SISTEMA PJSFC
AND SUBSIDIARIES

Consolidated Financial Statements for 2021
and Independent Auditor’s Report

SISTEMA PJSFC AND SUBSIDIARIES

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SISTEMA PJSFC AND SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Sistema Public Joint Stock Financial Corporation and its subsidiaries (the "Group") as of 31 December 2021, and the results of its operations, cash flows and changes in equity for 2021, in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRSs").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making judgements and assumptions that are reasonable and prudent;
- Stating whether IFRSs have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRSs;
- Maintaining statutory accounting records in compliance with the Russian legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for 2021 were approved by:

____________________	____________________
Vladimir Chirakhov	Vladimir Travkov
Chief Executive Officer (President)	Vice President for Finance (CFO)

7 April 2022

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Sistema Public Joint Stock Financial Corporation:

Opinion

We have audited the consolidated financial statements of Sistema Public Joint Stock Financial Corporation ("Sistema") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Diversified structure of the Group Sistema is a holding company that owns mainly controlling stakes in its subsidiaries, whose results are included in the consolidated financial statements. The large number of entities of the Group and diversified nature of their operations require the Group's management to design and implement group wide controls, including monitoring and control activities to ensure timely, reliable and complete financial information received from its subsidiaries. Audit procedures regarding the financial information of the subsidiaries included in the consolidated financial statements may be performed by us or by the auditors of those subsidiaries ("components") acting under our supervision. As the group auditor, we are fully responsible for conducting the audit and forming our audit opinion. We focused on this matter because the diversified structure of the Group has a significant impact on our audit approach, and the nature and extent of our involvement in component auditors' work is significant.	We obtained an understanding of the group-wide controls over the consolidation process and the preparation of the consolidated financial statements, including instructions of the Group's management to its subsidiaries. Our audit approach was developed considering the Group's diversified structure and associated risks of material misstatement of the consolidated financial statements. It included determination of necessary procedures and audit scope in relation to each component's financial information, depending on its significance for the Group and identification of risks of misstatement of their financial information. The nature and extent of our involvement in the component auditors' work was also dependent on our assessment of their professional competence in the context of allocated scope. To obtain reasonable assurance of fair presentation of the components' financial information, we assessed risks and determined audit procedures performed by the component auditors, and evaluated the results of the procedures. This included a critical analysis of the component auditors' documentation, discussion of significant matters with the component auditors, component or Group management and, if applicable, designing and performing additional audit procedures. We also performed procedures with respect to consolidation adjustments to the financial information of the subsidiaries in order to assess their nature, completeness and accuracy.
Significant non-routine transactions In light of its strategy, the Group regularly conducts complex acquisitions and disposals, debt restructurings and other significant non-routine transactions. We focus on these matters because the appropriate accounting treatment of such transactions is often complex and requires exercise of significant judgement, in particular, in determining whether or not the Group has control over its investees,	Our procedures included reviewing legal documents to fully understand the terms and conditions of each transaction and therefore the associated accounting implications and evaluating documentation of management's positions on how IFRSs were applied to the transactions. In relation to the previously mentioned specific transactions, we: • analysed legal documents and evaluated the appropriateness of management's conclusions on whether or not the Group has control over

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
and whether or not the Group has assumed obligations to third-party investors. In the current period, this included, among others, obtaining control over Binnopharm Group, the Group's investment in Inter Forest Rus and its subsidiaries and loss of control over Segezha Zapad. See Note 6 and Note 17 to the consolidated financial statements.	the investees in the context of investee's governance structure, size of the Group's shareholding relative to other shareholders, dispersion of other vote holdings and other factors relevant to determining whether the Group has current ability to direct relevant activities of the investees; • verified the correctness of the approach for valuation of identified assets acquired and liabilities assumed through business combinations; • assessed other aspects of the transactions, evaluated management's conclusions on accounting for any financial assets and liabilities stipulated by transaction documents, and, where relevant, assessed the appropriateness of fair value measurements; • verified the compliance of the disclosures contained in the consolidated financial statements with IFRS requirements.
Compliance with anti-bribery laws and regulations and associated accounting and disclosure implications In March 2019, the Group's subsidiary MTS reached a resolution with the United States Securities and Exchange Commission ("SEC") and the United States Department of Justice ("DOJ") relating to the investigation concerning the Group's former subsidiary in Uzbekistan. The Group consented to the commencement of an administrative cease-and-desist order (the "Order") by the SEC and entered into a deferred prosecution agreement ("DPA"). Under the DPA and the Order in September 2019 the Group appointed an independent compliance monitor ("Independent Monitor") for, inter alia, review, testing and improving MTS' anti-corruption compliance code, policies, and procedures for a period of three years. In 2021, the DOJ and SEC approved a one year extension of the monitorship, which is permitted by the terms of the DPA and the Order.	Our audit procedures related to the Group's estimation of any contingencies related to any potential instance of non-compliance with anti-corruption laws and regulations included the following, among others: • We inspected the laws and regulations MTS has to comply with in order to obtain an understanding of the relevance and applicability to MTS and to assess any potential penalties that may arise for non-compliance; • We read the procedures performed by the Independent Monitor and evaluated the implications of their findings, including discussing these with management as well as internal and external legal advisors; • We inquired management regarding their follow up on the results of internal and external investigations and on the design and operational effectiveness of the MTS's compliance programs and internal controls relating to the prevention and detection of fraud and corruption;

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Given the significant judgments required to be made by management in order to estimate contingencies related to any potential instance of non-compliance with anti-corruption laws and regulations, the audit procedures necessary to evaluate management's judgments in this area as of 31 December 2021 required a high degree of auditor judgment in evaluating whether the audit evidence obtained supports management's estimate.	• We tested the design and operating effectiveness of internal controls at MTS, including, amongst others, the control environment (including whistle-blower and internal fraud management cases) and the controls for the adherence of business partners to the anti-corruption codes; • We read the minutes of the MTS Board of Directors' meetings; • We evaluated management's assessment of compliance with anti-corruption laws and regulations as well as an estimation of contingencies related to any potential instances of non-compliance; • We obtained letters from external and internal legal counsel; and • We evaluated the Group's accounting policy with respect to the accounting for provisions and disclosure of contingent liabilities to determine if the existing policy continues to be appropriate, and assessed the compliance of the disclosures in the consolidated financial statements against the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report and quarterly report, but does not include the consolidated financial statements and our auditor's report thereon. The annual report and quarterly report are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Vladimir Biryukov,
(ORNZ #21906100113),
Engagement partner,
Acting based on the power of attorney issued by the General Director on 24.12.2021 authorizing to sign off the audit report on behalf of AO "Deloitte & Touche CIS"
(ORNZ #12006020384)

7 April 2022

SISTEMA PJSFC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(In millions of Russian Rubles, except for per share amounts)

	Notes	2021	2020
Continuing operations			
Revenue	8	802,398	691,626
Cost of sales		(392,762)	(330,055)
Selling, general and administrative expenses		(154,271)	(134,176)
Depreciation and amortisation		(134,160)	(120,492)
Reversal of impairment/(impairment) of long-lived assets	9	408	(5,621)
Impairment of financial assets	10	(4,101)	(2,956)
Taxes other than income tax		(3,489)	(4,134)
Share of the profit or loss of associates and joint ventures, net	17	19,830	(405)
Profit on disposal of other assets	18	-	11,142
Other income		17,440	14,829
Other expenses		(7,326)	(10,354)
Operating income		**143,967**	**109,404**
Finance income		6,304	5,330
Finance costs		(71,503)	(71,468)
Currency exchange loss		(1,651)	(18,643)
Changes in the fair value of financial instruments		16,050	21,883
Profit before tax		**93,167**	**46,506**
Income tax expense	11	(40,294)	(8,341)
Profit from continuing operations		**52,873**	**38,165**
Discontinued operations			
Profit from discontinued operations	5	470	3,122
Net profit for the year		**53,343**	**41,287**
Attributable to:			
Shareholders of Sistema PJSFC		17,343	10,216
Non-controlling interests		36,000	31,071
		53,343	**41,287**
Profit per share (basic and diluted), Russian Rubles:	30		
From continuing operations		1.81	0.91
From continuing and discontinued operations		1.83	1.09

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

Vladimir Chirakhov
Chief Executive Officer (President)

Vladimir Travkov
Vice President for Finance (CFO)

7 April 2022

SISTEMA PJSFC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(In millions of Russian Rubles)

	2021	2020
Net profit for the year	**53,343**	**41,287**
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Currency translation (loss)/gain on foreign operations in subsidiaries	(1,458)	12,320
Currency translation gain/(loss) on foreign operations in associates and joint ventures	95	(98)
Items that will not be reclassified subsequently to profit or loss:		
Unrecognised actuarial gain	215	-
Other comprehensive (loss)/income, net of tax	(1,148)	12,222
Total comprehensive income	**52,195**	**53,509**
Attributable to:		
Shareholders of Sistema PJSFC	15,375	21,517
Non-controlling interests	36,820	31,992
Total comprehensive income	**52,195**	**53,509**

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

Vladimir Chirakhov
Chief Executive Officer (President)

Vladimir Travkov
Vice President for Finance (CFO)

7 April 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(In millions of Russian Rubles)

	Notes	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	13	521,041	427,311
Investment property	14	13,160	12,649
Goodwill	15	89,120	57,204
Other intangible assets	16	139,958	99,749
Right-of-use assets	26	195,525	153,103
Investments in associates and joint ventures	17	63,490	73,856
Deferred tax assets	11	31,471	41,402
Other financial assets	19	214,986	158,629
Deposits in banks		20	22
Other assets	13	36,156	22,916
Total non-current assets		**1,304,927**	**1,046,841**
Current assets			
Inventories	21	77,674	46,449
Contract assets	8	8,272	6,306
Accounts receivable	22	70,029	56,458
Advances paid and prepaid expenses		18,237	15,302
Current income tax assets		5,103	5,449
Other taxes receivable		25,245	17,636
Other financial assets	19	154,465	104,573
Deposits in banks		1,549	1,755
Restricted cash	20	4,909	4,310
Cash and cash equivalents		81,883	113,693
Other assets		2,563	2,544
Total current assets		**449,929**	**374,475**
Total assets		**1,754,856**	**1,421,316**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
(In millions of Russian Rubles)

	Notes	31 December 2021	31 December 2020
Equity and liabilities			
Equity			
Share capital	23	869	869
Treasury shares	23	(6,435)	(3,029)
Additional paid-in capital		95,768	75,279
Accumulated loss		(21,623)	(27,025)
Accumulated other comprehensive income	24	16,785	18,753
Equity attributable to shareholders of Sistema		85,364	64,847
Non-controlling interests		40,994	22,482
Total equity		**126,358**	**87,329**
Non-current liabilities			
Loans and borrowings	25	641,511	640,570
Lease liabilities	26	165,221	147,803
Bank deposits and liabilities	27	16,755	4,199
Deferred tax liabilities	11	42,398	34,769
Provisions	29	8,026	7,388
Other financial liabilities	28	15,972	3,745
Other liabilities		12,159	6,774
Total non-current liabilities		**902,042**	**845,248**
Current liabilities			
Loans and borrowings	25	209,254	83,391
Lease liabilities	26	22,616	17,772
Accounts payable		132,353	102,148
Bank deposits and liabilities	27	225,795	195,346
Income tax payable		951	1,029
Other taxes payable		22,547	15,540
Dividends payable		5,258	3,325
Provisions	29	23,256	16,612
Contract liabilities and other liabilities	8	52,390	49,844
Other financial liabilities	28	32,036	3,732
Total current liabilities		**726,456**	**488,739**
Total equity and liabilities		**1,754,856**	**1,421,316**

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

Vladimir Chirakhov
Chief Executive Officer (President)

Vladimir Travkov
Vice President for Finance (CFO)

7 April 2022

SISTEMA PJSFC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In millions of Russian Rubles)

					Accumulated other comprehensive income/(loss)				
	Share capital	Additional paid-in capital	Treasury shares	Accumulated loss	Currency reserve	Other	Equity attributable to shareholders of Sistema	Non-controlling interests	Total equity
1 January 2020	**869**	**75,045**	**(5,971)**	**(36,020)**	**6,534**	**918**	**41,375**	**24,353**	**65,728**
Net profit for the period	-	-	-	10,216	-	-	10,216	31,071	41,287
Other comprehensive income/(loss), net of tax	-	-	-	-	11,400	(99)	11,301	921	12,222
Total comprehensive income/(loss)	**-**	**-**	**-**	**10,216**	**11,400**	**(99)**	**21,517**	**31,992**	**53,509**
Accrued compensation under long-term motivation programs	-	431	2,663	-	-	-	3,094	-	3,094
Settlements under long-term motivation programs	-	32	-	-	-	-	32	528	560
Capital transactions of subsidiaries (Note 7)	-	(229)	-	-	-	-	(229)	(8,194)	(8,423)
Sale of own shares	-	-	279	-	-	-	279	-	279
Dividends declared by Sistema PJSFC (Note 23)	-	-	-	(1,221)	-	-	(1,221)	-	(1,221)
Dividends declared by subsidiaries	-	-	-	-	-	-	-	(26,197)	(26,197)
31 December 2020	**869**	**75,279**	**(3,029)**	**(27,025)**	**17,934**	**819**	**64,847**	**22,482**	**87,329**
1 January 2021	**869**	**75,279**	**(3,029)**	**(27,025)**	**17,934**	**819**	**64,847**	**22,482**	**87,329**
Net profit for the period	-		-	17,343	-	-	17,343	36,000	53,343
Other comprehensive (loss)/income, net of tax	-	-	-	-	(1,961)	(7)	(1,968)	820	(1,148)
Total comprehensive income/(loss)	**-**	**-**	**-**	**17,343**	**(1,961)**	**(7)**	**15,375**	**36,820**	**52,195**
Acqusition and sale of subsidiaries	-	-	-	-	-	-	-	15,374	15,374
Accrued compensation under long-term motivation programs	-	442	1,521	-	-	-	1,963	-	1,963
Settlements under long-term motivation programs of subsidiaries	-	1,374	-	-	-	-	1,374	3,016	4,390
Capital transactions of subsidiaries (Note 7)	-	24,752	-	-	-	-	24,752	10,910	35,662
Purchase of own shares	-	-	(5,425)	-	-	-	(5,425)	-	(5,425)
Sale of own shares	-	(218)	498	-	-	-	280	-	280
Effect of derivatives reclassification (Note 6)	-	(5,861)	-	(8,179)	-	-	(14,040)	(13,881)	(27,921)
Dividends declared by Sistema PJSFC (Note 23)	-	-	-	(2,944)	-	-	(2,944)	-	(2,944)
Dividends declared by subsidiaries	-	-	-	(818)	-	-	(818)	(33,727)	(34,545)
31 December 2021	**869**	**95,768**	**(6,435)**	**(21,623)**	**15,973**	**812**	**85,364**	**40,994**	**126,358**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
(In millions of Russian Rubles)

	2021	2020
Cash flows from operating activities		
Net profit for the year	**53,343**	**41,287**
Adjustments for:		
Depreciation and amortisation	134,160	120,492
Share of the profit or loss of associates and joint ventures, net	(19,830)	405
Profit from sales of stakes in associates and joint ventures	-	(3,368)
Finance income	(6,304)	(5,330)
Finance costs	71,508	71,468
Changes in the fair value of financial instruments	(15,935)	(21,798)
Income tax expense	40,294	8,341
Currency exchange loss	1,626	18,621
Gain from discontinued operations	(470)	(2,880)
Profit on disposal of property, plant and equipment	(3,483)	(3,000)
Profit on disposal of other assets	-	(11,142)
Expected credit losses allowance on loans to customers	12,218	9,601
Non-cash compensation to employees	7,045	3,933
(Reversal) of impairment/impairment of long-lived assets	(408)	5,621
Impairment of financial assets	4,101	2,956
Other non-cash items	(5,314)	2,332
	272,551	**237,539**
Movements in working capital:		
Bank loans to customers and interbank loans due from banks	(102,038)	(36,748)
Bank deposits and liabilities	46,161	27,777
Restricted cash	163	(853)
Financial assets at fair value through profit or loss	(919)	(5,227)
Accounts receivable	(1,671)	(6,572)
Advances paid and prepaid expenses	(665)	(17,030)
Other taxes receivable	(4,700)	250
Inventories	(18,277)	(15,327)
Accounts payable	(7,892)	6,540
Subscriber prepayments	2,215	(143)
Other taxes payable	5,277	(195)
Advances received and other liabilities	27,532	34,607
Interest paid	(71,469)	(70,302)
Income tax paid	(31,708)	(23,706)
Dividends received from associates and joint ventures	7,015	6,217
Net cash provided by operating activities	**121,575**	**136,827**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(In millions of Russian Rubles)

	2021	2020
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(123,541)	(94,123)
Proceeds from sale of subsidiaries, net of cash	1,336	2,988
Proceeds from sale of property, plant and equipment	6,141	6,661
Payments to obtain and fulfill contracts	(4,224)	(5,355)
Payments for purchases of intangible assets	(43,635)	(33,655)
Payments for businesses, net of cash acquired	(36,153)	(3,410)
Payments for investments in associates and joint ventures	(11,522)	(18,909)
Proceeds from sale of investments in associates and joint ventures	-	25,808
Payments for financial assets, long-term	(25,848)	(15,190)
Proceeds from sale of financial assets, long-term	10,503	7,236
Proceeds from disposal of other assets	-	5,104
Payments for financial assets, short-term	(4,888)	(5,294)
Proceeds from sale of financial assets, short-term	6,105	16,728
Interest received	6,739	4,338
Other	(217)	(982)
Net cash used in investing activities	**(219,204)**	**(108,055)**
Cash flows from financing activities		
Proceeds from borrowings	259,820	412,392
Principal payments of loans and borrowings	(147,999)	(318,492)
Debt issuance costs	(308)	(113)
Principal payments of lease liabilities	(19,682)	(17,094)
Acquisition of non-controlling interests in existing subsidiaries	(34,454)	(17,169)
Proceeds from transactions with non-controlling interests	50,366	394
Dividends paid	(35,560)	(39,661)
Repurchase of own shares	(5,425)	-
Net cash provided by financing activities	**66,758**	**20,257**
Effect of foreign currency translation on cash and cash equivalents	(939)	995
Net (decrease)/ increase in cash and cash equivalents	**(31,810)**	**50,024**
Cash and cash equivalents at the beginning of the year	113,693	63,669
Cash and cash equivalents at the end of the year	**81,883**	**113,693**

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

1. GENERAL

Sistema Public Joint Stock Financial Corporation or Sistema PJSFC (the "Company", together with its subsidiaries, the "Group") invests in, and manages a range of companies which operate in various sectors of economy, including telecommunications, retail, high technology, finance, pulp and paper, utilities, pharmaceuticals, healthcare, agriculture, real estate and tourism. The Company and the majority of its subsidiaries are incorporated in the Russian Federation ("RF"). The Company's registered address is building 1, 13 Mokhovaya street, 125009, Moscow.

The controlling shareholder of the Company is Vladimir Evtushenkov. Minority holdings are held by certain top executives and directors of the Company. The shares are listed on the London Stock Exchange in the form of Global Depositary Receipts ("GDRs") and on the Moscow Exchange.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been prepared on the assumption that the Group will continue to operate in the foreseeable future. As of 31 December 2021 short-term liabilities of the Group exceeded its current assets by RUB 276,527 million. The Group determines that it generates sufficient operating cash flow and has sufficient cash available to repay the Group's current liabilities, including, if necessary, unused credit facilities of RUB 485,128 million. The cash flows forecast prepared by the management of the Group for a period of at least twelve months after the end of the reporting period demonstrates the Group's ability to pay off current liabilities within the terms set by the contractual obligations.

These consolidated financial statements were approved by the Company's Chief Executive Officer (President) and authorised for issue on 7 April 2022.

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

This note sets out significant accounting policies that relate to the Group's consolidated financial statements as a whole and describes the critical accounting judgements that management has identified as having a potentially material impact on the Group's consolidated financial statements. When an accounting policy is generally applicable to a specific note to the accounts, the policy is described within that note.

Summary of significant accounting policies

Basis of consolidation. The consolidated financial statements incorporate the financial statements of the Company, entities controlled by the Company and their subsidiaries. Control is achieved when the Company:

- Has the power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income is attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests. Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to a parent. Non-controlling interests are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Functional currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The functional currency of the Group and the majority of its subsidiaries operating in Russia is the Russian Ruble ("RUB"). The presentation currency of the consolidated financial statements of the Group is also the Russian Ruble.

Sources of estimation uncertainty

In the application of the Group's accounting policies management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Lease liabilities. The Group uses management's judgement to estimate:

- *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 options. The Group also considers the cases where the Group is reasonably certain of not exercising early termination options. When assessing such options management assesses residual useful life of the major non-separable improvements to the respective leased premises, investment strategy of the Group and relevant investment decisions and duration of the renewal and early termination options.
- *Discount rate.* When calculating the present value of the lease payments the Group uses the incremental borrowing rate. Discount rate is determined for each asset based on the incremental borrowing rate for the respective company of the Group at the inception of the contract.

Stage of completion of project type contracts. The Group uses management's judgement to estimate stage of completion to recognize revenue under project type contracts. This estimate is based on costs forecasts and calculations and historical experience on similar projects.

Impairment of financial assets. The Group regularly reviews its financial assets to assess for impairment. The Group uses management's judgement to estimate allowance for Expected Credit Losses (ECL) for financial assets at amortised cost. 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 of 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.

Impairment of long-lived assets. IFRS requires management to perform impairment tests annually for indefinite lived assets and, for finite lived assets, if events or changes in circumstances indicate that their carrying amounts may not be recoverable. Impairment testing requires management to judge whether the carrying value of assets can be supported by the higher of the fair value of the asset or the net present value of future cash flows that they generate. Calculating the net present value of the future cash flows requires assumptions to be made in respect of highly uncertain matters.

Recoverable amount of cash-generating units is estimated based on value in use. In assessing value in use, the estimated future cash flows are discounted to their 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 asset for which the estimates of future cash flows have not been adjusted.

The growth rate in the post-forecast period is determined on the basis of the nominal GDP growth rate for each country and adjusted for the specific risk inherent in each generating unit. The discount rate used to calculate value in use is the weighted average cost of capital, calculated on the basis of the average capital structure for the economic sector. The cost of equity is determined on the basis of the risk-free rate for long-term government bonds issued in the country in which the generating unit operates. These rates are adjusted for the risk premium reflecting the risk of investing in ordinary shares and the specific risk of each cash-generating unit.

Deferred tax assets. Deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The valuation of probability is based on management estimation of future taxable profit.

Fair value measurements. Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. Where the fair value of assets and liabilities recorded in the consolidated 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. Information about assets and liabilities measured at fair value on recurring basis is disclosed in Note 33.

Useful lives of property, plant 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 amortisation or depreciation charges. Technological developments are difficult to predict and management views on the trends and pace of development may change over time. The estimated useful lives are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Provisions and contingencies. The Group is subject to various legal proceedings, disputes, claims and regulatory reviews related to the Group's business, licenses, tax positions and investments, where the outcomes are subject to significant uncertainty. Management evaluates, among other factors, the degree of probability of an unfavourable 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 29 and 38 for further information.

Critical judgments in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

(amounts in millions of Russian Rubles, unless otherwise stated)

Judgment identifying accounting impacts of acquisitions and business combinations – The Group regularly carries out complex structured transactions for the acquisition and disposal of shares in subsidiaries, debt restructuring and financing arrangements. Determining the accounting treatment of such transactions is often complex and requires management's judgment, in particular in determining whether or not the Group has control over the investees, and whether or not the Group has obligations to third-party investors. In 2021, transactions in respect of which management has made significant judgments in these areas include the Group's acquisition of Inter Forest Rus (Note 6), loss of control over Segezha Zapad (Note 17) and obtaining control over Binnopharm Group (Note 6).

Standards, interpretations and amendments adopted in current year

In 2021 the Group adopted the following standards, interpretations and amendments:

Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform and its Effects on Financial Reporting (Phase 2)
Amendments to IFRS 16	Lease concessions related to the COVID-19 pandemic
Amendments to IFRS 1 and IAS 12 1)	Deferred tax on assets and liabilities arising from a single transaction

1) Voluntary early adoption

These IFRS pronouncements do not have a material impact 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 the conceptual framework 1)
Amendments to IFRS	Annual Improvements to IFRS Standards 2018-2020 Cycle 1)
Amendments to IAS 1	Classification of Liabilities as Current or Non-current 2)
IFRS 17 and amendments to IFRS 17	Insurance Contracts 2)
Amendments to IAS 8	Definition of Accounting Estimate
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policy 2)
Amendments to IFRS 10 and IAS 28	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture 3)

1) Effective for annual reporting periods from 1 January 2022, early application permitted
2) Effective for annual reporting periods from 1 January 2023, early application permitted
3) The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.

The Group does not expect that the adoption of these standards will have a material impact on the Group's consolidated financial position and financial performance in future periods.

4. SEGMENT INFORMATION

As a diversified holding corporation, the Company invests in a range of businesses, which meet its investment and return criteria. The Company has determined that the chief operating decision maker ("CODM") is Management Board. Information reported to the Management Board for the purpose of resource allocation and the assessment of segment performance is focused on each individual business. No operating segments have been aggregated in arriving at the reportable segments of the Group. The Group's reportable segments are businesses that offer different products and services and are managed separately.

The Group's reportable segments are Mobile TeleSystems PJSC ("MTS"), Segezha Group JSC (formally Segezha Group LLC) ("Segezha Group"), Medsi Group JSC ("Medsi"), Ozon Holdings PLC ("Ozon") and Corporate. MTS is one of the leading telecommunications group in Russia and the CIS, offering mobile and fixed voice, broadband, internet access, pay TV, financial services, as well as content and entertainment services in Russia and Armenia. Segezha Group is a Russian vertically integrated forest industry holding that performs a full cycle of timber harvesting and advanced wood processing operations. Medsi is the largest federal private network of medical and preventive institutions in the country, providing a full range of services for the prevention, diagnosis and treatment of diseases, as well as rehabilitation services for children and adults. Ozon is one of the largest Russian e-commerce internet platforms. Corporate segment comprises the Company and entities, which hold and manage the Company's interests in its subsidiaries, joint ventures and associates. The Other category includes other operating segments including East-West United Bank (EWUB), Sitronics, Agroholding "Steppe" (Steppe), Sistema Venture Capital, Hospitality assets, Bashkirian Power Grid Company ("BPGC"), Business Nedvizhimost, Binnopharm Group, Megapolis-Invest, Etalon Group, "Zarya", "New Investment Holding", none of which meets the quantitative thresholds for determining reportable segments.

The accounting policies of the operating segments are the same as those described in the Significant accounting policies, judgements, estimates and assumptions (Note 3) and other relevant notes. The Group's CODM evaluates performance of the segments on the basis of operating income and OIBDA. OIBDA is defined as operating income before depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets.

(amounts in millions of Russian Rubles, unless otherwise stated)

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment for 2021 and 2020:

	External revenues		Inter-segment revenue		Segment operating income/(loss)	
	2021	2020	2021	2020	2021	2020
MTS	530,181	491,030	4,222	3,896	117,679	111,233
Segezha Group	92,438	68,982	4	5	22,351	11,185
Medsi	30,040	25,011	47	30	3,978	3,704
Ozon (Note 17)	-	-	-	-	(12,584)	(8,428)
Corporate	3,427	3,619	903	1,289	5,955	(14,262)
Total reportable segments	656,086	588,642	5,176	5,220	137,379	103,432
Other	146,312	102,984	15,350	8,799	9,002	7,530
	802,398	691,626	20,526	14,019	146,381	110,962
Inter-segment eliminations					(2,414)	(1,558)
Operating income					**143,967**	**109,404**
Finance income					6,304	5,330
Finance costs					(71,503)	(71,468)
Currency exchange loss					(1,651)	(18,643)
Changes in the fair value of financial instruments					16,050	21,883
Profit before tax					**93,167**	**46,506**

The following is an analysis of the Group's depreciation and amortisation, additions to non-current assets (comprising property, plant and equipment, investment property, other intangible assets, right-of-use assets and advances paid for non-current assets), impairment of certain long-lived assets and other non-cash items (comprising impairment of current assets and financial assets) by reportable segment:

	Additions to non-current assets		Depreciation and amortisation		(Reversal) of impairment/ impairment of non-current assets		Other non-cash items	
	2021	2020	2021	2020	2021	2020	2021	2020
MTS	141,400	135,646	111,088	100,205	17	2,023	721	2,469
Segezha Group	24,490	16,805	6,947	6,273	907	20	339	119
Medsi	7,639	5,414	3,256	2,708	-	-	67	-
Corporate	1,383	1,651	963	200	5	-	2,190	(700)
Other	27,162	12,899	11,906	11,106	(1,337)	3,578	784	1,068
	202,074	**172,415**	**134,160**	**120,492**	**(408)**	**5,621**	**4,101**	**2,956**

(amounts in millions of Russian Rubles, unless otherwise stated)

The following is an analysis of the Group's segment assets and liabilities by reportable segment:

	31 December 2021	31 December 2020
Segment assets		
MTS	1,028,277	932,281
Segezha Group	208,117	88,572
Medsi	49,850	39,160
Corporate	169,853	182,515
Total reportable segments	**1,456,097**	**1,242,528**
Other	397,788	288,360
Total segment assets	**1,853,885**	**1,530,888**
Inter-segment eliminations	(99,029)	(109,572)
Consolidated total assets	**1,754,856**	**1,421,316**
Segment liabilities		
MTS	1,001,311	886,609
Segezha Group	163,118	80,549
Medsi	24,928	17,643
Corporate	256,491	213,340
Total reportable segments	**1,445,848**	**1,198,141**
Other	269,081	231,982
Total segment liabilities	**1,714,929**	**1,430,123**
Inter-segment eliminations	(86,431)	(96,136)
Consolidated total liabilities	**1,628,498**	**1,333,987**

As of 31 December 2021 and 2020 the carrying amount of investment in MTS Belarus, an associate of MTS, included in its reportable segment assets was RUB 6,265 million and RUB 5,124 million, respectively. The carrying amount of investment in Ozon, included in assets of Corporate, as of 31 December 2021 and 2020 was RUB 0 million and RUB 12,584 million, respectively. The carrying amount of investments in other associates and joint ventures representing separate operating segments are included in the assets of Corporate.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets (property, plant and equipment, investment property, other intangible assets, right-of-use assets, advance payments for non-current assets and goodwill) by location of assets are detailed below.

	Revenue from external customers		Non-current assets	
	2021	2020	2021	2020
Russia	711,682	615,900	964,116	741,297
Other	90,716	75,726	19,935	21,348
	802,398	**691,626**	**984,051**	**762,645**

(amounts in millions of Russian Rubles, unless otherwise stated)

5. DISCONTINUED OPERATIONS

The Group enters into transactions to sell shares of subsidiaries, which result in the Group losing control over its subsidiaries. The results of subsidiaries disposed of during the reporting period are included in the consolidated financial statements prior to the date of loss of control over subsidiaries. Information on the sale of shares in subsidiaries, representing separate major lines of business or geographical areas of operations, and their impact on the Group's results is provided below.

The amounts recognised in profit from discontinued operations are as follows:

	2021	**2020**
Gain from disposal of VF Ukraine	-	2,101
Currency translation on disposal of VF Ukraine	93	127
Change in the fair value of contingent consideration VF Ukraine	377	645
Other disposals	-	249
Profit from discontinued operations	**470**	**3,122**
Attributable to:		
Shareholders of Sistema PJSFC	237	1,650
Non-controlling interests	233	1,472

The results of the companies are presented as part of discontinued operations in the accompanying consolidated profit and loss statement for all periods presented.

The results of the disposed subsidiaries included in discontinued operations in the consolidated statements of profit or loss for 2021 and 2020 are as follows:

	Other	
	2021	**2020**
Revenue	-	1,223
Expenses	-	(1,033)
Profit before income tax	-	190
Income tax benefit	-	8
Net income attributable to discontinued operations	-	**198**

Cash flows from discontinued operations included in the consolidated statements of cash flows for 2021 and 2020 are as follows:

	Other	
	2021	**2020**
Net cash used in operating activities	-	(318)
Net cash provided by investing activities	1,234	15
Net cash provided by financial activities	-	366
Total net cash increase in cash and cash equivalents	**1,234**	**63**

(amounts in millions of Russian Rubles, unless otherwise stated)

6. BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method, with the identifiable assets acquired and the liabilities assumed recognised at their fair value at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the acquisition occurs, the Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which could be up to one year from the acquisition date, the Group retrospectively adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date.

Business combinations in 2021

The business combinations which took place in 2021 is summarized below:

Acquiree	Principal activity	Date of acquisition	Interest acquired	Acquiring segment	Conside-ration
MTT	Telecomunications	June	100%	MTS	5,798
GreenBush	Telecomunications	June	100%	MTS	5,200
Other acquisitions of MTS	Telecomunications	April	100%	MTS	3,161
Binnopharm Group	Pharmaceuticals	June	n/a	Other	38,343
Inter Forest Rus	Timber procurement	December	100%	Segezha	38,748
Novoyeniseysky wood-chemical complex	Timber procurement	September	100%	Segezha	3,708
Zarya	Fishing	July	49%	Other	3,000
Acquisitions of Medsi	Healthcare	December	100%	Medsi	2,131
Other acquisitions	Other	July-August		Other	3,574
Total					**103,663**

(amounts in millions of Russian Rubles, unless otherwise stated)

The following table summarizes the amounts of the identifiable assets acquired and liabilities assumed relating to such acquisitions at the acquisition date:

	MTT	GreenBush	Other acquisitions of MTS	Binnopharm Group	Inter Forest Rus	Novoyeni-seysky wood-chemical complex	Zarya	Acquisitions of Medsi	Other acquisitions
Total consideration satisfied by:									
Cash consideration	3,680	5,200	1,512	-	16,951	3,708	3,000	2,131	3,574
Fair value of the previously held interest in the acquiree	-	-	1,582	38,343	-	-	-	-	-
Deferred payment	160	-	7	-	21,797	-	-	-	-
Fair value of financial assets	1,958	-	-	-	-	-	-	-	-
Fair value of contingent consideration arrangement	-	-	60	-	-	-	-	-	-
	5,798	**5,200**	**3,161**	**38,343**	**38,748**	**3,708**	**3,000**	**2,131**	**3,574**
Recognised amounts of identifiable assets acquired and liabilities assumed:									
Property, plant and equimpment	588	5,171	623	13,296	23,490	4,058	756	232	1,655
Right-of-use assets	114	-	-	403	28,731	4,923	-	956	679
Other intangible assets	1,947	1	360	20,783	557	-	5,985	8	1,000
Other non-current assets	140	17	43	988	771	929	-	-	54
Inventories	-	-	-	8,360	8,031	1,250	633	67	1,587
Other current assets	3,396	93	1,590	10,082	5,375	746	19	423	2,376
Current liabilities	(2,656)	(26)	(736)	(14,326)	(8,556)	(1,315)	(3,388)	(174)	(5,515)
Lease liabilities	-	-	-	(389)	(8,270)	(1,837)	-	(957)	(592)
Non-current liabilities	(715)	(56)	(118)	(8,942)	(11,381)	(1,224)	(366)	-	(468)
Net assets	**2,814**	**5,200**	**1,762**	**30,255**	**38,748**	**7,530**	**3,639**	**555**	**776**
Non-controlling interests	-	-	-	(14,746)	-	-	(639)	-	13
Goodwill	**2,984**	**-**	**1,399**	**22,834**	**-**	**-**	**-**	**1,576**	**2,785**
Bargain purchase gain	**-**	**-**	**-**	**-**	**-**	**(3,822)**	**-**	**-**	**-**

(amounts in millions of Russian Rubles, unless otherwise stated)

The excess of the consideration transferred over the value of the identifiable assets acquired and liabilities assumed was allocated to goodwill mainly arising from the following:

MTT	Expected synergy effect
Other acquisitions of MTS	Expected synergy effect
Binnopharm	Skilled workforce, ability to develop new medicine
Other	Expected synergy effect and development of new competencies

Acquisition of MTT- In June 2021, MTS 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 financial assets offset against the purchase price of RUB 1,958 million and contingent consideration of RUB 160 million.

Acquisition of GreenBush - In June 2021, MTS acquired a 100% ownership interest in LLC GDTs Energy Group (GreenBush), the operator of the GreenBush data center in Technopolis 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.

Binnopharm Group

Incorporation of a pharmaceutical holding company – In February 2021, the incorporation of a pharmaceutical holding company, Binnopharm Group was completed. In order to set up a single pharmaceutical holding, Sistema and its financial partner, VTB Group, have contributed a 56.2% stake in Sintez OJSC (including Biocom GSC) to the capital of Binnopharm Group. At the same time, Sistema, VTB, and a consortium of investors comprising the Russian Direct Investment Fund (RDIF), the Russia-China Investment Fund (RCIF) established by the RDIF and China Investment Corporation, and leading Middle Eastern funds, contributed an 85.6% stake in Alium JSC (which includes Binnopharm JSC) to the capital of Binnopharm Group. As a result, the effective share of Sistema together with VTB in the holding company amounted to 79%, and the Consortium of Investors - 15.8%. The remaining 5.2% of the shares were distributed among the minority shareholders-individuals. The Group continued to account for investments in Ristango Holding Limited and Sinocom Investments Limited (holding companies through which investments in JSC "Alium" and OJSC "Sintez" were made) under equity method.

Acquisition of stake in OJSC Sintez (hereinafter - Sintez) – In March 2021, Sistema (through a subsidiary Sistema Telecom Assets LLC) purchased a stake of 32.39% of the authorized capital of Sintez from the Holding Company Nacimbio controlled by State Corporation Rostec. The transaction amounted to RUB 6.9 billion. In May 2021, Sistema contributed the stake in OJSC Sintez acquired from the Holding Company Nacimbio to the capital of Binnopharm Group, as a result of which the share of Binnopharm Group in OJSC Sintez amounted to 88.6%.

Increase of stake in Ristango Holding Limited – In April 2021, the Group purchased a stake of 3.95% of the authorized capital of Ristango Holding Limited from minority shareholders for RUB 1.2 billion.

Obtaining control over Binnopharm Group – On 25 June 2021, amended and restated Shareholder Agreement was signed between the members of Ristango Holding Limited, as a result of which the Group has obtained control over the operating activities of Ristango Holding Limited, the owner of 100% of the authorized capital of Binnopharm Group.

For the period from 1 January 2021 until the date of acquisition of control over Ristango Holding Limited by the Group, the amount of profit from the revaluation of financial instruments in relation to the partners' participation interests in Ristango Holding Limited amounted to RUB 5.5 billion. After control was obtained, these financial assets were derecognised and financial liabilities in the amount of the present value of the redemption amount were recognized as part of other financial liabilities, which resulted in an effect of RUB 8.2 billion, RUB 5.9 billion and RUB 13.9 billion on accumulated loss, additional capital and non-controlling interests, respectively.

As a result of the transaction, the umbrella brands "Alium" and “Sintez” were identified. These intangible assets are expected to have indefinite lives based on their history and the Group’s plans to continue to support and build the acquired brands.

Sale of stake in Ristango Holding Limited to Nevsky Property Limited – On 28 June 2021, Sistema Telecom Assets LLC, a 100% subsidiary of Sistema, sold an 11.2% stake in Ristango Holding Limited to Nevsky Property Investments Limited (controlled by VTB Capital) for RUB 7 billion. The transaction was recognized directly in equity (Note 7).

Exercise of the contract to acquire VTB’s share in Ristango Holding Limited – In July 2021, the Group exercised its right under the forward agreement with VTB and early purchased VTB's 20.97% share in Ristango Holding Limited for RUB 6.7 billion.

Exercise of the contract to acquire VTB’s share in Sinocom Investments Limited – In December 2021, Sistema Telecom Assests LLC, a 100% subsidiary of Sistema, exercised its right to acquire the VTB Bank’s (Europe) SE shares of Sinocom Investments Limited, which owns shares of Ristango Holding Limited, for the amount of RUB 9.06 billion. As a result of the transaction, the effective share of the Corporation in Binnopharm Group increased to 75.3%.

As of 31 December 2021, the Group, with the involvement of an independent appraiser, completed the assessment of the fair value of the acquired assets and liabilities.

Acquisition of LLC Inter Forest Rus and its subsidiaries – On December 28, 2021, the Group acquired 100% control over LLC Inter Forest Rus and its 24 subsidiaries from a third party, including four sawmills, plywood and pellet manufacturers, as well as logging assets with an estimated cutting area of about 10.9 million cubic meters. All acquired assets are located in the Krasnoyarsk Region and the Irkutsk Region.

The preliminary purchase price includes a cash payment of USD 528 million (RUB 38,748 million at the transaction date exchange rate), of which USD 230 million (RUB 16,951 million at the transaction date exchange rate) was paid during 2021. The provisional purchase price may be subject to adjustment depending on the actual OIBDA and working capital of the acquired assets for 2021, as well as other applicable adjustments. Deferred payments in the total amount of USD 50 million (RUB 3,715 million at the exchange rate as of 31 December 2021), included in long-term other financial liabilities from the acquisition of companies, are payable in equal amounts in 2 and 4 years from the date of signing of the sale and purchase agreement, but not discounted, since act as security against possible property losses of the Group related to the decisions of the previous owners (Note 28). The security covers, among other things, the risks of loss of property, additional taxes, penalties and fines, disposal of allowable forest cut.

As at 31 December 2021, the Group has not completed the fair value measurement of the acquired assets and liabilities and the allocation of the purchase price. The allocation of the acquisition cost to the fair value of the acquired assets and liabilities will be completed within 12 months from the acquisition date.

Consolidation of CJSC Novoyeniseysky wood-chemical complex – On 15 February 2021, the Group submitted an application to participate in an auction held by the bank of non-core assets "Trust" to sell assets related to CJSC Novoyeniseysky wood-chemical complex (NLHK). NLHK is one of the largest closed-cycle woodworking enterprises located in the Lesosibirsk, Krasnoyarsk Region, specializing on the lumber production, dispersed wood fraction,chipboard, pellets, as well as joinery for the construction of residential and industrial premises.

The auction lot included the bank's rights to claims on loans and other liabilities in the total amount of RUB 11.5 billion in different currencies, as well as the right to enter into an option for 71% of NLHK shares, the condition for the exercise of which was, among other things, the termination of arbitration proceedings in the bankruptcy proceedings against NLHK. The Group purchased the lot for a cash consideration of RUB 2,306 million paid in February 2021.

On 20 May 2021, the Group signed an agreement to acquire a minority interest of 29% of NLHK shares. The transaction was completed on 27 July 2021, the shares became the property of the Group's subsidiary, JSC Lesosibirsky LDK №1. The total remuneration amounted to USD 17 million (RUB 1.2 billion), of which RUB 620 million was paid on 8 June 2021, the remaining amount RUB 601 million was due after the transfer of ownership, and was paid on 19 August 2021.

On 15 September 2021, the Arbitration Court of the Krasnoyarsk Region decided to terminate the bankruptcy proceedings in relation to NLHK, and the option to acquire 71% of the shares became exercisable, and, accordingly, the Group obtained control over operating activities and consolidated 100% of the assets and liabilities of NLHK.

As of 31 December 2021, with the involvement of an independent appraiser the Group completed the assessment of the fair value of the acquired assets and liabilities.

As a result of the acquisition of NLHK, the Group received gain from the acquisition in the amount of RUB 3,822 million, which was recognized as part of “Other income” in the Consolidated statement of profit or loss and other comprehensive income. The gain is related to the bankruptcy proceedings against NLHK, initiated as a result of a corporate conflict between the previous owners of the company. As a result of this conflict, NLHK's potential in terms of both harvesting volumes and sawn timber production volumes was not fully utilized. In the 4th quarter 2021, having terminated the bankruptcy procedure, as well as having ensured a sufficient level of working capital, the Group, without additional capital investments, increased the volumes of logging and production of sawn timber, increasing the operating profitability of the company.

Acquisitions of Medsi – In December 2021, the Group acquired the Dialine clinic chain in Volgograd (DIALINE Clinical Diagnostic Laboratory LLC and DIALINE Multidisciplinary Medical Center LLC), as well as the Promedicine clinic chain in Ufa (“MMC "Clinic of Allergology and Pediatrics" LLC, "KNTS" LLC, "MC" Preventive Medicine" LLC, "MMC" Preventive Medicine" LLC and "Preventive Medicine-Pharm" LLC).

(amounts in millions of Russian Rubles, unless otherwise stated)

Part of the consideration for the Promedicine chain in the amount of RUB 973 million was paid by transfer under a letter of credit. As of 31 December 2021, the Group recorded the letter of credit as restricted cash. The Group recorded other payables for the acquisition of the Promedicine chain and the Dialine chain in the amount of RUB 1,023 million and RUB 56 million, respectively.

Since accounting for the acquisition of business has not been completed as at 31 December 2021 yet, the Group has recorded the preliminary amounts of the acquired identifiable assets.

Acquisition of Zarya – In July 2021, the Group acquired a 49% stake in LLC Zarya for RUB 3 billion. The main activity of the company is fish production. The Group and other participants entered into a shareholder agreement, according to which the Group received control over operating activities. In December 2021, the Group acquired an additional 41% stake in the authorized capital for RUB 3.2 billion. As a result of the transaction, the share of the Group in this subsidiary increased to 90%.

As of 31 December 2021, the Group has not completed the assessment of the fair value of the acquired assets and liabilities and the purchase price allocation, the Group recorded the estimated amounts of the acquired identifiable assets, determined, among other inputs, based on the carrying value at the date of acquisition.

Business combinations in 2020

The business combinations which took place in 2020 is summarized below:

Acquiree	**Principal activity**	**Date of acquisition**	**Interest acquired**	**Acquiring segment**	**Purchase price**
Medsi Izhevsk	Healthcare services	March	100%	Medsi	130
Karelian Wood Company	Forest procurement	January	100%	Segezha	950
Other logging companies	Forest procurement	January-April	75.02%-100%	Segezha	74
Stopol LLC	Telecomunications	June	100%	MTS	321
Agriculture businesses	Agriculture	May	100%	Agroholding Steppe	4,736
Total					**6,211**

(amounts in millions of Russian Rubles, unless otherwise stated)

The following table summarizes the final amounts of the identifiable assets acquired and liabilities arising from the following:

	Medsi Izhevsk	Karelian Wood Company	Other logging companies	Stopol LLC	Agriculture businesses
Total consideration satisfied by:					
Cash consideration	130	829	74	312	2,111
Equity instruments of subsidiary	-	-	-	-	2,625
Fair value of contingent consideration arrangement	-	121	-	9	-
	130	**950**	**74**	**321**	**4,736**
Recognised amounts of identifiable assets acquired and liabilities assumed:					
Property, plant and equipment	431	704	1	2	2,382
Lease rights	-	1,084	185	-	3,028
Other non-current assets	10	350	-	-	-
Other current assets	6	712	4	300	1,088
Current liabilities	(196)	(287)	(49)	(263)	(976)
Lease liabilities	-	(428)	(92)	-	(1,475)
Other non-current liabilities	(19)	(197)	-	-	(1,000)
Net assets	**232**	**1,938**	**49**	**39**	**3,047**
Non-controlling interest	-	-	4	-	-
Goodwill	**-**	**-**	**21**	**282**	**2,425**
Bargain purchase gain	**(102)**	**(988)**	**-**	**-**	**(736)**

The excess of the consideration transferred over the value of the identifiable assets acquired and liabilities assumed was allocated to goodwill mainly arising from the following:

Stopol LLC	Ensuring the entry into the market of the smart multimedia systems for cars
Other logging companies	Expected synergy effect
Agriculture businesses	Market position, expected synergy effect

As a result of the acquisition of Karelian Wood Company, Medsi Izhevsk and Agricultural Businesses, the Group has received gain in the amount of RUB 1,826 million, which was recognised in other income in the consolidated statement of profit or loss.

The gain received from the acquisition of Karelian Wood Company is associated with a limited number of possible buyers, as well as with the underutilization by the previous owners of the potential of Karelian Wood Company in terms of both the volume of logging, and the volume of production and geography of shipments of lumber. In 2020, with no additional capital investment, the Group increased company’s logging and sawn timber production, improving its operating profitability.

The gain received from the acquisition of Medsi Izhevsk is related to the long-term development strategy of Medsi in the regions of the Russian Federation, and is due to the decision of the previous owner to sell non-core assets of his business in connection to disinterest in the development of this sector. Medsi by means of modern high-tech medical equipment, changes in medical and marketing programs will aim to attract additional patients to the clinics of the network and increase the efficiency of their work.

(amounts in millions of Russian Rubles, unless otherwise stated)

The gain received from the acquisition of individual Agriculture businesses is due to the general trend of price growth in the grain market in the reporting period. The terms of long-term lease agreements acquired under this transaction were recognised as favourable, and the right-of-use assets associated with the favorable terms of the lease agreements amount to RUB 772 million.

As of the reporting date, purchase price allocation of acquisitions of Medsi Izhevsk, Karelian Wood, Other logging companies, Stopol LLC and Agriculture businesses have been finalised.

The following table summarises the details of purchase of subsidiaries, net of cash acquired, reported in the statements of cash flows:

	2021	2020
Cash consideration	39,756	3,456
Net of cash acquired	(3,603)	(46)
Acquisitions of subsidiaries less cash acquired	**36,153**	**3,410**

7. CAPITAL TRANSACTIONS OF SUBSIDIARIES

The Group enters into transactions to acquire or dispose ownership interests in its existing subsidiaries that do not result in the Group losing control over the subsidiaries. Also, the entities of the Group enter into transactions with each other to transfer ownership interests in subsidiaries within the Group. Such transactions are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests ("NCI") are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity in additional paid-in capital ("APIC") and attributed to shareholders of the Company.

Transactions in 2021

The information on capital transactions of subsidiaries which took place in 2021 and their impacts on the Group's equity is summarised below:

	Increase/ (decrease) of additional paid-in capital	Increase/ (decrease) of non-controlling interests
Purchase of own shares by MTS	(3,239)	(10,541)
Initial Public Offering of Segezha Group	19,540	10,399
Sale of stake in Ristango Holding Limited to Nevsky Property Investments Limited (Note 6)	3,313	3,388
Sale of stake in Segezha Group	6,738	4,300
Other	(1,600)	3,364
Total impact	**24,752**	**10,910**

(amounts in millions of Russian Rubles, unless otherwise stated)

Purchase of own shares by MTS – In 2021 MTS acquired 65,308,610 ordinary shares, including acquisition of 22,796,040 ordinary shares from Sistema PJSFC and Sistema Finance S.A., the subsidiary of the Group, in the amount of RUB 7.5 billion.

Initial Public Offering of Segezha Group – On 28 April 2021, Segezha Group carried out an initial public offering of 3.75 billion ordinary shares on the Moscow Exchange. As a result, Segezha Group has raised RUB 30 billion. The amount of expenses directly related to the issue and placement of shares amounted to RUB 1 billion. Subsequently, Sistema has exercised the option for additional placement of secondary shares as part of the initial public offering and listing of ordinary shares of Segezha Group on the Moscow Exchange. The total amount of Sistema's proceeds from the exercise of the option for the additional placement is approximately RUB 0.8 billion.

Sale of a stake in Segezha Group – In December 2021, Sistema sold a 8.7% stake in ordinary shares of PJSC Segezha Group for USD 150 million (RUB 11 billion).

Transactions in 2020

The information on capital transactions of subsidiaries which took place in 2020 and their impacts on the Group’s equity is summarised below:

	(Decrease)/ increase of additional paid-in capital	Decrease of non-controlling interests
Purchase of own shares by MTS	(532)	(7,993)
Other	303	(201)
Total impact	**(229)**	**(8,194)**

MTS Share Acquisition Program – As a part of the implementation of the share acquisition plan approved in 2020, MTS acquired 48,797,719 ordinary shares, including acquisition of 22,758,872 ordinary shares from Sistema Finance S.A., the subsidiary of the Group, in the amount of RUB 7.49 billion.

8. REVENUE

Revenue from contracts with customers specific to the reporting segments of the Group is recognised in the following way.

MTS – Revenue for access charges, voice and video calls, rendering of cloud services, messaging, interconnect fees and fixed and mobile broadband is recognised 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). Products and services may be sold separately or in bundle packages. The most significant part of revenue relates to prepaid contracts.

The Group capitalizes costs of obtaining contracts (such as sales commissions) and costs of fulfilling contracts and amortises over the period expected to benefit from the contract. The Group used the practical expedient allowed by of IFRS 15 whereby such costs may be expensed if the amortisation period is one year or less.

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

Revenue from providing financial services mainly relates to interest bearing assets of MTS Bank. Such revenue is recognised on an accrual basis using the effective interest method.

Medsi – Medsi recognises revenue from the provision of medical services when (or to the extent that) it fulfills the obligation to perform by transferring the promised good or service to the buyer. An asset is transferred when (or as) the buyer gains control of the asset.

The Group provides medical services under contracts for payment upon the provision of services and from advance contracts.

Under contracts that provide for payment upon the provision of services, the Group fulfills the performance obligation at a certain point in time. Revenue is recognised at the time when the service is rendered in full.

Revenue from advance contracts (concluded in the usual practice for 1 year) that provide for the customer's right to receive a certain package of services during the term of the contract is recognised on a straight-line basis over the entire term of the contract.

In most cases, fitness services are provided on the basis of an advance payment form and are also recognised on a straight-line basis over the entire term of the contract.

As medical examination reports on services rendered to insurance companies are received with some delay, the Group recognises revenue less the provision for services rendered unwarranted, which is estimated based on historical data.

Segezha Group – Segezha Group receives revenue from the sale of goods (paper and packaging, lumber, plywood and other goods) and from the provision of finished goods delivery services to the buyer after the transfer of control over the goods. Sales are recognised at the time when control of goods is transferred, i.e. when the goods are delivered to the buyer in accordance with the terms of delivery (Incoterms 2010), the buyer has complete freedom of action with respect to the goods and when there is no unfulfilled obligation that may affect the acceptance of the goods by the buyer. Delivery is deemed to have been made when the goods have been delivered to a certain place, the risks of damage and loss passed to the buyer, and the buyer accepted the goods in accordance with the contract, the validity of the acceptance provisions has expired or the Group has objective evidence that all acceptance terms have been met.

(amounts in millions of Russian Rubles, unless otherwise stated)

The following is analysis of the Group's revenue from continuing operations for 2021:

	Reportable segments					
	MTS	Segezha	Medsi	Corporate	Other	Total
Type of goods/services						
Mobile and fix line services	401,707	-	-	-	-	401,707
Sale of goods	76,726	-	-	-	-	76,726
Works under specification	-	-	-	-	15,340	15,340
Production	-	92,438	-	-	76,287	168,725
Financial services	46,532	-	-	-	2,226	48,758
Medical services	-	-	30,040	-	-	30,040
Other services	-	-	-	3,427	29,484	32,911
Other	5,216	-	-	-	22,975	28,191
	530,181	**92,438**	**30,040**	**3,427**	**146,312**	**802,398**
Revenue from goods or services transferred to customers						
At a point in time	96,046	92,438	28,714	3,427	122,643	343,268
Over time	434,135	-	1,326	-	23,669	459,130
	530,181	**92,438**	**30,040**	**3,427**	**146,312**	**802,398**

The following is analysis of the Group's revenue from continuing operations for 2020:

	Reportable segments					
	MTS	Segezha	Medsi	Corporate	Other	Total
Type of goods/services						
Mobile and fix line services	384,327	-	-	-	-	384,327
Sale of goods	69,478	-	-	-	-	69,478
Works under specification	-	-	-	-	20,559	20,559
Production	-	68,982	-	-	36,951	105,933
Financial services	33,667	-	-	-	1,263	34,930
Medical services	-	-	25,011	-	-	25,011
Other services	-	-	-	3,619	26,796	30,415
Other	3,558	-	-	-	17,415	20,973
	491,030	**68,982**	**25,011**	**3,619**	**102,984**	**691,626**
Revenue from goods or services transferred to customers						
At a point in time	78,884	68,982	23,771	3,619	78,350	253,606
Over time	412,146	-	1,240	-	24,634	438,020
	491,030	**68,982**	**25,011**	**3,619**	**102,984**	**691,626**

(amounts in millions of Russian Rubles, unless otherwise stated)

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

	2022	2023-2027	2028-2032	Total
Mobile telecommunication services	21,087	901	76	22,064
Other services	10,481	14,443	-	24,924
Loyalty programme	451	-	-	451
Total	**32,019**	**15,344**	**76**	**47,439**

Contract assets and liabilities

Contract balances include trade receivables related to the recognised 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 payments terms.

Contract assets of MTS represent accrued revenue in a bundled offering which combines the sale of a mobile device and the provision of mobile services for a fixed-period. 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 recognised as a contract asset and thus transferred to trade receivables as the service is rendered.

Contract assets of MTS also relate to the MTS'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 or services promised in the contract. Contract liabilities consisted of advances received from customers and also amounts invoiced and paid for goods or services that are yet to be transferred.

(amounts in millions of Russian Rubles, unless otherwise stated)

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers as of 31 December 2021 and 2020:

	31 December 2021	31 December 2020
Trade accounts receivable	33,939	33,063
Contract assets	8,272	6,306
Total assets	**42,211**	**39,369**
Less: current portion	(40,070)	(37,206)
Total non-current assets	**2,141**	**2,163**
Contract liabilities	(32,953)	(32,395)
Thereof:		
Mobile telecommunication services	(22,064)	(21,780)
Project type works	(10,438)	(10,181)
Loyalty programmes	(451)	(433)
Total liabilities	**(32,953)**	**(32,394)**
Less: current portion	31,125	31,305
Total non-current liabilities	**(1,828)**	**(1,089)**

Changes in the contract assets and the contract liabilities balances during the 2021 and 2020 are as follows:

	2021		2020	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Balance as of 1 January	**6,306**	**(32,395)**	**6,474**	**(30,361)**
Revenue recognized that was included in the contract liability balance at the beginning of the period	-	26,424	-	21,174
Cash received, excluding amount recognized as revenue during the period	136	(27,355)	1,659	(23,208)
Transfer to assets held for sale	-	-	(96)	-
Effect of changes in estimates	(1,942)	373	(1,731)	-
Increase in revenue for which no payment was received	3,772	-	-	-
Balance as of 31 December	**8,272**	**(32,953)**	**6,306**	**(32,395)**

Cost to obtain and fulfill a contract

The Group capitalizes certain incremental costs incurred in acquiring or fulfilling a contract with a customer if the management expects these costs to be recoverable and includes them in other intangible assets and other non-current assets, accordingly.

Costs of acquiring a contract include commissions paid to a third-party distributor as well as the associated remuneration of the Group's commercial employees for obtaining a contract with a customer. These costs are amortised on a straight-line basis over the average subscriber life.

(amounts in millions of Russian Rubles, unless otherwise stated)

Costs to fulfil a contract mainly relate to costs of equipment transferred to the subscribers required for the provision of services. These costs are amortised on a straight-line basis for the shorter of equipment useful life or average subscriber life.

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

As of 31 December 2021 and 31 December 2020, the balances of cost to obtain and fulfil contracts capitalized by the Group amounted to:

	31 December 2021	31 December 2020
Cost to obtain contracts	7,779	7,549
Cost to fulfil contracts	3,155	2,506

As of 31 December 2021 and 2020 the accumulated amortisation expense related to cost to obtain and fulfill contracts amounted to RUB 9,015 million and RUB 8,228 million, respectively. Amortisation expense related to cost to obtain and fulfill contracts recognised for the year ended 31 December 2021 amounted to RUB 4,076 million (2020: RUB 3,819 million). There was no impairment loss relating to the costs capitalized.

9. IMPAIRMENT OF LONG-LIVED ASSETS

Impairment of long-lived assets recognised in the consolidated statement of profit or loss for 2021, includes impairment of property, plant and equipment, investment property, goodwill and other intangible assets.

	2021	2020
(Reversal)/Impairment of property,plan and equipment	(313)	3,027
Impairment of investment property	-	870
Impairment of intangable assets	40	202
(Reversal)/Impairment of other non-current assets	(274)	241
Impairment of goodwill (Note 15)	139	1,281
Total impairment of long-lived assets	**(408)**	**5,621**

Impairment of investment property – As of 31 December 2020, the Group estimated the recoverable value of assets based on their value in use, taking into account the OIBDA margin in the range of 2.9% - 3.9%, the ratio of capital expenditures to revenue in the range of 31.2%, the growth rate in the post-forecast period of 1% and the discount rate before tax of 11.4%, and recognised an impairment loss of RUB 870 million in the consolidated statement of profit or loss for 2020.

Impairment of property, plant and equipment – As of 31 December 2020 the Group estimated the recoverable amount of assets in the Other segment based on their value in use, taking into account the negative OIBDA margin in the range of (1.2)% - (25.1)%, the ratio of capital expenditures to revenue in the range of 2%-3%, the growth rate in the post-forecast period in the range of 2%-3% and the discount rate before tax of 13.45%, and recognised in the consolidated statement of profit or loss for 2020 an impairment loss of RUB 2,954 million.

(amounts in millions of Russian Rubles, unless otherwise stated)

In 2021 the Group assessed whether there were any indicators of the possible impairment of fixed assets and properties in the course of construction. The Group identified impairment in the total amount of RUB 130 million relating to Buildings and facilities, Machinery and equipment and other fixed assets of Segezha Sawmills LLC due to production closure. The Group has also accrued impairment in the total amount of RUB 777 million relating to the detailed design documentation and other capitalized costs due to revised and updated technical parameters of the projects. Also for the year ended 31 December 2021, the Group reversed the provision for property, plant and equipment in the "Other" segment in the amount of RUB 1,430 million due to improved financial performance.

10. IMPAIRMENT OF FINANCIAL ASSETS

Impairment of financial assets for 2021 and 2020 comprise the following:

	2021	2020
Allowance for expected credit losses of accounts receivable	1,922	3,434
Impairment/(Reversal of impairment) of loans carried at amortised cost	1,958	(424)
Impairment/(Reversal of impairment) of other financial assets	221	(54)
Total impairment of financial assets	**4,101**	**2,956**

Loans carried at amortised cost – For the years ended 31 December 2021 and 2020, the Group recognised in the consolidated statement of profit or loss impairment of loans in the amount of RUB 1,958 million and RUB 520 million, respectively. At the same time, for the year ended 31 December 2020, the Group reversed the provision for loans issued in the amount of RUB 944 million.

11. INCOME TAXES

The Group measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the countries where the Group and its subsidiaries operate, which may differ from IFRS.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Deferred tax assets are not recognised when management believes that it is more than 50% probable that deferred tax assets or some portion of them will not be realized. At the same time, the Group takes into account all available evidence, including projected future taxable profit, tax planning strategies and recent financial transactions.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by corporate entities in the RF on taxable profits (as defined) under tax law in that jurisdiction.

(amounts in millions of Russian Rubles, unless otherwise stated)

The Group's income tax expense for 2021 and 2020 comprise the following:

	2021	2020
Current income tax expense	(31,705)	(23,507)
Deferred income tax benefit	(8,589)	15,166
Total income tax expense recognised in the current year relating to continuing operations	**(40,294)**	**(8,341)**

Income tax expense calculated by applying the Russian statutory income tax rate to income from continuing operations before income tax differs from income tax expense recognised in the consolidated statements of profit or loss as a consequence of the following adjustments:

	2021	2020
Profit before tax	**93,167**	**46,506**
Income tax expense calculated at 20%	(18,633)	(9,301)
Adjustments due to:		
Earnings distribution from subsidiaries and associates	(6,221)	(6,598)
(Decrease)/increase of unrecognised deferred tax assets	(11,077)	5,966
Non-deductible expenses	(5,438)	(417)
Different tax rate of subsidiaries	600	692
Non-taxable income	3,213	630
Other	(2,738)	687
Income tax expense	**(40,294)**	**(8,341)**

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statements of financial position for 2021 and 2020:

2021	**Opening balance**	**Recognised in profit or loss**	**Recognised in capital**	**Acquisitions /disposals**	**Closing balance**
Deferred tax (liabilities)/ assets in relation to:					
Accrued expenses and accounts payable	6,516	1,795	-	1,519	9,830
Property, plant and equipment	(27,351)	(1,743)	32	(9,819)	(38,881)
Intangible assets	(8,358)	1,244	-	(4,217)	(11,331)
Cost capitalization	(1,668)	(162)	-	-	(1,830)
Deferred connection fees	1,430	176	-	-	1,606
Inventory obsolescence	436	(128)	-	427	735
Allowance for expected credit losses	2,676	761	3	85	3,525
Undistributed earnings of subsidiaries and joint ventures and associates	(4,436)	166	(86)	-	(4,356)
Right-of-use asset	4,242	789	-	(3)	5,028
Tax losses carried forward	32,465	(11,904)	168	919	21,648
Debt modification	(123)	52	-	(7)	(78)
Effect of derivatives reclassification	-	-	2,045	-	2,045
Other	805	365	166	(204)	1,132
Total	**6,634**	**(8,589)**	**2,328**	**(11,300)**	**(10,927)**

(amounts in millions of Russian Rubles, unless otherwise stated)

2020	Opening balance	Recognised in profit or loss	Recognised in OCI	Acquisitions /disposals	Closing balance
Deferred tax assets/ (liabilities) in relation to:					
Accrued expenses and accounts payable	5,800	716	-	-	6,516
Property, plant and equipment	(25,387)	(2,711)	628	119	(27,351)
Intangible assets	(8,949)	591	-	-	(8,358)
Cost capitalization	(1,448)	(220)	-	-	(1,668)
Deferred connection fees	1,230	200	-	-	1,430
Inventory obsolescence	88	347	-	-	435
Allowance for expected credit losses	(19)	2,695	-	-	2,676
Deferred revenues	1	-	-	-	1
Undistributed earnings of subsidiaries and joint ventures and associates	(5,887)	1,451	-	-	(4,436)
Right-of-use asset	3,428	814	-	-	4,242
Tax losses carried forward	16,713	15,612	(8)	148	32,465
Debt modification	(433)	310	-	-	(123)
Other	5,443	(4,639)	-	-	804
Итого	**(9,420)**	**15,166**	**620**	**267**	**6,633**

As of 31 December 2021 and 2020 the Group reported the following deferred income tax assets and liabilities in the consolidated statements of financial position:

	31 December 2021	31 December 2020
Deferred tax assets	31,471	41,402
Deferred tax liabilities	(42,398)	(34,769)
Net deferred tax assets/(liabilities)	**(10,927)**	**6,633**

In 2021 the Group wrote off previously recognised deferred tax assets of the Corporate segment in the amount of RUB 14 billion based on forecasts for possible assets sales.

As of 31 December 2021 and 2020 the tax losses carried forward, for which deferred tax assets were recognised, amounted to RUB 108,238 million and RUB 162,327 million, respectively.

The Group accrued uncertain income tax positions as a component of income tax payable of RUB 160 million and RUB 595 million as of 31 December 2021 and 2020, respectively.

Russian Federal law №401-FZ dated 30 November 2016 allowed for the indefinite carry forward of tax losses, whereas this was previously restricted to 10 years. Also, the law specified that the tax base for the years 2017-2024 may not be reduced by tax losses carried forward in an amount exceeding 50% of the base.

(amounts in millions of Russian Rubles, unless otherwise stated)

The following table summarizes temporary differences, for which deferred tax assets were not recognised in the consolidated statements of financial position as of 31 December 2021 and 2020:

Jurisdiction	Carry-forward period	2021	2020
India	2022-2028	81,463	95,589
Russia	Unlimited	305,335	235,685
Total		**386,798**	**331,274**

12. EMPLOYEE BENEFITS EXPENSES

Employee benefits expenses consist of salaries, bonuses and social security contributions.

Employee benefits expenses included in cost of sales, selling, general and administrative expenses and result from discontinued operations for 2021 and 2020 comprised RUB 159,886 million and RUB 141,823 million, respectively.

13. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost. Cost includes major expenditures for improvements and replacements, which extend useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance, including preventive maintenance, are charged to the consolidated statement of profit or loss as incurred.

The cost of major overhauls and replacements, which extend useful lives of the assets or increase their revenue generating capacity, are capitalised to the cost of the assets.

After recognition as an asset, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation for property, plant and equipment is computed under the straight-line method utilizing estimated useful lives of the assets as follows:

Buildings	7 – 150 years
Leasehold improvements	the term of the lease
Base stations	3 – 44 years
Other network equipment	3 – 20 years
Power and utilities	up to 60 years
Other	up to 15 years

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The Group considers a construction period of more than six months to be substantial. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(amounts in millions of Russian Rubles, unless otherwise stated)

Property, plant and equipment, net of accumulated depreciation and impairment, as of 31 December 2021 and 2020 consisted of the following:

	31 December 2021	31 December 2020
Carrying amount		
Switches, transmission devices, network and base station equipment	229,863	219,038
Buildings and leasehold improvements	93,736	74,183
Power and utilities	30,854	29,893
Land	24,153	22,982
Other	142,435	81,215
Total	**521,041**	**427,311**

As of 31 December 2021 and 2020 the "Other" line includes, among other things, timber processing equipment of PJSC "Segezha Group" in the amount of RUB 61,781 million and RUB 28,936 million respectively. The increase in the cost of timber processing equipment is driven by the company's investment program (RUB 18,544 million in 2021 compared to RUB 8,390 million in 2020) and business combinations (RUB 21,409 million in 2021 compared to from 265 million rubles in 2020).

	Switches, transmission devices, network and base station equipment	**Buildings and leasehold improve-ments**	**Power and utilities**	**Land**	**Other**	**Total**
Cost						
Balance as of 1 January 2020	**574,011**	**110,924**	**48,845**	**21,932**	**133,090**	**888,802**
Additions	54,862	5,928	3,561	350	35,269	99,970
Disposals	(38,293)	(3,735)	(80)	(6)	(11,377)	(53,491)
Business combinations	578	1,519	-	686	1,323	4,106
Reclassified to assets held for sale	(2,890)	(475)	-	-	(37)	(3,402)
Currency translation adjustment	2,286	2,096	-	62	2,335	6,779
Disposal of subsidiaries	-	(3,568)	-	(3)	(261)	(3,832)
Reclassified from right-of-use assets	-	-	-	-	459	459
Other	(4)	966	-	(39)	1,050	1,973
Balance as of 31 December 2020	**590,550**	**113,655**	**52,326**	**22,982**	**161,851**	**941,364**
Additions	59,927	6,963	4,392	490	45,591	117,363
Disposals	(44,394)	(872)	(741)	(5)	(7,484)	(53,496)
Business combinations	973	17,897	-	477	30,522	49,869
Reclassified to assets held for sale	(992)	(1)	-	-	(51)	(1,044)
Currency translation adjustment	1,306	(155)	-	(32)	(169)	950
Reclassified from right-of-use assets	-	-	-	56	1,034	1,090
Sale of companies	-	-	-	-	(326)	(326)
Other	(341)	673	-	185	1,897	2,414
Balance as of 31 December 2021	**607,029**	**138,160**	**55,977**	**24,153**	**232,865**	**1,058,184**

(amounts in millions of Russian Rubles, unless otherwise stated)

	Switches, transmission devices, network and base station equipment	Buildings and leasehold improve-ments	Power and utilities	Land	Other	Total
Accumulated depreciation and impairment						
Balance as of 1 January 2020	**(361,276)**	**(33,875)**	**(19,728)**	**-**	**(73,840)**	**(488,719)**
Disposals	33,058	1,457	40	-	9,177	43,732
Disposals from sales of subsidiaries	-	1,466	-	-	168	1,634
Reclassified from assets held for sale	1,899	146	-	-	(7)	2,038
Depreciation expense	(43,220)	(4,659)	(2,745)	-	(14,133)	(64,757)
Currency translation adjustment	(1,968)	(806)	-	-	(1,205)	(3,979)
Reclassified from right-of-use assets	-	(246)	-	-	(169)	(415)
Impairment	-	(2,623)	-	-	(404)	(3,027)
Other	(5)	(332)	-	-	(223)	(560)
Balance as of 31 December 2020	**(371,512)**	**(39,472)**	**(22,433)**	**-**	**(80,636)**	**(514,053)**
Disposals	38,225	572	125	-	6,250	45,172
Disposals from sales of subsidiaries	-	-	-	-	255	255
Reclassified to assets held for sale	1,247	1	-	-	15	1,263
Depreciation expense	(44,387)	(6,367)	(2,815)	-	(15,516)	(69,085)
Currency translation adjustment	(1,016)	154	-	-	(29)	(891)
Reclassified from right-of-use assets	-	-	-	-	(358)	(358)
(Impairment)/recovery of impairment	-	831	-	-	(518)	313
Other	277	(143)	-	-	107	241
Balance as of 31 December 2021	**(377,166)**	**(44,424)**	**(25,123)**	**-**	**(90,430)**	**(537,143)**

Advances issued for the acquisition of non-current assets are included in Other assets within non-current assets and amount to RUB 25,247 million and RUB 12,630 million as at 31 December 2021 and 2020, respectively. The growth is related to the capital expenditure programs of the Group's subsidiaries.

(amounts in millions of Russian Rubles, unless otherwise stated)

14. INVESTMENT PROPERTY

Investment property primarily includes cottages, office and commercial space and business centers owned by the companies of the Group operating in real estate sector, mainly Business Nedvizhimost.

Investment property is stated at cost less accumulated depreciation and impairment losses.

Depreciation for investment property is recognised using the straight-line method based on the average estimated useful lives of the assets of 25 years. Accumulated depreciation as of 31 December 2021 and 2020 amounted to RUB 5,735 million and RUB 5,271 million, respectively.

	2021	2020
Balance at the beginning of the year	**12,649**	**13,660**
Reclassified from / (to) property, plant and equipment	735	168
Additions	914	554
Disposals	(1,547)	(683)
Depreciation expense	(465)	(501)
Impairment (Note 10)	-	(870)
Other comprehensive income	-	498
Reclassified from/(to) inventories	874	(177)
Balance at the end of the year	**13,160**	**12,649**

Included in revenue is investment property rental income for 2021 of RUB 2,570 million (2020: 1,960 million). Operating expenses arising from the investment property that generated rental income during 2021 totalled RUB 1,515 million (2020: 1,486 million).

In estimating the fair value of the investment property, the Group classified the properties within Level 3 of the fair value hierarchy. As of 31 December 2021 the Group determined the fair values of the investment property at RUB 48,367 million (2020: RUB 40,136 million).

The fair values as of 31 December 2021 and 2020 were determined based either on discounted cash flows or by reference to market values of similar properties in the relevant region. The main inputs to the fair value measurement are the post-tax discount rate, revenue growth rates, OIBDA margin and adjustments to market values of similar properties. OIBDA is defined as operating profit, adjusted on depreciation and amortisation.

(amounts in millions of Russian Rubles, unless otherwise stated)

15. GOODWILL

Goodwill arising on an acquisition of a business is carried at cost recognised at the acquisition date less accumulated impairment losses, if any.

The carrying amounts of goodwill attributable to operating segments are as follows:

	MTS	Medsi	Steppe	Segezha Group	Binno-Pharm Group	Other	Total
Balance as of 1 January 2020							
Gross amount of goodwill	54,964	697	6,927	689	-	13,459	76,736
Accumulated impairment loss	(7,570)	(168)	-	(241)	-	(13,369)	(21,348)
	47,394	**529**	**6,927**	**448**	**-**	**90**	**55,388**
Business combinations	282	-	2,425	21	-	-	2,728
Impairment	(1,281)	-	-	-	-	-	(1,281)
Currency translation adjustment	365	-	-	-	-	-	365
Other	-	3	-	-	-	1	4
Balance as of 31 December 2020							
Gross amount of goodwill	55,611	700	9,352	710	-	13,460	79,833
Accumulated impairment loss	(8,851)	(168)	-	(241)	-	(13,369)	(22,629)
	46,760	**532**	**9,352**	**469**	**-**	**91**	**57,204**
Business combinations	4,383	1,576	2,694	-	22,834	91	31,578
Impairment	-	(35)	-	-	-	(104)	(139)
Currency translation adjustment	395	-	-	-	-	82	477
Balance as of 31 December 2021							
Gross amount of goodwill	60,389	2,276	12,046	710	22,834	13,633	111,888
Accumulated impairment loss	(8,851)	(203)	-	(241)	-	(13,473)	(22,768)
	51,538	**2,073**	**12,046**	**469**	**22,834**	**160**	**89,120**

The Group performs impairment test for the goodwill assigned to cash-generating units (CGUs) at least annually and when there are any indications that the carrying amount of the CGU is impaired. When the carrying amount of the CGU to which goodwill is allocated exceeds its recoverable amount, goodwill allocated to this CGU is impaired.

(amounts in millions of Russian Rubles, unless otherwise stated)

MTS – For the purposes of impairment testing, goodwill attributable to the MTS segment is allocated to enlarged CGUs as follow:

	Telecom	Other	Unallocated goodwill	Total
Balance as of 1 January 2020				
Gross amount of goodwill	32,801	11,380	10,783	54,964
Accumulated impairment loss	(1,466)	(4,040)	(2,064)	(7,570)
	31,335	**7,340**	**8,719**	**47,394**
Acquisitions	-	282	-	282
Reclassification	(1,877)	1,877	-	-
Impairment	-	(1,281)	-	(1,281)
Currency translation adjustment	-	365	-	365
Balance as of 31 December 2020				
Gross amount of goodwill	30,924	13,904	10,783	55,611
Accumulated impairment loss	(1,466)	(5,321)	(2,064)	(8,851)
	29,458	**8,583**	**8,719**	**46,760**
Acquisitions	4,337	46	-	4,383
Reclassification	253	(253)	-	-
Currency translation adjustment	-	395	-	395
Balance as of 31 December 2021				
Gross amount of goodwill	35,514	14,092	10,783	60,389
Accumulated impairment loss	(1,466)	(5,321)	(2,064)	(8,851)
	34,048	**8,771**	**8,719**	**51,538**

The enlarged CGU (which represents a group of CGUs) "Telecom" includes the following business units:

The "Russia convergent" – represents mobile and fixed line operations, which encompasses services rendered to customers across regions of Russia. Russia convergent also includes sales of equipment and accessories. Goodwill allocated to these CGUs has arisen on acquisitions made by MTS.

The "Moscow fixed line" – represents the results of fixed line operations carried out in Moscow by MGTS, a subsidiary of MTS, and divided into two CGU – «MGTS commercial» and «MGTS service».

The enlarged CGU "Other" includes CGU "Armenia", CGU "Cloud Retail" and CGU "Entertainment".

Unallocated goodwill represents goodwill recognized as a result of the purchase of MTS shares by the Group. It is not subject to allocation to CGUs as it is reviewed by management at the MTS segment level. Unallocated goodwill is tested for impairment based on the market capitalization of MTS.

The recoverable amounts of the CGUs are determined based on their value in use. In assessing 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.

Future cash flows calculations are based on a five-year operation plan. Estimation of future cash flows requires assumptions to be made in respect of uncertain factors, including management's expectations of OIBDA margins, timing and amount of future capital expenditure, terminal growth rates and appropriate discount rates to reflect the risks associated.

(amounts in millions of Russian Rubles, unless otherwise stated)

In 2021 according to impairment test results, no impairment was recognized.

As a result of the impairment test performed on 31 December 2020, other CGU was impaired in amount of RUB 1,281 million.

The key assumptions used in the value in use calculations

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
Entertainment	4.8%-12%	8.8%-32%
Cloud	37.7%-67.3%	41.3%-69.0%
Other CGUs	4.3%-5.0%	3.5%-5.2%

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
Entertainment	3%	0.0%
Cloud	17%	15.4%
Other CGUs	1%	1.2%

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
Entertainment	1.5%	1.5%
Cloud	1%	1%
Other CGUs	2%	2%

(amounts in millions of Russian Rubles, unless otherwise stated)

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
Entertainment	13.1%	13.6%
Cloud	13.6%	13.2%
Other CGUs	6.0%	6.1%

Management believes that no reasonably possible change in the current period any of the above key assumptions would cause the carrying value of any cash-generating unit to materially exceed its recoverable amount.

Agroholding "Steppe" – The recoverable amounts of the CGUs were determined based on their value in use. Cash flow models were prepared in Russian rubles. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The growth rate does not exceed the long-term average growth rate for the business sector of the economy in which CGU operates.

Key assumptions used for value-in-use calculations are determined based on market analysis, which is performed regularly. The table below presents key assumptions used for value in-use calculations:

	2021	**2020**
Terminal cash flows growth rate	3.8%	3.8%
Discount rate	14%	14%
Range of average annual market price growth rate	3.8-8.5%	3.8-4%

Management believes that no reasonably possible change in the current period in any of the above key assumptions would cause the carrying value of any cash-generating unit to materially exceed its recoverable amount.

Binnopharm Group – The recoverable amounts of the CGUs were determined based on their fair value less costs of disposal. It was determined with the reference to the sale of stake in Ristango Holding Limited in June 2021 and valuation of similar companies.

16. OTHER INTANGIBLE ASSETS

Other intangible assets are mainly represented by billing and telecommunication software and other software, operating licenses, acquired customer bases of MTS, patents and trademarks of Binnopharm Group.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and impairment losses. Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and impairment losses, on the same basis as intangible assets that are acquired separately.

(amounts in millions of Russian Rubles, unless otherwise stated)

All finite-life intangible assets are amortised using the straight-line method utilising estimated useful lives of the assets as follows:

Operating licenses	1-20 years
Billing and telecommunication software	1-20 years
Radio frequencies	1-15 years
Customer base	4-31 years
Cost to obtain contracts	2-5 years
Software and other	1-10 years

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

Trademarks with indefinite contractual life are not amortised, but are reviewed, at least annually, for impairment.

Intangible assets other than goodwill as of 31 December 2021 and 2020 consisted of the following:

	31 December 2021	31 December 2020
Carrying amounts of:		
Amortised intangible assets:		
Billing and telecommunication software	70,627	65,179
Operating licenses	9,317	9,791
Radio frequencies	905	1,242
Acquired customer base	3,409	360
Software and other	22,874	9,085
Cost to obtain contracts	7,778	7,549
Patents and amortisable trademarks	12,314	-
	127,224	**93,206**
Unamortised intangible assets:		
Trademarks	12,734	6,543
Total	**139,958**	**99,749**

MTS operating licenses – In connection with providing telecommunication services, the Group has been issued various GSM operating licenses by the Russian Ministry of Information Technologies and Communications (the “Ministry”). In addition to the licenses received directly from the Ministry, the Group has been granted access to various telecommunication licenses through acquisitions of subsidiaries. In foreign subsidiaries, the licenses are granted by the local communication authorities.

Operating licenses contain a number of requirements and conditions specified by legislation. The requirements generally include the start date of service, 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. As of 31 December 2021, all expired licenses covering the territories of the Russian Federation were renewed. The cost to renew the licenses was not significant. The weighted-average period until the next renewal of licenses in the Russian Federation is two and a half years.

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

(amounts in millions of Russian Rubles, unless otherwise stated)

	Billing and telecom software	Operating licenses	Customer bases	Radio frequencies	Software and other	Non-amortisable trademarks	Cost to obtain contracts	Patents and amortisable trademarks	Total
Cost									
Balance as of 1 January 2020	**129,476**	**29,408**	**11,114**	**5,714**	**25,108**	**6,543**	**13,517**	**-**	**220,880**
Additions	35,277	1,492	-	32	4,045	-	10,390	-	51,236
Disposals	(28,035)	(117)	(73)	(172)	(3,491)	-	(9,758)	-	(41,646)
Disposal of subsidiaries	(356)	-	-	-	-	-	-	-	(356)
Currency translation adjustment	386	914	108	-	105	-	-	-	1,513
Reclassified to other non-current assets	-	-	-	-	(1,157)	-	-	-	(1,157)
Other	(83)	25	-	30	(47)	-	-	-	(75)
Balance as of 31 December 2020	**136,665**	**31,722**	**11,149**	**5,604**	**24,563**	**6,543**	**14,149**	**-**	**230,395**
Additions	34,421	1,365	2,963	-	8,077	-	3,653	43	50,522
Disposals	(14,783)	(44)	(680)	(233)	(2,111)	-	(3,287)	-	(21,138)
Business combinations	571	35	1,147	-	9,745	6,191	-	12,884	30,573
Currency translation adjustment	381	992	(34)	-	(35)	-	-	-	1,304
Other	(114)	-	-	1	(17)	-	-	-	(130)
Balance as of 31 December 2021	**157,141**	**34,070**	**14,545**	**5,372**	**40,222**	**12,734**	**14,515**	**12,927**	**291,526**
Accumulated depreciation and impairment									
Balance as of 1 January 2020	**(73,916)**	**(19,305)**	**(10,272)**	**(4,124)**	**(15,731)**	**-**	**(6,394)**	**-**	**(129,742)**
Disposals	27,953	74	72	160	2,281	-	3,069	-	33,609
Amortisation expense	(25,194)	(1,796)	(589)	(367)	(2,148)	-	(3,275)	-	(33,369)
Impairment	(167)	-	-	-	(35)	-	-	-	(202)
Disposal of subsidiaries	36	-	-	-	-	-	-	-	36
Currency translation adjustment	(275)	(894)	-	-	5	-	-	-	(1,164)
Reclassified to right-of-use assets	-	-	-	-	150	-	-	-	150
Other	77	(10)	-	(31)	-	-	-	-	36
Balance as of 31 December 2020	**(71,486)**	**(21,931)**	**(10,789)**	**(4,362)**	**(15,478)**	**-**	**(6,600)**	**-**	**(130,646)**
Disposals	14,716	7	679	244	2,076	-	3,287	-	21,009
Amortisation expense	(29,737)	(1,857)	(1,026)	(349)	(3,988)	-	(3,424)	(613)	(40,994)
Impairment	-	(1)	-	-	(39)	-	-	-	(40)
Currency translation adjustment	(211)	(971)	-	-	55	-	-	-	(1,127)
Other	204	-	-	-	26	-	-	-	230
Balance as of 31 December 2021	**(86,514)**	**(24,753)**	**(11,136)**	**(4,467)**	**(17,348)**	**-**	**(6,737)**	**(613)**	**(151,568)**

(amounts in millions of Russian Rubles, unless otherwise stated)

17. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Additional investments in associates and joint ventures are added to the carrying amount of the equity-method investee without specific allocation to the underlying assets and liabilities of the investee. The additional ownership interest effectively increases the notional goodwill relating to the equity-method investee. After a transaction, the share of investee's profit or loss recognised by the Group is based on the new ownership interest.

Investments in associates and joint ventures as of 31 December 2021 and 2020 consisted of the following:

	2021		2020	
	Participating share	**Carrying value**	**Participating share**	**Carrying value**
Assosiates				
Etalon Group	29.79%	18,312	25.58%	13,529
MTS Belarus	49.00%	6,265	49.00%	5,124
Real estate projects	48%-50%	1,136	48%-50%	1,431
Ozon	33.04%	-	33.78%	12,584
		25,713		**32,668**
Joint ventures				
Megapolis-Invest	75.86%	10,375	100.00%	11,002
Michurinskiy project	50.00%	5,646	50.00%	4,229
New Investment Holding	50.00%	557	0.00%	-
Segezha Zapad	100.00%	410	0.00%	-
Alium	0.00%	-	24.90%	4,344
Sintez	0.00%	-	1.52%	216
		16,988		**19,791**
Other associates and joint ventures		**20,789**		**21,397**
Total		**63,490**		**73,856**

Participating share in profit or loss of associates and joint ventures is determined based on the percentage of the equity interest owned by the Group or on allocations of profits and losses between investors if designated by shareholders agreements.

Etalon Group is one of the largest development and construction companies, includes companies in Russia and abroad. Carries out development projects in the markets of St. Petersburg and Moscow, the holding company is registered in the Republic of Cyprus.

In May 2021, Sistema, through its 100% subsidiary Capgrowth Investments Limited («Capgrowth»), participated in the subscription right offer to the existing holders of Etalon Group equity securities within the secondary public offering (SPO), in proportion to Capgrowth's share in the capital of Etalon Group - 25.6%. Capgrowth has subscribed for 22.63 million shares of the Company at a price of US 1.7 per ordinary share for a total amount of RUB 2.8 billion.

Sistema PJSFC has also entered into a Total Return Swap agreement with Alfa Bank JSC (the "Bank") in respect of Etalon Group's global depositary receipts (the "GDRs" and the "TRS Agreement"), which envisages the transfer of exclusively property, but not voting rights to Sistema, under which the Bank acquired a total of 72.85 million GDRs for RUB 9.4 billion («Purchase price»). The TRS agreement was concluded for a period of 30 months, taking into account a various early termination provisions provided for by the TRS Agreement. TRS stipulates that any excess of the Purchase Price plus interest over the market value of underlying GDRs at completion of the agreement is to be paid by Sistema to the Bank and the other way round - any excess of the market value of underlying GDRs over the Purchase Price plus interest are to be paid by the Bank to Sistema.

Simultaneously with the TRS Agreement, an Option Agreement was signed between the Bank and Capgrowth, according to which (i) Capgrowth has the right to purchase all GDRs acquired by the Bank pursuant to the TRS Agreement (the "Call Option") and (ii) in the event that Capgrowth does not exercise the Call Option, the Bank has the right to sell the entire package of GDRs to a third party and, further, in the absence of an interested buyer, to Capgrowth, in each case within the terms and conditions provided for in the Option Agreement.

In June 2021, Capgrowth acquired 4.2% (16.16 million GDR's) from other investors and increased its share in the capital of Etalon Group up to 29.79%.

Global depositary receipts of Etalon Group Plc are publicly traded. As of 31 December 2021 the market quoted price based value of the investment in Etalon Group Plc amounted to RUB 9.8 billion. Based on the available facts and information regarding the operating results of Etalon Group Plc, the ability and intention of the Group to hold the investment until recovery and comparing the carrying amount of the investment with the Group's share of net assets, the Group concluded that recognition of an impairment loss was not required.

Ozon is one of the largest players in the Russian e-commerce market, representing goods in various categories: electronics, household appliances, home goods and others. It has its own logistics network, operating marketplace technology, a developed web platform. Ozon Holdings PLC is registered in the Republic of Cyprus.

The Group's share in the loss of Ozon recognized for the year ended 31 December 2021 amounted to RUB 12,584 million. The unrecognized loss represents the Group's share of the additional losses after the carrying amount of the Group's investment in Ozon amounted to nil. The group did not incur legal or constructive obligations or make payments on behalf of Ozon. The amount of unrecognized loss for 12 months 2021 amounted to RUB 6,409 million.

Megapolis-Invest – In 2020 the Group and Sberbank Investments signed the shareholders agreement and agreements granting Sistema the right to acquire in 2022-2023 and Sberbank Investments the right to sell to the Group its stake in the equity capital of Megapolis-Invest in 2023 (hereinafter – Option agreements). The right of claim under loan agreement given by Sberank Investments to Megapolis-Invest shall be acquired by the Group in any of the events of execution under Option agreements. The fair value of the financial instruments arising from Option agreements is determined on the basis of the Black-Scholes model using the discounted cash flow method when calculating the cost of a stake in Megapolis-Invest. The fair value of the financial instruments as of 31 December 2021 is approximately nil.

The Group does not have the exclusive right to manage the relevant activities of Megapolis-Invest and therefore the investment is accounted for under equity method.

The change in the Group’s share in the authorized capital of Megapolis-Invest in 2021 is due to the registration of the share of Sberbank Investments in the Unified State Register of Legal Entities.

In February 2021, Megapolis-lnvest LLC signed an agreement to acquire an additional 29.64% stake in Elektrozavod JSC from the third party for RUB 5.8 billion. As a result, upon the completion of the deal, the Megapolis-lnvest LLC total ownership interest in Elektrozavod JSC increased to 94.01% of the company's authorized capital. As a result of transaction, the Group did not obtain control over Elektrozavod JSC.

“MTS Belarus” is a telecommunications operator in the Republic of Belarus.

Ristango Holding Limited - On 25 June 2021, amended and restated Shareholders Agreement was signed between the members of Ristango Holding Limited (holding company through which investments in Alium and Sintez were made), as a result of which the Group has obtained control over the relevant activities of Ristango Holding Limited (Note 6). At the acquisition date, the Group remeasuared its previously held interest in Ristango Holding Limited to fair value and as result recognized the gain in the amount of RUB 25,107 million in the share of the profit or loss of associates and joint ventures line.

Project Michurinsky carries out construction and sale of apartments, as well as construction of a medical center. The company is registered in the Russian Federation.

Purchase of share in the fixed-line operator Zelenaya Tochka (MTS) – In February 2020, the Group acquired a 51% share in Achemar Holdings Limited and Clarika Holdings Limited, which own the operating companies of the Zelenaya Tochka Group, which provides fixed-line services in a number of regions of the Russian Federation. The purchase price includes a cash payment in the amount of RUB 1.37 billion. The acquisition of 51% of the shares was accounted for as an investment in a joint venture based on the terms of the shareholder 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.

As of the acquisition date the Group remeasured the previously held equity interest in Achemar Holdings Limited from RUB 1,166 million to fair value of RUB 1,582 million and recognized the resulting gain of RUB 415 million in the 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**.**

New Investment Holding - In September 2021, New Investment Holding JSC, jointly controlled by Sistema and Sberbank, acquired the Niarmedic International Limited, which owns 100% of the authorized capital of Nearmedic Plus LLC, Nearmedic Pharma LLC and a number of other companies conducting business in Russia and Italy in the fields of pharmaceuticals and medicine for one ruble. The net debt of the Nearmedic Group as of the closing date of the Transaction amounted to RUB 5.9 billion.

Sistema and Sberbank Group (hereinafter – Sberbank) provided equity financing in equal shares for the total amount RUB 1.2 billion to repay part of the Nearmedic Group's debt to Sberbank. The Group and Sberbank Investments have entered into a shareholders agreement and option agreements with a maturity of 3.5 years from the closing date of the Deal, granting Sistema the right to acquire and Sberbank Investments the right to sell to the Group Sberbank Investments' stake in the capital of New Investment Holding JSC with the simultaneous transfer to the Corporation the rights to claim Sberbank on a loan granted to the Nearmedic Group in the amount of up to RUB 2.8 billion. The fair value of financial instruments arising from entering into Option Agreements as of 31 December 2021 is close to zero.

As of 31 December 2021, the Group has not completed the assessment of the fair value of the acquired assets and liabilities and the purchase price allocation. The purchase price allocation to the fair value of the acquired assets and liabilities will be completed within 12 months from the acquisition date. The Group has recorded estimated amounts of identifiable assets acquired, including those based on their carrying amounts at the date of acquisition.

Other – During 2021, the Group entered into the following investments in associates and joint ventures:

- 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;
- 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;

- Loss of control over Segezha Zapad – On 30 December 2021 the Group has signed with its two financial partners a share purchase agreement for the sale of 20% less one share for each partner of the Project and a Corporate agreement on the governance of the Project. Under the terms of the signed Corporate Agreement, the parties to the agreement have the equal rights to manage the significant activities of the investee. Taking into account the provisions of the Corporate agreement, the management concluded that starting from 30 December 2021 the Group loses control over the Segezha Zapad project and recognizes it as joint venture with a 100% interest as the Investments in joint ventures and associates. On 25 January 2022 the transfer of ownership over the 40% minus 2 shares stake in Segezha Zapad Project to the Group's partners has been registered, this did not amend the rights to govern significant activities. By concluding the options agreements the Group's partners have the right to quit the Project upon expiration of the 13th month from the date of the agreement. The Group also has corresponding options to buy back the shares belonging to the partners during the 13th and 14th months. The Group's conclusions over the significant activities and control over such activities are subject to reevaluation upon acceptance of offers on options exercised by any party or should significant provisions of the above agreements be amended.

The Group retained its ownership interests in the remaining projects and continues to account for them as investments in associates and joint ventures as at 31 December 2021.

(amounts in millions of Russian Rubles, unless otherwise stated)

The financial position and results of operations of associates as of and for the years ended 31 December 2021 and 2020 were as follows:

	Etalon Group		MTS Belarus		Real Estate Projects		Ozon		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Non-current assets	16,648	15,568	19,030	20,008	25,796	26,429	74,752	29,800	136,226	91,805
Current assets	205,450	170,951	15,386	12,705	3,917	3,874	166,586	124,808	391,339	312,338
Total assets	**222,098**	**186,519**	**34,416**	**32,713**	**29,713**	**30,303**	**241,338**	**154,608**	**527,565**	**404,143**
Non-current liabilities	(105,910)	(69,429)	(9,062)	(11,257)	(14,607)	(14,101)	(86,794)	(15,140)	(216,373)	(109,927)
Current liabilities	(54,831)	(66,017)	(12,568)	(10,999)	(6,714)	(7,193)	(123,936)	(60,211)	(198,049)	(144,420)
Total liabilities	**(160,741)**	**(135,446)**	**(21,630)**	**(22,256)**	**(21,321)**	**(21,294)**	**(210,730)**	**(75,351)**	**(414,422)**	**(254,347)**
Equity attributable to owners of the Company	**61,357**	**51,073**	**12,786**	**10,457**	**8,392**	**9,009**	**30,608**	**79,257**	**113,143**	**149,796**
The Group's share in the profit and loss	29.79%	25.58%	49.00%	49.00%	48%-50%	48%-50%	33.04%	33.78%	n/a	n/a
Fair value adjustment									-	-
on the date of acuisition	28	465	-	-	688	688	(14,189)	(14,189)	(13,473)	(13,036)
Accumulated impairment	-	-	-	-	(3,581)	(3,581)	-	-	(3,581)	(3,581)
Capital transactions	-	-	-	-	-	-	(2,333)	-	(2,333)	-
Unrecognised loss	-	-	-	-	-	-	6,409	-	6,409	-
Carrying amount of the Group's interest	**18,312**	**13,529**	**6,265**	**5,124**	**1,136**	**1,431**	**-**	**12,584**	**25,713**	**32,668**
Total revenues	87,138	78,655	39,383	36,121	-	7,862	178,215	104,350	304,736	226,988
Total profit/(loss) for the year	3,006	2,036	10,379	10,267	(616)	(5,726)	(56,779)	(22,264)	(44,010)	(15,687)
The Group's share in profit/(loss)	**843**	**529**	**5,086**	**5,031**	**(296)**	**(2,748)**	**(12,584)**	**(8,428)**	**(6,951)**	**(5,616)**
Total comprehensive income/(loss)	3,006	2,036	10,562	4,836	(616)	(5,726)	(56,782)	(22,264)	(43,830)	(21,118)
The Group's share in comprehensive income/ (loss) for the year	**843**	**529**	**5,175**	**2,370**	**(296)**	**(2,748)**	**(12,584)**	**(8,428)**	**(6,862)**	**(8,277)**
Dividends paid	**(1,076)**	**(905)**	**(4,034)**	**(4,212)**	**-**	**-**	**-**	**-**	**(5,110)**	**(5,117)**

(amounts in millions of Russian Rubles, unless otherwise stated)

The financial position and results of operations of joint ventures as of and for the years ended 31 December 2021 and 2020 were as follows:

	Megapolis-Invest [(1)]		Michurinskiy project		New Investment Holding		Segezha Zapad		Alium		Sintez		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Non-current assets	33 889	28 157	929	1 744	5 745	-	3 217	-	-	11 131	-	16 396	43 780	57 428
Current assets	8 256	7 456	18 842	15 978	1 420	-	900	-	-	7 663	-	7 959	29 418	39 056
Total assets	**42 145**	**35 613**	**19 771**	**17 722**	**7 165**	**-**	**4 117**	**-**	**-**	**18 794**	**-**	**24 355**	**73 198**	**96 484**
Non-current liabilities	(24 047)	(16 022)	-	-	(4 736)	-	(2 947)	-	-	(4 520)	-	(2 905)	(31 730)	(23 447)
Current liabilities	(6 127)	(6 404)	(7 003)	(7 802)	(1 315)	-	(760)	-	-	(6 556)	-	(4 870)	(15 205)	(25 632)
Total liabilities	**(30 174)**	**(22 426)**	**(7 003)**	**(7 802)**	**(6 051)**	**-**	**(3 707)**	**-**	**-**	**(11 076)**	**-**	**(7 775)**	**(46 935)**	**(49 079)**
Non-controlling interest	-	5 385	-	-	-	-	-	-	-	-	-	-	-	5 385
Equity attributable to owners of the Company	**11 971**	**7 802**	**12 768**	**9 920**	**1 114**	**-**	**410**	**-**	**-**	**7 718**	**-**	**16 580**	**26 263**	**42 020**
The Group's share in the profit and loss	75,86%	100,00%	50,00%	50,00%	50,00%	0,00%	100,00%	0,00%	0,00%	24,90%	0,00%	1,52%	n/a	n/a
Fair value adjustment on the date of acuisition	1 294	3 200	(738)	(731)	-	-	-	-	-	2 422	-	(36)	556	4 855
Accumulated impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount of the Group's interest	**10 375**	**11 002**	**5 646**	**4 229**	**557**	**-**	**410**	**-**	**-**	**4 344**	**-**	**216**	**16 988**	**19 791**
Total revenues	6 806	-	9 731	11 184	1 092	-	-	-	-	8 336	-	12 965	17 629	32 485
Total profit/(loss) for the year	(2 548)	-	2 848	3 276	(87)	-	-	-	-	257	-	813	213	4 346
The Group's share in profit/(loss)	**(1 957)**	**-**	**1 392**	**1 631**	**(43)**	**-**	**-**	**-**	**220**	**64**	**17**	**12**	**(371)**	**1 707**
Total comprehensive income/(loss)	(2 548)	-	2 848	3 276	(87)	-	-	-	-	257	-	813	213	4 346
The Group's share in comprehensive income/ (loss) for the year	**(1 957)**	**-**	**1 392**	**1 631**	**(43)**	**-**	**-**	**-**	**220**	**64**	**17**	**12**	**(371)**	**1 707**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(1) Current assets, including cash and cash equivalents in the amount of RUB 2,058 million. (2020: RUB 827 million)
Total loss for the year, including depreciation of RUB 989 million, finance costs of RUB 1,578 million, finance income of RUB 89 million, income tax expense of RUB 156 million.
The financial results of Megapolis-Invest for 2020 are immaterial, as the company was established in December 2020.

(amounts in millions of Russian Rubles, unless otherwise stated)

The financial position and results of operations of other associates and joint ventures as of and for the years ended 31 December 2021 and 2020 relating to the Group's share were as follows:

	Other	
	2021	**2020**
Non-current assets	23,798	21,851
Current assets	17,820	16,493
Total assets	**41,618**	**38,344**
Non-current liabilities	(11,724)	(10,671)
Current liabilities	(12,452)	(10,268)
Total liabilities	**(24,176)**	**(20,939)**
Non-controlling interest	(977)	(1,123)
Equity attributable to owners of the Company	**16,466**	**16,282**
The Group's share in the profit and loss	n/a	n/a
Fair value adjustment on the date of acuisition	4,323	5,115
Accumulated impairment	-	-
Carrying amount of the Group's interest	**20,789**	**21,397**
The Group's share in revenues	24,495	22,974
The Group's share in profit	**720**	**781**
The Group's share in comprehensive income for the year	**737**	**853**
Dividends paid	**(1,104)**	**(1,110)**

18. PROFIT ON DISPOSAL OF OTHER ASSETS

In 2020, as a result of a series of transactions on the disposal of various assets and related liabilities, the Group made a profit of RUB 11,142 million. The assets sold are mainly represented by property, plant and equipment, receivables, advances issued and contract assets, the total carrying amount of which at the date of disposal was RUB 54,541 million. The total carrying amount of liabilities related to disposed assets at the date of disposal was RUB 46,611 million.

19. OTHER FINANCIAL ASSETS

The Group's financial assets, other than cash and cash equivalents, deposits in banks and accounts receivable shown separately on the face of the consolidated statements of financial position, primarily comprise assets of MTS Bank and East-West United Bank, the Group's subsidiaries engaged in banking activities, and investments of the Corporate segment.

The Group applies expected credit losses model for impairment analysis of financial assets classified at amortised cost. The Group applies the simplified approach for its trade and other receivables which requires recognition of expected credit losses at a lifetime from initial recognition of trade receivables.

(amounts in millions of Russian Rubles, unless otherwise stated)

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

Financial assets are classified into the following categories depending on their nature and purpose: Financial assets measured at fair value through profit or loss (FVTPL), financial assets measured at fair value through other comprehensive income (FVTOCI), financial assets measured at amortised costs.

If the financial assets are held for collecting contractual cash flows in the form of principal and interest on the specified dates, they are classified as carried at amortised 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 selling the financial asset, 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.

As of 31 December 2021 and 2020 financial assets, other than those shown separately on the face of the statements of financial position, less allowance for impairment losses, comprise:

	31 December 2021	31 December 2020
Financial assets measured at fair value through profit or loss		
Debt and equity securities	79,282	64,950
Contingent consideration	1,867	2,631
Option contracts	112	228
Derivatives embedded in lease agreements	434	562
Forwards and stock options	-	4,723
Cross-currency derivatives not designated as cash flow hedges	110	-
Currency rate swaps not designated as hedge instruments	4,640	4,508
	86,445	**77,602**
Financial assets measured at fair value through other comprehensive income		
Debt and equity securities	12,804	14,557
	12,804	**14,557**
Financial assets measured at amortized cost		
Debt securities	22,996	21,949
Bank loans to customers	217,525	131,136
Interbank loans due from banks	4,010	3,386
Other loans	25,671	14,572
	270,202	**171,043**
Total financial assets	**369,451**	**263,202**
Current	154,465	104,573
Non-current	214,986	158,629
Total financial assets	**369,451**	**263,202**

(amounts in millions of Russian Rubles, unless otherwise stated)

The following table summarizes changes in loss allowance for financial assets other than for financial assets attributable to the Group's banking activities and accounts receivable for 2021 and 2020:

	2021	2020
Balance as of 1 January calculated under IFRS 9	**4,688**	**5,722**
Charge for the period	(54)	1
Amounts written off against the allowance	(619)	(661)
Currency translation adjustments	568	(374)
Balance as of 31 December calculated under IFRS 9	**4,583**	**4,688**

As of 31 December 2021 and 2020, financial assets attributable to the Group's banking activities (MTS Bank and its subsidiaries, East-West United Bank) comprise:

	31 December 2021	31 December 2020
Financial assets measured at fair value through profit or loss		
Debt and equity securities	23,278	19,586
	23,278	**19,586**
Financial assets measured at fair value through other comprehensive income		
Debt and equity securities	11,782	13,789
	11,782	**13,789**
Financial assets measured at amortized cost		
Cash and cash equivalents	30,371	35,540
Bank loans to customers	239,698	148,647
Interbank loans due from banks	4,010	3,386
Debt securities	22,999	21,812
	297,078	**209,385**
Less: allowance for loan losses	(22,173)	(17,511)
	309,965	**225,249**

The movement in the allowance for loan losses, attributable to the Group's banking activities, during 2021 and 2020 was as follows:

	2021	2020
Allowance for loan losses, 1 January	**17,511**	**11,886**
Charge for the period	11,032	8,385
Amounts written-off against the allowance	(3,361)	(3,281)
Disposal	(4,334)	(282)
Reversal of allowance written-off	1,557	565
Currency translation adjustment	(232)	238
Allowance for loan losses, 31 December	**22,173**	**17,511**

(amounts in millions of Russian Rubles, unless otherwise stated)

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 in “cost of sales” line. ECLs are based on the difference between the contractual cash flows due under the contract and cash flows that the Group expects to receive. The shortfall is discounted at an approximation to the asset’s original effective interest rate. The allowance expense for expected credit losses relating to banking activities is recorded in the "Cost of sales" line.

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 recognised.

- 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.

- 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. 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).

Movements in impairment loss allowance attributable to loans to individuals for the year ended 31 December 2021 and 2020 were as follows:

	Stage 1	Stage 2	Stage 3	POCI*	Total
Balance as of 1 January 2021	**3,099**	**1,446**	**8,019**	**128**	**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)
Sale	-	-	(4,324)	-	(4,324)
Recovery of previously written-off assets	-	-	581	-	581
Balance as of 31 December 2021	**6,093**	**3,361**	**8,393**	**128**	**17,975**

(amounts in millions of Russian Rubles, unless otherwise stated)

	Stage 1	Stage 2	Stage 3	POCI*	Total
Balance as of 1 January 2020	**1,808**	**923**	**2,978**	**358**	**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	2,843	(230)	6,648
Write-offs	-	-	(1,631)	-	(1,631)
Recovery of previously written-off assets	-	-	382	-	382
Balance as of 31 December 2020	**3,099**	**1,446**	**8,019**	**128**	**12,692**

** POCI – financial assets purchased or originated credit-impaired*

Movements in impairment loss allowance on loans to legal entities for the year ended 31 December 2021 and 2020 were as follows:

	Stage 1	Stage 2	Stage 3	POCI*	Total
Balance as of 1 January 2021	**1,028**	**221**	**3,209**	**361**	**4,819**
- 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	355	-	-	-	355
Change due to change of credit risk	(168)	(67)	(1,433)	-	(1,668)
Write-offs	-	-	(49)	-	(49)
Recovery of previously written-off assets	-	-	975	-	975
Foreign exchange difference	(180)	(3)	(51)	-	(234)
Balance as of 31 December 2021	**1,003**	**55**	**2,779**	**361**	**4,198**

	Stage 1	Stage 2	Stage 3	POCI*	Total
Balance as of 1 January 2020	**711**	**135**	**4,672**	**294**	**5,812**
- 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	458	-	119	-	577
Change due to change of credit risk	(103)	46	38	-	(19)
Sales of financial assets	-	-	(279)	-	(279)
Write-offs	-	-	(513)	-	(513)
Recovery of previously written-off assets	-	-	(1,110)	-	(1,110)
Foreign exchange difference	57	22	205	67	351
Balance as of 31 December 2020	**1,028**	**221**	**3,209**	**361**	**4,819**

(amounts in millions of Russian Rubles, unless otherwise stated)

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 31 December 2021 and 2020:

31 December 2021	Stage 1	Stage 2	Stage 3	POCI	Total
Low to fair risk	174,667	756	-	-	175,423
Monitoring	-	7,125	831	-	7,956
Impaired	-	-	10,072	-	10,072
Loss allowance	(6,093)	(3,361)	(8,521)	-	(17,975)
Total	**168,574**	**4,520**	**2,382**	-	**175,476**

31 December 2020	Stage 1	Stage 2	Stage 3	POCI	Total
Low to fair risk	88,058	-	-	-	88,058
Monitoring	-	3,816	306	-	4,122
Impaired	-	-	9,518	128	9,646
Loss allowance	(3,099)	(1,446)	(8,019)	(128)	(12,692)
Total	**84,959**	**2,370**	**1,805**	-	**89,134**

The table below summarizes information regarding the quality of loans to legal entities as of 31 December 2021 and 2020:

31 December 2021	Stage 1	Stage 2	Stage 3	POCI	Total
Low to fair risk	34,643	721	-	-	35,364
Monitoring	5,700	1,321	-	-	7,021
Doubtful	-	-	767	-	767
Impaired	-	-	3,095	-	3,095
Loss allowance	(894)	(194)	(3,110)	-	(4,198)
Total	**39,449**	**1,848**	**752**	-	**42,049**

31 December 2020	Stage 1	Stage 2	Stage 3	POCI	Total
Low to fair risk	27,066	2,947	-	-	30,013
Monitoring	6,106	5,868	-	-	11,974
Doubtful	-	-	877	-	877
Impaired	-	-	3,957	-	3,957
Loss allowance	(983)	(266)	(3,570)	-	(4,819)
Total	**32,189**	**8,549**	**1,264**	-	**42,002**

(amounts in millions of Russian Rubles, unless otherwise stated)

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

As of 31 December 2021	**Gross loans**	**Impairment loss allowance**	**Net loans**	**Impairment loss allowance to gross loans**
Collectively assessed				
Not past due	175,421	(6,296)	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	**192,890**	**(17,877)**	**175,013**	**9%**
Individually impaired				
Not past due	367	(25)	342	7%
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	178	(71)	107	40%
Total individually impaired	**561**	**(98)**	**463**	**17%**
Total	**193,451**	**(17,975)**	**175,476**	**9%**

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

As of 31 December 2021	**Gross loans**	**Impairment loss allowance**	**Net loans**	**Impairment loss allowance 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)

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

	31 December 2021	31 December 2020
Loans collateralized by cash deposits	556	817
Loans collateralized by guaranties of legal entities	36,746	32,346
Loans collateralized by pledge of real estate	19,115	18,733
Loans collateralized by pledge of equipment	1	100
Loans collateralized by securities	1,946	2,058
Loans collateralized by pledge of inventories	924	165
Unsecured loans	180,410	94,428
Allowance for impairment losses	(22,173)	(17,511)
Total loans to customers, net	**217,525**	**131,136**

20. RESTRICTED CASH

As of 31 December 2021 several companies of the Group has RUB 4,909 million (2020: RUB 4,310 million) of cash on special accounts which are presented as restricted cash within current assets.

21. INVENTORIES

Inventory mainly include the retail network of MTS and raw materials and product of Segezha Group and Steppe.

Inventory is accounted at the lower of net realisable value and carrying amount. The Group periodically assesses its inventories for obsolete or slow-moving stock.

The cost of raw materials includes the cost of purchase, customs duties, transportation and handling costs. Work-in-progress and finished goods are stated at production cost which includes direct production expenses and manufacturing overheads.

Inventories as of 31 December 2021 and 2020 consisted of the following:

	2021	2020
Raw materials and spare parts	26,051	16,002
MTS finished goods and goods for resale	18,806	15,204
Other finished goods and goods for resale	15,691	5,760
Other work-in-progress	17,126	9,483
Total	**77,674**	**46,449**

The cost of inventories recognised as an expense during the year in respect of continuing operations was RUB 141,081 million (2020: RUB 110,389 million). The cost of inventories recognised as an expense includes RUB 2,935 million (2020: RUB 2,174 million) in respect of write-downs of inventory to net realisable value and has been reduced by RUB 451 million (2020: RUB 674 million) in respect of the reversal of such write-downs.

(amounts in millions of Russian Rubles, unless otherwise stated)

22. ACCOUNTS RECEIVABLE

Accounts receivable include amounts owed by the customers to the Group.

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.

Accounts receivable, net of allowances, as of 31 December 2021 and 2020 consisted of the following:

	2021	2020
Accounts receivable	77,395	63,547
Allowance for ECL	(7,366)	(7,089)
Total	**70,029**	**56,458**

Below is the age analysis of receivables that are past due but not impaired:

	2021	2020
60-90 days	1,634	1,064
more than 90 days	3,404	2,709
Total	**5,038**	**3,773**

Movement in the allowance is as follows:

	2021	2020
Balance at the beginning of the year	**(7,089)**	**(6,547)**
Charge for the period	(3,061)	(5,560)
Usage of allowance to doubtful accounts write-off	1,808	4,847
(Acquisition)/Disposal of subsidiaries	-	(13)
Allowance recovery	850	437
Currency exchange gain/(loss)	126	(253)
Balance at the end of the year	**(7,366)**	**(7,089)**

(amounts in millions of Russian Rubles, unless otherwise stated)

23. EQUITY

Share capital – As of 31 December 2021 and 2020, the Company had 9,650,000,000 voting common shares with a par value of RUB 0.09 issued, of which 9,393,161,501 and 9,506,184,291 shares were outstanding, respectively.

Treasury shares – Movement of treasury shares during 2021 and 2020 years in quantity was as follows:

	2021	2020
Balance at the beginning of the year	**143,815,709**	**271,803,250**
Purchase of own shares	192,072,542	-
Purchase of own shares of the Company by empoyees	(20,997,160)	(21,539,922)
Settlements under long-term motivation program	(58,052,592)	(106,447,619)
Balance at the end of the year	**256,838,499**	**143,815,709**

Dividends – Dividends declared to the holders of the Company’s ordinary shares are included in the financial statements in the period in which the dividends are approved for distribution by the shareholders.

On 28 June 2021, an annual general meeting of shareholders approved the total dividend payment of RUB 2,991.5 million (including dividends on treasury shares of RUB 47.4 million) representing RUB 0.31 per ordinary share or RUB 6.2 per one global depository receipt. The dividends were paid in 2021.

24. ACCUMULATED OTHER COMPREHENSIVE INCOME

Components of accumulated other comprehensive income balance, net of taxes, as of 31 December 2021 and 2020:

	2021	2020
Cumulative effect of translation to the presentation currency	21,264	22,627
Unrecognized actuarial income	518	303
Total accumulated other comprehensive income	**21,782**	**22,930**
Less: attributable to non-controlling interests	(4,997)	(4,177)
Total accumulated other comprehensive income, attributable to Shareholders of Sistema PJSFC	**16,785**	**18,753**

(amounts in millions of Russian Rubles, unless otherwise stated)

25. LOANS AND BORROWINGS

The Group’s borrowings primarily comprise bank loans and corporate bonds. The Group enters into variable-to-fixed interest rate swap agreements to manage exposure to changes in variable interest rates related to a portion of its obligations, as well as into cross-currency interest-rate swap agreements to mitigate the impact of both, interest rate and exchange rate fluctuations, for a certain portion of its USD- and Euro-denominated borrowings.

Borrowings are initially recognised at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method.

Finance costs in profit or loss consist of interest expense for financial liabilities not classified as at FVTPL. In 2021, finance costs did not include borrowing costs that were included in the cost of qualifying assets in amount of RUB 853 million (2020: RUB 581 million).

At 31 December 2021 and 2020, the Group’s borrowings comprised:

	31 December 2021	31 December 2020
Bank loans	425,479	367,769
Corporate bonds	414,911	346,204
Other	10,375	9,988
Total	**850,765**	**723,961**
Current	209,254	83,391
Non-current	641,511	640,570

(amounts in millions of Russian Rubles, unless otherwise stated)

Bank loans – As of 31 December 2021 and 2020, the Group's loans from banks and financial institutions consisted of the following:

	Maturity	Interest rate (as of 31 December 2021)	31 December 2021	31 December 2020
EUR-denominated:				
Alfa Bank	2022-2028	3.08%	16,548	18,136
Sberbank	2022	0.36%	6,682	12,792
ING Bank	2022-2027	EURIBOR+1.5% (4.13%)	3,609	4,490
Other			1,221	1,434
			28,060	**36,852**
RUB-denominated:				
Sberbank	2022-2031	5.99%-12.00% CB+1.05%-1.19% (9.55% - 9.69%)	181,311	143,034
VTB	2022-2031	10.10%; CB+0.5%-4.8% (9.00%-13.30%)	143,480	139,929
Alfa Bank	2022-2030	5.82%-12.05%	29,652	25,932
Gazprombank	2022-2027	7.6%-9.3%; CB+1.60% (10.10%)	22,011	16,682
ICBC Bank	2022	9.5%	3,600	324
Otkrytie	2022	11.05%-11.45%	2,412	4,020
Other			14,589	825
			397,055	**330,746**
Other currencies			364	171
Total bank loans			**425,479**	**367,769**

(amounts in millions of Russian Rubles, unless otherwise stated)

Corporate notes – As of 31 December 2021 and 2020, the Group's notes consisted of the following:

	Currency	Interest rate (as of 31 December 2021)	31 December 2021	31 December 2020
MTS International 2023	USD	5.00%	32,800	32,596
MTS Notes 2025	RUB	8.00%	14,990	14,987
MTS Notes 2022	RUB	7.70%	14,991	14,980
MTS Notes 2023	RUB	6.85%	14,982	14,971
MTS Notes 2027	RUB	6.60%	14,975	14,970
Sistema PJSFC March 2027	RUB	8.90%	10,607	10,623
Sistema PJSFC May 2030	RUB	6.60%	14,741	14,723
MTS Notes 2026	RUB	7.90%	9,999	9,998
MTS Notes 2022	RUB	9.00%	10,000	9,998
MTS Notes 2021	RUB	8.85%	-	9,999
Sistema PJSFC July 2030	RUB	6.35%	9,218	9,218
Sistema PJSFC January 2028	RUB	6.90%	9,943	9,980
MTS Notes 2021	RUB	7.10%	-	9,997
MTS Notes 2022	RUB	6.45%	9,994	9,988
MTS Notes 2025	RUB	7.25%	9,882	9,816
MTS Notes 2024	RUB	8.70%	9,831	9,766
Sistema PJSFC February 2029	RUB	9.90%	3,800	3,800
Sistema PJSFC August 2030	RUB	6.70%	9,858	9,846
Sistema PJSFC November 2026	RUB	6.85%	9,624	9,694
Sistema PJSFC October 2029	RUB	7.85%	9,689	9,649
Sistema PJSFC March 2029	RUB	9.90%	9,641	9,626
Sistema PJSFC July 2029	RUB	9.40%	9,849	9,607
Sistema PJSFC October 2026	RUB	6.35%	6,181	6,171
Segezha Group JSC January 2023	RUB	7.10%	9,605	9,482
Segezha Group JSC October 2036	RUB	9.85%	10,000	-
Segezha Group JSC November 2036	RUB	9.70%	10,000	-
MTS Notes 2023	RUB	6.50%	9,923	9,860
MTS Notes 2022	RUB	5.50%	9,995	9,983
MTS Notes 2024	RUB	8.60%	7,491	7,488
MTS Notes 2027	RUB	6.60%	6,983	6,980
Sistema PJSFC November 2030	RUB	6.10%	4,748	4,750
MTS Notes 2022	RUB	8.40%	4,997	4,994
MTS Notes 2026	RUB	6.60%	4,992	4,990
Sistema PJSFC November 2030	RUB	6.75%	14,000	14,000
Sistema PJSFC September 2025	RUB	9.75%	4,817	4,207
Sistema PJSFC February 2031	RUB	6.90%	4,819	-
Sistema PJSFC February 2031	RUB	7.35%	12,055	-
Sistema PJSFC April 2031	RUB	8.20%	9,912	-
Sistema PJSFC June 2031	RUB	8.40%	14,851	-
Sistema PJSFC September 2031	RUB	8.20%	15,000	-
Sistema PJSFC November 2031	RUB	9.95%	4,294	-
Business Nedvizhimost August 2024	RUB	10.45%	3,330	3,319
Binnopharm Group November 2036	RUB	9.90%	3,000	-
MTS Notes 2031	RUB	7.50%	78	891
Sistema PJSFC February 2028	RUB	9.00%	244	244
MTS Notes 2024	RUB	6.50%	4,172	-
Other			10	13
Total			**414,911**	**346,204**

The Group has an unconditional obligation to repurchase certain notes at par value if claimed by the noteholders subsequent to the announcement of the sequential coupon. Such notes are disclosed maturing in the reporting period when the demand for repurchase could be submitted, irrespective of the Group's expectations about the intentions of the noteholders.

(amounts in millions of Russian Rubles, unless otherwise stated)

The dates of the announcement for each particular note issue are as follows:

Sistema PJSFC February 2029	March 2022
Sistema PJSFC Semtember 2025	April 2022
Sistema PJSFC March 2027	April 2022
Sistema PJSFC March 2029	October 2022
Sistema PJSFC November 2030	March 2023
Sistema PJSFC July 2030	April 2023
Sistema PJSFC July 2029	July 2023
Sistema PJSFC October 2026	November 2023
Sistema PJSFC February 2031	November 2023
Binnopharm Group November 2036	November 2023
Sistema PJSFC November 2026	February 2024
Sistema PJSFC May 2030	May 2024
Sistema PJSFC February 2028	August 2024
Sistema PJSFC August 2030	September 2024
Sistema PJSFC October 2029	October 2024
Segezha Group JSC October 2036	November 2024
Sistema PJSFC February 2031	February 2025
Sistema PJSFC November 2030	June 2025
Sistema PJSFC January 2028	July 2025
MTS Notes 2031	February 2026
Sistema PJSFC November 2031	February 2026
Sistema PJSFC April 2031	May 2026
Sistema PJSFC June 2031	June 2026
Segezha Group JSC November 2036	November 2026
Sistema PJSFC September 2031	December 2026

Covenants – Loans and notes payable by the Group are subject to various restrictive covenants and events of default, which permit lenders to demand accelerated repayment of debt. Such covenants and events include noncompliance with certain financial ratios, cancellation of principal telecom licenses, significant court rulings, encumbrances and confiscation of certain assets and other material adverse changes.

As of 31 December 2021 and 2020, the Group had long-term debt denominated in Russian rubles, presented as part of current liabilities in the consolidated statement of financial position for the following reasons:

	2021	**2020**
Violation of other non-financial restrictive conditions	10,685	-
Total	**10,685**	**-**

Assets pledged as security – As of 31 December 2021 and 2020, land and buildings with carrying amounts of RUB 23,399 million and RUB 42,254 million, respectively, have been pledged to secure borrowings of the Group. The freehold land and buildings have been pledged as security for bank loans under a mortgage. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity. As of 31 December 2021 and 2020, other assets including inventories and deposits with carrying amounts of RUB 9,105 million, RUB 5,820 million respectively have been pledged to secure borrowings of the Group.

Stakes in some subsidiaries and affiliates of Segezha, Steppe, Hospitality assets and others have been pledged to secure borrowings of the Group.

(amounts in millions of Russian Rubles, unless otherwise stated)

26. LEASE LIABILITIES AND RIGHT-OF-USE ASSETS

The Group assesses whether a contract is or contains a lease at inception of a contract. 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 lease term of 12 months or less). For these leases, the Group recognizes the lease payments as operating expense on a straight-line basis over the term of the lease. When identifying the lease, the Group uses practical expedient of IFRS 16 permitting the lessee not to separate non-lease components of the contract and, instead, to account for any lease and associated non-lease components as a single arrangement.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate of the respective companies of the Group.

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

	31 December 2021	31 December 2020
Sites for placement of network and base station equipment	91,607	94,510
Land and buildings	100,483	58,378
Other	3,435	215
Rights-of-use assets, net	**195,525**	**153,103**

Depreciation of the right-of-use assets for the year ended 31 December 2021 and 2020, included in the depreciation and amortisation of fixed assets, intangible assets and the right-of-use assets in the accompanying consolidated statement of profit or loss. Amounts of RUB 0 million and RUB 4 million, respectively, were recognised as part of the financial result from discontinued operations in the accompanying consolidated statement of profit or loss.

Depreciation of the right-of-use assets included in depreciation and amortisation expense in the accompanying consolidated statement of profit or loss was as follows:

	2021	2020
Sites for placement of network and base station equipment	11,521	7,224
Land and buildings	11,325	14,241
Other	119	70
Depreciation charge, total	**22,965**	**21,535**

Additions to right-of-use assets during the year ended 31 December 2021 amounted to 65,231 million (including RUB 35,838 million through acquisitions within business combinations) and for the year ended 31 December 2020 amounted to RUB 17,954 million. The main additions of right-of-use assets in 2021 relate to MTS, Segezha, Steppe and Medsi.

(amounts in millions of Russian Rubles, unless otherwise stated)

Interest expenses on lease obligations for the year ended 31 December 2021 and 2020, were included in finance expenses in the accompanying consolidated statement of profit or loss. Wherein amounts of RUB 0 million and RUB 2 million, respectively, were recognised as part of the financial result from discontinued operations in the accompanying consolidated statement of profit or loss.

The following table presents expenses related to lease, recognised in the consolidated statement of profit or loss for:

	2021	**2020**
Depreciation of right-of-use assets	22,965	21,535
Interest expense on lease liabilities	13,761	14,471
Expenses relating to variable lease payments not included in the measurement of the lease liability	10,721	9,641

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

	31 December 2021	**31 December 2020**
Minimum lease payments, including:		
Less than 1 year	36,324	30,634
From 1 to 5 years	118,696	109,250
Over 5 years	156,629	127,510
Total minimum lease payments	**311,649**	**267,394**
Less amount representing interest	(123,812)	(101,819)
Present value of net minimum lease payments, including:		
Less than 1 year	22,616	17,772
From 1 to 5 years	82,886	70,833
Over 5 years	82,335	76,970
Total present value of net minimum lease payments	**187,837**	**165,575**
Less current portion of lease obligations	(22,616)	(17,772)
Non-current portion of lease obligations	**165,221**	**147,803**

Total cash outflows for leases for the year ended 31 December 2021 amounted to RUB 32,950 million (31 December 2020: RUB 30,922 million), including interest paid in amount of RUB 13,269 million (31 December 2020: RUB 13,828 million).

27. BANK DEPOSITS AND LIABILITIES

Liabilities of MTS Bank and EWUB primarily consist of customer accounts and deposits. These liabilities are initially measured at fair value, net of transaction costs. Liabilities are subsequently measured at amortised cost using the effective interest method and classified based on their contractual maturity.

(amounts in millions of Russian Rubles, unless otherwise stated)

Bank deposits and liabilities as of 31 December 2021 and 2020 consisted of the following:

	2021	2020
Customer accounts	213,236	170,273
Bank loans received	21,430	24,644
Debt securities issued	5,581	1,897
Other liabilities	2,303	2,731
	242,550	**199,545**
Less: amounts maturing within one year	(225,795)	(195,346)
Total bank deposits and liabilities, net of the current portion	**16,755**	**4,199**

28. OTHER FINANCIAL LIABILITIES

Other financial liabilities as of 31 December 2021 and 2020 consisted of the following:

	31 December 2021	31 December 2020
Payables for the acquisition of LLC Inter Forest Rus	22,126	-
Factoring operations liability	5,459	920
Payables for the acquisition of a stake in OJSC Sintez (Note 6)	4,775	-
Financial instruments in relation to non-controlling interests of Binnopharm Group (Note 6)	3,732	-
Obligations under swap agreement with Alpha Bank (Note 17)	3,175	-
Repo transaction on Steppe subsidiaries shares	2,050	2,049
Obligation of Binnopharm Group in relation to preferred shares of subsidiary owned by RDIF	2,000	-
Interest rate and cross-currency swaps not designated as hedging instruments	974	943
Contingent consideration and other liabilities	383	1,067
MTS liabilities under put option agreement	-	55
Other	3,334	2,443
Non-current	15,972	3,745
Current	32,036	3,732
Total other financial liabilities	**48,008**	**7,477**

29. PROVISIONS

Provisions primarily consist of provisions related to employees' bonuses and other rewards, decommissioning and restoration obligations.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at the management's 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.

(amounts in millions of Russian Rubles, unless otherwise stated)

Provisions as of 31 December 2021 and 2020 consisted of the following:

	31 December 2021	31 December 2020
Employees' bonuses and other rewards	13,741	9,246
Provisions for decomissioning and restoration	7,490	5,273
Tax provisions other than for income tax	47	792
Other	10,004	8,689
Total	**31,282**	**24,000**
Current	23,256	16,612
Non-current	8,026	7,388

	Employees' bonuses and other rewards	Provisions for decomis-sioning	Tax provisions other than income tax	Other	Total
Balance as of 1 January 2020	**(11,123)**	**(4,788)**	**(541)**	**(4,206)**	**(20,658)**
Additional provisions recognized	(15,779)	(914)	(593)	(6,305)	(23,591)
Payments	17,776	54	333	1,100	19,263
Unwinding of discount and effect of changes in the discount rate	67	(138)	1	(74)	(144)
Unused amounts reversed	(125)	513	8	297	693
Currency translation adjustment	(62)	-	-	499	437
Balance as of 31 December 2020	**(9,246)**	**(5,273)**	**(792)**	**(8,689)**	**(24,000)**
Additional provisions recognized	(19,204)	(2,329)	(165)	(5,870)	(27,568)
Payments	14,169	31	298	2,946	17,444
Unwinding of discount and effect of changes in the discount rate	4	(145)	-	-	(141)
Unused amounts reversed	713	226	820	1,565	3,324
Other	(18)	-	(1)	47	28
Purchases	(159)	-	(207)	(3)	(369)
Balance as of 31 December 2021	**(13,741)**	**(7,490)**	**(47)**	**(10,004)**	**(31,282)**

(amounts in millions of Russian Rubles, unless otherwise stated)

30. EARNINGS PER SHARE

Earnings per share is the amount of earning for the year attributable to ordinary shares of the Company divided by the weighted average number of ordinary shares outstanding during the year.

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows.

	2021	2020
Earning for the year from discontinued operations attributable to shareholders of Sistema PJSFC	238	1,650
Loss for the year from continuing operations attributable to shareholders of Sistema PJSFC	17,105	8,566
Earnings used in the calculation of basic and diluted earnings per share	**17,343**	**10,216**
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	9,466,994,541	9,394,766,486
Earnings per share – basic and diluted	**1.83**	**1.09**
From continuing operations	1.81	0.91
From discontinued operations	0.02	0.18

31. CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital risk management – The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net loans and borrowings (loans and borrowings offset by cash and cash equivalents) and equity of the Group.

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital structure and adjusts it, in light of changes in economic conditions. The Group may sell assets to reduce debt, maintain or adjust the capital structure.

The Board of Directors monitors the net loans and borrowings to OIBDA ratio. Since these are not IFRS measures, the Group's definition of OIBDA and net borrowings may differ from that of other companies. The Group's net borrowings to OIBDA ratio was as follows:

	2021	2020
Net loans and borrowings	768,882	610,268
OIBDA	278,127	229,896
Net loans and borrowings to OIBDA ratio	**2.76**	**2.65**

The Group is subject to certain externally imposed capital requirements and restrictions that are incorporated into the management of capital.

(amounts in millions of Russian Rubles, unless otherwise stated)

MTS Bank – The CBR requires that banks comply with the minimum capital adequacy ratio of 8% calculated based on statutory standalone financial statements. MTS Bank met the requirements established by the CBR. As of 31 December 2021 and 2020, MTS Bank's capital adequacy ratio was 12.54% and 12.82% respectively.

Financial risk management objectives – The Board of Directors has overall responsibility for the establishment and ongoing management of the Group's risk management framework, and the implementation and operation of the Board's policies are handled by the Management Board.

The Management Board monitors and manages the financial risks relating to the operations of the Group through internal management reports, which analyses exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), liquidity risk and credit risk.

Foreign currency risk – Foreign currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies and is primarily exposed to the US Dollar and Euro.

The Group manages its net exposure to foreign exchange risk by balancing both financial assets and financial liabilities denominated in Russian Ruble, US Dollar and Euro and by using certain derivative instruments (Note 32).

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (excluding hedged items) at the year-end are as follows:

	Liabilities		Assets	
	2021	**2020**	**2021**	**2020**
US Dollar	63,395	63,451	34,497	46,968
Euro	39,940	51,432	5,081	8,607

The table below details the Group's sensitivity to the strengthening of the US Dollar and Euro against the Russian Ruble. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis was applied to monetary items at the year-end denominated in the respective currencies.

	Increase in US Dollar and Euro	Decrease in profit before tax
2021	50%	31,879
2020	30%	17,792

The effect of a corresponding strengthening of the Russian Ruble against the US Dollar and EUR is equal and opposite.

Interest rate risk – Interest rate risk arises from the possibility that changes in interest rates will affect finance costs. The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings and by using certain derivative instruments (Note 32).

(amounts in millions of Russian Rubles, unless otherwise stated)

A change of floating rates by 1% applied to the borrowings (excluding hedged items) would result in an increase in the Group's future interest expense by RUB 1,786 million.

Fixed rate loan agreements often stipulate creditor's right to increase interest rates under certain circumstances, including increase of the key rate of the Central Bank of Russia. Therefore, in addition to the effect from changes in floating interest rates, the Group is also exposed to interest rate risk arising from these agreements.

Other price risks – Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. These changes may be caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The sensitivity analysis below has been determined based on the exposure to price risks at the end of the reporting period. Sensitivity analysis was prepared on pre-tax basis.

If prices of securities as of the year-end had been higher/lower:

	Change in prices	Profit before tax increase	Other comprehensive income increase
2021	30%	10,282	2,828
2020	30%	9,311	3,309

The effect of a corresponding decrease in prices of securities is equal and opposite.

Liquidity risk – Liquidity risk is the risk that the Group will not be able to settle all its liabilities as they fall due.

The Group's liquidity position is monitored and managed at the level of operating segments. The Group manages liquidity risk by continuously monitoring forecasted and actual cash flows, by matching the maturity profiles of financial assets and liabilities and by maintaining available credit facilities.

As of 31 December 2021, the schedule of repayments of financial liabilities (except for lease liabilities, presented in Note 26) of the Group for the next five years and thereafter was as follows:

	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years
Loans and borrowings	209,254	167,881	173,355	170,957	83,574	45,744
Accounts payable	132,353	-	-	-	-	-
Bank deposits and liabilities	225,795	11,728	2,513	1,675	839	-
Other financial liabilities	32,036	10,383	-	1,857	3,732	-
Total financial liabilities	**599,438**	**189,992**	**175,868**	**174,489**	**88,145**	**45,744**

For day-to-day liquidity requirements the Group had unused credit facilities of RUB 485,128 million as 31 December 2021 (31 December 2020: RUB 428,363 million).

Credit risk – Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group is exposed to credit risks on cash and cash equivalents, deposits, derivatives and certain other financial instruments with financial institutions, loans and receivables carried at amortised cost and debt securities.

(amounts in millions of Russian Rubles, unless otherwise stated)

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.

Financial assets in financial institutions – the Group maintains mixture of cash and cash equivalents, deposits, derivatives and certain other financial instruments in financial institutions. These financial institutions are located in different geographical regions and the Group's policy is designed to limit exposure to any one institution. As part of its risk management processes, the Group performs periodic evaluations of the relative credit standing of the financial institutions.

As of 31 December 2021 and 2020, the Group has a significant cash balances, cash equivalents and deposits in the following financial institutions:

	31 December 2021	**31 December 2020**
The Central bank the Russian Federation	9,721	16,304
The Central bank of Luxemburg	10,902	9,240
VTB	10,430	17,797
Sberbank	1,745	10,673
Total	**32,798**	**54,014**

Bank loans to customers and interbank loans due to the banks – MTS Bank performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. 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. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical segments.

Other loans and receivables carried at amortised cost – Concentrations of credit risk with respect to loans and trade receivables are limited given that the Group's customer base is large and unrelated. Management believes there is no further credit risk provision required in excess of ECL allowance.

32. DERIVATIVE INSTRUMENTS

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 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.

Gain and losses from changes in the fair value are recorded immediately in profit or loss.

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

Cross-currency interest rate swap agreements – The Group has entered into several cross-currency interest rate swap agreements. The contracts are designated to manage the exposure to changes in currency exchange rate. The contracts assumed periodic exchange of principal and interest payments from RUB-denominated amounts to USD- and Euro-denominated amounts at a specified rate. The 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 to changes in currency exchange rate for 65% of the Group's bank loans denominated in USD and EUR outstanding as of 31 December 2021 (2020: 43%).

The notional amounts related to currency derivative instruments amounted to RUB 39,788 million and 29,663 million as of 31 December 2021 and 2020 respectively.

The Group has entered into currency forward and swaps agreements to minimize the foreign currency risk exposure for operating activities. 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 31 December 2021 and 2020, the Group recognised loss RUB 83 million and RUB 1,136 million gain in the consolidated statement of profit or loss for the 2021 and 2020, respectively.

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

Fixed-to-variable interest rate swap agreements – The Group's notes and bank loans denominated in Russian Rubles bear primarily fixed interest rates. To eliminate the exposure to changes in fair value of debt obligations, the Group enters into fixed-to-variable interest rate swap agreements. In aggregate the Group entered into fixed-to-variable interest rate swap agreements designated to manage the exposure to changes in value of the debt related to 6% of the Group's notes and bank loans with fixed rates outstanding as of 31 December 2021 (2020: 5%).

The notional amounts related to interest rate derivative instruments amounted to RUB 39,788 million as of 31 December 2021 (2020: RUB 29,663 million).

(amounts in millions of Russian Rubles, unless otherwise stated)

33. FAIR VALUES

The following fair value hierarchy table presents information regarding Group's financial assets and liabilities measured at fair value on a recurring basis at 31 December 2021 and 2020. Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. Level 1 classification comprises financial instruments where fair value is determined by unadjusted quoted prices in active markets for identical assets or liabilities that the Group can access at the measurement date; Level 2 – from inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; Level 3 – from unobservable inputs.

	31 December 2021				31 December 2020			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets								
At fair value through other comprehensive income	11,782	-	1,022	12,804	13,789	-	768	14,557
Contingent consideration asset related to the sale of business	-	-	1,867	1,867	-	-	2,631	2,631
At fair value through profit	-	-	-	-	-	-	-	
or loss	34,274	11,974	38,330	84,578	31,035	14,587	29,349	74,971
	46,056	**11,974**	**41,219**	**99,249**	**44,824**	**14,587**	**32,748**	**92,159**
Financial liabilities								
Derivative instruments	-	(4,150)	-	(4,150)	-	(943)	-	(943)
Contingent considerations	-	-	(188)	(188)	-	-	(1,067)	(1,067)
Liabilities under put option agreements	-	-	-	-	-	-	(55)	(55)
	-	**(4,150)**	**(188)**	**(4,338)**	**-**	**(943)**	**(1,122)**	**(2,065)**

The fair value of financial assets and liabilities categorised into Level 3 is primarily measured using the discounted cash flows technique. The unobservable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and jurisdiction in which the investee operates.

(amounts in millions of Russian Rubles, unless otherwise stated)

There were no changes made during the year to valuation methods or the processes to determine classification and no transfers were made between the levels in the fair value hierarchy. Carrying value of the Group's financial instruments accounted for at amortised cost approximates their fair value due to their short-term nature and market interest rates, except for borrowings as disclosed in the table below:

	31 December 2021		31 December 2020	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Loans and borrowings	850,765	839,849	723,961	734,919

The table below presents the change in fair value of financial assets and liabilities of Level 3 as of 31 December 2021 and 2020.

	Liabilities under put option agreements	**Other financial assets**	**Other financial liabilities**	**Total**
Balance as of 1 January 2020	**(73)**	**19,560**	**(907)**	**18,580**
Total gains/(losses):				
- in profit or loss	53	9,909	(68)	9,894
- in other comprehensive income	-	2,746	-	2,746
Reclasses to other categories	-	(97)	-	(97)
Disposals	-	(1,217)	-	(1,217)
Repayments	-	(112)	-	(112)
Purchases	(35)	1,959	(92)	1,832
Balance as of 31 December 2020	**(55)**	**32,748**	**(1,067)**	**31,626**
Total gains/(losses):				
- in profit or loss	55	18,996	392	19,443
- in other comprehensive income	-	(650)	-	(650)
Reclasses to other categories [1]	-	(10,085)	-	(10,085)
Disposals	-	(3,194)	-	(3,194)
Repayments	-	(880)	487	(393)
Purchases	-	4,284	-	4,284
Balance as of 31 December 2021	**-**	**41,219**	**(188)**	**41,031**

[1] The principal amount is represented by the reclassification of financial instruments in respect of non-controlling interests to other financial liabilities after obtaining the control over Binnopharm Group (Note 6).

During 2021 and 2020, unrealized gains or losses were not recognised as a result of the assessment of Level 3 liabilities at fair value.

(amounts in millions of Russian Rubles, unless otherwise stated)

34. RELATED PARTY TRANSACTIONS

The Group has a number of related parties including its controlling shareholder and entities under common control, associates and joint ventures, and key management personnel.

Trading transactions – The Group's trading transactions with related parties that are not members of the Group comprise sales and purchases of goods and services in the normal course of business. The counterparties for these transactions are predominantly associates and joint ventures.

During the year ended 2021 sales to related parties comprised RUB 1,634 million (2020: RUB 1,234 million), purchases from related parties comprised RUB 5,554 million (2020: RUB 6,642 million). As of 31 December 2021, trade balances receivable from and payable to related parties comprised RUB 6,935 million and RUB 1,936 million, respectively (31 December 2020: RUB 5,626 million and RUB 2,083 million). Bank loans to related parties as of 31 December 2021 are amounted to RUB 4,665 million (31 December 2020: RUB 4,195 million). Debt obligations to related parties as of 31 December 2021 are RUB 8,016 million (31 December 2020: RUB 5,785 million).

Dividends received – In 2021, the Group received dividends from MTS Belarus in the amount of RUB 4,034 million (2020: RUB 4,212 million), Etalon Group in the amount of RUB 1,076 million (2020: 905 million) and Detsky mir in 2020 in the amount of RUB 452 million.

Financial transactions – The Group's financial transactions with related parties primarily comprise loans, deposits and other debt instruments issued to or by the Group entities. At 31 December 2021 and 2020, amounts owed by or to related parties under such arrangements are as follows:

	Amounts owed by related parties		Amounts owed to related parties	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Controlling shareholder and entities under common control	31,143	20,919	26,897	30,483
Key management personnel	-	-	5,392	5,482
Other related parties	-	-	11,859	5,090

Finance costs related to such transactions with related parties and recognised in the consolidated statement of profit or loss in 2021 amounted to RUB 1,171 million (2020: RUB 1,494 million).

Turnover from other financial transactions with related parties for the twelve months ended 31 December 2021 amounted to RUB 3,496 million (2020: RUB 9,184 million).

Compensation of key management personnel – In 2021 and 2020, the aggregate compensation for key management personnel, being the members of the Company's Board of Directors and Management Board was as follows:

	2021	2020
Short-term benefits	4,643	3,507
Share-based payments	1,486	2,857
	6,129	6,364

(amounts in millions of Russian Rubles, unless otherwise stated)

35. SUBSIDIARIES

Details of the Group's most material subsidiaries at the end of the year are as follows:

Significant entities	Short name	Principal activity	Beneficial ownership as of 31 December 2021	Beneficial ownership as of 31 December 2020
Mobile TeleSystems PJSC	MTS	Telecommunications	50.58%	50.02%
Medsi Group JSC	Medsi	Healthcare services	95.49%	95.49%
Bashkirian Power Grid Company JSC	BPGC	Energy transmission	90.96%	90.96%
Segezha Group JSC	Segezha Group	Pulp and paper	62.17%	98.33%
Agroholding Steppe JSC	Steppe	Agriculture	91.26%	92.82%
Binnopharm Group LLC	Binnopharm Group	Pharmaceuticals	75.32%	n/a

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Principal place of business	Profit/(loss) allocated to non-controlling interests 2021	Profit/(loss) allocated to non-controlling interests 2020	Accumulated non-controlling interests 2021	Accumulated non-controlling interests 2020
MTS	Russia	31,633	30,672	4,286	13,601
Segezha Group	Russia	3,229	(22)	17,015	132

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations. The consolidated financial information presented below is indicative of pre-exclusion of intra-group transactions.

(amounts in millions of Russian Rubles, unless otherwise stated)

	MTS		Segezha Group	
	2021	2020	2021	2020
Current assets	263,299	262,354	56,319	24,535
Non-current assets	752,518	656,849	152,991	64,883
Total assets	**1,015,817**	**919,203**	**209,310**	**89,418**
Current liabilities	473,364	328,614	73,222	16,516
Non-current liabilities	527,851	557,899	89,896	64,033
Total liabilities	**1,001,215**	**886,513**	**163,118**	**80,549**
Equity attributable to shareholders of Sistema	5,480	15,100	29,150	8,609
Non-controlling interests	9,123	17,590	17,041	259
Revenue	534,403	494,926	92,442	68,987
Expenses	(470,134)	(432,852)	(77,205)	(70,335)
Profit for the year	**64,269**	**62,074**	**15,237**	**(1,348)**
Profit attributable to shareholders of Sistema	31,840	30,741	12,041	(1,324)
Profit attributable to the non-controlling interests	32,429	31,333	3,196	(24)
Other comprehensive income attributable to shareholders of Sistema	605	822	140	952
Other comprehensive income attributable to the non-controlling interests	592	822	-	-
Other comprehensive income for the year	**1,197**	**1,644**	**140**	**952**
Total comprehensive income attributable to shareholders of Sistema	32,445	31,563	12,181	(372)
Total comprehensive income attributable to the non-controlling interests	33,021	32,155	3,196	(24)
Total comprehensive income for the year	**65,466**	**63,718**	**15,377**	**(396)**

	MTS		Segezha Group	
	2021	2020	2021	2020
Dividends accrued to non-controlling interests	30,747	25,935	2,493	75
Net cash inflow from operating activities	142,579	155,507	13,092	14,734
Net cash outflow from investing activities	(116,165)	(81,133)	(50,497)	(12,925)
Net cash (outflow)/inflow from financing activities	(71,214)	(27,360)	46,154	(1,623)
Net cash (outflow)/inflow	**(44,800)**	**47,014**	**8,749**	**186**

36. NON-CASH TRANSACTIONS

The Group entered into the following non-cash investing and financing activities, which are not, reflected in the consolidated statements of cash flows:

	2021	2020
Additions to the assets leased	29,393	17,954
Offsetting of counter-obligations	-	13,532
Capital expenditure liabilities	5,402	12,701
Employee benefits	7,045	3,933
Fair value of the equity consideration of a subsidiary	-	2,625
Deferred payment	26,579	-

Information on non-cash acquisitions of subsidiaries is disclosed in Note 6.

(amounts in millions of Russian Rubles, unless otherwise stated)

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

				Non-cash changes				
	1 January 2021	Cash flows from financing activities (i)	Cash flows from operating activities (ii)	Disposal/ acquisition of subsidiaries (Note 5, 6)	Currency exchange	Changes in equity	Other changes (iii)	31 December 2021
Loans and borrowings	723,961	111,514	-	20,376	(2,243)	-	(2,843)	850,765
Capital transactions of subsidiaries	-	31,680	-	-	-	(35,466)	3,786	-
Lease liability	165,574	(19,682)	(13,269)	12,174	(8)	-	43,048	187,837
Dividends payable	3,326	(35,557)	-	-	-	37,489	-	5,258
Other financial liabilities	7,476	(21,197)	-	44,916	-	5,425	11,385	48,005
Total	**900,337**	**66,758**	**(13,269)**	**77,466**	**(2,251)**	**7,448**	**55,376**	**1,091,865**

				Non-cash changes				
	1 January 2020	Cash flows from financial activities (i)	Cash flows from operation activities (ii)	Disposal/ acquisition of subsidiaries (Note 5, 6)	Currency exchange	Changes in equity	Other changes (iii)	31 December 2020
Loans and borrowings	620,870	93,787	-	(1,477)	16,078	-	(5,297)	723,961
Capital transactions of subsidiaries	-	(8,288)	-	-	-	7,864	424	-
Lease liability	165,625	(17,094)	(13,828)	1,795	1,529	-	27,547	165,574
Liability under agreement with Rosimuchestvo	7,232	(8,487)	-	-	1,285	-	(30)	-
Dividends payable	15,569	(39,661)	-	-	-	27,418	-	3,326
Other financial liabilities	6,995	-	-	-	-	(279)	760	7,476
Total	**816,291**	**20,257**	**(13,828)**	**318**	**18,892**	**35,003**	**23,404**	**900,337**

(i) The cash flows from bank loans, loans from related parties and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the consolidated statement of cash flows.

(ii) The cash flows are represented by lease liability interest paid.

(iii) Other changes include new lease agreements, interest accruals and newly recognized other financial liabilities.

(amounts in millions of Russian Rubles, unless otherwise stated)

38. CONTINGENCIES AND COMMITMENTS

Capital commitments – A capital commitment is a contractual obligation for future payments mainly for the acquisition of network infrastructure. These amounts are not recorded in the consolidated statement of financial position since the Group has not yet received goods or services from suppliers. As of 31 December 2021, the Group had capital commitments of RUB 104,616 million (31 December 2020: RUB 78,797 million), relating to the acquisitions of property, plant and equipment.

Guarantees – As of December 31, 2021, MTS-Bank and EWUB acted as guarantors for loans received by several companies in the amount of RUB 16,172 million (31 December 2020: RUB 23,774 million), and also had commitments to provide loans under open credit lines in the amount of RUB 37,327 million (31 December 2020: RUB 24,206 million). The Group will be required to make payments under these guarantees only if the respective debtors fail to meet their payment obligations. These guarantees would require payment by the Group in the event of default on payment by the respective debtor. Such guarantee contracts issued by the Group are initially measured at their fair values and are subsequently measured at the higher of the amount of the expected credit losses allowance, and the amount initially recognised less, where appropriate, cumulative income recognised in accordance with the revenue recognition policies.

Telecommunication licenses – The management believes that as of 31 December 2021, the Group is in compliance with conditions of the used licenses.

Restriction on transactions with the shares of BPGC – In 2014, in the course of litigation, which the Group is not a party to, the court imposed restrictions on transactions with the shares of BPGC owned by the Group. The restrictions do not limit the Group's voting rights, rights to receive dividends or any other shareholders rights.

Taxation – Russian legislation on taxation for business purposes continues to change rapidly. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by tax authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the tax authorities in respect of taxes for three calendar years preceding the year of tax audit. Under certain circumstances, reviews may cover longer periods. Management believes that it has provided adequately for tax liabilities in accordance with its interpretations of the Russian tax legislation. However, the tax authorities may have different interpretations, and the effects on the consolidated financial statements could be significant.

Where uncertainty exists, the Group has accrued tax liabilities as management's best estimate of the probable outflow of resources, which will be required to settle such liabilities. 31 December 2021, provisions for additional taxes and customs settlements comprised RUB 414 million (31 December 2020: RUB 1,216 million).

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

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

In accordance with the rules on controlled foreign companies, undistributed profits of the Group foreign subsidiaries, qualifying as controlled foreign companies, should be included in the income tax base of the controlling entities in particular cases.

Operating Environment – Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

Due to the deterioration of the geopolitical situation since February 2022 the EU, the US, the UK and several other countries have introduced significant new sanctions and export controls on certain Russian individuals and entities. These include, among other things, restrictions targeting a number of large Russian financial institutions and the Central Bank of Russia, several companies and individuals, and technology export controls.

Changes in these matters are highly unpredictable, occur quickly and often without warning, and are largely beyond the control of the Group.

The Group is currently assessing its currency, interest rate, credit and other market risks.

Current and future risks include, but are not limited to, the risk of limitation and complete closure of access to capital markets and the possibility of obtaining financing on commercially reasonable terms, the risk of decrease of fair value of financial assets, the risk of restrictions on the import of certain equipment and software and the export of finished products, as well as the risk of further depreciation of the Russian ruble against other currencies, which could adversely affect the Group's investment program as a significant portion of its capital expenditures are closely linked to foreign currencies. In addition, an increase in the interest rate by the Central Bank of Russia, which raised the key rate to 20%, will increase the cost of financing the Group. Violation of financial and non-financial covenants stipulated by loan agreements of the Group may result in banks' demand of accelerated repayment of existing loans. The Group's management regularly analyzes the implementation of covenants. To date, the Group's covenants stipulated by loan agreements have not been violated.

The negative impact on the Russian economy is likely to increase the credit risk of many customers, leading to the need to recognize a significant additional amount of expected credit losses. However, it is currently not possible to quantify the corresponding financial effect.
The operations of MTS Bank, a company of the Group, are subject to risks that affect the ability of borrowers to repay amounts due to the Group, which may depend on the overall macroeconomic and business environment. Unfavorable changes in economic conditions could lead to a deterioration in the value of collateral for loans and other liabilities.

The above events require the business of the Group to adapt to a changing operating environment, characterized by significant uncertainty and having a significant impact on the Group and its operations. The actual future operating environment and its impact on the Group may differ from the management's current expectations. The management of the Group is currently assessing the possible impact of the above events and is taking all necessary measures to ensure the sustainability of the Group's operations.

Starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation evolves rapidly, COVID-19 could significantly impact the operations of many companies in various sectors of the economy, including but not limited to disruption to operations due to production suspensions or closures, supply chain disruptions, staff quarantines, reduced demand, and difficulties in obtaining funding. Therefore, the Group may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Group’s business largely depends on the duration and the incidence of the pandemic effects on the world and Russian economy.

Legal proceedings – In the ordinary course of business, the Group is a party to various legal proceedings, and subject to claims, certain of which relate to the developing markets and evolving regulatory environments in which the Group operates. At 31 December 2021, management estimates the range of possible losses, if any, in all pending litigations or other legal proceedings being up to RUB 5,681 million.

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 economic entities with state participation in comparison with the conditions established for economic entities without state participation in the authorized capital. In addition, the FAS Russia saw in the actions of MTS PJSC signs of establishing a monopoly high price for bulk SMS services.

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 31 December 2021 it has adequately provided for claims related to SMS pricing.

Investigation into former operations in Uzbekistan – In March 2019, MTS 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 31 December 2021 MTS 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, MTS has agreed to a one-year extension of the DPA and the monitorship with the DOJ and the SEC to provide the Group with adequate time to implement necessary enhancements to certain critical components of its anti-corruption compliance and ethics program and allow the monitor sufficient time to be able to complete its review of the remedial efforts, including the MTS's implementation of the monitor's recommendations and an assessment of the sustainability of the MTS'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 MTS'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 MTS has initiated an investigation into the matter. It's currently impossible to predict the timing or outcome of the investigation.

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

***Litigation related to operations in Turkmenistan* -** In September 2017, the MTS'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 MTS 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.

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. In 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. The appeal is pending. It's currently impossible to predict the outcome of the litigation.

License fee and spectrum charges for 2002-2011 in India – In December 2019, SSTL received the Supreme Court of India judgment regarding license fee and spectrum charges for 2002-2011 in accordance with the definition and interpretation of Annual Gross Revenue (AGR) approved by the Supreme Court of India. The company calculated immaterial amount to be paid based on the aforementioned definition of AGR and considering the scheme of demerger with RCOM (which is currently undergoing bankruptcy procedures) of 2017. This amount was paid in February 2020. The Group does not expect any significant effect of this matter on the consolidated financial statements of the Group.

Commitment to provide equity financing for Real hypermarkets acquisition – In February 2020, the Group entered into an equity commitment agreement to provide financing in the amount of up to EUR 263 million in connection with the acquisition by a group of purchasers managed by SCP Group SARL, related party of the Group, of the German hypermarket chain Real from Metro AG and its subsidiaries (hereinafter – the "Transaction"). The Transaction was completed in June 2020, whereas the aforementioned equity financing in the amount of EUR 263 million, was provided by a group of investors (hereinafter – the "Investors"). Based on the terms of agreements with the Investors, upon completion of the Transaction the Group does not have any outstanding material exposure associated with the financing of the Transaction including material obligations towards the Investors in relation to guaranteed return of their respective investments, and, therefore, is neither exposed to significant risks nor entitled to significant rewards associated with the financing of the Transaction. As a result, no significant financial assets and/or financial liabilities related to the Transaction have been recognised on the Group's balance sheet as of 31 December 2020. Upon completion of the Transaction, Group's commitments entered into in February 2020 were fully discharged.

39. SUBSEQUENT EVENTS

Ozon – Due to sanctions imposed by the US, the EU and other countries against Russia, on 8 March 2022, a delisting event occurred for the company's USD 750 million bonds with a 1.875% coupon maturing in 2026. Subject to the terms of the bonds, bondholders are entitled to require the Company to repay principal and accrued interest on the bonds on the date that is fourteen New York Business Days following the 60-day period from the later of the date of the Delisting Event or the date of notification of it to bondholders. As a result of the measures introduced by Russia to control the movement of capital, the ability of the Russian subsidiaries of the company to transfer funds to the Cypriot holding company, which is the issuer of bonds, may be limited. The company is currently developing an offer to bondholders in connection with the Delisting Event.

Placement of ruble-denominated bonds – On 26 January 2022, Segezha Group placed fifteen-year exchange-traded bonds series 002P-03R for a total amount of RUB 9 billion on the Moscow Exchange with a coupon of 10.9% per annum and maturity period of 2 years. The funds received from the placement were used to pay off the debt on the acquisition of Inter Forest Rus LLC and its subsidiaries.

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. The purchase price constitutes a cash payment of RUB 3.8 billion to a third party, transfer of the non-controlling stake in one of the Group's subsidiaries for RUB 0.7 billion and contingent consideration of RUB 0.6 billion. Contingent consideration is based on certain performance criteria for the periods starting 2022 and ending 2024.

MTS President increases ownership stake – On 24 March 2022 Vyacheslav Nikolaev acquired 19,983,816 ordinary shares of MTS owned by Bastion LLC, a wholly owned subsidiary of MTS. With the transfer of shares to Mr Nikolaev, his stake in MTS increased to more than 1% of outstanding share capital of the company. Following the transfer, the aggregate stake of Sistema and its subsidiaries in MTS (including ordinary shares and ADRs) has remained unchanged at 42.085%, as Sistema and its subsidiaries were not a party to the transaction. At the same time, since the shares were transferred from those held by MTS's wholly-owned subsidiary Bastion LLC, the transaction has resulted in a decrease of the Group's effective stake in MTS to 49.94%. Accounting consequences of this change in ownership is still being assessed.

Sale of stake in Sistema Finance Holdings S.A. – On 24 March 2022, the Group sold 90% of the shares of Sistema Finance Holdings S.A. to a third party. Accounting consequences of this change in ownership is still being assessed.