mortgage loans	22,730	16,553
Consumer loans	168,024	139,766
Credit cards	59,315	36,933
Other	45	200
Total loans to individuals	**250,114**	**193,452**
Due from banks		
Time deposits with banks	1,175	1,781
Obligatory reserves with the Central Banks	2,257	1,733
Total due from banks	**3 432**	**3,514**
Total bank deposits and loans to customers	**271,132**	**227,081**
Less: allowance for expected credit losses	(36,798)	(21,144)
Total bank deposits and loans to customers, net	**234,334**	**205,937**

The table below summarizes carrying value of loans to customers aggregated by types of collateral obtained by the Group:

	December 31, 2022	December 31, 2021
Pledge of real estate	26,012	19,115
Guaranties	9,085	22,380
Securities	131	284
Pledge of equipment	-	1
Unsecured loans	232,472	181,787
Allowance for expected credit losses	(36,654)	(21,114)
Total loans to customers, net	**231,046**	**202,453**

The balances above do not necessarily reflect the fair value of collateral received.

Movements in the allowance for impairment losses attributable to bank deposits and loans to customers for the year ended December 31, 2022 and 2021 are presented in the table below:

	Loans to customers	Due from banks	Total
Balance as at January 1, 2022	**21,114**	**30**	**21,144**
Provision charge/release	22,490	155	22,645
Recovery of previously written-off assets	522	-	522
Bad debt written-off	(3,735)	(41)	(3,776)
Sale of loans	(3,226)	-	(3,226)
Other movements	(511)	-	(511)
Balance as at December 31, 2022	**36,654**	**144**	**36,798**

(Amounts in millions of Russian Rubles unless otherwise stated)

	Loans to customers	Due from banks	Total
Balance as at January 1, 2021	**16,436**	**10**	**16,446**
Provision charge/release	11,046	20	11,066
Recovery of previously written-off assets	1,557	-	1,557
Bad debt written-off	(3,361)	-	(3,361)
Sale of loans	(4,324)	-	(4,324)
Other movements	(240)	-	(240)
Balance as at December 31, 2021	**21,114**	**30**	**21,144**

Movements in provision for expected credit losses on loans to legal entities for the year ended December 31, 2022 and 2021 were as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance as at January 1, 2022	**818**	**25**	**2,295**	**3,138**
- Transfer to stage 1	29	(28)	(1)	-
- Transfer to stage 2	(135)	136	(1)	-
- Transfer to stage 3	-	(89)	89	-
New financial assets originated or purchased	194	-	-	194
Change due to change of credit risk	(57)	46	(184)	(195)
Sale of loans	-	-	(6)	(6)
Write-offs	-	-	(15)	(15)
Recovery of previously written-off assets	-	-	235	235
Other movements	(635)	-	124	(511)
Balance as at December 31, 2022	**214**	**90**	**2,536**	**2,840**

In June 2022 the Group has performed renovation of several loans that were given to legal entities. According to the novation loan claims in amount of 5,106 mln RUB, including allowance for expected credit losses in amount of 635 mln RUB, were replaced with claims on investment property. As of December 31, 2022 these claims in amount of 2,361 mln RUB, including allowance for expected credit losses in amount of 619 mln RUB, were included in Other assets.

	Stage 1	Stage 2	Stage 3	Total
Balance as at January 1, 2021	**899**	**141**	**2,704**	**3,744**
- Transfer to stage 1	119	(119)	-	-
- Transfer to stage 2	(46)	49	(3)	-
- Transfer to stage 3	(105)	(26)	131	-
New financial assets originated or purchased	317	-	-	317
Change due to change of credit risk	(126)	(20)	(1,433)	(1,579)
Write-offs	-	-	(79)	(79)
Recovery of previously written-off assets	-	-	975	975
Other movements	(240)	-	-	(240)
Balance as at December 31, 2021	**818**	**25**	**2,295**	**3,138**

(Amounts in millions of Russian Rubles unless otherwise stated)

Movements in provision for expected credit losses attributable to loans to individuals for the year ended December 31, 2022 and 2021 were as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance as at January 1, 2022	**6,093**	**3,361**	**8,522**	**17,976**
- Transfer to stage 1	1,844	(1,690)	(154)	-
- Transfer to stage 2	(2,600)	3,086	(486)	-
- Transfer to stage 3	(115)	(10,263)	10,378	-
New financial assets originated or purchased	4,644	-	-	4,644
Change due to change of credit risk	(3,813)	12,497	9,163	17,847
Write-offs	-	-	(3,720)	(3,720)
Sales	-	-	(3,220)	(3,220)
Recovery of previously written-off assets	-	-	287	287
Balance as at December 31, 2022	**6,053**	**6,991**	**20,770**	**33,814**

	Stage 1	Stage 2	Stage 3	Total
Balance as at January 1, 2021	**3,099**	**1,446**	**8,147**	**12,692**
- Transfer to stage 1	1,809	(1,633)	(176)	-
- Transfer to stage 2	(939)	1,220	(281)	-
- Transfer to stage 3	(278)	(4,691)	4,969	-
New financial assets originated or purchased	3,821	-	-	3,821
Change due to change of credit risk	(1,419)	7,019	2,887	8,487
Write-offs	-	-	(3,282)	(3,282)
Sales	-	-	(4,324)	(4,324)
Recovery of previously written-off assets	-	-	582	582
Balance as at December 31, 2021	**6,093**	**3,361**	**8,522**	**17,976**

The following valuation categories represent the Group’s classification of credit quality of the loans:

- *Low to fair risk* – loans of high credit quality and low probability of default, not past due or immaterially overdue;
- *Monitoring* – loans with increased probability of default including restructured loans;
- *Impaired* – impaired loans including more than 90 days overdue.

The table below summarizes information regarding the quality of loans to individuals:

As of December 31, 2022	Stage 1	Stage 2	Stage 3	Total
Low to fair risk	197,198	16,268	-	213,466
Monitoring	-	8,105	5,034	13,139
Impaired	-	-	23,509	23,509
Loss allowance	(6,053)	(6,991)	(20,770)	(33,814)
Total	**191,145**	**17,382**	**7,773**	**216,300**

As of December 31, 2021	Stage 1	Stage 2	Stage 3	Total
Low to fair risk	174,667	756	-	175,423
Monitoring	-	7,125	832	7,957
Impaired	-	-	10,072	10,072
Loss allowance	(6,093)	(3,361)	(8,522)	(17,976)
Total	**168,574**	**4,520**	**2,382**	**175,476**

(Amounts in millions of Russian Rubles unless otherwise stated)

The table below summarizes information regarding the quality of loans to legal entities:

As of December 31, 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Low to fair risk	9,928	4,236	-	14,164
Monitoring	179	191	-	370
Doubtful	-	-	2	2
Impaired	-	-	3,050	3,050
Loss allowance	(214)	(90)	(2,536)	(2,840)
Total	**9,893**	**4,337**	**516**	**14,746**

As of December 31, 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Low to fair risk	20,575	721	-	21,296
Monitoring	5,700	72	-	5,772
Doubtful	-	-	767	767
Impaired	-	-	2,280	2,280
Loss allowance	(818)	(25)	(2,295)	(3,138)
Total	**25,457**	**768**	**752**	**26,977**

Analysis by credit quality of loans to individuals outstanding as of December 31, 2022 is as follows:

As of December 31, 2022	**Gross loans**	**Provision for ECL**	**Net loans**	**Provision for ECL to gross loans**
Collectively assessed				
Not past due	213,465	(9,922)	203,543	5%
Overdue:				
up to 30 days	6,203	(1,718)	4,485	28%
31 to 60 days	3,588	(1,904)	1,684	53%
61 to 90 days	3,037	(1,930)	1,107	64%
91 to 180 days	6,578	(4,779)	1,799	73%
over 180 days	16,775	(13,513)	3,262	81%
Total collectively assessed loans	**249,646**	**(33,766)**	**215,880**	**14%**
Individually impaired				
Not past due	308	(18)	290	6%
Overdue:				
up to 30 days	-	-	-	0%
31 to 60 days	3	-	3	0%
61 to 90 days	-	-	-	0%
91 to 180 days	18	-	18	0%
over 180 days	139	(30)	109	22%
Total individually impaired loans	**468**	**(48)**	**420**	**10%**
Total	**250,114**	**(33,814)**	**216,300**	**14%**

Analysis by credit quality of loans to medium-sized enterprises and small businesses outstanding as of December 31, 2022 is as follows:

As of December 31, 2022	**Gross loans**	**Provision for ECL**	**Net loans**	**Provision for ECL to gross loans**
Collectively assessed				
Not past due	760	(10)	750	1%
Overdue:				
up to 30 days	20	(4)	16	18%
31 to 60 days	17	(16)	1	91%
61 to 90 days	7	(6)	1	82%
91 to 180 days	29	(25)	4	87%
over 180 days	621	(446)	175	72%
Total collectively assessed loans	**1,454**	**(507)**	**947**	**35%**

(Amounts in millions of Russian Rubles unless otherwise stated)

Analysis by credit quality of loans to individuals outstanding as of December 31, 2021 is as follows:

As of December 31, 2021	Gross loans	Provision for ECL	Net loans	Provision for ECL to gross loans
Collectively assessed				
Not past due	175,422	(6,297)	169,125	4%
Overdue:				
up to 30 days	3,989	(1,090)	2,899	27%
31 to 60 days	2,007	(1,240)	767	62%
61 to 90 days	1,584	(1,093)	491	69%
91 to 180 days	3,248	(2,499)	749	77%
over 180 days	6,641	(5,659)	982	85%
Total collectively assessed loans	**192,891**	**(17,878)**	**175,013**	**9%**
Individually impaired				
Not past due	364	(22)	342	6%
Overdue:				
up to 30 days	-	-	-	0%
31 to 60 days	8	-	8	0%
61 to 90 days	3	(1)	2	33%
91 to 180 days	5	(1)	4	20%
over 180 days	181	(74)	107	41%
Total individually impaired loans	**561**	**(98)**	**463**	17%
Total	**193,452**	**(17,976)**	**175,476**	**9%**

Analysis by credit quality of loans to medium-sized enterprises and small businesses outstanding as of December 31, 2021 is as follows:

As of December 31, 2021	Gross loans	Provision for ECL	Net loans	Provision for ECL to gross loans
Collectively assessed				
Not past due	1,079	(22)	1,057	2%
Overdue:		-		
up to 30 days	19	(8)	11	42%
31 to 60 days	15	(14)	1	93%
61 to 90 days	11	(10)	1	91%
91 to 180 days	14	(11)	3	79%
over 180 days	568	(374)	194	66%
Total collectively assessed loans	**1,706**	**(439)**	**1,267**	**26%**

Bank deposits and liabilities

The table below represents the structure and amounts of current and non-current bank deposits and liabilities as of December 31, 2022 and 2021.

	December 31, 2022	December 31, 2021
Customer accounts	249,696	192,177
Due to banks and other financial institutions	10,984	21,430
Debt securities issued	10,481	5,581
Other financial liabilities	1,980	2,180
Total bank deposits and liabilities	**273,141**	**221,368**
Less: current portion	(260,744)	(207,055)
Total bank deposits and liabilities, non-current	**12,397**	**14,313**

(Amounts in millions of Russian Rubles unless otherwise stated)

The structure and amounts of customer accounts of December 31, 2022 and 2021 are presented below:

	December 31,	
	2022	**2021**
Legal entities		
- Current/settlement accounts	40,276	13,311
- Term deposits	67,469	63,003
Individuals		
- Current/settlement accounts	30,767	20,654
- Term deposits	111,184	95,209
Total customer accounts	**249,696**	**192,177**

The structure and amounts of due to banks as of December 31, 2022 and 2021 are presented below:

	December 31,	
	2022	**2021**
Loans under repurchase agreements	4,002	9,333
Loans and term deposits from banks and other financial institutions	1,894	9,474
Correspondent accounts of other banks	5,088	2,623
Total due to banks	**10,984**	**21,430**

Loans under repurchase agreements were secured by the following collateral:

- Securities measured at fair value through profit/loss with the value of RUB 0 million and RUB 1,946 million as of December 31, 2022 and 2021 respectively;
- Securities measured at amortized cost with the value of RUB 0 million and RUB 8,624 million as of December 31, 2022 and 2021 respectively;
- Securities measured at fair value through other comprehensive income with the value of RUB 4,456 million and RUB 0 million as of December 31, 2022 and 2021 respectively.

In November 2015, MTS Bank received a subordinated debt of RUB 7,246 million in the form of OFZ from the state corporation DIA with the date of maturity January 22, 2025. In accordance with the terms of the contract, MTS Bank should return the securities to the creditor at the end of the contract period. The Group does not recognize the securities and the obligation to return them to the creditor in the consolidated statement of financial position as of December 31, 2022 and 2021. In accordance with the contract, MTS Bank should comply with certain covenants with respect to capital, loan portfolio, employee benefits. If the above conditions are not met, DIA may apply penalties to MTS Bank. The contract also includes certain restrictions on sale or repledge of the securities by MTS Bank. The securities received from DIA were not pledged as a collateral as of December 31, 2022 and 2021.

(Amounts in millions of Russian Rubles unless otherwise stated)

An analysis of liquidity and interest rate risk inherent to bank assets as of December 31, 2022 and 2021 is presented in the following table.

The following tables, based on the information provided to the management of the Group, reflect the structure of assets and liabilities in accordance with the contractual maturity, with the exception of trading securities at fair value through other comprehensive income.

In the liquidity analysis, the deposits of individuals are disclosed by maturities in accordance with the agreement. According to Russian legislation these deposits can be withdrawn upon a request within 1 month. However, on the basis of the analysis of the Group's history and experience, such deposits are extended rather than withdrawn. Additionally, on the ground of the Group's forecasts based on different behaviour of deposit holders, the scenario of withdrawing all deposits within a horizon up to 1 month is considered as extremely stressed and is not used for liquidity management and, thus, for financial statements disclosure.

As of December 31, 2022	**Up to 1 month**	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Maturity undefined**	**Total**
Financial assets							
Cash and cash equivalents	20,117	-	-	-	-	-	**20,117**
Financial assets at fair value through other comprehensive income	377	1,215	665	10,971	8,355	812	**22,395**
Financial assets at fair value through profit or loss	697	-	-	-	-	-	**697**
Loans to customers	10,967	19,970	61,906	112,482	19,554	6,167	**231,046**
Investments in securities	9	211	1,286	1,299	-	-	**2,805**
Total interest bearing financial assets	**32,167**	**21,396**	**63,857**	**124,752**	**27,909**	**6,979**	**277,060**
Cash and cash equivalents	38,103	-	-	-	-	-	**38,103**
Financial assets at fair value through profit or loss	-	-	-	-	-	-	**-**
Due from banks	-	-	-	-	-	3 427	**3,427**
Other financial assets	4,038	7	3	-	-	2,300	**6,348**
Total non-interest bearing financial assets	**42,141**	**7**	**3**	**-**	**-**	**5,727**	**47,878**
Total financial assets	**74,308**	**21,403**	**63,860**	**124,752**	**27,909**	**12,706**	**324,938**

The Group stable sources of funding as:

- OFZ received from the SC DIA, reflected on off-balance accounts, but recorded in the report as stable sources of financing with a maturity of up to 1 month (5% discount from the current market price was also applied to them);
- Investments into debt securities measured at fair value through profit and loss. The amount of investments attributed in the table for a period of up to 30 days is adjusted, based on the following approach: for securities included in the Lombard List of the CBR, 85% of the investments amount is assigned for a period of up to 30 days; all others – to maturity. The possibility of attracting liquidity for direct REPO transactions with an effective discount of 15% is simulated;
- Investments into securities measured at amortized cost and fair value through other comprehensive income: for investments included in the CBR Lombard List, which are adjusted for a 15% discount, are recognized as stable sources of financing. These securities are classified as measured at amortized cost. The Group does not plan to dispose of these securities under the current business model, but can sell them with a repurchase obligation (under a direct REPO transaction) to satisfy liquidity needs in times of stress;
- Time deposits of individuals: a part of the planned deposits amounts is reflected within stable sources of funding, as the Group expects that they will be either prolonged or replaces. Shares are determined in accordance with the conservative estimate based on scenario modeling, which does not contradict current historical statistics;
- Settlement accounts of individuals and legal entities: a part of small account amounts in accordance with the conservative estimate of the level of settling balances are reflected under stable sources of funding, as the Group expects that there will be neither movement nor replacement among these amounts. Shares are determined in accordance with the conservative estimate based on scenario modeling, which does not contradict current historical statis.

(Amounts in millions of Russian Rubles unless otherwise stated)

As of December 31, 2022	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
Financial liabilities							
Due to banks and other financial institutions	(6,220)	-	-	(64)	-	-	(6,284)
Customer accounts	(52,665)	(18,956)	(107,500)	(7,316)	-	-	(186,437)
Debt securities issued	(322)	(114)	(5,057)	(4,988)	-	-	(10,481)
Lease obligations	(22)	(45)	(222)	(393)	(3)	-	(685)
Total interest bearing financial liabilities	**(59,229)**	**(19,115)**	**(112,779)**	**(12,761)**	**(3)**	**-**	**(203,887)**
Due to banks and other financial institutions	(4 700)	-	-	-	-	-	(4,700)
Customer accounts	(62,546)	-	-	-	-	(713)	(63,259)
Other financial liabilities	(2,277)	(297)	(2,446)	-	-	-	(5,020)
Total non-interest bearing financial liabilities	**(69,523)**	**(297)**	**(2,446)**	**-**	**-**	**(713)**	**(72,979)**
Total financial liabilities	**(128,752)**	**(19,412)**	**(115,225)**	**(12,761)**	**(3)**	**(713)**	**(276,866)**
Liquidity gap	**(54,444)**	**1 991**	**(51,365)**	**111,991**	**27,906**		
Stable sources of funding	**88,179**	**(22,598)**	**56,312**	**(19,814)**	**(102,092)**		
Net liquidity gap	**33,748**	**(20,607)**	**4,947**	**92,177**	**(74,186)**		
Cumulative liquidity gap	**33,748**	**13,141**	**18,088**	**110,265**	**36,079**		

(Amounts in millions of Russian Rubles unless otherwise stated)

As of December 31, 2021	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
Financial assets							
Financial assets at fair value through profit or loss	24,769	-	-	-	-	1	24,770
Due from banks	1,781	-	-	-	-	-	1,781
Loans to customers	9,985	18,848	50,342	109,949	11,346	1,983	202,453
Investments in securities	9	514	5,555	2,808	-	-	8,886
Total interest bearing financial assets	**36,544**	**19,362**	**55,897**	**112,757**	**11,346**	**1,984**	**237,890**
Cash and cash equivalents	15,974	-	-	-	-	-	15,974
Due from banks	-	-	-	-	-	1,733	1,733
Other financial assets	2,272	6	15	-	-	31	2,324
Total non-interest bearing financial assets	**18,246**	**6**	**15**	**-**	**-**	**1,764**	**20,031**
Total financial assets	**54,790**	**19,368**	**55,912**	**112,757**	**11,346**	**3,747**	**257,920**

(Amounts in millions of Russian Rubles unless otherwise stated)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
Financial liabilities							
Due to banks and other financial institutions	(18,788)	-	-	(19)	-	-	(18,807)
Customer accounts	(35,294)	(13,801)	(95,472)	(9,114)	-	-	(153,681)
Debt securities issued	(32)	-	(350)	(5,199)	-	-	(5,581)
Lease obligations	(17)	(44)	(200)	(471)	-	-	(732)
Total interest bearing financial liabilities	**(54,131)**	**(13,845)**	**(96,022)**	**(14,803)**	**-**	**-**	**(178,801)**
Due to banks and other financial institutions	(2,623)	-	-	-	-	-	(2,623)
Customer accounts	(38,496)	-	-	-	-	-	(38,496)
Other financial liabilities	(2,857)	(1,147)	(2,262)	-	-	-	(6,266)
Total non-interest bearing financial liabilities	**(43,976)**	**(1,147)**	**(2,262)**	**-**	**-**	**-**	**(47,385)**
Total financial liabilities	**(98,107)**	**(14,992)**	**(98,284)**	**(14,803)**	**-**	**-**	**(226,186)**
Liquidity gap	(43,317)	4,376	(42,372)	97,954	11,346		
Stable sources of funding	**43,901**	**(2,392)**	**43,814**	**(3,519)**	**(81,804)**		
Net liquidity gap	**584**	**1,984**	**1,442**	**94,435**	**(70,458)**		
Cumulative liquidity gap	**584**	**2,568**	**4,010**	**98,445**	**27,987**		

(Amounts in millions of Russian Rubles unless otherwise stated)

Analysis of the liquidity and interest rate risks as of December 31, 2022 and 2021 is presented in the following table. The amounts in the table below represent future aggregate undiscounted cash flows.

As of December 31, 2022	Weighted average interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
Interest bearing financial liabilities								
Due to banks	6.9%	(6,230)	-	-	(72)	-	-	(6,302)
Customer accounts	8.1%	(53,465)	(19,323)	(112,681)	(13,139)	-	-	(198,608)
Debt securities issued	8.9%	(329)	(128)	(5,561)	(5,819)	-	-	(11,837)
Lease obligations	8.3%	(22)	(46)	(234)	(479)	(6)	-	(787)
Total interest bearing financial liabilities		**(60,046)**	**(19,497)**	**(118,476)**	**(19,509)**	**(6)**	**-**	**(217,534)**
Non-interest bearing financial liabilities								
Due to banks		(4,700)	-	-	-	-	-	(4,700)
Customer accounts		(62,546)	-	-	-	-	(713)	(63,259)
Other financial liabilities		(2,277)	(297)	(2,446)	-	-	-	(5,020)
Total non-interest bearing financial liabilities and commitments		**(69,523)**	**(297)**	**(2,446)**	**-**	**-**	**(713)**	**(72,979)**
Total financial liabilities		**(129,569)**	**(19,794)**	**(120,922)**	**(19,509)**	**(6)**	**(713)**	**(290,513)**

(Amounts in millions of Russian Rubles unless otherwise stated)

As of December 31, 2021	Weighted average interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
Interest bearing financial liabilities								
Due to banks	8.4%	(18,788)	-	(19)	-	-	-	(18,807)
Customer accounts	6.3%	(35,402)	(13,964)	(98,665)	(10,164)	-	-	(158,195)
Debt securities issued	7.3%	(33)	-	(695)	(5,389)	-	-	(6,117)
Lease obligations	5.2%	(11)	(45)	(200)	(471)	(1)	-	(728)
Total interest bearing financial liabilities		**(54,234)**	**(14,009)**	**(99,579)**	**(16,024)**	**(1)**	**-**	**(183,847)**
Non-interest bearing financial liabilities		-	-	-	-	-	-	**-**
Due to banks		(2,623)	-	-	-	-	-	(2,623)
Customer accounts		(38,496)	-	-	-	-	-	(38,496)
Other financial liabilities		(2,857)	(1,147)	(2,262)	-	-	-	(6,266)
Total non-interest bearing financial liabilities and commitments		**(43,976)**	**(1,147)**	**(2,262)**	**-**	**-**	**-**	**(47,385)**
Total financial liabilities		**(98,210)**	**(15,156)**	**(101,841)**	**(16,024)**	**(1)**	**-**	**(231,232)**

(Amounts in millions of Russian Rubles unless otherwise stated)

The Group has contingent liabilities (future period obligations) represented by bank guarantees in amount of RUB 18,691 million as at December 31, 2022 (RUB 21,869 million as at December 31, 2021).

Information on the maximum amount of credit risk on guarantees issued and commitments on loans is presented below:

As of December 31, 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Commitments on loans	66,258	1,314	57	67,629
Guarantees issued	16,434	1,979	213	18,626
Less provision	(826)	(25)	(192)	(1,043)
Total commitments on loans and guarantees issued	**81,866**	**3,268**	**78**	**85,212**

As of December 31, 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Commitments on loans	36,759	745	33	37,537
Guarantees issued	13,798	2,257	100	16,155
Less provision	(687)	(15)	(50)	(752)
Total commitments on loans and guarantees issued	**49,870**	**2,987**	**83**	**52,940**

(Amounts in millions of Russian Rubles unless otherwise stated)

30. RELATED PARTIES

Related parties include the Sistema Public Joint-Stock Financial Corporation or "Sistema", a shareholder of the Group, subsidiaries and shareholders of Sistema, affiliated companies, associates and joint ventures.

Terms and conditions of transactions with related parties – Outstanding balances as of December 31, 2022 and 2021, were unsecured except accounts receivable from Business Nedvizhimost in amount of RUB 1,399 million, which were secured by buildings pledged as collateral. Settlements with related parties are made on a cash basis. There have been no guarantees provided or received for any related party receivables or payables. As of December 31, 2022, the Group had no significant amounts of credit impairment relating to the receivables owed by related parties as well as impairment expenses recognized during the years ended December 31, 2022, 2021 and 2020.

The Group has neither the intent nor the ability to offset the outstanding accounts payable and accounts receivable with related parties under the terms of existing agreements.

Balances of related parties' transactions were as follows:

	December 31,	
ASSETS FROM RELATED PARTIES	**2022**	**2021**
NON-CURRENT ASSETS:		
Advances for property, plant and equipment		
Sistema's subsidiaries	1,211	1,347
Other related parties	11	34
Right-of-use assets, Gross Book Value		
Sistema's subsidiaries	3,832	4,432
Other related parties	101	111
Right-of-use assets, Accumulated Depreciation		
Sistema's subsidiaries	(1,017)	(1,586)
Other related parties	(48)	(46)
Other investments		
Sistema's subsidiaries	3,211	117
The Group's associates	2,035	625
Other related parties	3	2
Accounts receivable, related parties		
Sistema's subsidiaries	1,290	5,000
Key management personnel of the Group, its parent and shareholders	477	-
Bank deposits and loans to customers		
Sistema's subsidiarie	693	1,179
Sistema's associates	283	2,587
Other assets		
Key management personnel of the Group, its parent and shareholders	355	-
Total non-current assets	**12,437**	**13,802**
CURRENT ASSETS:		
Accounts receivable, related parties		
Sistema's subsidiaries	1,502	1,255
The Group's associates	823	911
Other related parties	318	121
Bank deposits and loans to customers		
Sistema's subsidiaries	5,550	820
Key management personnel of the Group, its parent and shareholders	341	87
Sistema's associates	287	2,078
Short-term investments		
Sistema's subsidiaries	4,125	2,377
Sistema, parent company	2,156	1,443
Cash and cash equivalents		
Sistema's subsidiaries	520	1,311
Other financial assets		
Sistema, parent company	2,010	1,829
Sistema's subsidiaries	509	300
Other related parties	109	109
Other assets		
Key management personnel of the Group, its parent and shareholders	1,402	-
Sistema's subsidiaries	1,026	1,059
Other related parties	585	83
Total current assets	**22,054**	**13,783**
TOTAL ASSETS FROM RELATED PARTIES	**34,491**	**27,585**

(Amounts in millions of Russian Rubles unless otherwise stated)

	December 31,	
LIABILITIES TO RELATED PARTIES	**2022**	**2021**
NON-CURRENT LIABILITIES:		
Borrowings		
The Group's associates	2,745	-
Lease obligations		
Sistema's subsidiaries	3,103	3,968
Other related parties	49	70
Bank deposits and liabilities		
Key management personnel of the Group, its parent and shareholders	2,920	1,433
Other financial liabilities		
The Group's associates	2,081	-
Total non-current liabilities	**10,898**	**5,471**
CURRENT LIABILITIES:		
Accounts payable, related parties		
Sistema's subsidiaries	658	2,756
Sistema's associates	523	632
The Group's associates	270	711
Other related parties	-	8
Borrowings		
The Group's associates	454	2,129
Other related parties	12	11
Lease obligations		
Sistema's subsidiaries	487	551
Other related parties	10	13
Bank deposits and liabilities		
Key management personnel of the Group, its parent and shareholders	38,276	32,886
Sistema's subsidiaries	26,426	22,312
Sistema's associates	5,797	9,163
Sistema, parent company	946	2,042
Other related parties	470	376
Total current liabilities	**74,329**	**73,590**
TOTAL LIABILITIES TO RELATED PARTIES	**85,227**	**79,061**

Operating transactions – During the twelve months ended December 31, 2022, 2021 and 2020 the Group provided the following services to related parties – electricity supply by LLC “MTS Energo”, Internet and video/image transmission services, integration services, roaming, interconnect and other telecommunication services, banking services.

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

(Amounts in millions of Russian Rubles unless otherwise stated)

	2022	2021	2020
Revenue			
Sistema's subsidiaries	5,252	4,294	4,371
Sistema's associates	1,013	752	615
The Group's associates	289	622	418
Other related parties	418	691	428
TOTAL REVENUE	**6,972**	**6,359**	**5,832**
Cost of services			
Sistema's subsidiaries	4,182	2,143	599
Key management personnel of the Group, its parent and shareholders	1,719	1,476	1,830
Sistema, parent company	571	233	141
Other related parties	666	454	272
Selling, general and administrative expenses			
Key management personnel of the Group, its parent and shareholders	5,079	4,256	2,003
Other related parties	864	812	691
Other operating income / (expense)			
Sistema's subsidiaries	74	2,831	2,160
Other related parties	(1)	59	(13)
OPERATING PROFIT / (LOSS)	**(6,036)**	**(125)**	**2,443**
Finance income / (loss)			
Sistema's subsidiaries	852	935	1,492
Other related parties	(81)	(28)	239
Other non-operating income / (expense)			
The Group's associates	(221)	-	(278)
Other related parties	(116)	41	-
PROFIT BEFORE TAX	**(5,602)**	**823**	**3,896**

During the years ended December 31, 2022, 2021 and 2020, the Group acquired property, plant and equipment and intangible assets from the related parties in the amount of:

	2021	2021	2020
Sistema's subsidiaries	15,061	10,330	3,324
Sistema's associates	270	2,530	6,299
Other related parties	87	122	239
Total purchases of property, plant and equipment, intangible assets and other assets, related parties	**15,418**	**12,982**	**9,862**

As of December 31, 2022 and 2021, the Group had Contingent liabilities on loans and undrawn credit lines from the related parties in the amount of:

	December 31,	
	2022	2021
Sistema's subsidiaries	188	634
Other related parties	41	64
Total contingent liabilities on loans and undrawn credit lines	**229**	**698**

(Amounts in millions of Russian Rubles unless otherwise stated)

Guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under the performance guarantee contract represents the possibility that an insured event will occur (i.e. another party to the contract fails to perform a contractual obligation). Warranty claims must be made prior to the expiration of the contract. During the years ended December 31, 2022, 2021 and 2020, the Group provided Guarantees and similar commitments to the related parties in the amount of:

	2022	2021	2020
Sistema's subsidiaries	658	14	344
Other related parties	976	1,077	679
Total guarantees and similar commitments	**1,634**	**1,091**	**1,023**

Lease payments
During the years ended December 31, 2022, 2021 and 2020, the Group made lease payments (capitalized in accordance with IFRS 16) in the amount of RUB 1,240 million, RUB 1,361 million and RUB 1,530 million, respectively, to the related parties.

Business Nedvizhimost
In December 2021, the Group purchased 5-year 10.8% coupon notes of JSC “Business-Nedvizhimost” or “Business-Nedvizhimost”, in the amount of RUB 2,100 million. The notes were accounted as financial assets at fair value through profit and loss and disclosed within short-term investments in the accompanying consolidated statements of financial position. As of December 31, 2022 and 2021, the investment amounted to RUB 2,105 million and RUB 2,105 million respectively.

In April 2022, the Group entered into a novation agreement in respect to the disposal of property to Business Nedvizhimost in 2019. Under the terms of new agreement part of the receivables were converted to a loan with a similar repayment schedule and interest rate. The loan is payable by “Sistema-Invest” JSC, Sistema’s subsidiary. As of December 31, 2022, the amount of the loan was recognized as part of other investments and short-term investments in the accompanying consolidated statements of financial position totaled to RUB 3,095 million and RUB 164 million, respectively. During the year ended December 31, 2022 the Group recognized expenses from discounting in the amount of RUB 380 million as part of financial expenses.

Sistema
The Group holds Sistema notes that were accounted as financial assets at fair value through profit and loss and disclosed within short-term investments in the accompanying consolidated statements of financial position. As of June December 31, 2022 and 2021, the investment amounted to RUB 1,459 million and RUB 1,443 million respectively.

Nvision Group
The Group acquires software, services and other intangible assets from Nvision Group, a subsidiary of Sistema

The purchases of software, services and other intangible assets during the years ended December 31, 2022 and 2021, amounted to RUB 11,466 million and RUB 7,181 million, respectively.

Visionlabs Group
In February 2022, the Group purchased of 24% in Visionlabs Group from Sistema Venture Capital Fund I, and since then it is considered a subsidiary instead of related party of the Group.

Remuneration of key management personnel
Key management personnel of the Group are members of the Board of Directors and Management Board. During the years ended December 31, 2022, 2021 and 2020, their total remuneration amounted to RUB 2,864 million, RUB 2,406 million and RUB 1,309 million, respectively, including social contributions of RUB 730 million, RUB 501 million and RUB 214 million, respectively. These amounts comprised of RUB 1,453 million, RUB 1,008 million and RUB 690 million in base salaries and 1,412 RUB million, RUB 1,398 million and RUB 619 million in bonuses paid pursuant to a bonus plan, respectively (including social contributions).

The management and directors are also entitled to cash-settled and equity-settled share-based payments. Related compensation accrued during the years ended December 31, 2022, 2021 and 2020, amounted to RUB 3,465 million, RUB 3,328 million and RUB 694 million, respectively, including social contributions amounted to RUB 254 million, RUB 338 million and RUB 79 million, respectively. For more details, see Note 31.

31. STOCK-BASED COMPENSATIONS

The Group has a number of share plans used to award shares to directors, executive officers and employees as part of their remuneration package. The Group share plans include both equity-settled and cash-settled compensations.

Equity-settled share based awards are measured at fair value (excluding the effect on non-market-based conditions) at the date of grant. The fair value determined at the grant date of equity-settled share-based award is based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market based conditions.

For cash-settled based awards the fair value is newly determined at each reporting date and at the settlement date, the changes in the fair value are recognized in profit or loss, until the liability under the share plan is settled.

The share awards granted in 2021 have an attached market condition based on Group's market capitalization. The share awards granted before 2021 had only performance condition related to certain financial target (Free Cash Flow), which were treated as non-market vesting conditions.

The fair value of share awards is based on the observed market price of the Group's ordinary shares, adjusted for expected dividends reduced to the current value using a risk-free interest rate.

The equity-settled share based awards displayed the following development in the financial years 2022 and 2021:

	Twelve month ended December 31,			
	2022		2021	
	Shares (in thousands)	Weighted-average fair value per share (in RUB)	Shares (in thousands)	Weighted-average fair value per share (in RUB)
Outstanding at the beginning of the period	20,666	327	3,194	424
Granted during the period	10,767	240	18,733	249
Forfeited during the period	(2,747)	400	(447)	407
Exercised during the period	(4,594)[(1)]	240	(814)[(2)]	406
Outstanding at the end of the period	24,092	339	20,666	327
Exercisable at the end of the period	11,063	312	6,246	361

(1) The weighted-average exercise price of shares was RUB 297.
(2) The weighted-average exercise price of shares was RUB 375.

The equity-settled share based awards were estimated using the following range of exercise prices and the weighted-average remaining contractual terms:

	December 31, 2022		
	Shares (in thousands)	**Range of exercise prices (in RUB)**	**Weighted-average remaining contractual term (in month)**
Outstanding shares	24,092		
Incl. to be exercised in 2023	11,063	230-240	3
to be exercised in 2024	10,099	320-330	15
to be exercised in 2025	2,930	320-660	27

The cash-settled share based awards displayed the following development in the financial years 2022 and 2021:

	Twelve month ended December 31,			
	2022		**2021**	
	Shares (in thousands)	**Weighted-average fair value per share (in RUB)**	**Shares (in thousands)**	**Weighted-average fair value per share (in RUB)**
Outstanding at the beginning of the period	3,485	373	725	707
Granted during the period	5,189	328	3,788	423
Forfeited during the period	(585)	515	(298)	678
Exercised during the period	(1,593)(1)	591	(729)(1)	707
Outstanding at the end of the period	6,496	333	3,485	402
Exercisable at the end of the period	2,468	319	1,598	638

(1) The weighted-average exercise price of shares is equal weighted-average fair value.

The liability under cash-settled awards was estimated using the following range of exercise prices and the weighted-average remaining contractual terms:

	December 31, 2022		
	Shares (in thousands)	**Range of exercise prices (in RUB)**	**Weighted-average remaining contractual term (in month)**
Outstanding shares, Incl.	6,496		
to be exercised in 2023, based on ordinary shares	2,468	236	3
to be exercised in 2024, based on ordinary shares	2,091	320-330	15
to be exercised in 2025, based on ordinary shares	1,938	320-488	27

Due to high volatility of Russian stock market at the end of the financial year 2021, the market performance condition for equity-settled share based awards granted in 2021 was modified. The resulting change in the incremental fair value of the share-based compensation totaled to RUB 145 per share for instruments to be executed as of December 31, 2021, RUB 68 per share for instruments to be executed as of December 31, 2022, and RUB 49 per share for instruments to be executed as of December 31, 2023, respectively.

Total expense in respect of Group's share plans included in the consolidated statement of profit or loss in the financial year 2022 and 2021 totaled to RUB 5,662 million and RUB 4,767 million, respectively, thereof RUB 4,423 million and RUB 3,690 related to equity-settled share based awards.

(Amounts in millions of Russian Rubles unless otherwise stated)

As of December 31, 2022 and 2021, total liabilities recorded for share-based awards amounted to RUB 5,286 million and RUB 2,285 million, respectively.

The fair value of share-based awards vested at December 31, 2022 and December 31, 2021 was RUB 1,545 million and RUB 1,530 million, respectively.

32. SHAREHOLDERS' EQUITY

Common stock (ordinary shares) – The Group had 1,998,381,575 authorized and issued ordinary shares with par value 0.1 RUB as of December 31, 2022 and 2021. Preferred shares have not been authorized and issued.

Shares of common stock repurchased by the Group are recorded at cost as treasury stock and reduce the shareholders' equity in the Group's consolidated financial statements. As of December 31, 2022, the total shares in treasury stock comprised 315,427,725 and 1,682,953,850 shares were outstanding. As of December 31, 2021, the total shares in treasury stock comprised 335,757,457 and 1,662,624,118 shares were outstanding.

Information on shares repurchased by the Group is presented as follows:

	December, 31					
	2022		2021		2020	
Repurchased from:	**Shares**	**RUBm**	**Shares**	**RUBm**	**Shares**	**RUBm**
Open market	-	-	42,512,570	13,963	26,038,847	8,525
Sistema Finance	-	-	22,796,040	7,503	22,758,872	7,485
Total	**-**	**-**	**65,308,610**	**21,466**	**48,797,719**	**16,010**

Nature and purpose of reserves

Additional paid in capital is used to recognize equity-settled share-based payment transactions, results of capital transactions under common control; changes in ownership interest in subsidiaries that do not result in gain/loss of control and the excess of cash received over the acquisition cost of treasury shares.

Share-based payment programs – Equity-settled share-based payment transactions are measured at fair value on the grant date. The fair value of the obligation is recognized as personnel costs over the vesting period and offset against capital reserves.

Foreign currency translation reserve is used to record exchange differences arising from the translation of foreign subsidiaries financial statements from their functional to the presentation currency.

Financial instruments revaluation reserve is used to record the accumulated impact of derivatives designated as cash flow hedges and revaluation of investments available for sale.

Remeasurements of the net defined benefit liability is used to recognize actuarial gains and losses related to the pension program set for employees of the Group's subsidiary MGTS.

Non-controlling interests

As of December 31, 2022 and 2021, MGTS was the only subsidiary of the Group, which had material non-controlling interests.

(Amounts in millions of Russian Rubles unless otherwise stated)

The summarized financial information of MGTS is presented as follows:

MGTS	**2022**	**2021**	**2020**
Non-controlling interests opening balance	**(4,909)**	**(4,055)**	**(3,328)**
Profit for the year attributable to non-controlling interests	(869)	(803)	(675)
Dividends to non-controlling interests	-	-	-
Other	(52)	(51)	(52)
Non-controlling interests closing balance	**(5,830)**	**(4,909)**	**(4,055)**

MGTS	**December 31,**	
	2022	**2021**
Current assets	34,752	34,282
Non-current assets	70,279	57,631
Current liabilities	(12,778)	(13,497)
Non-current liabilities	(14,940)	(17,691)

MGTS	**Year ended December 31,**		
	2022	**2021**	**2020**
Revenue, gross of intercompany	(43,015)	(41,255)	(41,103)
Profit for the year, gross of intercompany	(15,381)	(14,203)	(11,811)

Dividends

As a leading telecommunications group with a home base in developing markets, the primary need of the Group is to maintain sufficient resources and flexibility to meet financial and operational requirements. At the same time, the Group continually seeks ways to create shareholder value through both its commercial and financial strategies, including organic and non-organic development as well as the Group's capital management practices.

The Group continues to include dividend payments as part of its commitment to maximizing shareholder value. Decisions on dividends are proposed by the Board of Directors and voted upon thereafter at a General Meeting of Shareholders. In determining the Company's dividend payout, the Board of Directors considers a number of factors, including cash flow from operations, capital expenditures, and the Group's debt position.

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

In accordance with Russian laws, earnings available for dividends are limited to profits determined under Russian Accounting Standards (RAS), denominated in Russian Rubles, after certain deductions.

The following table summarizes the Group's declared cash dividends for the years ended December 31, 2022, 2021 and 2020:

	2022	**2021**	**2022**
Dividends declared (including dividends on treasury shares of 9,318, 12,082 and 6,936 respectively)	66,334	74,049	58,948
Dividends, RUB per ADS	67.70	74.12	59.00
Dividends, RUB per share	33.85	37.06	29.50

As of December 31, 2022 and 2021, dividends payable were RUB 16,591 million and RUB 68 million, respectively, and included in the trade and other payables within the consolidated statement of financial position. See Note 33.

(Amounts in millions of Russian Rubles unless otherwise stated)

33. COMMITMENTS AND CONTINGENCIES

Capital commitments – As of December 31, 2022 and 2021, the Group had entered into purchase agreements of approximately RUB 25,369 and 67,614 million to acquire property, plant and equipment, intangible assets and costs related thereto.

Taxation – Management believes that it has adequately provided for tax liabilities in the accompanying condensed consolidated financial statements. However, the risk remains that the relevant tax authorities could take different positions with regard to interpretive issues and the effect could be significant.

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

	December 31,	
	2022	**2021**
Contingent liabilities for additional taxes other than income tax	498	860
Contingent liabilities for additional income taxes	1,222	1,132

Licenses – Management believes that as of December 31, 2022 the Group complied with conditions of the licenses used.

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

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

In July 2018, the Group filed a Request for Arbitration against the Sovereign State of Turkmenistan with the World Bank's International Center for Settlement of Investments Disputes ("ICSID") in order to protect its legal rights and investments in Turkmenistan. As of December 31, 2022 the case is pending.

Antimonopoly proceedings – In August 2018, the Federal Antimonopoly Service of Russia ("FAS Russia") charged MTS and other federal operators with violation of antimonopoly laws in respect to establishing discriminatory terms and conditions for bulk SMS pricing for the banks with state-owned equity interest as compared to the terms and conditions for other banks and later – with establishing unreasonably high bulk SMS prices. In May 2019, FAS Russia considered that MTS had breached the provisions of antimonopoly laws in respect to establishing discriminatory terms and conditions for bulk SMS pricing and charging unreasonably high bulk SMS prices, prescribing MTS to cease its violations. MTS contested the decision and the prescription of FAS Russia, however courts at different levels upheld the position of FAS Russia. In August 2021, the Group paid the fine imposed by FAS Russia in full amount of RUB 189 million.

In 2021, certain financial institutions in Russia initiated litigations against the Group, claiming reimbursement for losses incurred in connection with violation of antimonopoly laws in respect to establishing unreasonably high bulk SMS prices. The arbitration courts at three levels have dismissed all the claims in full. It's currently impossible to predict the possibility or outcome of new litigations on violation of antimonopoly laws in respect to establishing unreasonably high bulk SMS prices. Management of the Group believes that as of December 31, 2022 it has adequately provided for claims related to antimonopoly proceedings.

Potential adverse effects of economic volatility and sanctions in Russia – In February 2022, following the conflict between Russia and Ukraine, the EU, US, UK and certain other countries have imposed significant new sanctions and export controls on Russian and Belarusian persons and entities. These sanctions resulted in reduced access of the Russian businesses to international capital and some export markets, volatility of the Russian ruble, rise of inflation, decline in capitals markets, restrictions targeting several major Russian financial institutions and the Central Bank of Russia (“CBR”), a number of companies and individuals, technology export controls and other negative economic consequences (see Note 34).

On February 28, 2022, trading on the Moscow Exchange in all equity securities was suspended (including MTS PJSC ordinary shares), with the suspension later extended to March 28. Also on February 28, the New York Stock Exchange halted trading in the Company’s American depositary shares (“ADSs”) and those of certain other Russian companies.

Developments relating to these matters are highly unpredictable, occur swiftly and often with little notice and are mostly outside the control of the Group, and the risk that any Group member, or individuals holding positions within the Group as well as its counterparties, may be affected by future sanctions designations cannot be excluded. Current and future risks to the Group include, among others, the risk of reduced or blocked access to capital markets and ability to obtain financing on commercially reasonable terms (or at all), the risk of restrictions on the import of certain equipment and software, as well as the risk deviations of the conversion rate of Russian ruble against other currencies. In addition, Central Bank’s of Russia increase of its key rate to 20% on February 28, 2022, impacted floating-rate credit facilities and consequently increased the Group’s finance costs. Further in 2022, the Central Bank of Russia has gradually decreased its key rate to 7,5% as of December 31, 2022.

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

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

Management remains focused on ensuring operational continuity and providing uninterrupted connectivity and other services for customers. In making its going concern assessment, management considered principal risks and existing uncertainties, the Group’s liquidity position (Note 28), including the Group’s borrowings and available credit facilities, its expectations on compliance with covenants, capital expenditure commitments and other factors.

Compliance monitorship – In March 2019, the Group reached a resolution with the United States Securities and Exchange Commission (“SEC”) and the United States Department of Justice (“DOJ”) relating to the previously disclosed investigation concerning the Group’s former subsidiary in Uzbekistan, consented to the entry of an administrative cease-and-desist order (the “Order”) by the SEC and entered a deferred prosecution agreement (“DPA”). Under the DPA and the Order in September 2019 the Group appointed an independent compliance monitor for, inter alia, review, testing and perfecting MTS’ anti-corruption compliance code, policies, and procedures.

As of December 31, 2022 the Group has not received notice from the SEC, the DOJ or the monitor of any breach of the terms of the DPA or the Order. In 2021 given a variety of factors, including the COVID-19 pandemic, the Group has agreed to a one-year extension of the DPA and the monitorship with the DOJ and the SEC to (i) provide the Group with adequate time to implement necessary enhancements to certain critical components of the Group's anti-corruption compliance and ethics program and (ii) allow the monitor sufficient time to be able to complete its review of the remedial efforts, including the Group's implementation of the monitor's recommendations and an assessment of the sustainability of the Group's remedial actions. The term of the monitorship will continue until September 2023.

In connection with compliance monitorship, certain transactions were identified relating to the Group's subsidiary in Armenia, and such transactions were disclosed to the DOJ and SEC. The DOJ and SEC have requested information regarding the transactions and the Group has initiated an investigation into the matter. It's currently impossible to predict the timing or outcome of the investigation.

In December 2020, the Group received a request for information from the DOJ concerning certain historical transactions with a supplier of telecommunication and information technology. Currently, the Group is cooperating to provide information to the DOJ and the SEC responsive to the request.

Class action complaint – In March 2019, a proposed class action complaint on behalf of Shayan Salim and all other persons similarly situated was filed in the United States District Court for the Eastern District of New York against MTS PJSC and certain of its managers. On March 1, 2021, US District Judge of Eastern District Court of New York granted MTS's motion to dismiss with prejudice and dismissed the complaint in full. The plaintiff filed an appeal of the dismissal by the Eastern District Court of New York. On March 31, 2022, United States Court of Appeals for the Second Circuit affirmed the dismissal by the Eastern District Court of New York and concluded the plaintiff's claims are without merit.

34. SUBSEQUENT EVENTS

Purchase of stake in Buzzoola – In February 2023 the Group purchased 67% stake in Buzzoola Internet Technologies LLC ("Buzzoola"), provider of digital advertising services. Total consideration contains cash payment of RUB 371 million and contingent consideration. The purchase of 67% stake was accounted as investment in joint venture.

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