PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

Consolidated Financial Statements
as of December 31, 2023, 2022 and
for the Years Ended December 31, 2023,
2022 and 2021
and Independent Auditor's Report

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

TABLE OF CONTENTS

ДРТ
ДЕЛОВЫЕ РЕШЕНИЯ И ТЕХНОЛОГИИ
BUSINESS SOLUTIONS AND TECHNOLOGIES

AO BST
5 Lesnaya Street
Moscow, 125047,
Russia

Tel: +7 (495) 787 06 00
Fax: +7 (495) 787 06 01
delret.ru

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 2023 and 2022, 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, 2023, and notes to the consolidated financial statements, including material accounting policy information.

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 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023 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 (the "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 internal 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 control procedure 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 The Group operated in markets, which are characterized by increased risks of violation of anti-bribery laws and regulations. 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, 2023 required a high degree of auditor judgment in evaluating whether the audit evidence obtained supports management's estimate. Therefore, this matter was identified by us as a key audit matter. 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 obtained an understanding and evaluated the Group's interactions and communication with government officials; • 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.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
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, *Bank financial assets and liabilities*, the Group reported an allowance for expected credit losses of RUB 41,624 million as at December 31, 2023 in respect of loans to customers (2022: RUB 36,798 million), including allowance for expected credit losses in the amount of RUB 38,571 million as at December 31, 2023 in respect of loans to individuals (2022: RUB 33,814 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 judgment and an increased extent of audit effort was required in this area, including the need to involve internal 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.	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 control procedure over key assumptions in the assessment of probability of default of customers; • We evaluated compliance of the methodology, models and techniques, used by the Group's management to determine the expected credit losses, with the requirements of IFRS 9, *Financial Instruments*; • With the assistance of internal 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 2023 (the "Annual report") and the Issuer's report for 12 months of 2023 (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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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)

5 March 2024

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023 AND 2022
(Amounts in millions of Russian Rubles)

	Notes	December 31, 2023	December 31, 2022
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	19	314,270	312,509
Investment property		8,546	4,925
Right-of-use assets	24	111,305	120,192
Goodwill	20	49,229	52,100
Other intangible assets	22	120,470	113,143
Investments in associates and joint ventures	15	22,170	9,752
Other investments	16	43,462	7,539
Deferred tax assets	11	9,221	11,610
Accounts receivable, related parties	30	1,202	1,767
Trade accounts receivable	17	1,607	882
Bank deposits and loans to customers	29	188,713	138,199
Other financial assets	27	12,510	5,383
Other assets		3,232	4,046
Total non-current assets		**885,937**	**782,047**
CURRENT ASSETS:			
Inventories	18	19,009	14,199
Trade and other receivables	17	40,746	37,176
Accounts receivable, related parties	30	4,820	2,643
Bank deposits and loans to customers	29	148,144	96,135
Short-term investments	14	39,791	24,422
Advances paid and prepaid expenses		12,360	8,160
VAT receivable		11,984	10,867
Income tax assets		3,754	785
Cash and cash equivalents	13	73,752	78,292
Other financial assets	27	30,481	24,015
Other assets		815	3,916
Assets held for sale	10	19,952	273
Total current assets		**405,608**	**300,883**
TOTAL ASSETS		**1,291,545**	**1,082,930**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023 AND 2022 (CONTINUED)
(Amounts in millions of Russian Rubles)

	Notes	December 31, 2023	December 31, 2022
EQUITY AND LIABILITIES			
EQUITY:			
Common stock	32	200	200
Retained earnings		66,301	69,742
Other reserves		(71,599)	(79,309)
Equity attributable to owners of the Company		(5,098)	(9,367)
Non-controlling interests		6,818	5,750
Total equity		**1,720**	**(3,617)**
NON-CURRENT LIABILITIES:			
Borrowings	23	312,868	368,393
Lease obligations	24	113,003	123,894
Bank deposits and liabilities	29	20,774	12,397
Deferred tax liabilities	11	6,911	17,759
Provisions	26	10,374	7,288
Contract liabilities	6	1,102	1,124
Other financial liabilities	27	5,230	3,464
Other liabilities		2,426	883
Total non-current liabilities		**472,688**	**535,202**
CURRENT LIABILITIES:			
Trade and other payables		95,951	67,166
Accounts payable, related parties	30	762	1,451
Contract liabilities	6	29,614	26,082
Borrowings	23	241,187	117,747
Lease obligations	24	20,509	19,608
Bank deposits and liabilities	29	347,110	260,744
Income tax liabilities		711	3,150
Provisions	26	41,780	23,757
Other financial liabilities	27	6,146	2,985
Other liabilities		30,161	28,655
Liabilities directly associated with the assets held for sale	10	3,206	-
Total current liabilities		**817,137**	**551,345**
TOTAL EQUITY AND LIABILITIES		**1,291,545**	**1,082,930**

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

President and CEO ____________________ Vyacheslav K. Nikolaev

Vice-president, Finance ____________________ Alexey A. Katunin

March 5, 2024

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in millions of Russian Rubles, except per share amounts)

	Notes	2023	2022	2021
Service revenue		552,021	489,164	451,045
Sales of goods		53,970	44,952	70,144
Revenue	5,6	**605,991**	**534,116**	**521,189**
Cost of services		166,389	150,308	131,331
Cost of goods	18	49,232	40,962	67,161
Selling, general and administrative expenses	7	131,523	107,693	94,355
Depreciation and amortization	5	111,391	112,362	108,651
Share of the profit of operating associates and joint ventures	15	(6,272)	(4,596)	(5,565)
Impairment/(reversal of previously recognized impairment) of non-current assets	21	-	489	(10)
Expected credit losses	17	34,735	26,373	12,958
Other operating income		(3,853)	(6,678)	(4,367)
Operating profit	5	**122,846**	**107,203**	**116,675**
Finance income	8	(2,484)	(1,757)	(2,468)
Finance costs	8	60,106	58,262	41,219
Share of the loss/(profit) of non-operating associates and joint ventures	15	50	(209)	(181)
Other non-operating (income)/expenses	9	(222)	2,217	16
Profit before tax		**65,396**	**48,690**	**78,089**
Income tax expense	11	12,767	12,496	14,863
Profit for the year from continuing operations		**52,629**	**36,194**	**63,226**
(Profit)/Loss from discontinued operations	10	(2,900)	2,759	(1,043)
Profit for the year		**55,529**	**33,435**	**64,269**
Profit for the year attributable to:				
Owners of the Company		54,552	32,574	63,473
Non-controlling interests		977	861	796
Earnings per share from continuing operations (basic and diluted), Russian Rubles:	12	30.59 and 30.23	21.04 and 20.72	36.87 and 36.69
Earnings per share from discontinued operations (basic and diluted), Russian Rubles:	12	1.72 and 1.70	(1.64) and (1.62)	0.62 and 0.61
Earnings per share, total (basic and diluted), Russian Rubles:	12	32.31 and 31.93	19.40 and 19.10	37.49 and 37.30

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

President and CEO

Vyacheslav K. Nikolaev

March 5, 2024

Vice-president, Finance

Alexey A. Katunin

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in millions of Russian Rubles)

	2023	2022	2021
Profit for the year	**55,529**	**33,435**	**64,269**
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	241	2,026	1,102
Exchange differences on translating foreign operations from group held for sale	4,036	-	-
Net fair value (loss) on financial instruments	(6)	(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	558	(790)	95
Other comprehensive income for the year, net of income tax	**4,829**	**1,896**	**1,197**
Total comprehensive income for the year	**60,358**	**35,331**	**65,466**
Total comprehensive income for the year attributable to:			
Owners of the Company	59,381	34,470	64,670
Non-controlling interests	977	861	796

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

President and CEO

Vyacheslav K. Nikolaev

March 5, 2024

Vice-president, Finance

Alexey A. Katunin

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in millions of Russian Rubles, except share amounts)

	Common stock		Retained	Other	Equity attributable to	Non-controlling	
	Shares	**Amount**	**earnings**	**reserves**	**equity holders**	**interests**	**Total equity**
Balances at January 1, 2021	**1,998,381,575**	**200**	**94,391**	**(65,890)**	**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	**-**	**-**	**63,473**	**1,197**	**64,670**	**796**	**65,466**
Issuance of stock options	-	-	-	2,796	2,796	-	2,796
Exercise of stock options	-	-	-	16	16	-	16
Dividends declared by MTS	-	-	(61,967)	-	(61,967)	-	(61,967)
Dividends to non-controlling interests	-	-	-	-	-	52	52
Purchase of own stock	-	-	-	(21,484)	(21,484)	-	(21,484)
Other	-	-	(962)	(2,003)	(2,965)	-	(2,965)
Balances at December 31, 2021	**1,998,381,575**	**200**	**94,935**	**(85,368)**	**9,766**	**4,838**	**14,604**

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021 (CONTINUED)
(Amounts in millions of Russian Rubles, except share amounts)

	Common stock		Retained	Other	Equity attributable to	Non-controlling	Total
	Shares	Amount	earnings	reserves	equity holders	interests	equity
Balances at December 31, 2021	**1,998,381,575**	**200**	**94,935**	**(85,368)**	**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	**-**	**-**	**32,574**	**1,896**	**34,470**	**861**	**35,331**
Issuance of stock options	-	-	-	863	863	-	863
Exercise of stock options	-	-	-	2,309	2,309	-	2,309
Dividends declared by MTS	-	-	(56,573)	-	(56,573)	-	(56,573)
Dividends to non-controlling interests	-	-	-	-	-	51	51
Other	-	-	(1,194)	992	(202)	-	(202)
Balances at December 31, 2022	**1,998,381,575**	**200**	**69,742**	**(79,309)**	**(9,367)**	**5,750**	**(3,617)**
Profit for the year	-	-	54,552	-	54,552	977	55,529
Currency translation adjustment	-	-	-	4,835	4,835	-	4,835
Change in fair value of investments, net of tax	-	-	-	(6)	(6)	-	(6)
Total comprehensive income for the year	**-**	**-**	**54,552**	**4,829**	**59,381**	**977**	**60,358**
Issuance of stock options	-	-	-	590	590	-	590
Dividends declared by MTS	-	-	(57,993)	-	(57,993)	-	(57,993)
Other	-	-	-	2,291	2,291	91	2,382
Balances at December 31, 2023	**1,998,381,575**	**200**	**66,301**	**(71,599)**	**(5,098)**	**6,818**	**1,720**

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, 2023, 2022 AND 2021
(Amounts in millions of Russian Rubles)

	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year	55,529	33,434	64,269
Adjustments for:			
Depreciation and amortization	114,359	114,491	111,088
Impairment/(reversal of previously recognized impairment) of non-current assets	-	489	(10)
Expected credit loss	34,746	26,359	12,983
Loss from sale of Czech operations (Note 10)	-	1,367	54
Finance income	(2,526)	(1,774)	(2,518)
Finance costs	60,246	58,393	41,352
Income tax expense	13,597	13,616	15,403
Share of profit of associates and joint ventures	(6,222)	(4,805)	(5,746)
Net foreign exchange (gain) / loss and change in fair value of financial instruments	(564)	4,371	186
Inventory obsolescence expense	2,407	2,920	1,456
Change in provisions	22,409	6,468	3,620
Other non-cash items	(2,075)	(1,405)	(4,360)
Movements in operating assets and liabilities:			
Increase in trade and other receivables and contract assets	(5,069)	(1,528)	(2,608)
Increase in bank deposits and loans to customers	(130,780)	(57,027)	(101,897)
(Increase) / Decrease in inventory	(7,239)	810	(5,206)
Increase in advances paid and prepaid expenses	(20,417)	(4,009)	(2,526)
(Increase) / Decrease in VAT receivable	(1,061)	876	(2,821)
Increase in trade and other payables, contract liabilities and other current liabilities	4,697	7,036	16,544
Increase in bank deposits and liabilities	84,117	50,464	53,765
Dividends received	5,321	4,614	4,794
Income tax paid	(27,923)	(11,255)	(17,494)
Interest received	2,347	1,914	3,150
Interest paid, net of interest capitalized	(57,185)	(55,227)	(40,632)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**138,714**	**190,592**	**142,846**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of subsidiaries, net of cash acquired (Note 4)	(231)	(13,948)	(10,186)
Purchases of property, plant and equipment (including capitalized interest in the amount of RUB 889 million, RUB 841 million and RUB 533 million, respectively)	(51,146)	(70,624)	(73,081)
Purchases of other intangible assets	(50,360)	(41,957)	(38,602)
Purchases of investment property	(1,905)	-	-
Cost to obtain and fulfill contracts, paid	(4,531)	(4,358)	(4,218)
Proceeds from sale of property, plant and equipment and assets held for sale	5,867	5,938	5,082
Purchases of short-term and other investments	(50,340)	(2,567)	(13,765)
Proceeds from sale of short-term and other investments	6,564	10,602	13,085
Investments in associates and joint ventures (Note 15)	(2,560)	(1,587)	(1,087)
Net cash paid related to swap contracts	(3,014)	(242)	(657)
Proceeds from sale of subsidiaries, net of cash disposed of (Notes 10 and 30)	941	(149)	3,891
Proceeds from sale/liquidation of associates (Note 15)	100	-	3,014
Other investing activities	(25)	654	92
NET CASH USED IN INVESTING ACTIVITIES	**(150,640)**	**(118,238)**	**(116,432)**

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021 (CONTINUED)
(Amounts in millions of Russian Rubles)

	2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of notes	(45,814)	(56,767)	(20,813)
Proceeds from issuance of notes	58,277	63,970	4,350
Notes and debt issuance cost paid	(354)	(263)	(96)
Lease obligation principal paid	(19,785)	(16,443)	(16,516)
Dividends paid	(47,471)	(40,959)	(61,955)
Acquisition of entities under common control, net of cash acquired (Note 4)	(84)	-	(3,474)
Sale of ownership interest in subsidiaries without change in control	482	-	-
Acquisition of ownership interest in subsidiaries without change in control	(1,204)	-	-
Proceeds from sales of treasury shares	3,370	-	-
Proceeds from loans	113,867	80,152	64,311
Repayment of loans	(59,928)	(62,412)	(15,538)
Repurchase of common stock	-	-	(21,483)
Other financing activities	1,198	(1,900)	-
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**2,554**	**(34,622)**	**(71,214)**
Effect of exchange rate changes on cash and cash equivalents	6,890	(30)	(79)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(2,482)**	**37,702**	**(44,879)**
CASH AND CASH EQUIVALENTS, beginning of the year	**78,292**	**40,590**	**85,469**
CASH AND CASH EQUIVALENTS, end of the year	**75,810**	**78,292**	**40,590**
Less cash and cash equivalents within held for sale	2,058	-	-
CASH AND CASH EQUIVALENTS, end of the year	**73,752**	**78,292**	**40,590**

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, 2023 and 2022, and for the years ended 31 December 2023, 2022 and 2021 were authorized for issue by the President of the Company on March 5, 2024.

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. As of December 31, 2023 and 2022, 42.1% of the Company's issued shares were held by Sistema Public Joint-Stock Financial Corporation or Sistema and its subsidiary, 50.0% and 42.2% of the issued shares were owned by a significant number of shareholders, respectively. As of December 31, 2023 and 2022, Vladimir P. Yevtushenkov held 49.2% 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% of Sistema's shares were held by a significant number of shareholders as of December 31, 2023 and 2022.

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.

As at December 31, 2023, the Group's consolidated current liabilities exceeded current assets by RUB 411,529 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 341,290 million (Note 23).

(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 and associates were the following:

	Accounting method	December 31, 2023	December 31, 2022
RTC	Consolidated	100.0%	100.0%
MTS Bank	Consolidated	99.9%	99.9%
MGTS Group	Consolidated	94.7%	94.7%
MTS Armenia [1)]	Consolidated	100.0%	100.0%
Cloud Services (Note 4)	Consolidated	100.0%	100.0%
Media Services	Consolidated	100.0%	100.0%
Artificial Intelligence	Consolidated	100.0%	100.0%
MTS Belarus (Note 15)	Equity	49.0%	49.0%

[1)] Sold in January 2024

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.

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 statements 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.

(Amounts in millions of Russian Rubles unless otherwise stated)

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, 2023 and 2022 accounts payables under the factoring arrangements totaled to RUB 3,688 million and RUB 7,867 million.

Functional currency translation methodology – As of December 31, 2023, the functional currencies of Group entities were as follows:

- For entities incorporated in the Russian Federation – the Russian Ruble ("RUB");
- For MTS Armenia – the Armenian Dram;
- For MTS Turkmenistan – the Turkmenian Manat;
- For MTS Belarus – the Belarusian Ruble;

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.

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 2023

IFRS 17 and amendments to IFRS 17	*Insurance Contracts*
Amendments to IAS 8	*Definition of Accounting Estimate*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*

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:

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [1)]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-Current* [2)]
	Non current Liabilities with Covenants [2)]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback* [2)]
Amendments to IAS 7	*Supplier Finance Arrangemets* [2)]
Amendments to IAS 21	*Lack of Exchangeability* [3)]

(1) The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.
(2) Effective for annual periods beginning on or after January 1, 2024, with earlier application permitted.
(3) Effective for annual periods beginning on or after January 1, 2025, 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 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.

(Amounts in millions of Russian Rubles unless otherwise stated)

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 in 2023

Acquisition of programmatic advertisement developer – In March 2023, the Group acquired a 100% ownership interest in one of the leading players in the programmatic advertising market. The acquisition is aimed at strengthening the Group's advertising services and increasing its share in the Russian advertising market. The purchase price constitutes a cash payment of RUB 105 million.

Acquisition of regional fixed-line operators – In April 2023, the Group increased from 51% to 100% its stake in the holding company for six local fixed-line operators, previously accounted as the investment in joint venture, and obtained control over the entity. The local fixed-line operators provide Internet services in Belgorod, Lipetsk, Ufa, Neftekamsk, Beloretsk, Tomsk and Vladivostok. The purchase price constituted a cash payment of RUB 561 million paid in May 2023.

Acquisition of IT developer of telematics solutions – In April 2023, the Group acquired a 51% ownership interest in one of the leading IT developers and integrators of telematics solutions for managing commercial transport. The acquisition is aimed at strengthening of the Group's position in the transport telematics segments of the Internet of Things market. The purchase price constitutes a cash payment of RUB 36 million, contingent consideration of RUB 40 million and cash investment of RUB 300 million. The Group obtained call option to purchase the remaining 49% stake and issued put option to the sellers to sell the remaining 49% stake.

Acquisition of financial company – In May 2023, the Group acquired a 99.9% ownership interest in the financial company for the consideration of RUB 450 million in cash. The acquisition is aimed at the development of the Group's Fintech services.

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

	Regional fixed-line operators	Other subsidiaries acquired
Goodwill	**1,557** (1)	**920** (3)
Customer base	20 (2)	-
Other intangible assets	13	240
Property, plant and equipment	368	36
Other non-current assets	180	82
Other current assets	76	286
Cash and cash equivalents	135	1,249
Current liabilities	(584)	(1,236)
Effect of bargain purchase	-	(157)
Non-current liabilities	(620)	(35)
Total consideration	**1,145**	**1,385**
Including:		
Fair value of contingent consideration	-	40
Liability to purchase non-controlling interest	-	754
Fair value of previously held interest in joint venture	584	-
Cash paid	561	591

(1) The provisional 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.

(3) The provisional goodwill is attributable to the expected synergies arising from the acquisitions and allocated to the "Fintech" operating segment and operating segments, reported as a part of the "Other" category.

Acquisitions and disposal in 2022

Acquisition of Computer vision and machine learning solutions **developer** – In February 2022, the Group acquired a 100% ownership interest in Computer vision and machine learning solutions developer, 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 Security systems developer – In April 2022, the Group acquired a 58.38% ownership interest in Security Systems developer, 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 Security Systems.

Acquisition of Hotel booking operator – In July 2022, the Group acquired a 100% ownership interest in Hotel booking operator, one of the market leaders in online hotels booking. The acquisition was aimed at developing the Group's travel business line. Total consideration of RUB 4,000 million was paid in cash.

Acquisition of Videoconferencing services application developer – In July 2022, the Group acquired a 75.5% ownership interest in Videoconferencing services application developer 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 Videoconferencing services application developer increased to 84.25%. The remaining put and call options are exercisable in 2024 and 2025 based on the financial results of Videoconferencing services application developer.

(Amounts in millions of Russian Rubles unless otherwise stated)

Completing the initial measurement period – In 2023 initial measurement for the following businesses acquired in 2022 was completed: Videoconferencing services application developer, Hotel booking operator and Security systems developer. As a result, the balances “Goodwill” and “Other intangible assets” of Statement of financial position as of December 31, 2022 were adjusted retrospectively in the amount of RUB 3,594 milion. The purchase price allocations for the businesses acquired in 2022 was as follows:

	Computer vision and machine learning solutions developer	**Videoc-onferencing services application developer, Hotel booking operator and Security systems developer Preliminary amounts**	**Measurement period adjustments 2023**	**Video-conferencing services application developer, Hotel booking operator and Security systems developer Final amounts**
Goodwill	**4,320** (1)	**8,396** (3)	**(3,655)** (5)	**4,741** (3)
Customer base	2,333 (2)	2,114 (4)	348	2,462 (4)
Other intangible assets	736	822	3,341	4,163
Property, plant and equipment	81	299	-	299
Other non-current assets	31	414	-	414
Current assets	319	3,932	-	3,932
Cash and cash equivalents	326	279	-	279
Current liabilities	(816)	(4,658)	-	(4,658)
Non-current liabilities	(774)	(641)	(537)	(1,178)
Total consideration	**6,556**	**10,957**	**(503)**	**10,454**
Including:				
Fair value of contingent consideration	621	-	-	-
Liability to purchase non-controlling interest	-	2,863	(503)	2,360
Deferred payment	659	-	-	-
Cash paid	5,276	8,094	-	8,094

(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 goodwill is attributable to the expected synergies arising from the acquisition and allocated to the “Security systems”, “Travel” and “Telecom” operating segments (Note 5).

(4) Amortized over the term of 5 to 8 years.

(5) Of total amount of RUB (3,655) mln, the amount of RUB (61) mln relates to Computer vision and machine learning solutions developer and the amount of RUB (3,594) to Videoconferencing services application developer, Hotel booking operator and Security systems developer balances.

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 Regional fixed-line operators – In April 2021, the Group increased its stake in the holding company of the regional fixed-line operators to 100% and obtained control over the entity to expand its regional footprint. Prior to the acquisition, the Group owned 51% in the holding company and accounted for the investment as the investment in joint venture (Note 15). The regional fixed-line operators 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.

(Amounts in millions of Russian Rubles unless otherwise stated)

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

Acquisition of Intelligent Connectivity provider – In June 2021, the Group acquired a 100% ownership interest in a provider of intelligent connectivity solutions for businesses, to expand 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 Data center – In June 2021, the Group acquired a 100% ownership interest the operator of data center in 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.

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

	Regional fixed-line operators	**Data center**	**Credit broker**
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 in joint venture	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.

(Amounts in millions of Russian Rubles unless otherwise stated)

The purchase price allocation of Intelligent Connectivity provider 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 Intelligent Connectivity provider and the acquisition date fair value of the assets changed since the preliminary calculations. The following table summarizes the purchase price allocation for Intelligent Connectivity provider 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.

Acquisitions under common control, accounted for directly in equity

Acquisition of Trust Management company – In September 2021, the Group acquired the remaining 70% stake in the investment services company from subsidiaries of Sistema, for total consideration of RUB 3,500 million. Acquisition of the investment services company 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**
Investment Services company	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

(Amounts in millions of Russian Rubles unless otherwise stated)

Disposal of IT-developing subsidiary

In February 2021, the Group sold its 100% stake in IT developing subsidiary 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**

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 for the years ended December 31, 2023, 2022 and 2021:

Liability on deferred payment/ contingent consideration	**Computer vision and machine learning solutions developer**	**Cloud solutions developer**	**Other subsidiaries acquired**
January 1, 2021	**-**	**(907)**	**-**
Initial recognition of deferred payment/contingent consideration	-	-	(227)
Revaluation	-	542	(1)
Payment	-	365	7
December 31, 2021	**-**	**-**	**(221)**
Initial recognition of deferred payment/contingent consideration	(621)	-	-
Reversal of tax provision			
Revaluation	(54)	-	(4)
Payment	-	-	160
December 31, 2022	**(675)**	**-**	**(65)**
Initial recognition of deferred payment/contingent consideration	-	-	(40)
Revaluation	(48)	-	(9)
Payment	253	-	20
December 31, 2023	**(470)**	**-**	**(94)**

Pro forma results of operations – The following pro forma financial data for the years ended December 31, 2023, 2022 and 2021 give effect to the business combinations as if they had been completed at the beginning of the year.

	2023	**2022**	**2021**
Revenue	606,468	535,688	531,135
Profit for the year	55,524	33,584	64,399

(Amounts in millions of Russian Rubles unless otherwise stated)

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, 2021, 2022 or 2023, 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:

	2023	2022	2021
Revenue	1,656	4,707	5,341
Profit/(loss) for the year	124	(489)	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.

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 provider. The operating segment was called “Fintech”.

On October 24, 2022, the Group 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 and due to disposal of operations in Armenia, segment disclosures for 2021 and 2022 were retrospectively restated.

Hotel booking operator, Security systems provider and Computer vision and machine learning solutions developer were acquired in 2022 (see Note 4) constituted new operating segments “Travel”, “Smart Home” and “Artificial intelligence”, respectively.

(Amounts in millions of Russian Rubles unless otherwise stated)

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.

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, 2023:

	Telecom	Fintech	Total of reportable segments	Other	HQ and elimination	Consoli-dated
Revenue						
External customers	469,311	87,968	557,279	48,611	101	605,991
Intersegment	9,140	3,700	12,840	27,856	(40,696)	-
Total revenue	**478,451**	**91,668**	**570,119**	**76,467**	**(40,595)**	**605,991**
OIBDA	211,424	15,060	226,484	23,874	(16,121)	234,237
Depreciation and amortization						(111,391)
Impairment of non-current assets						-
Operating profit						122,846

Year ended December 31, 2022:

	Telecom	Fintech	Total of reportable segments	Other	HQ and elimination	Consoli-dated
Revenue						
External customers	432,766	64,676	497,442	36,587	87	534,116
Intersegment	5,596	3,763	9,359	21,253	(30,612)	-
Total revenue	**438,362**	**68,439**	**506,801**	**57,840**	**(30,525)**	**534,116**
OIBDA	199,010	6,355	205,365	23,487	(8,798)	220,054
Depreciation and amortization						(112,362)
Impairment of non-current assets						(489)
Operating profit						107,203

Year ended December 31, 2021:

	Telecom	Fintech	Total of reportable segments	Other	HQ and elimination	Consoli-dated
Revenue						
External customers	444,204	47,545	491,749	29,344	96	521,189
Intersegment	4,138	2,770	6,908	19,188	(26,096)	-
Total revenue	**448,342**	**50,315**	**498,657**	**48,532**	**(26,000)**	**521,189**
OIBDA	204,126	8,593	212,719	20,805	(8,208)	225,316
Depreciation and amortization						(108,651)
Impairment of non-current assets						10
Operating profit						116,675

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

(Amounts in millions of Russian Rubles unless otherwise stated)

Disaggregation of revenue:

Year ended December 31, 2023:	**Telecom**	**Fintech**	**Total of reportable segments**	**Other**	**HQ and elimination**	**Consoli-dated**
Revenue						
Connectivity services	414,545	-	414,545	37,864	101	452,510
Sales of goods	52,692	-	52,692	1,278	-	53,970
Fintech services	-	87,129	87,129	-	-	87,129
Other services	2,074	839	2,913	9,469	-	12,382
External Customers	469,311	87,968	557,279	48,611	101	605,991
Intersegment	9,140	3,700	12,840	27,856	(40,696)	-
Total revenue	**478,451**	**91,668**	**570,119**	**76,467**	**(40,595)**	**605,991**
Thereof:			-			
Recognised over time	416,619	57,248	473,867	47,333	101	521,301
Recognised at point of time	52,692	30,720	83,412	1,278	-	84,690
			-			
	469,311	**87,968**	**557,279**	**48,611**	**101**	**605,991**

Year ended December 31, 2022:	**Telecom**	**Fintech**	**Total of reportable segments**	**Other**	**HQ and elimination**	**Consoli-dated**
Revenue						
Connectivity services	387,598	269	387,867	28,923	87	416,877
Sales of goods	42,809	-	42,809	794	-	43,603
Fintech services	-	63,543	63,543	-	-	63,543
Other services	2,359	864	3,223	6,870	-	10,093
External Customers	432,766	64,676	497,442	36,587	87	534,116
Intersegment	5,596	3,763	9,359	21,253	(30,612)	-
Total revenue	**438,362**	**68,439**	**506,801**	**57,840**	**(30,525)**	**534,116**
Thereof:			-			
Recognised over time	389,957	42,990	432,947	35,793	87	468,827
Recognised at point of time	42,809	21,686	64,495	794	-	65,289
			-			
	432,766	**64,676**	**497,442**	**36,587**	**87**	**534,116**

Year ended December 31, 2021:	**Telecom**	**Fintech**	**Total of reportable segments**	**Other**	**HQ and elimination**	**Consoli-dated**
Revenue						
Connectivity services	375,722	198	375,920	22,996	96	399,012
Sales of goods	67,290	-	67,290	1,574	-	68,864
Fintech services	-	46,632	46,632	-	-	46,632
Other services	1,192	715	1,907	4,774	-	6,681
External Customers	444,204	47,545	491,749	29,344	96	521,189
Intersegment	4,138	2,770	6,908	19,188	(26,096)	-
Total revenue	**448,342**	**50,315**	**498,657**	**48,532**	**(26,000)**	**521,189**
			-			
Thereof:			-			
Recognised over time	376,914	28,225	405,139	27,770	96	433,005
Recognised at point of time	67,290	19,320	86,610	1,574	-	88,184
			-			
	444,204	**47,545**	**491,749**	**29,344**	**96**	**521,189**

Interest revenue calculated using the effective interest method for the year ended December 31, 2023 amounted to RUB 57,465 million, RUB 42,991 million for the year ended December 31, 2022, and RUB 26,315 million for the year ended December 31, 2021.

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 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 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,	
	2023	**2022**
Receivables	33,257	30,012
Contract assets	39	96
Total assets	**33,296**	**30,108**
Less current portion	(31,689)	(29,213)
Total non-current assets	**1,607**	**895**
Contract liabilities:		
Mobile and fixed telecommunication services	(26,827)	(25,499)
Other services	(3,372)	(1,252)
Loyalty programme	(517)	(455)
Total liabilities	**(30,716)**	**(27,206)**
Less current portion	29,614	26,082
Total non-current liabilities	**(1,102)**	**(1,124)**

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

	2023	**2022**
Balance as of January 1	**(27,206)**	**(23,571)**
Revenue recognised that was included in the contract liability balance at the beginning of the period	20,749	22,687
Increase due to cash received, excluding amount recognised as revenue during the period	(24,259)	(25,657)
Aquisition of Security systems, Hotel booking, Videoconferencing services application developer	-	(665)
Balance as of December 31	**(30,716)**	**(27,206)**

(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, 2023 as follows:

	2024	2025-2029	2030-2034	Total
Connectivity services	25,725	1,081	21	26,827
Other services	3,371	-	-	3,371
Loyalty programme	517	-	-	517

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

	2024	2025-2029	2030-2034	After 2034	Total
Connectivity services	1,556	2,545	189	86	4,376
Other services	505	169	-	-	674

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, 2023 and 2022 the balances of cost to obtain and fulfill contracts capitalized by the Group amounted to:

	December 31,	
	2023	2022
Cost to obtain contracts:		
Gross book value	16,965	15,589
Accumulated amortization	(7,588)	(7,080)
Cost to fulfill contracts:		
Gross book value	4,827	4,967
Accumulated amortization	(3,143)	(2,686)

Amortization expense related to cost to obtain and fulfill contracts recognized for the years ended December 31, 2023, 2022 and 2021 amounted RUB 4,599 million, RUB 4,457 million and RUB 4,076 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, 2023, 2022 and 2021 comprised the following:

	2023	2022	2021
Salaries and social contributions	78,838	62,028	53,002
Advertising and marketing expenses	17,733	14,065	12,471
General and administrative expenses	9,612	8,806	7,913
Dealers commission	4,412	4,434	3,434
Universal service fund	4,069	3,887	3,813
Taxes other than income tax	3,681	2,471	981
Other personnel expenses	3,544	2,362	1,793
Consulting expenses	2,768	3,459	3,603
Cash collection commission	2,677	3,011	3,451
Utilities and maintenance	2,008	1,830	2,499
Other	2,181	1,341	1,393
Total	**131,523**	**107,694**	**94,353**

8. FINANCE INCOME AND COSTS

Finance income and costs for the years ended December 31, 2023, 2022 and 2021 comprised the following:

	2023	2022	2021
Interest expense:			
– Loans and notes	46,322	45,838	29,430
– Amortization of debt issuance costs	174	125	109
– Lease obligations	12,634	12,674	11,690
– Provisions: unwinding of discount	217	152	165
Total interest expense	**59,347**	**58,789**	**41,394**
(Gain) loss on financial instruments	555	-	-
Other finance costs	507	(71)	143
Total finance costs	**60,409**	**58,718**	**41,537**
Less: amounts capitalized on qualifying assets[(1)]	(890)	(850)	(534)
Debt modification/derecognition and other loss/(gain)	587	393	216
Finance costs	**60,106**	**58,261**	**41,219**
Finance income on loans and receivables:			
– Interest income on bank deposits	1,836	1,324	1,420
– Interest income on loans issued	425	349	50
– Other finance income	223	84	998
Finance income	**2,484**	**1,757**	**2,468**
Net finance costs	**57,622**	**56,504**	**38,751**

(1) The annual weighted average capitalization rates of 9.4%, 9.2% and 6.8% were used to determine the amount of capitalized interest for the years ended December 31, 2023, 2022 and 2021, respectively.

9. OTHER NON-OPERATING (INCOME)/EXPENSES

Other non-operating (income)/expenses for the years ended December 31, 2023, 2022 and 2021 comprised the following:

	2023	2022	2021
Net forex exchange (gain) / loss	4,739	(4,198)	140
(Gain)/loss arising on derivatives	5,324	3,616	345
Net (gain)/loss arising on financial assets measured at FVTPL	(10,976)	2,287	(139)
Net (gain)/loss arising on financial liabilities measured at FVTPL	(138)	204	-
Other	829	309	(329)
Total	**(222)**	**2,218**	**17**

(Amounts in millions of Russian Rubles unless otherwise stated)

10. DISCONTINUED OPERATIONS

MTS Armenia – in December, 2023, the Group entered into a sale agreement to dispose of MTS Armenia CJSC ("MTS Armenia"), which carried out the Group's operations in Armenia and constituted "Armenia" operating segment within the group of segments aggregated in the "Other" category (Note 5), for cash consideration in preliminary expected amount of USD 209.1 million.
As of December 31, 2023, all of the assets and liabilities of MTS Armenia were classified as held for sale and measured at carrying value. The results of MTS Armenia' operations were reported as discontinued operations in the accompanying consolidated statements of profit or loss.
The accompanying statements of cash flows were not retrospectively restated. The disposal was completed in January 2024.

As of December 31, 2023, the carrying amounts of assets and liabilities pertaining to the MTS Armenia disposal group and reconciliation the fair value were as follows:

MTS Armenia	**Including intercompany balances**	**Excluding intercompany balances retained within the Group**
Property, plant and equipment	5,753	5,691
Goodwill	6,553	6,553
Other intangible assets	3,106	3,106
Other non-current assets	5,994	1,364
Cash and cash equivalents	2,066	2,058
Other current assets	984	875
Total assets	**24,456**	**19,647**
Current liabilities	(7,523)	(2,316)
Non-current liabilities	(890)	(890)
Total liabilities	**(8,413)**	**(3,206)**
Other comprehensive income	**(16,649)**	**(16,649)**
Fair value of cash consideration		**18,752**

As of January 23, 2024, the carrying amounts of discontinued operation net assets and reconciliation of the gain on disposal were as follows:

Property, plant and equipment	5,623
Goodwill	6,542
Other intangible assets	2,981
Other non-current assets	1,482
Other current assets	961
Cash and cash equivalents	2,119
Non-current liabilities	(995)
Current liabilities	(2,084)
Accumulated other comprehensive income	(17,211)
Less: Fair value of consideration	**18,393**
Preliminary assessment of gain on disposal	**18,975**
Net cash inflow arising on disposal:	**16,274**
Cash consideration receivable	18,393
Less: cash and cash equivalents disposed of	(2,119)

(Amounts in millions of Russian Rubles unless otherwise stated)

NVision Czech Republic a.s. – In October 2022, the Group disposed of 100% in NVision Czech Republic a.s., which was included in the group of segments aggregated in the "Other" category (Note 5). The results of operations of NVision Czech Republic a.s. were reported as discontinued operations in the accompanying consolidated statements of profit or loss. The accompanying statements of financial position and statements of cash flows were not retrospectively restated. The fair value of consideration, receivable annualy until 2027, amounted to RUB 453 million, of which RUB 50 million were received in 2022 and RUB 21 million in 2023.

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)

The results of all discontinued operations were included in the profit/(loss) from discontinued operations in the consolidated statements of profit or loss as follows:

	Year ended 31 December 2023	Year ended 31 December 2022	Year ended 31 December 2021
Revenue	11,084	13,628	13,206
Expenses	(7,829)	(12,116)	(12,094)
Profit before tax	3,255	1,512	1,112
Tax expense	(542)	(1,119)	(539)
Profit for the period	2,713	393	573
Loss on disposal	-	(1,367)	
Consideration revaluation	187	(1,785)	470
Net income/(loss) attributable to discontinued operations	**2,900**	**(2,759)**	**1,043**

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

	Year ended 31 December 2023	Year ended 31 December 2022	Year ended 31 December 2021
Net cash provided by/(used in) operating activities	5,477	3,814	2,897
Net cash provided by/(used in) investing activities	(2,461)	(125)	(197)
Net cash provided by/(used in) financing activities	(3,274)	(2,531)	(1,797)

(Amounts in millions of Russian Rubles unless otherwise stated)

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%, with the exception for recepients owing 50% or greater share in the organization paying dividends for the term exceeding one year. In the latter case the withholding tax rate is 0%. 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:

	2023	2022	2021
Current income tax charge	22,011	14,006	19,617
Prior period tax adjustments	118	113	(249)
Total current income tax	**22,129**	**14,119**	**19,368**
Deferred tax	(9,362)	(1,623)	(4,505)
Income tax expense on continuing operations	**12,767**	**12,496**	**14,863**

Income tax expense on continuing operations excludes the amounts from the discontinued operations of RUB 542 million, RUB 1,119 million and RUB 539 million for the years ended December 31, 2023, 2022 and 2021, respectively, 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 2023, 2022 and 2021 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, 2023, 2022 and 2021 is as follows:

	2023	2022	2021
Statutory income tax rate for the year	**20.0%**	**20.0%**	**20.0%**
Adjustments:			
Expenses not deductible for tax purposes	1.8	2.0	0.1
Prior periods tax effects	0.2	0.2	(0.3)
Different tax rate of subsidiaries	(0.1)	(0.7)	(0.7)
Withholding tax on distributed and undistributed profits	(0.3)	3.1	1.6
Change in fair value of derivative financial instruments	-	0.4	-
Changes in recognized deferred tax assets	(2.0)	0.6	(0.9)
Other	(0.1)	0.1	(0.6)
Effective income tax rate	**19.5%**	**25.7%**	**19.0%**

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

	2023	2022
Deferred tax assets	9,221	11,610
Deferred tax liabilities	(6,911)	(17,759)
Net deferred tax assets/(liabilities)	**2,310**	**(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, 2023 were as follows:

	December 31, 2022	Recognised in profit / loss	Recognised in other compre-hensive income	Effect of acquisitions and held for sale classification	December 31, 2023
Assets / (liabilities) arising from tax effect of:					
Property, plant and equipment	(20,489)	(602)	131	(291)	(21,251)
Other intangible assets	(2,422)	3,038	-	(541)	75
Potential distributions from/ to Group's subsidiaries/ associates and joint ventures	(3,568)	1,641	-	-	(1,927)
Licenses	(1,596)	171	-	-	(1,425)
Customer base	(810)	106	-	(50)	(754)
Capitalization of cost to obtain and fulfill contracts	(1,916)	(108)	-	-	(2,024)
Accrued expenses for services	8,619	3,950	-	(44)	12,525
Write-down of inventories	507	(152)	-	(27)	328
Allowance for ECL	3,990	(1,605)	-	(8)	2,377
Lease obligations	28,958	(2,128)	-	-	26,830
Right-of-use assets	(23,753)	1,750	-	-	(22,003)
Loss carryforward	3,518	1,534	-	-	5,052
Contract liabilities	1,882	219	-	-	2,101
Debt modification	6	(110)	-	-	(104)
Other	925	1,639	(38)	(16)	2,510
Net deferred tax asset/(liability)	**(6,149)**	**9,343***	**93**	**(977)**	**2,310**

* In the total amount of RUB 9,343 million, RUB (19) million were reported as discontinued operations in the accompanying consolidated statement of profit or loss for the year ended December 31, 2023 (Note 10).

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)**

* In the total amount of RUB 991 million, RUB (632) million were reported as discontinued operations in the accompanying consolidated statement of profit or loss for the year ended December 31, 2022 (Note 10).

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.

The time limit of prior periods' tax losses carryforward is perpetual. The federal law 401-FZ 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, 2023 and 2022 amounted to RUB 18,059 million and RUB 35,100 million, respectively.

The Group accrued RUB 351 million and RUB 109 million as of December 31, 2023 and 2022, 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 and 2021.

12. EARNINGS PER SHARE

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

	2023	2022	2021
Numerator:			
Profit for the year from continuing operations attributable to the owners of the company	51,652	35,332	62,431
Profit / (loss) for the year from discontinued operations attributable to the owners of the company	2,900	(2,759)	1,042
Denominator, in thousands:			
Weighted-average ordinary shares outstanding	1,688,566	1,679,533	1,693,244
Employee stock options	19,933	25,883	8,541
Weighted-average diluted shares outstanding	**1,708,499**	**1,705,416**	**1,701,785**
Earnings per share – basic, Russian Rubles	**32.31**	**19.40**	**37.49**
Basic EPS from continuing operations	30.59	21.04	36.87
Basic EPS from discontinued operations	1.72	(1.64)	0.62
Earnings per share – diluted, Russian Rubles	**31.93**	**19.10**	**37.30**
Diluted EPS from continuing operations	30.23	20.72	36.69
Diluted EPS from discontinued operations	1.70	(1.62)	0.61

(Amounts in millions of Russian Rubles unless otherwise stated)

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, 2023	December 31, 2022
Cash and cash equivalents at banks and on hand in:		
United Arab Emirates Dirham	41,528	-
Russian Rubles	27,543	33,912
Chinese yuan	2,746	12,404
US Dollars	698	11,902
Euro	352	7,516
Turkmenian Manat	-	314
Other	555	2,031
Short-term deposits with an original maturity of less than 3 months:		
Russian Rubles	258	10,213
Other	72	-
Total cash and cash equivalents	**73,752**	**78,292**

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 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:

	Category	December 31, 2023	December 31, 2022
Investments in mutual funds (Notes 27)	At FVTPL	14,723	12,749
Assets in trust management (Notes 27)	At FVTPL	9,715	9,426
Debt securities / loans	At amortized cost	15,644	2,235
Deposits	At amortized cost	19	9
Short-term investments, gross		**40,101**	**24,419**
Allowance for ECL		(310)	3
Total short-term investments		**39,791**	**24,422**

(Amounts in millions of Russian Rubles unless otherwise stated)

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. 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, 2023, Telecom operator in Belarus, Internet advertising company and Factoring company 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.

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, 2023	December 31, 2022
Telecom operator	Belarus	telecom-munications	6,246	5,798
Operator of personal mobility devices	Russia	scooters rent	5,899	-
Closed-end mutual fund	Russia	asset management	3,264	-
Factoring company	Cyprus	factoring	1,392	815
Satellite TV company	Russia	satellite communications	814	621
Internet advertising company	Russia	internet advertising	770	-
Classifieds company	Russia	classifieds	668	667
Regional fixed-line operator	Russia	telecom-munications	-	199
Other unquoted companies	Russia		2,663	1,175
Total investments in associates and joint ventures accounted for using the equity method			**21,716**	**9,275**
Other unquoted companies accounted for at fair value through profit or loss	Russia		454	477
Total investments in associates			**22,170**	**9,752**

(Amounts in millions of Russian Rubles unless otherwise stated)

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

Telecom operator in Belarus

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

	December 31, 2023	December 31, 2022
Assets		
Non-current assets	14,296	14,743
Current assets	15,663	11,940
Liabilities		
Non-current liabilities	(4,978)	(4,497)
Current liabilities	(12,234)	(10,354)
Total identifiable net assets	**12,747**	**11,832**
The Group's share in associate	49%	49%
The Group's share of identifiable net assets	6,246	5,798
Carrying amount of the Group's interest	**6,246**	**5,798**

The composition of the Group's share of income of Telecom operator in Belarus is as follows:

	Year ended December 31,		
	2023	2022	2021
Revenue	45,328	37,444	39,383
Net profit for the year	11,664	9,863	10,379
The Group's share of the profit of the associate for the year	**5,715**	**4,833**	**5,086**
Other comprehensive income/(loss) for the year (currency translation adjustment)	1,085	(1,541)	183
Total comprehensive income for the year	12,749	8,322	10,562
The Group's share of total comprehensive income of the associate for the year	**6,247**	**4,078**	**5,175**
Dividends received	**(4,569)**	**(4,545)**	**(4,034)**

Regional fixed-line operator

In April 2023 the Group performed a step acquisition and obtained control over Regional fixed-line operator (Note 4).

As of the acquisition date the Group remeasured the previously held equity interest in Regional fixed-line operator and recognized the resulting gain of RUB 373 million in the share of the profit in operating associates and joint ventures in the accompanying consolidated statements of profit or loss.

(Amounts in millions of Russian Rubles unless otherwise stated)

Factoring company

In July 2021 the Group purchased 51% stake in Factoring company, for RUB 867 million. Factoring company 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.

In August 2023 the Group purchased 24% stake in Factoring company for RUB 433 million. In October 2023 the Group purchased additional 14% stake in Factoring company, for RUB 229 million. The 88% stake was accounted as investment in joint venture based on the terms of the shareholders' agreement.

Internet advertising company

In February 2023 the Group purchased 67% stake in Internet advertising company for RUB 523 million. The 67% stake was accounted as investment in joint venture based on the terms of the shareholders' agreement. Internet advertising company offers services of automated placement of native advertising.

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

Closed End Mutual Fund (CEMF)

As of December 31, 2023 the Group owned 49% in CEMF. The CEMF mainly invests in equity and debt securities of Russian companies. CEMF is accounted for as investment in joint ventures.

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

	December 31, 2023
Assets	
Non-current assets	6,593
Current assets	73
Liabilities	
Non-current liabilities	-
Current liabilities	(4)
Total identifiable net assets	**6,662**
The Group's share in CEMFs	49%
The Group's share of identifiable net assets	3,264
Carrying amount of the Group's interest	**3,264**

The Grous's share of the loss of the CEMF recognised in the consolidated statement of profit or loss fot the financial year ended December 31, 2023 amounted to RUB 263 million.

Classifieds company

In September 2018, the Group acquired a 13.68% ownership interest in Classifieds company, 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 Classifieds company, nevertheless it has significant influence over the investee by means of interest share, 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)

Navigation Software Company

In September 2022, the Group acquired a 50.85% ownership interest in Navigation Software Company for a cash contribution of RUB 690 million. Navigation Software Company is a satellite navigation solutions provider. The Group holds more than 50% of the equity interests in Navigation Software Company, it has significant influence over the investee based on its ownership of equity shares, representation on the investee's Board of Directors.

Operator of personal mobility devices

In March 2023, the Group acquired 11.78% ownership interest in Operator of personal mobility devices for a cash contribution of RUB 740 million. In December 2023, the Group acquired additional 68.8% ownership interest in Operator of personal mobility devices for a cash contribution of RUB 5,037 million. The consideration was paid at the amount of RUB 4,637 million in January 2024 and will be paid at the amount of RUB 400 million till January 2025. Operator of personal mobility devices offers scooter sharing services. The Group has significant influence over the joint venture based on the terms of the shareholders' agreement.

The reconciliation of summarized financial information of Operator of personal mobility devices to the carrying amount of the Group's interest in joint venture is presented as follows:

	December 31, 2023
Assets	
Non-current assets	5,309
Current assets	2,352
Liabilities	
Non-current liabilities	(3,286)
Current liabilities	(2,165)
Total identifiable net assets	**2,210**
The Group's share in associate	80.6%
The Group's share of identifiable net assets	1,781
Equity method goodwill	4,118
Carrying amount of the Group's interest	**5,899**

16. OTHER INVESTMENTS

Other investments consist primarily of debt securities and equity holdings in private companies. 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.

Other investment also consist investment in mutual fonds and assets in trust management. Assets in 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.

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

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

(Amounts in millions of Russian Rubles unless otherwise stated)

Other investments of the Group comprised the following:

	Category	December 31, 2023	December 31, 2022
Debt securities	At amortized cost	1,658	1,299
Investments in equity	FVTPL	34,386	2,000
Investments in mutual funds (Notes 27)	FVTPL	440	-
Assets in trust management (Notes 27)	FVTPL	3,381	-
Loans and unquoted notes	At amortized cost	5,043	4,239
Other investments (Gross)		**44,908**	**7,538**
Allowance for ECL		(1,446)	1
Total other investments		**43,462**	**7,539**

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 non-current non-financial assets. These financial assets are measured based on fair value basis which determined as discounted nominal value 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, 2023	December 31, 2022
Subscribers and other Group clients	23,395	18,187
Handset sales financing	6,458	5,630
Property	566	2,607
Bank commission	3,353	2,512
Bonuses from suppliers	3,557	2,467
Interconnect	1,306	1,658
Sharing	179	1,474
Integration services	808	1,070
Roaming	1,000	686
Dealers	176	267
Other receivables	4,729	4,745
Allowance for ECL	(3,174)	(3,245)
Trade and other receivables, total	**42,353**	**38,058**
Less non-current portion	(1,607)	(882)
Trade and other receivables, current	**40,746**	**37,176**

(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, 2023:

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%	3,156	(19)	No
1 - 30 days past due	4%	12,526	(504)	No
31 - 60 days past due	44%	477	(212)	No
60 - 90 days past due	55%	399	(219)	No
90 - 180 days past due	49%	856	(424)	No
More than 180 days past due	66%	97	(64)	No
Total	**8%**	**17,511**	**(1,442)**	

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	4%	12,084	(484)	No
1 - 30 days past due	0%	5,273	(13)	No
31 - 60 days past due	0%	1,139	(3)	No
60 - 90 days past due	2%	487	(9)	No
90 - 180 days past due	3%	1,684	(260)	No
More than 180 days past due	64%	866	(558)	No
Total	**6%**	**21,533**	**(1,327)**	

Receivables from handset sales financing	Weighted-average loss rate	Gross carrying amount	Loss allowance (based on provision matrix)	Credit-impaired
Current	1%	5,904	(68)	No
1 - 30 days past due	20%	84	(17)	No
31 - 60 days past due	44%	41	(18)	No
60 - 90 days past due	51%	29	(15)	No
90 - 180 days past due	63%	82	(52)	No
More than 180 days past due	69%	343	(235)	No
Total	**6%**	**6,483**	**(405)**	

(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
90 - 180 days past due	80%	856	(682)	No
More than 180 days past due	66%	110	(73)	No
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
90 - 180 days past due	14%	1,622	(234)	No
More than 180 days past due	30%	1,609	(479)	No
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
90 - 180 days past due	64%	150	(95)	No
More than 180 days past due	76%	609	(463)	No
Total	**13%**	**5,631**	**(706)**	

The following table summarizes changes in the allowance for expected credit losses for the year ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
Balance, beginning of the year	**(3,245)**	**(3,536)**	**(4,623)**
Allowance for ECL	(2,674)	(2,203)	(1,135)
Accounts receivable written off	2,745	2,494	2,222
Balance, end of the year	**(3,174)**	**(3,245)**	**(3,536)**

(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,	
	2023	**2022**
Handsets and accessories	14,673	10,290
Software and equipment for installation and resale	1,590	1,433
SIM cards and prepaid phone cards	1,486	1,495
Advertising and other materials	776	630
TV equipment for resale	454	305
Spare parts for telecommunication equipment	30	46
Total inventories	**19,009**	**14,199**

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 statements of profit or loss.

For the years ended December 31, 2023, 2022 and 2021, cost of goods comprised the following expenses:

	2023	**2022**	**2021**
Amount of inventories recognized as an expense	46,855	38,105	65,706
Inventory obsolescence provision	3,836	3,770	1,625
Reversal of obsolescence provision	(1,459)	(910)	(169)
Total cost of goods	**49,232**	**40,965**	**67,162**

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 statements of profit or loss.

(Amounts in millions of Russian Rubles unless otherwise stated)

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.

Balances of cost, accumulated depreciation, net book value as of December 31, 2023, 2022 and 2021 and movements of property, plant and equipment for the year ended December 31, 2023, 2022 and 2021 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, 2021	**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**
Additions	1,952	64	389	53,538	55,943
Transferred into use	31,192	1,444	14,896	(47,532)	-
Arising on business combinations	366	12	15	4	397
Transfer to assets held for sale	(23,625)	(1,432)	(4,378)	422	(29,013)
Disposal	(13,759)	(456)	(3,351)	(669)	(18,235)
Other	(473)	(129)	(349)	16	(935)
Foreign exchange differences	4,446	278	859	112	5,695
December 31, 2023	**607,919**	**43,028**	**88,433**	**44,062**	**783,442**
Accumulated amortisation and impairment					
January 1, 2021	**(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)**
Charge for the year	(38,504)	(1,220)	(10,338)	-	(50,062)
Transfer to assets held for sale	18,413	1,033	3,675	-	23,121
Disposal	15,358	436	3,307	-	19,101
Other	55	352	(172)	-	235
Foreign exchange differences	(3,550)	(212)	(724)	-	(4,486)
December 31, 2023	**(406,029)**	**(12,279)**	**(50,864)**	**-**	**(469,172)**
Net book value					
December 31, 2022	**210,019**	**30,579**	**33,740**	**38,171**	**312,509**
December 31, 2023	**201,890**	**30,749**	**37,569**	**44,062**	**314,270**

(Amounts in millions of Russian Rubles unless otherwise stated)

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, 2023, 2022 and 2021 totaled RUB 2,667 million, RUB 2,927 million and RUB 2,403 million, respectively. This was included in the accompanying consolidated statements of profit or loss as component of other operating income.

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, 2023 and 2022 by reportable segments was as follows:

	Telecom	Other	Total
Balance at January 1, 2022			
Gross amount of goodwill	35,514	14,092	49,606
Accumulated impairment loss	(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	(1,466)	(5,810)	(7,276)
	36,596	**19,098**	**55,694**
Measurement period adjustment (Note 4)	(1,331)	(2,263)	(3,594)
Adjusted balance at December 31, 2022	**35,265**	**16,835**	**52,100**
Acquisitions (Note 4)	1,557	920	2,477
Measurement period adjustment (Note 4)	-	(61)	(61)
Reclassification to "held for sale" (Note 10)	-	(6,553)	(6,553)
Currency translation adjustment	-	1,266	1,266
Balance at December 31, 2023			
Gross amount of goodwill	38,288	14,701	52,989
Accumulated impairment loss	(1,466)	(2,294)	(3,760)
	36,822	**12,407**	**49,229**

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.

(Amounts in millions of Russian Rubles unless otherwise stated)

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 or the fair value less costs to sell. 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 separation

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".

Esports

Due to the political and economic sanctions, Esports teams 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 "Esports" in the amount of RUB 207 million for the year ended December 31, 2022.

Automotive

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

Impairment losses recognized during year ended December 31, 2022 are attributable to operating segments, reported as a part of the "Other" category (Note 5).

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

	2022	
	Esports	**Automotive**
Goodwill	207	282
Total	**207**	**282**

No impairment losses were recognized during the years ended December 31, 2023 and December 31, 2021.

(Amounts in millions of Russian Rubles unless otherwise stated)

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	**2023**	**2022**
Russia Convergent	42.3%-44.3%	37.5%-37.9%
Armenia	Not applicable	50.6%-54.2%
MGTS Commercial	44.4%-52.3%	50.6%-54.2%
MGTS Service	40.5%-47.6%	31.4%-33.9%
Cloud	25.2%-66.2%	39.8%-59.1%

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

	December 31,	
CGU	**2023**	**2022**
Russia Convergent	18%	22%
Armenia	Not applicable	22%
MGTS Commercial	15%	19%
MGTS Service	20%	15%
Cloud	43%	61%

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	**2023**	**2022**
Russia Convergent	1%	1%
Armenia	Not applicable	nil
MGTS Commercial	1%	1%
MGTS Service	1%	1%
Cloud	2%	1%

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

	December 31,	
CGU	**2023**	**2022**
Russia Convergent	16.4%	16.9%
Armenia	Not applicable	12.3%
MGTS Commercial	18.5%	17.3%
MGTS Service	16.7%	16.5%
Cloud	21.3%	18.8%

For the purpose of the impairment test the recoverable amount of the CGU “Artificial intelligence” is considered to be equal to the fair value less costs to sell based on market value approach. The fair value measurement (Level 2) is based on the observable stock market quotations for companies in similar industry.

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.

(Amounts in millions of Russian Rubles unless otherwise stated)

Balances of historical cost, accumulated amortization, net book value as of December 31, 2023 and 2022 and movements of other intangible assets for the year ended December 31, 2023, 2022 and 2021 were as follows:

	Licenses	Right to use radio freq-uencies	Billing and other software	Client base	Number-ing 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, 2021	**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)/reversal of previously recognized 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	-	-	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**
Measurement period adjustment (Note 4)	-	-	2,001	348	-	-	-	1,245	3,594
December 31, 2022 (Adjusted)	**29,283**	**5,160**	**190,426**	**9,961**	**2,710**	**15,588**	**7,943**	**10,102**	**271,173**
Additions	926	-	38,426	-	3	4,654	9,359	3,074	56,442
Arising on business combinations (Note 4)	-	-	377	93	-	13	-	65	548
Reclassification into assets for sale	(16,427)	-	(8,127)	-	-	-	-	-	(24,554)
(Impairment)/reversal of previously recognized impairment	-	(38)	(1,069)	-	-	-	(535)	(414)	(2,056)
Disposal	(48)	(237)	(11,012)	(230)	-	(3,295)	(850)	(32)	(15,704)
Other	(10)	10	(368)	-	-	-	13	(608)	(963)
Foreign exchange differences	3,177	-	1,581	-	-	-	-	17	4,775
December 31, 2023	**16,901**	**4,895**	**210,234**	**9,824**	**2,713**	**16,960**	**15,930**	**12,204**	**289,661**
Accumulated amortisation and impairment									
January 1, 2021	**(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/(reversal of previously recognized 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)**
Charge for the year	(1,769)	(249)	(30,699)	(886)	(44)	(3,798)	(5,164)	(726)	(43,335)
Reclassification into assets for sale	16,092	-	5,356	-	-	-	-	-	21,448
Impairment/(reversal of previously recognized impairment)	-	-	-	-	-	-	-	57	57
Disposal	34	233	9,337	230	-	3,295	688	23	13,840
Other	9	(9)	797	-	(1)	-	3	173	972
Foreign exchange differences	(3,112)	-	(1,020)	-	-	-	-	(11)	(4,143)
December 31, 2023	**(9,780)**	**(4,570)**	**(131,514)**	**(4,213)**	**(2,410)**	**(7,583)**	**(6,610)**	**(2,511)**	**(169,191)**
Net book value									
December 31, 2022	**8,249**	**615**	**75,141**	**6,404**	**345**	**8,508**	**5,806**	**8,075**	**113,143**
December 31, 2023	**7,121**	**325**	**78,720**	**5,611**	**303**	**9,377**	**9,320**	**9,693**	**120,470**

(Amounts in millions of Russian Rubles unless otherwise stated)

The amounts of additions to other intangible assets, that were generated internally, were RUB 23,883 million, RUB 12,875 million, RUB 8,039 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Net book value of other intangible assets, that were generated internally, as of December 31, 2023, 2022 and 2021 were RUB 35,150 million, RUB 21,785 million, RUB 14,363 million, respectively.

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.

The Group's operating licenses do not provide for automatic renewal. The licenses covering the territories of the Russian Federation expired as of December 31, 2023 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.

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,	
	2023	**2022**
Notes	212,765	195,929
Bank and other loans	341,290	290,211
Total borrowings	**554,055**	**486,140**
Less: current portion	(241,187)	(117,747)
Total borrowings, non-current	**312,868**	**368,393**

Compliance with covenants – Bank loans 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 United States Department of Justice ("DOJ")). The Group is required to comply with certain financial ratios.

If the Group fails to meet these covenants, after certain 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, 2023.

(Amounts in millions of Russian Rubles unless otherwise stated)

Available credit facilities – As of December 31, 2023, the Group's total available unused credit facilities amounted to RUB 294,063 million and related to the following credit lines:

Currency	Maturity	Interest rate	Available till	Available amount
RUB	2024	To be agreed	May 2024	105,000
RUB	2025	To be agreed	August 2025	60,000
RUB	2027	To be agreed	December 2027	40,000
USD/EUR/CNY	2028	LIBOR + 1.75%	September 2024	26,906
RUB	2024	To be agreed	August 2024	20,000
RUB	2028	To be agreed	May 2028	20,000
RUB/USD/EUR	2024	To be agreed	November 2024	7,000
RUB	2025	To be agreed	August 2025	6,500
RUB	2028	To be agreed	August 2028	5,000
RUB	2024	To be agreed	January 2024	3,000
RUB	2025	CBR(1) key rate	July 2025	657
Total				**294,063**

(1) CBR– The Central Bank of Russia.

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, 2028 and thereafter:

	December 31, 2023	
	Notes	**Bank loans and other debt**
Payments due in the year ending December 31,		
2024	79,133	209,406
2025	62,146	161,115
2026	38,920	15,493
2027	47,477	-
2028	10,197	-
Contractual undiscounted cash flows	**237,873**	**386,014**
Less: unamortized debt issuance costs	(501)	-
Less: interest	(24,607)	(44,205)
Less: debt modification	-	(202)
Less: subsidized interest rate effect	-	(317)
Total debt	**212,765**	**341,290**

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, 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.

(Amounts in millions of Russian Rubles unless otherwise stated)

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.

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,	
	2023	**2022**
Sites for network and base station equipment	78,357	83,795
Land and buildings	32,721	36,005
Vehicles and other	227	392
Right-of-use assets, net	**111,305**	**120,192**

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

	2023	**2022**	**2021**
Sites for network and base station equipment	11,827	11,435	11,299
Land and buildings	7,808	7,514	8,210
Vehicles and other	38	118	61
Depreciation charge, total	**19,673**	**19,067**	**19,570**

(Amounts in millions of Russian Rubles unless otherwise stated)

Additions to the assets leased during the years ended December 31, 2023, 2022 and 2021 amounted to RUB 13,267, RUB 13,425 and RUB 17,510 million, respectively.

Interest expense accrued on lease obligations for the years ended December 31, 2023, 2022 and 2021 in the amount of RUB 12,634, RUB 12,675 and RUB 11,690 million, respectively, were included in finance costs in the accompanying consolidated statements of profit or loss.

For the years ended December 31, 2023, 2022 and 2021, expenses recognized in respect of variable lease payments not included on the measurement of lease liabilities and short-term leases amounted to:

	2023	2022	2021
Variable lease payments	16,423	11,349	10,623
Short-term leases	87	130	310
Total	**16,510**	**11,479**	**10,933**

The following table presents future lease payments under lease arrangements together with the present value of the net lease payments as of December 31, 2023 and 2022:

	December 31,	
	2023	**2022**
Lease payments, including:		
Current portion (less than 1 year)	32,421	31,450
More than 1 to 5 years	92,392	96,822
Over 5 years	75,749	84,646
Total lease payments	**200,562**	**212,918**
Less amount representing interest	(67,050)	(69,416)
Present value of net lease payments	**133,512**	**143,502**
Less current portion of lease obligations	(20,509)	(19,608)
Non-current portion of lease obligations	**113,003**	**123,894**

Total cash outflows for leases for the years ended December 31, 2023, 2022 and 2021 totaled to RUB 49,141, RUB 40,963 and RUB 38,996 million, of which RUB 12,846, RUB 13,040 and RUB 11,548 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.

(Amounts in millions of Russian Rubles unless otherwise stated)

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCIAL ACTIVITIES

	December 31, 2022	Financing cash flows	Operating cash flows	Acquisitions/ Disposals	Foreign exchange movement	Change in fair value	Change in retained earnings	Other changes[1]	December 31, 2023
Notes (Note 23)	195,929	12,107	-	-	4,537	-	-	192	212,765
Bank and other loans (Note 23)	290,211	53,939	-	619	(2,837)	-	-	(642)	341,290
Lease obligation (Note 24)	143,502	(19,785)	(12,846)	62	963	-	-	21,616	133,512
Dividends payable (Note 32)	16,591	(47,471)	-	-	-	-	57,993	689	27,802
Liability under put option agreement	2,781	(1,204)	-	2,642	-	195	-	-	4,414
Payables related to transactions under common control	-	(84)	-	84	-	-	-	-	-
Other paybles	-	619	-	-	-	-	-	(619)	-
Total liabilities arising from financial activities	**649,014**	**(1,879)**	**(12,846)**	**3,407**	**2,663**	**195**	**57,993**	**21,236**	**719,783**

	December 31, 2021	Financing cash flows	Operating cash flows	Acquisitions/ Disposals	Foreign exchange movement	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)

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.

The following table summarizes the movement in provisions for the years ended December 31, 2023, 2022 and 2021:

	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, 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)
January 1, 2023	**(303)**	**(5,096)**	**(18,325)**	**(7,321)**	**(31,045)**
Arising during the year	(1,087)	(411)	(41,526)	(5,163)	(48,187)
Utilised	-	68	23,599	505	24,172
Discount rate adjustment and imputed interest (change in estimates)	-	(217)	-	-	(217)
Unused amounts reversed	104	1,864	-	1,085	3,053
Arising due to acquisitions of subsidiaries and reclass to liabilities directly associated with the assets held for sale	(1)	-	(15)	-	(16)
Other	-	(21)	87	20	86
December 31, 2023	**(1,287)**	**(3,813)**	**(36,180)**	**(10,874)**	**(52,154)**
Current portion	(1,287)	(152)	(29,468)	(10,874)	(41,781)
Non-current portion		(3,661)	(6,712)	-	(10,373)

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 statements 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, 2023	December 31, 2022
Cash and cash equivalents (Note 0)	**73,752**	**78,292**
Trade and other receivables (Note 17)	**42,353**	**38,058**
Accounts receivable, related parties (Note 1)	**6,022**	**4,410**
Other financial assets:		
Financial assets at amortized cost:		
Deposits and loans issued	363,725	238,816
Notes	1,616	3,096
Other	5,054	4,031
Total financial assets at amortized cost	**370,395**	**245,943**
Financial assets at fair value through profit or loss:		
Investments in equity	35,602	2,208
Securities (notes, shares and other)	27,525	23,815
Contingent consideration (Note 10)	754	473
Derivative instruments	517	761
Embedded derivatives in a lease agreement	98	82
Call and put options	-	112
Total financial assets at fair value through profit or loss	**64,496**	**27,451**
Financial assets at fair value through other comprehensive income:		
Notes	28,248	22,394
Total financial assets at fair value through other comprehensive income	**28,248**	**22,394**
Total other financial assets	**463,139**	**295,788**
Total financial assets	585,266	416,548
Less current portion	(337,773)	(262,767)
Total financial assets, non-current	**247,493**	**153,781**

(Amounts in millions of Russian Rubles unless otherwise stated)

2. Financial liabilities of the Group

	December 31, 2023	December 31, 2022
Trade and other payables	**95,951**	**67,166**
Accounts payable, related parties (Note 1)	**762**	**1,451**
Other financial liabilities:		
Financial liabilities at amortized cost:		
Bank deposits and liabilities (Note 29)	367,884	273,141
Bank and other loans (Note 23)	341,290	290,211
Notes (Note 23)	212,766	195,929
Lease obligations (Note 24)	133,513	143,502
Contingent consideration and other	639	-
Total financial liabilities at amortized cost	**1,056,092**	**902,783**
Financial liabilities at fair value through profit or loss:		
Call and put options (Note 4)	4,414	2,780
Securities (notes, shares and other)	3,554	2,450
Derivative instruments	1,971	-
Contingent consideration and other	799	1,220
Total financial liabilities at fair value through profit or loss	**10,738**	**6,450**
Total other financial liabilities	**1,066,830**	**977,850**
Total financial liabilities	1,163,543	977,850
Less current portion	(711,665)	(469,701)
Total financial liabilities, non-current	**451,878**	**508,149**

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.

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 call and put option agreement for non-controlling interests in subsidiaries is measured at fair value using a discounted cash flow technique.

The most significant quantitative inputs used to measure its fair value as of December 31, 2023 are presented in the table below:

Unobservable inputs	**Video-conferencing services application developer**	**IT developer of telematics solutions**	**Smart home**	**Automotive industry**
Discount rate	19.4%	10.7%	11.5%	11.5%
Revenue growth rate	14.8 - 33.7% (av. 24.4%)	34.6 - 96.8% (av. 69.5%)	45.2%	-
OIBDA margin	-	10.1-21.2% (av. 17.3%)	21.5-22.2% (av. 21.8%)	-
Cap amount	-	-	-	1,150

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:

	Level of inputs	December 31, 2023	December 31, 2022
Assets			
Notes	Level 1	27,525	21,715
Investments in equity	Level 2	34,454	-
Securities (notes, shares and other)	Level 2	28,248	24,494
Derivative instruments	Level 2	517	761
Cross-currency swaps		*517*	*719*
Interest rate swaps		-	*42*
Embedded derivatives in a lease agreement	Level 2	98	82
Investments in equity	Level 3	1,148	2,208
Contingent consideration	Level 3	754	473
Call and put options	Level 3	-	112
Liabilities			
Securities (notes, shares and other)	Level 2	(3,554)	(2,450)
Derivative instruments	Level 2	(1,971)	-
Interest rate swaps		(1,865)	-
Currency forwards		(106)	-
Call and put options (Note 4)	Level 3	(4,414)	(2,780)
Contingent consideration and other	Level 3	(799)	(1,220)

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, 2023	2022	2021
Net realized (losses)/gains of Level 3 assets	(112)	1,032	2,263
Net realized losses of Level 3 liabilities	-	(40)	(420)
	(112)	**992**	**1,843**

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, 2023	2022	2021
Net unrealized (losses)/gains of Level 3 assets	(779)	(1,446)	385
Net unrealized (losses)/gains of Level 3 liabilities	(322)	(3,657)	391
	(1,101)	**(5,103)**	**776**

(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, 2023		December 31, 2022	
	Level of inputs	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**
Bank deposits and loans to customers	Level 3	326,420	336,857	236,485	234,334
Total bank deposits and loans to customers		**326,420**	**336,857**	**236,485**	**234,334**
Notes	Level 1	(173,908)	(180,182)	(145,143)	(145,565)
Notes	Level 2	(9,516)	(9,516)	(22,203)	(23,365)
Unquoted notes	Level 2	(29,557)	(32,000)	(27,000)	(27,000)
Bank and other loans (Note 23)	Level 3	(339,641)	(341,290)	(289,735)	(290,211)
Total borrowings		**(552,622)**	**(562,988)**	**(484,081)**	**(486,141)**

Transfers between the accounting categories of financial instruments and levels of inputs within the hierarchy are presented in the table below:

	2023	2022	2021
Assets, transferred to the category "financial assets at fair value through other comprehensive income" from the "financial assets at fair value through profit or loss"	-	24,770	-
Assets, transferred in the hierarchy level to Level 2 from Level 1	692	2,233	-

Interest income on assets, transferred to the category "financial assets at fair value through other comprehensive income" from the "financial assets at fair value through profit or loss" for the 12 months ended December 31, 2023 and December 31, 2022 amounted to RUB 359 million and RUB 1,289 million respectively.

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 ("CBR") 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, 2023 and 2022, the capital adequacy ratio of MTS Bank in accordance with CBR requirements were:

- 9.99% and 16.07% % for own capital;
- 7.48% and 12.55% for base capital;
- 8.20% and 13.78% for main capital, respectively.

The reduction in the capital adequacy ratio in 2023 was due to the growth of the retail business.

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, 2023 and 2022.

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 11.7% and 10.6% of the Group's notes and bank loans with fixed rates outstanding as of December 31, 2023 and 2022.

The notional amounts of interest rate derivative instruments outstanding amounted to RUB 35,000 million and RUB 25,000 million as of December 31, 2023 and 2022, respectively.

Sensitivity analysis

A reasonably possible increase of 1000 basis points in short term interest rates would have resulted in RUB 27,073 million, RUB 21,976 million and RUB 15,232 million future increases of interest expense for the years ended December 31, 2023, 2022 and 2021, respectively. The same decrease in short term interest rates would have resulted in RUB 27,073 million, RUB 21,976 million and RUB 15,232 million future decreases of interest expenses for the years ended December 31, 2023, 2022 and 2021, 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 currency forward 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 agreements, unfulfilled as of December 31, 2023, 2022 and 2021, the Group recognized RUB 470 million loss, RUB 617 million loss and RUB 83 million loss the consolidated statement of profit and loss for the years ended December 31, 2023, 2022 and 2021, respectively.

The notional amounts of currency forward instruments, unfulfilled as of December 31, 2023 and 2022, amounted to RUB 80,091 million and RUB 3,145 million, respectively.

(Amounts in millions of Russian Rubles unless otherwise stated)

As of December 31, 2023 and 2022 the carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are as follows:

	December 31, 2023		December 31, 2022	
	Assets, RUB mln	**Liabilities, RUB mln**	**Assets, RUB mln**	**Liabilities, RUB mln**
CNY	21,749	91,100	12,404	13,947
USD	66,759	27,404	24,720	48,917
AED	43,222	10,207	-	-
EUR	1,141	1,361	7,880	14,315

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.

	2023		2022		2021	
	Change in rate	**Effect on profit before tax RUB mln**	**Change in rate**	**Effect on profit before tax RUB mln**	**Change in rate**	**Effect on profit before tax RUB mln**
CNY	+15%	(10,403)	+15%	(232)	+15%	-
	-15%	10,403	-15%	232	-15%	-
USD	+15%	5,903	+15%	(3,630)	+15%	(856)
	-15%	(5,903)	-15%	3,630	-15%	856
AED	+15%	4,925	+15%	-	+15%	-
	-15%	(4,925)	-15%	-	-15%	-
EUR	+15%	(33)	+15%	(965)	+15%	(1,012)
	-15%	33	-15%	965	-15%	1,012

The movement in the pre-tax effect is a result of a change in monetary assets and liabilities denominated in foreign currency, where the functional currency of the entity is a different from this currency.

There will be no material impact on equity.

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 five 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.

(Amounts in millions of Russian Rubles unless otherwise stated)

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

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, 2023, and 2022 to be as follows:

	December 31,	
	2023	**2022**
Deposits and loans issued	364,220	238,816
Cash and cash equivalents	73,752	78,292
Securities (notes, shares and other)	57,389	49,305
Trade and other receivables	42,353	38,058
Investments in equity	35,602	2,208
Contingent consideration	754	473
Derivative financial instruments	615	843
Call and put options	-	112
Other	5,054	4,031
	579,739	**412,138**

(Amounts in millions of Russian Rubles unless otherwise stated)

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.

29. BANK FINANCIAL ASSETS AND LIABILITIES

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, 2023 and 2022.

	December 31,	
	2023	**2022**
Loans to customers	375,235	267,700
Due from banks	3,246	3,432
Allowance for expected credit losses (ECL)	(41,624)	(36,798)
Total bank deposits and loans to customers, net	**336,857**	**234,334**
Less: current portion	(148,144)	(96,135)
Bank deposits and loans to customers, non-current	**188,713**	**138,199**

The structure and amounts of bank depostis loans to customers as of December 31, 2023 and 2022 are presented in the table below:

	December 31,	
	2023	**2022**
Loans to legal entities		
Corporate borrowers	41,203	16,132
Medium-sized enterprises and small businesses	1,557	1,454
Total loans to legal entities	**42,760**	**17,586**
Loans to individuals		
Consumer loans	225,945	168,024
Credit cards	82,040	59,315
Mortgage loans	24,491	22,730
Other	-	45
Total loans to individuals	**332,476**	**250,114**
Due from banks		
Obligatory reserves with the CBR	3,167	2,257
Time deposits with banks	79	1,175
Total due from banks	**3,246**	**3,432**
Total bank deposits and loans to customers	**378,482**	**271,132**
Less: allowance for expected credit losses	(41,624)	(36,798)
Total bank deposits and loans to customers, net	**336,858**	**234,334**

(Amounts in millions of Russian Rubles unless otherwise stated)

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

	December 31,	
	2023	**2022**
Pledge of real estate	28,048	26,012
Guaranties	18,839	9,085
Securities	504	131
Pledge of equipment	171	-
Unsecured loans	327,674	232,472
Allowance for expected credit losses	(41,583)	(36,654)
Total loans to customers, net	**333,653**	**231,046**

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

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. The Group uses macroeconomic scenarios for Probability of default (PD) model using the 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. Decrease of risk appetite caused by:
   - Launch of enhanced monitoring of existing borrowers;
   - Launch of restructuring programs for troubled borrowers

Movements in the allowance for expected credit losses attributable to bank deposits and loans to customers for the year ended December 31, 2023 and December 31, 2022 are presented in the table below:

	Loans to customers	**Due from banks**	**Total**
Balance as at December 31, 2022	**36,654**	**144**	**36,798**
Provision charge / (release)	25,556	-	25,556
Sale of loans	(11,199)	-	(11,199)
Bad debt written-off	(10,569)	-	(10,569)
Recovery of previously written-off assets	1,018	-	1,018
Other movements	123	(103)	20
	-	-	-
Balance as at December 31, 2023	**41,583**	**41**	**41,624**

(Amounts in millions of Russian Rubles unless otherwise stated)

	Loans to customers	Due from banks	Total
Balance as at December 31, 2021	**21,114**	**30**	**21,144**
Provision charge / (release)	22,490	155	22,645
Sale of loans	(3,226)	-	(3,226)
Bad debt written-off	(3,735)	(41)	(3,776)
Recovery of previously written-off assets	522	-	522
Other movements	(511)	-	(511)
Balance as at December 31, 2022	**36,654**	**144**	**36,798**

Movements in the allowance for expected credit losses attributable to loans to legal entities for the year ended December 31, 2023, December 31, 2022, and December 31, 2021 are presented in the table below:

	Stage 1	Stage 2	Stage 3	Total
Balance as at December 31, 2022	**214**	**90**	**2,536**	**2,840**
- Transfer to stage 1	51	(49)	(2)	-
- Transfer to stage 2	(201)	201	-	-
- Transfer to stage 3	(455)	(182)	637	-
New financial assets originated or purchased	932	-	-	932
Change due to change of credit risk and other changes	(98)	67	(139)	(170)
Write-offs	-	-	(912)	(912)
Recovery of previously written-off assets	-	-	202	202
Other movements	-	-	120	120
Balance as at December 31, 2023	**443**	**127**	**2,442**	**3,012**

	Stage 1	Stage 2	Stage 3	Total
Balance as at December 31, 2021	**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 and other changes	(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**

	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 the allowance for expected credit losses attributable to loans to individuals for the year ended December 31, 2023, December 31, 2022, and December 31, 2021 are presented in the table below:

	Stage 1	Stage 2	Stage 3	Total
Balance as at December 31, 2022	**6,053**	**6,991**	**20,770**	**33,814**
- Transfer to stage 1	4,633	(4,273)	(360)	-
- Transfer to stage 2	(1,657)	2,627	(970)	-
- Transfer to stage 3	(102)	(12,201)	12,303	-
New financial assets originated or purchased	7,491	-	-	7,491
Change due to change of credit risk and other changes	(8,353)	13,360	12,296	17,303
Write-offs	-	-	(9,657)	(9,657)
Sales	-	-	(11,199)	(11,199)
Recovery of previously written-off assets	-	-	816	816
Other movements	-	-	3	3
Balance as at December 31, 2023	**8,065**	**6,504**	**24,002**	**38,571**

	Stage 1	Stage 2	Stage 3	Total
Balance as at December 31, 2021	**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 and other changes	(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.

(Amounts in millions of Russian Rubles unless otherwise stated)

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

As of December 31, 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Low to fair risk	279,786	7,662	-	287,448
Monitoring	-	11,214	2,270	13,484
Impaired	-	-	31,544	31,544
Loss allowance	(8,065)	(6,504)	(24,002)	(38,571)
Total	**271,721**	**12,372**	**9,812**	**293,905**

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**

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

As of December 31, 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Low to fair risk	29,014	10,365	-	39,379
Monitoring	594	11	139	744
Impaired	-	-	2,637	2,637
Loss allowance	(443)	(127)	(2,442)	(3,012)
Total	**29,165**	**10,249**	**334**	**39,748**

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	2	372
Impaired	-	-	3,050	3,050
Loss allowance	(214)	(90)	(2,536)	(2,840)
Total	**9,893**	**4,337**	**516**	**14,746**

Analysis by credit quality of loans to individuals outstanding as of December 31, 2023 is as follows:

As of December 31, 2023	**Gross loans**	**Provision for ECL**	**Net loans**	**Provision for ECL to gross loans**
Collectively assessed				
Not past due	287,446	(9,945)	277,501	3%
Overdue:				
up to 30 days	6,360	(1,672)	4,688	26%
31 to 60 days	3,950	(2,110)	1,840	53%
61 to 90 days	2,923	(1,808)	1,115	62%
91 to 180 days	7,361	(5,036)	2,325	68%
over 180 days	24,042	(17,911)	6,131	74%
Total collectively assessed loans	**332,082**	**(38,482)**	**293,600**	**12%**
Individually impaired				
Not past due	250	(18)	232	7%
Overdue:				
up to 30 days	-	-	-	0%
31 to 60 days	1	-	1	0%
61 to 90 days	2	-	2	0%
91 to 180 days	6	(1)	5	17%
over 180 days	135	(70)	65	52%
Total individually impaired loans	**394**	**(89)**	**305**	**23%**
Total	**332,476**	**(38,571)**	**293,905**	**12%**

(Amounts in millions of Russian Rubles unless otherwise stated)

Analysis by credit quality of loans to medium-sized enterprises and small businesses outstanding as of December 31, 2023 is as follows:

As of December 31, 2023	Gross loans	Provision for ECL	Net loans	Provision for ECL to gross loans
Collectively assessed				
Not past due	685	(11)	674	2%
Overdue:				
up to 30 days	75	(69)	6	91%
31 to 60 days	43	(42)	1	97%
61 to 90 days	31	(30)	1	97%
91 to 180 days	119	(118)	1	99%
over 180 days	604	(465)	139	78%
Total collectively assessed loans	**1,557**	**(735)**	**822**	**47%**

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)

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, 2023 and 2022.

	December 31,	
	2023	**2022**
Customer accounts	312,448	249,696
Due to banks and other financial institutions	34,232	10,984
Debt securities issued	17,386	10,481
Other financial liabilities	3,818	1,980
Total bank deposits and liabilities	**367,884**	**273,141**
Less: current portion	(347,110)	(260,744)
Total bank deposits and liabilities, non-current	**20,774**	**12,397**

The structure and amounts of customer accounts of December 31, 2023 and 2022 are presented below:

	December 31,	
	2023	**2022**
Legal entities		
- Term deposits	100,152	67,469
- Current/settlement accounts	13,732	40,276
Individuals		
- Term deposits	169,073	111,184
- Current/settlement accounts	29,491	30,767
Total customer accounts	**312,448**	**249,696**

The structure and amounts of due to banks and other financial institutions as of December 31, 2023 and 2022 are presented below:

	December 31,	
	2023	**2022**
Loans and term deposits from banks and other financial institutions	13,318	1,894
Loans under repurchase agreements	11,962	4,002
Correspondent accounts of other banks	8,952	5,088
Total due to banks and other financial institutions	**34,232**	**10,984**

Loans under repurchase agreements were secured by:

- Securities measured at fair value through other comprehensive income with the value of RUB 13,658 million and RUB 4,456 million as of December 31, 2023 and 2022 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, 2023 and 2022.

An analysis of liquidity and interest rate risk inherent to bank assets as of December 31, 2023 and 2022 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.

The Group stable sources of funding as:

- OFZ received from the SC DIA (The State Corporation "Deposit Insurance Agency"), 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 statistics.

(Amounts in millions of Russian Rubles unless otherwise stated)

As of December 31, 2023	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	37,791	-	-	-	-	-	**37,791**
Financial assets at fair value through other comprehensive income	314	154	1,079	14,359	12,036	-	**27,942**
Loans to customers	12,775	41,601	90,546	155,295	24,198	9,238	**333,653**
Investments in securities	-	-	866	441	-	-	**1,307**
Total interest bearing financial assets	**50,880**	**41,755**	**92,491**	**170,095**	**36,234**	**9,238**	**400,693**
Cash and cash equivalents	20,774	-	-	-	-	-	**20,774**
Derivative financial instruments	162	-	-	-	-	-	**162**
Due from banks	-	-	-	-	-	3,205	**3,205**
Other financial assets	3,862	3	15	95	478	11,081	**15,534**
Total non-interest bearing financial assets	**24,798**	**3**	**15**	**95**	**478**	**14,286**	**39,675**
Total financial assets	**75,678**	**41,758**	**92,506**	**170,190**	**36,712**	**23,524**	**440,368**

As of December 31, 2023	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	(33,013)	-	(19)	(21)	-	-	(33,053)
Customer accounts	(79,299)	(57,669)	(128,345)	(5,036)	-	-	(270,349)
Debt securities issued	(584)	(564)	(34)	(16,204)	-	-	(17,386)
Lease obligations	(29)	(53)	(230)	(449)	-	-	(761)
Total interest bearing financial liabilities	**(112,925)**	**(58,286)**	**(128,628)**	**(21,710)**	**-**	**-**	**(321,549)**
Due to banks and other financial institutions	(2,099)	-	-	-	-	-	(2,099)
Customer accounts	(41,579)	-	-	-	-	(520)	(42,099)
Other financial liabilities	(4,327)	(2,729)	(2,734)	-	-	(139)	(9,929)
Total non-interest bearing financial liabilities	**(48,005)**	**(2,729)**	**(2,734)**	**-**	**-**	**(659)**	**(54,127)**
Total financial liabilities	**(160,930)**	**(61,015)**	**(131,362)**	**(21,710)**	**-**	**(659)**	**(375,676)**
Liquidity gap	**(85,252)**	**(19,257)**	**(38,856)**	**148,480**	**36,712**		
Stable sources of funding	**88,393**	**6,516**	**73,524**	**(20,113)**	**(148,320)**		
Net liquidity gap	**3,141**	**(12,741)**	**34,668**	**128,367**	**(111,608)**		
Cumulative liquidity gap	**3,141**	**(9,600)**	**25,068**	**153,435**	**41,827**		

(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 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**
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**

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	**88,192**	**(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)

Analysis of the liquidity and interest rate risks as of December 31, 2023 and 2022 is presented in the following table. The amounts in the table below represent future aggregate undiscounted cash flows.

As of December 31, 2023	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	11.0%	(33,628)	-	(20)	(23)	-	-	(33,671)
Customer accounts	11.9%	(79,813)	(59,017)	(134,851)	(5,769)	-	-	(279,450)
Debt securities issued	14.0%	(679)	(620)	(1,721)	(19,908)	-	-	(22,928)
Lease obligations	8.3%	(29)	(54)	(250)	(557)	(3)	-	(893)
Total interest bearing financial liabilities		**(114,149)**	**(59,691)**	**(136,842)**	**(26,257)**	**(3)**	**-**	**(336,942)**
Non-interest bearing financial liabilities								
Due to banks		(2,099)	-	-	-	-	-	(2,099)
Customer accounts		(41,579)	-	-	-	-	(520)	(42,099)
Other financial liabilities		(4,327)	(2,729)	(2,734)	-	-	(139)	(9,929)
Total non-interest bearing financial liabilities and commitments		**(48,005)**	**(2,729)**	**(2,734)**	**-**	**-**	**(659)**	**(54,127)**
Total financial liabilities		**(162,154)**	**(62,420)**	**(139,576)**	**(26,257)**	**(3)**	**(659)**	**(391,069)**

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)

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

As of December 31, 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Commitments on loans	96,944	783	163	97,890
Guarantees issued	61,731	2,161	20	63,912
Less provision	(1,112)	(11)	(7)	(1,130)
Total commitments on loans and guarantees issued	**157,563**	**2,933**	**176**	**160,672**

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**

(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, 2023 and 2022, were unsecured except accounts receivable from Development Company (Development) in amount of RUB 1,310 million and RUB 1,399 million respectively, 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, 2023, 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, 2023, 2022 and 2021.

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	**2023**	**2022**
NON-CURRENT ASSETS:		
Advances for property, plant and equipment		
Sistema's subsidiaries	682	1,211
Other related parties	11	11
Advances for intangible assets		
Sistema's subsidiaries	250	1,378
The Group's associates	70	13
Right-of-use assets, Gross Book Value		
Sistema's subsidiaries	2,346	3,832
Other related parties	79	101
Right-of-use assets, Accumulated Depreciation		
Sistema's subsidiaries	(1,998)	(1,017)
Other related parties	(46)	(48)
Other investments		
Sistema's subsidiaries	3,153	3,211
The Group's associates	1,687	2,035
Sistema's associates	28,448	3
Accounts receivable, related parties		
Sistema's subsidiaries	1,202	1,290
Key management personnel of the Group, its parent and shareholders	-	477
Bank deposits and loans to customers		
Sistema's subsidiarie	2,089	693
Sistema's associates	-	283
Other assets		
Key management personnel of the Group, its parent and shareholders	-	355
Total non-current assets	**37,973**	**13,828**

(Amounts in millions of Russian Rubles unless otherwise stated)

ASSETS FROM RELATED PARTIES	December 31, 2023	December 31, 2022
CURRENT ASSETS:		
Accounts receivable, related parties		
Sistema's subsidiaries	3,987	1,502
The Group's associates	773	823
Other related parties	60	318
Bank deposits and loans to customers		
Sistema's subsidiaries	3,208	5,550
Key management personnel of the Group, its parent and shareholders	42	341
Sistema's associates	2,390	287
Short-term investments		
Sistema's subsidiaries	4,532	4,125
The parent company	2,327	2,156
The Group's associates	474	-
Cash and cash equivalents		
Sistema's subsidiaries	-	520
Other financial assets		
The parent company	1,079	2,010
Sistema's subsidiaries	409	509
Other related parties	1	109
Other assets		
Key management personnel of the Group, its parent and shareholders	-	1,402
Sistema's subsidiaries	189	1,026
Other related parties	132	585
Total current assets	**19,603**	**22,054**
TOTAL ASSETS FROM RELATED PARTIES	**57,576**	**35,882**

LIABILITIES TO RELATED PARTIES	December 31, 2023	December 31, 2022
NON-CURRENT LIABILITIES:		
Borrowings		
The Group's associates	3,343	2,745
Lease obligations		
Sistema's subsidiaries	2,480	3,103
Other related parties	35	49
Bank deposits and liabilities		
Key management personnel of the Group, its parent and shareholders	845	2,920
The Group's associates	1,180	-
Other financial liabilities		
The Group's associates	2,075	2,081
Total non-current liabilities	**9,958**	**10,898**

(Amounts in millions of Russian Rubles unless otherwise stated)

LIABILITIES TO RELATED PARTIES	**December 31, 2023**	**December 31, 2022**
CURRENT LIABILITIES:		
Accounts payable, related parties		
Sistema's subsidiaries	498	658
Sistema's associates	78	523
The Group's associates	185	270
Other related parties	-	-
Borrowings		
The Group's associates	751	454
Other related parties	11	12
Lease obligations		
Sistema's subsidiaries	528	487
Other related parties	9	10
Bank deposits and liabilities		
Key management personnel of the Group, its parent and shareholders	45,693	38,276
Sistema's subsidiaries	9,455	26,426
Sistema's associates	8,148	5,797
The parent company	1,735	946
Other related parties	266	470
Total current liabilities	**67,357**	**74,329**
TOTAL LIABILITIES TO RELATED PARTIES	**77,315**	**85,227**

Operating transactions – During the year ended December 31, 2023, 2022 and 2021 the Group provided the following services to related parties – electricity supply, 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.

	2023	**2022**	**2021**
Revenue			
Sistema's subsidiaries	5,596	5,252	4,294
Sistema's associates	1,776	1,013	752
The Group's associates	244	289	622
Other related parties	121	418	691
TOTAL REVENUE	**7,737**	**6,972**	**6,359**
Cost of services			
Sistema's subsidiaries	2,011	4,182	2,143
Key management personnel of the Group, its parent and shareholders	3,317	1,719	1,476
The parent company	102	571	233
Other related parties	951	666	454
Selling, general and administrative expenses			
Key management personnel of the Group, its parent and shareholders	5,509	5,079	4,256
Other related parties	1,122	864	812
Other operating income / (expense)			
Sistema's subsidiaries	572	74	2,831
Other related parties	107	(1)	59
OPERATING PROFIT / (LOSS)	**(4,596)**	**(6,036)**	**(125)**
Finance income / (loss)			
Sistema's subsidiaries	576	852	935
Other related parties	(102)	(81)	(28)
Other non-operating income / (expense)			
The Group's associates	-	(221)	-
Other related parties	(28)	(116)	41
PROFIT BEFORE TAX	**(4,150)**	**(5,602)**	**823**

(Amounts in millions of Russian Rubles unless otherwise stated)

During the years ended December 31, 2023, 2022 and 2021, the Group acquired property, plant and equipment and intangible assets from the related parties in the amount of:

	2023	2022	2021
Sistema's subsidiaries	6,832	15,061	10,330
Sistema's associates	511	270	2,530
Other related parties	94	87	122
Total purchases of property, plant and equipment, intangible assets and other assets, related parties	**7,437**	**15,418**	**12,982**

As of December 31, 2023 and 2022, the Group had contingent liabilities on loans and undrawn credit lines to the related parties in the amount of:

	December 31,	
	2023	2022
Sistema's subsidiaries	1,026	188
Other related parties	4	41
Total contingent liabilities on loans and undrawn credit lines	**1,030**	**229**

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. As of December 31, 2023 and 2022, the Group provided guarantees and similar commitments to the related parties in the amount of:

	December 31,	
	2023	2022
Sistema's subsidiaries	2,305	658
Other related parties	879	976
Total guarantees and similar commitments	**3,184**	**1,634**

Lease payments

During the years ended December 31, 2023, 2022 and 2021, the Group made lease payments in the amount of RUB 512 million, RUB 1,240 million and RUB 1,361 million, respectively, to the related parties.

Development

In December 2021, the Group purchased 5-year 10.8% coupon notes of Development, Sistema's subsidiary operating in the development business, 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, 2023 and 2022, the investment amounted to RUB 2,106 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 Development 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 Investment company, Sistema's subsidiary. As of December 31, 2023, 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 3,037 million and RUB 165 million, respectively.

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, 2023, 2022 and 2021, their total remuneration amounted to RUB 2,364 million, RUB 2,864 million and RUB 2,406 million, respectively, including social contributions of RUB 438 million, RUB 730 million and RUB 501 million, respectively. These amounts comprised of RUB 919 million, RUB 1,453 million and RUB 1,008 million in base salaries and 1,445 RUB million, RUB 1,412 million and RUB 1,398 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, 2023, 2022 and 2021, amounted to RUB 3,145 million, RUB 3,465 million and RUB 3,328 million, respectively, including social contributions amounted to RUB 321 million, RUB 254 million and RUB 338 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 2023 and 2022:

	Twelve months ended December 31,			
	2023		2022	
	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	24,092	339	20,666	327
Granted during the period	8,619	303	10,767	240
Forfeited during the period	(4,304)	333	(2,747)	400
Exercised during the period	(11,876)[(1)]	385	(4,594)[(2)]	240
Outstanding at the end of the period	16,530	339	24,092	339
Exercisable at the end of the period	11,018	362	11,063	312

(1) The weighted-average exercise price of shares was RUB 251.

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

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

	December 31, 2023		
	Shares (in thousands)	**Range of exercise prices (in RUB)**	**Weighted-average remaining contractual term (in month)**
Outstanding shares	16,530		
Incl. to be exercised in 2023	11,287	240-250	3
to be exercised in 2024	3,022	300-310	15
to be exercised in 2025	2,222	300-620	27

The cash-settled share based awards displayed the following development in the financial years 2023 and 2022:

	Twelve months ended December 31,			
	2023		**2022**	
	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	6,496	333	3,485	373
Granted during the period	4,790	297	5,189	328
Forfeited during the period	(861)	322	(585)	515
Exercised during the period	(2,109)(1	320	(1,593)(1)	591
Outstanding at the end of the period	8,316	305	6,496	333
Exercisable at the end of the period	2,972	286	2,468	319

(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, 2023		
	Shares (in thousands)	**Range of exercise prices (in RUB)**	**Weighted-average remaining contractual term (in month)**
Outstanding shares, Incl.	8,316		
to be exercised in 2024	2,972	248	3
to be exercised in 2025	2,948	300-310	15
to be exercised in 2026	2,396	300-450	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 2023, 2022 and 2021 totaled to RUB 4,095 million, RUB 5,662 million and RUB 4,767 million, respectively, thereof RUB 3,025 million, RUB 4,423 million and RUB 3,690 million related to equity-settled share based awards.

(Amounts in millions of Russian Rubles unless otherwise stated)

As of December 31, 2023 and 2022, total liabilities recorded for share-based awards amounted to RUB 9,425 million and RUB 5,286 million, respectively.

The fair value of share-based awards vested at December 31, 2023 and December 31, 2022 was RUB 1,742 million and RUB 1,545 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, 2023 and 2022. 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.

Non-controlling interests

As of December 31, 2023 and 2022, MGTS was the only subsidiary of the Group, which had material non-controlling interests.

The summarized financial information of MGTS is presented as follows:

MGTS	**2023**	**2022**	**2021**
Non-controlling interests opening balance	**(5,830)**	**(4,909)**	**(4,055)**
Profit for the year attributable to non-controlling interests	(975)	(869)	(803)
Other	-	(52)	(51)
Non-controlling interests closing balance	**(6,805)**	**(5,830)**	**(4,909)**

MGTS	**December 31,**	
	2023	**2022**
Current assets	20,002	34,752
Non-current assets	106,088	70,279
Current liabilities	(15,288)	(12,778)
Non-current liabilities	(14,900)	(14,940)

MGTS	**Year ended December 31,**		
	2023	**2022**	**2021**
Revenue, gross of intercompany	(43,971)	(43,015)	(41,255)
Profit for the year, gross of intercompany	(17,324)	(15,381)	(14,203)

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.

(Amounts in millions of Russian Rubles unless otherwise stated)

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, 2023, 2022 and 2021:

	2023	2022	2021
Dividends declared	67,198	66,334	74,049
Dividends, RUB per ADS	68.58	67.70	74.12
Dividends, RUB per share	34.29	33.85	37.06

As of December 31, 2023 and 2022, dividends payable were RUB 27,801 million and RUB 16,591 million, respectively, and included in the trade and other payables within the consolidated statement of financial position.

33. COMMITMENTS AND CONTINGENCIES

Capital commitments – As of December 31, 2023 and 2022, the Group had entered into purchase agreements of approximately RUB 26,097 and 25,369 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,	
	2023	2022
Contingent liabilities for additional taxes other than income tax	560	498
Contingent liabilities for additional income taxes	487	1,222

Licenses – Management believes that as of December 31, 2023 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. In June 2023 the ICSID ruled against MTS and obliged the Group to compensate for the Sovereign State of Turkmenistan' legal fees and expenses. Management of the Group believes that as of December 31, 2023 it has adequately provided for the related losses. The Group considers further legal opportunities for protection of its rights and interests.

Antimonopoly proceedings – 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 commercial courts at four 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, 2023 it has adequately provided for claims related to antimonopoly proceedings and other claims from Federal Antimonopoly Service of Russia.

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.

On February 28, 2022, 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. In 2023 Canada imposed sanctions on MTS PJSC, extending to the subsidiaries controlled by MTS PJSC. The volume of the Group's operations with Canadian entities and individuals is insignificant. 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. On February 28, 2022 Central Bank of Russia increased its key rate to 20%, which impacted floating-rate credit facilities and consequently increased the Group's finance costs. Further the Central Bank of Russia has gradually decreased its key rate to 16% as of December 31, 2023 and it remained stable as of March 4, 2024.

In 2022, 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. Following the Russian Government Commission on Monitoring Foreign Investment ("the Commission") 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, including the Group's borrowings and available credit facilities, its expectations on compliance with covenants, capital expenditure commitments and other factors.

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. At present the impact of the imposed sanctions on MTS Bank on the Group's operations, assets and liabilities is not significant. Management believes it is taking the appropriate measures to mitigate the related negative effects and possible implications.

Compliance monitorship – In March 2019, following the previously disclosed investigation concerning the Group's former subsidiary in Uzbekistan, the Group consented to the entry of an administrative cease-and-desist order (the "Order") by the United States Securities and Exchange Commission and entered a deferred prosecution agreement ("DPA") with the US Department of Justice. 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. The term of the monitorship expired in September 2023 and it was terminated as well as the DPA and the Order. Following this, the Group is required to comply with certain periodic reporting obligations under the DPA and SEC Order for a six month period ending in March 2024.

34. SUBSEQUENT EVENTS

On January 23, 2024 the Group has completed the disposal of MTS Armenia CJSC. Please see Note 10 for details of disposal.