PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

Consolidated Financial Statements

As of December 31, 2021, 2020 and
for the Years Ended December 31, 2021,
2020 and 2019

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020
(Amounts in millions of Russian Rubles)

	Notes	December 31, 2021	December 31, 2020
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	20	311,250	284,804
Investment property		2,498	1,889
Right-of-use assets	25	132,343	130,503
Goodwill	21	42,819	38,041
Other intangible assets	23	100,132	90,103
Investments in associates and joint ventures	16	8,735	8,555
Other investments	17	4,591	9,488
Deferred tax assets	12	11,683	8,778
Accounts receivable, related parties	31	5,000	5,209
Trade accounts receivable	18	1,898	2,163
Bank deposits and loans to customers	30	118,342	63,992
Other financial assets	28	7,437	7,575
Other assets		5,790	5,749
Total non-current assets		**752,518**	**656,849**
CURRENT ASSETS:			
Inventories	19	18,981	15,204
Trade and other receivables	18	37,897	32,868
Accounts receivable, related parties	31	2,287	8,980
Bank deposits and loans to customers	30	87,594	52,676
Short-term investments	15	28,972	23,434
Advances paid and prepaid expenses		3,452	4,288
VAT receivable		11,746	8,877
Income tax assets		2,021	4,660
Assets held for sale		549	667
Cash and cash equivalents	14	40,590	85,405
Other financial assets	28	27,349	23,975
Other assets		1,862	1,320
Total current assets		**263,300**	**262,354**
TOTAL ASSETS		**1,015,818**	**919,203**

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2021 AND 2020 (CONTINUED)

(Amounts in millions of Russian Rubles)

	Notes	December 31, 2021	December 31, 2020
EQUITY AND LIABILITIES			
EQUITY:			
Common stock	33	200	200
Treasury stock	33	(96,195)	(74,990)
Additional paid-in capital		619	89
Retained earnings		94,935	94,391
Accumulated other comprehensive income	33	10,207	9,010
Equity attributable to owners of the Company		9,766	28,700
Non-controlling interests		4,838	3,990
Total equity		**14,604**	**32,690**
NON-CURRENT LIABILITIES:			
Borrowings	24	350,300	395,143
Lease obligations	25	135,800	134,637
Bank deposits and liabilities	30	14,313	1,883
Deferred tax liabilities	12	17,901	19,191
Provisions	27	7,288	5,128
Contract liabilities	7	977	717
Other financial liabilities	28	180	14
Other liabilities		1,035	1,186
Total non-current liabilities		**527,794**	**557,899**
CURRENT LIABILITIES:			
Trade and other payables		72,078	56,017
Accounts payable, related parties	31	4,107	3,146
Contract liabilities	7	22,621	21,125
Borrowings	24	111,839	34,125
Lease obligations	25	18,709	16,177
Bank deposits and liabilities	30	207,055	165,794
Income tax liabilities		768	753
Provisions	27	17,479	13,460
Other financial liabilities	28	202	1,109
Other liabilities		18,562	16,908
Total current liabilities		**473,420**	**328,614**
TOTAL EQUITY AND LIABILITIES		**1,015,818**	**919,203**

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

President and CEO

__________________ Vyacheslav K. Nikolaev

Vice-president, Finance

__________________ Andrey M. Kamensky

March 1, 2022

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in millions of Russian Rubles, except per share amounts)

	Notes	2021	2020	2019
Service revenue		457,677	425,448	406,478
Sales of goods		76,726	69,478	64,127
Revenue	6,7	**534,403**	**494,926**	**470,605**
Cost of services		133,512	121,943	114,057
Cost of goods	19	72,244	63,482	58,872
Selling, general and administrative expenses	8	96,239	87,983	89,933
Depreciation and amortization	6	111,088	100,234	96,195
Operating share of the profit of associates and joint ventures	16	(5,565)	(5,048)	(4,583)
Impairment of non-current assets	22	(10)	2,023	(148)
Impairment of financial assets		13,010	11,912	7,723
Other operating income, net		(4,394)	(496)	(7,021)
Operating profit	6	**118,279**	**112,893**	**115,577**
Finance income	9	(2,518)	(3,437)	(4,352)
Finance costs	9	41,352	42,084	47,366
Non-operating share of the profit of associates and joint ventures	17	(181)	(273)	(3,496)
Other non-operating expenses/(income)	10	424	(3,064)	7,821
Profit before tax		**79,202**	**77,583**	**68,238**
Income tax expense	12	15,403	16,126	15,667
Profit for the year from continuing operations		**63,799**	**61,457**	**52,571**
Profit from discontinued operations	11, 34	(470)	(616)	(2,528)
Profit for the year		**64,269**	**62,073**	**55,099**
Profit for the year attributable to:				
Owners of the Company		63,473	61,412	54,241
Non-controlling interests		796	661	858
Earnings per share from continuing operations (basic and diluted), Russian Rubles:	13	37.21 and 37.02	34.53 and 34.51	29.04 and 28.99
Earnings per share from discontinued operations (basic and diluted), Russian Rubles:	13	0.28 and 0.28	0.35 and 0.35	1.42 and 1.42

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

President and CEO

______________________ Vyacheslav K. Nikolaev

March 1, 2022

Vice-president, Finance

______________________ Andrey M. Kamensky

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in millions of Russian Rubles)

	2021	2020	2019
Profit for the year	**64,269**	**62,073**	**55,099**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Reclassification to profit and loss due to Disposal of VF Ukraine (Note 11)	-	-	7,947
Exchange differences on translating foreign operations	1,102	1,840	1,134
Net fair value (loss) / gain on financial instruments	-	-	(237)
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	95	(196)	(413)
Other comprehensive income for the year, net of income tax	**1,197**	**1,644**	**8,431**
Total comprehensive income for the year	**65,466**	**63,717**	**63,530**
Total comprehensive income for the year attributable to:			
Owners of the Company	64,670	63,056	62,672
Non-controlling interests	796	661	858

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

President and CEO

____________________ Vyacheslav K. Nikolaev

March 1, 2022

Vice-president, Finance

____________________ Andrey M. Kamensky

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in millions of Russian Rubles, except share amounts)

	Common stock		Treasury stock			Accumulated other comprehensive income / (loss)						
	Shares	Amount	Shares	Amount	Additional paid-in capital	Financial instruments revaluation reserve	Foreign currency translation reserve	Remeasure-ments of the net defined benefit liability	Retained earnings	Equity attributable to equity holders	Non-controlling interests	Total equity
Balances at January 1, 2019	**1,998,381,575**	**200**	**(167,638,899)**	**(44,808)**	**-**	**237**	**(1,971)**	**670**	**110,946**	**65,274**	**12,291**	**77,565**
Profit for the year	-	-	-	-	-	-	-	-	54,241	54,241	858	55,099
Disposal of VF Ukraine (Note 11)	-	-	-	-	-	-	7,947	-	-	7,947	-	7,947
Currency translation adjustment							721	-		721	-	721
Net fair value (loss) / gain on financial instruments	-	-	-	-	-	(237)	-	-	-	(237)	-	(237)
Total comprehensive (loss) / income for the year	**-**	**-**	**-**	**-**	**-**	**(237)**	**8,668**	**-**	**54,241**	**62,672**	**858**	**63,530**
Issuance of stock options	-	-	-	-	872	-	-	-	-	872	-	872
Exercise of stock options	-	-	3,610,561	982	(1,060)	-	-	-	-	(78)	-	(78)
Dividends declared by MTS	-	-	-	-	-	-	-	-	(74,302)	(74,302)	-	(74,302)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,123)	(1,123)
Purchase of own stock (Note 32)	-	-	(61,519,084)	(15,922)	-	-	-	-	-	(15,922)	-	(15,922)
Purchase of non-controlling interests	-	-	-	-	(4,162)	-	-	-	-	(4,162)	(8,700)	(12,862)
Acquisitions under common control (Note 5)	-	-	-	-	(1,286)	-	-	-	-	(1,286)	-	(1,286)
Reclass to retained earnings	-	-	-	-	5,636	-	-	-	(5,636)	-	-	-
Balances at December 31, 2019	**1,998,381,575**	**200**	**(225,547,422)**	**(59,748)**	**-**	**-**	**6,697**	**670**	**85,249**	**33,068**	**3,326**	**36,394**
Profit for the year	-	-	-	-	-	-	-	-	61,412	61,412	661	62,073
Currency translation adjustment	-	-	-	-	-	-	1,644	-	-	1,644	-	1,644
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**1,644**	**-**	**61,412**	**63,056**	**661**	**63,717**
Issuance of stock options	-	-	-	-	560	-	-	-	-	560	-	560
Exercise of stock options	-	-	2,865,735	768	(767)	-	-	-	-	-	-	
Dividends declared by MTS	-	-	-	-	-	-	-	-	(52,012)	(52,012)	-	(52,012)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	52	52
Purchase of own stock (Note 32)	-	-	(48,797,719)	(16,010)	-	-	-	-	-	(16,010)	-	(16,010)
Reclass to retained earnings and other	-	-	-	-	296	-	-	-	(258)	38	(49)	(11)
Balances at December 31, 2020	**1,998,381,575**	**200**	**(271,479,406)**	**(74,990)**	**89**	**-**	**8,341**	**670**	**94,391**	**28,700**	**3,990**	**32,690**

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019 (CONTINUED)

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

	Common stock		Treasury stock			Accumulated other comprehensive income / (loss)					
	Shares	**Amount**	**Shares**	**Amount**	**Additional paid-in capital**	**Foreign currency translation reserve**	**Remeasurements of the net defined benefit liability**	**Retained earnings**	**Equity attributable to equity holders**	**Non-controlling interests**	**Total equity**
Balances at December 31, 2020	**1,998,381,575**	**200**	**(271,479,406)**	**(74,990)**	**89**	**8,341**	**670**	**94,391**	**28,700**	**3,990**	**32,690**
Profit for the year	-	-	-	-	-	-	-	63,473	63,473	796	64,269
Currency translation adjustment	-	-	-	-	-	1,197	-	-	1,197	-	1,197
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**1,197**	-	**63,473**	**64,670**	**796**	**65,466**
Issuance of stock options	-	-	-	-	2,796	-	-	-	2,796	-	2,796
Exercise of stock options	-	-	1,030,559	279	(263)	-	-	-	16	-	16
Dividends declared by MTS	-	-	-	-	-	-	-	(61,967)	(61,967)	-	(61,967)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	52	52
Purchase of own stock (Note 32)	-	-	(65,308,610)	(21,484)	-	-	-	-	(21,484)	-	(21,484)
Purchase of non-controlling interests	-	-	-	-	(143)	-	-	-	(143)	-	(143)
Acquisitions under common control (Note 5)	-	-	-	-	(2,794)	-	-	-	(2,794)	-	(2,794)
Reclass to retained earnings and other	-	-	-	-	934	-	-	(962)	(28)	-	(28)
Balances at December 31, 2021	**1,998,381,575**	**200**	**(335,757,457)**	**(96,195)**	**619**	**9,537**	**670**	**94,935**	**9,766**	**4,838**	**14,604**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

(Amounts in millions of Russian Rubles)

	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year	64,269	62,073	55,099
Adjustments for:			
Depreciation and amortization	111,088	100,205	106,948
(Reversal of) / Impairment of non-current assets	(10)	2,023	(148)
Impairment of financial assets	12,983	11,936	7,761
Loss/(gain) from sale of Ukraine operations (Note 11)	54	(2,101)	5,499
Finance income	(2,518)	(3,439)	(4,805)
Finance costs	41,352	42,085	48,711
Income tax expense	15,403	17,191	17,671
Share of profit of associates and joint ventures	(5,746)	(5,321)	(8,079)
Net foreign exchange loss / (gain) and change in fair value of financial instruments	186	(4,330)	1,784
Inventory obsolescence expense	1,456	891	2,207
Change in provisions	3,620	1,492	305
Other non-cash items	(4,360)	(4,393)	(6,882)
Movements in operating assets and liabilities:			
(Increase)/Decrease in trade and other receivables and contract assets	(2,608)	1,904	(3,808)
Increase in bank deposits and loans to customers	(101,897)	(33,570)	(34,452)
(Increase) / decrease in inventory	(5,206)	(630)	3
(Increase) / decrease in advances paid and prepaid expenses	(2,526)	(6,507)	3,478
(Increase) / Decrease in VAT receivable	(2,821)	482	(2,522)
Increase / (Decrease) in trade and other payables, contract liabilities and other current liabilities	16,544	(1,104)	6,825
Increase in bank deposits and liabilities	53,765	27,172	27,823
Fines and penalties related to investigation into former operations in Uzbekistan (Note 34)	-	-	(55,607)
Dividends received	4,794	3,676	3,707
Income tax paid	(17,494)	(15,193)	(23,943)
Interest received	3,150	2,727	5,263
Interest paid, net of interest capitalized	(40,632)	(41,762)	(46,186)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**142,846**	**155,507**	**106,652**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of subsidiaries, net of cash acquired (Note 5)	(10,186)	(262)	(2,052)
Purchases of property, plant and equipment (including capitalized interest in the amount of RUB 533 million, RUB 550 million and RUB 460 million, respectively)	(73,081)	(66,256)	(68,465)
Purchases of other intangible assets	(38,602)	(31,153)	(23,016)
Purchase of Avantage	-	(429)	-
Purchase of 3G and 4G licenses in Armenia and Ukraine	-	-	(255)
Cost to obtain and fulfill contracts, paid	(4,218)	(5,442)	(4,651)
Proceeds from sale of property, plant and equipment and assets held for sale	5,082	6,678	6,536
Purchases of short-term and other investments	(13,765)	(10,054)	(22,714)
Proceeds from sale of short-term and other investments	13,085	16,012	47,139
Investments in associates and joint ventures (Note 16)	(1,087)	(1,460)	(75)
Cash (payments) and proceeds related to swap contracts	(657)	5,322	(2,459)
Proceeds from sale of subsidiaries, net of cash disposed (Notes 11 and 31)	3,891	3,461	37,386
Proceeds from sale/liquidation of associates (Note 16)	3,014	2,450	3,067
Other investing activities	92	-	5
NET CASH USED IN INVESTING ACTIVITIES	**(116,432)**	**(81,133)**	**(29,554)**

PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019 (CONTINUED)
(Amounts in millions of Russian Rubles)

	2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of notes	(20,813)	(28,167)	(189)
Proceeds from issuance of notes	4,350	46,757	72,500
Notes and debt issuance cost paid	(96)	(107)	(111)
Lease obligation principal paid	(16,516)	(15,054)	(15,154)
Dividends paid	(61,955)	(74,923)	(52,505)
Acquisition of entities under common control, net of cash acquired (Note 5)	(3,474)	-	(15,312)
Proceeds from loans	64,311	194,645	62,415
Repayment of loans	(15,538)	(134,483)	(156,511)
Repurchase of common stock	(21,483)	(16,028)	(15,922)
Other financing activities	-	-	341
NET CASH USED IN FINANCING ACTIVITIES	**(71,214)**	**(27,360)**	**(120,448)**
Effect of exchange rate changes on cash and cash equivalents	(79)	385	(2,655)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(44,879)**	**47,399**	**(46,005)**
CASH AND CASH EQUIVALENTS, beginning of the year	**85,469**	**38,070**	**84,075**
CASH AND CASH EQUIVALENTS, end of the year	**40,590**	**85,469**	**38,070**
Less cash and cash equivalents within held for sale	-	(64)	-
CASH AND CASH EQUIVALENTS, end of the year	**40,590**	**85,405**	**38,070**

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, 2021 and 2020, and for the years ended 31 December 2021, 2020 and 2019 were authorized for issue by the President of the Company on March 1, 2022.

Business of the Group – MTS PJSC was incorporated on March 1, 2000, through the merger of MTS CJSC and Rosico TC CJSC, its wholly-owned subsidiary. MTS CJSC started its operations in the Moscow licence area in 1994, before expanding through Russia and the CIS. MTS PJSC's majority shareholder is Sistema Public Joint-Stock Financial Corporation or "Sistema", whose controlling shareholder is Vladimir P. Yevtushenkov.

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 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").

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. Upon disposal of its operations in Ukraine in December 2019 (Note 11), the Group primarily operates in Russia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

The consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future (Note 29).

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.

(Amounts in millions of Russian Rubles unless otherwise stated)

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

	Accounting method	December 31, 2021	December 31, 2020
RTC	Consolidated	100.0%	100.0%
MTS Bank	Consolidated	99.9%	99.9%
MGTS Group	Consolidated	94.7%	94.7%
Multiregional TransitTelecom (Note 5)	Consolidated	100.0%	-
MTS Armenia	Consolidated	100.0%	100.0%
Nvision Czech Republic	Consolidated	100.0%	100.0%
MDTZK LLC (Ticketland)	Consolidated	100.0%	100.0%
Kulturnaya Sluzhba (Ponominalu)	Consolidated	100.0%	100.0%
Sputnikovoe TV	Consolidated	100.0%	100.0%
IT Grad (Note 5)	Consolidated	100.0%	100.0%
MTS Avto (former Stopol) (Note 5)	Consolidated	100.0%	100.0%
"Zelenaya Tochka" Group – Achemar Holdings Ltd (Note 5)(1)	Consolidated	100.0%	51.0%
Oblachny Retail LLC	Consolidated	100.0%	50.8%
MTS Media	Consolidated	100.0%	100.0%
Navigation Information Systems Group	Consolidated	94.7%	94.7%
MTS Didgital (former MTS IT)	Consolidated	100.0%	100.0%
Kinopolis (Note 5)	Consolidated	100.0%	100.0%
Sistema Capital (Note 5)(1)	Consolidated	100.0%	30.0%
Stream	Consolidated	100.0%	100.0%
MTS Turkmenistan	Consolidated	100.0%	100.0%
MTS Artificial Intelligence	Consolidated	100.0%	100.0%
MWS	Consolidated	100.0%	-
Energy Group (Note 5)	Consolidated	100.0%	-
Dega	Consolidated	100.0%	100.0%
Stream Digital	Consolidated	100.0%	100.0%
Bastion	Consolidated	100.0%	100.0%
MTS International Funding Limited (2) ("MTS International")	Consolidated	SE	SE
MTS Belarus (Note 16)	Equity	49.0%	49.0%

(1) Consolidated since 2021, accounted for as an equity investment in 2020

(2) A company organized and existing as a private limited company under the laws of Ireland. The Group does not have any equity in MTS International. It was established for the purpose of raising capital through the issuance of debt securities on the Irish Stock Exchange followed by transferring the proceeds through a loan facility to the Group. In 2010 and 2013, MTS International issued USD 750 million 8.625% notes due in 2020 (fully repaid in June 2020) and USD 500 million 5.0% notes due in 2023, respectively (Note 24). The notes are guaranteed by MTS PJSC in the event of default. MTS International does not perform any other activities except those required for notes servicing. The Group bears all costs incurred by MTS International in connection with the notes' maintenance activities. Accordingly, the Group concluded that it exercises control over the entity.

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

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

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

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

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

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

Group's statement of cash flows include both cash flows from continuing and discontinued operations, amounts related to discontinued operations by operating, investing and financing activities are presented in Note 11.

Vendor financing arrangemets – In December 2021 the Group concluded factoring arrangements under which banks made payments due to the identified suppliers on behalf of the Group for a fixed fee. The Group reimbursed the paid amounts to the banks within the next month. No additional collateral or guarantee was provided by the Group in respect of factored payables. Based on the Group's assessment the liabilities under the factoring arrangement are closely related to its operating purchase activities and the financing arrangement does not lead to any significant change in the nature or function of the related liabilities. These liabilities were therefore classified as accounts payables. As of December 31, 2021 accounts payables under the factoring arrangements totaled to RUB 9,343 mln.

Functional currency translation methodology – As of December 31, 2021, the functional currencies of Group entities were as follows:

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

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

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.

(Amounts in millions of Russian Rubles unless otherwise stated)

Standards, interpretations and amendments adopted in the financial year 2021

Amendments to IFRS9, IAS39, IFRS7, IFRS 4 and IFRS16	*Interest Rate Benchmark Reform (Phase 2)*
Amendments to IFRS16	*Covid-19 Related Rent Concessions*
Amendments to IFRS 1 and IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (1)

(1) Voluntary early adoption

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 IAS 37	*Onerous contracts – Cost of fulfilling a contract* (1)
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*(1)
Amendments to IFRS 3	*Reference to Conceptual Framework* (1)
Amendments to IFRS	*Annual Improvements to IFRSs (2018-2020 Cycle)* (1)
Amendments to IAS 1	*Classification of Liabilities as Current or Non-Current* (2)
IFRS 17 and amendments to IFRS17	*Insurance Contracts* (2)
Amendments to IAS 8	*Definition of Accounting Estimate* (2)
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policy* (2)
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (3)

(1) Effective for annual periods beginning on or after January 1, 2022, with earlier application permitted.
(2) Effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.
(3) The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.

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

3. IMPACTS OF COVID-19

The coronavirus pandemic has led to a global economic crisis. Due to higher demand for certain telecommunications services the impact of the crisis has been felt less severely by the telecommunication industry and the Group than by other industries. Business activities and thus the results of operations and financial position of the Group were impacted by the coronavirus pandemic in various business areas, affecting revenue and earnings, although not to any significant extent. The main negative effects on the Group results for the first half of the financial year 2020 were increased expected credit loss allowance recognized in respect to the Group's financial assets as well as the impairment of the e-ticketing business. Notwithstanding the foregoing, during the second half of the financial year 2020 and in the financial year 2021 the Group experienced only minor customer payment defaults as a consequence of COVID-19, such that the expected credit loss has since returned to its normal level.

Generally, the global COVID-19 situation remains uncertain and subject to change and could further impact the economies and financial markets of many regions, including the countries in which the Group operates, which in turn could impact consumer and business spending patterns and the Group's operating results.

4. 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 20 and 23 for further information.

2. Impairment of non-current assets

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

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

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

See Note 22 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 28 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 27 and Note 34 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 0 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 18 and 30 for further information.

(Amounts in millions of Russian Rubles unless otherwise stated)

5. 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.

Acquisition after the reporting period

Acquisition of VisionLabs – In February 2022, the Group acquired a 100% ownership interest in VisionLabs B.V. (“VisionLabs”), leading provider of computer vision and machine learning solutions, for total consideration of RUB 6,523 million. The acquisition is 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 5,243 million, transfer of the non-controlling stake in one of the Group’s subsidiaries for RUB 659 million and contingent consideration of RUB 621 million. Contingent consideration is based on certain performance criteria for the periods starting 2022 and ending 2024.

The preliminary purchase price allocation for VisionLabs was as follows:

Goodwill	**3,800** (1)
Customer base	1,726 (2)
Other intangible assets	1,434
Property, plant and equipment	86
Other non-current assets	53
Current assets	266
Cash and cash equivalents	211
Current liabilities	(447)
Non-current liabilities	(606)
Total consideration	**6,523**
Including:	
Fair value of contingent consideration	621
Fair value of stake in Group’s subsidiary	659
Cash payable	5,243

(1) The provisional goodwill is attributable to the expected synergies arising from the acquisition and allocated to the “Artificial Intelligence” operating segment.
(2) Amortized over the term of up to 7 years.

Acquisitions in 2021

Acquisition of Zelenaya Tochka – In April 2021, the Group increased its stake in Achemar Holdings Limited, owner of the operational companies of “Zelenaya Tochka” Group, to 100% and obtained control over the entity to expand its regional footprint. Prior to the acquisition, the Group owned 51% in Achemar Holdings Limited and accounted for the investment as the investment in joint venture (Note 16). “Zelenaya Tochka” Group includesfixed-line operators in Stavropol and Tambov regions. The purchase price constituted a cash payment of RUB 1,512 million paid in April 2021 and deferred payment of RUB 7 million.

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

(Amounts in millions of Russian Rubles unless otherwise stated)

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

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

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

	MTT	Zelenaya Tochka	GreenBush	Credit Consulting
Goodwill	**2,984** (1)	**1,353** (1)	**-**	**46** (2)
Customer base	827 (3)	320 (4)	-	-
Trademark	530	12	-	-
Other intangible assets	590	24	1	4
Property, plant and equipment	588	623	5,171	-
Other non-current assets	254	43	17	-
Current assets	3,056	1,417	84	18
Cash and cash equivalents	340	152	9	3
Current liabilities	(2,656)	(725)	(26)	(11)
Non-current liabilities	(715)	(118)	(56)	-
Total consideration	**5,798**	**3,101**	**5,200**	**60**
Including:				
Fair value of contingent consideration	-	-	-	60
Fair value of offset financial assets	1,958	-	-	-
Fair value of previously held interest	-	1,582	-	-
Deferred payment	160	7	-	-
Cash paid or payable	3,680	1,512	5,200	-

(1) The provisional goodwill is attributable to the expected synergies arising from the acquisition and allocated to the "Telecom" operating segment.
(2) The provisional goodwill is attributable to the expected synergies arising from the acquisition and allocated to the "Fintech" operating segment.
(3) Amortized over the term of up to 3 years.
(4) Amortized over the term of 5 years.

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

Acquisitions under common control, accounted for directly in equity

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

(Amounts in millions of Russian Rubles unless otherwise stated)

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

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

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

Disposal of STS-Ukraine

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

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

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

Acquisitions in 2020

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

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

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

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

(Amounts in millions of Russian Rubles unless otherwise stated)

Acquisitions in 2019

Acquisition of JSC RIKT – In June 2019, the Group acquired a 97.4% ownership interest in JSC RIKT ("RIKT"), a fixed-line operator in the Kemerovo region, for cash consideration of RUB 360 million. This acquisition allowed the Group to increase its market share in the region. In September 2019, the Group finalized the mandatory share repurchase from minority shareholders of RIKT and increased its share to 100%.

The fair values of the identifiable assets and liabilities of RIKT as at the date of acquisition were as follows:

Goodwill (1)	**105**
Other intangible assets (2)	172
Property, plant and equipment	118
Trade and other receivables	12
Cash and cash equivalents	6
Other current assets	9
Other non-current assets	14
Current liabilities	(37)
Non-current liabilities	(39)
Consideration transferred (in cash)	**360**

(1) The goodwill is attributable to the expected synergies resulted from the acquisition and allocated to the "Telecom" operating segment.
(2) Amortized over the average term of 12 years.

Acquisitions under common control, accounted for directly in equity

Acquisition of JSC Objedinennye Russkie Kinostudii ("Kinopolis") – In April 2019, the Group acquired Kinopolis from Business-Nedvizhimost, a subsidiary of Sistema, for total consideration of RUB 2,042 million. Kinopolis owns fully equipped movie complex in Saint-Petersburg. Acquisition of Kinopolis enabled the Group to develop its own entertainment content.

Acquisition of property complex at Narodnogo opolcheniya street ("Narodnoje") – In August 2019, the Group acquired Narodnoje property complex from Sistema for total consideration of RUB 329 million. The property complex comprised office facilities leased by the Group and hostel premises leased by a third party and operated under management agreement with Business-Nedvizhimost, a subsidiary of Sistema. The acquisition enabled the Group to optimize its rental expenses and enhance its investment property portfolio.

The following table summarizes the details of acquisitions of subsidiaries under common control finalized in 2019:

Acquired company	Consideration paid net of cash acquired*	Cash acquired	Assets acquired other than cash	Liabilities assumed
Kinopolis	2,030	12	1,017	58
Narodnoje	329	-	102	-
Total effect of acquisitions under common control	**2,359**	**12**	**1,119**	**58**

* 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)

According to the terms of the purchase agreements, deferred payments and contingent consideration payable by the Group could be reduced by the amount of any losses incurred by the Group in respect of any tax or other claims relating to the pre-acquisition period. In case the amount of the losses incurred exceeds the amount of deferred payment, the seller has indemnified the Group for the amounts in excess. The following table summarizes the movement in deferred payment and contingent consideration liabilities and related indemnification assets for the years ended December 31, 2021, 2020 and 2019:

Indemnification asset/ (Liability on deferred payment/ contingent consideration)	Deferred payments on acquisitions prior to 2019	IT-Grad contingent considera-tion	Stopol contingent considera-tion	Zelenaya Tochka deferred payment	Credit Consulting contingent considera-tion	MTT deferred payment
January 1, 2019	**118**	**(907)**	**-**	**-**	**-**	**-**
Measurement period adjustment	-	66	-	-	-	-
Reversal of indemnity	(259)	-	-	-	-	-
Revaluation	(22)	(66)	-	-	-	-
Payment	163	-	-	-	-	-
December 31, 2019	**-**	**(907)**	**-**	**-**	**-**	**-**
Initial recognition of deferred payment/contingent consideration	-	-	(40)	-	-	-
Less: Provision for tax liabilities related to pre-acquisition period	-	-	26	-	-	-
Reversal of tax provision	-	-	(10)	-	-	-
December 31, 2020	**-**	**(907)**	**(24)**	**-**	**-**	**-**
Initial recognition of deferred payment/contingent consideration	-	-	-	(7)	(60)	(160)
Less: Provision for tax liabilities related to pre-acquisition period	-	-	3	-	-	-
Revaluation	-	542	-	-	(1)	-
Payment	-	365	-	7	-	-
December 31, 2021	**-**	**-**	**(21)**	**-**	**(61)**	**(160)**

Pro forma results of operations – The following pro forma financial data for the years ended December 31, 2021, 2020 and 2019 give effect to the business combinations as they had been completed at the beginning of the year.

	2021	2020	2019
Pro forma:	**MTT, Zelenaya Tochka, GreenBush, Credit Consulting, Sistema Capital**	**STOPOL**	**RIKT, Kinopolis, Narodnoje**
Net revenue	537,867	495,273	476,257
Net profit fot the year	64,399	62,079	55,101

(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, 2019, 2020 or 2021, 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:

	2021	2020	2019
	MTT, Zelenaya Tochka, GreenBush, Credit Consulting, Sistema Capital	STOPOL	RIKT, Kinopolis, Narodnoje
Net revenue	5,341	355	238
Net profit/(loss) for the year	25	25	(15)

6. 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 and impairment of non-current assets 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.

Ukraine: was ceased to be presented as a separate operating segment due to its disposal in December 2019 (Note 11).

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

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

(Amounts in millions of Russian Rubles unless otherwise stated)

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

Management change assessment of expenses amount allocated to HQ in relation with sale of MTS Ukraine in 2019.

On October 30, 2020, the Group entered into a sale agreement with Sistema to dispose of 100% share in JSC "Nvision Group", which provided integration services, as well as the sales of software, and constituted "System Integrator" operating segment included in "Other" reportable segment.

In order to reflect changes in segments' composition, segment disclosures for 2019 and 2020 were retrospectively restated.

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

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

Financial information by reportable segments is presented below:

Year ended December 31, 2021:

	Telecom	Fintech	Total of reportable segments	Other	HQ and elimination	Consolidated
Revenue						
External customers	444,175	46,836	491,011	43,296	96	534,403
Intersegment	4,138	2,771	6,909	19,527	(26,436)	-
Total revenue	448,313	49,607	497,920	62,823	(26,340)	534,403
OIBDA	204,194	8,834	213,028	24,700	(8,371)	229,357
Depreciation and amortization						(111,088)
Impairment of non-current assets						10
Operating profit						118,279

Year ended December 31, 2020:

	Telecom	Fintech	Total of reportable segments	Other	HQ and elimination	Consolidated
Revenue						
External customers	425,059	33,773	458,832	36,002	92	494,926
Intersegment	4,260	2,449	6,709	13,130	(19,839)	-
Total revenue	429,319	36,222	465,541	49,132	(19,747)	494,926
OIBDA	200,911	3,862	204,773	18,026	(7,649)	215,150
Depreciation and amortization						(100,234)
Impairment of non-current assets						(2,023)
Operating profit						112,893

Year ended December 31, 2019:

	Telecom	Fintech	Total of reportable segments	Other	HQ and elimination	Consolidated
Revenue						
External customers	381,697	29,304	411,001	59,510	94	470,605
Intersegment	9,406	1,881	11,287	12,063	(23,350)	-
Total revenue	391,103	31,185	422,288	71,573	(23,256)	470,605
OIBDA	174,010	4,574	178,584	39,243	(6,203)	211,624
Depreciation and amortization						(96,195)
Impairment of non-current assets						148
Operating profit						115,577

(Amounts in millions of Russian Rubles unless otherwise stated)

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

Financial information by geographic area is presented below:

Revenue	**2021**	**2020**	**2019**
Russia	520,671	481,536	459,415
Other	13,732	13,390	11,190
Total revenue	**534,403**	**494,926**	**470,605**

Non-current assets [(1)]	**December 31, 2021**	**December 31, 2020**
Russia	442,655	401,743
Other	11,546	11,205
Total non-current assets:	**454,201**	**412,948**

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

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

Disaggregation of revenue:

Year ended December 31, 2021:	**Telecom**	**Fintech**	**Total of reportable segments**	**Other**	**HQ and elimination**	**Consolidated**
Revenue						
Connectivity services	375,718	-	375,718	29,810	96	405,624
Sales of goods	67,392	-	67,392	9,334	-	76,726
Fintech services	-	46,836	46,836	-	-	46,836
Other services	1,065	-	1,065	4,152	-	5,217
External Customers	444,175	46,836	491,011	43,296	96	534,403
Intersegment	4,138	2,771	6,909	19,527	(26,436)	-
Total revenue	448,313	49,607	497,920	62,823	(26,340)	534,403
Thereof:						
Recognised over time	376,783	27,516	404,299	33,962	96	438,357
Recognised at point of time	67,392	19,320	86,712	9,334	-	96,046
	444,175	46,836	491,011	43,296	96	534,403

Year ended December 31, 2020:	**Telecom**	**Fintech**	**Total of reportable segments**	**Other**	**HQ and elimination**	**Consolidated**
Revenue						
Connectivity services	363,131	-	363,131	24,894	92	388,117
Sales of goods	61,495	-	61,495	7,983	-	69,478
Fintech services	-	33,773	33,773	-	-	33,773
Other services	433	-	433	3,125	-	3,558
External Customers	425,059	33,773	458,832	36,002	92	494,926
Intersegment	4,260	2,449	6,709	13,130	(19,839)	-
Total revenue	429,319	36,222	465,541	49,132	(19,747)	494,926
Thereof:						
Recognised over time	363,564	24,367	387,931	28,019	92	416,042
Recognised at point of time	61,495	9,406	70,901	7,983	-	78,884
	425,059	33,773	458,832	36,002	92	494,926

(Amounts in millions of Russian Rubles unless otherwise stated)

Year ended December 31, 2019:	Telecom	Fintech	Total of reportable segments	Other	HQ and elimination	Consolidated
Revenue						
Connectivity services	323,551	-	323,551	49,735	94	373,380
Sales of goods	57,677	-	57,677	6,450	-	64,127
Fintech services	-	29,304	29,304	-	-	29,304
Other services	469	-	469	3,325	-	3,794
External Customers	381,697	29,304	411,001	59,510	94	470,605
Intersegment	9,406	1,881	11,287	12,063	(23,350)	-
Total revenue	391,103	31,185	422,288	71,573	(23,256)	470,605
Thereof:						
Recognised over time	324,020	21,996	346,016	53,060	94	399,170
Recognised at point of time	57,677	7,308	64,985	6,450	-	71,435
	381,697	29,304	411,001	59,510	94	470,605

7. 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 as services are rendered. 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.

(Amounts in millions of Russian Rubles unless otherwise stated)

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

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

Revenue from integration and 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.

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 integration 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,	
	2021	**2020**
Receivables	32,361	31,452
Contract assets	189	53
Total assets	**32,550**	**31,505**
Less current portion	(20,638)	(29,342)
Total non-current assets	**11,912**	**2,163**
Contract liabilities:		
Mobile and fixed telecommunication services	(22,064)	(20,714)
Other services	(1,083)	(694)
Loyalty programme	(451)	(434)
Total liabilities	**(23,598)**	**(21,842)**
Less current portion	22,621	21,125
Total non-current liabilities	**(977)**	**(717)**

(Amounts in millions of Russian Rubles unless otherwise stated)

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

	2021	2020
Balance as of January 1	**(21,842)**	**(21,307)**
Revenue recognised that was included in the contract liability balance at the beginning of the period	18,712	17,531
Increase due to cash received, excluding amount recognised as revenue during the period	(20,468)	(18,438)
Disposal of Nvision Group	-	372
Balance as of December 31	**(23,598)**	**(21,842)**

The Group expects to recognize revenue related to performance obligations that were unsatisfied (or partially unsatisfied) as of December 31, 2021 as follows:

	2022	2023-2027	2028-2032	Total
Connectivity services	21,087	901	76	22,064
Other services	1,083	-	-	1,083
Loyalty programme	451	-	-	451

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

	2022	2023-2027	2028-2032	After 2032	Total
Connectivity services	312	519	195	124	1,150
Integration services	111	178	44	-	333

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, 2021 and 2020 the balances of cost to obtain and fulfill contracts capitalized by the Group amounted to:

	December 31,	
	2021	2020
Cost to obtain contracts		
Gross book value	14,633	14,268
Accumulated amortization	(6,736)	(6,600)
Cost to fulfill contracts		
Gross book value	5,240	4,081
Accumulated amortization	(2,279)	(1,628)

(Amounts in millions of Russian Rubles unless otherwise stated)

Amortization expense related to cost to obtain and fulfill contracts recognized for the years ended December 31, 2021, 2020 and 2019 amounted RUB 4,076 million, RUB 3,819 million and RUB 3,940 million, respectivly. There was no impairment loss relating to the costs capitalized.

8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended December 31, 2021, 2020 and 2019 comprised the following:

	2021	2020	2019
Salaries and social contributions	54,285	48,865	50,451
Advertising and marketing expenses	12,539	10,652	10,930
General and administrative expenses	8,085	7,526	7,653
Universal service fund	3,813	3,670	3,587
Consulting expenses	3,626	3,418	2,626
Cash collection commission	3,533	3,645	3,504
Dealers commission	3,434	3,385	3,081
Utilities and maintenance	2,550	2,255	2,809
Taxes other than income tax	1,062	1,845	2,486
Other personnel expenses	1,857	1,546	1,664
Other	1,455	1,176	1,142
Total	**96,239**	**87,983**	**89,933**

9. FINANCE INCOME AND COSTS

Finance income and costs for the years ended December 31, 2021, 2020 and 2019 comprised the following:

	2021	2020	2019
Interest expense:			
– Loans and notes	29,432	28,174	30,105
– Amortization of debt issuance costs	109	97	489
– Lease obligations	11,820	12,277	13,416
– Provisions: unwinding of discount	165	138	113
Total interest expense	**41,526**	**40,686**	**44,123**
Loss on financial instruments	-	373	780
Other finance costs	143	85	151
Total finance costs	**41,669**	**41,144**	**45,054**
Less: amounts capitalized on qualifying assets (1)	(533)	(426)	(550)
Debt modification/derecognition and other loss	216	1,366	2,862
Finance costs	**41,352**	**42,084**	**47,366**
Finance income on loans and receivables:			
– Interest income on bank deposits	1,468	2,282	3,318
– Interest income on loans issued	52	17	91
– Other finance income	998	1,138	943
Finance income	**2,518**	**3,437**	**4,352**
Net finance costs	**38,834**	**38,647**	**43,014**

(1) The annual weighted average capitalization rates of 6.8%, 6.9% and 8.1% were used to determine the amount of capitalized interest for the years ended December 31, 2021, 2020 and 2019, respectively.

(Amounts in millions of Russian Rubles unless otherwise stated)

10. OTHER NON-OPERATING (INCOME)/EXPENSES

Other non-operating (income)/expenses for the years ended December 31, 2021, 2020 and 2019 comprised the following:

	2021	2020	2019
Net forex exchange (gain) / loss	560	10,380	(5,266)
Loss/(gain) arising on derivatives	345	(13,443)	8,297
Net gain/(loss) arising on financial assets measured at FVTPL	(139)	(1,893)	528
Net gain/(loss) arising on financial liabilities measured at FVTPL	-	(53)	1,197
Impairment of investments and loans given	-	1,392	616
Other	(342)	553	2,449
Total	**424**	**(3,064)**	**7,821**

11. DISCONTINUED OPERATIONS

UKRAINE

On November 22, 2019, the Group entered into a sale agreement to dispose of Preludium B.V., 100% owner of PJSC “Vodafone Ukraine”, “PTT Telecom Kyiv”, LLC “VF Retail” and LLC “IT SmartFlex”, which carried out the Group’s operations in Ukraine and constituted ‘Ukraine’ reporting segment. The disposal was effected in order to concentrate on development of the Group’s core Russian market. The disposal was completed on December 3, 2019, and the results of operations in Ukraine were reported as discontinued operations in the accompanying consolidated statements of profit or loss. The consolidated statements of financial position and consolidated statements of cash flows for all periods presented were not retrospectively restated on discontinued operations.

As of December 3, 2019, the carrying amounts of assets and liabilities pertaining to the discontinued operation and reconciliation of the loss on disposal were as follows:

Property, plant and equipment	26,037
Right-of-use assets	8,175
Intangible assets	18,124
Goodwill	114
Other non-current assets	1,534
Other current assets	10,760
Cash and cash equivalents	4,181
Non-current liabilities	(9,009)
Current liabilities	(17,979)
Accumulated other comprehensive loss	7,948
Total consideration	**(44,386)**
In the form of:	
Cash and cash equivalents (USD 645 million)	(41,567)
Deferred consideration (USD 12 million)	(774)
Fair value of contingent consideration (variable earn-out) as of December 3, 2019 (USD 32 million)	(2,045)
Loss on disposal	**5,499**
Net cash inflow arising on disposal:	**37,386**
Cash consideration received	41,567
Less: cash and cash equivalents disposed of	(4,181)

Total consideration comprised of cash payment, deferred consideration and contingent consideration.

(Amounts in millions of Russian Rubles unless otherwise stated)

Cash payment of USD 645 million (RUB 41,567 million as of December 3, 2019) was received in December 2019.

In June 2020, the Group and the purchaser agreed on the amount of adjustment to the cash payment based on finalized financial statements results as of disposal date and the Group recognized additional income in amount of USD 28 million (RUB 2,101 million as of payment date in September, 2020) in discontinued operations in the consolidated statement of profit or loss.

The deferred consideration was settled in cash by the purchaser in September 2020 in RUB amount of RUB 897 million, representing equivalent of USD 12 million as of the date of payment.

In the event the financial results of discontinued operation achieve certain performance criteria for the periods starting 2019 and ending 2022 as specified in an ‘earn out’ clause of the sale agreement, additional contingent consideration will be receivable. As of December 3, 2019 the Group recognized contingent consideration receivable as a financial asset at fair value through profit or loss in the amount of RUB 2,045 million. The fair value of the financial asset amounted to RUB 2,631 million as of December 31, 2020 and RUB 1,867 million as of December 31, 2021.

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

	For the year ended December 31,		
	2021	**2020**	**2019**
Revenue	-	-	36,675
Expenses	-	-	(28,564)
Profit before tax	**-**	**-**	**8,111**
Attributable tax expense	-	-	(2,018)
Profit for the period	**-**	**-**	**6,093**
Profit/(loss) on disposal	-	2,101	(5,499)
Currency revaluation gain/(loss) on deferred consideration	-	154	(30)
Earn-out revaluation - fair value measurement	377	645	48
Earn-out revaluation - Currency revaluation gain/(loss)	93	(27)	(80)
Net income attributable to discontinued operations	**470**	**2,873**	**532**

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

	For the year ended December 31,		
	2021	**2020**	**2019**
Net cash provided by operating activities	-	-	17,343
Net cash provided by/(used in) investing activities	1,234	2,998	(13,046)
Net cash used in financing activities	-	-	(1,114)

NVISION GROUP

On October 30, 2020, the Group entered into a sale agreement with Sistema to dispose of 100% share in JSC “Nvision Group”, which provided integration services, as well as the sales of software, and constituted “System Integrator” operating segment included in “Other” reportable segment. The disposal was completed on October 30, 2020, the results of operations of “System Integrator” operating segment were reported as discontinued operations in the accompanying consolidated statements of profit or loss. The consolidated statements of financial position and consolidated statements of cash flows for all periods presented were not retrospectively restated on discontinued operations.

(Amounts in millions of Russian Rubles unless otherwise stated)

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

Property, plant and equipment	95
Intangible assets	245
Other non-current assets	220
Other current assets	2,912
Cash and cash equivalents	285
Non-current liabilities	(98)
Current liabilities	(3,281)
Accumulated other comprehensive loss	3
Total consideration	**(369)**
Satisfied by:	
Cash and cash equivalents	(369)
Loss on disposal*	**12**
Net cash inflow arising on disposal:	**84**
Cash consideration received	369
Less: cash and cash equivalents disposed of	(285)

* Included in additional paid-in capital in consolidated statement of changes in shareholders' equity, analogically to the purchase of JSC "Nvision Group" from Sistema in 2015.

Cash consideration in amount of RUB 369 million was settled in October and December 2020.

The results of the discontinued operation of JSC "Nvision Group", which have been included in the profit for the year, were as follows:

	Year ended December 31,	
	2020	**2019**
Revenue	10,051	12,898
Expenses	(11,305)	(14,263)
Loss before tax	**(1,254)**	**(1,365)**
Attributable tax expense	(1,003)	(83)
Loss for the period	**(2,257)**	**(1,448)**
Net loss attributable to discontinued operations	**(2,257)**	**(1,448)**

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

	For the year ended December 31,	
	2020	**2019**
Net cash used in by operating activities	(1,466)	(55)
Net cash provided by investing activities	664	347
Net cash provided by/(used in) financing activities	748	(372)

The results of the discontinued operation of JSC "Nvision Group", which have been included in the consolidated statement of profit or loss and consolidated statement of cash flows for the year ended December 31, 2021 equaled nil.

(Amounts in millions of Russian Rubles unless otherwise stated)

12. INCOME TAX

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

Significant components of income tax expense were as follows;

	2021	2020	2019
Current income tax charge	20,057	15,170	20,757
Prior period tax adjustments	(133)	(509)	(90)
Total current income tax	**19,924**	**14,661**	**20,667**
Deferred tax	(4,521)	1,465	(5,000)
Income tax expense on continuing operations	**15,403**	**16,126**	**15,667**

Income tax expense on continuing operations excludes the amounts from the discontinued operations of nil, RUB (1,003) million and RUB 1,935 million for the years ended December 31, 2021, 2020 and 2019, respectively, which have been included in profit / (loss) from discontinued operations in the accompanying consolidated statements of profit or loss (Note 11).

The statutory income tax rates in jurisdictions in which the Group operates for 2021 and 2020 were as follows: Russia – 20%, Armenia – 18%, Turkmenistan – 8%, Czech Republic – 19%, for 2019 were as follows: Russia and Armenia – 20%, Turkmenistan – 8%, Czech Republic – 19%.
The Russian statutory income tax rate of 20% reconciled to the Group's effective income tax rate for the years ended December 31, 2021, 2020 and 2019 as follows:

	2021	2020	2019
Statutory income tax rate for the year	**20.0%**	**20.0%**	**20.0%**
Adjustments:			
Expenses not deductible for tax purposes	0.1	1.3	2.1
Prior periods tax effects	(0.2)	(0.7)	(0.1)
Different tax rate of subsidiaries	(0.8)	(0.8)	(0.4)
Withholding tax on distributed and undistributed profits	1.6	1.5	1.9
Change in fair value of derivative financial instruments	-	-	0.2
Changes in recognized deferred tax assets	(0.9)	(0.1)	(0.5)
Other	(0.4)	(0.4)	(0.2)
Effective income tax rate	**19.4%**	**20.8%**	**23.0%**

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

	2021	2020
Deferred tax assets	11,683	8,778
Deferred tax liabilities	(17,901)	(19,191)
Net deferred tax liabilities	**(6,218)**	**(10,413)**

(Amounts in millions of Russian Rubles unless otherwise stated)

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

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

Movements in the deferred tax assets and liabilities for the year ended December 31, 2020 were as follows:

	December 31, 2019	Recognised in profit / loss	Recognised in other compre-hensive income	Effect of disposals	December 31, 2020
Assets / (liabilities) arising from tax effect of:					
Property, plant and equipment	(17,954)	(318)	19	3	(18,250)
Other intangible assets	(6,564)	314	-	(64)	(6,314)
Potential distributions from/ to Group's subsidiaries/ associates and joint ventures	(2,430)	(42)	(34)	-	(2,506)
Licenses	(1,739)	47	(7)	-	(1,699)
Customer base	(576)	106	-	-	(470)
Capitalization of cost to obtain and fulfill contracts	(1,448)	(220)	-	-	(1,668)
Accrued expenses for services	7,929	(710)	5	(66)	7,158
Write-down of inventories	681	(211)	10	(67)	413
Allowance for ECL	2,947	(112)	3	(125)	2,713
Lease obligations[1]	30,953	(1,052)	12	(3)	29,910
Right-of-use assets[1]	(27,433)	1,761	(14)		(25,686)
Loss carryforward	4,634	56	-	(729)	3,961
Contract liabilities	1,230	203	-	(3)	1,430
Debt modification	(433)	310	-	-	(123)
Hedge and other	2,312	(1,594)	-	-	718
Net deferred tax liability	**(7,891)**	**(1,462)**	**(6)**	**(1,054)**	**(10,413)**

(1) Previously, the deferred tax on a lease under IFRS 16 was accounted under the net approach, the changes do not affect the total amount of deferred tax.

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.

Federal law 401-FZ dated November 30, 2016 cancelled the time limit of prior periods' tax losses carryforward, which had been previously restricted to 10 years. Furthermore, the law specified that for the years 2017-2024 prior periods' tax losses carried forward should not exceed 50% of the tax base.

Unused tax losses, for which deferred tax assets were not recognized in the consolidated statements of financial position as of December 31, 2021 and 2020 amounted to RUB 40,898 million and RUB 43,393 million, respectively.

The Group accrued RUB 160 million and RUB 595 million as of December 31, 2021 and 2020, 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 Group early adopted the IAS 12 amendments related to assets and liabilities arising from a single transaction and presented separately a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision for the years ended December 31, 2021 and 2020. Movements in the deferred tax assets and liabilities for the year ended December 31, 2020 were restated to reflect the effects of early adoption.

13. EARNINGS PER SHARE

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

	2021	2020	2019
Numerator:			
Profit for the year from continuing operations attributable to the owners of the company	63,003	60,796	51,713
Profit for the year from discontinued operations attributable to the owners of the company	470	616	2,528
Denominator, in thousands:			
Weighted-average ordinary shares outstanding	1,693,244	1,760,468	1,780,935
Employee stock options	8,541	1,310	2,682
Weighted-average diluted shares outstanding	**1,701,785**	**1,761,778**	**1,783,617**
Earnings per share – basic, Russian Rubles	**37.49**	**34.88**	**30.46**
Basic EPS from continuing operations	37.21	34.53	29.04
Basic EPS from discontinued operations	0.28	0.35	1.42
Earnings per share – diluted, Russian Rubles	**37.30**	**34.86**	**30.41**
Diluted EPS from continuing operations	37.02	34.51	28.99
Diluted EPS from discontinued operations	0.28	0.35	1.42

(Amounts in millions of Russian Rubles unless otherwise stated)

14. 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 comprised the following:

	December 31,	
	2021	**2020**
Cash and cash equivalents at banks and on hand in:		
Russian Rubles	17,911	39,076
US Dollars	1,766	10,597
Euro	2,899	6,433
Turkmenian Manat	367	431
Other	816	959
Short-term deposits with an original maturity of less than 92 days:		
Russian Rubles	16,594	27,857
Other	237	52
Total cash and cash equivalents	**40,590**	**85,405**

15. SHORT-TERM INVESTMENTS

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

Short-term investments are presented net of allowance for expected credit losses (“ECL”).

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

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

		December 31,	
	Category	**2021**	**2020**
Mutual funds (Notes 28)	At FVTPL	10,719	10,699
Assets in Sistema-Capital trust management (Notes 28)	At FVTPL	10,374	10,313
Notes / loans	At amortized cost	6,383	1,007
Deposits	At amortized cost	1,499	1,415
Short-term investments, gross		**28,975**	**23,434**
Allowance for ECL		(3)	-
Total short-term investments		**28,972**	**23,434**

The main change in the amount of short-term investments occurred due to the reclassification of debt securities from other investments in line with the maturity date.

(Amounts in millions of Russian Rubles unless otherwise stated)

16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

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

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

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

The Group presents its share in profits or losses in associates and joint ventures accounted for using the equity method within operating profit if those interests are viewed as part of Group's core operations. As of December 31, 2021, MTS Belarus, Zelenaya Tochka, Factorin and Monumental Vision were considered as part of the Group's core operating activity. Shares in profits and losses of other Group's associates and joint ventures were presented as non-operating items.

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

	Country of operations	Operating activity	December 31, 2021	December 31, 2020
MTS Belarus	Belarus	telecom-munications	6,265	5,124
Zelenaya Tochka	Russia	telecom-munications	141	1,260
YouDo	Russia	classifieds	705	724
Sistema-Rentnaya Nedvizhimost	Russia	property investments mutual fund	-	636
Other unquoted companies	Russia		1,319	811
Total investments in associates accounted for using the equity method			**8,430**	**8,555**
Other unquoted companies accounted for at fair value through profit or loss	Russia		305	-
Total investments in associates			**8,735**	**8,555**

(Amounts in millions of Russian Rubles unless otherwise stated)

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

MTS Belarus

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

	December 31, 2021	December 31, 2020
Assets		
Non-current assets	19,030	20,008
Current assets	15,386	12,705
Liabilities		
Non-current liabilities	(9,062)	(11,257)
Current liabilities	(12,568)	(10,999)
Total identifiable net assets	**12,786**	**10,457**
The Group's share in associate	49%	49%
The Group's share of identifiable net assets	6,265	5,124
Carrying amount of the Group's interest	**6,265**	**5,124**

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

	Year ended December 31,		
	2021	2020	2019
Revenue	39,383	36,121	32,593
Profit for the year	(10,379)	(10,267)	(9,354)
The Group's share of the profit of the associate for the year	**(5,086)**	**(5,031)**	**(4,583)**
Other comprehensive income/(loss) for the year (currency translation adjustment)	(183)	397	842
Total comprehensive income for the year	(10,562)	(9,870)	(8,512)
The Group's share of total comprehensive income of the associate for the year	**(5,175)**	**(4,836)**	**(4,171)**
Dividends received	**4,034**	**4,212**	**3,821**

Zelenaya Tochka

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

In April 2021 the Group performed a step acquisition and obtained control over Achemar Holdings Limited, owner of Stavropol and Tambov subsidiaries of Zelenaya Tochka (Note 5).

As of the acquisition date the Group remeasured the previously held equity interest in Achemar Holdings Limited from RUB 1,166 million to fair value of RUB 1,582 million and recognized the resulting gain of RUB 416 million in the operating share of the profit of the associates and joint ventures in the accompanying consolidated statement of profit or loss.

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

(Amounts in millions of Russian Rubles unless otherwise stated)

Fancy Show

In 2020 the Group formed a partnership with "LLC Fancy Show", for the purposes of production, release and promotion of "Chess" musical in Russia. The Group received the right to 36% net profit of the partnership and accounted for investment as investment in joint venture. The joint venture was ceased in September 2021.

Factorin

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

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

	Year ended December 31,	
	2021	**2020**
Loss for the year	114	3
The Group's share of the loss of the joint venture for the year	**32**	**17**
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**114**	**3**
Gain on remeasurement of previously held interest upon acquisition	(415)	-
Compensation of losses	(96)	-
The Group's share of total comprehensive (income)/loss of the joint venture for the year	**(479)**	**17**

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

YouDo

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

Sistema-Rentnaya Nedvizhimost 1 mutual fund

In December 2018, MTS Bank sold 40.26% share in a property investments mutual fund "Sistema-Rentnaya Nedvizhimost" to Business Nedvizhimost, subsidiary of Sistema, for cash consideration of RUB 450 million. The Group classified the remaining investment in the mutual fund as investment in joint venture, based on the existence of a joint decision-making process and the rights to net assets of the mutual fund. The Group applied the equity method of accounting to its remaining share in the mutual fund. In 2021 the mutual fund was ceased by its owners.

(Amounts in millions of Russian Rubles unless otherwise stated)

SWIPGLOBAL

In December 2019, the Group acquired a 15.01% ownership interest in SWIPGLOBAL Limited (SWIPGLOBAL), a parent company of LLC “Smart wallet”, Russian provider of authorization and payment solutions, for a cash contribution of RUB 75 million. Though the Group holds less than 20% of the equity interests in SWIPGLOBAL, nevertheless it has significant influence over the investee based on its ownership of equity shares, representation on the investee’s Board of Directors and certain additional rights related to the decision-making process on key issues.

Ozon Holdings Limited

In March 2019, the Group disposed its previously held 18.69% interest in OZON to Sistema for RUB 7,902 million (of which RUB 3,000 million was paid by Sistema in 2019, RUB 2,450 million in 2020 and RUB 2,452 million in 2021).

As a result of the transaction the Group recognized a gain on disposal which was included in the non-operating share of the income of the associates and joint ventures in the accompanying consolidated statement of profit or loss:

	2019
Proceeds from disposal	7,902
Less: carrying amount of investment on the date of disposal	(4,065)
Gain recognized*	**3,837**

* A current tax expense of RUB 420 million is attributable to the aforementioned gain.

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

	Year ended December 31,		
	2021	**2020**	**2019**
(Profit)/loss for the year	(856)	(1,048)	2,448
The Group’s share of the (profit)/loss of the associates and joint ventures for the year	**(181)**	**(273)**	**341**
Other comprehensive income for the year	-	-	-
Total comprehensive (income)/loss for the year	(856)	(1,048)	2,448
The Group’s share of total comprehensive (income)/loss of the associate for the year	**(181)**	**(273)**	**341**

Investments in venture capital associates

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

	December 31, 2021	**Fair value adjustment**	**Investment**	**December 31, 2020**
Total investments in associates measured at fair value through profit or loss	305	-	305	-

17. OTHER INVESTMENTS

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

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

(Amounts in millions of Russian Rubles unless otherwise stated)

Other investments are presented net of allowance for expected credit losses (ECL).

Other investments of the Group comprised the following:

	Category	December 31, 2021	December 31, 2020
Debt securities	At amortized cost	2,810	8,764
Investments in equity	FVPL	1,228	400
Loans and unquoted notes	At amortized cost	555	328
Other investments (Gross)		**4,593**	**9,492**
Allowance for ECL		(2)	(4)
Total other investments		**4,591**	**9,488**

The main change in the amount of other investments occurred due to the reclassification of debt securities to short-term investments in line with the maturity date.

18. TRADE AND OTHER RECEIVABLES

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

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

MTS Group accounts for Receivables from handset sales financing as a part of current trade and other receivables and non-current other non-financial assets. These receivables are measured based on fair value basis using effective rate approach. 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, 2021	December 31, 2020
Subscribers	15,240	12,704
Receivables from handset sales financing	12,161	15,785
Other trade receivables	6,213	4,954
Receivables from the sharing agreement	2,164	73
Interconnect	1,640	1,794
Integration services	1,584	1,512
Bonuses from suppliers	892	342
Roaming	800	1,072
Factoring	282	-
Dealers	161	158
Other receivables	2,194	1,260
Allowance for ECL	(3,536)	(4,623)
Trade and other receivables, total	**39,795**	**35,031**
Less non-current portion	(1,898)	(2,163)
Trade and other receivables, current	**37,897**	**32,868**

(Amounts in millions of Russian Rubles unless otherwise stated)

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

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

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

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

(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, 2020:

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	3%	2,087	(62)	No
1 - 30 days past due	5%	9,029	(478)	No
31 - 60 days past due	41%	466	(190)	No
60 - 90 days past due	59%	384	(225)	No
More than 90 days past due	81%	896	(727)	Yes
Total	**13%**	**12,862**	**(1,682)**	

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	3%	7,966	(227)	No
1 - 30 days past due	1%	825	(11)	No
31 - 60 days past due	2%	459	(11)	No
60 - 90 days past due	10%	227	(23)	No
More than 90 days past due	69%	1,530	(1,069)	Yes
Total	**12%**	**11,007**	**(1,341)**	

Receivables from handset sales financing	**Weighted-average loss rate**	**Gross carrying amount**	**Loss allowance (based on provision matrix)**	**Credit-impaired**
Current	2%	13,943	(245)	No
1 - 30 days past due	15%	331	(50)	No
31 - 60 days past due	53%	102	(54)	No
60 - 90 days past due	65%	65	(43)	No
More than 90 days past due	90%	1,344	(1,208)	Yes
Total	**10%**	**15,785**	**(1,600)**	

The following table summarizes changes in the allowance for expected credit losses for the year ended December 31, 2021, 2020 and 2019:

	2021	**2020**	**2019**
Balance, beginning of the year	**(4,623)**	**(4,203)**	**(4,318)**
Allowance for ECL	(1,135)	(3,382)	(4,290)
Accounts receivable written off	2,232	2,719	4,276
Disposal/(Acquisition) of subsidiaries	(10)	243	129
Balance, end of the year	**(3,536)**	**(4,623)**	**(4,203)**

(Amounts in millions of Russian Rubles unless otherwise stated)

19. 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,	
	2021	**2020**
Handsets and accessories	15,201	12,827
Advertising and other materials	1,934	964
Spare parts for telecommunication equipment	180	110
SIM cards and prepaid phone cards	853	726
TV equipment for resale	449	425
Software and equipment for installation and resale	364	152
Total inventories	**18,981**	**15,204**

Other materials mainly consist of automobile and IT components, stationery, fuel and auxiliary materials.

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

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

For the years ended December 31, 2021, 2020 and 2019, cost of goods comprised the following expenses:

	2021	**2020**	**2019**
Amount of inventories recognized as an expense	70,788	62,587	56,761
Inventory obsolescence provision	1,817	1,465	2,564
Reversal of obsolescence provision	(361)	(570)	(453)
Total cost of goods	**72,244**	**63,482**	**58,872**

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.

20. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

(Amounts in millions of Russian Rubles unless otherwise stated)

Balances of cost, accumulated depreciation, net book value as of December 31, 2021, 2020 and 2019 and movements of property, plant and equipment for the year ended December 31, 2021, 2020 and 2019 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, 2019	**593,133**	**33,834**	**54,287**	**25,457**	**706,711**
Additions	4,162	39	1,117	64,398	69,716
Transferred into use	51,130	1,803	12,919	(65,852)	-
Arising on business combinations	194	27	73	4	298
Transfer to assets held for sale	(1,573)	555	-	-	(1,018)
Disposal	(26,870)	(428)	(3,091)	(186)	(30,575)
Disposal of VF Ukraine (Note 11)	(62,196)	(2,128)	(6,966)	(2,060)	(73,350)
Other	730	1,042	(1,125)	80	727
Foreign exchange differences	1,889	(188)	55	55	1,811
December 31, 2019	**560,599**	**34,556**	**57,269**	**21,896**	**674,320**
Additions	(173)	434	729	74,032	75,022
Transferred into use	53,005	1,317	12,286	(66,608)	-
Arising on business combinations	578	4	6	-	588
Disposal of NVISION GROUP (Note 11)	-	-	(314)	(18)	(332)
Transfer to assets held for sale	(2,890)	(475)	(34)	(3)	(3,402)
Disposal	(38,293)	(447)	(4,405)	(255)	(43,400)
Other	(4)	675	30	35	736
Foreign exchange differences	2,286	495	520	74	3,375
December 31, 2020	**575,108**	**36,559**	**66,087**	**29,153**	**706,907**
Additions	2,432	38	801	75,450	78,721
Transferred into use	57,666	748	11,499	(69,913)	-
Arising on business combinations	973	4,601	605	204	6,383
Transfer to assets held for sale	(992)	(1)	(24)	(27)	(1,044)
Disposal	(44,394)	(559)	(5,542)	334	(50,161)
Other	(341)	482	159	(137)	163
Foreign exchange differences	1,306	10	170	12	1,498
December 31, 2021	**591,758**	**41,878**	**73,755**	**35,076**	**742,467**
Accumulated depreciation and impairment					
January 1, 2019	**(380,014)**	**(10,217)**	**(40,037)**	**-**	**(430,268)**
Charge for the year	(47,905)	(1,148)	(5,064)	-	(54,117)
Transfer to assets held for sale	762	(76)	(1)	-	685
Disposal	26,163	256	2,709	-	29,128
Disposal of VF Ukraine (Note 11)	40,717	1,056	5,540	-	47,313
Other	(962)	(616)	628	-	(950)
Foreign exchange differences	(767)	174	(39)	-	(632)
December 31, 2019	**(362,006)**	**(10,571)**	**(36,264)**	**-**	**(408,841)**
Charge for the year	(43,220)	(1,153)	(5,696)	-	(50,069)
Disposal of NVISION GROUP (Note 11)	-	-	236	-	236
Transfer to assets held for sale	1,899	146	(7)	-	2,038
Disposal	33,058	343	4,165	-	37,566
Other	(5)	(133)	(34)	-	(172)
Foreign exchange differences	(1,968)	(397)	(496)	-	(2,861)
December 31, 2020	**(372,242)**	**(11,765)**	**(38,096)**	**-**	**(422,103)**
Charge for the year	(44,387)	(1,204)	(7,548)	-	(53,139)
Transfer to assets held for sale	1,247	1	15	-	1,263
Disposal	38,225	435	5,062	-	43,722
Other	277	(99)	(4)	-	174
Foreign exchange differences	(1,016)	(6)	(112)	-	(1,134)
December 31, 2021	**(377,896)**	**(12,638)**	**(40,683)**	**-**	**(431,217)**
Net book value					
December 31, 2020	**202,866**	**24,794**	**27,991**	**29,153**	**284,804**
December 31, 2021	**213,862**	**29,240**	**33,072**	**35,076**	**311,250**

(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, 2021, 2020 and 2019 totaled RUB 2,403 million, RUB 1,510 million and RUB 2,034 million, respectively. This was included in the accompanying consolidated statements of profit or loss as component of other operating income.

21. 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 22).

Presentation of goodwill by reportable segments for the year ended December 31, 2020 was changed to reflect changes in reportable segments disclosed in Note 6.

The change in the net carrying amount of goodwill for the years ended December 31, 2021 and 2020 by reportable segments was as follows:

	Telecom	Other	Total
Balance at January 1, 2020			
Gross amount of goodwill	32,801	11,380	44,181
Accumulated impairment loss	(1,466)	(4,040)	(5,506)
	31,335	**7,340**	**38,675**
Acquisitions (Note 5)	-	282	282
Reclassification (Note 6)	(1,877)	1,877	-
Impairment (Note 22)	-	(1,281)	(1,281)
Currency translation adjustment	-	365	365
Balance at December 31, 2020			
Gross amount of goodwill	30,924	13,904	44,828
Accumulated impairment loss[(1)]	(1,466)	(5,321)	(6,787)
	29,458	**8,583**	**38,041**
Acquisitions (Note 5)	4,337	46	4,383
Reclassification (Note 6)	253	(253)	-
Impairment (Note 22)	-	-	-
Currency translation adjustment	-	395	395
Balance at December 31, 2021			
Gross amount of goodwill	35,514	14,092	49,606
Accumulated impairment loss[(1)]	(1,466)	(5,321)	(6,787)
	34,048	**8,771**	**42,819**

(1) Accumulated impairment loss of Other segments consists of impairment loss of CGU "Armenia" (RUB 3,516 million), impairment loss of CGU "Oblachnyi retail" (RUB 524 million) and impairment loss of CGU "Entertainment" (RUB 1,281 million).

22. IMPAIRMENT REVIEW

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

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

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

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

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

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

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

For the purposes of impairment testing the Group has assessed the effects of COVID-19 pandemic on Group’s business and financial situation (as disclosed in Note 3) for impairment indicators. The Group has adjusted estimations of future cash flows to reflect its estimates of impact of the pandemic factors. The impairment charge recognized and discussed below is based on expected cash flows after applying these adjustments.

Moscow Fixed Line

In 2021 management of the Group has changed the composition of operating segments, by dividing operations of the Group’s subsidiary MGTS (previously constituted “Moscow Fixed Line” reportable segment) into two operating segments, as disclosed in Note 6. The described change in composition of operating segments led to separation of “Moscow fixed line” into two CGU – “MGTS commercial” and “MGTS service”.

Entertainment

Due to restrictive measures implemented by government in respect to mass events and gatherings ticket sales dropped significantly in 2020. Group management adjusted its expectations of Ticketland and Ponominalu operating performance to reflect significant reduction of business activities and time needed for recovery. The recoverable amount was in total equal to RUB 2,658 million as of June 30, 2020. As a result of impairment test the Group recognized impairment of goodwill related to Ticketland and Ponominalu in the aggregate amount of RUB 1,281 million for the year ended December 31, 2020.

Kinopolis

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

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

(Amounts in millions of Russian Rubles unless otherwise stated)

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

MTS Turkmenistan

During the years ended December 31, 2021, 2020 and 2019 MTS Turkmenistan sold a number of long-lived assets impaired in prior periods, hence the reversal of the impairment in the amount of gain from disposal of RUB 10 million, RUB 66 million and RUB 148 million, respectively, was recognized in the accompanying consolidated statements of profit or loss.

Impairment losses and reversal of the impairment charges recognized during the years ended December 31, 2021, 2020 and 2019 are attributable to operating segments, reported as a part of the "Other" category (Note 6).

The total amount of impairment loss and reversal of impairment charges for the year ended December 31, 2021, 2020 and 2019 was allocated to the long-lived assets carrying amounts as follows:

	2021	**2020**			**2019**
	MTS Turkmeni-stan	**Entertainment**	**Kinopolis**	**MTS Turkmeni-stan**	**MTS Turkmeni-stan**
Goodwill		1,281	-	-	-
Property, plant and equipment	(10)	-		(66)	(114)
Investment property		-	807	-	-
Other intangible assets		-	-	-	(34)
Total	**(10)**	**1,281**	**807**	**(66)**	**(148)**

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	**2021**	**2020**
Russia Convergent	41.3%-46.9%	43.2%-44.3%
Armenia	53.5%-60.3%	51.8%-54.0%
MGTS Commercial	59.9%-63.0%	Not available
MGTS Service	42.5%-51.8%	Not available
Nvision Czech Republic	4.3%-5.0%	3.5%-5.2%
Entertainment	4.8%-12%	8.8%-32%
Cloud	37.7%-67.3%	41.3%-69.0%

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

	December 31,	
CGU	**2021**	**2020**
Russia Convergent	18%	20.9%
Armenia	22%	22.2%
MGTS Commercial	16%	Not available
MGTS Service	16%	Not available
Nvision Czech Republic	1%	1.2%
Entertainment	3%	0.0%
Cloud	17%	15.4%

(Amounts in millions of Russian Rubles unless otherwise stated)

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

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

	December 31,	
CGU	**2021**	**2020**
Russia Convergent	1%	1%
Armenia	nil	nil
MGTS Commercial	1%	Not available
MGTS Service	1%	Not available
Nvision Czech Republic	2%	2%
Entertainment	1.5%	1.5%
Cloud	1%	1%

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

	December 31,	
CGU	**2021**	**2020**
Russia Convergent	10.1%	11.4%
Armenia	11.2%	13.3%
MGTS Commercial	12.7%	Not available
MGTS Service	9.9%	Not available
Nvision Czech Republic	6.0%	6.1%
Entertainment	13.1%	13.6%
Cloud	13.6%	13.2%

23. OTHER INTANGIBLE ASSETS

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

Balances of historical cost, accumulated amortization, net book value as of December 31, 2021 and 2020 and movements of other intangible assets for the year ended December 31, 2021, 2020 and 2019 were as follows:

(Amounts in millions of Russian Rubles unless otherwise stated)

	Licenses	Right to use radio frequencies	Billing and other software	Client base	Numbering capacity	Cost to obtain contracts	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 10***	
Cost								
January 1, 2019	**39,627**	**6,648**	**138,564**	**8,790**	**2,868**	**23,360**	**3,606**	**223,463**
Additions	1,106	(38)	27,921	-	(2)	10,290	366	39,643
Arising on business combinations (Note 5)	-	-	6	(37)	2	-	61	32
Disposal of VF Ukraine (Note 11)	(19,149)	-	(15,770)	-	(136)	(1,826)	(692)	(37,573)
Impairment	-	(26)	-	-	-	-	-	(26)
Disposal	(84)	(865)	(11,564)	(2,823)	(64)	(18,281)	(208)	(33,889)
Other	4	(1)	93	-	-	-	(81)	15
Foreign exchange differences	201	(29)	718	-	9	92	44	1,035
December 31, 2019	**21,705**	**5,689**	**139,968**	**5,930**	**2,677**	**13,635**	**3,096**	**192,700**
Additions	1,466	(11)	35,277	-	15	10,390	1,941	49,078
Arising on business combinations (Note 5)	-	-	-	-	-	-	-	-
Disposal of NVISION GROUP (Note 11)	-	-	(311)	-	-	-	-	(311)
Reclassification into assets for sale	-	-	(184)	-	-	-	-	(184)
Impairment	-	43	(167)	-	-	-	(2)	(126)
Disposal	(108)	(172)	(28,035)	(73)	(24)	(9,758)	(1,033)	(39,203)
Other	25	30	(83)	-	-	-	(1)	(29)
Foreign exchange differences	913	-	386	-	-	-	4	1,303
December 31, 2020	**24,001**	**5,579**	**146,851**	**5,857**	**2,668**	**14,267**	**4,005**	**203,228**
Additions	1,350	-	34,421	-	75	3,653	5,494	44,993
Arising on business combinations (Note 5)	-	-	571	1,147	174	-	576	2,468
Reclassification into assets for sale	-	-	(17)	-	-	-	-	(17)
Impairment	(1)	21	-	-	-	-	-	20
Disposal	(39)	(233)	(14,783)	(680)	(251)	(3,287)	(1,064)	(20,337)
Other	-	1	(97)	-	-	-	(9)	(105)
Foreign exchange differences	992	-	381	-	-	-	(1)	1,372
December 31, 2021	**26,303**	**5,368**	**167,327**	**6,324**	**2,666**	**14,633**	**9,001**	**231,622**
Accumulated amortisation and impairment								
January 1, 2019	**(16,113)**	**(4,586)**	**(80,785)**	**(5,258)**	**(2,754)**	**(16,343)**	**(1,662)**	**(127,501)**
Charge for the year	(2,911)	(372)	(24,394)	(603)	(41)	(6,887)	(374)	(35,582)
Disposal of VF Ukraine (Note 11)	5,155	-	12,657	-	129	1,208	301	19,450
Effect on assets impairment	-	-	-	-	-	-	-	-
Disposal	25	831	11,065	2,813	64	18,281	196	33,275
Other	(2)	-	(24)	-	-	(2,573)	17	(2,582)
Foreign exchange differences	664	29	(615)	-	(9)	(80)	(20)	(31)
December 31, 2019	**(13,182)**	**(4,098)**	**(82,096)**	**(3,048)**	**(2,611)**	**(6,394)**	**(1,542)**	**(112,971)**
Charge for the year	(1,266)	(367)	(25,146)	(431)	(27)	(9,964)	(345)	(37,546)
Disposal of NVISION GROUP (Note 11)	-	-	77	-	-	-	-	77
Disposal	71	160	27,953	72	24	9,758	402	38,440
Other	(10)	(31)	81	-	-	-	2	42
Foreign exchange differences	(894)	-	(275)	-	-	-	2	(1,167)
December 31, 2020	**(15,281)**	**(4,336)**	**(79,406)**	**(3,407)**	**(2,614)**	**(6,600)**	**(1,481)**	**(113,125)**
Charge for the year	(1,443)	(349)	(29,737)	(631)	(35)	(3,424)	(1,867)	(37,486)
Disposal	3	228	14,716	679	249	3,288	920	20,083
Other	-	-	204	-	-	-	16	220
Foreign exchange differences	(971)	-	(211)	-	-	-	-	(1,182)
December 31, 2021	**(17,692)**	**(4,457)**	**(94,434)**	**(3,359)**	**(2,400)**	**(6,736)**	**(2,412)**	**(131,490)**
Net book value								
December 31, 2020	**8,720**	**1,243**	**67,445**	**2,450**	**54**	**7,667**	**2,524**	**90,103**
December 31, 2021	**8,611**	**911**	**72,893**	**2,965**	**266**	**7,897**	**6,589**	**100,132**

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. In foreign subsidiaries, the licenses are granted by the local communication authorities.

(Amounts in millions of Russian Rubles unless otherwise stated)

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. All licenses covering the territories of the Russian Federation expired as of December 31, 2021 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 two and half years.

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

Contractual obligations to purchase intangible assets are disclosed in the Note 34.

24. 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, 2021	December 31, 2020
Notes	191,996	208,155
Bank and other loans	270,143	221,113
Total borrowings	**462,139**	**429,268**
Less: current portion	(111,839)	(34,125)
Total borrowings, non-current	**350,300**	**395,143**

Notes – The Group's notes consisted of the following:

	Currency	Interest rate (actual at December 31, 2021)	December 31, 2021	December 31, 2020
MTS International Notes due 2023	USD	5.00%	33,291	33,091
MTS PJSC Notes due 2022	RUB	7.70%	14,991	14,980
MTS PJSC Notes due 2025	RUB	8.00%	14,990	14,987
MTS PJSC Notes due 2023	RUB	6.85%	14,982	14,971
MTS PJSC Notes due 2027	RUB	6.60%	14,975	14,971
MTS PJSC Notes due 2022	RUB	9.00%	10,000	9,998
MTS PJSC Notes due 2026	RUB	7.90%	9,999	9,998
MTS PJSC Notes due 2022	RUB	5.50%	9,995	9,984
MTS PJSC Notes due 2022	RUB	6.45%	9,994	9,988
MTS PJSC Notes due 2025	RUB	7.25%	9,993	9,990
MTS PJSC Notes due 2024	RUB	8.70%	9,991	9,986
MTS PJSC Notes due 2023	RUB	6.50%	9,923	9,860
MTS PJSC Notes due 2024	RUB	8.60%	7,491	7,488
MTS PJSC Notes due 2027	RUB	6.60%	6,983	6,980
MTS PJSC Notes due 2022	RUB	8.40%	4,997	4,994
MTS PJSC Notes due 2026	RUB	6.60%	4,992	4,990
MTS PJSC Notes due 2024	RUB	6.50%	4,319	-
MTS PJSC Notes due 2031	RUB	7.50%	78	891
MTS PJSC Notes due 2021	RUB	8.85%	-	9,999
MTS PJSC Notes due 2021	RUB	7.10%	-	9,997
Other			12	12
Total notes			**191,996**	**208,155**
Less: current portion			(49,923)	(20,813)
Total notes, non-current			**142,073**	**187,342**

(Amounts in millions of Russian Rubles unless otherwise stated)

The Group has an unconditional obligation to repurchase certain MTS PJSC Notes at par value if claimed by the noteholders subsequent to the announcement of the sequential coupon. The date of the announcement for the particular note issue is as follows:

MTS PJSC Notes due 2031	February 2026

The Group discloses these notes as maturing in 2026 (MTS PJSC Notes due 2031) in the aggregated maturities schedule as the noteholders have the unilateral right to demand repurchase of the notes at par value upon announcement of new coupons.

Bank and other loans – The Group's loans from banks and financial institutions consisted of the following:

	Maturity	**Interest rate (actual at December 31, 2021)**	**December 31, 2021**	**December 31, 2020**
RUB-denominated:				
Sberbank	2022-2024	5.99%-CBR[1] key rate + 1.19%	135,000	85,001
VTB	2024-2026	CBR[1] key rate + 0.50% - CBR[1] key rate + 1.25%	129,307	129,091
Related party loans	2022-2024	8.70% - CBR[1] key rate	1,968	1,803
Subsidized loans	2025	0,1 CBR[1] key rate + 2.42%	1,769	1,845
Other			2,099	3,373
Total bank and other loans			**270,143**	**221,113**
Less: current portion			(61,916)	(13,312)
Total bank and other loans, non-current			**208,227**	**207,801**

[1] CBR – Central Bank of Russia

Subsidized loans – In the end of 2020 the Group signed a credit line with VEB.RF at a preferential interest rate provided for under a special program aimed at stimulating local IT development overseen by the Russian Ministry of Digital Development, Communications, and Mass Media. The credit program subsidizes creditors in issuing loans at annual interest rates of between 1% and 5% for projects that involve the purchasing or licensing of locally-developed software and hardware, as well as spending on local IT labor and training. Also on June 30, 2020 the Group entered into a subsidized credit facility agreement with VTB. The facility was a revolving credit line, which allowed the Group to borrow up to RUB 1,702 million. The principal and interest accumulated under this credit facility have been fully utilised as part of government support related to COVID-19 and accounted for as deduction of related expenses in the consolidated statement of profit or loss for 2021.

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

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

(Amounts in millions of Russian Rubles unless otherwise stated)

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, 2021.

Available credit facilities – As of December 31, 2021, the Group's total available unused credit facilities amounted to RUB 207,323 million and related to the following credit lines:

	Currency	Maturity	Interest rate	Available till	Available amount
Sberbank	RUB	2025	To be agreed	August 2025	130,000
NDB	USD	2028	LIBOR+ 1.75%	July 2022	22,288
Sberbank	RUB	2024	To be agreed	August 2024	20,000
Sberbank	RUB	2024	To be agreed	May 2024	15,000
Rosselhozbank	RUB/USD/EUR	2022	To be agreed	November 2022	7,000
VTB	RUB	2028	To be agreed	August 2028	5,000
SPB	RUB	2024	To be agreed	January 2024	3,000
VEB	RUB	2025	0.1 CBR key rate[1] + 2.42%	November 2023	2,490
ZTV	RUB	2022	CBR key rate[1]	July 2022	1,060
VEB	RUB	2025	0.1 CBR key rate[1] + 2.47%	November 2023	970
Cisco	RUB	2023	To be agreed	July 2022	515
Total					**207,323**

[1] CBR – Central Bank of Russia

In addition, the Group has a credit facility made available by Citibank at an interest rate of MosPrime + 1.50%, with the available amount set up on request and to be repaid within 182 days.

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, 2026 and thereafter:

	December 31, 2021	
	Notes	**Bank loans and other debt**
Payments due in the year ending December 31,		
2022	62,772	83,862
2023	66,809	58,523
2024	27,346	72,799
2025	28,529	93,385
2026	17,448	15,136
Thereafter	22,477	-
Contractual undiscounted cash flows	**225,381**	**323,705**
Less: unamortized debt issuance costs	(184)	-
Less: interest	(33,201)	(52,628)
Less: debt modification	-	(693)
Less: subsidized interest rate effect	-	(241)
Total debt	**191,996**	**270,143**

(Amounts in millions of Russian Rubles unless otherwise stated)

25. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

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

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

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

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

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

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,	
	2021	**2020**
Sites for placement of network and base station equipment	91,566	93,948
Land and buildings	40,572	36,468
Vehicles and other	205	87
Right-of-use assets, net	**132,343**	**130,503**

(Amounts in millions of Russian Rubles unless otherwise stated)

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

	2021	2020	2019
Sites for network and base station equipment	11,448	6,903	6,900
Land and buildings	8,328	11,903	11,968
Vehicles and other	103	43	404
Exclusive rights for trademarks	-	-	693
Depreciation charge, total	**19,879**	**18,849**	**19,965**

Depreciation of the right-of-use assets for the years ended December 31, 2021, 2020 and 2019 of RUB nill, RUB 3 million and RUB 1,644 million, respectively, was recognized as part of loss from discontinued operation in the accompanying consolidated statements of profit or loss.

Additions to the assets leased during the years ended December 31, 2021, 2020 and 2019 amounted to RUB 17,510, RUB 13,102 and RUB 20,436 million.

Interest expense accrued on lease obligations for the years ended December 31, 2021, 2020 and 2019 in the amount of RUB 11,820, RUB 12,277 and RUB 13,416 million, respectively, were included in finance costs, whereas RUB nill, RUB 1 and RUB 1,246 million, respectively were recognized as part of loss from discontinued operation in the accompanying consolidated statements of profit or loss.

For the years ended December 31, 2021, 2020 and 2019, expenses recognized in respect of variable lease payments not included on the measurement of lease liabilities and short-term leases amounted to:

	2021	2020	2019
Variable lease payments	10,623	9,542	8,522
Short-term leases	310	195	203
Total	**10,933**	**9,737**	**8,725**

The following table presents future minimum lease payments under lease arrangements together with the present value of the net minimum lease payments as of December 31, 2021 and 2020:

	December 31,	
	2021	**2020**
Minimum lease payments, including:		
Current portion (less than 1 year)	29,758	27,094
More than 1 to 5 years	101,965	98,737
Over 5 years	91,031	93,520
Total minimum lease payments	**222,754**	**219,351**
Less amount representing interest	(68,245)	(68,537)
Present value of net minimum lease payments, including:		
Current portion (less than 1 year)	18,709	16,177
More than 1 to 5 years	70,818	66,784
Over 5 years	64,982	67,853
Total present value of net minimum lease payments	**154,509**	**150,814**
Less current portion of lease obligations	(18,709)	(16,177)
Non-current portion of lease obligations	**135,800**	**134,637**

Total cash outflows for leases for the years ended December 31, 2021, 2020 and 2019 totaled to RUB 38,996, RUB 36,963 and RUB 38,545 million, of which RUB 11,548, RUB 12,173 and RUB 14,666 million was included in interest paid.

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

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

For the year ended December 31, 2020 the Group recognized gain related to termination of lease agreements and rent holidays for retail outlets in the amount of RUB 464 and RUB 286 million, respectively.

(Amounts in millions of Russian Rubles unless otherwise stated)

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCIAL ACTIVITIES

	December 31, 2020	Financing cash flows	Operating cash flows	Acquisitions/ Disposals	Foreign exchange movement	Other comprehensive income	Change in fair value	Change in retained earnings	Other changes[1]	December 31, 2021
Notes (Note 24)	208,155	(16,504)	-	-	187	-	-	-	158	191,996
Bank and other loans (Note 24)	221,113	48,718	-	1,735	-	(10)	-	-	(1,413)	270,143
Lease obligation (Note 0)	150,814	(16,516)	(11,548)	146	45	72	-	-	31,496	154,509
Payables related to repurchase of common stock (Note 32)	-	(21,483)	-	-	-	-	-	-	21,483	-
Dividends payable (Note 32)	109	(61,955)	-	-	-	-	-	61,967	(53)	68
Payables related to transactions under common control	-	(3,474)	-	-	-	-	-	-	3,474	-
Liability under put option agreement	62	-	-	-	-	-	(62)	-	-	-
Derivative instruments	(3,591)	-	-	-	(125)	-	-	-	426	(3,290)
Total liabilities arising from financial activities	**576,662**	**(71,214)**	**(11,548)**	**1,881**	**107**	**62**	**(62)**	**61,967**	**55,571**	**613,426**

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

(Amounts in millions of Russian Rubles unless otherwise stated)

	December 31, 2019	Financing cash flows	Operating cash flows	Acquisitions/ Disposals	Foreign exchange movement	Other comprehensive income	Change in fair value	Change in retained earnings	Other changes[1]	December 31, 2020
Notes (Note 24)	183,935	18,590	-	-	7,674	-	-	-	(2,044)	208,155
Bank and other loans (Note 24)	159,384	60,055	-	26	-	-	-	-	1,648	221,113
Lease obligation (Note 0)	155,308	(15,054)	(12,173)	(145)	1,405	150			21,323	150,814
Payables related to repurchase of common stock (Note 32)	-	(16,028)	-	-	-	-	-	-	16,028	-
Dividends payable (Note 32)	23,080	(74,923)	-	-	-	-	-	52,012	(60)	109
Payables related to transactions under common control	22	-	-	-	-	-	-	-	(22)	-
Liability under put option agreement	73	-	-	-	-	-	(53)	-	42	62
Derivative instruments	955	-	(449)	-	(3,582)	-	-	-	(515)	(3,591)
Total liabilities arising from financial activities	**522,757**	**(27,360)**	**(12,622)**	**(119)**	**5,497**	**150**	**(53)**	**52,012**	**36,400**	**576,662**

(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.

27. PROVISIONS

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

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

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

(Amounts in millions of Russian Rubles unless otherwise stated)

The following table summarizes the movement in provisions for the years ended December 31, 2021, 2020 and 2019:

	Tax provisions other than for income tax	Provision for decommis-sioning and restoration	Employee bonuses and other rewards	SEC provision (Note 34)	Litigation and Other provisions (Note 34)	Total provisions
January 1, 2019	**(252)**	**(3,109)**	**(10,378)**	**(59,050)**	**(1,513)**	**(74,302)**
Arising during the year	(410)	(2,341)	(16,896)	-	(208)	(19,855)
Utilised	19	19	16,055	55,607	527	72,227
Discount rate adjustment and imputed interest (change in estimates)	-	42	(12)	-	-	30
Unused amounts reversed	34	-	523	-	155	712
Arising due to acquisitions of subsidiaries	-	-	(9)	-	-	(9)
Disposal of VF Ukraine	50	760	672	-	126	1,608
Other	(4)	(159)	2	3,443	20	3,302
December 31, 2019	**(563)**	**(4,788)**	**(10,043)**	**-**	**(893)**	**(16,287)**
Current portion	(563)	(126)	(9,944)	-	(893)	(11,526)
Non-current portion	-	(4,662)	(99)	-	-	(4,761)
January 1, 2020	**(563)**	**(4,788)**	**(10,043)**	**-**	**(893)**	**(16,287)**
Arising during the year	(211)	(914)	(14,770)	-	(3,860)	(19,755)
Utilised	29	54	16,489	-	137	16,709
Discount rate adjustment and imputed interest (change in estimates)	1	(138)	67	-	-	(70)
Unused amounts reversed	8	513	(125)	-	114	510
Arising due to acquisitions of subsidiaries	-	-	-	-	-	-
Disposal of Nvision Group	115	-	245	-	9	369
Other	-	-	(62)	-	(2)	(64)
December 31, 2020	**(621)**	**(5,273)**	**(8,199)**	**-**	**(4,495)**	**(18,588)**
Current portion	(621)	(229)	(8,115)	-	(4,495)	(13,460)
Non-current portion	-	(5,044)	(84)	-	-	(5,128)
January 1, 2021	**(621)**	**(5,273)**	**(8,199)**	**-**	**(4,495)**	**(18,588)**
Arising during the year	(74)	(2,329)	(17,860)	-	(1,862)	(22,125)
Utilised	161	31	13.258	-	1,736	15,186
Discount rate adjustment and imputed interest (change in estimates)	-	(145)	4	-	-	(141)
Unused amounts reversed	488	226	580	-	(2)	1 292
Arising due to acquisitions of subsidiaries	(207)	-	(159)	-	(3)	(369)
Other	(1)	-	(18)	-	(3)	(22)
December 31, 2021	**(254)**	**(7,490)**	**(12,394)**	**-**	**(4,629)**	**(24,767)**
Current portion	(254)	(284)	(12,312)	-	(4,629)	(17,479)
Non-current portion	-	(7,206)	(82)	-	-	(7,288)

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

(Amounts in millions of Russian Rubles unless otherwise stated)

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

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

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

Level 3 – No observable pricing inputs in the market.

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

1. Financial assets of the Group

	December 31,	
	2021	**2020**
Cash and cash equivalents (Note 14)	**40,590**	**85,405**
Trade and other receivables (Note 18)	**39,795**	**35,031**
Accounts receivable, related parties (Note 31)	**7,287**	**14,189**
Other financial assets:		
Financial assets at amortized cost:		
Deposits and loans issued	208,018	118,594
Notes	9,158	9,583
Other	2,138	2,196
Total financial assets at amortized cost	**219,314**	**130,373**
Financial assets at fair value through profit or loss:		
Securities held by MTS Bank and Sistema Capital	25,687	21,824
Mutual funds	10,719	10,699
Assets in Sistema Capital trust management	10,374	10,313
Cross-currency swaps not designated as hedges	4,627	4,508
Contingent consideration (Note 11)	1,867	2,631
Investments in equity	1,228	-
Embedded derivatives in a lease agreement	434	562
Assets under option agreements	112	228
Currency forwards, swaps and options not designated as hedges	110	2
Total financial assets at fair value through profit or loss	**55,158**	**50,767**
Total other financial assets	**274,472**	**181,140**
Total financial assets	362,144	315,765
Less current portion	(224,862)	(227,338)
Total financial assets, non-current	**137,282**	**88,427**

(Amounts in millions of Russian Rubles unless otherwise stated)

2. Financial liabilities of the Group

	December 31, 2021	December 31, 2020
Trade and other payables	**72,078**	**56,017**
Accounts payable, related parties (Note 31)	**4,107**	**3,146**
Other financial liabilities:		
Financial liabilities at amortized cost:		
Bank and other loans (Note 24)	270,143	221,113
Notes (Note 24)	191,996	208,155
Bank deposits and liabilities (Note 30)	221,368	167,677
Lease obligations (Note 0)	154,509	150,814
Total financial liabilities at amortized cost	**838,016**	**747,759**
Financial liabilities at fair value through profit or loss:		
Contingent consideration and other liabilities	383	1,068
Liabilities under option agreements	-	55
Total financial liabilities at fair value through profit or loss	**383**	**1,123**
Total other financial liabilities	**838,399**	**748,882**
Total financial liabilities	914,584	808,045
Less current portion	(413,990)	(276,368)
Total financial liabilities, non-current	**500,594**	**531,677**

The fair value measurement of the Group's derivative instruments and investments in Sistema Capital trust management is based on the observable yield curves for similar instruments and represents the estimated amount the Group would receive or pay to terminate these agreements at the reporting date, taking into account current interest rates, foreign exchange spot and forward rates. The investment in mutual investment funds is measured at fair value of the Group's share in net assets of funds.

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, 2021	December 31, 2020
Assets			
Securities held by MTS Bank and Sistema Capital	Level 1	25,687	21,824
Derivative instruments	Level 2	4,736	4,510
Cross-currency swaps not designated as hedges		*4,627*	*4,508*
Currency forwards, swaps and options		*110*	*2*
Mutual investment funds, managed by Sistema Capital (Note 15)	Level 2	*10,719*	10,699
Assets in Sistema Capital trust management (Note 15)	Level 2	10,374	10,313
Embedded derivatives in a lease agreement	Level 2	434	562
Contingent consideration	Level 3	1,867	2,631
Investments in equity	Level 3	1,228	-
Assets under option agreements	Level 3	112	228
Liabilities			
Contingent consideration	Level 3	(188)	(944)
Liabilities under option agreements	Level 3	-	(55)

(Amounts in millions of Russian Rubles unless otherwise stated)

Net realized gains and losses of Level 3 assets and liabilities resulting from fair value measurements were included in net foreign exchange (gain) / loss and change in fair value of financial instruments and profit from discontinued operations in the consolidated statements of profit or loss in the following amounts:

	For the years ended December 31,		
	2021	**2020**	**2019**
Net realized gains of Level 3 assets	2,263	846	2,013
Net realized losses of Level 3 liabilities	(420)	(39)	(1,813)
	1,843	**807**	**200**

Net unrealized gains and losses of Level 3 assets and liabilities resulting from fair value measurements were included in net foreign exchange (gain) / loss and change in fair value of financial instruments in the consolidated statements of profit or loss in the following amounts:

	For the years ended December 31,		
	2021	**2020**	**2019**
Net unrealized gains of Level 3 assets	385	-	-
Net unrealized gains/(losses) of Level 3 liabilities	391	-	-
	776	**-**	**-**

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 borrowings, gross of debt issuance cost, as disclosed in the table below:

		December 31, 2021		December 31, 2020	
	Level of inputs	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**
Notes	Level 1	(173,903)	(174,984)	(200,198)	(191,142)
Unquoted notes	Level 3	(17,012)	(17,012)	(17,012)	(17,012)
Bank and other loans (Note 24)	Level 3	(267,405)	(270,143)	(221,113)	(221,113)
		(458,320)	**(462,139)**	**(438,323)**	**(429,267)**

The carrying value of the Group's bank and other loans approximates their fair value as of December 31, 2021 and 2020.

While management has used available market information in estimating the fair value of its financial instruments, the market information may not be fully reflective of the value that could be realized in the current circumstances.

There were no transfers between levels of inputs within the hierarchy during the years ended December 31, 2021, 2020 and 2019.

There were no transfers between the accounting categories of financial instruments during the years ended December 31, 2021 and 2019.

During the year ended December 31, 2019 several of the Group's swap agreements in the amount of RUB 678 million were transferred from accounting category "financial assets at fair value through other comprehensive income" to category "financial assets at fair value through profit or loss" as a result of termination of hedging relationships due to the early redemption of hedged loans.

29. FINANCIAL RISK MANAGEMENT

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

Capital risk

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

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

MTS Bank meets the requirements established by the CBR. As of December 31, 2021 and 2020, the capital adequacy ratio of MTS Bank in accordance with CBR requirements were:

- 12.54% and 13.7% for own capital;
- 9.65% and 9.89% for base capital;
- 10.83% and 7.78% for main capital, respectively.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. The Group is primarily exposed to the following types of market risks: interest rate risk and currency exchange rates fluctuations. Financial instruments affected by market risk include loans and borrowings, deposits, accounts payable and accounts receivables denominated in foreign currencies and derivative financial instruments. The sensitivity analyses in the following sections relate to the financial position as of December 31, 2021 and 2020.

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 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 8.3% and 7.4% of the Group's notes and bank loans with fixed rates outstanding as of December 31, 2021 and 2020.

The notional amounts of interest rate derivative instruments outstanding amounted to RUB 22,288 million and RUB 22,163 million as of December 31, 2021 and 2020, respectively.

Sensitivity analysis

A reasonably possible increase of 100 basis points in short term interest rates would have resulted in RUB 1,523 million, RUB 1,166 million and RUB 271 million future increases of interest expense for the years ended December 31, 2021, 2020 and 2019, respectively. The same decrease in short term interest rates would have resulted in RUB 1,523 million, RUB 1,166 million and RUB 271 million future decreases of interest expenses for the years ended December 31, 2021, 2020 and 2019, respectively. There will be no material impact on equity.

(Amounts in millions of Russian Rubles unless otherwise stated)

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

Foreign currency risks

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

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

In aggregate the Group entered into cross-currency interest rate swap agreements designated to manage the exposure of changes in currency exchange rate for 66.8% and 66.7% of its USD-denominated notes and bank loans outstanding as of December 31, 2021 and 2020 respectively.

The notional amounts of currency derivative instruments outstanding amounted to RUB 22,288 million and RUB 22,163 million as of December 31, 2021 and 2020 respectively.

The Group has entered into currency forward and swaps agreements to minimize the foreign currency risk. The contracts assumed the purchase or sale of the agreed amount of currency at a specified exchange rate and on a specific date. The rate was determined by the market spot rate upon issuance. As the result of currency forward and swap agreements, unfulfilled as of December 31, 2021, 2020 and 2019, the Group recognized RUB 83 million loss, RUB 1,136 million gain and RUB 701 million gain the consolidated statement of profit and loss for the years ended December 31, 2021, 2020 and 2019, respectively.

The notional amounts of currency forward and swap instruments, outstanding as of December 31, 2021 and 2020, amounted to RUB 9,993 million and RUB 7,911 million, respectively.

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

	Change in rate, USD	**USD - effect on profit before tax RUB mln**	**Change in rate, EUR**	**EUR - effect on profit before tax RUB mln**
2021	+15%	(856)	+15%	(1,012)
	-15%	856	-15%	1,012
2020	+10%	786	+10%	(682)
	-10%	(1,291)	-10%	682
2019	+5%	2,516	+1%	120
	-5%	(2,516)	-1%	(120)

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

There will be no material impact on equity.

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

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

Liquidity risk

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

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

Securities held by MTS Bank which are accounted for at fair value through profit and loss 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 0.

As at December 31, 2021, the Group's consolidated current liabilities exceeded current assets by RUB 210,120 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 207,323 million (Note 24).

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.

(Amounts in millions of Russian Rubles unless otherwise stated)

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, 2021, and 2020 to be as follows:

	December 31,	
	2021	2020
Deposits and loans issued	208,018	118,594
Cash and cash equivalents	40,590	85,405
Trade and other receivables	39,795	35,031
Securities held by MTS Bank	24,737	21,824
Mutual funds	10,719	10,699
Assets in Sistema Capital trust management	10,374	10,313
Notes	9,158	9,583
Derivative financial instruments	5,171	5,072
Contingent consideration	1,867	2,631
Investments in equity	1,228	400
Assets under option agreements	112	228
Other	3,088	1,796

Information on the Group's exposure to credit risk on guarantees issued and commitments on loans of MTS Bank is presented in Note 0.

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. Credit rating assigned by international rating agencies is a main criteria to consider in the process of financial institutions selection.

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

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

(Amounts in millions of Russian Rubles unless otherwise stated)

30. MTS BANK FINANCIAL ASSETS AND LIABILITIES

MTS Bank operations in Russia are susceptible to risks as disclosed in Note 34.

The Group conducts stress testing to determine its exposure to significant types of risk, as well as to assess the risks of the threat of the global COVID-19 pandemic.

In July 2021, Fitch Ratings changed the outlook on the MTS Bank's rating from “Stable” to “Positive”, following the upward revision of outlook for MTS PJSC. The agency also noted the strengthening of the MTS Bank's synergy with the parent telecommunications company.

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, 2021 and 2020.

	December 31,	
	2021	2020
Loans to customers	223,566	130,164
Due from banks	3,514	2,950
Allowance for ECL	(21,144)	(16,446)
Total bank deposits and loans to customers, net	**205,936**	**116,668**
Less: current portion	(87,594)	(52,676)
Bank deposits and loans to customers, non-current	**118,342**	**63,992**

(Amounts in millions of Russian Rubles unless otherwise stated)

The structure and amounts of bank loans to customers as of December 31, 2021 and 2020 is presented in the table below:

	December 31, 2021	December 31, 2020
Loans to legal entities		
Corporate borrowers	28,409	26,602
Medium-sized enterprises and small businesses	1,706	1,736
Total loans to legal entities	**30,115**	**28,338**
Loans to individuals		
Mortgage loans	16,553	14,384
Consumer loans	139,766	65,142
Credit cards	36,933	21,874
Other	200	426
Total loans to individuals	**193,452**	**101,826**
Due from banks		
Time deposits with banks	1,781	1,770
Obligatory reserves with the Central Bank of Russia	1,733	1,180
Total due from banks	**3,514**	**2,950**
Total bank deposits and loans to customers	**227,080**	**133,114**
Less: allowance for expected credit losses	(21,144)	(16,446)
Total bank deposits and loans to customers, net	**205,936**	**116,668**

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

	December 31, 2021	December 31, 2020
Guaranties	22,380	17,200
Pledge of real estate	19,115	18,733
Securities	284	370
Pledge of equipment	1	100
Rights of claim, pledge of inventories or own promissory notes and by other collateral	-	156
Unsecured loans	181,787	93,605
Allowance for expected credit losses	(21,114)	(16,436)
Total loans to customers, net	**202,453**	**113,728**

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

Movements in the allowance for impairment losses attributable to bank deposits and loans to customers for the year ended December 31, 2021 and 2020 are presented in the table below:

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

(Amounts in millions of Russian Rubles unless otherwise stated)

	Loans to customers	Due from banks	Total
Balance as at January 1, 2020	**10,024**	**7**	**10,031**
Provision charge/release	8,271	3	8,274
Recovery of previously written-off assets	565	-	565
Bad debt written-off	(2,145)	-	(2,145)
Sale of loans	(279)	-	(279)
Balance as at December 31, 2020	**16,436**	**10**	**16,446**

Movements in provision for expected credit losses on loans to legal entities for the year ended December 31, 2021 and 2020 were as follows:

	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**

	Stage 1	Stage 2	Stage 3	Total
Balance as at January 1, 2020	**681**	**77**	**3,199**	**3,957**
- Transfer to stage 1	1	(1)	-	**-**
- Transfer to stage 2	(66)	66	-	**-**
- Transfer to stage 3	(30)	(47)	77	**-**
New financial assets originated or purchased	418	-	-	**418**
Change due to change of credit risk	(105)	46	38	**(21)**
Sale of loans	-	-	(279)	**(279)**
Write-offs	-	-	(515)	**(515)**
Recovery of previously written-off assets	-	-	184	**184**
Foreign exchange difference	-	-	-	-
Balance as at December 31, 2020	**899**	**141**	**2,704**	**3,744**

(Amounts in millions of Russian Rubles unless otherwise stated)

Movements in provision for expected credit losses attributable to loans to individuals for the year ended December 31, 2021 and 2020 were as follows:

	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**

	Stage 1	Stage 2	Stage 3	Total
Balance as at January 1, 2020	**1,808**	**923**	**3,336**	**6,067**
- Transfer to stage 1	1,396	(1,172)	(224)	-
- Transfer to stage 2	(415)	594	(179)	-
- Transfer to stage 3	(2)	(3,848)	3,850	-
New financial assets originated or purchased	1,226	-	-	1,226
Change due to change of credit risk	(914)	4,949	2,613	6,648
Write-offs	-	-	(1,631)	(1,631)
Recovery of previously written-off assets	-	-	382	382
Balance as at December 31, 2020	**3,099**	**1,446**	**8,147**	**12,692**

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

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

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

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

As of December 31, 2020	Stage 1	Stage 2	Stage 3	Total
Low to fair risk	88,058	-	-	88,058
Monitoring	-	3,816	306	4,122
Impaired	-	-	9,646	9,646
Loss allowance	(3,099)	(1,446)	(8,147)	(12,692)
Total	**84 959**	**2,370**	**1 805**	**89,134**

(Amounts in millions of Russian Rubles unless otherwise stated)

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

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

As of December 31, 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Low to fair risk	12,136	2,947	-	15,083
Monitoring	6,106	3,649	-	9,755
Doubtful	-	-	877	877
Impaired	-	-	2,623	2,623
Loss allowance	(899)	(141)	(2,704)	(3,744)
Total	**17,343**	**6,455**	**796**	**24,594**

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

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

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

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

(Amounts in millions of Russian Rubles unless otherwise stated)

Analysis by credit quality of loans to individuals outstanding as of December 31, 2020 is as follows:

As of December 31, 2020	Gross loans	Provision for ECL	Net loans	Provision for ECL to gross loans
Collectively assessed				
Not past due	88,056	(3,101)	84,955	**4%**
Overdue:				
up to 30 days	2,370	(507)	1,863	**21%**
31 to 60 days	841	(506)	335	**60%**
61 to 90 days	605	(432)	173	**71%**
91 to 180 days	1,739	(1,373)	366	**79%**
over 180 days	7,523	(6,431)	1,092	**85%**
Total collectively assessed loans	**101,134**	**(12,350)**	**88,784**	**12%**
Individually impaired				
Not past due	256	(90)	166	**35%**
Overdue:				
up to 30 days	46	(12)	34	**0%**
31 to 60 days	7	-	7	**0%**
61 to 90 days	-	-	-	**-**
91 to 180 days	6	-	6	**0%**
over 180 days	377	(240)	137	**64%**
Total individually impaired loans	**692**	**(342)**	**350**	**49%**
Total	**101,826**	**(12,692)**	**89,134**	**12%**

Analysis by credit quality of loans to medium-sized enterprises and small businesses outstanding as of December 31, 2020 is as follows:

As of December 31, 2020	Gross loans	Provision for ECL	Net loans	Provision for ECL to gross loans
Collectively assessed				
Not past due	1,025	(16)	1,009	2%
Overdue:				
up to 30 days	29	(6)	23	21%
31 to 60 days	8	(3)	5	37%
61 to 90 days	8	(5)	3	64%
91 to 180 days	22	(12)	10	54%
over 180 days	644	(407)	237	63%
Total collectively assessed loans	**1,736**	**(449)**	**1,287**	**26%**

Bank deposits and liabilities

The table below represents the structure and amounts of current and non-current bank deposits and liabilities as of December 31, 2021 and 2020.

	December 31, 2021	December 31, 2020
Customer accounts	192,177	139,438
Due to banks and other financial institutions	21,430	24,644
Debt securities issued	5,581	1,840
Financial liabilities at fair value through profit or loss	-	2
Other financial liabilities	2,181	1,753
Total bank deposits and liabilities	**221,369**	**167,677**
Less: current portion	(207,056)	(165,794)
Total bank deposits and liabilities, non-current	**14,313**	**1,883**

(Amounts in millions of Russian Rubles unless otherwise stated)

The structure and amounts of customer accounts of December 31, 2021 and 2020 are presented below:

	December 31,	
	2021	**2020**
Legal entities		
- Current/settlement accounts	13,311	13,163
- Term deposits	63,003	19,466
Individuals		
- Current/settlement accounts	20,654	18,219
- Term deposits	95,209	88,590
Total customer accounts	**192,177**	**139,438**

The structure and amounts of due to banks as of December 31, 2021 and 2020 are presented below:

	December 31,	
	2021	**2020**
Loans under repurchase agreements	9,333	20,540
Loans and term deposits from banks and other financial institutions	9,474	2,732
Correspondent accounts of other banks	2,623	1,372
Total due to banks	**21,430**	**24,644**

Loans under repurchase agreements were secured by the following collateral:

- Securities measured at fair value through profit/loss with the value of RUB 1,946 million and RUB 9,678 million as of December 31, 2021 and 2020 respectively;
- Securities measured at amortized cost with the value of RUB 8,624 million and RUB 1,557 million as of December 31, 2021 and 2020 respectively;
- Federal Loan Bonds (OFZ) received from Deposit Insurance Agency (DIA) as a subordinated securities loan in the amount of RUB 0 million and RUB 6,374 million as of December 31, 2021 and 2020 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, 2021 and 2020. 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.

(Amounts in millions of Russian Rubles unless otherwise stated)

An analysis of liquidity and interest rate risk inherent to bank assets as of December 31, 2021 and 2020 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 profit or loss (classified as up to 1 month) and cash placed in the Central Bank of the Russian Federation as obligatory reserve deposits (FOR). Obligatory reserve deposits are allocated by age pro rate to customer accounts.

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.

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

(Amounts in millions of Russian Rubles unless otherwise stated)

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

(Amounts in millions of Russian Rubles unless otherwise stated)

As of December 31, 2020	**Up to 1 month**	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Maturity undefined**	**Total**
Financial assets							
Financial assets at fair value through profit or loss	21,823	-	-	-	-	1	21,824
Due from banks	16,915	-	-	-	-	-	16,915
Loans to customers	4,547	8,134	34,523	55,438	8,971	1,971	113,584
Investments in securities	15	166	643	8,760	-	-	9,584
Total interest bearing financial assets	**43,300**	**8,300**	**35,166**	**64,198**	**8,971**	**1,972**	**161,907**
Cash and cash equivalents	22,274	-	-	-	-	-	22,274
Due from banks	1,180	-	-	-	-	-	1,180
Currency forwards and options not designated as hedges	1	1	-	-	-	-	2
Other financial assets	876	125	35	-	-	47	1,083
Total non-interest bearing financial assets	24,331	**126**	**35**	**-**	**-**	**47**	24,539
Total financial assets	**67,631**	**8,426**	**35,201**	**64,198**	**8,971**	**2,019**	**186,446**

(Amounts in millions of Russian Rubles unless otherwise stated)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Financial liabilities						
Due to banks and other financial institutions	(22,962)	-	(127)	-	-	**(23,089)**
Customer accounts	(19,046)	(15,049)	(69,677)	(1,423)	-	**(105,195)**
Debt securities issued	(1,204)	-	(341)	(295)	-	**(1,840)**
Lease obligations	(11)	(39)	(164)	(320)	-	**(534)**
Total interest bearing financial liabilities	**(43,223)**	**(15,088)**	**(70,309)**	**(2,038)**	**-**	**(130,658)**
Currency forwards and options not designated as hedges	(1)	(1)	-	-	-	**(2)**
Due to banks and other financial institutions	(1,372)	-	-	-	-	**(1,372)**
Customer accounts	(33,908)	-	-	-	-	**(33,908)**
Other financial liabilities	(1,837)	(492)	(1,472)	-	-	**(3,801)**
Total non-interest bearing financial liabilities	**(37,118)**	**(493)**	**(1,472)**	**-**	**-**	**(39,083)**
Total financial liabilities	**(80,341)**	**(15,581)**	**(71,781)**	**(2,038)**	**-**	**(169,741)**
Liquidity gap	(12,710)	(7,155)	(36,580)	62,160	8,971	
Stable sources of funding	**41,502**	**2,342**	**30,933**	**(15,732)**	**(59,045)**	
Net liquidity gap	**28,792**	**(4,813)**	**(5,647)**	**46,428**	**(50,074)**	
Cumulative liquidity gap	**28,792**	**23,979**	**18,332**	**64,760**	**14,686**	

(Amounts in millions of Russian Rubles unless otherwise stated)

Analysis of the liquidity and interest rate risks as of December 31, 2021 and 2020 is presented in the following table. The amounts in the table below represent future aggregate undiscounted cash flows.

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

(Amounts in millions of Russian Rubles unless otherwise stated)

As of December 31, 2020	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	4.4%	(22,962)	-	(127)	-	-	-	**(23,089)**
Customer accounts	5.9%	(19,265)	(15,292)	(71,248)	(1,458)	-	-	**(107,263)**
Debt securities issued	4.0%	(1,204)	-	(348)	(321)	-	-	**(1,873)**
Lease obligations	6.1%	(10)	(40)	(165)	(319)	-	-	**(534)**
Total interest bearing financial liabilities		**(43,441)**	**(15,332)**	**(71,888)**	**(2,098)**	**-**	**-**	**(132,759)**
Non-interest bearing financial liabilities		-	-	-	-	-	-	**-**
Financial liabilities at fair value through profit or loss		-	-	-	-	-	-	**-**
Due to banks		(1,372)	-	-	-	-	-	**(1,372)**
Customer accounts		(33,908)	-	-	-	-	-	**(33,908)**
Other financial liabilities		(1,837)	(492)	(1,472)	-	-	-	**(3,801)**
Total non-interest bearing financial liabilities and commitments		**(37,117)**	**(492)**	**(1,472)**	**-**	**-**	**-**	**(39,081)**
Total financial liabilities		**(80,558)**	**(15,824)**	**(73,360)**	**(2,098)**	**-**	**-**	**(171,840)**

(Amounts in millions of Russian Rubles unless otherwise stated)

The Group has contingent liabilities (future period obligations) represented by bank guarantees in amount of RUB 21.9 million as at December 31, 2021 (RUB 9.8 million as at December 31, 2020).

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

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

As of December 31, 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Commitments on loans	21,410	1,729	56	23,195
Guarantees issued	21,426	2,084	247	23,757
Less provision	(340)	(33)	(213)	(586)
Total commitments on loans and guarantees issued	**42,496**	**3,780**	**90**	**46,366**

(Amounts in millions of Russian Rubles unless otherwise stated)

31. RELATED PARTIES

Related parties include the controlling shareholder of the Group, entities under common ownership with the Group, affiliated companies, associates and joint ventures.

Terms and conditions of transactions with related parties – Outstanding balances as of December 31, 2021 and 2020, were unsecured and settlements 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, 2021, the Group had no significant amounts of impairment relating to receivables owed by related parties as well as expenses recognized during the twelve months ended December 31, 2021, 2020 and 2019 with respect to bad or doubtful debts from related parties.

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, 2021	December 31, 2020
ASSETS FROM RELATED PARTIES		
NON-CURRENT ASSETS:		
Property, plant and equipment		
Sistema's subsidiaries	1,347	1,096
Other related parties	34	13
Right-of-use assets, Gross Book Value		
Sistema's subsidiaries	4,432	4,845
Other related parties	111	112
Right-of-use assets, Accumulated Depreciation		
Sistema's subsidiaries	(1,586)	(1,580)
Other related parties	(46)	(17)
Other investments		
The Group's associates	625	159
Sistema's subsidiaries	117	370
Other related parties	2	-
Accounts receivable, related parties		
Sistema's subsidiaries	5,000	5,209
Bank deposits and loans to customers		
Sistema's associates	2,587	1,376
Sistema's subsidiaries	1,179	1,480
Total non-current assets	**13,802**	**13,063**
CURRENT ASSETS:		
Accounts receivable, related parties		
Sistema's subsidiaries	1,255	4,571
The Group's associates	911	1,397
Sistema, parent company	-	2,829
Other related parties	121	183
Bank deposits and loans to customers		
Sistema's associates	2,078	2,819
Sistema's subsidiaries	820	3
Key management personnel of the Group and its parent	87	48
Short-term investments		
Sistema's subsidiaries	2,377	3
Sistema, parent company	1,443	-
Cash and cash equivalents		
Sistema's subsidiaries	1,311	321
Other financial assets		
Sistema, parent company	1,829	1,831
Sistema's subsidiaries	300	461
Other related parties	109	-
Other assets		
Sistema's subsidiaries	1,059	1,518
Other related parties	83	8
Total current assets	**13,783**	**15,992**
TOTAL ASSETS FROM RELATED PARTIES	**27,585**	**29,055**

(Amounts in millions of Russian Rubles unless otherwise stated)

	December 31, 2021	December 31, 2020
LIABILITIES TO RELATED PARTIES		
NON-CURRENT LIABILITIES:		
Lease obligations		
Sistema's subsidiaries	3,968	4,801
Other related parties	70	77
Bank deposits and liabilities		
Key management personnel of the Group and its parent	1,433	124
Total non-current liabilities	**5,471**	**5,002**
CURRENT LIABILITIES:		
Accounts payable, related parties		
Sistema's subsidiaries	2,756	1,631
The Group's associates	711	553
Sistema's associates	632	958
Other related parties	8	4
Borrowings		
The Group's associates	2,129	1,776
Other related parties	11	16
Lease obligations		
Sistema's subsidiaries	551	724
Other related parties	13	14
Bank deposits and liabilities		
Key management personnel of the Group and its parent	32,886	34,708
Sistema's subsidiaries	22,312	10,752
Sistema's associates	9,163	2,689
Sistema, parent company	2,042	3,218
Other related parties	376	881
Total current liabilities	**73,590**	**57,924**
TOTAL LIABILITIES TO RELATED PARTIES	**79,061**	**62,926**

Operating transactions – During the twelve months ended December 31, 2021, 2020 and 2019 the Group provided the following services to related parties – electricity supply by MTS Energo, software supplies, Internet and video/image transmission services, roaming, interconnect and other telecommunication services, banking and call center services.

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

(Amounts in millions of Russian Rubles unless otherwise stated)

	2021	2020	2019
Revenue			
Sistema's subsidiaries	4,294	4,371	3,740
Sistema's associates	752	615	407
The Group's associates	622	418	550
Other related parties	691	428	235
Total Revenue	**6,359**	**5,832**	**4,932**
Cost of services			
Sistema's subsidiaries	2,143	599	507
Key management personnel of the Group and its parent	1,476	1,830	1,973
Sistema's associates	281	127	139
Sistema, parent company	233	141	377
Other related parties	173	145	241
Selling, general and administrative expenses			
Key management personnel of the Group and its parent	4,256	2,003	2,372
Sistema's subsidiaries	728	625	672
Other related parties	84	66	144
Other operating income / (expense)			
Sistema's subsidiaries	2,831	2,160	5,203
Other related parties	59	(13)	(13)
Operating profit / (loss)	**(125)**	**2,443**	**3,697**
.			
Finance income / (loss)			
Sistema's subsidiaries	935	1,492	1,259
The Group's associates	(101)	(63)	475
Sistema, parent company	79	295	367
Other related parties	(6)	7	8
Other non-operating income / (expense)			
The Group's associates	-	(278)	-
Other related parties	41	-	-
Profit before tax	**823**	**3,896**	**5,806**

During the years ended December 31, 2021, 2020 and 2019, the Group acquired property, plant and equipment and intangible assets from the related parties in the amount of:

	2021	2020	2019
Sistema's associates	2,530	6,299	410
Sistema's subsidiaries	10,330	3,324	656
The Group's associates	122	127	178
Other related parties	-	112	-
Total purchases of property, plant and equipment, intangible assets and other assets, related parties	**12,982**	**9,862**	**1,244**

Lease payments – During the years ended December 31, 2021, 2020 and 2019, the Group made lease payments (capitalized in accordance with IFRS 16) in the amount of RUB 1,361 million, RUB 1,530 million and RUB 1,240 million, respectively, to the related parties.

Business Nedvizhimost
In February 2015 and further in May 2015, the Group sold its 100% stake in Rent Nedvizhimost to Business Nedvizhimost for RUB 8,500 million, repaid mainly in 2015-2018. The remaining part of receivable was restructured in 2018 implying Central Bank key rate + 1.5% and maturing in December 31, 2021. As of December 31, 2021 receivables in amount of RUB 3,372 was fully repaid.

In March 2019, in order to optimize the processes of real estate management, the Group sold a number of buildings with carrying value of RUB 1,479 million to Business Nedvizhimost for the consideration of RUB 7,247 million (including VAT). The consideration is payable by installments for 10 years at 9% per annum with the collateral in the form of disposed buildings granted by the buyer. At the same time, the Group entered into a number of agreements to lease spaces in the buildings sold for the period of up to 15 years (leaseback).

As a result of this transaction, the Group recorded right-of-use assets of RUB 3,123 million, lease obligation of RUB 5,197 million and recognized a gain in the amount of RUB 1,745 million as a part of “Other income” in consolidated statement of profit or loss in 2019.

In December 2021, the Group purchased 5-year 10.8% coupon notes of Business-Nedvizhimost, in the amount of RUB 2,100 million. The notes were accounted as financial assets at fair value through profit and loss and disclosed within subtotal “Assets in Sistema Capital trust management” (Note 28). As of December 31, 2021, the investment amounted to RUB 2,105 million.

Sistema
In March 2019, the Group disposed of its 18.69% interest in the Group’s associate OZON to Sistema for RUB 7,902 million (Note 16). As of December 31, 2021 Sistema has fully repaid its obligations. As of December 31, 2020 the balance of accounts receivable amounted to RUB 2,829 million.

Nvision Group
In October 2020, the Group disposed of 100% in Nvision Group to Sistema and since then it is considered to be a related party instead of subsidiary of the Group (Note 11). The Group continues to purchase software, services and other intangible assets from Nvision Group.

The amounts software, services and other intangible assets purchased during the years ended December 31, 2021 and 2020, were RUB 7,181 million and RUB 2,261 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, 2021, 2020 and 2019, their total remuneration amounted to RUB 1,885 million, RUB 1,309 million and RUB 1,574 million, respectively, including social contributions of RUB 374 million, RUB 214 million and RUB 219 million, respectively. These amounts comprised of RUB 719 million, RUB 690 million and RUB 917 million in base salaries and 1,166 RUB million, RUB 619 million and RUB 657 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, 2021, 2020 and 2019, amounted to RUB 2,929 million, RUB 694 million and RUB 798 million, respectively, including social contributions amounted to RUB 338 million, RUB 79 million and RUB 53 million, respectively. For more details see Note 32.

32. 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. A corresponding increase in additional paid-in capital is also recognized.

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 have a maximum term of 3 years.

The share awards granted in 2021 have an attached market condition based of Group's market capitalization, which is taken into account when calculating the fair value of the share awards. 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 shares (ordinary or ADR), 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 2021 and 2020:

	Twelve month ended December 31,			
	2021		2020	
	Shares (in thousands)	Weighted-average fair value per share (in RUB)	Shares (in thousands)	Weighted-average fair value per share (in RUB)
Outstanding at the beginning of the period	3,194	424	3,907	444
Granted during the period	18,733	249	1,818	415
Forfeited during the period	(447)	407	(373)	391
Exercised during the period	(814)(1)	406	(2,158)(2)	443
Outstanding at the end of the period	20,666	327	3,194	424
Exercisable at the end of the period	6,246	361	1,494	408

(1) The weighted-average exercise price of shares was RUB 375.
(2) The weighted-average exercise price of shares was RUB 487.

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

	December 31, 2021		
	Shares (in thousands)	Range of exercise prices (in RUB)	Weighted-average remaining contractual term (in month)
Outstanding shares	20,666		
Incl. to be exercised in 2022	5,689	153-599	3
to be exercised in 2023	6,241	136-545	15
to be exercised in 2024	8,736	121-846	27

The cash-settled share based awards displayed the following development in the financial years 2021 and 2020:

	Twelve month ended December 31,			
	2021		2020	
	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	725	707	2,466	857
Granted during the period	3,788	423	510	782
Forfeited during the period	(298)	678	(241)	782
Exercised during the period	(729)[1]	707	(2,011)[1]	812
Outstanding at the end of the period	3,485	402	725	707
Exercisable at the end of the period	1,598	638	725	707

[1] The weighted-average exercise price of shares is equal weighted-average fair value.

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

	December 31, 2021		
	Shares (in thousands)	Range of exercise prices (in RUB)	Weighted-average remaining contractual term (in month)
Outstanding shares, Incl.	3,485		
to be exercised in 2022, based on ADR	969	953	3
to be exercised in 2022, based on ordinary shares	629	153	3
to be exercised in 2023, based on ordinary shares	629	136-273	15
to be exercised in 2024, based on ordinary shares	1,258	121-605	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 2021 and 2020 totaled to RUB 4,767 million and RUB 2,176 million, respectively, thereof RUB 3,690 million and RUB 819 related to equity-settled share based awards.

As of December 31, 2021 and 2020, total liabilities recorded for share-based awards amounted to RUB 2,285 million and RUB 962 million, respectively.

The fair value of share-based awards vested at December 31, 2021 and December 31, 2020 was RUB 1,530 million and RUB 896 million, respectively.

33. 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, 2021 and 2020. Preferred shares have not been authorized and issued.

(Amounts in millions of Russian Rubles unless otherwise stated)

Shares of common stock repurchased by the Group are recorded at cost as treasury stock and reduce the shareholders' equity in the Group's consolidated financial statements. As of December 31, 2021, the total shares in treasury stock comprised 335,757,457 and 1,662,624,118 shares were outstanding. As of December 31, 2020, the total shares in treasury stock comprised 271,479,406 and 1,726,902,169 shares were outstanding.

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

	December, 31					
	2021		2020		2019	
Repurchased from:	**Shares**	**RUBm**	**Shares**	**RUBm**	**Shares**	**RUBm**
Open market	42,512,570	13,981	26,038,847	8,525	32,589,740	8,472
Sistema Finance	22,796,040	7,503	22,758,872	7,485	28,929,344	7,450
Total	**65,308,610**	**21,484**	**48,797,719**	**16,010**	**61,519,084**	**15,922**

Nature and purpose of reserves

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

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

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

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

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

Non-controlling interests

As of December 31, 2021 and 2020, 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	**2021**	**2020**	**2019**
Non-controlling interests opening balance	**(4,055)**	**(3,328)**	**(3,649)**
Profit for the year attributable to non-controlling interests	(803)	(675)	(806)
Dividends to non-controlling interests	-	-	1,123
Other	(51)	(52)	4
Non-controlling interests closing balance	**(4,909)**	**(4,055)**	**(3,328)**

MGTS	December 31,	
	2021	**2020**
Current assets	34,282	17,052
Non-current assets	57,631	66,129
Current liabilities	(13,497)	(18,471)
Non-current liabilities	(17,691)	(19,881)

(Amounts in millions of Russian Rubles unless otherwise stated)

MGTS	Year ended December 31,		
	2021	2020	2019
Revenue, gross of intercompany	(41,255)	(41,103)	(39,479)
Profit for the year, gross of intercompany	(14,203)	(11,811)	(14,148)

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.

For 2019-2021, MTS management commited to a minimum cumulative payout of RUB 28.0 per share per calendar year through semi-annual payments.

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, 2021, 2020 and 2019:

	2021	2020	2019
Dividends declared (including dividends on treasury shares of 12,082, 6,936 and 9,449 respectively)	74,049	58,948	83,751
Dividends, RUB per ADS	74.12	59.00	83.82
Dividends, RUB per share	37.06	29.50	41.91

As of December 31, 2021 and 2020, dividends payable were RUB 68 million and RUB 108 million, respectively, and included in the trade and other payables within the consolidated statement of financial position.

34. COMMITMENTS AND CONTINGENCIES

Capital commitments – As of December 31, 2021 and 2020, the Group had entered into purchase agreements of approximately RUB 67,614 and 62,616 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.

(Amounts in millions of Russian Rubles unless otherwise stated)

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

	December 31,	
	2021	2020
Contingent liabilities for additional taxes other than income tax	860	1,043
Contingent liabilities for additional income taxes	1,132	892

Licenses – Management believes that as of December 31, 2021 the Group complied with conditions of the licenses used.

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

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

In July 2018, the Group filed a Request for Arbitration against the Sovereign State of Turkmenistan with the World Bank's International Center for Settlement of Investments Disputes ("ICSID") in order to protect its legal rights and investments in Turkmenistan. As of December 31, 2021 the case is pending.

Antimonopoly proceedings – In August 2018, the Federal Antimonopoly Service of Russia ("FAS Russia") charged MTS and other federal operators with violation of antimonopoly laws in respect to establishing discriminatory terms and conditions for bulk SMS pricing for the banks with state-owned equity interest as compared to the terms and conditions for other banks and later – with establishing unreasonably high bulk SMS prices. In May 2019, FAS Russia considered that MTS had breached the provisions of antimonopoly laws in respect to establishing discriminatory terms and conditions for bulk SMS pricing and charging unreasonably high bulk SMS prices, prescribing MTS to cease its violations. MTS contested the decision and the prescription of FAS Russia in the Moscow Arbitration Court, which upheld the position of FAS Russia in November 2019, following by the Arbitration Court of Appeal in March 2020. MTS filed a cassation appeal to the Arbitration Court of the Moscow District, which also upheld the position of FAS Russia. In December 2020, MTS cassation appeal was rejected by the Judicial Chamber of the Supreme Court. In March 2021, Deputy Chairman of the Supreme Court of the Russian Federation upheld the rejection. In August 2021, the Group paid the fine imposed by FAS Russia in full amount of RUB 189 million.

In April, June and July 2021, JSC "Tinkoff Bank", PJSC "Sovcombank" and JSC "Raiffeisenbank" 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. Commercial Court of the City of Moscow has dismissed all three claims in full. It's currently impossible to predict the timing or outcome of the 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, 2021 it has adequately provided for claims related to SMS pricing.

Potential adverse effects of economic instability and sanctions in Russia – In February 2022, following an escalation in 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 include, among others, restrictions targeting several major Russian financial institutions and the Central Bank of Russia ("CBR"), a number of companies and individuals as well as technology export controls.

On February 28, 2022, trading on the Moscow Exchange in all equity securities was suspended (including MTS PJSC ordinary shares), with the suspension later extended through at least March 1.

Also on February 28, the New York Stock Exchange halted trading in the Company's American depositary shares ("ADSs") and those of certain other Russian companies.

Developments relating to these matters are highly unpredictable, occur swiftly and often with little notice and are mostly outside the control of the Group, and the risk that any Group member, or individuals holding positions within the Group as well as its counterparties, may be affected by future sanctions designations cannot be excluded. Current and future risks to the Group include, among others, the risk of reduced or blocked access to capital markets and ability to obtain financing on commercially reasonable terms (or at all), the risk of restrictions on the import of certain equipment and software, as well as the risk of further depreciation of the Russian ruble against other currencies (which has already occurred to a significant extent), which may adversely impact the Company's investment process as a significant portion of its capital expenditures are denominated in or linked to foreign currencies. In addition, rate hikes by the Central Bank of Russia, which has increased its key rate to 20%, will increase the Company's financing costs due to the impact on floating-rate credit facilities.

In addition, the CBR has prohibited Russian securities market professionals from carrying out depositary activities and register maintenance and from effecting sales of securities of Russian companies by non-Russian residents (with a very limited number of exceptions), with the effect that, among other things, no ADSs can be converted into ordinary shares for such non-Russian residents. Furthermore, the CBR has prohibited Russian companies from making any payments, including dividends, on securities of Russian companies to non-Russian residents, with the result that any non-Russian resident holders of our ADSs as of the relevant record date for payment of dividends would be ineligible to receive such dividends. These developments could materially adversely affect the liquidity in, and the value of, our ADSs.

Operations of MTS Bank, the Group's subsidiary, are susceptible to the risks affecting the Group's borrowers' ability to repay amounts due to the Group, which may be impacted by the overall macroeconomic environment and business climate. Adverse changes in economic conditions may result in deterioration in the value of collateral held against loans and other obligations.

The Group is currently unaware of any designation of the Company, its subsidiaries, or members of its management team with regards to sanctions recently imposed by the EU, US, UK, and certain other countries.

Management remains focused on ensuring operational continuity and providing uninterrupted connectivity and other services for customers. Management believes it is taking the appropriate measures to support the sustainability of the Group's business in the current circumstances.

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

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

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

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

Class action complaint – In March 2019, a proposed class action complaint on behalf of Shayan Salim and all other persons similarly situated has been filed in the United States District Court for the Eastern District of New York against MTS PJSC and certain of its managers. On 1 March 2021, US District Judge of Eastern District Court of New York granted MTS's motion to dismiss with prejudice and dismissed the complaint in full. The plaintiff has filed an appeal for dismissal resolution of Eastern District Court of New York. As of December 31, 2021 the appeal is pending. It's currently impossible to predict the outcome of the litigation.

35. SUBSEQUENT EVENTS

Refer to Note 34 for potential adverse effects of economic instability and sanctions in Russia.

Acquisition of VisionLabs – In February 2022, the Group acquired a 100% ownership interest in VisionLabs B.V. ("VisionLabs"), leading provider of computer vision and machine learning solutions. The acquisition is 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. See Note 5 for the details of the acquisition.